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DES MOINES, IOWA



Raising Capital Seminar

March 25, 2019



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RAISING CAPITAL SEMINAR

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Capitalization Table

Joe Leo



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Capitalization Table

- What is it?
- Why do I need one?
- Can I hire someone?

What is it?

- A capitalization table (Cap Table) is usually a spreadsheet
- Shows who owns the company or has equity rights in the company
- Includes common shares, preferred shares, options, convertible or SAFE notes, warrants, etc.

Why Do I Need One?

- Prepare for investor due diligence.
- Allows shareholders to know what they own.
- Powerful planning tool for future capital raises.
- Understand how convertible debt and stock options will impact an exit transaction.

Can I Hire Someone?

- Increasingly, companies are using third parties to maintain cap table.
- Examples: Carta, Capshare, Captable.io, Solium, Gust, Caplinked, many more.
- Can be a costly alternative, but simplifies cap tables.

Keeping it Updated

- Keep Cap Table current at all times.
- Will be required by investors in due diligence.
- Assists you in making good decisions quickly.
 - Running scenarios on pre-money valuation on new financing or future rounds of financing
 - Analyzing dilution impact of different sizes of financing round
 - Impact of option pool or granting of specific amount of options to a new hire

Make Sure it is Understandable

- Need to avoid idiosyncratic structures (causes confusion).
- Keep the supporting documents in one place.
- Make sure you can explain it.

Company, Inc.
COMMON SHARE CERTIFICATE REGISTER
Current Through June 1, 2018

Common Shares					
Cert #	Name	Issued	Shares	Cancelled	Transferred?
1	Andrew	01/01/18	500,000		
2	Peter	01/01/18	500,000		
3	Zoey	01/01/18	500,000		
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26					

Company, Inc.
PRO FORMA CAPITALIZATION TABLE
As of March 1, 2018

Name	Common Shares	Preferred Shares	Options Unissued	Options Issued	Total Shares (undiluted)	Total Shares (diluted)	Current Equity % (undiluted)	Current Equity % (diluted)
Andrew	500,000				500,000	500,000	25.71%	20.45%
Peter	500,000				500,000	500,000	25.71%	20.45%
Zoey	500,000				500,000	500,000	25.71%	20.45%
					0	0	0.00%	0.00%
Investor A		100,000			100,000	100,000	5.14%	4.09%
Investor B		100,000			100,000	100,000	5.14%	4.09%
Investor C		100,000			100,000	100,000	5.14%	4.09%
Investor D		144,445			144,445	144,445	7.43%	5.91%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
					0	0	0.00%	0.00%
Option Pool			500,000	0	0	500,000	0.00%	20.45%
TOTAL:	1,500,000	444,445	500,000		1,944,445	2,444,445	100.00%	100.00%

Option Pool % Pre-Investment	20.455%	20.455%	20.455%	20.455%	20.455%	20.455%
Option Pool % Post-Investment	17.052%	17.308%	17.538%	17.728%	17.903%	18.049%

Pre-money Valuation Simple	\$ 5,000,000	\$ 5,500,000	\$ 6,000,000	\$ 6,500,000	\$ 7,000,000	\$ 7,500,000
Pre-money Valuation Calculated	\$ 5,011,112	\$ 5,500,001	\$ 6,013,335	\$ 6,502,224	\$ 7,015,557	\$ 7,504,446
Price Per Share	\$ 2.045454	\$ 2.249999	\$ 2.454545	\$ 2.659090	\$ 2.863636	\$ 3.068181
Rounded Share Price Premoney	\$ 2.05	\$ 2.25	\$ 2.46	\$ 2.66	\$ 2.87	\$ 3.07
Capital Raised - Simple	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Shares Issued Simple	487804.878	444444.4444	406504.065	375939.8496	348432.0557	325732.899
Roundup Shares	487,805	444,445	406,505	375,940	348,433	325,733
Capital Raised Roundup	\$ 1,000,000.25	\$ 1,000,001.25	\$ 1,000,002.30	\$ 1,000,000.40	\$ 1,000,002.71	\$ 1,000,000.31
Founder Post Offering Percentage	17.05%	17.31%	17.54%	17.73%	17.90%	18.05%

Company, Inc.
PRO FORMA CAPITALIZATION TABLE
As of June 1, 2018

Name	Common Shares	Preferred Shares	Options Unissued	Options Issued	Total Shares (undiluted)	Total Shares (diluted)	Current Equity % (undiluted)	Current Equity % (diluted)
Andrew	500,000				500,000	500,000	21.27%	17.54%
Peter	500,000				500,000	500,000	21.27%	17.54%
Zoey	500,000				500,000	500,000	21.27%	17.54%
					0	0	0.00%	0.00%
Investor A		100,000			100,000	100,000	4.25%	3.51%
Investor B		100,000			100,000	100,000	4.25%	3.51%
Investor C		100,000			100,000	100,000	4.25%	3.51%
Investor D		144,445			144,445	144,445	6.14%	5.07%
					0	0	0.00%	0.00%
Investor E		50,000			50,000	50,000	2.13%	1.75%
Investor F		50,000			50,000	50,000	2.13%	1.75%
Investor G		100,000			100,000	100,000	4.25%	3.51%
Investor H		100,000			100,000	100,000	4.25%	3.51%
Investor I		50,000			50,000	50,000	2.13%	1.75%
Investor J		56,505			56,505	56,505	2.40%	1.98%
					0	0	0.00%	0.00%
Option Pool			500,000	0	0	500,000	0.00%	17.54%
					0	0	0.00%	0.00%
TOTAL:	1,500,000	850,950	500,000		2,350,950	2,850,950	100.00%	100.00%

Option Pool % Pre-Investment	17.538%	17.538%	17.538%	17.538%	17.538%	17.538%
Option Pool % Post-Investment	15.592%	14.034%	12.760%	11.697%	10.798%	10.028%

Pre-money Valuation Simple	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
Pre-money Valuation Calculated	\$ 8,011,170	\$ 8,011,170	\$ 8,011,170	\$ 8,011,170	\$ 8,011,170	\$ 8,011,170
Price Per Share	\$ 2.806082	\$ 2.806082	\$ 2.806082	\$ 2.806082	\$ 2.806082	\$ 2.806082
Rounded Share Price Premoney	\$ 2.81	\$ 2.81	\$ 2.81	\$ 2.81	\$ 2.81	\$ 2.81
Capital Raised - Simple	\$ 1,000,000	\$ 2,000,000	\$ 3,000,000	\$ 4,000,000	\$ 5,000,000	\$ 6,000,000
Shares Issued Simple	355871.8861	711743.7722	1067615.658	1423487.544	1779359.431	2135231.317
Roundup Shares	355,872	711,744	1,067,616	1,423,488	1,779,360	2,135,232
Capital Raised Roundup	\$ 1,000,000.32	\$ 2,000,000.64	\$ 3,000,000.96	\$ 4,000,001.28	\$ 5,000,001.60	\$ 6,000,001.92
Founder Post Offering Percentage	15.59%	14.03%	12.76%	11.70%	10.80%	10.03%

Company, Inc.
SERIES A SHARE CERTIFICATE REGISTER
 Current Through June 1, 2018

Series A Preferred Shares					
Cert #	Name	Issued	Shares	Cancelled	Transferred?
1	Investor A	03/01/18	100,000		
2	Investor B	03/01/18	100,000		
3	Investor C	03/01/18	100,000		
4	Investor D	03/01/18	144,445		
5	Investor E	06/01/18	50,000		
6	Investor F	06/01/18	50,000		
7	Investor G	06/01/18	100,000		
8	Investor H	06/01/18	100,000		
9	Investor I	06/01/18	50,000		
10	Investor J	06/01/18	56,505		
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