

	<b>Equity</b>	<b>Debt</b>	<b>Convertible Debt</b>	<b>Alternative Financing</b>
Is it easy to set up?	Pretty easy, but some formalities involved.	Very easy. This is a simple loan and can be as straightforward as a promissory note.	A bit more complicated, but depending on the company, can actually be easier because you don't have to value the company (see below).	The application and time can be relatively onerous, depending on your experience with grant application writing.
Does it take cash from the company?	No. This is probably the number one reason this option is used so often for a start-up.	Yes. The company has to pay back the loan.	Yes...and no. The company has to pay back the loan, but once the debt is converted to equity, it acts like equity.	No. The company has to devote time and energy to the effort, but little cash.
I think I'll need venture financing down the road. Is this a good option?  <i>Note: The opinions about the answers here vary considerably!</i>	Perhaps. It's early to accurately value the company, so you can risk establishing a precedent that can adversely affect the VC funding. On the other hand, many VC investors do not like debt, so equity can give them some comfort.	Perhaps. Depending on the terms of the loan, this type of financing can ensure that you have significant flexibility with the equity structure of the company, but VC investors hate debt.	Probably. Depending on the terms, this investment anticipates that you will bring further investors in, so it can often mesh well with VC funding.	Absolutely. A government grant can lend credibility to the company, and this is "free" money.
Do I need to know my company's worth to get this financing?	Yes. This can be problematic for early stage companies.	No. This is very flexible.	No. The valuation of the company will come later, when the debt is converted. Of course, some investors in convertible debt will want to know the value of the company before they invest.	No.
Will it create a conflict of interest between early stage investors and the company?	No. The company and the early stage investors will both want a high value placed on the stock.	No, other than the typical conflicts between lenders and borrowers.	Perhaps. Depending on the terms of the convertible debt, the investors could actually want a lower valuation placed on the company because the lower the stock value, the more stock they get in the conversion.	No.
Will I lose control of my company?	Very likely.	No.	Probably not (at least until the debt converts to equity).	No.
Will I have to spend a lot on lawyers to set it up?	Yes. This requires a complicated set of documents.	No, relative to equity.	No, relative to equity.	No.
Will it take me a lot of time to set up?	Perhaps.	No.	No.	Somewhat.