

Term Sheets and Deal Structures – Changes You Need to Know



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Overview

- Current Trends in Raising Capital
- Funding Sources
- Typical Preferred Stock Financing Terms
- Appendices



Current Trends in Raising Capital

- Liquidity events are typically 6-8 years out; M&A is still the most common exit (by far)
 - Exit values are down and acquirors consolidated
 - This is making early stage capital harder to obtain
- VC Syndication
 - Spreads risk and creates deeper pockets for follow-on rounds
 - However, smaller deals mean less syndication (no room in syndicate)
- Still hard to get institutional money to pull the trigger
 - Typically takes at least 6 to 12 months
 - Expect to talk to dozens of VCs
- Extensive due diligence on the business plan, market, founders and management
- Often requiring revenue and/or customer traction (requires more seed funding and bootstrapping)
- New “Series Seed” and “Series AA” replacing some bridge notes for interim financing



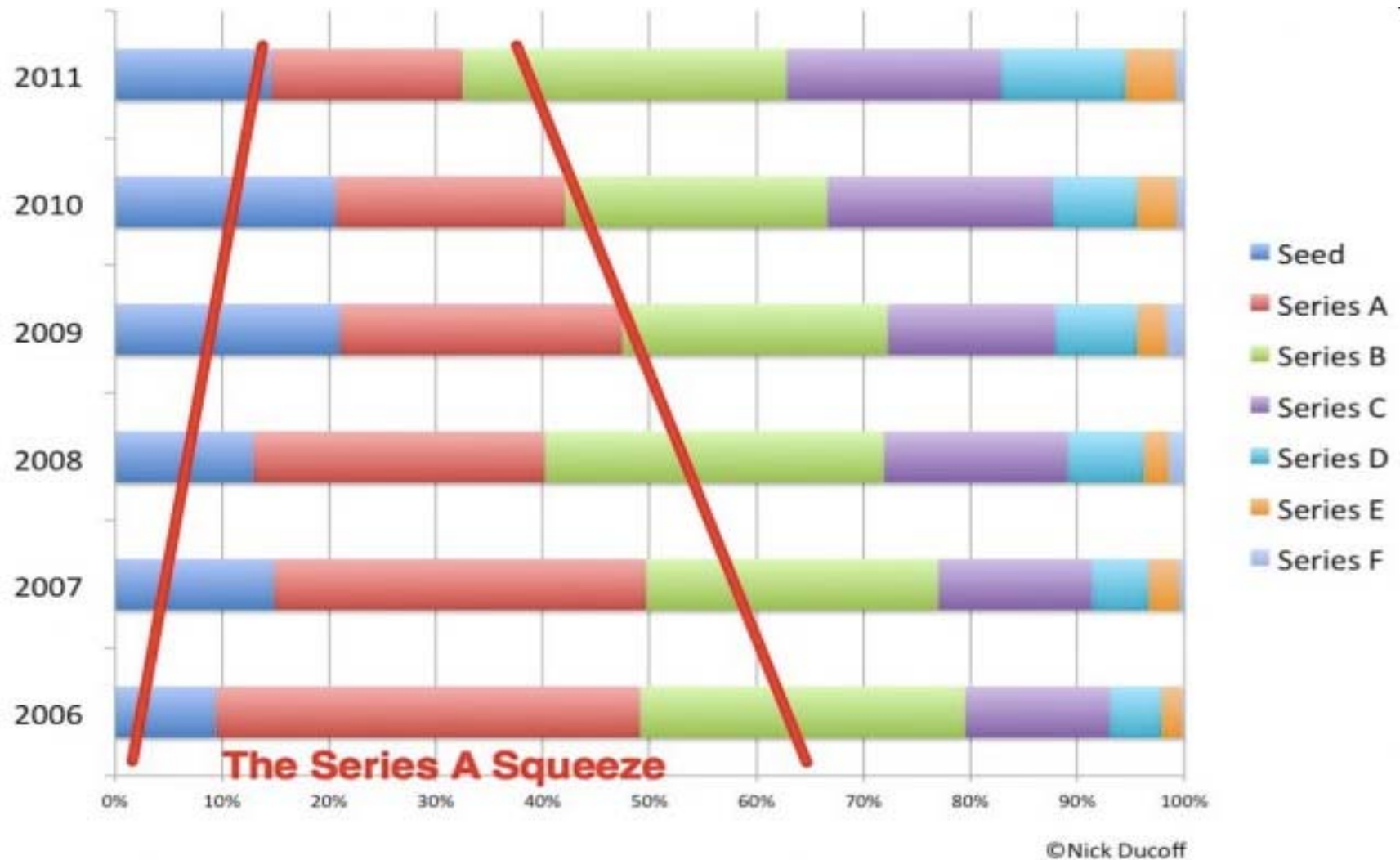
Current Trends in Raising Capital

- Focus is on solid, sustainable, capital efficient business models with **experienced management**
 - *Businesses* are fundable, *ideas* are generally not
 - “Applications” are not appropriate for VCs
- General aversion to capital-intensive business models
 - Exceptions for some cleantech/renewable energy and semiconductor business models
- Less flexibility on valuations
- Valuation Drivers: Developed product; paying customers; revenue; large addressable market; strong management team; proprietary technology/barriers to entry



Current Trends in Raising Capital

The Series A Squeeze



Current Trends in Raising Capital

The Series A Squeeze

- Series A financings are on the decline. They peaked at 283 in 2007 and are on pace to barely crack 100 this year. They've also declined in relative terms, representing nearly 40% of all equity financings in 2006, and less than 20% year to date. Ducoff believes two main reasons for this: 1) the rise of the Series Seed and 2) the slow exit environment since 2008.
- Source: Nick Ducoff, CEO of Infochimps, post on TechCrunch, using Crunchbase data.
<http://techcrunch.com/2011/08/17/the-series-a-squeeze/>



Financing Alternatives

- Financing structures will vary by industry, size of opportunity product vs. service, capital needs to address business opportunity
- Consider utilizing (non-dilutive) “bootstrapping” as a “funding” source
- Research available non-dilutive grants (SBIR, ARRA, DARPA/ARPA, ETF, CleanTech initiatives, etc.)
 - often come with strings and can be cumbersome and time-consuming to seek and administer
 - public disclosure requirements with government grants



Funding Sources

- **Angel Investors**
 - Typically individuals; active/former entrepreneurs; often form networks
 - Typically Invest \$25,000-\$500,000
 - May provide guidance and advice to founders/CEO
 - Often want to help entrepreneurs and “give back;” financial return is not necessarily the sole or even primary driver for an angel (i.e., financial targets not as rigorous)
- **Venture Capital / Strategic Investors**
 - Typically expect a lot of control
 - Typically only target businesses that have very large market opportunity
 - Goal is to maximize financial return for limited partners
 - Ideally provide market expertise and can open doors and make introductions for a portfolio company
 - Add credibility
- **Bootstrapping / Non-Dilutive Funding**



Angel Investors

- Angels want to “**lock in**” value of the investment or discount commensurate with risk while companies want to **defer** valuation until higher price can be justified (and want to do so using investors’ dollars)
- Often request participation on the Board and/or in business oversight
- Want to maintain rights & preferences in future VC rounds of financing
- Finding them...
 - Angel Networks
 - Individuals
 - “Super angels”



Angel Investors – Pitfalls to Avoid

- Beware of sales to non-accredited investors
- Often overpriced
 - Creates barriers to future rounds
 - Dilution and disappointment
 - “Dumb money”
 - Option pricing issues when common stock sold
- Inadequate resources to continue to invest and “protect” prior investment
- Administrative hassles
 - Expensive to administer and may deter VCs
 - Complex Structures for small dollars



Accredited Investors

- No *offer or sale* of sale of securities may be made without registering unless offering qualifies for an exemption
- Can have unlimited number of accredited investors and still qualify for exemption
- Definition of **Accredited Investor**:
 - Income: Individual: \$200k/yr for 2 years with expectation to continue; \$300k if married.
 - Net worth: \$1MM (excluding value of principal residence)
 - Executive officers and directors qualify
- Founders exemption
- Generally presumed to be more sophisticated in business matters; at least able to bear risk of loss and hold investment indefinitely
- No specific information / prospectus requirements
- As few as one non-accredited investor can trigger prospectus requirements



Bridge Loans

Convertible Bridge Loan – Defers valuation of company, but may provide equity upside

- Type 1: No upside: Convertible at next round price & no warrant coverage
 - Favorable to company but no “upside” for earliest investors
- Type 2: Warrant coverage: Convertible at next round price with X% warrant coverage
 - Requires closing at least \$250,000 to avoid Texas state usury laws
- Type 3: Convertible at discount to next round
 - frequently used but ambiguous under Texas usury laws
- Notes can establish a “cap” on conversion value, so that investor gets the lower of cap or next round price



Equity Issuances

- **Common Stock**

- simplest structure with minimal transaction costs
- requires an implied valuation
- “taints” option price (i.e. company required to grant options with exercise price equal to common sale price)
- offers no investor economic protection or preference, so rarely used by sophisticated angels

- **Preferred Stock**

- “Seed” Preferred: simple liquidation preference and other terms to permit some “discounting” of options; See Appendix for Series Seed Term Sheet
- Standard Preferred: standard “venture capital” formula preferred stock favored by more experienced angel investors but entails substantially higher transaction costs
 - Use varies with size of investment

- Equity allows investors to begin holding period for **long-term capital gains**

- Equity can qualify for **Section 1202 Qualified Small Business Stock treatment**



Series Seed and Series AA Preferred Stock

- Simpler form of preferred stock touted as alternative to convertible notes
- Allows investor to “price” the investment while keeping transactional costs down
- Structure:
 - Simple Purchase Agreement (fewer representations, no legal opinion)
 - Standard Preferred Stock terms (perhaps with fewer protective provisions)
 - Simplified Investor Rights Agreement (with basic information and preemptive rights, perhaps board seat, and requirement to be granted rights to next round investor)
- Transaction costs somewhat higher than typical convertible note but substantially lower than standard preferred stock round
- Generally economical (as compared to bridge notes) with \$500,000 investment



Preferred Stock Financing Terms

- Common vs. Preferred Stock
- Valuation
- Dividends
- Liquidation Preferences/Participating Preferences
- Conversion Rights and Anti-Dilution Protection
- Preemptive Rights
- Redemption Rights
- Protective Provisions
- Board Structure
- Registration Rights
- Information Rights
- Rights of First Refusal and Co-Sale
- See Appendix - Venture Terminology



Preferred Stock Financing Terms

- VC terms are fairly customary, subject to geographic nuances
 - E.g. East Coast v. West Coast
 - NVCA Forms
- Expectation of speed, efficiency and simplicity
- Principals can focus on core issues at term sheet stage and reduce time spent on the definitive agreements
- **The Series A Financing terms form the basis for all future rounds**



Preferred Stock Financing Terms

Common Stock v. Preferred Stock

- Convertible Preferred Stock is the financing vehicle of choice
- Preferred Stock provides superior rights, preferences and privileges
 - Economic terms such as liquidation preferences, conversion privileges and anti-dilution rights
 - Control provisions
- Dual-Class structure allows start-up to grant stock options at a discount to the Preferred Stock price



Preferred Stock Financing Terms

Valuation

- Determines ownership split; percentage ownership less important than dollar-expressed valuation
- Reduced exit valuations and delayed exits can affect early stage values
 - Be realistic about the timing and prospects for, and the possible value of, a liquidity event
- Today's valuation sets expectations for the next round of financing, so think through the implications, both positive and negative, of a current valuation offer
- Deal-term impacts on valuation
 - Large Pre-Money Option Pool
 - Milestone-based anti-dilution triggers
 - Milestone-based Closings
 - Disproportionate liquidation preferences
 - Cumulative Dividends
 - Warrants



Preferred Stock Financing Terms

Dividends

- Cumulative vs. non-cumulative
 - Non-cumulative dividends are only paid when declared by the Board
 - Rarely paid because start-ups are cash starved
 - Cumulative dividends accrue like interest on a note and get added to the liquidation preference
 - Payable upon liquidation or conversion
 - Increase the investor's return and decrease proceeds payable to common stock



Preferred Stock Financing Terms

Liquidation Preferences/Participating Preferences

- Liquidation Preference is the right to receive proceeds upon liquidation (including sale of company) before any distribution to common shareholders
 - Seniority over junior preferred stock and common
 - Super liquidation preference (e.g., 3x preference off the top) are NOT common; typically only used in recaps
- Participating Preference is the right to participate in the distribution of the remaining proceeds (after payment of the Liquidation Preference) on a pro rata basis with the Common Stock
 - Fully participating with no cap (i.e., full participation right) becoming more prevalent way to increase potential returns on winners
 - Try to cap participation (e.g., 3x the original purchase price)
- See Appendix – Preferred Stock Liquidation Scenarios for examples



Preferred Stock Liquidation Scenarios

Example One: Fully-Participating Preferred - \$10 million sale price

- Preferred Stockholders Invested \$5 million for 50% of the company.

<u>Stock</u>		<u>Preferred Stock</u>	<u>Common</u>
	Preference	\$5,000,000	\$-
	Participation	<u>\$2,500,000</u>	<u>\$2,500,000</u>
	Total	\$7,500,000	\$2,500,000



Preferred Stock Liquidation Scenarios

Example Two: Participating Preferred with 3x cap - \$25 million sale price

- Preferred Stockholders invested \$5 million for 50% of the company.

	<u>Preferred Stock</u>	<u>Common Stock</u>
Preference	\$5,000,000	\$-
Participation	<u>\$10,000,000</u>	<u>\$10,000,000</u>
Total	\$15,000,000	\$10,000,000

* Note that the cap was reached but Preferred will not convert, as there is no difference



Preferred Stock Liquidation Scenarios

Example Three: Participating Preferred with 3x cap vs. fully participating preferred - \$50 million sale price

- Preferred Stockholders invested \$5 million for 50% of the company.

	<i>3x Capped Preferred</i>		<i>Fully Participating Preferred</i>	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Preference	N/A *	\$-	\$5.0 million	\$-
Participation	<u>\$25,000,000</u>	<u>\$25,000,000</u>	<u>\$22,500,000</u>	<u>\$22,500,000</u>
Total	\$25,000,000	\$25,000,000	\$27,500,000	\$22,500,000

* Preferred Stock elected conversion as 3x Cap, or \$15 million is less than amount available on conversion.



Preferred Stock Financing Terms

Conversion Rights and Anti-Dilution Protection

- Conversion Rights
 - Preferred Stock typically is convertible into Common Stock at a 1:1 ratio (Preferred Stock Price/Conversion Price)
 - Allows investor to participate in upside by converting to Common Stock in connection with a successful acquisition or IPO
 - Convertible at any time at the option of the investor
 - Automatically convertible in certain circumstances
 - Conversion feature allows for implementation of price-based anti-dilution protection



Preferred Stock Financing Terms

- Anti-Dilution Protection
 - Price-based anti-dilution provisions adjust the conversion ratio of the Preferred Stock (i.e. ownership percentage) upon triggering events (down round, missed milestone, etc.)
 - For example, the conversion ratio may adjust to 2:1 because the conversion price (the denominator) is adjusted to a lower number (1/.5)
 - Terms should provide for customary exclusions from the anti-dilution provisions
 - Option pool, strategic investments, charitable causes, lending transactions, etc.



Preferred Stock Financing Terms

Types of Anti-Dilution Provisions:

- Full ratchet
 - Adjusts the conversion price to the price at which the dilutive security was sold (See Article for example)
 - Most investor-favorable; harsh results
- Weighted average: Broad-based vs. Narrow-based
 - Broad-based still the most common
 - Adjusts the conversion price after taking into account the current shares outstanding and the number of shares sold at the dilutive price
 - Broad-based weighted average formula:

$$NCP = CP * \left[\frac{CSO + \left(\frac{NM}{CP} \right)}{CSO + AS} \right]$$

Where:

NCP = New Conversion Price

CP = Current Conversion Price

CSO = Common Stock Outstanding on a Fully Diluted Basis (excluding unissued options)

NM = New Money Raised

AS = Additional Shares Issued for New Money



Preferred Stock Financing Terms

Preemptive Rights

- Give investors the right to purchase their pro rata share of any equity securities sold by the Company
 - E.g., investors own 50% of the Company and the Company offers to sell \$10 million of equity securities, the investors have the right to purchase \$5 million of the securities
 - Also apply to issuances of securities convertible into equity securities (e.g., convertible debt)
- Allows investors to maintain their ownership percentage of the Company
- May restrict the Company's ability to bring in new investors
- Customarily have the same exclusions that apply to the anti-dilution provisions



Preferred Stock Financing Terms

Redemption Rights

- Right to require the Company to repurchase the shares after a period of time (usually 5-7 years)
- Rarely used, but do have purpose: focusing company on liquidity event (i.e. used to force a sale of the company)
- Terms:
 - Sometimes includes accrued dividends (like debt)
 - Sometimes greater of fair market value or cost
 - Voting or board changes or additional interest for failure to redeem
 - Redemption sometimes required when reps, covenants breached
 - Time period (5-7 years vs. 3 years)
 - Shorter time periods for less certain deals
 - Structured pay-out (e.g., 3 years vs. one-time)



Preferred Stock Financing Terms

Protective Provisions

- Provisions granting preferred stockholders special voting rights
- Board approval (including preferred directors) may be required for certain actions
- Restrictions on changes in Preferred Stock terms, or authorization/issuance of senior securities
- Sale of the company
- Can include many operational covenants or restrictions, including:
 - Hiring certain executives
 - Changing line of business
 - Increasing the option pool
 - Increasing salaries
 - Incurrence of indebtedness over certain amount
 - Capital expenditures over certain amount
 - Detailed use of proceeds, budget approval



Preferred Stock Financing Terms

Board Structure

- VC model is to have active participation
- VC will insist on one or more Board seats
 - 5 Member Board, “2/2/1” structure is fairly common
 - 2 investors
 - 2 common (one is CEO)
 - 1 independent
- Start-up boards generally meet monthly
- Indemnification and insurance obligations



Preferred Stock Financing Terms

Registration Rights

- Give investors the right to require the Company to register shares of stock with the SEC
- Mechanism for liquidity
- Types:
 - Demand Registration Rights
 - “Piggyback” Registration Rights
 - S-3 Registration Rights



Preferred Stock Financing Terms

Information Rights

- Visitation rights
- Monthly and Quarterly unaudited and annual audited financial statements
- Management rights letter

Rights of First Refusal and Co-Sale

- Essentially lock up founders and prevent them from getting liquidity in front of investors
- Maintain control over ownership of the Company's equity



Preferred Stock Financing Terms

Miscellaneous

- “Pay to Play” Provisions
 - increasingly useful/important with delayed exits and increased funding needs
- Founder Vesting
- Proprietary Information Agreements
 - Non-solicitation and non-compete
- Investor’s counsel fees and expenses
- Commercial insurance; D&O Insurance



Term Sheets and Deal Structures

Q & A



Term Sheets and Deal Structures

Appendices



Terminology

- **Pre-Money Valuation** – the valuation of the business before any equity investment by an outside party
 - Possible to avoid/defer through the use of convertible bridge loans
- **Post-Money Valuation** – the value of the business after the completion of an equity investment by an outside party
- **Common Stock** – the most basic form of stock representing the residual value of the Company; held by founders and employees
- **Founder’s Stock** – these are the shares of Common Stock that the founders of the Company purchase or typically receive at the creation of the company, usually for very low value (e.g. \$0.001 per share)
- **“Reverse” Vesting** – a mechanism to provide for time-based vesting, often imposed by an investor after the fact, to permit a company to repurchase a decreasing percentage of shares of founder’s stock over time based on a vesting schedule



Terminology

- **Option Pool** – a portion of the company’s outstanding stock set aside for use as equity incentive compensation for present and future employees. Allocated and unallocated amounts and required increases included in pre-money valuation
- **Preferred Stock** – a form of stock usually held by investors with certain rights and preferences superior to those of common stock, including liquidation preference, redemption and anti-dilution rights, and governance, voting and board rights and restrictions
- **Liquidation Preference** – the right of preferred stock holders to receive the value of their investment before any other liquidation distributions are made to other equity holders. Sometimes includes “participating preference” provision for the preferred stock to continue to share proceeds with the common
- **Antidilution Rights** – the right of preferred stock holders to maintain its fractional ownership percentage if shares are later issued at a lower valuation



Preferred Stock Liquidation Scenarios

Capitalization Summary

	Series A Financing	Series B Financing	Series C Financing	IPO
Fully-Diluted Outstanding Value (pre-money)	\$5,000,000	\$20,000,000	\$50,000,000	\$150,000,000
New Money	\$5,000,000	\$10,000,000	\$25,000,000	\$75,000,000
Target Post-Money Option Pool	18.0000%	18.0000%	18.0000%	18.0000%
Price Per Share	\$0.6400	\$1.1395	\$1.6907	\$3.0103
Fully-Diluted Outstanding Value (post-money)	\$10,000,000	\$30,000,000	\$75,000,000	\$225,000,000

Capitalization	Organization		Series A Financing		Series B Financing		Series C Financing		IPO	
	Shares	Percent	Shares	Percent	Shares	Percent	Shares	Percent	Shares	Percent
Founder 1	2,500,000	40.00%	2,500,000	16.00%	2,500,000	9.50%	2,500,000	5.64%	2,500,000	3.34%
Founder 2	2,500,000	40.00%	2,500,000	16.00%	2,500,000	9.50%	2,500,000	5.64%	2,500,000	3.34%
Option Pool	1,250,000	20.00%	1,250,000	8.00%	2,812,499	10.68%	4,738,869	10.68%	7,984,666	10.68%
Option Pool Increase			1,562,499	10.00%	1,926,370	7.32%	3,245,797	7.32%	5,468,952	7.32%
Series A Preferred Stock Investor			7,812,499	50.00%	7,812,499	29.67%	7,812,499	17.61%	7,812,499	10.45%
Series B Preferred Stock Investor					8,775,684	33.33%	8,775,684	19.78%	8,775,684	11.74%
Series C Preferred Stock Investor							14,786,424	33.33%	14,786,424	19.78%
Public Investors									24,914,112	33.33%
Total (fully diluted)	6,250,000	100.00%	15,624,998	100.00%	26,327,052	100.00%	44,359,273	100.00%	74,742,337	100.00%

Financing	Money	Shares	Money	Shares	Money	Shares	Money	Shares
Price per share	\$0.6400		\$1.1395		\$1.6907		\$3.0103	
New Investment	\$5,000,000	7,812,499	\$10,000,000	8,775,684	\$25,000,000	14,786,424	\$75,000,000	24,914,112

Option Pool Detail	Shares	Percent	Shares	Percent	Shares	Percent	Shares	Percent
Total Current	1,250,000		2,812,499		4,738,869		7,984,666	
Pool Increase	1,562,499		1,926,370		3,245,797		5,468,952	
New Total	2,812,499	18.0000%	4,738,869	18.0000%	7,984,666	18.0000%	13,453,618	18.0000%

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Preferred Stock Liquidation Scenarios

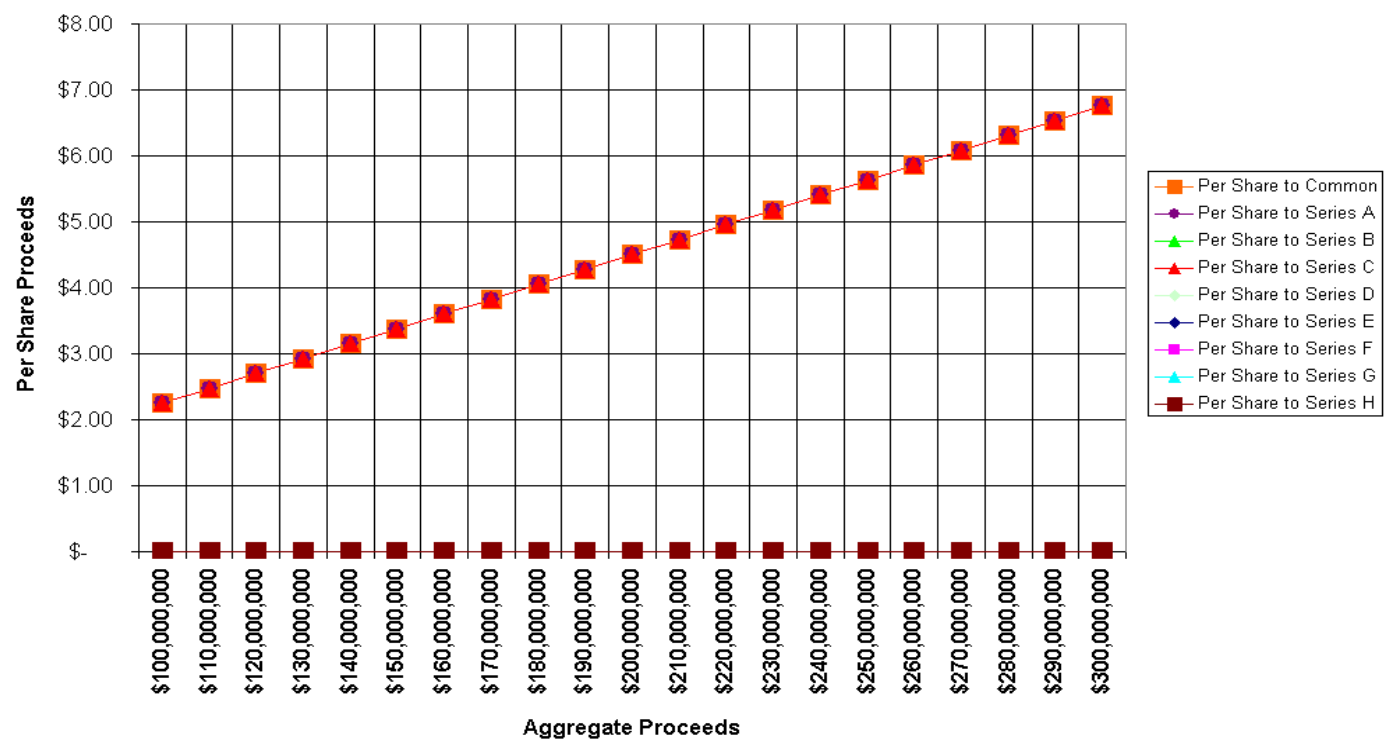
Example 1 - Liquidation Preference only; No Participating Preference

Series	\$ 100,000,000.00	\$ 110,000,000.00	\$ 120,000,000.00	\$ 130,000,000.00	\$ 140,000,000.00	\$ 150,000,000.00	\$ 160,000,000.00
Aggregate to Common	\$ 29,271,593.23	\$ 32,198,752.57	\$ 35,125,911.90	\$ 38,053,071.24	\$ 40,980,230.57	\$ 43,907,389.90	\$ 46,834,549.24
Aggregate to Series A	\$ 17,611,873.37	\$ 19,373,060.71	\$ 21,134,248.05	\$ 22,895,435.39	\$ 24,656,622.73	\$ 26,417,810.07	\$ 28,178,997.41
Aggregate to Series B	\$ 19,783,200.99	\$ 21,761,521.06	\$ 23,739,841.12	\$ 25,718,161.19	\$ 27,696,481.26	\$ 29,674,801.33	\$ 31,653,121.40
Aggregate to Series C	\$ 33,333,332.41	\$ 36,666,665.67	\$ 39,999,998.92	\$ 43,333,332.18	\$ 46,666,665.44	\$ 49,999,998.70	\$ 53,333,331.96
Aggregate to Series D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series E	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series F	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series G	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series H	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Per Share to Common	\$ 2.25	\$ 2.48	\$ 2.71	\$ 2.93	\$ 3.16	\$ 3.38	\$ 3.61
Per Share to Series A	\$ 2.25	\$ 2.48	\$ 2.71	\$ 2.93	\$ 3.16	\$ 3.38	\$ 3.61
Per Share to Series B	\$ 2.25	\$ 2.48	\$ 2.71	\$ 2.93	\$ 3.16	\$ 3.38	\$ 3.61
Per Share to Series C	\$ 2.25	\$ 2.48	\$ 2.71	\$ 2.93	\$ 3.16	\$ 3.38	\$ 3.61
Per Share to Series D							
Per Share to Series E							
Per Share to Series F							
Per Share to Series G							
Per Share to Series H							



Preferred Stock Liquidation Scenarios

Example 1 - Liquidation Preference only; No Participating Preference



Preferred Stock Liquidation Scenarios

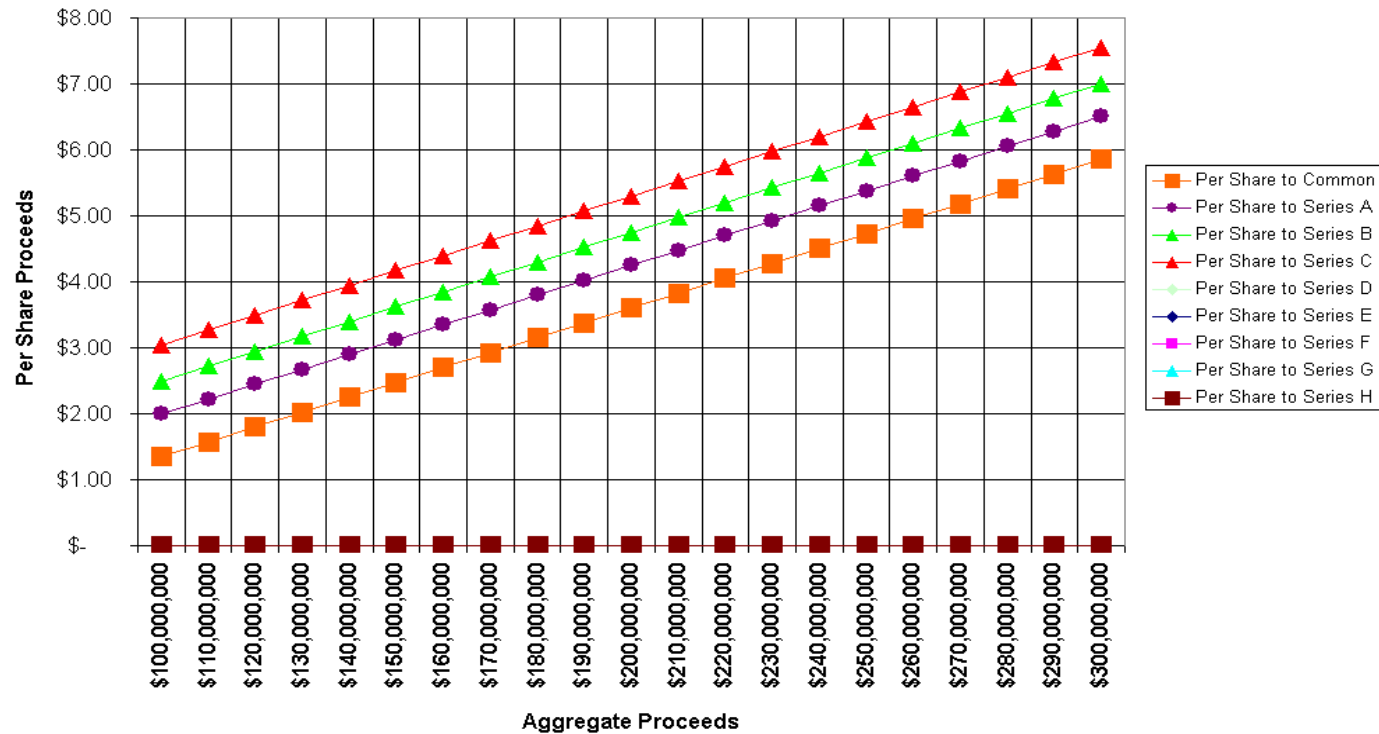
Example 2 - Liquidation Preference; Full Participating Preference

Series	\$ 100,000,000.00	\$ 110,000,000.00	\$ 120,000,000.00	\$ 130,000,000.00	\$ 140,000,000.00	\$ 150,000,000.00	\$ 160,000,000.00
Aggregate to Common	\$ 17,563,161.49	\$ 20,490,320.82	\$ 23,417,480.16	\$ 26,344,639.49	\$ 29,271,798.82	\$ 32,198,958.16	\$ 35,126,117.49
Aggregate to Series A	\$ 15,567,246.67	\$ 17,328,434.01	\$ 19,089,621.35	\$ 20,850,808.69	\$ 22,611,996.03	\$ 24,373,183.37	\$ 26,134,370.71
Aggregate to Series B	\$ 21,869,951.29	\$ 23,848,271.36	\$ 25,826,591.43	\$ 27,804,911.49	\$ 29,783,231.56	\$ 31,761,551.63	\$ 33,739,871.70
Aggregate to Series C	\$ 44,999,640.55	\$ 48,332,973.81	\$ 51,666,307.07	\$ 54,999,640.32	\$ 58,332,973.58	\$ 61,666,306.84	\$ 64,999,640.10
Aggregate to Series D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series E	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series F	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series G	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series H	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Per Share to Common	\$ 1.35	\$ 1.58	\$ 1.80	\$ 2.03	\$ 2.25	\$ 2.48	\$ 2.71
Per Share to Series A	\$ 1.99	\$ 2.22	\$ 2.44	\$ 2.67	\$ 2.89	\$ 3.12	\$ 3.35
Per Share to Series B	\$ 2.49	\$ 2.72	\$ 2.94	\$ 3.17	\$ 3.39	\$ 3.62	\$ 3.84
Per Share to Series C	\$ 3.04	\$ 3.27	\$ 3.49	\$ 3.72	\$ 3.95	\$ 4.17	\$ 4.40
Per Share to Series D							
Per Share to Series E							
Per Share to Series F							
Per Share to Series G							
Per Share to Series H							



Preferred Stock Liquidation Scenarios

Example 2 - Liquidation Preference; Full Participating Preference



Preferred Stock Liquidation Scenarios

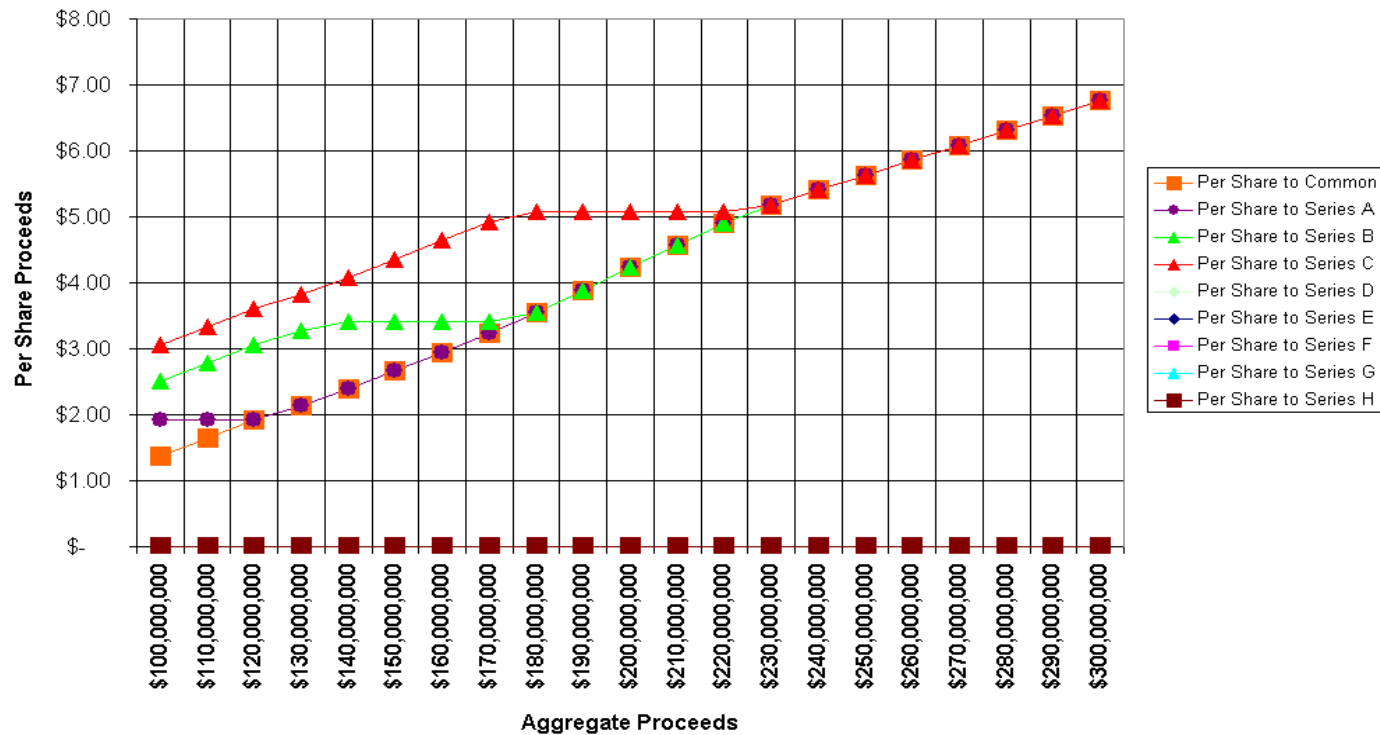
Example 3 - Liquidation Preference; Participating Preference with 3x Cap

Series	\$ 100,000,000.00	\$ 110,000,000.00	\$ 120,000,000.00	\$ 130,000,000.00	\$ 140,000,000.00	\$ 150,000,000.00	\$ 160,000,000.00
Aggregate to Common	\$ 19,800,461.57	\$ 23,648,736.11	\$ 27,297,796.36	\$ 30,735,346.47	\$ 33,662,505.80	\$ 36,589,665.13	\$ 39,516,824.47
Aggregate to Series A	\$ 12,539,060.93	\$ 14,228,762.43	\$ 16,424,296.72	\$ 18,492,571.47	\$ 20,253,758.81	\$ 22,014,946.15	\$ 23,776,133.49
Aggregate to Series B	\$ 20,113,088.12	\$ 20,192,849.26	\$ 20,192,849.26	\$ 20,772,478.33	\$ 22,750,798.39	\$ 24,729,118.46	\$ 26,707,438.53
Aggregate to Series C	\$ 47,547,389.38	\$ 51,929,652.20	\$ 56,085,057.66	\$ 59,999,603.74	\$ 63,332,937.00	\$ 66,666,270.26	\$ 69,999,603.52
Aggregate to Series D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series E	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series F	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series G	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aggregate to Series H	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Per Share to Common	\$ 1.52	\$ 1.82	\$ 2.10	\$ 2.37	\$ 2.59	\$ 2.82	\$ 3.04
Per Share to Series A	\$ 1.61	\$ 1.82	\$ 2.10	\$ 2.37	\$ 2.59	\$ 2.82	\$ 3.04
Per Share to Series B	\$ 2.29	\$ 2.30	\$ 2.30	\$ 2.37	\$ 2.59	\$ 2.82	\$ 3.04
Per Share to Series C	\$ 3.22	\$ 3.51	\$ 3.79	\$ 4.06	\$ 4.28	\$ 4.51	\$ 4.73
Per Share to Series D							
Per Share to Series E							
Per Share to Series F							
Per Share to Series G							
Per Share to Series H							



Preferred Stock Liquidation Scenarios

Example 3 - Liquidation Preference; Participating Preference with 3x Cap



The materials included herein provide a general description of certain legal and business matters and should not be construed as providing specific legal advice or establishing an attorney-client relationship.



Notes



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