The Founder's Guide to Fundraising

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Getting started

Capital is the backbone of a great business, and without it, many promising ideas just simply can't get off the ground.

At Vestd, we understand the importance of not only raising funds, but doing so the right way. That's why we are here to support you every step of the way.

When founders begin on their fundraising journey, they are faced with an overwhelming amount of options. From crowdfunding to equity financing, angel investors to venture capitalists (VCs), investment documents, where do you start?

The right approach will depend on your startup's needs, growth stage, and the type of control you want to maintain. But there's no need to navigate this alone.

We're here to make sure you can approach investors, structure funding rounds, and **seize capital with confidence**. With insights on everything from preparing your pitch deck to organising your cap table, we help founders make smart, informed decisions at every stage.

Introduction to fundraising

Why do startups need capital?

Starting a business is an exciting prospect, but it is also one that requires fuel to maintain its momentum. There are many components needed to turn a million-dollar idea into a million-dollar business, and most of those can be developed with the injection of cash.

Startups need capital to grow. Whether this is to expand their team, boost their marketing efforts, or develop new products, without sufficient funding, startups are at risk of stagnating and becoming unable to progress past the competition.

Attracting top talent is also not cheap, especially in competitive industries. Capital gives businesses the chance to hire skilled employees and build a company culture that fosters growth. With the right people in place, you are giving your business the best chance of success.

Also, turning your idea into a market-ready product takes time, resources, and money. Ensuring you have sufficient funds to develop your concept into a business is crucial to hit your market window!

Essentially, **funding enables startups to innovate and turn potential into progress**. The landscape is competitive, and so securing the right funding plays a crucial role in giving your business the best chance of success.

Ways to fund your startup

There are several ways to fund your startup, and bring your idea to life.

Each of these has pros and cons, so let's take time to understand these different funding methods, so you can know which is right for you.

Equity financing

This involves raising capital by selling shares in your limited company to investors. The main types of investors are friends and family, angel investors, and institutional investors. In return for their funds, they receive part ownership of your company.

You may wish to issue shares immediately through share subscription letters and investment agreements, or you may wish to defer share issuance through an advance subscription agreement (ASA).

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Pros:
- You can raise funds without debt.
- Investors may bring expertise, connections, and mentorship to the table.
- You can raise larger sums of money, compared to other methods.

Cons:
- You open up ownership in your company.
- Investors may have influence over company decisions.
- It may be a long and lengthy process.*
- Formal investments mean plenty of admin - think investment documents, term sheets, and more.

*The average seed round takes between 3-6 months to complete in the UK, and may take longer, depending on your level of preparation. This may not suit those needing an urgent cash injection.

Debt financing

This involves taking out a loan or a line of credit to fund your business. This may be through a bank, online lender, or even through governmental loans. These will need to be repaid (with interest) at a later date.

Debt financing can also occur through investors with the use of a convertible loan note (CLN), where capital is provided into the business, and is then repaid at a later date, either through equity or in cash.

Pros:
- Quick injection of cash into your business.
- Retain full ownership and control.
- Interest may be tax-deductible.

Cons:
- High financial risk, as repayment is needed regardless of success.
- Interest rate may be high.
- Banks often require detailed forecasts and business plans, adding extra admin.

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Crowdfunding

You may recognise this popular form of fundraising, which is typically categorised as raising a sum of money through small donations by a large number of people.

While not legally required, those who fund businesses through crowdfunding typically have an expectation of some form of reward - whether that's equity, perks, or exclusive access to products or services.

This is best for seed-stage businesses, as it helps to build brand awareness and gauge customer interest, which could be vital proof in future funding rounds.

Popular crowdfunding platforms like Seedrs, CrowdCube, and Kickstarter each offer different features - Kickstarter rewards investors with incentives, while Seedrs offers equity. But the core principle remains the same: funding made accessible to and provided by the public.

Pros:

- Accessible source of fundraising.
- Shows clear market interest if successful.
- Various models of crowdfunding to suit different business approaches.
- Great marketing tool to build brand awareness.

Cons:

- No guarantee you will reach your funding goals.
- Requires a solid marketing strategy to stand out.
- Typically expected to personally contribute a significant portion of the raise.*

*Although there's no requirement to secure a portion of your funding before launching a crowdfunding campaign, companies with 20-30% of their goal pre-committed tend to succeed more often. This is why many platforms recommend, or even require, having this initial capital in place.

Bootstrapping

Bootstrapping is essentially when a founder uses their own savings or revenue generated from their business to fund growth and expansion. There are many pros and cons to being self-funded, especially when compared to equity financing.

Pros:

- Full control over your business.
- No need to share ownership for growth.
- You can grow at your own pace.

Cons:

- Limited resources.
- Personal financial risk.
- May be unreliable and unsustainable.

Did you know some of the world's most iconic brands were bootstrapped? Companies like Gymshark, Innocent Drinks, and Huel all built their success from the ground up, without any outside funding!

But which method is right for me?

Every journey is different, and there is no one-size-fits-all approach when it comes to funding. The best option depends on your needs, goals, and how much control you want to retain over your business.

Many successful startups combine multiple methods to reach their fundraising goals. Whatever path you choose, make sure it aligns with your goals.

Book a free consultation to help you decide which path is best.

Equity Financing

Equity financing is the process of exchanging ownership of your business for funds into your company.

Equity financing is particularly suitable for high-growth startups or founders looking to scale quickly by raising large sums of money without burdening the company with debt.

How does it work?

Equity financing commonly occurs through funding rounds, where founders offer shares in their company in exchange for investment. These funding rounds are categorised by stages that match the business' growth, from early seed stages, to larger series rounds. Here is a summary:

Pre-seed/seed stage	Pre-seed and seed businesses are often seeking early funding from angel investors, accelerators, or friends and family. Businesses at this stage are generally higher risk for investors, but have the potential to reap greater benefits when the company succeeds. High risk, higher reward!

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Series A	Once you have demonstrated market fit, generated some revenue, or hit key milestones, you may pursue a Series A round. These could involve VC firms, who are looking to invest large sums of money into high-growth companies. In return, they may also want an influence or voice into key business decisions.
Series B	These rounds occur as the company scales further, usually to expand into new markets, hire new talent, or improve the product offering. These rounds are often more complex, but could lead to substantial amounts of money being raised.
Series C+	In Series C and beyond, companies are usually well-established, with strong and steady revenue and growth. These rounds are about further scaling, possibly through company acquisitions, international market expansion, or product development.

Types of equity financing

There are many different forms of equity financing to choose from, and the route you go down will depend on your business' needs.

Let's break down the main types, and how you can find them.

Friends and family

Many startups begin their journey with close connections including family members who believe in their vision, and are willing to part ways with their money.

This is often a more informal form of equity financing, where the investment terms are rooted in trust rather than legal formalities. This provides a flexible investment environment for both the founders and investors.

It's essential for founders to maintain transparency and carefully document and communicate investment terms and potential risks to the friends and family who are investing.

Remember, it's still an investment—protect both your ownership and personal relationships by taking the right precautions!

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Pros:

- Funds can be secured quickly and easily.
- The rapport is already established between the founders and investors.
- Provides crucial early-stage support when traditional investors may not be interested.
- Less formal investment terms result in a more flexible arrangement when compared to traditional investments.

Cons:

- Capital raised usually won't be as high when compared to more formal investment routes.*
- May be putting relationships at risk.
- Flexible terms and minimal agreements pose a risk that the funds may be used inefficiently, due to limited structure.
- Friends and family may lack the industry expertise and connections that traditional investors provide.

*The average deal size of a friends and family round in the UK is between £40,000-70,000, and rarely exceeds £250,000.

Angel investors

Angel investors are typically high-net-worth individuals looking to invest their own money in startups. They are generally looking to invest early in exchange for equity, with the hope that they receive high returns when the company grows.

Angel investors are usually more involved than friends and family, but less involved than VCs.

Pros:

- They typically invest in earlier-stage companies than VCs, so are more susceptible to investing.
- Philosophically aligned with your business goals and success.
- Many angels are former founders and entrepreneurs, so can provide mentorship and connections that could boost your business.
- Significant tax incentives available to angels in the UK (S/EIS).

Cons:

- Angel investors typically can't provide as much capital as VCs.*
- They may expect influence over key business decisions.
- Angel investors typically put pressure on founders for rapid growth, so they can maximise their return quickly.

*Angel investors typically invest between £10,000-50,000, with an average of around £25,000 each. Because VC firms have access to larger resource pools, they can invest anywhere from £20,000-500,000, with values extending into the multi-millions.

Where to find:

Finding angel investors starts with research - check out resources like The Entrepreneur Handbook's list of top angel networks in the UK.

Social media can be a powerful tool for connecting with investors. Look for profiles or communities on platforms like X (formerly Twitter) that share insights or highlight investor opportunities.

Once you identify potential investors, consider reaching out and building connections through professional networks like LinkedIn.

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Venture capitalists (VCs)

VCs are professional investors who are looking to invest money pooled from high-net-worth individuals, banks, and financial institutions into high-potential startups.

Attracting VCs may seem like a challenge, especially with the level of competition out there. By taking a strategic approach, you can make your business stand out and capture investors' attention.

They generally look for businesses that are displaying rapid growth to ensure they get a good return on their investment.

Because they are return-focussed, they expect to have an influence in key business decisions, and to see an exit strategy in place to outline the returns process (usually within five to 10 years).

Pros:

- Usually invest large sums of money into businesses to fund rapid growth.
- More likely to re-invest in the future if everything goes well.
- Offer a wealth of expertise, support, and connections.

Cons:

- Often want significant influence in major business decisions and the direction of the company.
- VCs expect to see significant traction prior to investment, and a continued high growth rate.
- The terms of their investment are often complex and require significant negotiations, which may take time.
- VCs may release funds in instalments, which are tied to specific business goals.

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Where to find:
Whilst some operate solo, many represent well-established VC firms, which can open doors.

Similarly to angel investors, social media platforms such as X and LinkedIn are a great way to connect with VCs. Sifted put together a list of 29 VCs to follow on Twitter. As for venture capital firms, London is full of them. Take a look at Beauhurst's list.

Here are additional platforms and search engines to help you locate the right VCs for your business:

- shipshape.vc
- scribe
- PitchBook
- crunchbase

Note: There are definitely right and wrong ways to reach out to VCs, so ensure that your approach doesn't put investors off, before you have had a chance to present.

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Preparing for a funding round

One of the most important parts of your fundraising journey is making sure you are putting your best foot forward when pitching your business to investors. The secret? It's all in the prep.

Valuing your business

Investors, such as venture capitalists and angel investors, will use a pre-money valuation to determine how much equity they should ask for in return for their injection of cash. A pre-money valuation isn't a static figure, and therefore it is **likely to change each time the company is valued**.

For more information on how to value your business, please read our handy guide to give you an idea of some of the ways in which you can work this out.

Perfecting your cap table

A clean and tidy cap table is a shining example of attention to detail and due diligence - that you've got your house in order.

For investors, looking at a company's cap table is like peeking under the bonnet of a car to see whether it's a worthwhile investment or more trouble than it's worth!

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Ultimately, investors want to see how big a slice they could get in return for their cash investment, and whether the size of the prize is worth the risk.

To do so, they need to understand the company's ownership structure before putting any money down. **A well-structured cap table is a great place to start**.

One that is well-built will outline **who** has shares, **how many** shares they have and the **value** of those shares.

A poorly managed cap table might not cause problems right away, but when investors take a closer look, cracks will start to show - and that can slow down your growth or even jeopardise funding.

Book a call to discuss how you can take the hassle out of fundraising prep

Cap table mistakes to avoid at all costs

Dead equity

Former employees who no longer contribute but still hold equity can harm your cap table and raise investor concerns.

Leaver clauses prevent this by outlining what happens to an employee's shares once they leave the company, ensuring that equity remains in the hands of those actively contributing to the company.

No vesting structures

Without a vesting structure, employees could leave early with large equity stakes. Implementing vesting ties shares to long-term commitment, protecting your business.

Giving too much away

Over-dilution of a founder's stake can signal a lack of commitment to investors. Good investors want founders to have sufficient skin in the game to justify the work still to come with growing the business. Ultimately, it is a balancing act.

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Zoo of micro-investors

Managing too many small investors can create administrative headaches. Special Purpose Vehicles (SPVs) help to consolidate them into a single entity, simplifying your cap table and making your business more attractive.

No employee option pool

Setting aside shares for key team members shows investors that you're serious about rewarding and retaining high-performing employees - an essential factor for long-term growth.

A typical pool is anywhere between 5-15%, and so reserving this to acquire top talent ahead of a funding round is a sure-fire way to boost your business in the eyes of investors.

Picking the wrong people

Choosing the wrong investors or employees can hurt your company's future. Ensure anyone given equity shares your vision and adds value beyond financial investment.

Inadequate agreements

Verbal agreements aren't enough! Properly documented and signed equity agreements prevent legal disputes and ensure transparency in your cap table.

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Human and rounding errors

Managing equity with spreadsheets is prone to errors. Small mistakes can accumulate over time, leading to incorrect share allocations. Use dedicated equity management tools to avoid this.

This is in no way an exhaustive list, and so for more details on how you can optimise your cap table to give you the best chance at impressing investors, check out our Ultimate Guide to Cap Table Management.

Prepare your pitch deck

If you want to raise investment, you'll need to have a stellar pitch deck to get the attention of the investors you need.

This is why Nick Donnelly, second-time founder and CEO of Cruton, says creating a compelling pitch deck can be one of the hardest parts of being a founder.

"The aim of your pitch deck is to stand out and persuade a potential investor you're worth giving a follow-up meeting."

"Fail that, you're getting off at Bootstrapville instead."

What should you include in your pitch deck?

As a tip on what to include in your pitch deck, consider the 10/20/30 rule, a guideline offered by seasoned presenters.

The format is:

- **10 slides:** A short, concise presentation containing the most critical information.
- **20 minutes:** Limit yourself to 20 minutes to keep your audience's attention.
- **30-point font:** Keep it readable by having a font size of at least 30 points for text.

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Here's what to cover in your 10 slides:

1. The problem

Here you can personalise the problem story to capture the imagination of your investors. Use a personal story that has them reeled into what you are trying to solve.

2. The solution

Share how you're solving the problem with your business, and ensure you have a problem fit not just a market fit. Nobody wants a hammer looking for a nail.

3. Product and features

Share the details that make your product viable in the simplest way, images and diagrams say a thousand words.

4. Market

This is where a lot of founders fall down. Research the market sizing and ensure you display clear workings.

5. Competitive landscape and potential risks

Ensure you include research, competitors are fine; just include how you differentiate and potential risks.

6. Revenue and operating model

Show the focus that will get you to your revenue goal, and how you expect to grow financially. You can share product pricing, 12 months of targets and a high-level go-to-market (including ICP).

7. Traction

Show the early traction you have, it's super important and demonstrates you get things done. This can also validate your growth claims and projections.

8. Projections

Demonstrate great projections to reassure investors you are growth-orientated, and that your business is a worthwhile investment.

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9. Team

A great opportunity to introduce yourself and other key players, and shout out relevant wins. Don't be afraid to link to a short intro video to add more personality to your deck.

10. Fundraise

Show how the funds will be used to grow your business. Investors want to know exactly what you plan on doing with their money, to ensure it will be handled appropriately.

Pitching guidance

So, you've done the hard work with the preparation, and now is the time to pitch your business to investors. You have your pitch deck prepared (thanks to Vestd's pitch deck template), and now you must face the music.

Ahead of time, it is important to **research your investors**. Understand their interests and passions, their previous investments, and values. This way, you can curate your approach to align with those who will be investing.

Practice truly makes perfect, and this is especially true for pitching. Rehearse your pitch deck thoroughly, and ensure you have a captivating introduction to grab attention from the start.

Clearly outline your goals, values, and the inspiration behind your business—and stay consistent with these. **Building a strong identity and character for your pitch can make all the difference in winning over your audience.**

Seek feedback from those experienced in business or your industry, and make sure you are prepared to navigate some tough questions. The more prepared you feel, the more confident you will read. And for investors, your confidence will inspire theirs.

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Remember, pitching isn't just about presenting your business. It is about winning over people who will join you on your journey. With the right tone of voice and approach, you will win investors over and inspire their confidence in your vision.

> "Investors are backing YOU first and foremost. Show your integrity, passion, and conviction to succeed no matter what."
>
> - David Rose, entrepreneur and angel investor.

It is also key that you don't let a bad pitching experience put you off or slow your momentum - it's all part of the process. Use it as an opportunity to learn and refine your approach. Every "no" will just bring you closer to the right "yes".

Due diligence & your data room

Due diligence is where investors will take a look under the hood of your business, digging into the details to verify what you have said so far in the process.

For investors, it is about ensuring your business is solid. They want to make sure that your company is a strong investment, and that there won't be any hidden surprises down the line.

They will want to review your financials, your business documents, your product, and all the things that come together to form your overall business model. Think of it as investors saying, **"Let's make sure your business is as great as it sounds."**

It can feel like a high-pressure stage in your fundraising journey, but with the right preparation, this is where you can make your startup shine. For this to happen, investors need access to a wide range of documents and data.

But that raises an important question: how can companies share data in a way that's more effective than email, but keeps critical data safe from unauthorised third parties?

This is where data rooms come into play.

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What is a data room?

A data room is a secure, centralised digital repository that stores essential company data—like financial records, IP documents, market analysis, and product roadmaps—enabling easy, secure access for stakeholders.

Building out your data room with the documents that are relevant to your business not only streamlines the process for you as a founder, **but gives investors a single point of reference for all the information they need.**

“In the digital age, a well-organised and secure data room is a vital tool for founders seeking investments, partnerships, or undergoing due diligence processes,” explains Manish Balakrishnan, a technology sales leader with over two decades of experience in the tech industry.

Having a data room can make a positive impression on a potential investor: it gives the impression of a well-organised operation which takes data security seriously.

In short, the better your data room, the better you’ll look to potential investors - and that can only ever be a good thing!

Vestd customers can create secure data rooms and access essential document templates to begin their investment prep.

SEIS and EIS advance assurance

If you are planning to raise through the [Seed Enterprise Investment Scheme (SEIS) or the Enterprise Investment Scheme (EIS)](), then securing advance assurance is a must.

It shows investors that your business qualifies for valuable tax reliefs, making you a much more attractive investment.

What is SEIS and EIS?

SEIS and EIS are tax-incentive schemes designed to turbocharge investment in early-stage companies. They work by offering generous tax reliefs to investors who purchase new shares in qualifying businesses.

How will my business qualify?

SEIS

- Trading for less than three years
- Gross assets of less than £350,000
- Fewer than 25 full-time employees

EIS

- Trading for less than seven years
- Gross assets of less than £15m
- Fewer than 250 full-time employees

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Click here for more SEIS qualification criteria.

Under EIS, investors can claim up to 30% income tax relief on investments up to £1 million per tax year. So, if an investor puts £100,000 into an EIS-eligible company, they can reduce their income tax bill by £30,000.

SEIS, which is focused on younger businesses, offers even more generous reliefs.

Investors can claim 50% income tax relief on investments up to £200,000 per tax year (this doubled from £100,000 in April 2023). So, for example, a £50,000 investment would yield a £25,000 reduction in income tax.

> "SEIS provided a safety net for our investors, encouraging them to back our vision during the uncertain early days."
>
> - Mitchell Fasanya, Co-founder of Fanbytes.

Advance assurance

Advance assurance allows you to check with HMRC to make sure your startup qualifies for SEIS or EIS before you apply.

It gives the person or organisation investing money into your business peace of mind that they will be eligible for the tax breaks that are attributed with investing under such schemes.

Because of this, most SEIS and EIS investors don't invest unless they have advance assurance. Investors understandably want a guarantee that they'll receive the tax benefits that come with making a SEIS or EIS investment.

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So while you don't strictly need advance insurance to qualify for SEIS or EIS, you're definitely going to want to apply for it to put your best foot forward ahead of a funding round.

For more in-depth information on all things SEIS and EIS, download our playbook.

SEIS and EIS advance assurance on Vestd

With InVestd Raise, securing SEIS and EIS advance assurance has never been easier. We streamline the process, handling document review, submission, and ongoing HMRC correspondence.

This ensures advance assurance applications are hassle-free and convenient for founders

Once you have your advance assurance sorted, you can also submit your compliance statement in-app, ensuring a seamless S/EIS journey!

Book a call today.

How much should I raise?

Deciding how much capital to raise is one of the biggest decisions for founders. The answer depends on your business goals, valuation, growth stage, and how the investment will be used.

Raise too little, and you may stunt your business's growth. Raise too much, and you risk overdiluting your ownership. The perfect balance is hard to find!

Here is a roadmap to help you come to a decision:

1. Assess your immediate needs

First things first, figure out how much you need to cover the next 12-18 months. This includes immediate product development, hiring, and marketing costs. Covering these will help to scale post-investment.

2. Consider growth ambitions

Are you looking to expand your customer base, tap into new markets, or roll out product updates? All of these play a part in your long-term financial needs.

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3. Align with your valuation

Make sure the amount you raise aligns with your ownership goals. Raising too much can lead to higher dilution, reducing your control. Find a balance where you secure enough to grow without giving up excess equity.

4. Plan for future rounds

Remember, each funding round builds on the last. Raising too much early on can make future rounds tricky, especially if growth doesn't match investor expectations. Consider how it fits with your long-term plan, ownership structure, and fundraising strategy.

5. Be ready to justify your round

Be ready to explain why you're asking for a specific amount by breaking down the key milestones and costs involved. This shows investors you've carefully considered your funding needs and plan to use the capital wisely.

> "Pick the number you think you need and be able to articulate a strong, rational case for why that number is right."
>
> - Paul Graham, Y-Combinator

Use our free investment round calculator to help you work out how much you should be raising ahead of your funding round!

Execute your funding round

Questions to ask investors

Whilst it is key to put your best foot forward to ensure that the investors have the best chance at buying into your vision, it is also vital that the **investors you choose to partner with are aligned with your long-term goals.**

Preparing answers for potential investors is a crucial part of your pitch, but don't forget to come prepared with your own questions. As a founder, finding the right match is just as important as securing funding. Investment is a two-way process.

> "In a good meeting with investors, the investors start to sell you on what we can do together."
>
> - Iddo Tal, Partner, Foundersuite

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These questions are a great way to understand what the investors are bringing to the table, and better understand the value they add to your business.

1. What draws you to my business and vision?
2. Do you have any similar companies in your portfolio?
3. Can you share any success stories from past investments?
4. What is your experience in my industry or market?
5. Are you looking for board representation?
6. What are key metrics you use to evaluate a company's performance?
7. What role can you see yourself playing in my company's growth?
8. How do you handle conflicts within your portfolio?
9. How do you see my company aligning with your values or goals?
10. What is your method of evaluating exit opportunities?

By opening up conversation around what you are seeking in investment, you are assessing not only their funding capabilities, but also their fit as a partner in your journey.

Consider why they want to invest, how they can help you, and what they would do in situations further down the road. This way, you can set clear expectations of your relationship dynamic ahead of working through your investment documents, where this will be further defined.

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Investment documents

Congratulations! Investors have taken an interest in your business, and now want to proceed with funding your startup. But sadly, actually receiving the capital is not as easy as a simple bank transfer.

There are many different investment document types that are crucial for setting in terms, and protecting your funds, and dictating your relationship with your new investors.

What are the different document types?

Term sheet

Usually the starting point in any investment negotiation, the term sheet outlines the key terms of the investment. This includes the amount, company valuation, investor rights, and exit terms.

Although not legally binding, it sets the framework for all future negotiations, and ensures you are on the same page as your investors, from the outset.

Advance subscription agreement (ASA)

This allows investors to provide funds now in exchange for shares at a later date. It will specify the amount invested, the terms of the investment, and the conditions under which the shares will be converted (usually at a Qualifying Financing Round).

ASAs also include a longstop date, which is the date at which the shares will automatically convert, regardless of if there has been a Qualifying Financing Round.

This is particularly useful for early-stage businesses who either cannot determine a share price, or have not finalised the business' valuation. It's a great way to raise capital now, whilst deferring valuation decisions.

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An ASA is also S/EIS compliant, and so can be used when raising under such schemes.

Convertible loan note (CLN)

Similarly to an ASA, a CLN allows investors to provide funds in advance of the acquisition of shares. However, a CLN is a loan that then can convert into equity at a later date, usually at a discounted rate.

However, unlike ASAs, CLNs may also be repaid in cash, and interest accrues on the amount borrowed, due to its loan status. The CLN may be repaid in cash if the Qualifying Financing Round is not met.

Because of the characteristics of the CLN, it is **not** compliant with raising investment through S/EIS.

Share subscription letter and agreement

This is a formal agreement outlining the terms of the investment, and committing the investor to purchasing shares at an agreed price.

It details the amount invested, the price per share, and the number of shares being issued. It is usually a less complex and detailed document, and so is more applicable to more simple investments, such as friends and family rounds.

Shareholder's agreement

This document governs the relationship between shareholders once the investment is made. It is crucial in specifying how the company will be run, how decisions will be made, and the rights and obligations of each shareholder going forward.

It's essential for maintaining transparency between founders and shareholders, especially as the company grows.

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Investment agreement

The Vestd investment agreement is a tailor-made, hybrid document, combining a shareholder's agreement, with subscription details for new shares.

This is a comprehensive document, outlining amount raised, share price, investor rights, obligations, and any exit clauses and terms. This allows founders and investors to fully protect their assets, and ensure the investment relationship is completely waterproof.

Deed of adherence

Usually applicable in future subsequent funding rounds, the deed of adherence ensures that new shareholders coming into an existing shareholder's agreement are bound by the original terms.

This includes voting rights, shareholder obligations, and any other democratic and legal decision-making that may occur. This helps maintain consistency and transparency between new and existing shareholders.

Which investment document to use and when?

Let's face it—investment paperwork can feel like a maze. Between raising capital and negotiating terms, you might suddenly find yourself drowning in documents and wondering, "Which ones actually matter for my business?"

With so many types of investment documents in play, it's crucial to know which ones are essential for your journey. Below is a handy flowchart to help you understand which documents are relevant for you.

Talk to a specialist about InVestd Raise today, so you can use our free document templates.

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Which investment document when?

Term sheet

The initial, non-binding agreement to outline the key investment terms.

Agreed on the price of shares and want to issue immediately

Share price not agreed, and so want to delay share issuance

Share subscription letters and agreement

Used for less complex agreements, involving the direct purchase of shares.

OR

Investment agreement

A hybrid document that combines a shareholders' agreement with subscription details for new shares, adding more complex rights and obligations alongside the share issuance.

Advance subscription agreement (ASA)

Investors pay for shares that are then issued at a later date.

ASA is S/EIS compliant.

OR

Convertible loan note (CLN)

Investors provide capital, and can then be repaid at a later date in either money or shares.

CLN is not S/EIS compliant

Upon ASA or CLN conversion to shares, a shareholders' agreement may be signed.

Shareholders' agreement

Governs the relationship between shareholders in key areas such as voting rights, share transfer restrictions, and company governance.

Deed of adherence

Used when adding new shareholders, to bind them to the existing shareholders agreement.

Special Purpose Vehicles (SPVs)

What are they?

In terms of investment and fundraising, SPVs are a great way for multiple investors to streamline and consolidate their assets into a single unit, that is then represented as one.

This is generally done in the form of syndicates, and is a popular choice for angel investors. This allows **many different investors to act as a dedicated single legal entity**, which smoothens the process.

Syndicates are usually spearheaded by a **lead investor**, who takes control of the deal by negotiating the terms, and rallying the other investors.

The syndicate is then represented by a nominee, which is essentially the legal owners of the investor's shares. The investors remain the beneficial owners, but are represented by the nominee to keep the cap table clean.

This setup lets investors **enjoy the economic benefits of their shares**, while the nominee structure takes care of the legal responsibilities on their behalf, making administration much simpler.

In essence, if a syndicate contains 40 angel investors, the cap table will only show the singular nominee structure, and it is with that singular entity through which administrative tasks are completed.

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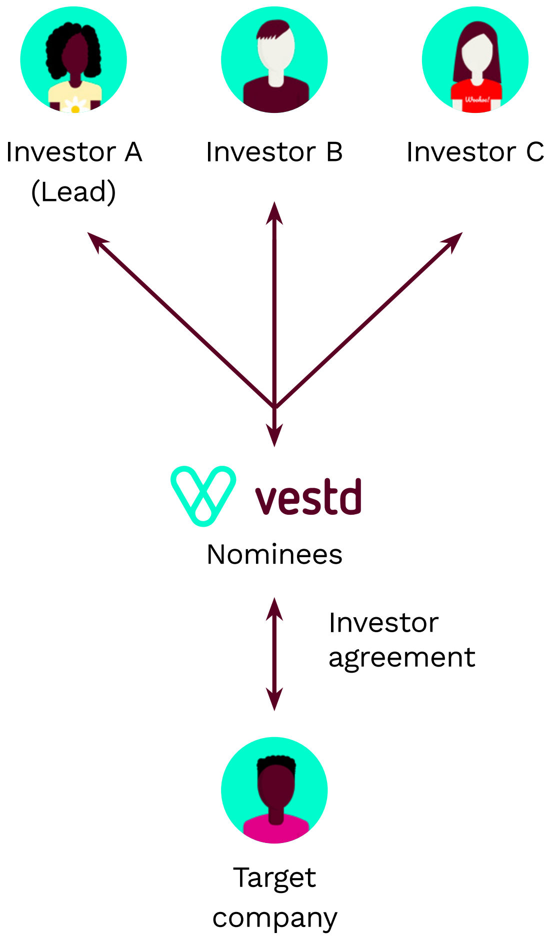
Vestd Syndicates

Setting up a syndicate does not need to be complicated. Here at Vestd, we understand just how beneficial syndicates can be in streamlining the investment process for both founders and investors. Because of this, we created [Vestd Syndicates](#).

By joining a syndicate on Vestd, investors can leverage our regulated status, enhanced KYC processes, and syndicate structure to confidently invest as unregulated angel investors, all while maintaining a streamlined cap table.

Vestd Syndicate Structure:



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But, what is the process of raising a syndicate for your business, and how should investors be coordinated by the target company? With Vestd, this process is kept simple.

See the operational flow here:

Joining the Vestd platform

The lead investor joins Vestd as an Admin, completing KYC checks with ID and proof of address.

Investor KYC checks

Investors complete a digital KYC form using a unique SPV identifier. Investor documents are then uploaded onto the platform.

Completion of the deal sheet

Participants accept the terms of the deal. The lead finalises the deal sheet detailing participation levels and Vestd fees.

Draft syndicate agreement

Vestd drafts the syndicate agreement based on the deal sheet, and after lead approval, it's shared with investors for electronic signature.

Sign syndicate agreement

The investors review, adjust, and sign the syndicate agreement, officially establishing the SPV.

SPVs and S/EIS eligibility

Vestd Syndicates uses a bare trust structure, which **safeguards SEIS and EIS eligibility**.

Providing the business and investment terms adhere to the eligibility criteria, raising through the Vestd syndicate structure will not jeopardise your tax benefits!

Generally speaking, SPVs are not eligible for SEIS or EIS tax reliefs. This is because the reliefs are directly linked to the investors, and so where the shares aren't considered to be held by the individual investors, the schemes are not applicable.

Speak to our SPV experts for a free consultation.

Fundraising Glossary:

Feeling lost in all the fundraising jargon? Don't worry - we've got you covered. This glossary breaks down the must-know terms so you can stay informed.

Dilution: When new shares are issued, which in turn reduces the ownership stake of the current shareholders.

Annual recurring revenue (ARR): The total annual revenue a company generates from subscription-based services.

Monthly recurring revenue (MRR): This is the same as ARR, but the recurring revenue per month.

Minimum viable product (MVP): The most basic form of a product required to meet the essential needs of early users.

Runway: How much time your business can function without running out of money.

Traction: Any momentum or notable attention your business has garnered since the start, to show that your business is growing and gaining a following.

Pre-money valuation: How much money your company is worth before a particular investment round.

Post-money valuation: How much money your company is worth after a particular investment round has completed.

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Return on investment (ROI): The percentage gain investors will make after investing in your company. This shows how well your company will turn investment into profit, and is what investors want to see.

Cap table: Your capitalisation (cap) table breaks down the share ownership of your company. It shows who owns what, detailing each investor, share split, and percentage of ownership.

Exit: How investors will eventually cash out from your company. A clear exit strategy is key to investors, as it will help to benchmark their journey with you, and sets a clear expectation on when they can reap the rewards of their investment.

Vesting: A method of distributing shares over time, rather than all at once. Vesting incentivises shareholders to stick around on the journey, or achieve certain milestones in order to attain their shares.

Total addressable market (TAM): A broad view of the overall potential sales opportunity your company or product intends to hit. It gauges the scope of success on the cards, and the growth potential of your business.

Want more startup lingo? Check out our full [startup jargon buster!]

InVestd Raise

So, you have the knowledge needed to dive head-first into your first funding round.

From preparing your cap table and building a compelling pitch deck, to filing investment documents and issuing shares, you understand the steps you need to take.

But *how* do you go about starting your fundraising journey? Sometimes the execution can be even more challenging than wrapping your head around the process.

That's where [InVestd Raise]() comes in.

We have developed a platform that streamlines your path to investment, so you can focus on growing your business without the admin headaches.

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But how can InVestd Raise help you navigate your fundraising roadmap?

- ☑ Streamlined funding rounds, with everything you need at your fingertips.
- ☑ 0% completion fees, so you keep every penny you raise.
- ☑ Apply for SEIS and EIS advance assurance on-app, and let us handle the rest with HMRC. Oh, and you can submit your compliance statements too.
- ☑ Polished business document and pitch deck templates to help you put your best foot forward.
- ☑ Autogenerate agreements and track digital signatures in just a few clicks.
- ☑ Share all important documents and manage investor access in your secure data room.
- ☑ Use our investment modelling tool to explore scenarios, plan strategy, and prepare for growth.

With all of the features you need to secure funding, stress-free, and with expert support to help guide you through your investment journey, raising funds has never been easier.

So what are you waiting for? Book a call and discover how, with InVetsd Raise, you can fundraise without the usual headaches.

Vestd is the platform of choice for UK SMEs issuing shares and options. We help businesses create, execute and manage shares & options schemes simply and affordably.

Vestd Ltd is authorised and regulated by the Financial Conduct Authority (685992).