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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

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

# What is it?

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- 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?

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- 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?

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- 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

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- 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

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

<p style="text-align: center;">Company, Inc.</p> <p style="text-align: center;">PRO FORMA CAPITALIZATION TABLE</p> <p style="text-align: center;">As of January 1, 2018</p>
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[illegible]

Option Pool % Pre-Investment	25.000%	25.000%	25.000%	25.000%	25.000%	25.000%
Option Pool % Post-Investment	16.667%	17.857%	18.750%	19.444%	20.000%	20.455%
Pre-money Valuation Simple	\$ 2,000,000	\$ 2,500,000	\$ 3,000,000	\$ 3,500,000	\$ 4,000,000	\$ 4,500,000
Pre-money Valuation Calculated	\$ 2,000,000	\$ 2,500,000	\$ 3,000,000	\$ 3,500,000	\$ 4,000,000	\$ 4,500,000
Price Per Share	\$ 1.000000	\$ 1.250000	\$ 1.500000	\$ 1.750000	\$ 2.000000	\$ 2.250000
Rounded Share Price Premoney	\$ 1.00	\$ 1.25	\$ 1.50	\$ 1.75	\$ 2.00	\$ 2.25
Capital Raised - Simple	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Shares Issued Simple	1000000	800000	666666.6667	571428.5714	500000	444444.4444
Roundup Shares	1,000,000	800,000	666,667	571,429	500,000	444,445
Capital Raised Roundup	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.50	\$ 1,000,000.75	\$ 1,000,000.00	\$ 1,000,001.25
Founder Post Offering Percentage	16.67%	17.86%	18.75%	19.44%	20.00%	20.45%

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		
4					
5					
6					
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25					
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%
Option Pool			500,000	0	0	500,000	0.00%	20.45%
<b>TOTAL:</b>	<b>1,500,000</b>	<b>444,445</b>	<b>500,000</b>		<b>1,944,445</b>	<b>2,444,445</b>	<b>100.00%</b>	<b>100.00%</b>
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%
<b>TOTAL:</b>	<b>1,500,000</b>	<b>850,950</b>	<b>500,000</b>		<b>2,350,950</b>	<b>2,850,950</b>	<b>100.00%</b>	<b>100.00%</b>

Option Pool % Pre-Investment  
Option Pool % Post-Investment

17.538%    17.538%    17.538%    17.538%    17.538%    17.538%  
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
Pre-money Valuation Calculated	\$	8,011,170	\$	8,011,170	\$	8,011,170	\$	8,011,170
Price Per Share	\$	2.806082	\$	2.806082	\$	2.806082	\$	2.806082
Rounded Share Price Premoney	\$	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%
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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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