

Connecting & Engaging With Investors

Terminology to Know

- **Burn Rate** – Rate that your start-up is burning cash. Usually expressed in monthly expenses.
- **Cap Table** – A break out of equity ownership in the company. Used to track ownership, dilution and the value of the equity.
- **Churn Rate** – How many customers or users you are gaining vs. losing.
- **Common Stock** – Represents company ownership.
- **Convertible Note** – Type of funding that starts as a loan (debt) with the right to convert to equity.
- **Dilution** – When raising funds through equity, a portion of ownership is sold to potential investors. Multiple rounds of equity funding can result in higher dilution in each round.
- **Due Diligence** – An investigation performed by potential investors prior to committing funds.
- **Forecast/Projection** – Financial report that estimates revenues, expenses and growth over a time period using a set of assumptions.
- **Preferred Stock** – Represents company ownership that has priority over common stock. Priority being higher claim over company assets or earnings. Typically have no voting rights.
- **Runway** – How long you have left before you run out of money. Collect enough to make it to your next raise.
- **Term Sheet** – Summary of the offer from potential investors.