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What Does It Mean to Dilute My Investors? Workshop



Agenda

- Giant Disclaimer
- Intros
- The Cake, aka, the Stack
 - Startup
 - Angel Round
 - A Round
- Close Out Dialog



GIANT DISCLAIMER

I am not your attorney or tax adviser



Introductions

Name

Company – what's the big idea

Where are you in your business development

Funding needs?

dilution



All questions welcome;
that's why we're all here

Workshop Expectations

- An understanding of what it means to dilute equity positions
- An analytical framework to calculate impacts of multiple rounds of dilution on you and your team
- An understanding of your specific situation and how to discuss raising and dilution with investors

At Startup

- Authorized Shares
- The Whole Cake
- They're all yours!!!!!!
- Get out your founding documents



At Startup

- Authorized
(allowed to issue)
- Outstanding
(someone owns)



At Startup

- Authorized
(10,000,000)



Authorized But
Not Outstanding

- O/S to
Founders
(6,000,000)



Founders Ownership

Angel Analysis

- O/S to Angels
(1,500,000)
- O/S to Founders
(6,000,000)
- Authorized
(10,000,000)

**Authorized But
Not Outstanding**

Angels' Ownership

Founders Ownership

A Round Analysis

- O/S to A Rounders (2,500,000)
- O/S to Angels (1,500,000)
- O/S to Founders (6,000,000)
- Authorized (10,000,000)

A Round Ownership

Angels' Ownership

Founders Ownership

This is your funding 'stack'

Real life
example



Let's Just Talk
About It



Other Concepts if time permits

- 'Down round' – be careful what you ask for in a valuation
- Preferred preference .. Watch out
- IRR on a portfolio

Recap
Rewards
Courtesy of
YUCK! Old
Paint

- What is the difference between Authorized and Outstanding Shares?
- What happens to Founders' percent ownership when taking on equity investment?
- What happens to Angels' percent ownership when taking on A Round equity investment?
- With each round of investment, what should happen to Exit Value expectation to maintain YOUR exit payout?



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REITERATED

Thank You !!!!!!!!

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