

FROM SIGNED LOI TO FUNDED CLOSE

LOI to close: what gets built and who does it

The structure behind an acquisition raise, the order it gets built in, and the person who owns each piece.

The short answer. Between a signed LOI and a funded close, seven pieces get built: the vehicle and its exemption, the PPM, the subscription agreement, the operating agreement, CFA proformas, the data room, and a pitch deck with an executive summary. Ken, one of the advisors, runs the strategy call. Tre Brown, Head of Capital Markets, and his team run the structure, the data room and the lender and investor process through to the wire. You make every decision and sign every document yourself.

1. What gets built between LOI and close?

Seven pieces, and each one is read by someone who decides whether money moves: a lender, an investor or counsel.

The vehicle comes first because it decides who you can take money from. Raising from investors is a securities offering with rules of its own, and the exemption is chosen once, at structure time, because switching from 506(b) to 506(c) mid-raise means rebuilding the documents.

PIECE	WHAT IT DOES	WHO READS IT	WHEN IT IS NEEDED
Vehicle and exemption	An SPV entity that holds the investors' money, set up under Regulation D 506(b) or 506(c). The exemption decides who can invest and whether you can advertise.	Counsel and investors. A Form D filing follows at launch and first close.	Before the first investor conversation
Private placement memorandum (PPM)	Discloses the risk factors, use of proceeds, subscription terms and regulatory disclosures.	Investors and their advisors	Before any investor commits
Subscription agreement	The investor's commitment: representations, warranties, power of attorney and payment instructions.	Investors	At commitment, before money is wired
Operating agreement	Separates your voting and control interests from investor units, and writes the waterfall: debt service, then the investor preferred return, then the agreed splits.	Investors, counsel and lenders	Signed before close
CFA proformas	The financial model, built or reviewed by a CFA charterholder. These are the numbers a lender underwrites to.	Lenders first, then investors	Before the first lender package goes out
Data room	Every file a lender or investor asks for, in one place, matching the model. When a party walks, a complete data room lets you go straight to the next one.	Lenders, investors and counsel	Before lender outreach

PIECE	WHAT IT DOES	WHO READS IT	WHEN IT IS NEEDED
Pitch deck and executive summary	The deal in a few pages, and the one-page summary that goes to every lender at the same time.	Lenders and investors at first look	With the first outreach

2. Who does each piece?

Ken, one of the advisors, runs the strategy call. Tre Brown, Head of Capital Markets, and his team run everything from structure to wire.

WHO	OWNS
Ken, one of the advisors	The strategy call: the deal as it stands, the stack it needs and the structure we would build for it.
Tre Brown, Head of Capital Markets, and his team	Structure to wire: the vehicle, the data room, the lender process run in parallel, the investor process, the term sheet, closing coordination, and the refinance after close.
Paralegals	Review of the offering documents, which are drafted compliance-ready. Your own securities attorney is welcome on every document we produce.
A CFA charterholder	Advises on, reviews and builds the financial proformas.
You	Every decision, your own financial statements, and every signature, by your own hand.

Raises.com is not a provider of legal services. Counsel you choose can review everything we build.

3. What is the order from signed LOI to funded close?

Seven steps, in this order: structure before the raise, diligence before the lender asks, and lenders in parallel rather than one at a time.

Before step one: an LOI, not a purchase agreement. A purchase and sale agreement can bind you to put six figures into escrow, in one example \$150,000 within five to seven days, just to see the books. A letter of intent opens a 40 to 50 day diligence period for free.

STEP	WHAT HAPPENS	OWNER	WHAT YOU SEE
1. Strategy call	We read the deal as it stands: price, cash flow, your cash, where the LOI is and what the seller will carry. The stack gets mapped and the one constraint gets named.	Ken, one of the advisors	The structure we would build for this deal, and what it takes.
2. Structure set	The vehicle is formed and the exemption is chosen once, 506(b) or 506(c), based on where the money is actually coming from.	Tre Brown's team, with paralegal review	The entity, the exemption, and the reason for it.
3. Package built	The PPM, subscription agreement, operating agreement, CFA proformas, pitch deck and executive summary.	Our team, a CFA charterholder on the model, paralegal review	Drafts to review, with your own attorney if you want one.

STEP	WHAT HAPPENS	OWNER	WHAT YOU SEE
4. Diligence staged	Assembled before any lender asks: profit and loss, balance sheet, bank statements, fixed-asset schedules, and the lender pack (two years of monthly financials, six months of bank statements, two years of tax returns, personal financial statements). On Cody Sechelski's deal a fixed-asset entry typed at ten times its real value was caught before any lender saw it.	Tre Brown's team. Your own statements come from you.	One data room that agrees with the model.
5. Capital process	Lenders run in parallel off one data room, one one-page summary and one structure. Investor equity, where the stack needs it, runs through the vehicle under its exemption.	Tre Brown	Term sheets, and the underwriting reason behind every no.
6. Term sheet to wire	A term sheet is not money. Between the two sit the lender's diligence, the quality of earnings, the working capital peg and often a site visit. When a late lender rule breaks part of the structure, the fix is to change the instrument and keep the economics.	Tre Brown's team, alongside your counsel	Closing documents, signed by you.
7. After close	Close on the debt that wins the deal, then refinance into the debt that holds it. The refinance goes out once the business has a closed acquisition behind it.	Tre Brown	A refinance request out to banks and term lenders.

4. Which capital goes into the stack, and what does each layer cost you?

Size the senior debt first, then what the seller carries, then your own cash. The equity gap is what is left over, so it is the last number you calculate, not the first.

On our capital markets episode, a \$10 million acquisition works out this way: the seller agrees to a \$1 million note and \$3 million of rollover, and Tre Brown's verdict is that the buyer negotiated \$4 million into the stack by doing nothing. That happens before anyone raises a dollar.

LAYER	WHAT IT IS AND WHO PROVIDES IT	WHAT IT COSTS YOU	WHEN IT FITS
Senior debt	The first-in-line loan, secured against the assets and sized to cash flow or collateral, never to the price. From: A bank or an institutional private credit lender.	Interest, principal and covenants. Lenders want debt service coverage above 1.0, with a buffer around 1.15 on a business and around 1.2x on a building's rental income.	Every deal with documented cash flow. Some groups lend about 3x EBITDA on a term loan, and asset-based lenders advance 70 to 80% against heavy assets.
SBA 7(a)	A government-guaranteed bank loan. From: An SBA lender.	A personal guarantee, an equity injection on a change of ownership (commonly around 10%), and the program's own pace and caps.	Fits a standard acquisition inside the program's cap where you can meet the injection and sign the guarantee. Does not fit a deal that needs a lender to structure around its situation or move on a set timeline; that is private credit's road, which costs more and carries covenants.

LAYER	WHAT IT IS AND WHO PROVIDES IT	WHAT IT COSTS YOU	WHEN IT FITS
Private credit (junior)	Revenue-based capital behind the senior lender, unsecured. From: Private credit groups.	About 10 to 12% of yearly revenue as the loan amount, priced around 12 to 15% interest.	When bank debt and the seller layers do not reach the price. It is debt that wins the deal, not debt you keep.
Seller note	The seller is paid part of the price over time, subordinated to the senior lender and often on standby. From: The seller.	Less cash at close. Terms to negotiate: rate, term, standby period, security, default and offset rights.	Commonly 10 to 30% of the price in lower-middle-market deals. On an SBA loan, a note on full standby can count toward part of the equity injection, subject to lender policy.
Rollover equity	The seller keeps a stake in the business instead of taking all cash. From: The seller.	No cash and no interest. You own less of the company, and the seller stays aligned after close.	When the cash gap is large and the seller believes in the business. A seller still in the deal is a story a lender's committee can underwrite.
Earn-out	Part of the price paid later, only if the business hits an agreed target: revenue retention, key contracts or EBITDA. From: The seller.	Contingent purchase price. Vague definitions create disputes.	When the seller's price rests on a forecast you do not share. Sellers accept them when the metrics are clean and the definitions are exact.
A business you already own	A business you or a partner already own stands behind the acquisition, through its cash flow or its equity. From: You or a committed partner.	That business is on the line if the deal fails.	When the target cannot carry enough debt on its own.
Investor equity through the vehicle	Units in the SPV, sold under 506(b) or 506(c). From: Accredited investors, plus up to 35 sophisticated non-accredited investors under 506(b).	A preferred return and the agreed splits, paid through the waterfall. You keep control through the class structure.	The gap left after the debt and the seller layers. It is a securities offering, so the documents come first.
Co-GP or JV equity	One partner funds most of the equity alongside you. In one product Tre describes, the sponsor brings 10% and the co-GP investor brings 90% of the equity stack. From: A co-GP or JV investor.	They share the economics, and they still want your own first-loss cash under theirs.	When the gap is larger than your own cash and one capital partner beats many small checks.

What lenders measured on real deals

MEASURE	WHAT LENDERS ASKED FOR
Sponsor net worth or liquidity	10 to 20% of the ask
EBITDA margin on a bank-financed business	30 to 40% of revenue
Senior term loan	About 3x EBITDA at some groups
Debt service coverage	1.0 floor, about 1.15 buffer
Asset-based facility	70 to 80% of heavy assets
Private credit	10 to 12% of yearly revenue at 12 to 15%

5. Two closes, told short

One deal heard 24 no's and lost its structure three weeks before the wire. The other lost two committed investors mid-raise. Both closed on a package that was already built.

Cody Sechelski: a \$2,660,000 Texas HVAC acquisition

Cody, a Navasota, Texas contractor, signed an LOI on December 4, 2025 to buy a profitable family-run HVAC company at a \$2,660,000 enterprise value. He did not have the cash at close in hand.

Tre ran 25 capital providers in parallel off the same data room, the same one-page summary and the same structure. 24 said no. One funded.

Three weeks before the wire, the lender's compliance framework ruled out the seller on the closing-day cap table. The seller's rollover moved into a convertible seller note: the buyer's company owned 100% at close, and the seller kept the right to convert into his stake. The lender's team flew to Texas for a site visit, and the wire left on June 29, 2026, with under \$20,000 of Cody's own cash in the deal.

On September 30, 2026 a commercial lender returned a refinance offer: a 25-year fully amortizing term loan at a lower rate. The company that could not get past 24 lenders as a purchase became a refinance lenders compete for.

<https://raises.com/case-studies#cs-cody-sechelski>

Ade: a 44-unit multifamily, then a car wash

Ade, founder of Ascendi Capital, was raising for a 44-unit multifamily portfolio. Mid-raise, two committed investors pulled out, leaving what he called "a huge hole to fill within a very short period of time."

His data room and legal package were already complete, so he went straight to new capital partners and closed on March 17. His second close, a profitable car wash, ran on the same framework.

His lesson: build the full package before the raise, not during it.

<https://raises.com/case-studies#cs-ade>

6. What do you need to bring?

The deal as it stands. Nothing to prepare for the first call.

A signed LOI, a target or a seller conversation: wherever the deal is, that is where the strategy call starts. Later, your personal financial statement and tax returns come from you, because they are yours to complete and yours to sign.

Key terms

TERM	MEANING
LOI (letter of intent)	A non-binding agreement on price and terms that opens a diligence period before the binding purchase agreement.

TERM	MEANING
PPM (private placement memorandum)	The disclosure document investors read before they commit to a private offering.
506(b)	A Regulation D exemption for investors you already know, allowing up to 35 sophisticated non-accredited investors and no public advertising.
506(c)	A Regulation D exemption that allows public advertising, with every investor accredited and verified.
DSCR (debt service coverage ratio)	Net income divided by the interest and principal due; 1.0 just covers the payments, and lenders want a buffer above it.
Seller note	The seller lends part of the price, repaid over time and behind the senior lender.
Rollover equity	The seller keeps a stake in the business instead of taking all cash at close.
Earn-out	Part of the price paid later, only if the business hits an agreed target.
Standby	A period when the seller receives no payments on the note, even when the business is doing fine.
Subordination	Priority: if things go wrong, the senior lender is repaid before the seller.
Equity gap	What is left to fund after senior debt, the seller layers and your own cash.

Already booked? Nothing to prepare. Not yet? Book a strategy call with one of the advisors.

<https://raises.com/time>

The full page, with the buyer FAQ and every source: <https://raises.com/loi-to-close>

Sources

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