

1.

Startup Cap Table

Founders	9,250,000	92.5%
Options	750,000	7.5%
Total	10,000,000	100%

2.

- Investor A:
 - \$200K Safe, \$4M post-money (5% ownership)
- Investor B:
 - \$800K Safe, \$8M post-money (10% ownership)
 - (and 10% pro-rata right)

3.

- 15% ownership committed
- \$5M Series A with \$15M pre-money valuation
- Post-money cap is lower than pre-money value

4.

The Safe Preferred Stock

- 10,000,000 fully diluted
- 15% committed to Safe
- Total Stock x .85 = 10M
- 11,764,706 x .85 = 10M
- Issue 1,764,706 shares

5.

Investor A

Invested \$200,000

Received 588,235

Price: \$0.34

Investor B

Invested \$800,000

Received 1,176,471

Price: \$0.68

6.

Safe Preferred Cap Table

Founders	9,250,000	78.6%
Investor A	588,235	5.0%
Investor B	1,176,471	10.0%
Options	750,000	6.4%
Total	11,764,706	100%

7.

Series A Numbers

\$15M pre-money

Investors require 1,695,000 more options

So 13,459,705 fully diluted shares

Stock price: value / num. shares

$\$15\text{M} / 13,459,705 = \1.1144

So \$5M investment will require
4,486,569 more shares of stock

Investor C invests \$4M

Investor B has pro-rata right

8.

Series A Cap Table

		Fully Diluted
Founders	9,250,000	51.5%
Investor A	588,235	3.3%
Investor B	1,625,127	9.1%
Investor C	3,589,255	20.0%
Others	448,673	2.5%
Options	2,445,000	13.6%
Total	17,946,291	100.0%

9.

The Steps

**Determine number of
Safe Preferred shares**

Calculate Safe price

Add new options

**Calculate Standard
Preferred
stock price**

**Calculate num. of shares
for Series A**

Advantages:

- Delays valuation
- Simple/low cost
- No need for coordinated close
- No interest
- No maturity date
- More transparent for investors and entrepreneurs

Drawbacks:

- A bit complex to track the cap table
- A dilution hit (to maintain investors % ownership)