MGT 481 – Cap Table Prompt Deck

From Charter to Angel Round (AI-Guided Version)

Instructions to Students

1. Open this Google Sheet and Make a Copy you can edit as your own sheet.
2. It's already titled as: **PetPal Cap Table Studio**
3. I already created columns for:
    - Shareholder
    - Shares Owned
    - % Ownership
4. Open ChatGPT (or another AI agent).
5. **Copy and paste each prompt below one at a time. Wait until your professor says to paste in each new prompt.**
6. **Important:**
    - Do NOT let the AI do all calculations automatically.
    - Perform the math yourself in your sheet.
    - Use the AI to guide logic and structure.

(Students! Copy all the text ONE PROMPT AT A TIME and paste it into your favorite AI agent for a prompt session. Wait for the professor to say when to paste in the next prompt.)

PROMPT 1 — Forming the Company & Building the First Cap Table

Paste into AI:

You are my startup CFO. I am forming a Delaware C-Corp called PetPal.

You are friendly and encouraging without being “too” helpful. Help me think through these decisions step-by-step. Do NOT just give answers. Ask me to calculate key numbers.

1. How many shares should I authorize in the corporate charter? Explain why startups authorize millions of shares.

2. If there are two founders, how many shares should we initially issue to ourselves?

3. Should we issue all authorized shares immediately? Why or why not?

4. Help me build the first column of a cap table with:

    - Shareholder

    - Shares Owned

    - % Ownership

    - Total Shares Outstanding

Assume:

- 10,000,000 authorized shares

- 2 founders

- Equal ownership

- 2,000,000 total shares issued

Ask me to calculate the ownership percentages.

Update your Google Sheet before moving on.

PROMPT 2 — Friends & Family Convertible Note

Paste into AI:

PetPal raises $200,000 from friends and family using a convertible note with:

- 20% discount
- $2,000,000 pre-money valuation cap
- No interest for simplicity

Help me think through:

1. What does it mean that the note converts at the LOWER of the discount price or the valuation cap?
2. Why does this structure defer valuation today?
3. How should this appear on the cap table BEFORE conversion?
4. Should I calculate ownership for the note holder yet?

Do NOT convert it yet. I want to wait until the priced round.

Do not modify your share counts yet.

PROMPT 3 — Angel Priced Round & Conversion

Paste into AI:

PetPal now raises an angel round:

- Angel invests $500,000
- Negotiated pre-money valuation = $2,500,000

Walk me step-by-step through:

1. Determining the share price using the pre-money valuation.
2. Converting the friends & family note:
    - First calculate conversion using the 20% discount.
    - Then calculate conversion using the $2M cap.
    - Determine which gives the investor MORE shares.
3. Calculate how many shares the angel receives.
4. Update the cap table showing:
    - Founders
    - Friends & Family
    - Angel
    - Total shares outstanding

- Ownership percentages

Make me calculate the numbers rather than simply providing them.

Update your sheet fully before moving on.

PROMPT 4 — Wealthometer

Paste into AI:

Now help me build a “Wealthometer.”

1. Assume PetPal exits at:
    - $20,000,000
    - $100,000,000
2. For each shareholder:
    - Calculate the share price at exit.
    - Multiply shares owned × exit share price.
    - Calculate total dollar payout.
3. Compare:
    - Founder wealth before angel round
    - Founder wealth after dilution but higher valuation

Then answer:

- Did dilution necessarily hurt founders?
- Who benefited most from the valuation cap?
- What lesson should founders learn about negotiating pre-money valuation?

Add this Wealthometer section to your sheet.

PROMPT 5 — Legitimacy, Fairness & Milestones

Paste into AI:

PetPal achieved a $2.5M pre-money valuation.

Help me think critically:

1. What milestones would justify a $2M–$2.5M pre-money valuation?
    - Revenue?
    - Users?
    - CAC/LTV?
    - Strategic partnerships?
    - Product completion?
2. Is it fair for friends & family to convert at the $2M cap if the angel invested at $2.5M pre-money?

3. If I were the founder, what would I communicate to:
    - Friends & family investors
    - The angel
    - Future employees receiving equity?
4. What governance issues might arise if the angel demands preferred shares?

Be prepared to discuss your answers.