



# Capital Planning (NVBC)

MAY 21<sup>ST</sup> 2014  
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# About Me



# How Does This Really Work?



# The Pie



# Entrepreneurs

- The Entrepreneur wants...
  - Money
  - Access to Value Add Skill sets
  - Introductions to Customers and Strategic Partners
- And Expects....
  - An ABSENCE of Value Destruction



# Angels

- The Angel wants...
  - A Big Return on money ( > 10X usually)

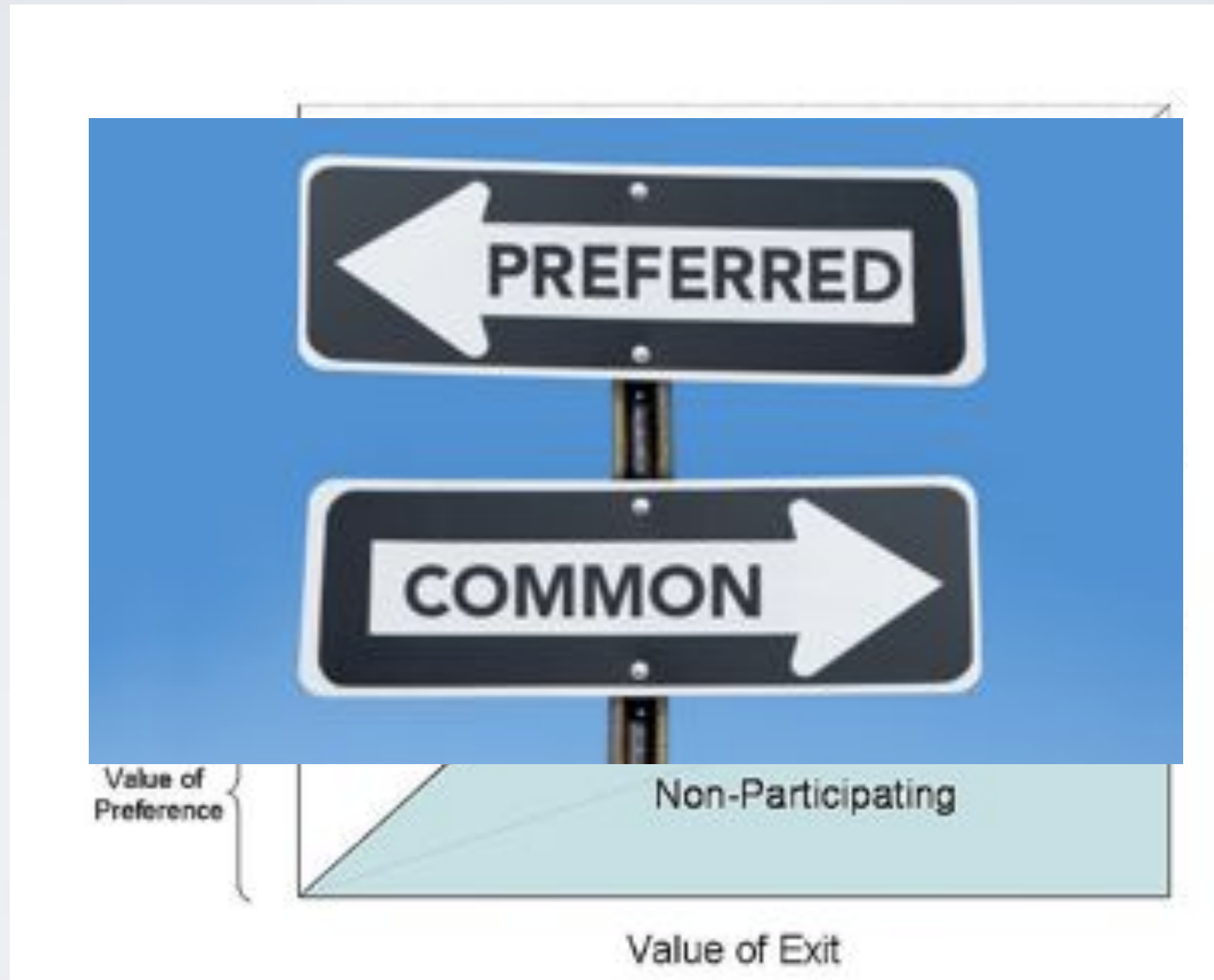
And expects....

- honest progress updates
- an opportunity to help improve the outcome
- To not be unduly cramped down in the future
- Possible seniority in cap table.

# Debt Vs. Equity

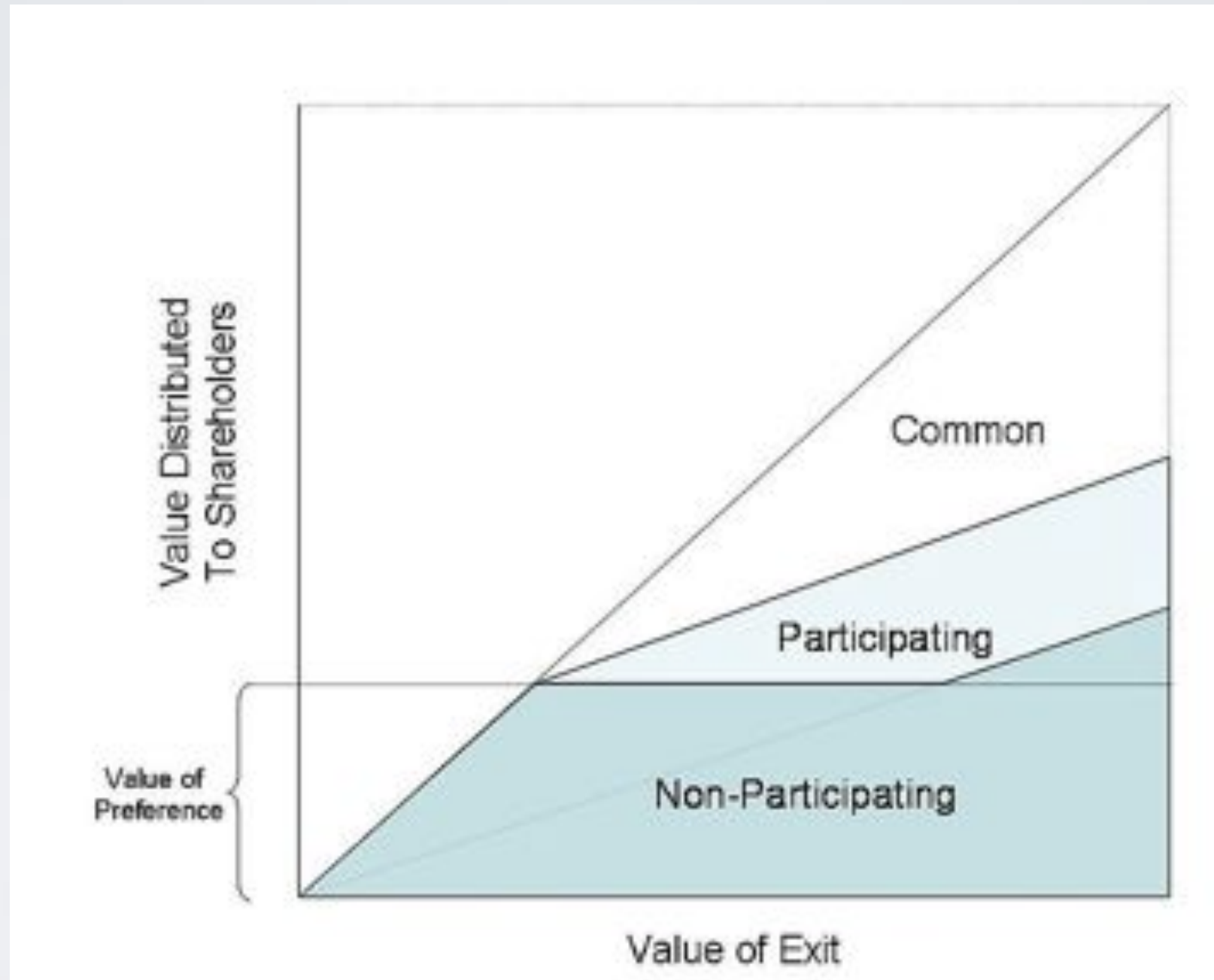
- Valuation
- Cost
- Speed
- Control

# Share Structure Matters





# Share Structure Matters



# Legal

Issue	Basic Definition
Share Type	Common vs. Preferred. All in the Same Boat vs. Stratified.
Liquidation Preference	Preferred Shares get money back first
Participating	Preferred Shares get their Liquidation <u>Pref</u> back and then get to also participate in Common Share distribution.
Pro-rata Rights	Right to participate in future rounds of investments.
Information Rights	Access to monthly or quarterly updates
Board Rights	Right to a Board seat.
Drag along	Ability to force others to join sale of company
Co-sale and ROFR	Ability to restrict others in selling their shares (via joining in their transaction or outright restriction), or ability to buy their shares first
Protective Provisions	You can't do XXXX without my approval.

# Legal Cont.

Issue	Entrepreneurs	Angels	Venture Capital
Share Type	Common Shares	Mostly Common, Some Preferred.	Preferred
Liquidation Preference	"Destroys Value"	Some	Always want
Participating	"Destroys Value"	Some	Always want
Pro-rata Rights	Indifferent	Should get.	Always get.
Information Rights	Only to large investors	Sometimes Get	Always Get
Board Rights	Only to large investors	Sometimes Get	Always Get
Drag Along	Usually included	Usually included	Always get to control exit
Co-Sale and ROFR	Usually included	Small investors not given right	Large investors get and enforce.
Protective Provisions	'Destroys value'	Rarely	Always.

# Conclusion

