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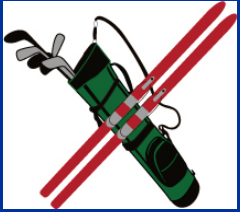
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# Building Financial Projections

January 19, 2012

Charlie Tillett  
SM '91

[charietillett@verizon.net](mailto:charietillett@verizon.net)



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# Agenda

## Business Plan Financials

- What VCs (and \$100K Judges) Want
  - What is a Business Model
  - Building YOUR Financial Projections
- 
- Sharing the Pie



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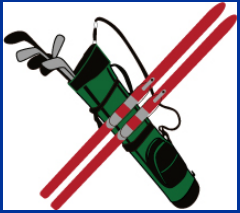


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# Background

- 1991 Sloan SM: Entrepreneurial Finance
- Third Place 1990 \$10K Contest
  - Summer Intern - Boston Capital Ventures
- '91 to '00 CFO: NetScout Systems (NTCT)
- \$51M in 2 VC financings
  - IPO in August 1999
- '02 to '07 CFO: Reveal Imaging Technologies
- 9 financing transactions
  - Sold to SAIC for \$230M in 2010

Raised \$125 million in 10+ Transactions



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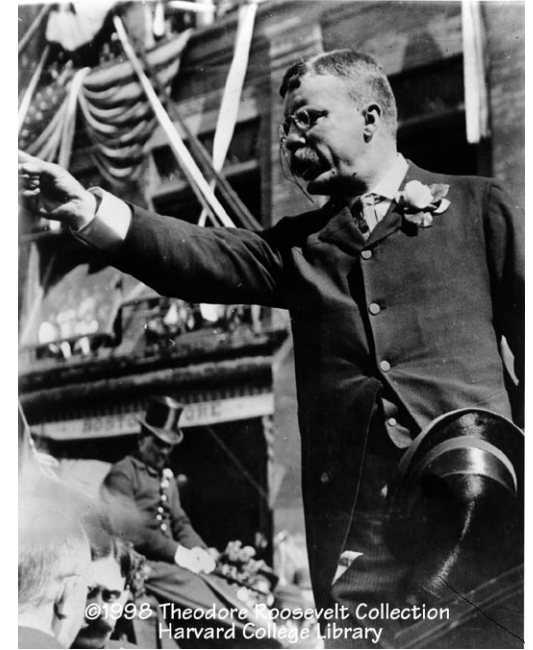
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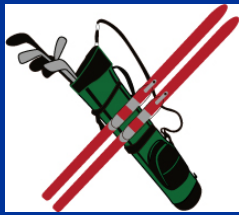
# Entrepreneurship. If not now, **WHEN?**

- Workload
- Expenses
- The Man In The Arena

“The credit belongs to the man who is in the arena, who strives to do the deeds; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly.”

- Some things can only be learned by **DOING**





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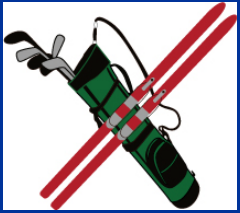


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## Are Financial Projections Important? Reveal Imaging Timeline - \$42.5M raised

- Q4 '02      Founded
- Q1 '03      Angel Round      \$1M
- Q3 '03      VC: Series A-1      \$5M
- Q2 '04      Equipment Line      \$500k
- Q3 '04      VC: Bridge Loan      \$1M
- Q1 '05      VC: Series A-2      \$5M
- Q2 '05      Venture Debt      \$4M
- Q3 '05      VC: Series B      \$5M
- Q2 '06      A/R Line of Credit      \$6M
- Q3 '06      Bank Debt      \$15M

**Financial Plan provided the roadmap to DETERMINE cash needs and the VEHICLE to obtain that cash.**



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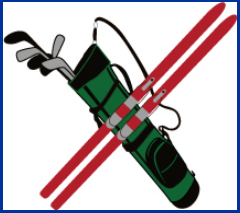
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# What VCs Want

- VC Investment goals:
  - 3x to 5x absolute returns
  - 5 to 7 year investment horizon
  - 4x in 5 years = IRR of 32%
- VC Requirements
  - Get a “significant” amount of \$ invested (at least \$5M - \$10M)
  - Own a “significant” ownership % (50% +/-)
- The “Formula”
  - $VC \% = \$invested / (pre\text{-}money\ valuation + \$invested)$
  - Pre-money valuation is company's value prior to investment
  - $Post\text{-}money\ valuation = pre\text{-}money + \$invested$



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# What VCs Want - EXAMPLE

- Investment Rounds
  - Series A - \$5M invested on \$5M pre-money (50%)
  - Series B - \$10M invested on \$15M pre-money (40%)
  - Note – Series A is diluted by 40% to 30%
- \$ Invested and Ownership %
  - VC has \$15M invested
  - VC owns 70% (30% + 40%)
- Result
  - $3 \times \$15M = \$45M$  --  $5 \times \$15M = \$75M$
  - Company valuation needs to be \$65M and \$107M
  - Your revenues need to be \$30M, \$40M, \$50M +



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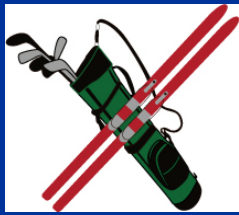
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# Income Statement Example

## For a generic technology company

Sales (Revenue)	\$ 50.0	100%	After discounts
Cost of Goods Sold (COGS)	<u>\$ 20.0</u>	<u>40%</u>	Direct & indirect costs but NOT R&D
Gross Profit (Gross Margin)	\$ 30.0	60%	Sales minus COGS
Sales & Marketing (S&M)	\$ 15.0	30%	
Research & Development (R&D)	\$ 5.0	10%	
General & Admin (G&A)	<u>\$ 2.5</u>	<u>5%</u>	Rent, Accounting, HR, IT
Total Expenses	\$ 22.5	45%	
Operating Profit (EBITDA)	\$ 7.5	15%	Gross Profit minus Total Expenses





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# Example - 4 year Income Statement What Investors Look At

P & L by Year		Source	Year 1		Year 2		Year 3		Year 4	
<b>Revenue</b>										
Model 1	P&L By Qtr		\$ 1,275,000	100%	\$ 10,500,000	88%	\$ 33,750,000	82%	\$ 37,500,000	50%
Model 2	P&L By Qtr		\$ -	0%	\$ 1,400,000	12%	\$ 5,250,000	13%	\$ 27,500,000	36%
Model 3	P&L By Qtr		\$ -	0%	\$ -	0%	\$ 2,400,000	6%	\$ 10,500,000	14%
<b>Total Revenue</b>			<b>\$ 1,275,000</b>	<b>100%</b>	<b>\$ 11,900,000</b>	<b>100%</b>	<b>\$ 41,400,000</b>	<b>100%</b>	<b>\$ 75,500,000</b>	<b>100%</b>
<b>COGS</b>										
	P&L By Qtr		\$ 425,000	33%	\$ 3,920,000	33%	\$ 13,385,000	32%	\$ 23,200,000	31%
<b>Gross Margin</b>			<b>\$ 850,000</b>	<b>67%</b>	<b>\$ 7,980,000</b>	<b>67%</b>	<b>\$ 28,015,000</b>	<b>68%</b>	<b>\$ 52,300,000</b>	<b>69%</b>
<b>Expenses</b>										
Engineering	P&L By Qtr		\$ 1,326,625	104%	\$ 3,475,275	29%	\$ 7,212,188	17%	\$ 12,205,975	16%
Marketing	P&L By Qtr		\$ 710,750	56%	\$ 1,810,750	15%	\$ 3,239,350	8%	\$ 5,300,000	7%
Sales	P&L By Qtr		\$ 1,214,250	95%	\$ 3,466,500	29%	\$ 7,171,500	17%	\$ 12,393,500	16%
G&A	P&L By Qtr		\$ 964,575	76%	\$ 1,817,750	15%	\$ 3,117,000	8%	\$ 5,308,500	7%
<b>Operating Exp.</b>			<b>\$ 4,216,200</b>	<b>331%</b>	<b>\$ 10,570,275</b>	<b>89%</b>	<b>\$ 20,740,038</b>	<b>50%</b>	<b>\$ 35,207,975</b>	<b>47%</b>
<b>Operating Profit</b>			<b>\$ (3,366,200)</b>	<b>-264%</b>	<b>\$ (2,590,275)</b>	<b>-22%</b>	<b>\$ 7,274,963</b>	<b>18%</b>	<b>\$ 17,092,025</b>	<b>23%</b>



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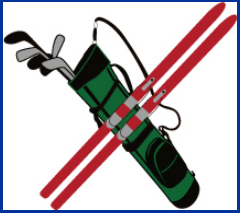


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# Example - 4 year Income Statement

## What YOU should look at

P & L by Year			Year 1		Year 2		Year 3		Year 4				
	Source												
<b>Revenue</b>													
Model 1	P&L By Qtr	\$	1,275,000	100%	\$	10,500,000	88%	\$	33,750,000	82%	\$	37,500,000	50%
Model 2	P&L By Qtr	\$	-	0%	\$	1,400,000	12%	\$	5,250,000	13%	\$	27,500,000	36%
Model 3	P&L By Qtr	\$	-	0%	\$	-	0%	\$	2,400,000	6%	\$	10,500,000	14%
<b>Total Revenue</b>		<b>\$</b>	<b>1,275,000</b>	<b>100%</b>	<b>\$</b>	<b>11,900,000</b>	<b>100%</b>	<b>\$</b>	<b>41,400,000</b>	<b>100%</b>	<b>\$</b>	<b>75,500,000</b>	<b>100%</b>
<b>COGS</b>													
	P&L By Qtr	\$	425,000	33%	\$	3,920,000	33%	\$	13,385,000	32%	\$	23,200,000	31%
<b>Gross Margin</b>		<b>\$</b>	<b>850,000</b>	<b>67%</b>	<b>\$</b>	<b>7,980,000</b>	<b>67%</b>	<b>\$</b>	<b>28,015,000</b>	<b>68%</b>	<b>\$</b>	<b>52,300,000</b>	<b>69%</b>
<b>Expenses</b>													
Engineering	P&L By Qtr	\$	1,326,625	104%	\$	3,475,275	29%	\$	7,212,188	17%	\$	12,205,975	16%
Marketing	P&L By Qtr	\$	710,750	56%	\$	1,810,750	15%	\$	3,239,350	8%	\$	5,300,000	7%
Sales	P&L By Qtr	\$	1,214,250	95%	\$	3,466,500	29%	\$	7,171,500	17%	\$	12,393,500	16%
G&A	P&L By Qtr	\$	964,575	76%	\$	1,817,750	15%	\$	3,117,000	8%	\$	5,308,500	7%
<b>Operating Exp.</b>		<b>\$</b>	<b>4,216,200</b>	<b>331%</b>	<b>\$</b>	<b>10,570,275</b>	<b>89%</b>	<b>\$</b>	<b>20,740,038</b>	<b>50%</b>	<b>\$</b>	<b>35,207,975</b>	<b>47%</b>
<b>Operating Profit</b>		<b>\$</b>	<b>(3,366,200)</b>	<b>-264%</b>	<b>\$</b>	<b>(2,590,275)</b>	<b>-22%</b>	<b>\$</b>	<b>7,274,963</b>	<b>18%</b>	<b>\$</b>	<b>17,092,025</b>	<b>23%</b>



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# What is “The Business Model”

1. Provides the super-structure for the Financial Plan
2. Blueprint of how business will MAKE MONEY
3. Documented by an Income Statement
  - Financial performance in percentage terms

In assessing YOUR business model

- Determine what your business will look like once you reach critical mass



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# Business Models - Retail

			
Revenue	100%	100%	100%
COGS	76%	66%	63%
Gross Margin	24%	34%	37%
R&D	0%	0%	0%
SGA	18%	23%	27%
Expenses	18%	23%	27%
Op Profit	6%	11%	10%
Annual Revenue	\$344B	\$59B	\$8.5B
Employees	1.9M	352k	53k
Rev per Emp per Yr	\$181k	\$167k	\$160k



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# Business Models - Restaurant



Revenue	100%	100%	100%
COGS	68%	76%	42%
Gross Margin	32%	24%	58%
R&D	0%	0%	0%
SGA	11%	14%	42%
Expenses	11%	14%	42%
Op Profit	21%	11%	16%
Annual Revenue	\$21B	\$2.2B	\$9.4B
Employees	465k	46k	144k
Rev per Emp per Yr	\$45k	\$48k	\$65k



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# Business Models – Tech H/W



Revenue	100%	100%	100%	100%
COGS	36%	47%	83%	26%
Gross Margin	64%	53%	17%	74%
R&D	13%	11%	1%	10%
SGA	26%	29%	10%	34%
Expenses	39%	40%	11%	44%
Op Profit	25%	13%	6%	30%
Annual Revenue	\$35B	\$11B	\$57B	\$12B
Employees	61k	31k	90k	38k
Rev per Emp perYr	\$573k	\$358k	\$633k	\$323k



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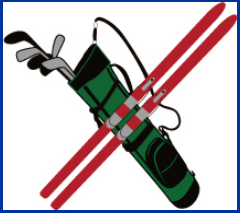
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# Business Models – Tech S/W

	 <b>Microsoft</b>	<b>ORACLE</b>	 <b>SAP</b>
Revenue	100%	100%	100%
COGS	19%	23%	34%
Gross Margin	81%	77%	66%
R&D	13%	12%	14%
SGA	24%	30%	25%
Expenses	37%	42%	39%
Op Profit	44%	35%	27%
Annual Revenue	\$51B	\$18B	\$12B
Employees	79k	75k	43k
Rev per Emp per Yr	\$645k	\$240k	\$288k



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# Business Models – Internet

amazon.com<sup>™</sup>  
and you're done.™

ebay

YAHOO!

Google<sup>™</sup>

Revenue	100%	100%	100%	100%
COGS	77%	21%	41%	40%
Gross Margin	23%	79%	59%	60%
R&D	6%	8%	13%	12%
SGA	13%	47%	31%	15%
Expenses	19%	55%	44%	27%
Op Profit	4%	24%	15%	33%
Annual Revenue	\$10.7B	\$6B	\$6.5B	\$11B
Employees	14k	13k	11k	11k
Rev per Emp perYr	\$764k	\$461k	\$585k	\$1M !!!!!





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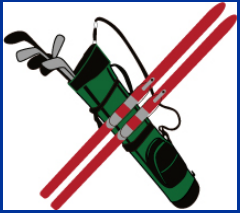


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# Business Models Slowly Evolve



	NetScout	NetScout	NetScout	NetScout		Cisco	Cisco	Cisco	Cisco		
	Q3 '98	Q3 '00	Q3 '06	Q3 '09		Q3 '98	Q3 '00	Q3 '06	Q3 '09		
Revenue	100%	100%	100%	100%		100%	100%	100%	100%		
Cost of Goods Sold	32%	28%	23%	22%		35%	36%	36%	35%		
Gross Margin	68%	72%	77%	79%		65%	64%	64%	65%		
Sales & Marketing	29%	35%	48%	38%		19%	21%	25%	25%		
R&D	13%	13%	12%	14%		12%	14%	11%	13%		
G&A	6%	8%	7%	7%		3%	3%	3%	3%		
Total Expenses	48%	56%	67%	59%		34%	38%	39%	41%		
Operating Profit	20%	16%	10%	20%		31%	26%	25%	24%		
Annual Revenue/Emp.	\$ 350,000	\$ 320,000		\$ 300,000		\$ 600,000	\$ 675,000		\$ 555,000		



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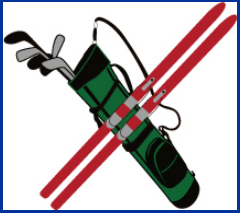
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# Building a Tech Model

- What is your product
  - Price that customer will pay
  - COGS - Unit costs & mfg O/H & support
- Distribution Strategy
  - May impact your sales price
  - May impact S & M and support expenses
- R&D should end up at 10% to 20
- G&A should end up at 5% to 15%
- Target an operating profit of 15% to 20%



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# First Major Decision: How will you sell your product?

	Direct Sales Force	
Revenue	\$100	100%
Cost of Goods Sold	\$40	40%
Gross Margin	\$60	60%
Sales & Marketing	\$23	23%
R&D	\$12	12%
G&A	\$5	5%
Total Expenses	\$40	40%
Operating Profit	\$20	20%



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# First Major Decision: How will you sell your product?

	Direct Sales Force		Distributor	
Revenue	\$100	100%	\$80	100%
Cost of Goods Sold	\$40	40%	\$40	50%
Gross Margin	\$60	60%	\$40	50%
Sales & Marketing	\$23	23%	\$8	10%
R&D	\$12	12%	\$12	15%
G&A	\$5	5%	\$4	5%
Total Expenses	\$40	40%	\$24	30%
Operating Profit	\$20	20%	\$16	20%

Example - Distributor receives a 20% discount in return for Sales & Marketing efforts



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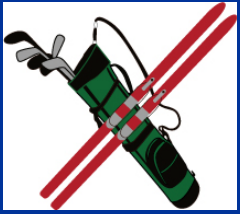


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# Business Plan Financials

## Charlie's Rules-of-Thumb: Disclaimer

- Do Not use Business Planning Software
- Focused on making attractive to **investors**
- Most relevant for **technology** companies
- May **not** apply to your industry
- Most common Business Plan errors:
  - Revenue too high in year 4
  - Profit **margin** too high in year 4



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# Building Financial Projections Technology Company Rules-of-Thumb

## Staffing DRIVES departmental expenses

- Average employee salary will be \$85K + -
- Employee benefits will add just 15%
- Salaries will be 60% to 70% of total expenses (non-COGS)
  - Remainder will be rent, utilities, travel, etc.
  - UNLESS you have extraordinary marketing!!!
  - Will reduce to 50% to 55% over time
- Sales staff will cost \$175 to \$250k per person per year
  - ~\$200k compensation (50% base, 50% commission)
  - \$50k in annual travel costs

**Disclaimer - May not apply to your company**



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# Building Financial Projections Technology Company Rules-of-Thumb

- Sales Projections
  - \$50MM to \$100MM in year 5
- Revenue per Employee
  - Between \$150K and \$350K
- Revenue per Salesperson
  - Between \$1MM and \$3MM



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# Case Study:



Restaurants 12,300 ('09) -> 15,200 ('10) +2,900

Diners Seated 43M ('09) -> 65M ('10)

Subscription \$44M

Reservations \$48M

Installation \$7M

TOTAL \$99M

	Expenses		Staff
Operations	\$27M	27%	166
Sales	\$20M	20%	160
R&D	\$11M	11%	96
G&A	<u>\$15M</u>	<u>15%</u>	<u>71</u>
TOTAL	\$73M	73%	493
Operating Profit	\$26M	26%	





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# Case Study:



Subscription	\$44M	(13,750) →	\$260/month
Reservations	\$48M	(65M) →	60 cents/diner
Installation	<u>\$7M</u>	(2,900) →	\$2,400 per
TOTAL	\$99M		

Revenues \$99M/year - \$200k revenue per employee/year

Expenses \$73M/year - \$148k expense per employee/year

- Estimate: salaries are 66% of expenses → \$100k avg salary

No print, broadcast, or online ads. Search Engine Positioning

If Sales Staff = 160 → \$125k annual expense per staff member

If Sales Staff = 80 → 36 restaurants per rep/year (50% staff sell)

Only \$311k revenue per sales staff

## RED FLAGS

Target market - 20,000 restaurants (vs 15,200)

Opportunity – 700M diners (vs 65M)



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# Case Study:



## Customer Acquisition v Customer Value

### Acquisition Cost\*:

\$20M for 2,900 customers = **\$6,900** average per customer

### 5-Year Customer Value (1 & 5 year):

Installation Fee		\$2,400
Subscription Fees	12 * \$260	\$3,120
Per-Diner Fees (360/mth)	12 * \$210	<u>\$2,560</u>
<b>Total Year 1</b>		<b>\$8,080</b>
Total year 1-5		\$70,560

\* Sales & Marketing ONLY



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# Case Study:



## KEY BUSINESS DECISIONS

Who Pays? Restaurant, diner, advertiser?

What do they pay for?

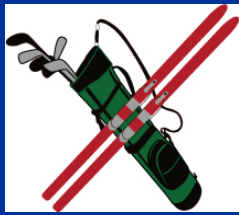
- Installation
- Monthly fee
- Volume based fee

How Much Do They Pay?

- Installation \$2,400
- Monthly fee \$260
- Volume based fee \$0.60/diner

Other Decisions?

- Advertising NO
- Customer Bonus YES (frequent diner plan)



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# Case Study: LinkedIn

3,900 companies using hiring solutions

5B page views, 100M Members

Hiring Solutions	\$102M
Marketing (ads)	\$80M
Premium	<u>\$62M</u>
TOTAL	\$243M

	Expenses		Staff
COGS	\$45M	19%	141
Sales	\$57M	24%	313
R&D	\$61M	27%	383
G&A	\$31M	14%	153
Depreciation	<u>\$20M</u>	<u>8%</u>	
TOTAL	\$214M	8%	990
Operating Profit	\$29M	12%	



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# Case Study: **LinkedIn**

Hiring Solutions	\$102M (3,900) -> \$2k/month
Marketing (ads)	\$80M
Premium	\$62M (\$240/yr) -> 250k
TOTAL	\$243M

Total Employees 990 -> \$245k revenue per emp/yr

Employees 850 -> \$198k expense per emp/yr  
(est. 66% or \$131k salary)

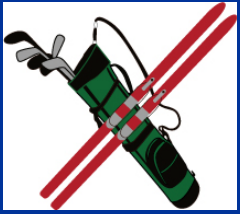
No print, broadcast, or online ads. Search Engine Positioning

Sales Staff 156 -> \$1.2M per rep/year (est 50% staff sell)

Sales Staff 313 -> avg \$182k expense per staff

Page Views – 8 Billion (\$79M revenue) -> \$4 per M

Opportunity – Premium Subscribers (under 1%)



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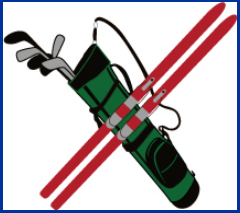
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# Cash Flow Projections

**Happiness is a positive cash flow**

**Or at least knowing when you need to raise more**

- Burn Rate
  - Monthly operating loss plus capital expenditures
- Cash Flow Projection
  - Cumulative operating losses excluding depreciation
  - Plus cumulative capital expenses
- To determine the total cash required
  - Cumulative operating losses PLUS
  - Cumulative capital expenses
  - On the month that you turn cash positive



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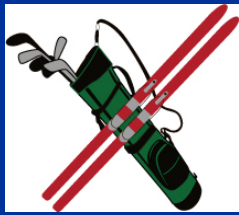
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# How Much to Pay Yourself

- VCs don't want their entrepreneurs to starve  
BUT  
They want them to be hungry



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# End Result

## 4 year Profit and Loss Statement

P & L by Year		Source	Year 1		Year 2		Year 3		Year 4	
<b>Revenue</b>										
Model 1	P&L By Qtr		\$ 1,275,000	100%	\$ 10,500,000	88%	\$ 33,750,000	82%	\$ 37,500,000	50%
Model 2	P&L By Qtr		\$ -	0%	\$ 1,400,000	12%	\$ 5,250,000	13%	\$ 27,500,000	36%
Model 3	P&L By Qtr		\$ -	0%	\$ -	0%	\$ 2,400,000	6%	\$ 10,500,000	14%
<b>Total Revenue</b>			<b>\$ 1,275,000</b>	<b>100%</b>	<b>\$ 11,900,000</b>	<b>100%</b>	<b>\$ 41,400,000</b>	<b>100%</b>	<b>\$ 75,500,000</b>	<b>100%</b>
<b>COGS</b>										
	P&L By Qtr		\$ 425,000	33%	\$ 3,920,000	33%	\$ 13,385,000	32%	\$ 23,200,000	31%
<b>Gross Margin</b>			<b>\$ 850,000</b>	<b>67%</b>	<b>\$ 7,980,000</b>	<b>67%</b>	<b>\$ 28,015,000</b>	<b>68%</b>	<b>\$ 52,300,000</b>	<b>69%</b>
<b>Expenses</b>										
Engineering	P&L By Qtr		\$ 1,326,625	104%	\$ 3,475,275	29%	\$ 7,212,188	17%	\$ 12,205,975	16%
Marketing	P&L By Qtr		\$ 710,750	56%	\$ 1,810,750	15%	\$ 3,239,350	8%	\$ 5,300,000	7%
Sales	P&L By Qtr		\$ 1,214,250	95%	\$ 3,466,500	29%	\$ 7,171,500	17%	\$ 12,393,500	16%
G&A	P&L By Qtr		\$ 964,575	76%	\$ 1,817,750	15%	\$ 3,117,000	8%	\$ 5,308,500	7%
<b>Operating Exp.</b>			<b>\$ 4,216,200</b>	<b>331%</b>	<b>\$ 10,570,275</b>	<b>89%</b>	<b>\$ 20,740,038</b>	<b>50%</b>	<b>\$ 35,207,975</b>	<b>47%</b>
<b>Operating Profit</b>			<b>\$ (3,366,200)</b>	<b>-264%</b>	<b>\$ (2,590,275)</b>	<b>-22%</b>	<b>\$ 7,274,963</b>	<b>18%</b>	<b>\$ 17,092,025</b>	<b>23%</b>
<b>Depreciation</b>		P&L By Qtr	\$ 144,833		\$ 427,333		\$ 593,000		\$ 608,167	
<b>EBIT</b>			\$ (3,511,033)		\$ (3,017,608)		\$ 6,681,963		\$ 16,483,858	

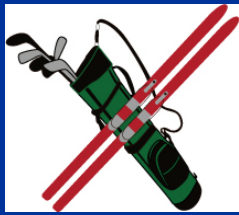
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# Profit and Loss Statement Quarterly

P & L by Month	Source	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
<b>Revenue</b>									
Model 1	Sales Plan	\$ -	\$ 150,000	\$ 375,000	\$ 750,000	\$ 1,500,000	\$ 2,250,000	\$ 3,000,000	\$ 3,750,000
Model 2	Sales Plan	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 300,000	\$ 400,000	\$ 500,000
Model 3	Sales Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenue</b>		<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 375,000</b>	<b>\$ 750,000</b>	<b>\$ 1,700,000</b>	<b>\$ 2,550,000</b>	<b>\$ 3,400,000</b>	<b>\$ 4,250,000</b>
<b>COGS</b>	Sales Plan	\$ -	\$ 50,000	\$ 125,000	\$ 250,000	\$ 560,000	\$ 840,000	\$ 1,120,000	\$ 1,400,000
<b>Gross Margin</b>		<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 250,000</b>	<b>\$ 500,000</b>	<b>\$ 1,140,000</b>	<b>\$ 1,710,000</b>	<b>\$ 2,280,000</b>	<b>\$ 2,850,000</b>
<b>Expenses</b>									
Engineering	Expenses	\$ 169,375	\$ 312,875	\$ 378,000	\$ 466,375	\$ 576,038	\$ 792,275	\$ 965,163	\$ 1,141,800
Marketing	Expenses	\$ 111,250	\$ 136,250	\$ 185,125	\$ 278,125	\$ 330,600	\$ 409,200	\$ 470,738	\$ 600,213
Sales	Expenses	\$ 146,188	\$ 220,188	\$ 378,813	\$ 469,063	\$ 672,563	\$ 792,188	\$ 938,938	\$ 1,062,813
G&A	Expenses	\$ 173,700	\$ 206,875	\$ 284,325	\$ 299,675	\$ 388,150	\$ 417,975	\$ 492,300	\$ 519,325
<b>Operating Exp.</b>		<b>\$ 600,513</b>	<b>\$ 876,188</b>	<b>\$ 1,226,263</b>	<b>\$ 1,513,238</b>	<b>\$ 1,967,350</b>	<b>\$ 2,411,638</b>	<b>\$ 2,867,138</b>	<b>\$ 3,324,150</b>
<b>Operating Profit</b>		<b>\$ (600,513)</b>	<b>\$ (776,188)</b>	<b>\$ (976,263)</b>	<b>\$ (1,013,238)</b>	<b>\$ (827,350)</b>	<b>\$ (701,638)</b>	<b>\$ (587,138)</b>	<b>\$ (474,150)</b>
<b>Depreciation</b>	CAPEX	\$ 9,833	\$ 20,833	\$ 45,667	\$ 68,500	\$ 81,167	\$ 105,000	\$ 117,333	\$ 123,833
<b>EBIT</b>		<b>\$ (610,346)</b>	<b>\$ (797,021)</b>	<b>\$ (1,021,929)</b>	<b>\$ (1,081,738)</b>	<b>\$ (908,517)</b>	<b>\$ (806,638)</b>	<b>\$ (704,471)</b>	<b>\$ (597,983)</b>

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# Sales and COGS Forecast

Sales Plan	Source		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
<b>Unit Sales</b>										
	Model 1	Input	-	20	50	100	200	300	400	500
	Model 2	Input	-	-	-	-	20	30	40	50
	Model 3	Input	-	-	-	-	-	-	-	-
	Total Units		-	20	50	100	220	330	440	550
<b>Revenue</b>										
	Model 1	\$ 7,500	\$ -	\$ 150,000	\$ 375,000	\$ 750,000	\$ 1,500,000	\$ 2,250,000	\$ 3,000,000	\$ 3,750,000
	Model 2	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 300,000	\$ 400,000	\$ 500,000
	Model 3	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Revenue		\$ -	\$ 150,000	\$ 375,000	\$ 750,000	\$ 1,700,000	\$ 2,550,000	\$ 3,400,000	\$ 4,250,000
<b>Cost of Goods Sold</b>										
	Model 1	\$ 2,500	\$ -	\$ 50,000	\$ 125,000	\$ 250,000	\$ 500,000	\$ 750,000	\$ 1,000,000	\$ 1,250,000
	Model 2	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 90,000	\$ 120,000	\$ 150,000
	Model 3	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total COGS	To P&L	\$ -	\$ 50,000	\$ 125,000	\$ 250,000	\$ 560,000	\$ 840,000	\$ 1,120,000	\$ 1,400,000

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# Staffing Plan

Staffing Plan			Staffing	Staffing	Staffing	Staffing	Staffing	Staffing	Staffing	Staffing
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
			Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
<b>Engineering</b>										
	CTO	Input	1	1	1	1	1	1	1	1
	Programmer	Input	4	8	10	12	15	20	25	30
	Tech Writer	Input	-	1	1	2	2	4	4	4
	Other	Input	-	-	-	-	-	-	-	-
	<b>Total Eng</b>		<b>5</b>	<b>10</b>	<b>12</b>	<b>15</b>	<b>18</b>	<b>25</b>	<b>30</b>	<b>35</b>
<b>Marketing</b>										
	VP Marketing	Input	1	1	1	1	1	1	1	1
	Product Manager	Input	1	1	2	2	3	3	4	4
	Mar-Com	Input	-	-	1	1	2	2	2	2
	Other	Input	1	1	1	2	2	2	3	3
	<b>Total Mktg</b>		<b>3</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>10</b>

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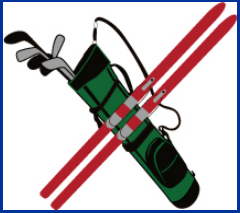


# Salary Expenses

Staffing Plan			Annual		Expense	Expense	Expense	Expense	Expense	Expense	Expense	Expense
			Salary		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
				Benefits/COLA ->	115%	115%	115%	115%	117%	119%	121%	123%
<b>Engineering</b>												
	CTO	Input	\$ 150,000		\$ 43,125	\$ 43,125	\$ 43,125	\$ 43,125	\$ 43,875	\$ 44,625	\$ 45,375	\$ 46,125
	Programmer	Input	\$ 75,000		\$ 86,250	\$ 172,500	\$ 215,625	\$ 258,750	\$ 329,063	\$ 446,250	\$ 567,188	\$ 691,875
	Tech Writer	Input	\$ 60,000		\$ -	\$ 17,250	\$ 17,250	\$ 34,500	\$ 35,100	\$ 71,400	\$ 72,600	\$ 73,800
	Other	Input	\$ 80,000		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total Eng</b>			To Dept Exp	\$ 129,375	\$ 232,875	\$ 276,000	\$ 336,375	\$ 408,038	\$ 562,275	\$ 685,163	\$ 811,800
<b>Marketing</b>												
	VP Marketing	Input	\$ 125,000		\$ 35,938	\$ 35,938	\$ 35,938	\$ 35,938	\$ 36,563	\$ 37,188	\$ 37,813	\$ 38,438
	Product Manager	Input	\$ 95,000		\$ 27,313	\$ 27,313	\$ 54,625	\$ 54,625	\$ 83,363	\$ 84,788	\$ 114,950	\$ 116,850
	Mar-Com	Input	\$ 75,000		\$ -	\$ -	\$ 21,563	\$ 21,563	\$ 43,875	\$ 44,625	\$ 45,375	\$ 46,125
	Other	Input	\$ 80,000		\$ 23,000	\$ 23,000	\$ 23,000	\$ 46,000	\$ 46,800	\$ 47,600	\$ 72,600	\$ 73,800
	<b>Total Mktg</b>			To Dept Exp	\$ 86,250	\$ 86,250	\$ 135,125	\$ 158,125	\$ 210,600	\$ 214,200	\$ 270,738	\$ 275,213

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# Non-Salary Expenses

Departmental Expenses		Source	Q1	Q2	Q3	Q4
			Year 1	Year 1	Year 1	Year 1
<b>Engineering</b>						
	Salaries & Benefits	Staffing Plan	\$ 129,375	\$ 232,875	\$ 276,000	\$ 336,375
	Tech Supplies (PP/PM)	\$ 2,000 input/formula	\$ 30,000	\$ 60,000	\$ 72,000	\$ 90,000
	Misc / Other	input	\$ 10,000	\$ 20,000	\$ 30,000	\$ 40,000
	<b>Total Engineering</b>	<b>To P&amp;L</b>	<b>\$ 169,375</b>	<b>\$ 312,875</b>	<b>\$ 378,000</b>	<b>\$ 466,375</b>
<b>Marketing</b>						
	Salaries & Benefits	Staffing Plan	\$ 86,250	\$ 86,250	\$ 135,125	\$ 158,125
	Literature / PR	input	\$ 5,000	\$ 5,000	\$ 10,000	\$ 10,000
	Trade Shows	input	\$ -	\$ 25,000	\$ -	\$ 50,000
	Misc / Other	input	\$ 20,000	\$ 20,000	\$ 40,000	\$ 60,000
	<b>Total Marketing</b>	<b>To P&amp;L</b>	<b>\$ 111,250</b>	<b>\$ 136,250</b>	<b>\$ 185,125</b>	<b>\$ 278,125</b>

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# Non-Salary Expenses

Departmental Expenses		Source	Q1	Q2	Q3	Q4
			Year 1	Year 1	Year 1	Year 1
<b>Sales</b>						
	Salaries & Benefits	Staffing Plan	\$ 122,188	\$ 179,688	\$ 309,063	\$ 366,563
	Travel (PP/PM)	\$ 3,000 input/formula	\$ 9,000	\$ 18,000	\$ 36,000	\$ 45,000
	Commission (% Rev)	5.00% input/formula	\$ -	\$ 7,500	\$ 18,750	\$ 37,500
	Misc / Other	input	\$ 15,000	\$ 15,000	\$ 15,000	\$ 20,000
	<b>Total Sales</b>	<b>To P&amp;L</b>	<b>\$ 146,188</b>	<b>\$ 220,188</b>	<b>\$ 378,813</b>	<b>\$ 469,063</b>
<b>General &amp; Admin</b>						
	Salaries & Benefits	Staffing Plan	\$ 129,375	\$ 143,750	\$ 195,500	\$ 195,500
	Rent (pp/pm)	\$ 375 input/formula	\$ 19,125	\$ 28,125	\$ 41,625	\$ 48,375
	Tel & Postage (PP/PM)	\$ 200 input/formula	\$ 10,200	\$ 15,000	\$ 22,200	\$ 25,800
	Misc / Other	input	\$ 15,000	\$ 20,000	\$ 25,000	\$ 30,000
	<b>Total G&amp;A</b>	<b>To P&amp;L</b>	<b>\$ 173,700</b>	<b>\$ 206,875</b>	<b>\$ 284,325</b>	<b>\$ 299,675</b>

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# Profit and Loss Statement Quarterly

P & L by Month	Source	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2
<b>Revenue</b>									
	Model 1 Sales Plan	\$ -	\$ 150,000	\$ 375,000	\$ 750,000	\$ 1,500,000	\$ 2,250,000	\$ 3,000,000	\$ 3,750,000
	Model 2 Sales Plan	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 300,000	\$ 400,000	\$ 500,000
	Model 3 Sales Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Total Revenue</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 375,000</b>	<b>\$ 750,000</b>	<b>\$ 1,700,000</b>	<b>\$ 2,550,000</b>	<b>\$ 3,400,000</b>	<b>\$ 4,250,000</b>
	<b>COGS</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ 125,000</b>	<b>\$ 250,000</b>	<b>\$ 560,000</b>	<b>\$ 840,000</b>	<b>\$ 1,120,000</b>	<b>\$ 1,400,000</b>
	<b>Gross Margin</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 250,000</b>	<b>\$ 500,000</b>	<b>\$ 1,140,000</b>	<b>\$ 1,710,000</b>	<b>\$ 2,280,000</b>	<b>\$ 2,850,000</b>
<b>Expenses</b>									
	Engineering Expenses	\$ 169,375	\$ 312,875	\$ 378,000	\$ 466,375	\$ 576,038	\$ 792,275	\$ 965,163	\$ 1,141,800
	Marketing Expenses	\$ 111,250	\$ 136,250	\$ 185,125	\$ 278,125	\$ 330,600	\$ 409,200	\$ 470,738	\$ 600,213
	Sales Expenses	\$ 146,188	\$ 220,188	\$ 378,813	\$ 469,063	\$ 672,563	\$ 792,188	\$ 938,938	\$ 1,062,813
	G&A Expenses	\$ 173,700	\$ 206,875	\$ 284,325	\$ 299,675	\$ 388,150	\$ 417,975	\$ 492,300	\$ 519,325
	<b>Operating Exp.</b>	<b>\$ 600,513</b>	<b>\$ 876,188</b>	<b>\$ 1,226,263</b>	<b>\$ 1,513,238</b>	<b>\$ 1,967,350</b>	<b>\$ 2,411,638</b>	<b>\$ 2,867,138</b>	<b>\$ 3,324,150</b>
	<b>Operating Profit</b>	<b>\$ (600,513)</b>	<b>\$ (776,188)</b>	<b>\$ (976,263)</b>	<b>\$ (1,013,238)</b>	<b>\$ (827,350)</b>	<b>\$ (701,638)</b>	<b>\$ (587,138)</b>	<b>\$ (474,150)</b>
	<b>Depreciation</b>	<b>\$ 9,833</b>	<b>\$ 20,833</b>	<b>\$ 45,667</b>	<b>\$ 68,500</b>	<b>\$ 81,167</b>	<b>\$ 105,000</b>	<b>\$ 117,333</b>	<b>\$ 123,833</b>
	<b>EBIT</b>	<b>\$ (610,346)</b>	<b>\$ (797,021)</b>	<b>\$ (1,021,929)</b>	<b>\$ (1,081,738)</b>	<b>\$ (908,517)</b>	<b>\$ (806,638)</b>	<b>\$ (704,471)</b>	<b>\$ (597,983)</b>

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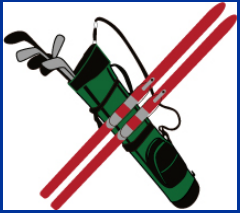
# CAPEX & Cash Flow

Cash Flow	Source	Q1	Q2	Q3	Q4
		Year 1	Year 1	Year 1	Year 1
Beginning Cash	Input (Beginning only)	\$ -	\$ 4,281,488	\$ 3,273,300	\$ 1,849,038
Gross Margin	From P&L Quarterly	\$ -	\$ -	\$ 100,000	\$ 250,000
Expenses	From P&L Quarterly	\$ (600,513)	\$ (876,188)	\$ (1,226,263)	\$ (1,513,238)
Investment	Input	\$ 5,000,000	\$ -	\$ -	\$ -
Capital Expense	From P&L CAPEX	\$ (118,000)	\$ (132,000)	\$ (298,000)	\$ (274,000)
Change in Cash		\$ 4,281,488	\$ (1,008,188)	\$ (1,424,263)	\$ (1,537,238)
Ending Balance		\$ 4,281,488	\$ 3,273,300	\$ 1,849,038	\$ 311,800
Capital Expenses		Q1	Q2	Q3	Q4
		Year 1	Year 1	Year 1	Year 1
Employee Workstations (PP)	\$ 4,000	\$ 68,000	\$ 32,000	\$ 48,000	\$ 24,000
Prototype Expenses	Input	\$ 50,000	\$ 100,000	\$ 250,000	\$ 250,000
		\$ 118,000	\$ 132,000	\$ 298,000	\$ 274,000
Cumulative CAPEX		\$ 118,000	\$ 250,000	\$ 548,000	\$ 822,000
Depreciation					
Depreciation Charge		\$ 9,833	\$ 20,833	\$ 45,667	\$ 68,500

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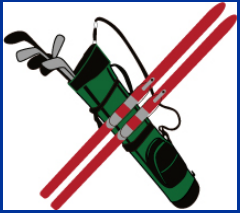
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# Financial Data Presentation Suggestions

- Steady, consistent evolution of your model
  - Revenue growth in \$
  - Expenses over time in %
- Show % next to quarterly & yearly columns
- Show pre-tax only
- Don't allocate G&A expenses



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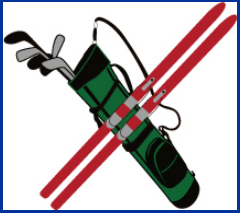
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# Executive Summary Presentation Suggestions

- Annual P&L for 4 or 5 years (with %)
- Data to justify revenue projections
  - Unit sales
  - Average selling price (ASP)
- What quarter you will be profitable
- Your total cash requirement



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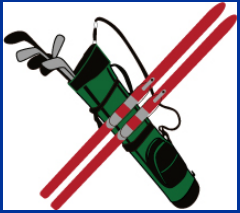
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# Full Business Plan Presentation Suggestions

- Page 1: Annual P&L for 4 years
- Page 2 & 3: Quarterly P&L for all 4 years
- Page 4: Quarterly Staffing plan for 4 years
- Page 5: Quarterly cash flow for 4 years



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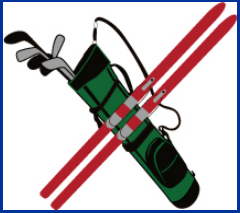


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# Sharing the Pie

## Thoughts on Equity Distribution





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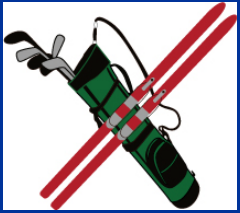
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# Equity Distribution Philosophy

- Compensate for:
  - Ownership of IP
  - COMMITMENT
  - Risk (stage of company, e.g. pre-funding)
  - Sacrifice (e.g. external compensation)
  - Past & future contribution
- Work to be Completed > Work Completed
- Maintain internal equity
- EVERYONE should vest – 4 years



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# Employee Specifics

## Ownership % after 2 rounds of financing

CEO	5%
VP	1% to 2 1/2 %
Sr Manager	.25% (1/4 of 1%)
Sr Ind Contributor	.1% (1/10 of 1%)

- Founding management might get 2x to 3x
- Founding employees might get 5x to 10x

YOU CAN ALWAYS GRANT MORE LATER



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# Equity Distribution Example

Name	Title	#	Initial		After		Post Angel		Post VC 1		Post VC 2		PP
			Shares	%	Option Pool Shares	%	Shares	%	Shares	%	Shares	%	
<b>Founders</b>													
Jack	CEO		2,000,000	50.0%	2,000,000	32.3%	2,000,000	29.0%	2,000,000	14.5%	2,000,000	7.3%	
Susan	CTO		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%	1,000,000	7.3%	1,000,000	3.6%	
Anil	VP Sales		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%	1,000,000	7.3%	1,000,000	3.6%	
<b>Total</b>			<b>4,000,000</b>	<b>100.0%</b>	<b>4,000,000</b>	<b>64.5%</b>	<b>4,000,000</b>	<b>58.1%</b>	<b>4,000,000</b>	<b>29.0%</b>	<b>4,000,000</b>	<b>14.5%</b>	
<b>Key Early Employees</b>													
Jack	VP R&D				300,000	4.8%	300,000	4.4%	300,000	2.2%	300,000	1.1%	
Julie	Manager 1				100,000	1.6%	100,000	1.5%	100,000	0.7%	100,000	0.4%	
Sam	Manager 2				75,000	1.2%	75,000	1.1%	75,000	0.5%	75,000	0.3%	
<b>Total</b>			-	0.0%	<b>475,000</b>	<b>7.7%</b>	<b>475,000</b>	<b>6.9%</b>	<b>475,000</b>	<b>3.4%</b>	<b>475,000</b>	<b>1.7%</b>	
<b>Advisors</b>													
	<b>Per Person #</b>												<b>PP</b>
Board Members	35,000	2			70,000	1.1%	70,000	1.0%	70,000	0.5%	70,000	0.3%	0.13%
Advisory Board	15,000	3			45,000	0.7%	45,000	0.7%	45,000	0.3%	45,000	0.2%	0.05%
<b>Total</b>			-	0.0%	<b>115,000</b>	<b>1.9%</b>	<b>115,000</b>	<b>1.7%</b>	<b>115,000</b>	<b>0.8%</b>	<b>115,000</b>	<b>0.4%</b>	
<b>Option Plan</b>													
	<b>Per Person #</b>												<b>PP</b>
Manager	50,000	10			500,000	8.1%	500,000	7.3%	500,000	3.6%	500,000	1.8%	0.18%
Sr. Eng	25,000	20			500,000	8.1%	500,000	7.3%	500,000	3.6%	500,000	1.8%	0.09%
Jr. Eng	15,000	40			600,000	9.7%	600,000	8.7%	600,000	4.4%	600,000	2.2%	0.05%
Admin	1,000	10			10,000	0.2%	10,000	0.1%	10,000	0.1%	10,000	0.0%	
<b>Total</b>		<b>80</b>	-	0.0%	<b>1,610,000</b>	<b>26.0%</b>	<b>1,610,000</b>	<b>23.4%</b>	<b>1,610,000</b>	<b>11.7%</b>	<b>1,610,000</b>	<b>5.8%</b>	
<b>Investors</b>													
Angels (\$500K at \$4.5MM)							688,889	10.0%	688,889	5.0%	688,889	2.5%	
VC Round (\$5MM at \$5MM)									6,888,889	50.0%	6,888,889	25.0%	
VC Round (\$15MM at \$15MM)											13,777,778	50.0%	
<b>Total</b>			-	0.0%	-	0.0%	<b>688,889</b>	<b>10.0%</b>	<b>7,577,778</b>	<b>55.0%</b>	<b>21,355,556</b>	<b>77.5%</b>	
<b>Grand Total</b>			<b>4,000,000</b>	<b>100%</b>	<b>6,200,000</b>	<b>100%</b>	<b>6,888,889</b>	<b>100%</b>	<b>13,777,778</b>	<b>100%</b>	<b>27,555,556</b>	<b>100%</b>	



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# Equity Distribution At Company Founding

Name	Title	#	Initial Shares	%
<b>Founders</b>				
Jack	CEO		2,000,000	50.0%
Susan	CTO		1,000,000	25.0%
Anil	VP Sales		1,000,000	25.0%
<b>Total</b>			<b>4,000,000</b>	<b>100.0%</b>
<b>Key Early Employees</b>				
Jack	VP R&D			
Julie	Manager 1			
Sam	Manager 2			
<b>Total</b>			-	0.0%
<b>Advisors</b>				
	<b>Per Person #</b>			
Board Members	35,000	2		
Advisory Board	15,000	3		
<b>Total</b>			-	0.0%
<b>Option Plan</b>				
	<b>Per Person #</b>			
Manager	50,000	10		
Sr. Eng	25,000	20		
Jr. Eng	15,000	40		
Admin	1,000	10		
<b>Total</b>		80	-	0.0%
<b>Investors</b>				
Angels (\$500K at \$4.5MM)				
VC Round (\$5MM at \$5MM)				
VC Round (\$15MM at \$15MM)				
<b>Total</b>			-	0.0%
<b>Grand Total</b>			<b>4,000,000</b>	<b>100%</b>





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# Equity Distribution After Employee Stock Option Pool

Name	Title	#	Initial Shares	%	After Option Pool Shares	%
<b>Founders</b>						
Jack	CEO		2,000,000	50.0%	2,000,000	32.3%
Susan	CTO		1,000,000	25.0%	1,000,000	16.1%
Anil	VP Sales		1,000,000	25.0%	1,000,000	16.1%
<b>Total</b>			<b>4,000,000</b>	<b>100.0%</b>	<b>4,000,000</b>	<b>64.5%</b>
<b>Key Early Employees</b>						
Jack	VP R&D				300,000	4.8%
Julie	Manager 1				100,000	1.6%
Sam	Manager 2				75,000	1.2%
<b>Total</b>			-	0.0%	<b>475,000</b>	<b>7.7%</b>
<b>Advisors</b>						
	<b>Per Person #</b>					
Board Members	35,000	2			70,000	1.1%
Advisory Board	15,000	3			45,000	0.7%
<b>Total</b>			-	0.0%	<b>115,000</b>	<b>1.9%</b>
<b>Option Plan</b>						
	<b>Per Person #</b>					
Manager	50,000	10			500,000	8.1%
Sr. Eng	25,000	20			500,000	8.1%
Jr. Eng	15,000	40			600,000	9.7%
Admin	1,000	10			10,000	0.2%
<b>Total</b>		<b>80</b>	-	0.0%	<b>1,610,000</b>	<b>26.0%</b>
<b>Investors</b>						
Angels (\$500K at \$4.5MM)						
VC Round (\$5M at \$5MM)						
VC Round (\$15MM at \$15MM)						
<b>Total</b>			-	0.0%	-	0.0%
<b>Grand Total</b>			<b>4,000,000</b>	<b>100%</b>	<b>6,200,000</b>	<b>100%</b>



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# Equity Distribution After Angel Investment

Name	Title	#	Initial Shares	%	After Option Pool Shares	%	Post Angel Shares	%
<b>Founders</b>								
Jack	CEO		2,000,000	50.0%	2,000,000	32.3%	2,000,000	29.0%
Susan	CTO		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%
Anil	VP Sales		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%
<b>Total</b>			<b>4,000,000</b>	<b>100.0%</b>	<b>4,000,000</b>	<b>64.5%</b>	<b>4,000,000</b>	<b>58.1%</b>
<b>Key Early Employees</b>								
Jack	VP R&D				300,000	4.8%	300,000	4.4%
Julie	Manager 1				100,000	1.6%	100,000	1.5%
Sam	Manager 2				75,000	1.2%	75,000	1.1%
<b>Total</b>			<b>-</b>	<b>0.0%</b>	<b>475,000</b>	<b>7.7%</b>	<b>475,000</b>	<b>6.9%</b>
<b>Advisors</b>								
	<b>Per Person #</b>							
Board Members	35,000	2			70,000	1.1%	70,000	1.0%
Advisory Board	15,000	3			45,000	0.7%	45,000	0.7%
<b>Total</b>			<b>-</b>	<b>0.0%</b>	<b>115,000</b>	<b>1.9%</b>	<b>115,000</b>	<b>1.7%</b>
<b>Option Plan</b>								
	<b>Per Person #</b>							
Manager	50,000	10			500,000	8.1%	500,000	7.3%
Sr. Eng	25,000	20			500,000	8.1%	500,000	7.3%
Jr. Eng	15,000	40			600,000	9.7%	600,000	8.7%
Admin	1,000	10			10,000	0.2%	10,000	0.1%
<b>Total</b>		<b>80</b>	<b>-</b>	<b>0.0%</b>	<b>1,610,000</b>	<b>26.0%</b>	<b>1,610,000</b>	<b>23.4%</b>
<b>Investors</b>								
Angels (\$500K at \$4.5MM)							688,889	10.0%
VC Round (\$5M at \$5MM)								
VC Round (\$15MM at \$15MM)								
<b>Total</b>			<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>688,889</b>	<b>10.0%</b>
<b>Grand Total</b>			<b>4,000,000</b>	<b>100%</b>	<b>6,200,000</b>	<b>100%</b>	<b>6,888,889</b>	<b>100%</b>



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# Equity Distribution After VC Round 1

Name	Title	#	Initial Shares	%	After Option Pool Shares	%	Post Angel Shares	%	Post VC 1 Shares	%
<b>Founders</b>										
Jack	CEO		2,000,000	50.0%	2,000,000	32.3%	2,000,000	29.0%	2,000,000	14.5%
Susan	CTO		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%	1,000,000	7.3%
Anil	VP Sales		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%	1,000,000	7.3%
<b>Total</b>			<b>4,000,000</b>	<b>100.0%</b>	<b>4,000,000</b>	<b>64.5%</b>	<b>4,000,000</b>	<b>58.1%</b>	<b>4,000,000</b>	<b>29.0%</b>
<b>Key Early Employees</b>										
Jack	VP R&D				300,000	4.8%	300,000	4.4%	300,000	2.2%
Julie	Manager 1				100,000	1.6%	100,000	1.5%	100,000	0.7%
Sam	Manager 2				75,000	1.2%	75,000	1.1%	75,000	0.5%
<b>Total</b>			<b>-</b>	<b>0.0%</b>	<b>475,000</b>	<b>7.7%</b>	<b>475,000</b>	<b>6.9%</b>	<b>475,000</b>	<b>3.4%</b>
<b>Advisors</b>										
	<b>Board Members</b>	<b>35,000</b>	<b>2</b>							
	<b>Advisory Board</b>	<b>15,000</b>	<b>3</b>							
<b>Total</b>				<b>-</b>	<b>0.0%</b>	<b>115,000</b>	<b>1.9%</b>	<b>115,000</b>	<b>1.7%</b>	<b>115,000</b>
<b>Option Plan</b>										
	<b>Manager</b>	<b>50,000</b>	<b>10</b>							
	<b>Sr. Eng</b>	<b>25,000</b>	<b>20</b>							
	<b>Jr. Eng</b>	<b>15,000</b>	<b>40</b>							
	<b>Admin</b>	<b>1,000</b>	<b>10</b>							
<b>Total</b>			<b>80</b>	<b>-</b>	<b>0.0%</b>	<b>1,610,000</b>	<b>26.0%</b>	<b>1,610,000</b>	<b>23.4%</b>	<b>1,610,000</b>
<b>Investors</b>										
	<b>Angels (\$500K at \$4.5MM)</b>						688,889	10.0%	688,889	5.0%
	<b>VC Round (\$5MM at \$5MM)</b>								6,888,889	50.0%
	<b>VC Round (\$15MM at \$15MM)</b>									
<b>Total</b>				<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>688,889</b>	<b>10.0%</b>	<b>7,577,778</b>
<b>Grand Total</b>			<b>4,000,000</b>	<b>100%</b>	<b>6,200,000</b>	<b>100%</b>	<b>6,888,889</b>	<b>100%</b>	<b>13,777,778</b>	<b>100%</b>



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# Equity Distribution

## After VC Round 2

Name	Title	#	Initial		After Option Pool		Post Angel		Post VC 1		Post VC 2		
			Shares	%	Shares	%	Shares	%	Shares	%	Shares	%	
<b>Founders</b>													
Jack	CEO		2,000,000	50.0%	2,000,000	32.3%	2,000,000	29.0%	2,000,000	14.5%	2,000,000	7.3%	
Susan	CTO		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%	1,000,000	7.3%	1,000,000	3.6%	
Anil	VP Sales		1,000,000	25.0%	1,000,000	16.1%	1,000,000	14.5%	1,000,000	7.3%	1,000,000	3.6%	
<b>Total</b>			<b>4,000,000</b>	<b>100.0%</b>	<b>4,000,000</b>	<b>64.5%</b>	<b>4,000,000</b>	<b>58.1%</b>	<b>4,000,000</b>	<b>29.0%</b>	<b>4,000,000</b>	<b>14.5%</b>	
<b>Key Early Employees</b>													
Jack	VP R&D				300,000	4.8%	300,000	4.4%	300,000	2.2%	300,000	1.1%	
Julie	Manager 1				100,000	1.6%	100,000	1.5%	100,000	0.7%	100,000	0.4%	
Sam	Manager 2				75,000	1.2%	75,000	1.1%	75,000	0.5%	75,000	0.3%	
<b>Total</b>			<b>-</b>	<b>0.0%</b>	<b>475,000</b>	<b>7.7%</b>	<b>475,000</b>	<b>6.9%</b>	<b>475,000</b>	<b>3.4%</b>	<b>475,000</b>	<b>1.7%</b>	
<b>Advisors</b>													
	<b>Per Person #</b>											<b>PP</b>	
Board Members	35,000	2			70,000	1.1%	70,000	1.0%	70,000	0.5%	70,000	0.3%	0.13%
Advisory Board	15,000	3			45,000	0.7%	45,000	0.7%	45,000	0.3%	45,000	0.2%	0.05%
<b>Total</b>			<b>-</b>	<b>0.0%</b>	<b>115,000</b>	<b>1.9%</b>	<b>115,000</b>	<b>1.7%</b>	<b>115,000</b>	<b>0.8%</b>	<b>115,000</b>	<b>0.4%</b>	
<b>Option Plan</b>													
	<b>Per Person #</b>											<b>PP</b>	
Manager	50,000	10			500,000	8.1%	500,000	7.3%	500,000	3.6%	500,000	1.8%	0.18%
Sr. Eng	25,000	20			500,000	8.1%	500,000	7.3%	500,000	3.6%	500,000	1.8%	0.09%
Jr. Eng	15,000	40			600,000	9.7%	600,000	8.7%	600,000	4.4%	600,000	2.2%	0.05%
Admin	1,000	10			10,000	0.2%	10,000	0.1%	10,000	0.1%	10,000	0.0%	
<b>Total</b>		<b>80</b>	<b>-</b>	<b>0.0%</b>	<b>1,610,000</b>	<b>26.0%</b>	<b>1,610,000</b>	<b>23.4%</b>	<b>1,610,000</b>	<b>11.7%</b>	<b>1,610,000</b>	<b>5.8%</b>	
<b>Investors</b>													
Angels (\$500K at \$4.5MM)							688,889	10.0%	688,889	5.0%	688,889	2.5%	
VC Round (\$5MM at \$5MM)									6,888,889	50.0%	6,888,889	25.0%	
VC Round (\$15MM at \$15MM)											13,777,778	50.0%	
<b>Total</b>			<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>688,889</b>	<b>10.0%</b>	<b>7,577,778</b>	<b>55.0%</b>	<b>21,355,556</b>	<b>77.5%</b>	
<b>Grand Total</b>			<b>4,000,000</b>	<b>100%</b>	<b>6,200,000</b>	<b>100%</b>	<b>6,888,889</b>	<b>100%</b>	<b>13,777,778</b>	<b>100%</b>	<b>27,555,556</b>	<b>100%</b>	



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# Questions?

[charlietillett@verizon.net](mailto:charlietillett@verizon.net)