15 Key Questions Venture Capitalists Ask Before Investing in Your Startup

1. **Is There a Great Management Team?**
    a. Right set of skills.
    b. Drive.
    c. Experience.
    d. Temperament to grow the business.
    e. Questions asked:
        i. Who are the founders and key team members?
        ii. What relevant domain experience does the team have?
        iii. What key additions to the team are needed in the short term?
        iv. Why is the team uniquely capable to execute the company's business plan?
        v. How many employees does the company have?
        vi. What motivates the founders?
        vii. How do you plan to scale the team in the next 12 months?

2. **Is the Market Opportunity Big?**
    a. Why your business has the potential to become really big.
    b. For most investors, a "big" market opportunity is in excess of $1 billion in sales annually.

3. **What Positive Early Traction Has the Company Achieved?**
    a. Early traction can include the following:
        i. The creation of a beta or minimally viable product.
        ii. Initial or pilot customers, especially brand name customers.
        iii. Strategic partnerships.
        iv. Customer testimonials.
        v. Admission into competitive programs such as Y Combinator or other technology accelerators or incubators.
    b. Can answer how can the early traction be accelerated?
    c. What has been the principal reason for the traction?
    d. How can the company scale this early traction?

e. Also, show early buzz or press received - list the number of articles and publications mentioning the company.

4. **Are the Founders Passionate and Determined?**
    a. Passionate and determined founders - are they individuals who will be dedicated to growing the business and facing the inevitable challenges?
    b. Not pie-in-the-sky dreamers but nuts-and-bolts operators.
    c. Founders that know their metrics cold.
    d. Have a clear idea of the business they're in.
    e. Know how to grow it
    f. Spend the next 5 to 10 years living and breathing their idea.

5. **Do the Founders Understand the Financials and Key Metrics of Their Business?**
    a. Founders who truly understand the financials and key metrics of their business.
    b. Communicates the value of their businesses through numbers.
    c. Conversations centered on a company's revenue growth, sales funnel, and churn.
    d. Metrics-driven.
    e. Knows their KPI's (Key Performance Indicators)
    f. Understand what their top priorities are.
    g. Focus their teams around a handful of critical metrics.
    h. Clear sense of where those metrics can be in a year or two.

6. **Has the Entrepreneur Been Referred to Me by a Trusted Colleague?**
    a. Introduction from trusted colleagues - including an entrepreneur, a lawyer, an investment banker, an angel investor, or another venture capitalist.

7. **Is the Initial Investor Pitch Deck Professional and Interesting?**
    a. Venture Investor will expect to see a 15-20-page investor pitch deck before taking a meeting.
    b. From the pitch deck, the investor hopes to see an interesting business model with committed entrepreneurs and big opportunities.

8. **What Are the Potential Risks to the Business?**
    a. Be prepared to answer the following questions:
        i. What do you see as the principal risks to the business?
        ii. What legal risks do you have?
        iii. Will the business model comply with applicable laws, including expanding privacy protections?

iv. What technology risks do you have?
v. Do you have any regulatory risks?
vi. Are there any product liability risks?
vii. What steps do you anticipate taking to mitigate such risks?

b. Startups that can show they have reduced or eliminated product, technology, sales, or market risks will have an advantage in fund-raising.

9. **Why Is the Company's Product Great?**
   a. The entrepreneur must clearly articulate what the product or service consists of and why it is unique.
   b. Entrepreneurs should expect to be asked the following questions:
      i. Why do users care about your product or service?
      ii. What are the major product milestones?
      iii. What are the key differentiated features of your product or service?
      iv. What have you learned from early versions of the product or service?
      v. What are the two or three key features you plan to add?
      vi. How often do you envision enhancing or updating the product or service?

10. **How Will My Investment Capital Be Used and What Progress Will Be Made with That Capital?**
    a. Know how Investors capital will be invested?
    b. Your proposed burn rate.
    c. Estimated costs understanding.
    d.

11. **Is the Expected Valuation for the Company Realistic?**
    a. It is best not to discuss valuation in a first meeting other than to say you expect to be reasonable on valuation.
    b. Investors look for a convertible instrument with customary conversion discounts and valuation caps (i.e., convertible notes and SAFEs).

12. **Does the Company Have Differentiated Technology?**
    a. Investors will pursue the following questions:
       i. How differentiated is the company's technology?
       ii. What competitive advantages will there be over existing technology?
       iii. How easy will it be to replicate the technology?
       iv. How costly will it be to build the technology into each product?

13. What Is the Company's Intellectual Property?

a. Investors will pay particular attention to answers to the following questions asked:
    i. What key intellectual property does the company have (patents, patents pending, copyrights, trade secrets, trademarks, domain names)?
    ii. What comfort is there that the company's intellectual property does not violate the rights of a third party?
    iii. How was the company's intellectual property developed?
    iv. Would any prior employers of a team member have a potential claim to the company's intellectual property?
    v. Is the intellectual property properly owned by the company, and have all employees and consultants assigned the intellectual property over to the company?
    vi. If the intellectual property was developed at a university or through government grants or with open-source technology, how does the company have the right to use the technology?

14. Are the Company's Financial Projections Realistic and Interesting?

a. Investors want to invest in a company that can grow significantly and become an exciting business.
b. Avoid assumptions in your projections that will be difficult to justify.
c. Articulate the key assumptions you have and convince them those assumptions are reasonable.

15. Is Your Legal Formation Clean and in Compliance with Applicable Laws?

a. Investors do not want to invest in a company that has legal issues with the founders or third parties.
b. Failed to properly issue stock or options.
c. Failed to make securities law filings.
d. Has unaccredited investors.
e. Has not complied with employment laws.