Second Stage Startups

After being incubated by the founder(s) through the first round of investment, most companies launch their products or services and generate revenue. In reaching this stage, the business has demonstrated that it is a workable business entity. It has customers and satisfies them sufficiently with its products or services to keep them. The organization is still simple. The company may have a limited number of employees supervised by a sales or general manager. Neither of them makes major decisions independently, but instead carries out the rather specific orders of the owner(s). The major goal is still survival, and the owner is still synonymous with the business.

The key problem thus shifts from mere existence to acquiring market share (growth), the relationship between revenues and expenses, and the capacity to build an organization. The main issues are as follows:

- Has a sufficient market been identified within an industry or customer population and is there a validated market niche to be exploited?
- Are there barriers to entry that provide a strategic advantage? (Patents, Proprietary Processes, Secret Sauce, Sophisticated Equipment, Specialized Training)
- Can, at a minimum, enough cash flow be generated to stay in business and attract sufficient conventional financing to drive growth to create an attractive return on investment?
- In the near term, can enough cash flow be consistently generated above breakeven, continue to grow, begin to achieve cost reduction efficiencies, and cover the repair or replacement cost of capital assets as they begin to wear out?
- Does the bandwidth currently exist in house for systems development, strategic planning, cash forecasting, and profit maximization?

To successfully grow beyond survival and within an acceptable timeline third party equity infusion may likely be required to avoid marginal returns on invested time and capital.

Second Stage Startups have a need to expand their operations and invest in expensive marketing efforts to realize their goals and objectives that were the inertia for the company's initial existence. This investment also usually generates operational efficiencies of scale that dramatically improve ROI.

Owners of a Cardiff Lexington Second Stage Startup Subsidiary greatly mitigate risk to Investors over a diversified Cardiff Lexington portfolio. Second Stage Startups will comprise no more than 20% of the Cardiff Lexington portfolio of subsidiary companies. These companies must have exponential upside growth potential.

Our goal is to provide a form of governance enabling businesses to take advantage of the power of a public company without losing management control. Cardiff Lexington provides these companies the ability to raise money.

For Cardiff Lexington investors this growth potential is augmented by a diversified low risk environment protecting their investment across the remaining 80% mature proven diversified portfolio of wholly Cardiff Lexington subsidiary companies while maintaining also readily available liquidity option.