AJENE WATSON, LLC

A FREE GUIDE FOR OTC FOUNDERS & DEVELOPMENT-STAGE EXECUTIVES

FIVE MISTAKES

5

That Are Quietly Killing Your Ability to Raise Capital

The nuances that hold OTC companies back - from 18+ years of working inside development-stage firms.

- Why IR silence is read as bad news - even when business is strong
- The convertible note clause that starts death spirals
- OTC Markets current information status - and what happens when it lapses
- The hidden cost of going public before you're operationally ready
- The difference between a quiet cap table and a clean one

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INTRODUCTION

Most OTC companies don't have a capital problem.

Most of the companies I work with don't have a capital problem.

They have a presentation problem. A structure problem. A communication problem. And by the time they realize it, they've already had six conversations with investors that went nowhere - and they have no idea why.

After 18 years in this market, I've seen the same mistakes made by otherwise capable management teams. The frustrating part is that none of them are obvious. They don't show up in your financials. They don't trigger a legal notice. They just quietly close doors until one day the doors stop opening.

Here are the five I see most often.

MISTAKE 01

Treating Investor Relations as a Fundraising Tool

01

Most development-stage companies only think about investor relations when they need money. That's the mistake.

By the time you pick up the phone to call an investor, a relationship either exists or it doesn't. If it doesn't exist yet, you're not having a fundraising conversation - you're having a first introduction. And first introductions don't close rounds.

The companies that raise capital consistently are the ones communicating quarterly whether they need money or not. Progress updates. Market context. Honest assessments of where the business is. Not a pitch - a relationship.

The silence between raises isn't neutral. Investors in the OTC market interpret silence as a signal. What they hear isn't 'management is focused.' What they hear is 'something is wrong and they're not telling us.'

IR is not a fundraising tool. It's the infrastructure that makes fundraising possible when the moment comes.

> *"Silence isn't neutral. In the OTC market, it's a sell signal."*

MISTAKE 02

Signing a Convertible Note Without Modeling It Forward

02

Founders read the headline - 20% discount, 8% interest, 12-month term - and sign. What they don't read closely enough is the look-back provision.

Most OTC convertible notes don't convert at the market price on the day of conversion. They convert at a discount to the lowest closing price over the preceding 60 or 90 days. In a stable market, the difference is minor. In a volatile OTC stock, the difference can be catastrophic.

Here's what actually happens:

-> Stock dips. Lender converts at a deeper discount than anyone modeled.
-> New shares flood the market. The stock drops further.
-> Lender converts again - at an even steeper discount.
-> Repeat.

I have never seen a company survive a full death spiral. Not once. And in almost every case, the note that triggered it was signed without anyone running the math on what happens if the stock drops 30% in the first 90 days.

Know exactly what you're signing before you sign it.

> *"18 years in this market. I have never seen a company survive a death spiral. Not once."*

MISTAKE 03

Not Knowing Your OTC Markets Current Information Status

03

OTC Markets Group maintains something called current information status for every company quoted on their platform. It reflects whether your company is current on its disclosure obligations - financial statements, company information, basic reporting. When that status is current, broker-dealers can quote your stock. When it lapses, they can't.

Most founders assume their stock trades because it traded last month. They don't realize current information status can lapse without a single legal notice, without anyone calling them, and sometimes without anyone noticing until an investor tries to buy shares and can't.

A lapsed status doesn't mean the business is broken. It means the market can't access the business. And in the OTC market, a stock that can't be traded has no price discovery, no liquidity, and no story that investors can act on.

Check your status at OTCMarkets.com. If it's anything other than Current, that's the first thing to fix.

> *"The market can't trade what it can't see."*

MISTAKE 04

Going Public Before the Infrastructure Is Ready

04

Going public is not a fundraising event. It's the beginning of a set of ongoing obligations that most development-stage companies are not operationally ready for.

Audit requirements. Transfer agent relationships. SEC disclosure timelines. Quarterly reporting cadence. IR infrastructure. Legal review of every material communication. These are not one-time setup costs - they're recurring operational expenses that begin the moment your stock is quoted.

The companies that struggle most after going public are the ones that spent everything getting there and have nothing left to sustain what being a public company actually requires. They went public to raise capital and now they're spending capital just to stay compliant.

The right question before going public isn't 'can we get listed?' It's 'do we have the infrastructure to operate as a public company for 18 months before a meaningful raise?' If the honest answer is no, the timing isn't right yet.

> *"Going public too early is one of the most expensive mistakes a development-stage company can make."*

MISTAKE 05

Confusing a Quiet Cap Table With a Clean One

05

A quiet cap table and a clean cap table are not the same thing.

Founders sometimes describe their capital structure as 'simple' because nothing dramatic has happened - no lawsuits, no disputes, no defaults. But outstanding convertible notes with floating conversion provisions that haven't been modeled, or a shareholder base with no documented investment agreements, aren't simple. They're quiet.

The difference matters when an investor runs due diligence. Sophisticated capital in the OTC market reviews your full capital structure before making a decision. They model dilution. They look at outstanding obligations. They read the note agreements. If what they find doesn't match what management told them - even unintentionally - the conversation ends there.

Before any raise conversation, model your cap table forward. Account for every outstanding note at multiple conversion scenarios. Know exactly what the fully diluted share count looks like under the best case, the base case, and the stress case. If you can't speak to those numbers with confidence, the investor will draw their own conclusions.

> *"Your competitor didn't kill your company. Your cap table did."*

THE COMMON THREAD

The companies that raise aren't always the best-run. They're the best-communicated.

None of these are fatal on their own. Most of them are fixable.

But they accumulate quietly, and by the time they show up in a failed raise, founders have spent months chasing capital for reasons they don't understand.

The companies that raise in this market aren't always the best-run. They're the best-communicated, the best-structured, and the most prepared for the questions that serious investors ask.

If any of this sounds familiar, that's where the work starts.

Want a second set of eyes on your IR approach?

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