

Fundraising Playbook

Getting to Term Sheet

January 2024

Ollie Spalding

Objectives of the Course



North Star: Getting you to Term Sheet

- **This is meant to be a field manual.** Goal is to emphasize importance of “running a process” and give you the tools and templates to execute it.
- **Focused on seed stage companies** raising their first institutional round (standards change as companies mature)

About Me:

- 5+ Years in VC (>\$600M deployed)
- Helped raise \$100M+ of Venture Capital for start-ups
- Teach Entrepreneurship at Wharton

Contact:

- [Email](#)
- [LinkedIn](#)
- [Ames Ventures](#)



Ames Ventures Overview



North Star: Supporting founders execute on their vision and tell the story of their business to investors

Ames Ventures is a strategic finance advisory firm that works with growing companies to support with all things finance, M&A, and fundraising. I use my financial and investing background to provide leverage to founders and executives to execute on their vision and tell the story of their business to investors.

I have experience across M&A, venture capital fundraising, business development, and FP&A to provide you the support you need to grow and raise capital.

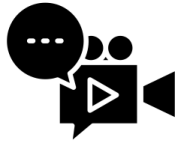
- Fundraising Advisory
- Fractional CFO
- M&A Advisory

Contact: Oliver@AmesVentures.com



AMES VENTURES

The keys to fundraising success



1. **Storytelling**: What is your origin story? Why are you the right team to achieve this big vision? What is the story of how this becomes a multi-billion dollar company?



2. **Business Performance**: What have you been able to achieve with the capital you've raised? How do you compare against other venture backed companies at your stage? How impressive is the team?



3. **Process & Momentum**: Can you connect with the right investors and run a high momentum fundraising process

Agenda

1

FUNDRAISING TRENDS & DATA

2

TIMELINE OF A FUNDRAISING ROUND

3

**IDENTIFYING INVESTORS + DEFINING
RUNWAY AND GOALS**

4

**FUNDRAISING MATERIALS AND
DILIGENCE REQUESTS**

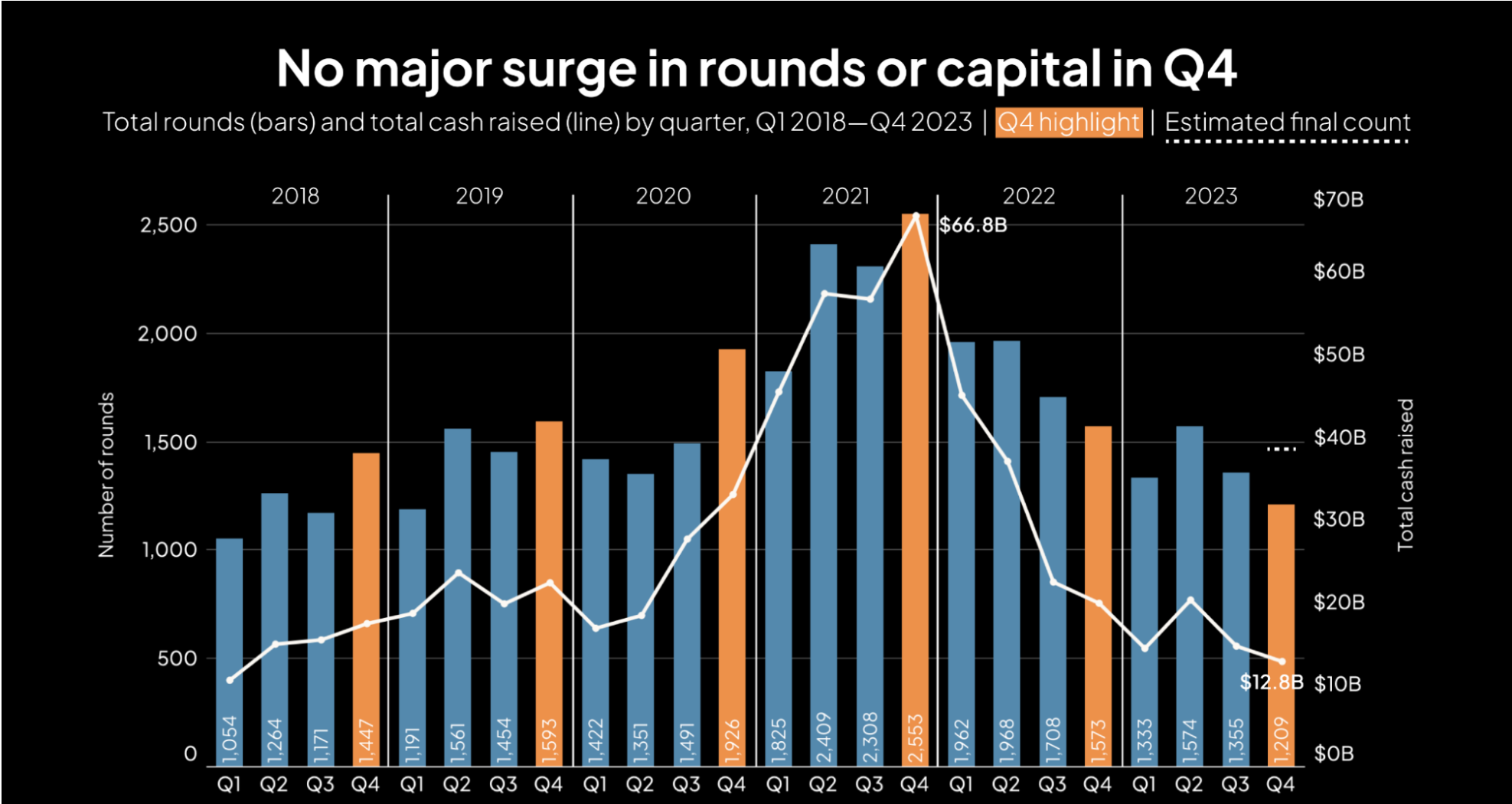
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RUNNING A PROCESS

Fundraising in 2023

No major surge in rounds or capital in Q4

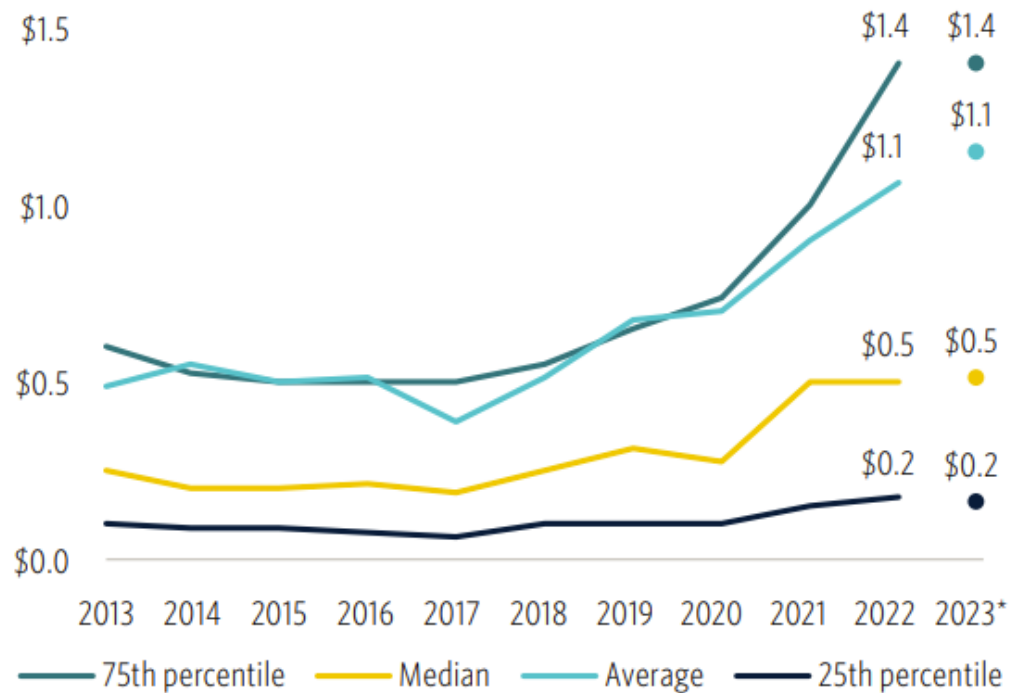
Total rounds (bars) and total cash raised (line) by quarter, Q1 2018—Q4 2023 | Q4 highlight | Estimated final count



Fundraising in 2023

Median pre-seed deal size held at par since 2021

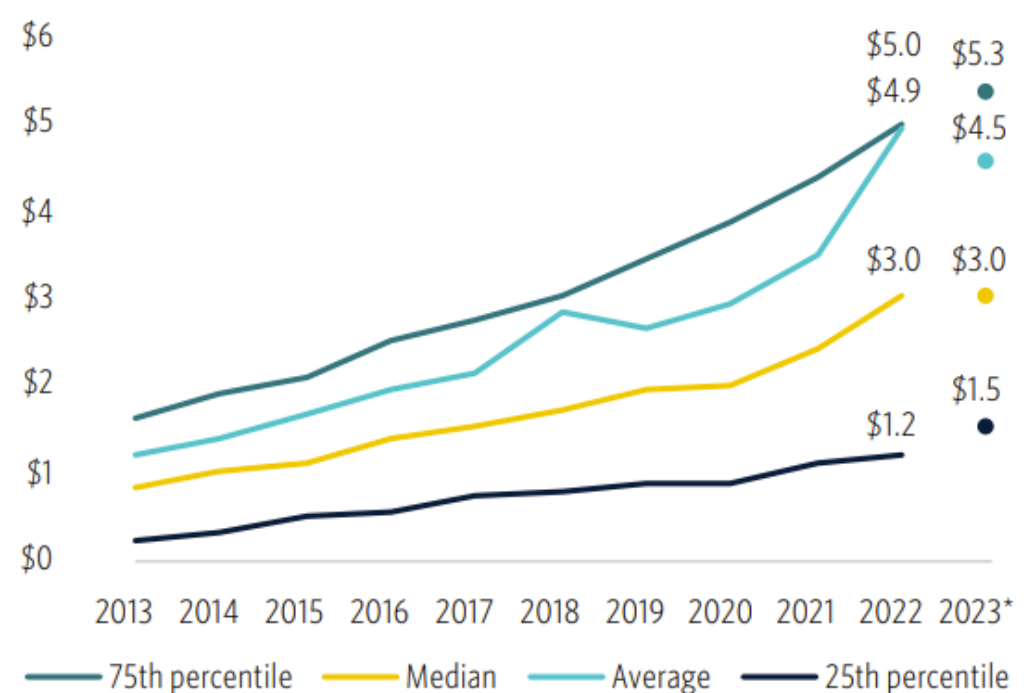
Range of US pre-seed deal values (\$M)



PitchBook-NVCA Venture Monitor
*As of September 30, 2023

Median seed deal size remains at record-high level

Range of US seed deal values (\$M)



PitchBook-NVCA Venture Monitor
*As of September 30, 2023

Fundraising in 2023

2023: the year of down rounds carta

Frequency + **Expected Decline** in a down round

Data: 6,038 total rounds completed by US Carta companies | Jan 2021–Sept 2023

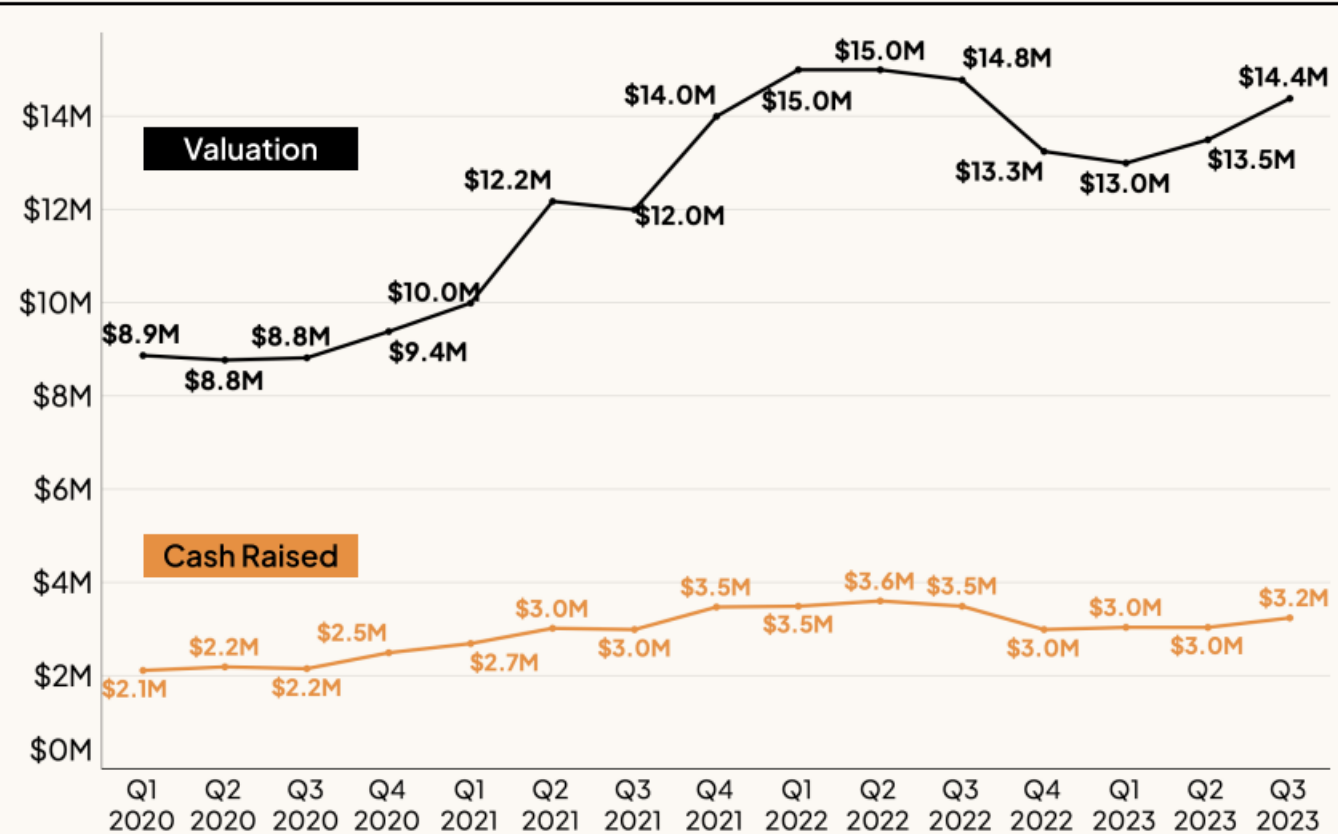
Stage	Year	Percent of rounds that were down rounds	Median decline in post-money valuation
Series A	2022	8%	-25%
	2023	16%	-34%
Series B	2022	8%	-36%
	2023	14%	-43%
Series C	2022	8%	-27%
	2023	19%	-53%
Series D	2022	13%	-46%
	2023	31%	-47%
Series E	2022	15%	-53%
	2023	24%	-56%

Fundraising in 2023

Q3 2023 Valuations & Round Sizes

The freshest data from US startups | Seed Stage

Data: median pre-money valuation and cash raised | Q1 2020-Q3 2023



Fundraising in 2023

carta Fall Fundraising Cheatsheet

What are startup valuations & round sizes right now?

Notes: Data from 400+ primary US rounds raised by companies on Carta | Jul 5–Sep 5, 2023

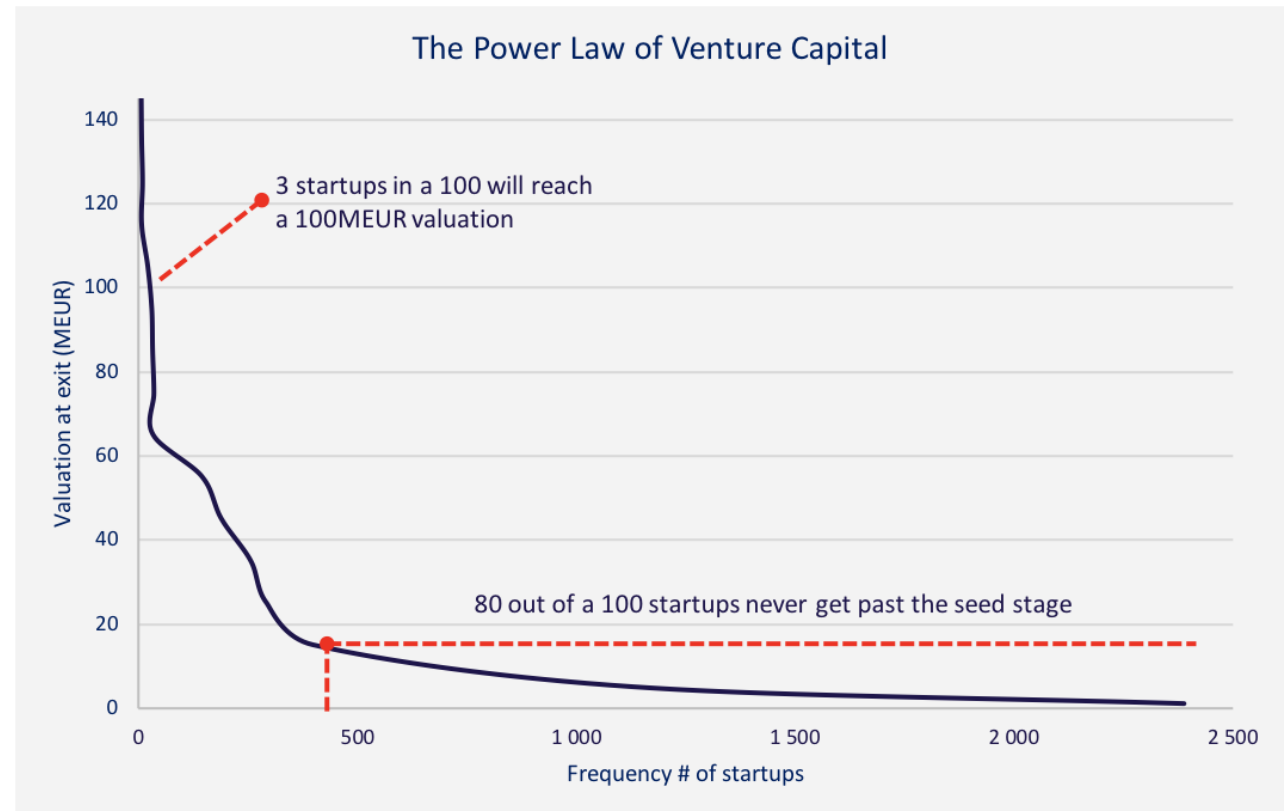
Pre-Seed only includes post-money SAFE rounds of less than \$1 million

	Pre-Money Valuations			Cash Raised		
	25th pct	50th pct	75th pct	25th pct	50th pct	75th pct
Pre-Seed	\$5.0M <small>val cap</small>	\$7.5M <small>val cap</small>	\$10M <small>val cap</small>	\$230K	\$466K	\$631K
Priced Seed	\$9.7M	↓ 1.9x	\$23.2M	\$1.8M	\$3.1M	\$5.1M
		\$14.4M				
Series A	\$25.7M	↓ 2.7x	\$68.5M	\$4.8M	\$10.7M	\$18.0M
		\$39.0M				
Series B	\$61.5M	↓ 2.2x	\$159.1M	\$9.9M	\$20.5M	\$30.4M
		\$85.0M				
Series C	\$93.2M	↓ 3.0x	\$487.5M	\$15.8M	\$31.5M	\$50.0M
		\$255.1M				

Investor Psychology: Are you a Venture Backable Company?

Venture investors want to bet on visionaries taking on large markets because they know most of their investments won't work out. Venture capital is a game of hitting few, but massive home runs.

- *VCs need really large exits.*
 - *They are searching for companies that return the fund*
 - *They are more driven by asymmetrical upside than they are downside protection*
- *The pain of loss of a fund returning deal outweighs potentially investing in a bad deal (Fear of Missing Out)*
- *Time is the VC's friend*
 - *They are incentivized to maintain optionality*



What VCs are Looking For

VCs are not looking for good companies. They talk to hundreds of good companies. They are looking for transformational companies that have the potential to create venture scale returns (\$1B + outcomes)

- **Great Team**

- The best founders are not motivated by money but by a problem that they could not sleep at night without fixing

- **Huge Market**

- A market that if your visionary bet on the reality of the industry in 5 years is correct, this company could be worth multiple billion

- **Product that creates breakthrough opportunity** – answers the question: “Why now”

- Every novel idea has been thought of before. Great companies are born when that novel concept is paired with a technological, regulatory, or ecosystem shift that enables that company to be massively successful.

chewy

Uber

Justin.tv

“There's no way an investor can follow up with every company that wants to raise an A. So at every meeting, the investor's first priority is to whittle down the field: to cross off all the companies it's safe not to have a second meeting with. Your goal, and your only goal, is to make investors feel it's not safe to cross you off. And there is a verb for convincing someone that something is not safe. It sounds dramatic, but your goal is to frighten them. How do we frighten them that we might be really big?”

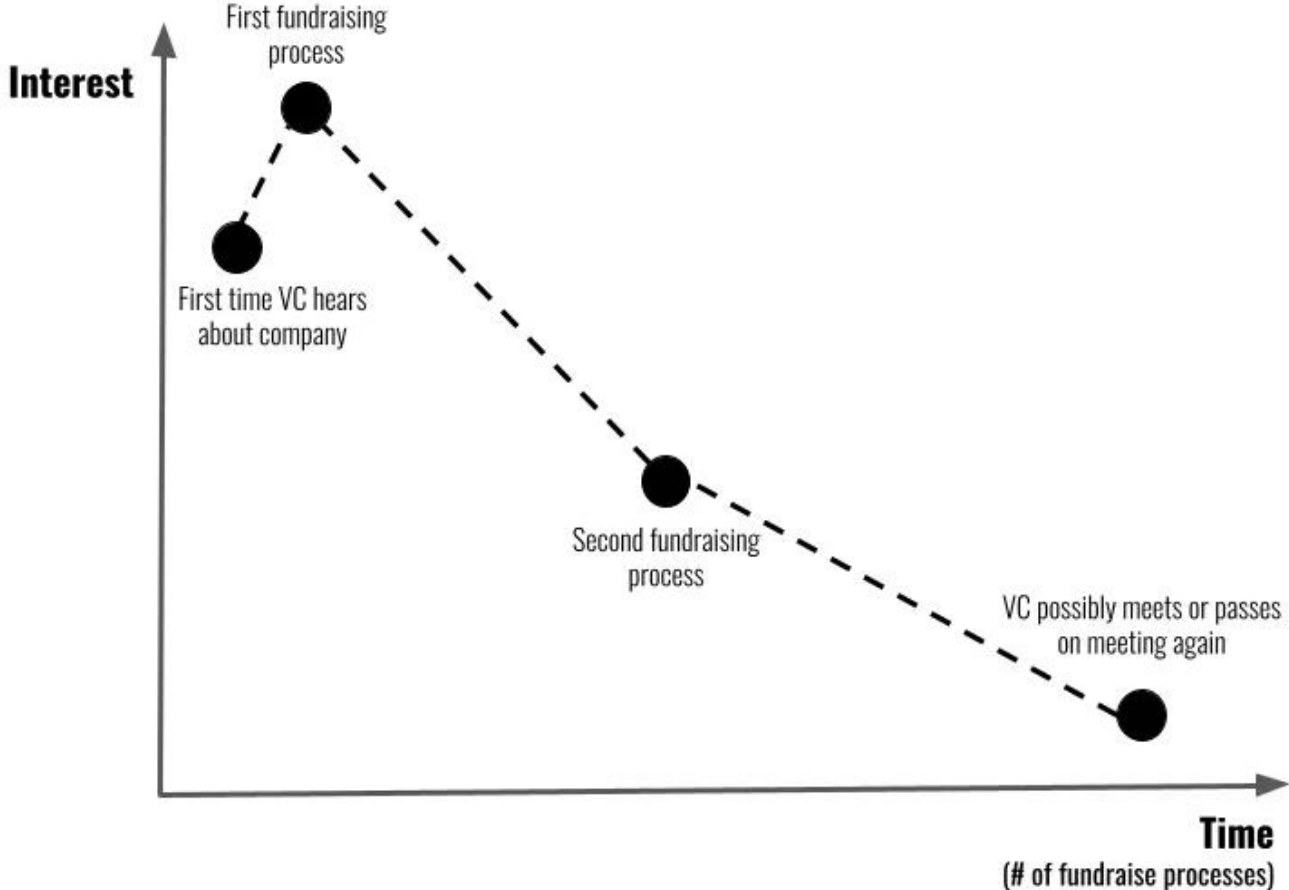
- Y Combinator

How long does it take to raise capital?

Timeline of an Ideal Fundraise (4-6 months)

#	TASK TITLE	Month 1-3								Month 4				Month 5				Month 6							
		Week 1		Week 2		Week 3		Week 4		Week 5		Week 6		Week 7		Week 8		Week 1		Week 2		Week 3		Week 4	
		M	T	W	R	F	M	T	W	R	F	M	T	W	R	F	M	T	W	R	F	M	T	W	R
1	VC Networking (NOT PITCHING)																								
1.1	Recruit your Champions																								
1.2	Networking and Warm Introductions																								
1.3	Creating 100+ Target Investor List / Network mapping																								
1.4	Recruit Angel Investors (Momentum)																								
2	Material Development																								
2.1	Refine Pitch & Story																								
2.2	Practice Pitches																								
2.3	Financial Model / Data Room / Support																								
2.4	Lock down Reference Customers (prospects)																								
2.5	Identify Catalizing Timing & Story																								
3	Fundraise																								
3.1	Develop 3 tranche list																								
3.2	Initial Blast of Formal Pitches (Tier 3)																								
3.3	Feedback																								
3.4	Initial Blast of Formal Pitches (Tier 1 + 3)																								
3.5	Feedback + 2nd Conversations + Diligence																								
3.6	Term Sheet Target																								
4	Negotiation and Closing																								
4.1	Term Sheet Negotiation																								
4.2	Legal Documents																								
4.3	Syndication																								
4	Ongoing Business Execution																								

Why we keep it to a focused fundraising process



@mhdempsey

“Ask for money, and you’ll get advice. Ask for advice, and you’ll get money twice.”

- Michael Colt, *How to Start a Company: The Entrepreneur's Essential Guide to Starting a Company*

Before your fundraising, identify and define your goals

- **Understand your runway:** Create a timeline and target closing a raise ~6 months before you run out of cash. The timeline to raise capital can be unpredictable and make sure to think about what you could do to extend runway if needed.
- **Define fundraising target:** VCs typically invest to provide runway for 18-24 months until the next round – keep that in mind as you define your use of funds and financial model.
- **Think like an investor:** Think to the future – what are the milestones you need to hit to raise next round in 18 months? What is the funding you need to hit those goals? Innovation comes from constraints.
- **Have an upside / downside case:** Valuation is often a function of size of round.

Identifying Ideal Investors

Finding an investor takes time and research

- **Find VCs & Angels who** know your industry, have a personal relationship with, or who can add value in the form of customers, partners, or advisors. Comb your champion's network.
- **Focus on Lead Investors:** These are the folks who will catalyze a round. Once you have a term sheet, the rest will fall into place.
- **Manage your list in a CRM:** Goal is at least 100 investors

Do

- In your research, figure out the angle on your business that would be most compelling to each investor.
- Segment the list of VCs into several tiers
- **Focus on Lead investors first**
- Identify investors who have “dry powder” or have raised a fund within the last 12-18 months
- Manage your pipeline in a CRM

- Do your research to ensure that you're not pitching to investors who are conflicted via another investment in their portfolio.

Don't

Creating Warm Connections

Tactics for generating Warm Introductions / Inbounds from your ideal portfolio:

- Create a list of champions, people who will vouch for you and open doors
- Search your network for common connections (Professors, Colleagues, Advisors, etc.). VCs like deal flow and sending good deal flow is an asset.
- Connect with their portfolio company CEOs – ask for advice on their fundraise / if they recommend getting connected
- Use a “forwardable blurb”. [Apollo](#), [MixMax](#), and email templates can half the time it takes for these activities.
 - 1 Paragraph – What do you do?, 3-4 bullets: What have you accomplished?
- Send out your target list of investors to your champions / advisors / connections. People who will vouch for you. With a blurb, it is easier for them to facilitate those introductions.

Managing these networking conversations

If asked, always tell investors that “you’re not raising right now”. This is because when you are actually fundraising, you want to run a really tight and high momentum process

- **Talk to Check-writers:** If you’re connected with an Analyst or Associate, ask for them to bring along a Partner
- **It’s not a pitch:** Don’t bring out a formal pitch deck – if they see a formal pitch deck, they will think you are pitching. If you absolutely need to – use 1 or 2 slides as exhibits from your “sales deck”.
- **Ask Questions:** This is a two-way street. The best start-ups go out and vet the VCs that they would be fundraising from

Do

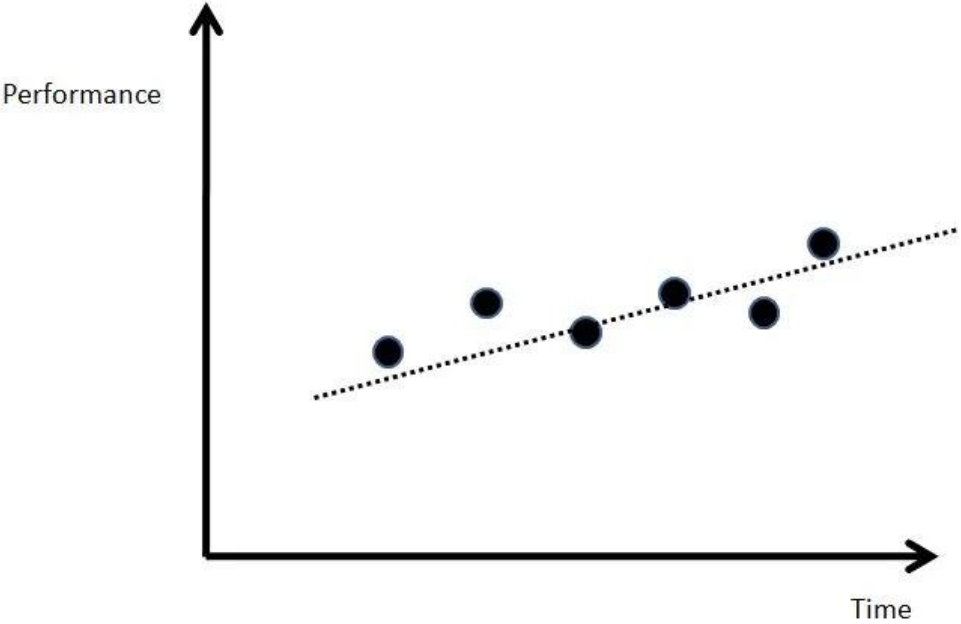
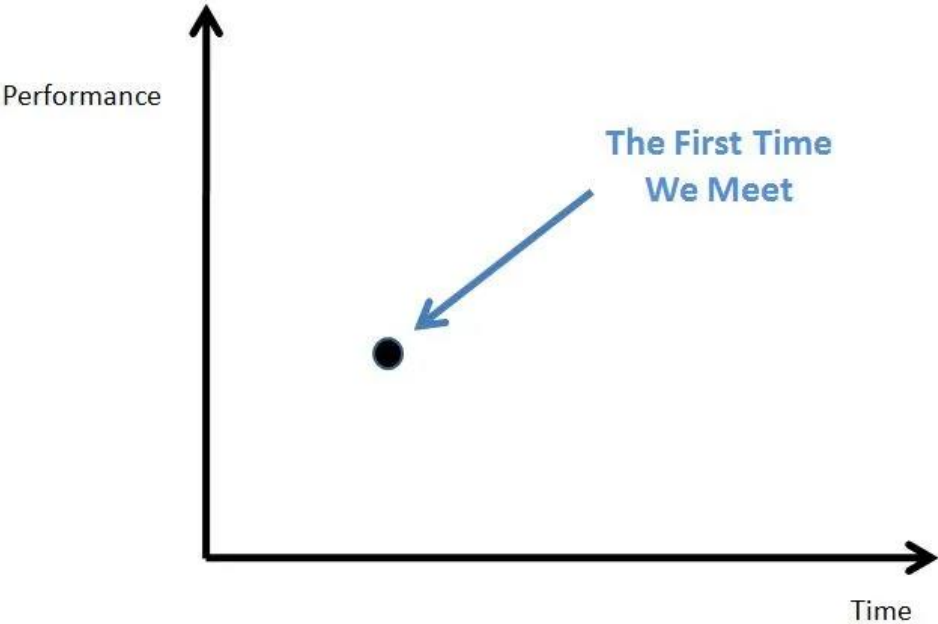
- Focus on learning about their sweet spot
- Identify if they lead rounds or follow
- Focus on what value they can bring to your business
- Ask for advice
- Ask to speak with a Partner (someone who could lead the deal) – you are evaluating them as a potential partner

- Do not use a pitch deck
- Don’t oversell your marquee client. This can be a catalyst for a future conversation.
- Don’t say you’re fundraising; you aren’t

Don’t

Investors like to invest in lines not dots

Your goal is to think about when is your business going to be at the steepest line?



Questions to ask in these initial meetings

- *Advice:*

- *Do you guys have a [insert industry] thesis at the firm or areas within [your industry] you like to invest?*
- *Do you prefer priced rounds or SAFE notes for companies of our stage?*
- *How involved are you with your [your industry] portfolio? Do you have any key lessons learned from your investments that apply to us?*
- *What are the main barriers you see to our success? What are the main concerns you have that could cause you not to invest?*
- *Are there any companies you think it'd be natural for this company to partner with either now or in the near future?*

- *Specifics:*

- *Do you prefer to lead / follow?*
- *What is your typical check-size for seed investments?*
- *Do you take board seats?*
- *How do you support your portfolio post-investment?*
- *What is diligence process like?*
- *When you invest - how much is reserved for primary vs. follow-on investments? Do you lead follow-ons?*

Winning Psychology

As a Founder, your #1 job in building your startup is to learn fast. VC meetings are no exception.

- Come to these VC meetings as an equal, not as if the VC is above you or below you.
- Make sure you are doing your due diligence on the investor. What do they bring to the table that would be valuable for your business?

Fundraising Materials and Diligence Requests

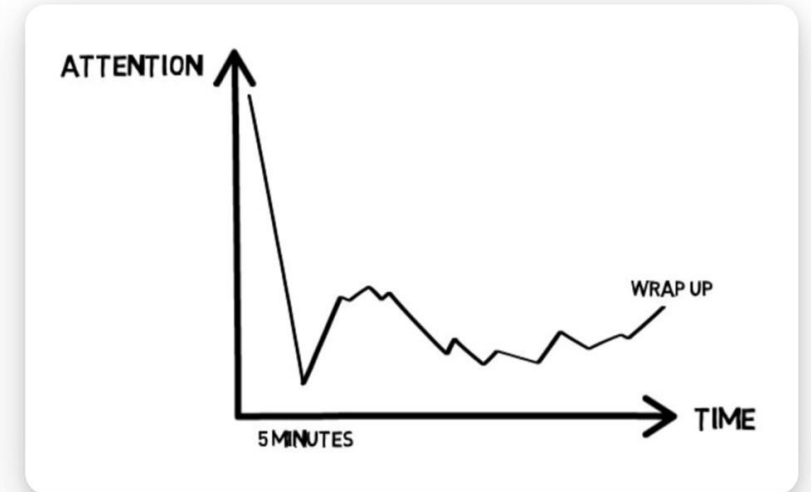
Fundraising Materials

1. Pitch Deck
2. Financial Model
3. Data Room
4. Customer References
5. Product Demo

Pitch Deck

1. Pitch Deck:

1. Investors listen to dozens of pitches a week but they always will pay attention to those who can tell a good story
2. Investors have a short attention span. In the first 5 minutes, capture their attention and be succinct about what you actually do. Tell the story of why you are going to be a \$1B+ company
3. **Keep it simple:** No more than 15 slides, in ~20 minutes or less.



Do

- Use DocSend so that you know which investors are reviewing your materials and how much time they're spending studying the materials (more time = more interest).

- Worth it to hire a designer to make your deck stand-out (Upwork/Fiverr ~\$500 expense)

- Practice, practice, practice

- Have your presentation last 30+ minutes, keep it to ~15 minutes. Investors will ask questions throughout

Don't

Financial Model

Do

- Projected P&L + Cash (next 24 months) (No Balance Sheet or CFS required)
- Decent benchmark for SaaS revenue: Y1: \$1M, Y2: \$3M, Y3: \$8M
- Key metrics: # of users, cohort retention, estimated LTV/CAC, etc.

Don't

- Do not feel the need to be overly aggressive with your projection: \$100M of revenue in Year 2 shows lack of business experience
- Don't over complicate: Projected P&L + Cash (next 24 months) (No BS or CFS required)
- Be careful with over-selling big prospects. Sales cycles for early stage companies tend to be long – don't over promise selling your marquee account – can kill momentum

Data Room

1. **Pre-Term Sheet Data Room:** Use the data room to target areas of weakness in your pitch and reinforce those. If you get questions on a specific topic – make sure to shore up that point in the data room. Don't be afraid to add commentary to files and documents to directly address questions. Data Room does not need to be comprehensive – just enough to get to Term Sheet.

1. Your data room should include at a minimum:
 1. Customer Testimonials: People who are beyond enthusiastic about your product
 2. Financial Model which includes
 1. Historical financials (whatever you have but ideally P&L by month)
 2. Projected P&L (next 12-36 months) – investors know that anything 12 months+ is a guess
 3. Key metrics: # of users, cohort retention, LTV/CAC, price point of product, etc.
 3. Sales Pipeline
 4. Previous Funding Documents (SAFE Notes / Term Sheets)
 5. Company Formation Documents + Cap Table
 6. Team Backgrounds
 7. Additional Supporting Documents relevant to your business
 1. If B2B – ROI Calculator / sales materials
 2. Product overview and pricing, your product roadmap, and some demo videos. Videos are an easy way to save time and streamline efficiency.

Data Room: Best Practices

- 1. Aesthetics Matter:** VCs see materials from many companies each week. First impressions matter. Take the time to clearly articulate your story through a professional set of materials. Put together an organized data room. Pay attention to spelling, grammar, headers, and footnotes.
 1. “I assume you run your company like you run your deal room. Are you clear and professional, or careless and sloppy?”
- 2. Maintain Internal Consistency:** Your materials should “hang” across the data room and be internally consistent. Triple-check your materials. For example, if your pitch deck says your cash-out date is December 2023, your financials should support that.
- 3. Pick a Platform:** Box works well for an early-stage fundraising data room. Recommend setting up folders for each VC. Grant them access, and then shut off access once the process is over or they are no longer conducting diligence. This helps you maintain control over your materials.
- 4. Avoid Adjusting Data:** A fundraise is not the time to be changing forecasts, fundamental operating metrics, or business plans—and you certainly don’t want to be making significant changes after you receive venture capital.

Running a Process

Creating FOMO

The most important thing you can do for your fundraising round is to create FOMO

“Quantity has a specific quality of its own” – Joseph Stalin

- Up to this point, you have:
 - Identified and spoken with your cohort of investors
 - Started relationship building conversations
 - Crafted the materials for your fundraiser
- **The goal of these steps is to create a competitive, momentum-driven process**
- From here:
 - Tranche your conversations (next slide)
 - Create a triggering event (customer contracts, partnership, PR)
 - **Focus on LEAD INVESTORS**

Kicking off the Process

- Find a Catalyzing Event – Talk Track:** We have started receiving a lot of inbounds and interest, we just [catalyzing event – could be product launch, customer traction, PR, etc.] and we want to act fast on this. We really liked talking to you and would love to discuss a round more formally with you. We are scheduling 2nd round calls next week and would like to get something on the calendar as soon as we can.
- Work backwards:** Pitch to your C team first – tell them they are getting a first look. The purpose is to get feedback from your C-team pitches so you can incorporate that for your B-team + A-Team. Big mistake founders often make is to not incorporate feedback!
- Set a target date:** Don't bluff that you have a term sheet in hand unless you do (which is powerful). State you have inbound interest and want to get a deal done by {set date}.

#	TASK TITLE	Month 1				Month 2				Month 3				Month 4					
		Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4		
		MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF	MTWRF		
3	Fundraise																		
3.1	Initial Round of Formal Pitches (Tier 3)																		
3.2	Feedback																		
3.3	Primary Round of Formal Pitches (Tier 1 + 2)																		
3.4	Feedback + 2nd Conversations + Diligence																		
3.5	Term Sheet Target																		

What to expect in the diligence / courting process

“Success is going from failure to failure with no loss of enthusiasm”

- **Be in control of the timing:** VCs can move quick in the seed investing process, **don't expect them to.** VCs are incentivized to wait out until they have the maximum data points. Competitiveness is your only leverage. Give them a timeline to act.
- **Act with Integrity:** Do not lie about having term sheets – investors are more experienced than you at this game
- **Level your Expectations:** Expect a lot of no's and ghosts in this process.
- **Find your Champion:** Decisions are typically made by unanimous decision by Investment Committee (IC) – find your champion in the organization

What to expect from an offer

Focus on what's important, negotiate and resolve the important points early, get the deal closed as quickly as possible and get back to growing the company.

- **Types of Rounds:** Convertible Note vs SAFE note vs Priced Round

- Exclusivity

- Understand your leverage but it is negotiable:

- Valuation
- Round Size
- Options (Pre or Post Money)
- Option Pool Size
- Vesting Schedule
- Board
- Structure of Preferred Equity (Liquidation Preference / Anti-Dilution)
- Protective Provisions

[NVCA Sample Term Sheet](#)

Closing a round

1. **Diligence:** Check in with your advisors / mentors to get intel on your investors. Ask for portfolio company references once you have a Term Sheet – this shows sophisticated business acumen.
2. **Timeline:** It takes ~30-60 days to go from a signed term sheet to a closed investment due to legal work. There is still some negotiation left.
3. **Syndicate:** Once you have a lead term sheet, you can then use that time to bring in other strategic investors who can add value to your business in the form of different perspectives or industry. Your lead typically only contributes ~50% of the round.
4. **Follow-through:** It is rare for investors to renege on a term sheet but it can happen. **Time kills all deals** so make sure you keep your best foot forward and you make sure things keep advancing to get the deal over the finish line.

Ways to stay connected



Fundraising Bootcamp: Go through every step of the process in a 3-week sprint with your peers. Comes with templates, guest VC lectures, and accountability frameworks.

Starts March 4 ([Application Link](#))

Asynchronous Resources: Watch all the step-by-step videos asynchronously with tools and templates (investor lists, financial model templates, dilution model templates, etc.)

Available Here: [Asynchronous Bootcamp](#)

Office Hours: Hosted regularly for Community

My email: Oliver@amesventures.com

Book some time: intro.co/OliverSpalding

Fundraising Bootcamp



Raising Venture Capital is a nebulous process. This bootcamp is meant to serve as a step-by-step guide to help you prepare for and execute the fundraising process with confidence.

This is a program that stresses action and deliverables alongside collaboration. As with every fundraising playbook session, the program will give you the playbook to execute each of these steps and the accountability to get things done. You will be working alongside a cohort of entrepreneurs with clear deliverables and feedback.

[More information](#)

[Application Link](#)

Fundraising Bootcamp



Module 1: What are VCs looking for? Investor Psychology + Running a Process

Module 2: Storytelling + Pitch Deck

Module 3: Preparing for Diligence / How to put your best foot forward

Module 4: Financial Modeling for Start-ups

Module 5: Negotiating and closing a Round

TOOLS YOU WILL RECIEVE

1. Investor List with 1k+ investors
2. Financial Model Templates
3. Dilution Modeling
4. CRM Template
5. Full Fundraising Playbook Materials + Videos to watch asynchronously.

Testimonials



AMES VENTURES



“We came out with an incredible pitch deck, a perfected VC pitch, and a strong financial model. **This empowered us to have great conversations with VCs and we have brought in investments in the last few weeks alone.**”

Ollie was an incredible part of the process and we're so glad we had the chance to work with him.”

Vita Malella
Co-Founder at Flock



“Ollie was absolutely wonderful. Every single question we had he answered in a straightforward, honest way from both the VC and entrepreneur’s perspective. Even coming from business school, you don't get access to information like that.

If you're thinking about it, it's definitely worth it”

Lindsey Chrismon
Co-Founder and CEO of MyHome



“**The Fundraising Bootcamp completely exceeded my expectations.** Ollie leverages his unique background as an educator and investor to get beyond the numbers to develop the things that actually matter the most – crafting your story, tricks for approaching networking with potential investors, and learning the mindset from a venture capitalist's perspective that can make the difference between a term sheet and a rejection.

For anyone considering launching a fundraising round, I would highly recommend this intense yet rewarding experience.”

Anthony Martore
Co-Founder of Aftermarket



Testimonials



“I’ve been through Ivy League entrepreneurial accelerators and nothing came close to this program in terms of value.

Fundraising has always been a black box and after the program, I understand all the steps of the process and I’m already seeing the benefit and from that perspective, it’s worth its weight in gold.”

Conor Brown
CEO of Odyssey



