Early Seed Funding: The Art and Not-So-Science of Raising Money

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Types of Funding

• Bootstrap
• Credit
• Loans
• Grants
• Crowd
• Angel
• Venture Capital
• M&A
• Partnerships
Why Do You Need Funding?
Equity Deal Structures

- **Convertible**: Debt in exchange for equity upon completion of agreed milestones
- **SAFE**: Warrant to purchase stock in a future priced round
- **Priced**: % of equity exchanged in proportion to agreed upon current company value
Terms to Know

### Convertible/SAFE
- Cap
- Discount
- Maturity (Convertible Only)
- Interest (Convertible Only)

### Priced
- Valuation
- Preferred
- Common
- Units/Shares
- Rights
- Antidilution
- Accrued Dividends
• 1st degree – Friends and Family (Accredited Only)
• 2nd degree – Direct Introductions
• Family Offices
• Incubators/Accelerators
• Angel Groups
• State and Federal Government
  • https://texaswideopenforbusiness.com/small-business/financing-capital

• Contest
• Startup Conferences
How to Find the Right Investor

- Don’t waste time cold calling or cold emailing
- NETWORK/HUSTLE
- Get out of your comfort zone
- Domain experience is a PLUS but not everything
- What is their motivation
- Leverage your differences
Selling the Value of Your Company Early Stage

DETERMINE YOUR BEST ESTIMATE PRE MONEY

• Team: Max Value 1M (0-4)
• Technology: Max Value 1M (0-4)
• Market: Max Value 1M (0-4)
• Revenue/Traction: Max Value 1M (0-4)

YOUR PITCH DECK IS KEY

DON’T OVER VALUE
• Pre-money valuation: Pre-money valuation is computed by subtracting the money from the post-money. If the investors receive no other consideration or the value you have assigned your company prior to any outside investment.

• $4,000,000 - $1,000,000 = $3,000,000

• $1,000,000 / .25 = $4,000,000

1M in exchange for 10% = 10M, this means a 9M pre
1M in exchange for 20% = 5M, this means a 4M pre

600K in exchange for 25% = 2.4M, this means 1.8 pre
600K in exchange for 15% = 4M, this means 3.4 pre

• Post-money valuation: Post-money valuation is computed by dividing the money by the investors’ percentage of ownership.
How Much Equity Should I Give Up?
Ownership vs Value

Tech founder ownership by funding amount

- 25th %ile
- Median
- 75th %ile

- <$5 million (seed)
- $5M-$14M (early stage)
- $15M-$49M (mid stage)
- $50M-$89M (late stage)
- $90 million (pre IPO)

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GAME OVER?
Resources

• Get Backed Book - http://www.getbacked.com/
• Y Combinator https://www.ycombinator.com/resources/
• Startup List http://www.austinstartuplist.com/incubators
• https://www.startupdigest.com/digests/austin
• Austin Startup Digest - https://www.startupdigest.com/digests/austin
• Texas Open For Business https://texaswideopenforbusiness.com/small-business/financing-capital
• Terms to Know - http://www.techrepublic.com/article/glossary-startup-and-venture-capital-terms-you-should-know/

News and Information
• CB Insights ( great email newsletter )
• TechCrunch