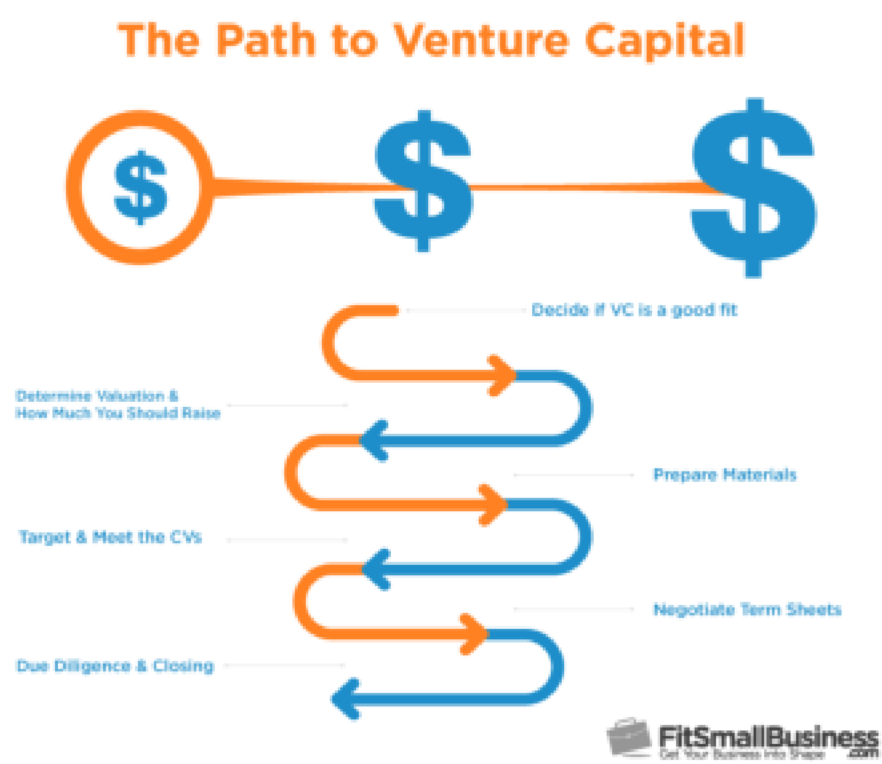
How to Raise Venture Capital Funding – The Ultimate Guide

Venture capital (VC) is the process of raising money from individuals and firms that invest in high growth, high risk companies. To compensate for higher risk, venture capital investors (VCs) expect a large return on their investment, higher than say a bank would expect. In addition, in exchange for their investment, VCs get partial ownership in your company, called equity, and some measure of control over decision-making.

Raising venture capital is a tough endeavor and isn't right for all companies. But if you're considering this route for raising money, read on to learn the answers to the questions below. We'll tell you everything you need to know about how to raise venture capital funding.

To successfully raise venture capital, you're going to need a stellar business plan. We highly recommend using LivePlan to create a business plan that will wow your investors. Click here to check it out.

Visit LivePlan



Am I a Good Fit for Venture Capital?

The first step in raising venture capital (VC) is making sure venture capital is right for your business. For many businesses and business owners it is not. Here are some questions you should ask yourself to assess if you're a good fit.

Am I willing to give up some control of my business?

A lot of businesses owners underestimate the fact that raising venture capital means selling part of your company (i.e. equity) to sophisticated investors. Most business owners are used to being able to call all of the shots. Raising venture capital means being answerable to other people. You will need to have a plan that makes sense to your new partners. You will need to report monthly results to investors. And you will have to answer to others if you fall short of company goals. It's possible you may lose control of your company depending on how your capital raise is structured and how well you perform.

(***Note***: in order to raise venture capital and have the ability to issue equity shares, you'll need to be organized as a C Corporation. Find out more about selecting a business structure here).

Is my business a high-growth business?

VCs need to see potential for high growth in an investment because they know that many of their investments will not actually achieve that potential growth. In fact 75% of venture investments don't return their investment to investors. So for VCs, every investment needs the possibility for a big return to make up for the losers.

If your business doesn't have a chance for high growth, and high returns for investors, it's a non-starter and venture capital is probably not right for you. High-growth isn't an exact term, but a common rule of thumb is 10 times growth for the first couple of years. For example, if you're doing $1 million in annual revenue now, you should have a shot at $10 million in annual revenue in a couple of years. If you want to see how the math works here is a good article explaining the math behind venture capital (warning: there's math involved).

Can I convince others to make the bet?

You may think your business is the next Google. That's great. But your enthusiasm alone doesn't mean others will buy into it. Venture capital investors will need proof that you're a good investment. Some things that you'll need to be able show include:

- My team, specifically the CEO, has the experience and know-how to build and grow the business.
- There is an opportunity in the market to change how people are currently doing something.
- The market is big enough to grow my startup into a large business.
- I can sell my product to my target market, against real competition.
- I can deliver on the value I'm promising my customers.
- The company has the ability to invest the new funds properly and scale operations rapidly.

For each of these points you need to show visible proof. A spreadsheet of projected sales is not proof that you can sell. Revenue or commitments to buy are. A plan to build and deliver a product is not proof. A working product in the hands of prospects or customers is proof. The more you can actually prove each of these points the more likely you can raise venture capital.

What if I can't answer yes to all of these questions?

It's okay if you can't answer yes to all of these questions. 99.95% of new businesses don't get venture funding. You may not be in a high-growth situation. Or you may need more time to develop your company. If that's the case, angel investment or a small business loan may be a better choice for your company. If you think you're not ready to convince a venture capital investor of the above points at least you'll know what you need to work on.

If you think you are ready to convince a VC you're an investment-grade company, then keep reading and we'll go through the specifics steps of how to raise venture capital.

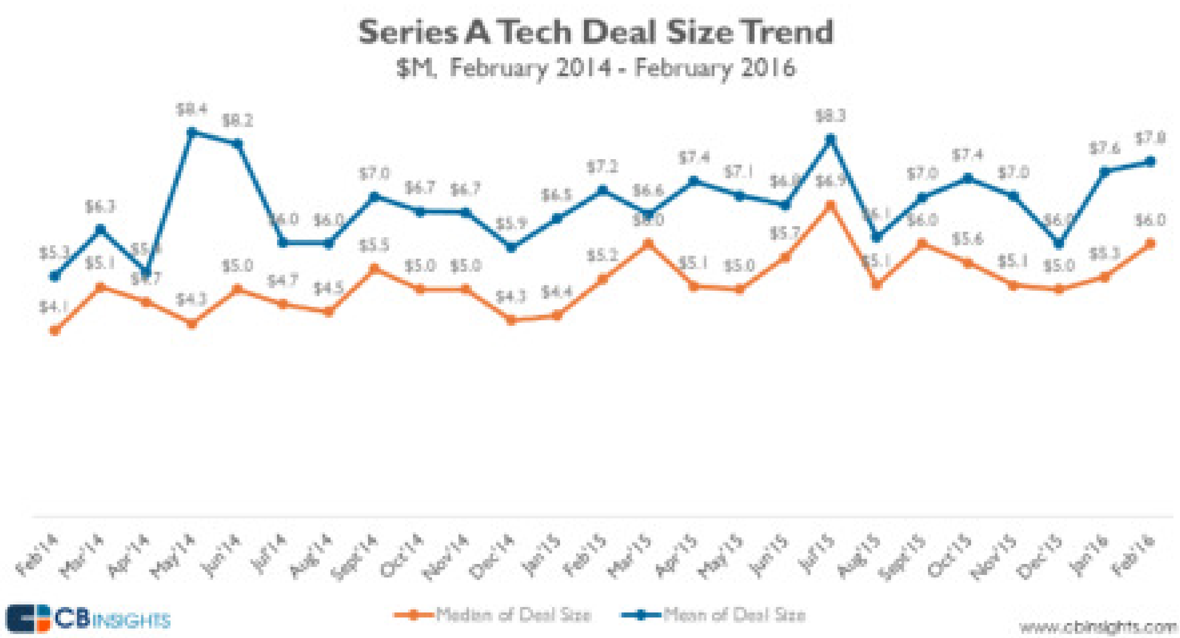
What's My Valuation & How Much Should I Raise?

If you're like most first timers, you're not going to like the answer to this question. Valuation of your business is largely out of your control when it comes to raising venture funding. Even if you get a professional appraiser to come and value your business or use statistical models to value your business, these may become irrelevant once you begin negotiating with VCs.

That being said, you can do some research and use financial models to figure out what might be in the realm of possibility for you to raise.

Keep in mind that valuation and the size of your venture round are interlinked. VCs tend to prefer to take a set percentage of a company, usually 20%. So if your valuation goes higher it will impact how money you will likely raise, and vice versa.

Valuation



Every company's worth is a unique calculation but is generally based on the following factors:

- Age of your company
- How fast you are growing
- Strength of the CEO
- Revenues and cash flow

- Patents
- Number of users

If you're already an established business with sales and revenue, estimating a valuation is possible using traditional methods. The three most common methods are:

- **Net Asset Valuation**. This method involves adding up the value of all of the assets on your balance sheet and subtracting any long-term debt you have on your books. This is usually not a great method for venture capital since investors are investing for growth so they are more interested in the future cash flows you can generate from your assets.
- **Profit Multiples**. Assuming your company is profitable you could use a multiple of your annual profit. The usual metric is EBITDA (Earnings Before Interest, Depreciation, and Amortization). However, the multiple is largely affected by the future growth of EBITDA, which can be highly speculative. A slow growing company might be 3x-5x EBITDA, but a fast growing company might be 10x EBITDA. Even if you get an EBITDA multiple by looking at other companies similar to your own which have raised venture capital, that multiple might not be right for your business if your growth forecast is different. Averages are not generally acceptable to investors since every company's situation is unique.
- **Discounted Cash Flow.** Discounted cash uses your projections for future cash flow and discounts them using interest rates to come up with a value. This method can also be tricky because of the highly speculative nature of forecasted cash flows.

If you want to learn more on traditional valuation methods here's an article on some of the math behind them.

At the end of the day, for most venture deals, traditional valuation methods aren't very useful. Every business is different so it's practically impossible to come up with a general formula for valuation. It can very difficult to find a multiple that will fit all the particulars of your situation, such as revenues, industry, team, risks, etc. As Paul Graham, founder of one of the world's leading startup incubators, Y Combinator, said, "When you raise money, what should your valuation be? The most important thing to understand about valuation is that it's not that important."

The real answer to the valuation question is that the value of your company is whatever the market will pay for it. Valuation is often a combination of how much a company needs, how much equity in their company they are willing to give up to get it, and how much the VCs are willing to pay for it. It's an output of the process, not an input.

How much should I raise?

How much money you should try to raise is determined by a number of factors including:

- **How much capital you can put to good use**
- **How far along your business is**
- **Valuation and dilution preference** (dilution is how much ownership in your business you will give up to new investors).

The less you raise, the less you need to give up. For instance if you want to raise $2 million dollars but don't want to sell more than 20% of your company, you'll need a valuation of $10 million or more. For initial rounds of venture capital, it's not uncommon for VCs to want to purchase at least 20% of your company.

In reality, while this may not be the answer you want to hear, how much you plan on raising is highly variable and generally outside your control. Instead of predetermining an answer on how much you should raise, it's better to have different plans depending on *how much you end up raising*. Start with a minimum investment amount that will get you to your next inflection point that significantly changes the risk profile of your company. This inflection point could be first customers, an annual revenue number, or a new version of your product. Then you should have contingency plans if you can't raise at least your minimum (or, conversely, raise more than the minimum).

What Do I Need To Do To Prepare?

Every business is a little bit different in what it will need to prepare for a VC round. Here's a general list that most companies will need to prepare for potential investors. You won't need all of these to start but you should have them ready before any potential investors start asking for them.

- **Business Plan**
- **Presentation**
- **Product Demonstration**
- **Detailed Product Documentation**
- **References**

Keep in mind the questions we previously discussed in this article. All of those need to be answered in the above materials.

Business Plan

You don't need to overthink your business plan. It will not be measured by the number of pages or if it has a mind-numbing amount of data and detail. In general you need to answer basic questions about a few things, including proof that the plan can be accomplished in case you're asked for detail.

There are software tools available that simplify and speed up the process of writing a business plan. We at Fit Small Business have used and recommend LivePlan. It has user friendly drag and drop tools that make it easy to write a business plan even if this is your first attempt.

Your business plan needs to have at least two parts:

1. A summary that's easy to get the general idea of the company
2. Detailed discussion of key issues.

The summary is important because VCs see hundreds of plans regularly so they will most likely not read your whole plan. They will skim the summary and see if it warrants further reading. So the summary needs to be concise but compelling. Try to get it to one or two pages if possible. You don't have to stick to a fully written out format. If charts or tables will convey information more precisely then use those.

While each plan is different here are some common things you should probably cover in the detailed portion:

- **Market opportunity**
- **Why your solution is 10 times better**

- **Proof that you can sell and deliver your product**
- **The moat**
- **Go-to-market plan**
- **Team**
- **Scalability**
- **Financials and projections**
- **Key risks**

The order of these and any one item is less important that creating an overall convincing case that you've got a winner on your hands.

Market Opportunity

To grow large very fast you need to attack a large market ripe for disruption. So naturally you want to show a big market opportunity number. However a common mistake entrepreneurs make is to confuse overall market and addressable market.

The addressable market is the number of people who will actually be in the market to buy your solution. For instance, you may have an idea for an electric car and be tempted to call your market 250 million cars, the number of cars on the road in the U.S. Wrong. There are only 18 million cars and light trucks sold in the U.S. each year. The number gets even smaller when you consider how many would actually consider buying an electric car, how many can afford it, and how many you could actually reach to pitch them. You get the idea. When sizing your market, be realistic.

In addition you need to address the opportunity part. What are the ways in which users currently solve the problem? What does the competition look like? What trend has appeared recently that will make users change how they solve their need? It could be technology, consumer preferences, pricing, etc. There needs to be a solid reason why consumers would be willing to change their current buying habits.

10 Times Better

People are creatures of habit. Most won't change a familiar way of doing things for a 10% improvement, especially if you're not a household name that engenders trust. You need to be 10 times better than the existing solutions and provide a very, very compelling reason to switch to a new way of doing things. It also needs to be so much better that people are willing to tell their friends. Being a small business, you're probably not going to have the marketing resources of large competitors who already service your target market. You need to be so much better than the current solution that users and the press become your marketing arm in order to get the word out.

Proof You Can Deliver

If you've found a good market opportunity, that still doesn't mean you're the company that will seize the opportunity. You need as much proof as possible that your business is the one that will be able to succeed. You should be able to prove you can get in front of customers, that they will buy from you, you can deliver the product, you can keep customers after they've tried your product, and you can do it all profitably.

The Moat

If you’re attacking a large market with a disruptive product then other companies are going to notice. Stay away from any statement that sounds like “we don’t have any competition.” That’s a red flag to investors that you don’t understand your buyers or the market. Everyone has a way of doing something right now. And if you do have a novel solution, larger more established competitors will try to take it from you. It’s a dog-eat-dog world. You should be able to point out how you will fend off eventual competitors as they appear. This could be network effects, long-term contracts, political connections, locked up distribution, low-cost proprietary manufacturing, building a brand, etc.

Go-To-Market

If you’re raising capital, likely you’re planning to grow your market footprint. You should have a plan for how you’re going to get in front of a lot of new customers and sell to them. Where and how do users currently buy? How are you going to cost-effectively get in front of a lot more of them? How will you get them to buy? How long will it take for them to buy? What price will sell your product but at a good profit? All of this will drive your financial forecasts below.

Scalability

Let’s assume that you can sell a lot more than you’re currently are. That means you’re going to have to produce a lot more of your product or service. Will you need a lot more people? Will you need a larger manufacturing capability? Will your service team need to scale? Will you need more managers? All of these questions should be mapped out.

Team

You’re promising a lot of awesomeness. VCs assume that you’ll have awesome people to get it done. This is where you convince them of that. You’ll need an awesome person in each key role: CEO, sales, production, and finance, among others. If you don’t have an awesome person in key roles, now is the time to do that. VCs are not fond of missing key people that need to be hired in the future. A critical metric they look at is the ability of a CEO to attract high-quality talent. You need to show that you can and have done that.

Financials

You’ll need audited financials for at least 2 years and a believable forecast for generally 3 years out. For the audited financials you should have a tier-one or tier-two accounting firm that does your books. Here’s a list of top accounting firms from Vault. Tier-one accounting firms tend to be the top 4 or 5 firms. Tier-two tend to be in the top 10 to 12. Investors don’t expect a lot of sophistication but they do expect that you have a good internal finance person and external proof of your numbers. For the forecast keep in mind the items above: reasonable addressable market, realistic go-to-market strategy, realistic sales goals, and realistic production costs.

Key Risks

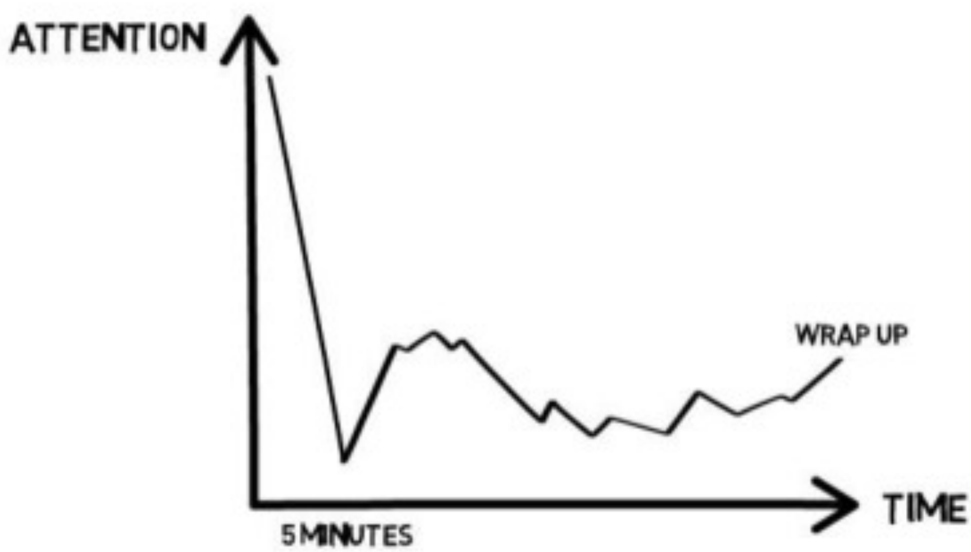
Key risks is another area where entrepreneurs tend to not give enough consideration or just shrug off. However VCs know all businesses face risk and CEOs who are honest and realistic about risks to the business garner more trust. Risks could be competition, sales penetration, pricing, manufacturing, etc.

Presentation

Okay, you've got a plan and proof that the plan will work. Now you need to package it up so you can communicate it in a meeting. Like your business plan, your presentation should be divided in two pieces. One piece is a general overview of your business, and the second is a detailed presentation.

For the general presentation, the general consensus is approximately 10 slides. Pragmatically, if you're going to be in an hour long meeting, the first half is you presenting and the second half is question and answer. If you spend 2 to 3 minutes on each slide, then 10 slides is the maximum. Here's a good article on the 10 slide pitch deck from Guy Kawasaki.

You should have a detailed section that you can refer to if any detailed questions arise. While you may focus on the 10 main slides there's a chance that a partner will want to dive into a particular part of your pitch. This is when it's handy to have backup slides that can provide more detail.



For more detail, here's a good presentation by Sequoia Capital on how to present to VCs. And here are a few examples of successful venture pitch decks:

- LinkedIn
- Airbnb
- YouTube
- Foursquare
- Mint

Product Demonstration

To get VCs to understand your product, there's no substitute for showing them. A prototype is acceptable, but an actual working product is much better. When demoing your product, first start with how it solves a problem for your customers. This will set up the 10x value proposition–how you are ten times better than any competing solution out there. If you can, try and hit friction points in the sale process. For instance, how easy it is to set up, how your product integrates into the customer's existing workflow, or why productivity gains are so obvious. Convincing VCs you understand how to sell your product will help your credibility. Also, don't be shy or afraid to be super-enthusiastic about your product. VCs seek out passionate founders.

Detailed Product Documentation

Serious VC interest is going to require almost forensic analysis of your product or service. So, it's best to prepare for this in advance. Documentation could include the manufacturing process, distribution process, customer service, product support, etc. When documenting your solution, focus on key risk areas. Anything that is new or novel is going to get close scrutiny. Also, anything that customers will seriously care about, such as security or reliability or quality, should get special attention as well.

References

As part of the fundraising process, VCs are going to check your facts. They will always want references, so it's best to lines these up in advance. References will include personal references for the senior management team and customer or prospect references. Keep in mind that you may be speaking to dozens of firms that will want to speak to your references and you don't want to burn your references out, especially the customer or prospect references. So have enough that you're not sending all the prospective VCs to the same people.

Also, save the references for the last part of the fundraising process. Keep references for investors who are serious, i.e. close to signing a term sheet. Though all prospective VCs will ask for references, they'll understand why you're keeping those for only serious interest.

How Should I Target the Right VCs and Meet Them?

Segment the VC Community

Once you have gathered your fundraising materials, the next step is to create a prioritized list of target VCs. In order to do this, you'll need to segment the VC community, focusing on VCs who are most likely interested in your idea so you don't waste a lot of valuable time. Here's the criteria for segmenting which investors to meet:

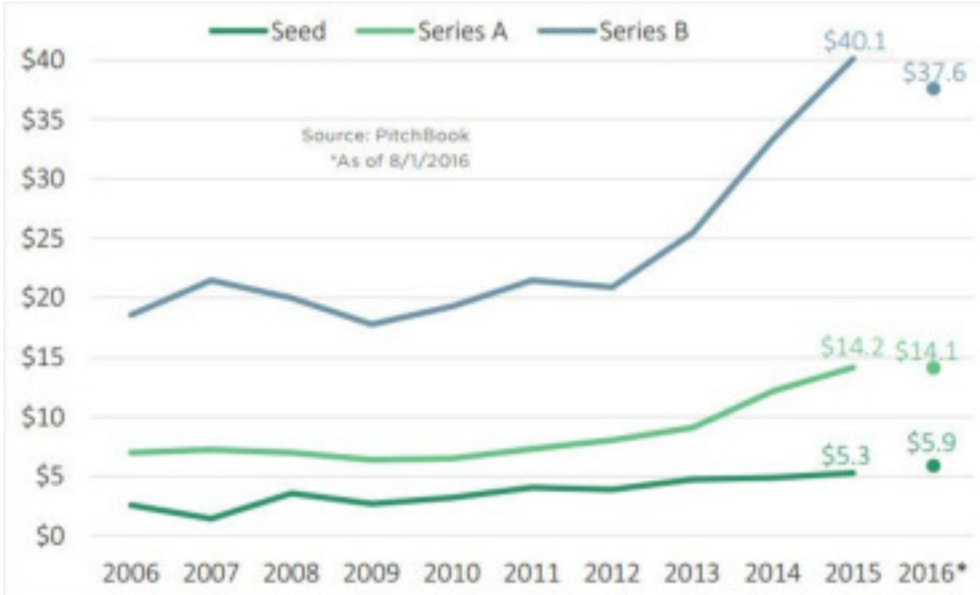
- **Investment Stage**
- **Location**
- **Industry**

To get started, here's a list of the top 100 venture capitalists by CB Insights, and Boogar also has a large list of VC firms. Fire up a spreadsheet to keep track of your list of target VCs as you segment them.

Investment Stage

VCs tend to segment themselves into stages: early stage, middle, late stage. It has to do with the size of their fund, number of partners, and the size checks they prefer to write. A large fund can't spend their time writing lots of small checks. It's too much to manage. There's no exact science to this.

Each round of financing that involves professional investors is a "Series": Series A is usually the initial round, Series B is for larger raises to scale and grow, etc. The actual letter is just an industry norm of distinguishing one round of fundraising from the next. Generally the further along your company, the higher your valuation and the larger the amounts you are raising. It's a loose structure. However, VCs will often define themselves by which series or stage they tend to participate in. According to CB Insights, the median Series A round was $6 million. So target VCs that write checks that are in line with how much you plan on raising.



Location

While it might seem not important, location does matter. VCs want to be able to chat in-person frequently. Your chances of raising money are much higher with VCs that are close to you. If you live in an area with little venture capital activity, the reality is that you may need to move to a more active VC area.

Industry

VCs tend to gather industry expertise as they invest. Sometimes they have raised a fund to address specific market opportunities. You should visit each potential investor website to see which ones cover or focus on your particular industry. The better the match, the higher your chances.

Prioritize the List

Hopefully, you have got a good list of nearby VCs with the right stage and industry focus. Now you should prioritize the ones with the best fit according the criteria above. You'll probably eventually reach out to all of them, but you might as well start with those with the best chances.

Network Your Way to Meetings

Starting at the top of your prioritized, target VC list, you need to network your way to them. Cold emailing or calling VCs is not a good strategy or use of your time. So don't waste your time. Very few VCs will source a deal that way. In fact, many of them see it as a red flag if a CEO can't network their way to them.

Introductions

The most preferred way to get to a VC is mutual introduction. Scour your network, personal and professional. Get on LinkedIn and see how they are connected to you through the people you know. Ask everyone you know for leads–business contacts, family, old boyfriends or girlfriends (okay, maybe not), old professors, etc. Your goal is to get a warm intro with the fewest degrees of separation as possible. Also, the closer the introduction is to your target market, the better.

Competitions or Accelerators

Another way to get in front of VCs is competitions. These vary by industry and could be university-related, incubator-related, or completely independent. Many target tech startups, but there are some that focus on other verticals like food or education. Some prominent examples include:

- TechCrunch Disrupt
- SXSW
- Y Combinator
- Mass Challenge
- MIT $100k
- Carnegie Mellon

PR

Another way to get the attention of a VC, though indirect, is through good public relations. It could be an article in Techcrunch or a super successful Kickstarter campaign or a breakthrough scientific discovery. Oh, and it would probably help your business too.

How Do I Negotiate Term Sheets?

Term Sheets

Term sheets are preliminary legal agreements where the major terms of a venture capital investment are agreed to before signing an actual share purchase or equity agreement.

It is important to get multiple term sheets and not just settle for one. This will drive the best valuation and give you leverage when negotiating other terms of your financing. It will also allow you to compare different firms and personalities. You're making a long-term commitment, so it's better to partner with folks you like instead of just focusing on getting the highest possible valuation.

Generally there are two buckets of terms:

1. **Economic issues**
2. **Company control issues**

Let's take a look at each of these in more detail.

Economic Issues

For economic issues, the following tend to be the major ones:

Pre-money Valuation

Pre-money valuation is valuation of the company before investors put their money in.

Post-money valuation

This is the pre-money valuation of the company plus new investment. When thinking about your pre-money valuation, a general rule of thumb is that Series A investors tend to like to own 20% or more of your company after the investment. So if you are raising $1 million dollars, you are signaling a pre-money valuation of around $4 million to the average investor.

Pre-Money Valuation		Investment		Post-Money Valuation
$4 million	+	$1 million	=	$5 million

Investment Type

The investment will most likely be in the form of convertible preferred stock. The preferred part means that preferred shareholders are first in line to be paid before common stockholders, e.g. you. The convertible part means that at some predetermined time or event, the preferred stock automatically converts into common stock and receives all of the upside of common stock.

Stock Option Pool

For most venture-backed startups, stock options are the carrot used to motivate employees. A stock option is a right given to the holder to buy shares in a company at a predetermined price. When the value of the company goes above the option purchase price, the holder makes money. Venture investors like motivated employees. So they usually will require an option pool to be held aside to give to current employees and attract future employees. When calculating the post-money valuation, this number needs to be included. A larger option pool will cause the value of the entrepreneur's pre-investment valuation to go down.

Pre-Money Valuation		Option Pool		Investment		Post-Money Valuation
$3 million	+	$1 million	+	$1 million	=	$5 million

Let's take our previous example. If a VC wants to invest $1 million for 20% of the company it's still a $5 million post-money valuation. However the requirement to have a 20% option pool means that the owner's pre-money valuation has to be $3 million to accommodate the investment and the option pool. The larger the option pool, the lower the pre-money valuation and the lower the resulting ownership.

Control Issues

For company control issues, the major ones include:

Liquidation Preference

This allows investors to receive a certain amount of money back, in the event the business is sold, before common stockholders. For instance, if your company sells for $50 million you may have to give investors $2 million BEFORE the remaining money is divided based on actual share percentages. Sometimes, this includes dividends as well, basically additional interest for the investors.

Antidilution Protection

This protects investors if you raise money later at a lower valuation. Basically, they are protected from having the value of their investment reduced.

Board Seats

Venture investors will require a seat on your board of directors. There are two factors that get negotiated: number of board seats and how big the board is. The higher percentage of seats the investors have, the more control they will have for major issues that require board approval like future financing terms or the sale of the company.

(By the way, you'll need to be a C Corporation in order to have a board but also to issue equity shares and raise venture capital. Find out more about selecting a business structure here).

Protection Provisions

Generally, in addition to the above, investors will want specific rights to control specific activities. Examples include sale of the company, issuing new shares, large purchases, option grants, etc.

Expenses

It often comes as a surprise to companies that they are expected to pay back the costs incurred by the VC firm to execute the deal. These can include legal, consultant, travel, and other expenses. These can often add up to a significant amount.

Term sheets can quickly get very complicated. This is only general guidance and not legal advice. You'll need a good lawyer. You should also read up in more detail. Here are some additional, more detailed resources on term sheets:

- CB Insights list of venture capital terms
- A plain English list of term definitions from Business Insider
- Model legal documents from the National Venture Capital Association
- U.S. News list of best law firms for venture capital.

How Do I Get Through Due Diligence and Closing?

Negotiating and agreeing to a term sheet triggers a lengthy process of investigation on the part of investors, called due diligence. And following that lengthy process is the lengthy process of negotiating and signing all of the legal documents you'll need to actually close your round of financing.

Get Ahead of Due Diligence Questions

While actual due diligence questions will vary depending on the type of business you have, here are a few areas that are pretty common. It's best to get prepared for all of this before starting due diligence so it goes as quickly as possible.

- Market and Competition
  - Supporting data for your market sizing
  - Detailed analysis of competitors
  - Supporting data for market forecasts both size and pricing

- Team & Culture
  - Interviews with key management members and investor subject matter experts
  - Investors will want to get a feel for culture and work ethic
  - Background checks for key management members

- Customers
  - Additional customer interviews beyond what was done prior to the term sheet
  - Sessions with potential buyers
  - Review of service issues

- Product Development
  - Detailed product roadmap
  - Dig into the details of aspects of production, service, and delivery
  - Security, scalability, quality plans

- Sales & Marketing
  - Detailed sales and marketing plans, including sales pipeline
  - Potentially tag-along on prospect meetings
  - Detailed analysis of economics at the salesperson level
  - Detailed examination of user acquisition models

- Finance & HR
  - Detailed analysis of financial processes like closing of books, cash management, checks and balances, etc.
  - Detailed analysis of financial forecasts, including what you plan on using the investment for
  - Review of reporting systems
  - Detailed analysis of hiring plan and plans to attract talent
  - A detailed listing of existing investors and their ownership of the company, known as a Cap Table

- Legal
  - All contracts the company has signed to date including customer, vendor, real estate contracts
  - All employment agreements including non-disclosure, non-compete, security, etc.
  - All documents related to previous financings

Streamlined Disclosure Process

To make the due diligence process goes as smoothly as possible, you do the following:

- **Virtual Data Room**. It's a good idea to keep a data room or a file sharing service (e.g. Dropbox), so investors can access and return to documents in an organized way. Here's a list of top virtual data room providers.

- **Be Proactive & Over-Communicate**. You should identify each of the people at the venture capital firm that you will be interacting with and what they'll need. After modifying the above list with your VC firm, proactively send the required information to them. Don't make them ask. Things will go more smoothly. If any questions arise, err on the side of over-communicating.
- **Keep Track**. With all the documents and people flying around, it's a lot to keep track off. You should have a checklist that keeps track of what has be sent, to whom, and when. You should also keep track of when a process has been completed, so you can move the overall process forward as fast as possible.

Closing the Funding

After all of the pitches, negotiations, term sheets, and due diligence (tired yet?), the closing is where you actually sign legal documents and hopefully get your financing (after which the real work begins meeting investors' expectations and growing the business!).

The following are common closing documents that you'll need to negotiate in detail and sign:

- **Investment Agreement.** Describes all material terms and conditions, including financials, forecasts, and other historical information.
- **Stock Purchase Agreement**. This is the legal sale of shares to investors and covers purchase prices, closing date, shares to be issued, representation and warranties, etc.
- **Amendment to Bylaws**. This creates a new class of stock and documents all of the shareholder right negotiated in the term sheet.
- **Voting Agreement**. Contains any rights of first refusal to buy new shares, stock transfer restrictions, and requirement for common shareholders to elect VCs to the board of directors.
- **Indemnification Agreement**. The company agrees to hold harmless the board and investors should a third party sue the company.
- **Certificate of Incorporation**. All classes of stock must be detailed in a company's certificate of incorporation. So this document will need to be amended.
- **Legal Opinion**. This is a letter sent by the company's lawyer to investors coverings things such as valid company formation, power to conduct business, valid issuance of stock, etc.
- **Employment and Confidentiality Agreements**. Intended for senior management defining obligations, compensation, grounds for termination, non-competes, etc.

Depending on the lawyers' preferences, these documents may be combined or configured differently.

How to Raise Venture Capital: After the Closing

That's a wrap on our guide on how to raise venture capital funding. This may seem obvious, but don't forget to ask the investors for the actual money at closing! Once the money hits the bank, you should celebrate. You just did a lot of work. But coming from someone who's done it, now is when the real work begins. You now have to make good on all of the promises you just made to investors. Good luck!

Don't forget to check out LivePlan to build the perfect business plan for your proposal to your investors. Click here to check it out.