



How to close an angel round

Venture Hacks

Outline: How to close an angel round

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2. Mass syndication
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5. What you don't want in your term sheet
6. Should you have a board seat for seed investors?
7. This isn't comprehensive term sheet advice
8. Memorize the term sheet before your first meeting
9. How do you set your valuation? Price it to move
10. How do you bring up the terms in a meeting?

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You can close an angel round
with 'mass syndication'

1. Drop names
2. No lead
3. Write a term sheet

Start with terms and
valuation below market

What you want in your term sheet:

1. Price
2. Liquidation preference
3. Company controls conversion if you're raising debt
4. Majority of investors can approve amendment

What you don't want in
your term sheet:

1. No minimum raise
2. Probably no board seat
3. Vesting is a pre-nup
4. But have an option pool

Should you have a board seat for
seed investors?

This isn't comprehensive term
sheet advice

Memorize the term sheet before
your first meeting

How do you set your valuation?
Price it to move.

venturehacks.com/articles/seed-valuation

How do you bring up the
terms in a meeting?

Describe how the terms
are investor-friendly

A preferred round is a good way
to set up good initial terms

Does a small seed round need
protective provisions?
Pros and cons.

Get feedback on the terms
in the first meeting

Drop names to build social proof.
First, "interested" isn't "committed".
Second, use these guidelines:

1. Money in bank? Drop the name.
2. Negotiating term sheet? Drop the name.
3. In the first meeting, ask them if you can drop their name as "interested."

Social proof works differently in
a Series A round with VC's

See if the "interest" includes a
dollar amount, intros, and
name-dropping (a.k.a. soft circled)

When do you need a lead?

1. Angel doesn't know you
2. Angel doesn't like terms
3. Diligence required
4. Raising closer to \$1M

Approach the financing as if you
won't find a lead

What's a lead investor?

1. Wants half the round or more
2. Will help you find other investors
3. Can decide without social proof

venturehacks.com/articles/lead

If they say "find a lead,"
ask why

How to create a deadline

1. Need to make a payment
(not a great approach)
2. Artificial deadline with terms that are only good for now
3. Holidays
4. Traveling
5. Oversubscription (the best)

Raise the money when
you don't need it

Send two emails to the angels...

First email:

1. Term sheet
(outline terms in the email body too)
2. List of investors
3. Deadline
4. Feedback

Second email:

1. Final term sheet with feedback incorporated
2. Final list of investors
3. Closing docs and wire instructions

Do a rolling close: the cash
comes in just-in-time

Mass syndication can fail if a very high social proof investor drops out

Use Angellist and StartupList to
get intros to angels

venturehacks.com/angellist
venturehacks.com/startuplist

What do angels look for?

1. Traction
2. Bios
3. Social Proof
4. Demo

Advisors are good for getting your
foot in the door, not in a pitch

Get advisors by going to events
or talking to entrepreneurs

thestartupdigest.com

Before you raise a seed round, you
need a product in the marketplace

Use customer development and lean startup
techniques to get to market with less

steveblank.com
startuplessonslearned.com

Pitching Hacks... Free chapter: tactical
advice on getting investor intros

venturehacks.com/pitching

If you need money to get something in the marketplace, pitch idea investors:

1. Friends and family
2. People who know you really well
3. People who have the same vision you do

Pitch incubators or do your
startup on the side

venturehacks.com/articles/half-assed

What are the different types of seed stage investors?

1. Individual angels investing their own money
2. Seed stage funds with LPs
(may look like a person or a fund)
3. VCs who also do seed rounds
(seed program or not)

If you're talking to a VC, make sure
they really do seed stage rounds

Potential concerns with pitching multi-stage and seed-stage firms

1. VC diligence process
2. VC governance: board control, board meetings, financial focus
3. Negative signaling value in the next round
4. Investor owning too little
5. Leaving room for angels

Get intros to seed investors with:

Angellist

venturehacks.com/angellist

StartupList

venturehacks.com/startuplist



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