



**Tech Coast Angels**  
**Equity 101**  
**April 7th, 2021**

# A word from our lawyers

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# Agenda

1. What a **cap table** is, and why it's important for all stages of startups.
2. How prospective **investors** look at cap tables.
3. Key terms to **dive deep** on.
4. Using examples, what separates a “**good**” cap table from a “**bad**” one.
5. Carta Resources
6. How to accept a certificate on Carta



# What is a cap table?

	Shares	Class	Percentage	Notes
	1,000,000	Common	100%	
	1,000,000	Preferred	100%	
	1,000,000	Convertible	100%	
	1,000,000	Warrant	100%	
	1,000,000	Option	100%	
	1,000,000	Reserve	100%	



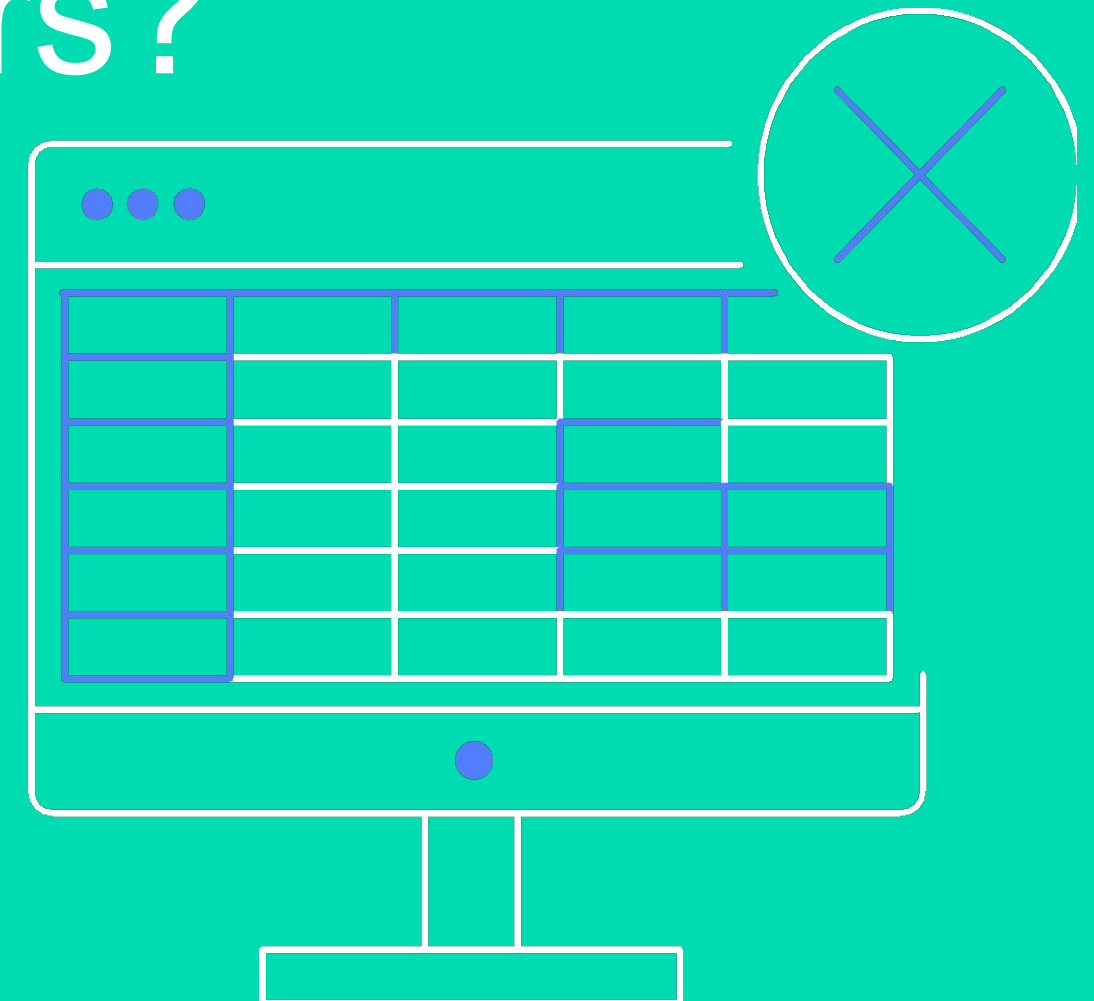
# The Cap Table

A capitalization table (cap table) is a tool, often a spreadsheet to start, used by startups to:

1. Show the overall capital structure.
1. Manage ownership stakes of each equity holder.
1. Keep track of every security (i.e., equity instrument) their company has issued (e.g., shares, stock options, warrants, SAFES, convertible notes), and who holds them.

tl;dr: a  
startup's  
investing  
story

# What's the importance of a cap table for investors?



Helps the company raise money & understand dilution

Helps companies land—and retain—key talent

Clearly communicates what each investor and employee holds

A clean cap table will accelerate the financing

It will grow and expand as the company grows

It's a centralized repository—everyone's source of truth

1

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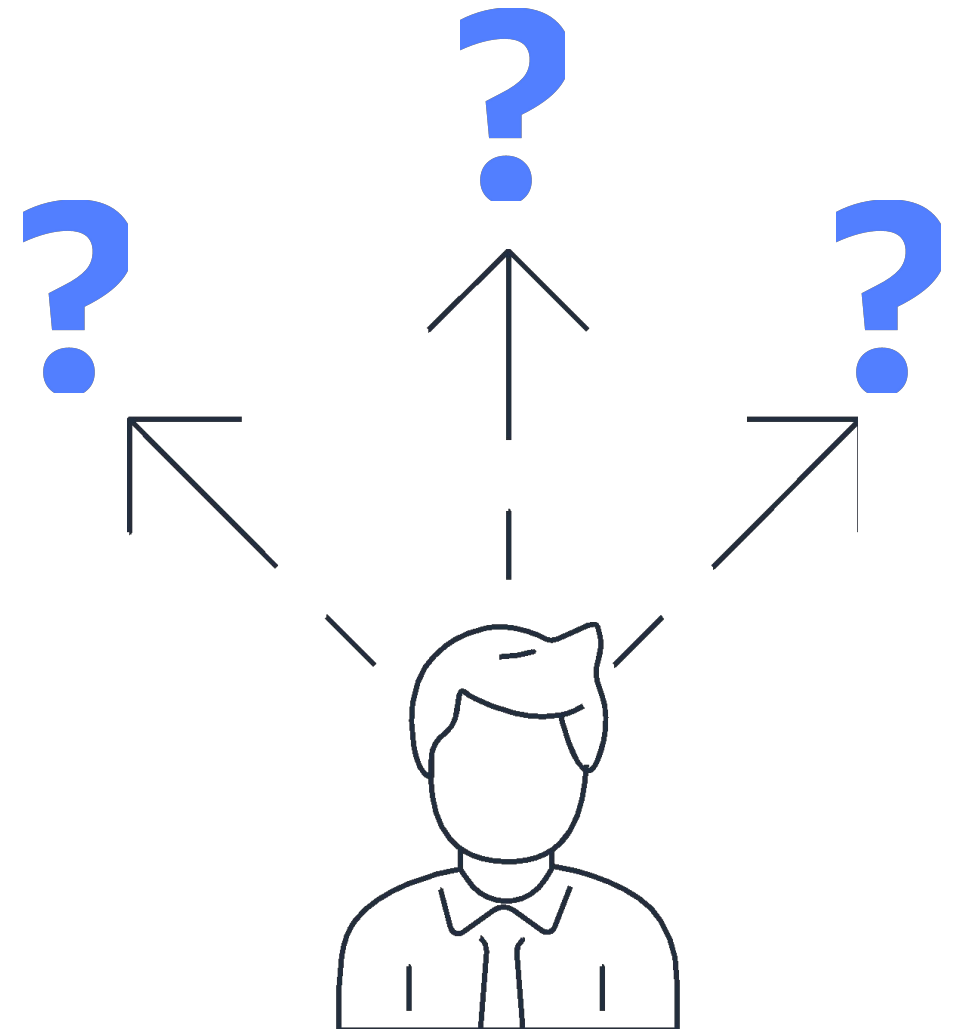
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# What other terms should I know?





## Common stock

Ordinary shares of stock, typically held by founders and employees

## Preferred stock

Shares of stock with special protections including a preference, meaning investors holding them will be paid back first in an acquisition, before any Common shares receive proceeds

## Pre-Money Valuation

Valuation assigned to the company for purposes of pricing new Preferred shares for investors

## Post-Money Valuation

Pre-Money valuation for a financing round, plus the amount of new cash invested in that round



## Price-Per-Share

For an investment round, typically the Pre-Money Valuation (\$) divided by the Fully Diluted Cap (# shares) just prior to that new round

## Stock Plan Allocation (Option Pool)

Shares reserved for issuance to employees under a stock plan

## Fully Diluted Capitalization

All shares that have been issued and remain outstanding, plus all that could be issued under outstanding options, plus the remaining available Option Pool



## 409A Valuation

Value assigned to shares of Common Stock, typically in reliance upon an independent report, which is used to price employee option grants

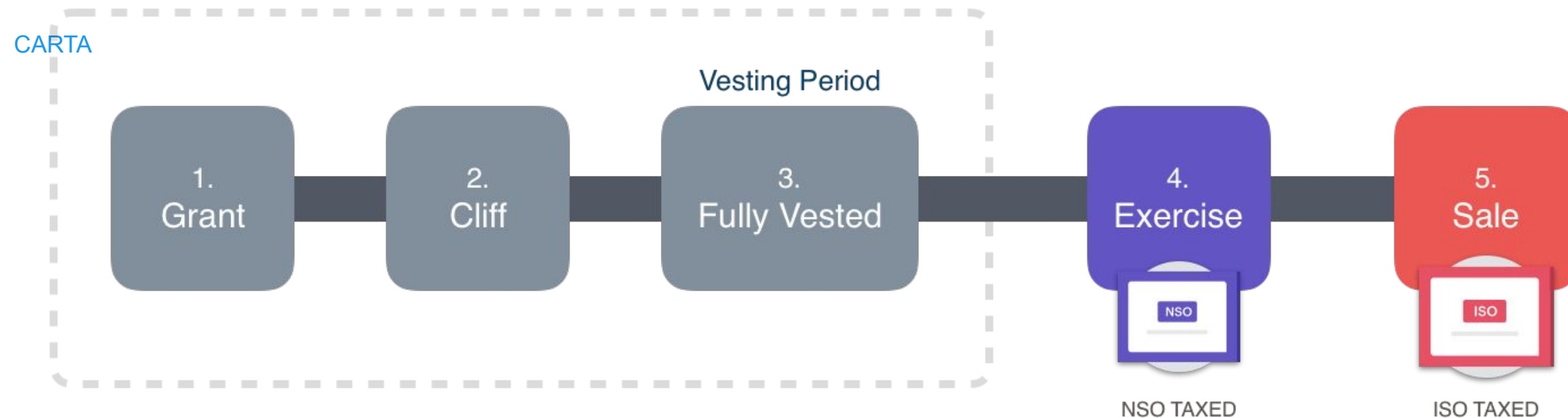
## Ownership Percentage

What a given equity holder owns relative to the Fully Diluted Capitalization of the company

## Notes and SAFEs

Convertible securities, often issued to early-stage investors, that will convert into shares of Preferred Stock in a future priced round



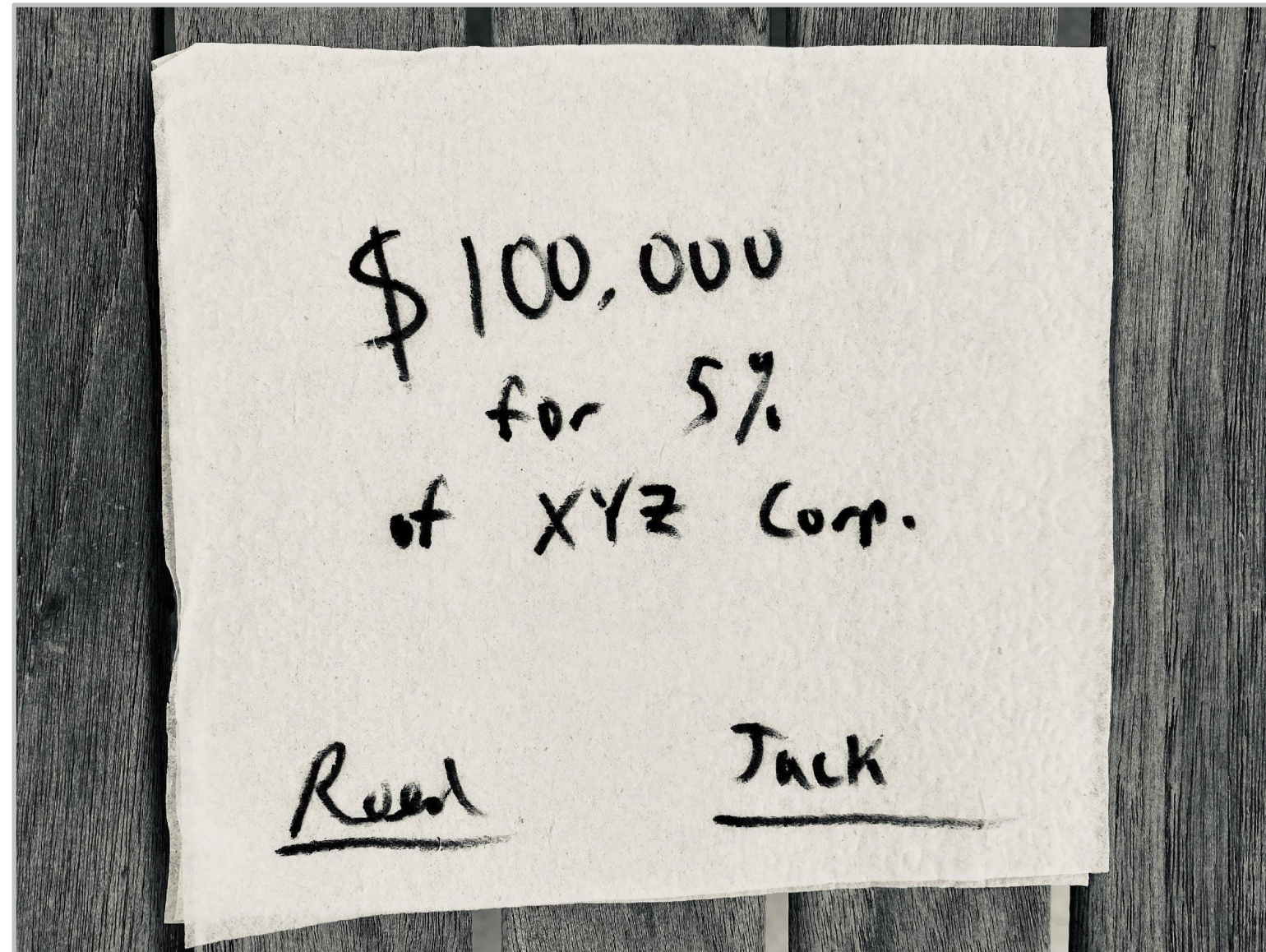


- 1. Grant** The company awards an option grant to the employee.
- 2. Cliff** The first portion of option grant vests and the employee earns the right to exercise (and sell) it. Before the cliff, no equity is vested. The cliff is usually at the employee's one-year anniversary.
- 3. Fully Vested** All options granted are earned and exercisable by the employee.
- 4. Exercise** The employee exercises all or a portion of options granted. Some option plans allow for the early exercise of options.
- 5. Sale** The employee sells all or a portion of his/her equity stake in the company. Sometimes, employees can sell their shares when they exercise them.

Let's look at  
some examples.



# Company A – Back of the napkin



# Company B – Find the error

<b>Spot the Error Inc.</b>		
<i>total authorized shares:</i>	<i>10,000,000</i>	<i>Common Stock</i>
Holder	Shares	% Ownership (FDB)
Sarah Smith	6,000,000	52.17%
Jane Doe	4,500,000	39.13%
Available Pool	1,000,000	8.70%
Total	11,500,000	100.00%



# Company C - The Spreadsheet

Common Stock and Pre-Money Options					
	A	B	C	D	E
1	Common Stock and Pre-Money Options				
2					
3		Shares	Post-Money	Share Value	Exit Value
4	Common Stock				
5	Founder 1	2,000,000	19.23%	\$1,923,077	\$9,615,385
6	Founder 2	2,000,000	19.23%	\$1,923,077	\$9,615,385
7	Total Common	4,000,000	38.46%	\$3,846,154	\$19,230,769
8					
9	Pre-Money Options				
10	Employee	200,000	1.92%	\$192,308	\$961,538
11	Employee	100,000	0.96%	\$96,154	\$480,769
12	Employee	100,000	0.96%	\$96,154	\$480,769
13	Employee	100,000	0.96%	\$96,154	\$480,769
14	Employee	100,000	0.96%	\$96,154	\$480,769
15	Total Options	600,000	5.77%	\$576,923	\$2,884,615
16					
17	Common	4,600,000	44.23%	\$4,423,077	\$22,115,385
18	Stock and				
19	Pre-Money Options				

Capitalization Table Prior to Investment					
	A	B	C	D	E
5					
6					
7	Capitalization Table Prior to Investment				
8		Common	Common		
9	Shareholder	Stock	Options	Fully Diluted	% FD
10	Employee #1	7,500,000	-	7,500,000	42.9%
11	Employee #2	1,750,000	2,500,000	4,250,000	24.3%
12	Employee #3	-	2,000,000	2,000,000	11.4%
13	Other Employees	750,000	1,800,000	2,550,000	14.6%
14	Advisor #1	-	50,000	50,000	0.3%
15	Advisor #2	-	50,000	50,000	0.3%
16	Consultant #1	-	100,000	100,000	0.6%
17	Pre-Investment Option Pool	-	1,000,000	1,000,000	5.7%
18	Total	10,000,000	7,500,000	17,500,000	100%
19					
20	Cap Table Summary				
21	Shareholder	Fully Diluted	% FD		
22	Employees	16,300,000	93.1%		
23	Advisors	200,000	1.1%		
24	Option Pool	1,000,000	5.7%		
25	TOTAL	17,500,000	100.0%		
26					



# Company D - Cap Table Software

 ACCOUNTS **Meety** ▾

Tasks **105** ▾ Downloads **3** Mary Stuart ▾

Quick Add **New** ▾ Company ▾ Securities ▾ **Capitalization** ▾ Stakeholders ▾ Transactions ▾ Compliance ▾ Board ▾ Fundraise ▾

## Capitalization by share class

As of today, 04/07/2021  
[Include drafts](#) ▾ [View historical](#) ▾

Export



	Outstanding	Ownership	Fully diluted	Ownership
> Common 25 certificates • \$1,169,355 raised • 80,000,000,000 authorized	5,653,645	34.519%	5,653,645	9.231%
> Series D Preferred 1 certificate • \$5,360,000 raised • 1,000,000 authorized	1,000,000	6.106%	1,000,000	1.633%
> Series Seed Preferred 8 certificates • \$383,380 raised • 2,000,000 authorized	1,257,338	7.677%	1,257,338	2.053%
> Series A Preferred 11 certificates • \$1,645,250 raised	3,631,191	22.171%	3,631,191	5.929%
> Series B Preferred 9 certificates • \$3,695,800 raised	3,029,344	18.496%	3,029,344	4.946%
> Series C Preferred 3 certificates • \$6,064,417 raised • 2,502,000 authorized	1,806,706	11.031%	1,806,706	2.950%

# Carta Resources

- [Equity 101 & Founder Toolkit](#)
- [SAFE & Note Calculator](#)
- [AWS Credits](#)
- [Carta Startup Stack](#)



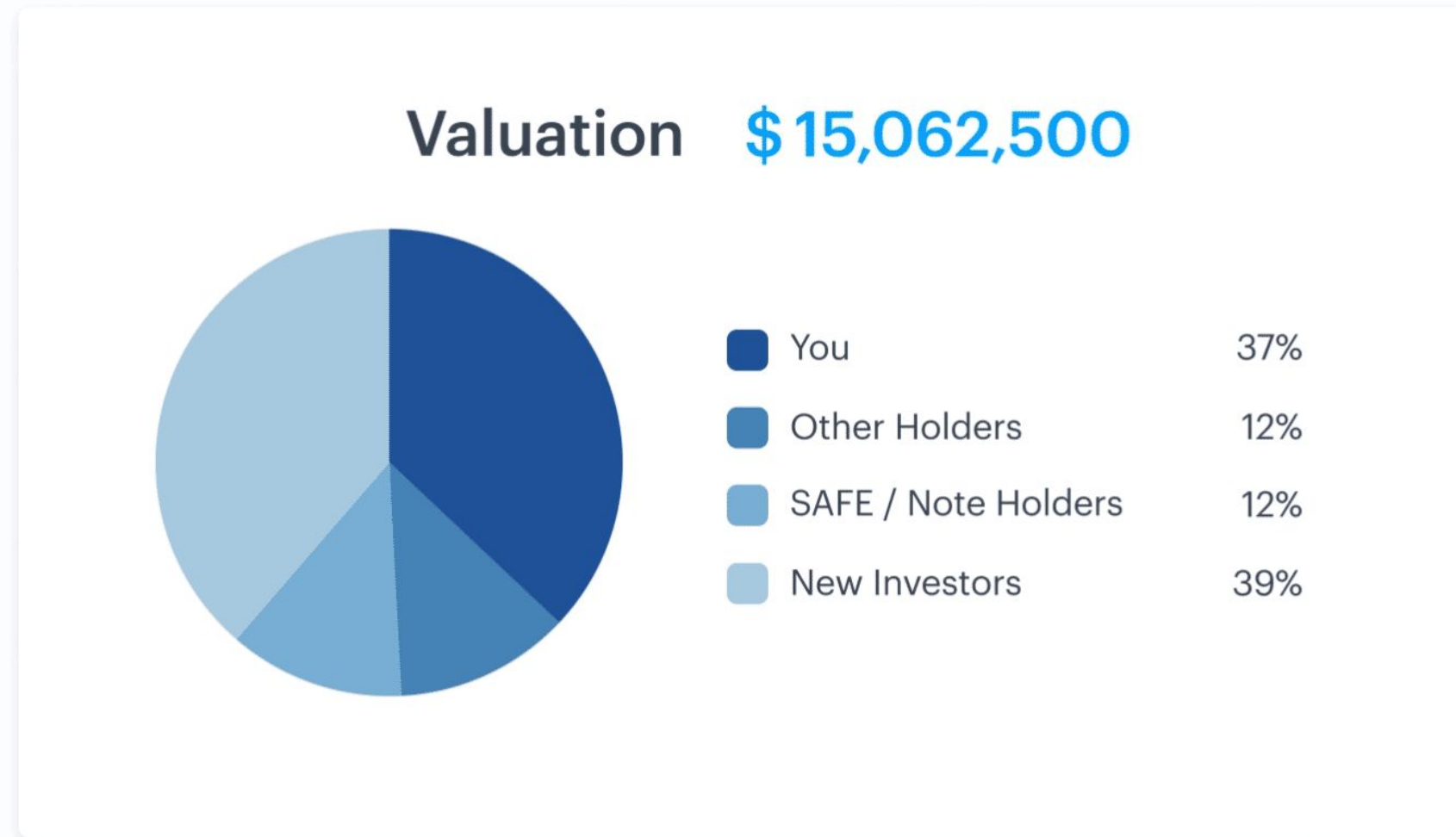
# Carta has a free option for early-stage companies.

- Carta Launch is 100% free until >\$1M raised or >25 equity holders

After graduating from Launch, a paid plan on Carta starts around \$2,500 per year, which includes all 409A valuations as needed (*a standalone 409A report could cost up to \$5,000 from a third party*).




# Carta Note & SAFE Calculator



Visit [safes.carta.com](https://safes.carta.com) for help with modeling the impact of future rounds

# Accepting Certificates on Carta

1. You will receive an email notification that includes the certificate number in the subject line.
2. If you do not have a Carta account, follow [these steps to register your Carta account](#).
3. Once your account is activated, accept your certificate.
4. Type your signature in the popup and click Accept Certificate.
5. When accepting Preferred shares, cap table access can be requested and the company admin can grant one of the [five access levels](#).
6. Congratulations. You have accepted your security.



Welcome to Carta

## You have a security to accept.

Spacely's Space Sprockets, Inc. has partnered with Carta, an SEC registered transfer agent, to issue your securities.

Issued by	Spacely's Space Sprockets, Inc.
Holder	George J. Jetson
Issue date	11/15/2016
Label	CU-2

Accepting on Carta allows you to track important data like ownership and holdings information through the platform. Your electronic signature is required to accept this security. [Learn more >](#)

[Accept on Carta](#)