EXERCISE
STARTUP FUNDING STAGES

Background
You've been assigned to represent an early-stage startup. It was formed a year ago, was initially financed by the two co-founders and has done a friends and family investment round of $200,000, in which the company issued convertible notes (they downloaded some forms they found online).

The founders now need to raise about $800,000 to get them through the next year.

They don't want to give up too much control at this point as they're still figuring things out and they want as much freedom as possible in how they run the business. They also want to do this quickly and keep legal fees to a minimum.

On the other hand, they know that they'll never be able to raise $800,000 from their friends and family. The founders are first-time founders, and aside from their small friends and family round they have no experience raising money.

The founders have asked for your thoughts on what sort of investment they should consider for this next round, as well as what to expect in terms of additional funding rounds if things keep going well.

Instructions
Come prepared to discuss the following:

- What type of investment round should the founders consider and why?
- How is this round likely to differ from their friends and family round? How will it be similar?
- What are the main ways in which a Series A round would be different from their friends and family round?
- Once a valuation is put on the company, how might that impact future investment rounds?

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