



# Capitalization Table Effects on Transactions

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# Introductions

- Patrick Smith, Managing Principal Technology Industry, CLA
- Brian Parks, CEO, Bigfoot Capital
- Joe Raczka, Managing Partner & COO, York IE
- Mark Jeffrey, Business Development & Partnerships Leader



# Understanding the cap table

- List of all the securities your company has issued and who owns them.
  - *Securities include stock, convertible notes, warrants, and equity grants*
- The source of truth for ownership for the life of the company
- It's a living ledger that requires active management (an output that's only as good as the data going into it)



# What it Can Tell Us

1. How many rounds have been raised?
2. How much do Founders own?
3. Is option pool at appropriate level?
4. Is there true institutional sponsorship?
5. Is there enough left for new capital to come in?



# The Cap Table Conversation

## Zell Corp Detailed Capitalization Table

As of 06/24/2019 • Generated by Mary Stuart (mary@esharesinc.com) at 06/24/2019 01:21:09



Name	Common (CS)	Series A Preferred (PA)	Series A Preferred (PA) 1:1 Conversion Ratio	Series Seed Preferred (PS)	Series Seed Preferred (PS) 1:1 Conversion Ratio	Options and RSU's Outstanding Under 2016 Equity Incentive Plan	Outstanding Shares	Fully Diluted Shares	Outstanding Ownership	Fully Diluted Ownership
Daxortav Ventures I, L.P.		16,844	16,844				16,844	16,844	.0804%	0.0689%
Emily Wilson	4,125						4,125	4,125	.0197%	0.0169%
Erin Sheridan	3,250,000						3,250,000	3,250,000	15.5138%	13.2930%
Gleeson Capital Fund IV		1,595,000	1,595,000	500,000	500,000		2,095,000	2,095,000	10.0005%	8.5688%
Hank Caulkins	1,050,000						1,050,000	1,050,000	5.0122%	4.2946%
Ian Kawamoto	1,050,000						1,050,000	1,050,000	5.0122%	4.2946%
Katie O'Brien LLC		20,000	20,000				20,000	20,000	.0955%	0.0818%
Kelley Oreglia						50,000		50,000	.0000%	0.2045%
Mary Stuart	1,050,000					50,000	1,050,000	1,100,000	5.0122%	4.4992%
Mashay Ventures I L.P.		808,945	808,945				808,945	808,945	3.8615%	3.3087%
Pamy Vision Fund I, L.P.		6,000,000	6,000,000	1,000,000	1,000,000		7,000,000	7,000,000	33.4144%	28.6310%
Patrick Armstrong	1,050,000						1,050,000	1,050,000	5.0122%	4.2946%
RA Dorm Fund I, L.P.		2,500,000	2,500,000				2,500,000	2,500,000	11.9337%	10.2254%
Ryan Avión	1,050,000						1,050,000	1,050,000	5.0122%	4.2946%
Ryan Pamy						100,000		100,000	.0000%	0.4090%
Tagg Palmer	4,125					55,000	4,125	59,125	.0197%	0.2418%
<b>Options and RSU's issued and outstanding</b>						255,000				
<b>Shares available for issuance under the plan</b>						3,245,000		3,245,000		13.2725%
<b>Fully diluted shares</b>	<b>8,508,250</b>		<b>10,940,789</b>		<b>1,500,000</b>	<b>3,500,000</b>		<b>24,449,039</b>		<b>100.0000%</b>
<b>Fully Diluted Ownership</b>	<b>34.7999%</b>		<b>44.7494%</b>		<b>6.1352%</b>	<b>14.3155%</b>		<b>100.0000%</b>		
<b>Total Shares Outstanding</b>	<b>8,508,250</b>	<b>10,940,789</b>		<b>1,500,000</b>			<b>20,949,039</b>		<b>100.0000%</b>	
<b>Percentage Outstanding</b>	<b>40.6140%</b>	<b>52.2257%</b>		<b>7.1602%</b>			<b>100.0000%</b>			
<b>Price per share</b>	<b>\$</b>	<b>1.00</b>	<b>\$</b>	<b>1.00</b>	<b>\$</b>	<b>0.10</b>	<b>\$</b>	<b>0.10</b>		



Create Opportunities

# Engaging with the Cap Table

1. Version control - regular updating required
2. Verification - must tick and tie to all underlying securities documents
3. Communication vehicle - shows the capitalization story
4. Monitoring mechanism - don't lose sight of who owns what
5. Decision-making guide





# (Cap) Table Manners

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# Red Flags

1. Lack of strategic fundraising
  1. Infinite scroll - too much passing the hat
  2. Window resizing required - not constructing proper rounds
2. Lack of commitment
  1. Subsequent round participation from outside investors
  2. Lack of meaningful ownership concentration
3. Inexperience
  1. Strange things going on with common, options, warrants

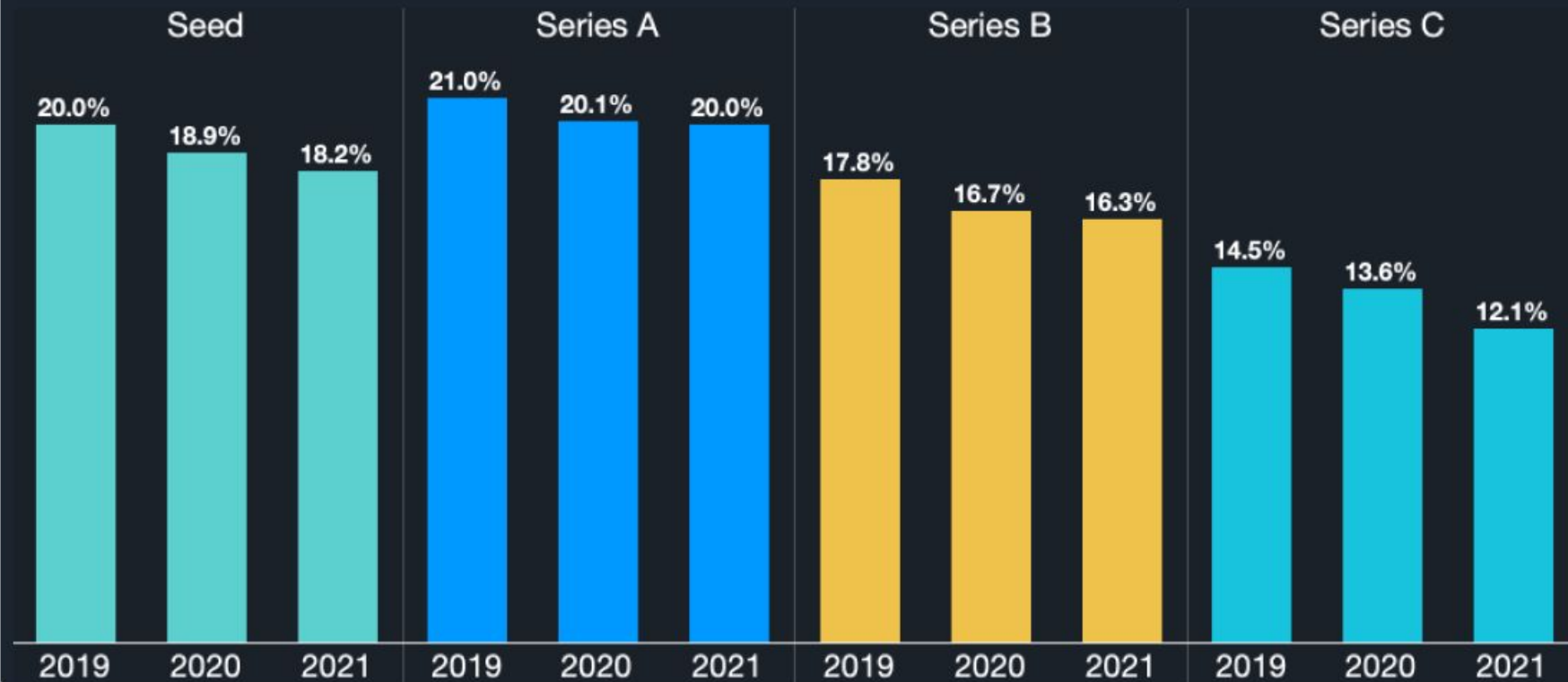


# Impacts/Implications

1. Scares capital providers and would be acquirers
2. Makes it harder to attract and retain talent
3. Makes it easier to give up

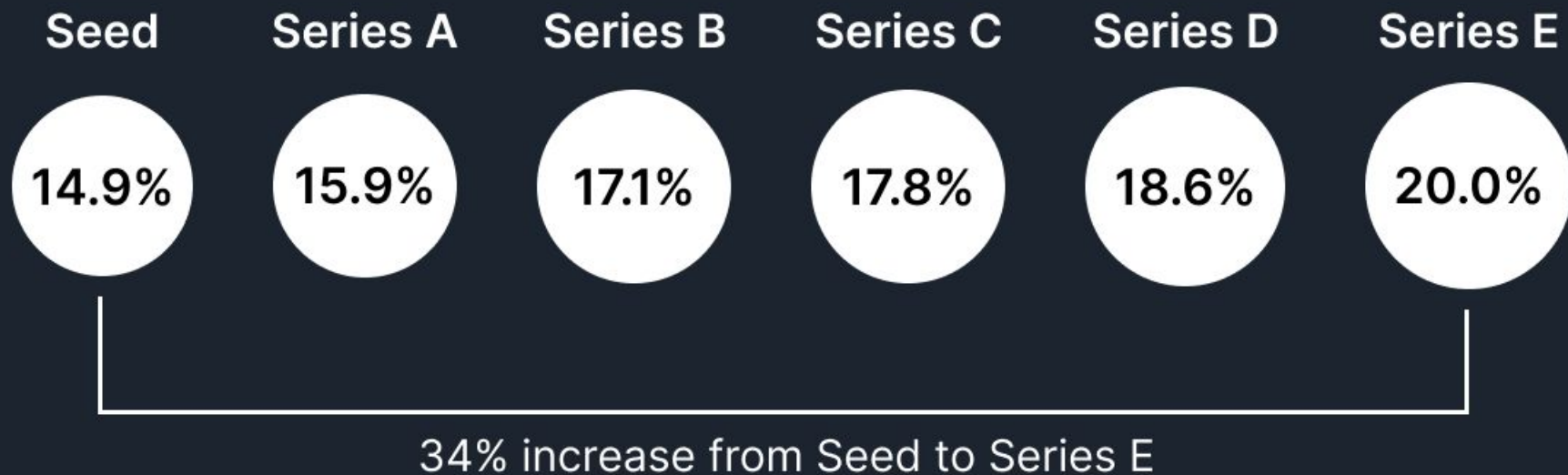


## Median % sold in a funding stage



## Employee stock option plan (ESOP): Average fully diluted % of total shares

Data range: Aug 1, 2020–Jul 31, 2021 | % based on post-money share pool





# Questions

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# Thank you!

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