



Raising Startup Capital

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Companies can retain a larger percentage of their total equity by raising capital through a series of financing rounds because the company's value grows with each set of achieved milestones. Consider the example below.

In the first scenario, the company raises the entire amount of money needed at the beginning. In this case, it totals \$850K. With an initial value of just \$1MM, they are forced to give up 85% of their equity for the money.

Needed	\$850K (85%)			
Value	\$1MM	\$2MM	\$4MM	\$8MM
	<i>Entrepreneur retains 15% equity.</i>			

In the second scenario, the company raises just enough money to get them to the next milestone, at which point their value increases to \$2MM. They then complete another round of financing, again securing just enough to get them to the next step. By breaking down the financing, they retain more of their equity.

Needed	\$100K (10%)	\$250K (12.5%)	\$500K (12.5%)	
Value	\$1MM	\$2MM	\$4MM	\$8MM
	<i>Entrepreneur retains 65% equity.</i>			

When looking for financing, always break down your requirements into a series of rounds, separated by business milestones that will increase the company's value. By doing so, you will preserve your equity and give your business a longer period of time to reach financial sustainability.

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