



How do I know when I am ready to raise capital from investors?

A number of factors go into being ready to raise capital from investors. Most sophisticated investors will expect the company to have taken certain steps and prepared certain documents before they enter the room to pitch for funding. Before you embark on capital raising, we encourage you to consider some key fundamentals of your business, which you can remember using the acronym CAPITAL.

C



Cap tables and financials

Update your financials for disclosure— Investors will expect you to have a cap table that clearly reflects the ownership interests in the company. In addition, companies should have their financial statements ready to convey the financial position of the company.

A



Amount Needed

Calculate your runway needs— One of the first questions a company will hear is “how much money are you looking to raise?” The answer to that question should reflect a thoughtfully calculated “runway” based upon projected expenses.

P



Plan for proceeds

Describe how you'll use the money— Investors expect to hear not only how much money you need, but a plan for how that funding will be spent in furtherance of the company's goals. This plan should include meeting the expenses projected in your “runway.”

I



Investor Strategy

Focus on experts who bring value— Many investors are focused on particular sectors or stages of a company's life cycle, and early-stage investors in particular often become involved as advisors to the company. Target investors who know your industry, bring value beyond financing, and have a clear long-term vision for the company that is consistent with your own goals.

T



Time and resources

Prepare to invest yourself in the process— Entrepreneurs will tell you that raising capital takes time and resources, often from the senior leadership team. Prepare to spend time and resources throughout the capital raising process outside of the day-to-day operations of running the business.

A



Advisors

Line up your attorneys and accountants— Hiring the right professional advisors with experience in capital raising is critical to navigating a smooth financing in compliance with laws.

L



Long-term vision

Pitch with the investors' exit in mind— Be able to explain your long-term vision for how the company will return capital back to the investors.

Have suggestions on additional educational resources? Email smallbusiness@sec.gov.

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