Abstract

A firm raises capital from heterogeneous investors to fund a project. The project succeeds only if the capital raised exceeds an initially unknown threshold, and the firm offers payments contingent on success. We study the firm's optimal unique-implementation scheme, namely the scheme that guarantees the firm the maximum payoff. This scheme pays investors differential net returns (per unit of capital) depending on the size of their investments. We show that if the distribution of the investment threshold is log-concave, larger investors receive higher net returns. Moreover, higher dispersion in investor size increases the firm's payoff and the feasibility of investment.