Quick Start for Capitalization Table

How to use your Custom Excel Workbook

Quick Start Instructions

Here are simple, step by step instructions to get your Capitalization Table working for you as quickly as possible. Just follow the steps below in order and you'll be on your way. [1]

A Note about Input Cells: Enter input data only in shaded blue cells. These input cells are found mostly on the 'Inputs' worksheet and also on the 'Labels' worksheet. Some blue input cells contain Excel formulas the copy data from adjacent input cells. (For example, if you enter data in the first period, the model will usually copy it to the other time periods to the right.) This feature is a convenience for those inputs that sometimes have repeated values. You can overwrite any formula in a blue input cell; they are just there to provide starting data to get you going quickly.

Step 1: Enter Names of Investment Rounds, Investors, Series of Securities and Other Items

Select the Labels worksheet.

1. Edit the names of Investment Rounds in the bottom section starting around row 80 or 100. (These may already be correct from the customization process. If you want to increase the numbers of accounts or other items in the model, you must return to the ModelSheet website and customize a new spreadsheet.)
    - If you want to change the number of investment rounds, you must re-customize your model in the ModelSheet Customizer.
2. Edit the names of series of each type of security (the series of convertible notes, preferred stock, warrants, and options).
    - Do not change the names of the types of securities (convertible notes, preferred stock, common stock, warrants, and options) because these names may be used in the formulas of the model.
3. Edit the names of Investment Scenarios and Valuation Scenarios, if your model has Scenarios. (Investment Scenarios and Valuation Scenarios are optional features in Advanced versions of the Capitalization table.)
    - If you want to enable scenarios, or change the number of scenarios in your model, you must re-customize your model in the ModelSheet Customizer.

Names in some dimensions should not be changed because the names may be used in the formulas of the model. These include names of conversion conditions (for converting certain securities to common stock), Phases (activities within each investment round).

Step 2: Enter Properties of Each Series of Each Type of Security

Select the Inputs worksheet.

1. Near the top, enter the name of the company or organization that you want to appear at the top of each worksheet.

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[1] You can find more explanation of how the model works in the section "Capitalization Table Explained Explained in a NutShell" below.

2. For each series of Convertible Notes:
    - Enter the Conversion discount, Liquidation multiple, and annual dividend rate. (See the Excel comments for these variables for more information about what these parameters mean.)
    - Enter the conversion criteria: Trigger Date, Trigger Investment, Trigger Value percent, and Liquidity Premium percent. (See the Excel comments for these variables for more information about what these parameters mean.)
3. For each series of Preferred Shares:
    - Enter the Price Premium over Common Shares for each investment round.
    - Enter the Liquidation multiple, and annual dividend rate.
    - Enter the conversion criteria: Trigger Date, Trigger Investment, Trigger Value percent, and Liquidity Premium percent.
4. For Common Shares:
    - Enter the initial price of a Common Share at the start of the first Investment Round.
    - Enter the Share Split Factor for Common Stock in each Investment Round.
    - Enter the dividend amount per Common Share in each Investment Round, expressed in the currency of the model.
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5. For each series of Warrants:
    - Enter the price of a new Warrant, expressed as a ratio of the price to (common share price less warrant exercise price).
    - <u>Do not enter the price of a new Warrant, unless you want to override the default price</u>. (The model computes the price of a new Warrant from the previous ratio.)
    - Enter the exercise criteria: Exercise Price, Trigger Date, Trigger Investment, and Trigger Value percent. (See the Excel comments for these variables for more information about what these parameters mean.)
6. For each series of Options:
    - Enter the price of a new Option, expressed as a ratio of the price to (common share price less option exercise price).
    - <u>Do not enter the price of a new Option, unless you want to override the default price</u>. (The model computes the price of a new Option from the previous ratio.)
    - Enter the exercise criteria: Exercise Price, Trigger Date, Trigger Investment, and Trigger Value percent. (See the Excel comments for these variables for more information about what these parameters mean.)

Step 3: Enter Amounts of New Investment and Firm Valuation for Each Round

<u>If your Capitalization table does not have Scenarios, select the Inputs worksheet.</u>

1. Enter the date of each Investment Round.
2. Enter the amount of new investment for each series of each type of security in each investment round.

- For Convertible Notes, Preferred Shares and Common Shares, enter the new Investment expressed in the currency in the model.
- For Warrants and Options, enter the number of new units sold.

3. Enter the Valuation of the enterprise at the beginning of each Investment Round.

<u>If your Capitalization Table has Scenarios, select the 'Scenario Input' worksheet.</u>

4. Enter the date of each investment round in each investment Scenario. (The dates of successive rounds should increase in the order of the rounds.)
5. Enter the amount of new investment in each series of each type of security in each Investment Round, and each Investment Scenario:
   - For Convertible Notes, Preferred Shares, and Common Shares, enter the amount of new investment in your chosen currency.
   - For Warrants and Options, enter the number of Warrants and Options sold.
6. Enter the Valuation of the enterprise at the beginning of each Investment Round, in each Investment Scenario.

Step 4: Enter Conversion and Exercise Decisions

Select worksheet 'Conversion'.

1. If your cap table contains Convertible Notes, enter the percentage of each series of Convertible Notes held that are converted in each investment round. If your cap table distinguishes investors, then enter this percentage for each investor.
2. If your cap table contains Preferred Stock, enter the percentage of each series of Preferred Stock held that are converted in each investment round. If your cap table distinguishes investors, then enter this percentage for each investor.
3. If your cap table contains Warrants, enter the percentage of each series of Warrants held that are converted in each investment round. If your cap table distinguishes investors, then enter this percentage for each investor.
4. If your cap table contains Options, enter the percentage of each series of Options held that are converted in each investment round. If your cap table distinguishes investors, then enter this percentage for each investor.

Step 5: See Your Results!

Now that you've entered your data, take a look at these worksheets to see results.

- Worksheet 'Graphs' shows you graphs of firm valuation, new investment, cumulative investment by type of security, all by investment round. Also final payout by type of security.
- Worksheet 'Investment' shows you return on investment (investment, dividends, payout and return multiple). Advanced versions also show IRR (internal rate of return).
- Worksheet 'Shares' shows you the number of Common Shares by type of security originally sold, and the number of securities of each type currently outstanding.
- Worksheet 'Payout' shows you the final payout to each type of security.

If you want to learn more what these quantities mean, read the comment on the table by hovering the mouse over the cell with the small red triangle (which is Excel's way of telling you that cell has a comment). There you'll also find a "formula name" that defines the table. You can look up that name on the 'Formulas' worksheet to see the human-readable formulas that are used to define the values in the table.

Capitalization Table Explained in a NutShell

Your Capitalization Table model tracks the number of units of each series of each type security, their values, conversions, stock splits, payouts, and return on investment through multiple investment rounds. The types of securities handled are Convertible Notes, Preferred Shares, Common Shares, Warrants, and Options.

The model divides each investment round into five 'phases' that occur in this order:

1. Start Phase: Stock splits occur and dividends in kind are paid at the start of each round.
2. New Sales Phase: Sell new securities (convertible notes, preferred stock, common stock warrants, options)
3. Post Sales Phase: Record investments and share units after sale of new securities.
4. Conversion Phase: Stakeholders can convert notes and preferred shares and can exercise warrants and options to obtain common stock.
5. End Phase: Record security holdings, prices and values at the end of the investment round.

If you want to change the definition or order of the phases during each investment round, please contact us.

The model tries to predict whether and when each type of convertible security will convert to common stock, using five conversion criteria. This facility makes it easier for you to get a complete capitalization table without you having to guess at each conversion decision. When you know actual conversion decisions, you can override the default guesses made by the model.

That is basically all there is to it.

Not all features mentioned here are present in the Light and Standard versions of the model.

Where to Get More Information

Read the Excel comment on each table on every worksheet. Each comment contains important information about what the table contains or what it does in the model.

Worksheet 'Formulas' contains a list of the named variables in the model and formulas that define each variable in terms of other variables. This worksheet is often the best way to understand how the entire model fits together.

The user guide for this product contains more information. See http://templates.modelsheetsoft.com/modelsheettemplates/capitalization-table-templates-user-guide.aspx

The introductory webpage for the Sales Plan template is http://templates.modelsheetsoft.com/modelsheettemplates/capitalization-table-templates.aspx

Please address queries to: customerservice@modelsheetsoft.com .

Please visit our website at: http://www.modelsheetsoft.com .