How to fundraise like the best Y startups

Prepare → **List** → **Approach** →

Reach Out → **Pitch** → **Negotiate** → **Close**

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Due diligence 1/2

Assuming one investor is leading the round, a due diligence will take place to validate all the assumptions.

Due diligence 2/2

The process will most likely involve a CTO to dig into the technology, accountants for the financials etc.

Valuation

Stop focusing on valuation, there are many other important terms: board seats, preferences etc.

Valuation 2/2

Remember that you have to catch up with it for your next round.

Many well-known companies have fallen victim of this trap.

Time

Also keep in mind that the more time you spend fund raising, the more your business suffers.

Find reasonable terms and move on!

Stacked convertibles

Be careful with using stacked convertible notes.

Talk to your lawyers to understand what those imply.

Board

Fight against having a board if you are pre-PMF.

Instead, opt for a monthly check-in call with your investors.

It is way more productive.

Governance

Negotiate what the executive team can decide without the board's approval e.g cap on one-time expenses etc.

Preferences

Do new investors get preferred stock, with a multiple?

Refuse anything above 1x!

Pro-rata

Opinions differ here.

You don't want a difficult investor to have too much equity on the long run.

Pro-rata

But keep in mind that the early investors are the ones taking the most risk and often end up being over diluted by late-stage rounds.

Options pool

Is a new pool created? What is its size? Can the executive team decide to distribute without the board's approval? Can the founders receive any?

Found this post useful?

Save it for later.