

# 2015 Midwest Technology Company Seed Financing Survey

The goal of the Midwest Technology Company Seed Financing Survey was to provide general information about term sheets and deal structure for seed and Series A deals in the Midwest. We hope by providing some anonymous, aggregated information about how deals are structured, we can help entrepreneurs better understand what investors are looking for and what they are funding.

The data in this report is based on deals completed in 2015, roughly between \$500,000 and \$3 million in funding, in the technology space. The survey includes almost 40 seed financing transactions for companies located in Nebraska, Kansas and Missouri

## About the Companies

### Industries

- Devices
- Software
- Internet/Cloud based
- Mobile
- Medical Device
- Computer Hardware
- CPG

### Company Structure

LLC	60%
Corporation	40%

As part of the financing structure, was the company required to convert to a new structure?

Yes	10%	LLC To Corporation
No	90%	

Where did the technology come from?

Originally created	92%
Licensed from a university or others	8%

Did the company complete an accelerator or incubator program prior to investment?

Yes 15%  
No 85%

How did the company meet investors?

Community member/network 90%  
Matchmaking platform 2.5%  
Accelerator/incubator program 5%  
Mentor 2.5%

Was the company pre-revenue or revenue generating at time of investment?

Pre-revenue 58%  
Revenue generating 42%

Number of team members

1 to 5 45%  
6 to 10 35%  
11 to 20 15%  
21 plus 5%

Round of financing was led by

Angels - individual or group of individuals who regularly invest their own funds in early stage companies (whether their own or through a family office) 70%  
Venture Capital Fund - fund that invests in various stages of growth of a company 25%  
Seed Fund - fund that primarily invests in the first round of professional financing of an early stage company 5%

Does the company plan to raise follow up financing in 2016?

Yes 88%  
No 12%

About the Deals

Details of term sheets and valuations were recorded based on the financing structure of the business

## COMMON STOCK – 30% of Deals

### What was the pre-money valuation?

min	average	max
\$150,000	\$2,483,333	\$6,000,000

### Total amount of financing raised at that valuation

min	average	max
\$50,000	\$490,909	\$2,000,000

### Was any existing convertible debt converted into this round?

Yes	8%
No	92%

### Was an option or incentive pool for key employees established prior to the investment?

Yes	58%
No	42%

### Is a board seat with voting rights provided to the investor?

Yes	42%
No	58%

### Was founder vesting required by the investors?

Yes	8%
No	92%

### Were registration rights granted to investors?

Yes	17%
No	83%

## SERIES A PREFERRED STOCK OR UNITS – 43% of Deals

### What was the pre-money valuation?

min	average	max
\$1,500,000	\$4,720,538	\$20,000,000

### Total amount of financing raised?

min	average	max
\$250,000	\$683,462	\$5,100,000

### Was any existing convertible debt converted into this round?

Yes	18%	if yes average	\$550,000
No	82%		

### Total percentage of equity to investors in the round

min	average	max
6%	10%	40%

### Was an options or incentive units pool for key employees established prior to investment?

Yes	82%	min	average	max
No	12%	5%	10%	12%

### Participating or non-participating preferred liquidation preference?

Participating preferred	82%
Non-participating preferred	6%
No response	12%

### Is a board seat with voting rights provided to the investor?

Yes	88%
No	6%
NR	6%

### Was founder vesting required by the investors?

If yes how long

Yes	24%	min	average	max
No	76%	1 year	3 years	5 years

Were registration rights granted to investors?

Yes	59%
No	41%

Were redemption rights granted to the investors?

Yes	12%
No	82%
NR	6%

**CONVERTIBLE DEBT NOTE – 27% of Deals**

Total amount of financing raised

min	average	max
\$80,000	\$2,043,333	\$3,700,000

Size of future financing at which notes converts

min	average	max
\$750,000	\$2,659,091	\$8,000,000

Is there a valuation cap?

Yes	64%	if yes:	min	average	max
No	36%		\$3,500,000	\$12,771,429	\$51,000,000

Does deal convert at a discount to the equity round valuation?

Yes	82%	if yes:	min	average	max
No	18%		10%	30%	41%

How is the note treated if the company is acquired?

Both premium and conversion	9%	premium= 130%
Right to convert at an agreed upon valuation	55%	
N/A	36%	

Interest rate

min	average	max
6%	7.50%	10%
<u>Term length</u>		
min	average	max
6 months	2 years	4 years

Is the note secured?

Yes	27%
No	73%

Is a board seat with voting rights provided to the investor?

Yes	9%
No	91%

Does deal have a warrant?

Yes	9%
No	91%