

The fundraising playbook



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1. Fundraising never sleeps

For many startups and growth companies, raising capital plays a significant role in scaling the company. However, despite its importance, it is often downplayed and postponed, leading many companies to start their fundraising work only a few weeks before the capital needs to be in the bank account. They are often unprepared, start too late, and often end up with either no money at all or the wrong money from the wrong investors, on the wrong terms.

Instead, companies should try to incorporate investor work into their general routine, building their network and keeping them updated on their traction through regular information. While raising capital requires extremely close work with investors for a short period of time, it is also necessary to stay in touch and be transparent between the different periods of fundraising.

To successfully raise capital, it is important to build trust with your investor network and stay top of mind, so focusing on continuous work with investors will yield benefits when the time comes to launch the fundraising.

OwnersRoom offers a platform for growth companies to professionally manage shareholders and investors over time, so that they are in a good position for a smooth funding process with our Deals module.



2. Introducing the playbook

OwnersRoom is a SaaS that enables companies to easily manage their fundraising process, from building investor networks and due diligence to more efficient deal execution with analytics and digital signing.

The playbook is written by the company's co-founders and management, and its insights builds on years of experience as startup founders and angel investors, as well as CFO experience from listed companies.

This playbook is intended for the company management that administer and execute fundraising. It includes checklists for deal preparation and execution, and finally a Q&A section. Additionally, you will find different templates and examples throughout the playbook that can be used when fundraising - either through OwnersRoom or through more traditional methods.

Throughout the playbook and the belonging examples and templates, we have taken a few principles to heart; reducing friction for investors, increasing company control, and simplifying the process where possible.

These are not principles directly related to OwnersRoom or our software, but should rather be considered as tips and tricks to make the fundraising easier. As the legal process behind a fundraising can be tricky waters to navigate, any initiatives that can simplify the process for both the company and its investors is most welcome in our (play)book.

To make the process easier, we suggest using the following mechanisms.

The shareholders subscribe with an application form

Investors enter their details and their intention to invest, including the maximum amount they would like to participate with, on an application form. This provides the company with a power of attorney to carry out the formal steps of the subscription on their behalf.

Allocation is done at the sole discretion of the Board of Directors

When allocating the shares, the company should structure the documents such that the Board of Directors can allocate freely. This gives the company more flexibility, regardless of which allocation principles they want to use.

Example timeline

When you are preparing the company for fundraising, the work with warming your investor network should start at least 6-12 months prior to the deadline for closing. It is important to start building your investor network early, giving yourself sufficient time to build a strong relationship with the investors you aim to raise funds from.

If you have a sufficiently strong network ready, it is recommended to keep the timeline for the deal execution itself pretty tight. It is much better to create some time pressure, as opposed to dragging the fundraising out for several months.

Below you will see an example timeline. Be advised that this is simply an example, as any specific timeline should be seen in the context of the company raising capital and its investor network.

Example timeline

-6-12 months	Building and warming investor network
Day -14	Determine deal structure and prepare deal documents.
Day -3	Selected investors are invited to pre-subscribe if the deal is not guaranteed.
Day 1	Deal goes live and investors are invited to subscribe.
Day 5	Investor update and deal reminder is sent to all invited investors.
Day 7	Deal subscription is closed and allocation starts. Participating investors are notified.
Day 14	Payment deadline.
Day 15	Filing of capital event to local authorities.
—	Cap table update and notification to all investors.

Fundraising checklist

Deal preparation



Investor network

Checklist items

- Which investors are we going to invite to the deal?
- Warm up shareholders and investor network



Deal structure

- Capital need
- Company valuation
- Execution by board or shareholder meeting



Documentation

- Investor presentation
- Investor update
- Articles of association
- Verified annual accounts
- Shareholder agreement
- Notice of shareholder meeting (if relevant)
- Application form



Subscription

- Deal launch update
- Subscription period
- Planned reminder
- News update



Allocation

- Pro-rata for existing investors?
- Ticket size for new investors
- How to allocate any remaining shares?



Closing

- Allocation notices
- Adherence to shareholder agreement
- Payment collection
- Filing of the capital raise
- Cap table update

Deal execution

3. Deal preparation

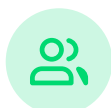
While many people believe that fundraising is all about the perfect pitch deck and the investor meetings, the reality is that a successful fundraising is often one that has been worked on for months in advance.

It can often be smart to take a step back first and consider all the things you need to have in order to be well prepared.

Investor network

Deal structure

Documentation



Investor network

Checklist items

- Which investors are we going to invite to the deal?
- Warm up shareholders and investor network

Questions

- Do we have an adequate network to cover our financing needs?
- Should some of the investors be invited to pre-subscribe or guarantee for the financing?

The most important pre-deal task is to build a relevant network of investors and prepare them for the deal so that they are ready for it. This work starts a long time before the actual deal opens, and you need to make sure to have a sufficiently large investor network to cover the financing needs you have. It is much better to have over-subscription than struggling to meet your goal.

As you meet new investor contacts, you should structure your communication with them to make sure you stay top-of-mind. An example could be to share monthly investor updates with them (the same you send to your shareholders) to keep them warm. They should also be given access to your OwnersRoom so they can access private information and be ready for the deal.



Deal structure

Checklist items

- Capital need
- Company valuation
- Execution by board or shareholder meeting

Questions

- Is the deal anchored with key investors?
- Does the board of directors have a power of attorney for increasing the share capital?

Valuation, capital to be raised and deal structure is to be decided by the board of directors – ideally after anchoring the deal and the business plan with key investors.

It is often useful to get feedback on and calibrate the investor presentation in such early investor meetings and clarify if a pre-subscription or guarantee from some of the investors would be feasible.

Pre-money valuation

The pre-money valuation (PMV) is the valuation of the company before raising the capital. This is used to find the price per share.

Example:

Number of shares: **230 200** Pre-money valuation: **NOK 50 000 000**

Price per share = $\text{NOK } 50\,000\,000 / 230\,200 = \text{NOK } 217,202433\dots$

It is recommended to adjust the share price to make it easier for all parties. Here, we will adjust the share price to **NOK 217,00**.

This adjustment will give us a pre-money valuation of

Pre-money valuation = $\text{NOK } 217,00 \times 230\,200 = \text{NOK } 49\,953\,400,00$.



Documentation

Checklist items

- Investor presentation
- Investor update
- Articles of association
- Verified annual accounts
- Shareholder agreement
- Notice of shareholder meeting (if relevant)
- Application form

Questions

- Do we expect requests for other documentation than the above?

The above documents should be considered a starting point, as any due diligence process will depend heavily on the type of investors you are seeking funding from.

We recommend that you make a folder in OwnersRoom with the deals documents, and that you link to this folder in the investor update that announces that the deal is live.

Also consider adding the investor presentation as an attachment to the email copy of the post as the investor presentation is maybe the most important deal document.

The update should also give instructions on how to subscribe. You find an example template for the update later in this playbook after a template text for the application form.

The application form

The application form used in the OwnersRoom Deals module is very flexible and is made up of two parts, a cover page and attached deal terms.

The cover page

This is where the investors state their legal entity information, application amount and the commitment to the deal terms as disclosed. The cover page is automatically generated when you set up the deal in the deal module of OwnersRoom, and give the person appointed by the board of directors of the Company the power of attorney to subscribe for shares as described in the application form.

Cover page template

Application for new shares

Application to subscribe to new shares in the Company: [legal name of Company]
 Business registration number: [business registration number of Company]

Pursuant to the terms in the attachment of this document, the Company invites you to apply for subscribing to new shares at a per share price of NOK [price per share] each with a nominal value of NOK [nominal value per share]. The Company offers up to [number] new shares, raising gross proceeds of up to NOK [amount].

Those wishing to apply for subscribing for new shares must complete this application form, sign and submit this document by [date/ time].

You confirm to have read and accepted the attached terms by ticking the checkbox provided with the attachment below.

Details of Applicant

Name of shareholder (person or legal entity)	
National Identity Number or Business Registration Number	<input type="checkbox"/>
Complete address [e.g street name, postal code, city, country]	

Details of Application

Maximum Amount to subscribe for (NOK)	
---------------------------------------	--

Signature

By signing this application form, you hereby irrevocably instruct and authorise a person appointed by the board of directors of the Company to subscribe for allotted shares in the Share Issue, in accordance with this application form. The signatory must have legal capacity.

NB: The standard cover page is in English, the currency is Norwegian kroner (NOK), and should be used when fundraising by issuing new shares. If you plan to have a different deal type or structure, please contact the OwnersRoom team and we can provide a different cover page more suited to the deal.

The deal terms attachment

This attachment could be a few sentences stating the power of attorney for the upcoming share allocation plus adherence to the shareholder agreement or a more comprehensive share subscription agreement, loan agreement, SAFE/SLIP etc.

Below you will example texts that can be used in the deal terms attachment.

Example text for deal terms

Any specific terms related to the shares issued should be addressed in the attachment. This could also include allocation principles, such as the example text below.

All shares will be issued at the subscription price of NOK [amount] per share. Allocation of shares will be made at the sole discretion of the Company's board of directors (the "Board"). When deciding on the allocation of shares, the Board will consider the application amount and then prioritize in the following manner. First, all existing shareholders that participate will be allocated up to their pro rata portion of the Share Issue. Second, new selected investors will be invited to participate in the Share Issue. Third, existing shareholders that participate will be allocated any potential remaining shares.

Each applicant will receive further information on payment details after necessary corporate resolutions have been made.

Example text for Adherence to shareholder agreement

When raising capital from new investors, it is important that they adhere to any existing shareholders' agreement, if applicable.

By signing this application form I acknowledge and agree to be bound by the terms and provisions of the shareholder agreement disclosed by the Company.

Example text for Signature field

The attachment should include a sentence that the signing party agrees to the additional terms when applying for shares.

The undersigned hereby and in accordance with the above apply for new shares in the Company as stated above.

4. Deal execution

When you are getting ready to launch your deal, you should consider how you want to structure the process, focusing on creating traction and making the experience easy and comfortable for the invited investors.

The points below can be used as a guide to the different stages of the deal execution phase.

Subscription

Allocation

Closing



Subscription

Checklist items

- Deal launch update
- Subscription period
- Planned reminder
- News update for traction

Questions

- How do you plan to create traction for the deal throughout the subscription period?

We recommend that the application forms give the company power of attorney to execute the subscription on behalf of the investors. If the financing is not guaranteed, it is worth considering splitting the subscription period in two. First invite internal investors and those that are close to the company.

Then invite external investors while disclosing how much that is already subscribed. If the investors are ready for the deal, it is advisable to keep the subscription period short. 7-10 days should be sufficient. When the deal has been live some days, an update sharing good news from the company could be considered as a means to increase deal traction.

The deal launch update

Before launching the deal from the Deals-module it is common practice to publish an Update declaring the funding round is live. This should provide all relevant parties with an introduction to what will happen and the key information that they need to know. Here is an example.



SpaceWalk's fundraising is now open!

[SpaceWalk] is now raising [amount] MNOK in new equity.

Application deadline: [date] at 16:00.

[Entire round already guaranteed/ x% is already pre-subscribed by [xyz]]

Background

After reviewing the financing needs, we have decided to raise [amount] MNOK in equity. All shares will be issued at the subscription price of NOK [amount] per share.

The pre-money valuation is set to [amount] MNOK, fully diluted inclusive allocation for the employee equity plan. Last funding round was in [month year] at NOK [amount] per share. Total funding to date before this funding round: [amount] MNOK in equity, [amount] MNOK in grants and [amount] MNOK in loans.

The objectives after this funding round:

- [objective 1]
- [objective 2]
- [objective 3]

The deal launch update (cont.)

Allocation and payment

Allocation of shares will be made at the sole discretion of the Company's board of directors.

When deciding on the allocation of shares, the board will consider the application amount and then prioritize in the following manner:

- 1) All existing shareholders that participate will be allocated up to their pro rata portion of the Share Issue.
- 2) New selected investors will be invited to participate in the Share Issue
- 3) Existing shareholders that have applied for more than their pro rata will be allocated any potential remaining shares.

Each applicant will receive further information on allocation and payment details on [date].

Next steps

- Attached you find the investor presentation.
- Supporting information are available in OwnersRoom in [name of folder activated with link to folder in OwnersRoom]

The application deadline is [date] at 16:00.

The subscription application form will be distributed by OwnersRoom through Scrive. Just open it and follow the instructions.

Please reach out to me if you have questions, comments or would like a call for a Q&A session. My contact details are: [email] [mobile phone number]

Best,
[name]

The example format here is the one used in OwnersRoom, where all email communication sent via the Updates module is branded as the customer itself. This includes the company's name and logo.



Allocation

Checklist items

- Pro rata for existing investors?
- Ticket size for new investors
- How to allocate any remaining shares?

Questions

- What allocation principles should be communicated to investors in advance?

After investors have subscribed, the board of the company will allocate within the limits of the subscriptions and use the allocation principles communicated. The execution of the allocation will usually be done through a board meeting resolution if the board has a power of attorney for the capital raise. Otherwise, a shareholder meeting will be called for executing the allocation.

Allocation

When allocating the shares, there are a couple of key principles to keep in mind for it to be correct.

- The allocated sum must be below the maximum amount
- The allocated sum must be equivalent to a sum that does not result in fractional shares.

Example:

Investor A has subscribed for **NOK 500 000**. With our previous share price of NOK 217,00, the maximum number of shares the investor can be allocated is:

$$\text{NOK } 500\,000 / \text{NOK } 217,00 = 2\,304,14747\dots = \mathbf{2\,304}$$

To find this, you *round down* to the nearest whole number, and the allocated sum will be $\text{NOK } 217 \times 2\,304 = \mathbf{\text{NOK } 499\,968}$



Closing

Checklist items

- Allocation notices
- Adherence to shareholder agreement
- Payment collection
- Filing of the capital raise
- Cap table update

Questions

- Is adherence to shareholder agreement included in the application form attachment, or do you need to address this separately?

Notice of allocation is to be sent to the participating investors. This should include the legal entity the investor has subscribed on for, the allocated number of shares, the sum to be paid, and the payment information.

Example text for the allocation notice email

Hi [name],

We are very pleased to announce that our fundraising has been successfully closed, and we are happy to have you with us! Here is the allocation information.

Allocation:

- Legal entity: [name of legal entity]
- Address: [address of legal entity]
- Allocated shares: [number of shares]
- Payment sum: [total payment sum]

Please transfer the funds to the company's bank account [bank account number] before the deadline at [deadline date and time], and mark the payment with the legal entity name and number of shares.

Best,
[Name]

As soon as payment has been received, the capital increase is to be filed with the relevant business registry (Norway: Foretaksregisteret). When this has been confirmed the cap table should be updated and investors notified.

5. Q&A

You can always ask the OwnersRoom team if you have questions when setting up your deal. For legal issues, we also recommend using a lawyer. Here are some of the most common questions we get:

? **How to value the company?**

The value of the company and the size of the deal is to be decided by the board of directors of the company – often after input from key shareholders. In venture deals there has historically been a correlation between valuation and size of the deal, such that each financing round has given 20-25% dilution for existing owners.

Hence, if a company was to raise MNOK 15 this has often implied a post-money valuation of MNOK 60-75. This of course varies with how attractive the company is for investors, and with how adequate the investor network of the company is.

? **What deal structure to choose?**

Fundraising is often done by the issuance of new shares if it is possible to close the deal at a fair valuation. If it is difficult to reach a fair valuation, or if the company wants to postpone the valuation, other deal structures like convertible loans, loans with warrants or SAFE/SLIP structures could be more suitable. The capital raised will then be converted to shares later.

If you are planning on raising a round using any of the above mentioned methods, get in touch with us to see how you can use Deals for that as well.

? **How to handle requests for changes to the subscriptions?**

With changes we mean when investors want to increase or decrease the amount, or cancel the subscription. It is up to the company if they would accept any such changes as the subscription application once entered into by the investor is legally binding.

? Execution by board or general meeting?

Many board of directors have a power of attorney (POA) from the general meeting to raise capital when needed. This simplifies the deal process as there is no need to call for a general meeting in order to execute the issuance of new shares. If such a POA is not present, the execution will be done by a general meeting.

Hence, the execution of the issuance of new shares is done by these three steps (the same steps as in the deal execution check list above):

1. Subscription. Investors subscribe by giving a binding application for up to their defined maximum amount on their application form.
2. Allocation. The board of directors allocate the new shares to be issued using their priorly communicated allocation principles.
3. Closing. The execution of the issuance of new shares is thereafter resolved either in a board or a general meeting. After payment, the business registry is notified and finally the cap table is updated.

? Do you need a formal board or shareholder resolution in advance of inviting investors to subscribe?

We would recommend that there is a board decision regarding the intended capital raise before the deal is launched and investors are invited to subscribe.

Disclaimer

The information contained in this playbook does not constitute legal or fiscal advice and is provided for information purposes only, without implied warranty of any kind. The playbook is general in nature and do not take into consideration terms that each company may or may not have in their legal framework.

The playbook and its examples does not account for any potential requirements of a prospectus when offering securities. If you are unsure whether your fundraising will require a prospectus, we suggest you research local regulations and/or seek legal counsel.

Contact

This playbook has been created by OwnersRoom, a Norwegian SaaS company providing startups and growth companies with the tools they need to succeed with their investors.

To learn more, get in touch with us through one of the following channels or go to www.ownersroom.com to sign up for a free trial!

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