**TM\_EP\_Jason Ray**

[00:00:00] **Voiceover:** Welcome to the Tech Money Podcast, where the worlds of technology and personal finance collide, posted by certified financial planner, speaker, blogger, and self-proclaimed personal finance nerd, Malcolm Ethridge. Each episode aims to make you just a little bit smarter about your money. All from the perspective of the tech professional.

[00:00:26] **Voiceover:** Without further delay, here's your host.

[00:00:34] **Malcolm Ethridge:** Hey, there listeners, Malcolm here, and on today's show we're talking about entrepreneurship. More specifically, we're talking about the need as a business owner to be keenly aware of your key performance indicators at any given moment, as well as how to use those figures to tell a compelling story to investors, employees, and other stakeholders in the world of startups. A lot of emphasis gets placed on cap tables and who owns what; potential clients want to see a fully diluted picture of equity ownership among you as a founder and any co-founders or partners.

[00:01:05] **Malcolm Ethridge:** Early investors, key employees, et cetera, before they'll seriously consider handing over a check to invest themselves. That's because a healthy cap table illustrates not only your business's potential for growth in the future. It also communicates to your investors just how solid your judgment is as a CEO.

[00:01:21] **Malcolm Ethridge:** But if that's the case, then why do so many founders choose to put on blinders when it comes to the financials and simply say to themselves that one day, they'll grow big [00:01:30] enough to afford a CFO? And that's the moment when they'll dig in and start to focus more on it. One could argue that without focusing on the numbers, your company may not make it to that point.

[00:01:40] **Malcolm Ethridge:** One could also argue that by ignoring important documents such as profit and loss statements and balance sheets, you may not even know what to look for in a potential CFO hire. And while I'm certainly passionate about the importance of building an appreciation for the numbers, regardless of whether you ever grow to love them or not, I am by no means the expert here.

[00:01:59] **Malcolm Ethridge:** So, I decided to call up someone who is My guest, Jason Ray, is the founder and chief investment officer at Zenith Wealth Partners, an independent financial advisory firm with an approach rooted in education and collaboration focused on serving institutions and small businesses. Jason founded Zenith to deliver accessible, high-quality financial education and advice to institutions.

[00:02:20] **Malcolm Ethridge:** His work is influenced by a passion for social justice and exposing wealth inequality wherever it is. Jason serves on the boards of the Veteran Foundation and Cannon Dow Elm Foundation. He holds a Bachelor of Science degree in politics from Princeton University. And while at Princeton, Jason was actually an all-conference football player and lead champion.

[00:02:39] **Malcolm Ethridge:** So, with that brief introduction, welcome Jason Ray to the Tech Money Podcast.

[00:02:45] **Jason Ray:** Thanks, Malcolm. Great to be here.

[00:02:47] **Malcolm Ethridge:** Yeah, man, and I appreciate you agreeing to come on and do this. And I breezed through your resume really quickly there in my intro, but what else should I have included?

[00:02:57] **Jason Ray:** You know, a big component for me, Malcolm, is, [00:03:00] you know, I'm the father of a 13-month-old baby girl.

[00:03:03] **Jason Ray:** I'm a proud husband, and I also still enjoy playing a range of sports, including basketball, running track, and riding my bike. And I live in Philadelphia.

[00:03:15] **Malcolm Ethridge:** Oh, man. Well, I'm glad that you thought to get that little one in there. I always tell people like your kids may just happen to listen to this one day, and we wanna make sure that like they like what they hear.

[00:03:26] **Malcolm Ethridge: Because, as** you know, our futures are in their hands someday when we become older people. So, I'm glad you managed to slip the little one in there. as well as part of the conversation. But, you know, because I know you personally, right? I know that one of the core tenants of the firm if you will, is to do good work in the communities that are traditionally overlooked.

[00:03:46] **Malcolm Ethridge:** You know, both in your backyard of Philly, as you just mentioned, where you guys are based, but also across the country, right? And one of those, one of the criticisms—or maybe the better word here is doubt—that I hear people shout out is that it's impossible to work in finance. Work with lower-income or, I don't know, economically disadvantaged people and earn a decent living at the same time.

[00:04:10] **Malcolm Ethridge:** But you guys have found a way to do it. So, what is it that the rest of us just don't understand?

[00:04:15] **Jason Ray:** You know, Malcolm working In line with your values and trying to accomplish things in the world that you think is right and just we feel will drive out performance not only in investments but in business too.

[00:04:27] **Jason Ray:** And we're really driving to address [00:04:30] racial and gender-based wealth inequalities by delivering really accessible, high-quality, flexible financial advice and our client base. You know, they may have been without access to high-quality advice in the past, but that doesn't mean that they're economically disadvantaged or lack ambition.

[00:04:48] **Jason Ray:** We've got great, ambitious clients that are trying to do big things that just don't have, you know, a bunch of savings or generational wealth built up to get high-quality financial advice when they need it. So, you know, that applies to our work with individuals and families just like it does with the charitable organizations that make up a big part of our work as well.

[00:05:05] **Jason Ray:** So, I don't know if there's anything that anybody doesn't know, but our business is growing, and it's one that we feel is addressing the needs, the changing needs of our clients, in a way that is in lockstep with what they're communicating and providing us feedback on. And you know, our business may look different than kinda your historical wealth management firm.

[00:05:27] **Jason Ray:** But I would argue that our client base is going to do great things in the long term. And we wanna align ourselves with ambitious clients that, you know, are trying to win in their personal lives but also in their professional careers, whether that be, you know, kind of like a traditional job or starting a company.

[00:05:46] **Jason Ray:** Raising capital for a startup or anything else.

[00:05:50] **Malcolm Ethridge:** Well, let's go back for a second to something else that you started out by saying, which was that you guys have a focus on doing [00:06:00]. What's right or doing good, I think, is the exact phrase you used and the emphasis on, being I guess the phrase that I'm looking for is ESG-focused, right?

[00:06:11] **Malcolm Ethridge:** Environmental social and governance investing, right? People actually wanna put their money where their mouth is. So, to speak, and invest in things that actually matter to them in the causes that they care about. Right? investing with a purpose. And that's part of the conversation that I wanted to have with you because I know that that's a key focus for you guys.

[00:06:30] **Malcolm Ethridge:** And it's not really just window dressing, where a lot of times I, as a professional in the personal finance space, attend conferences, have conversations with industry folks, read stuff, and, you know, where ESG really seems to be just window dressing. And the argument that people will make is that it’s because you have to sacrifice returns in order to do good, and I'd rather have the returns, even if that means I have to own send stocks, right?

[00:07:02] **Malcolm Ethridge:** Alcohol, tobacco, and firearms. Even if I have to own that stuff in my portfolio, I want the returns. But it sounds like you're making an argument that's not necessarily a requirement in order to do well.

[00:07:18] **Jason Ray:** Absolutely, I'm arguing that case, Malcolm. You know, we believe, through our own primary experience at Zenith, in helping clients develop mission-aligned [00:07:30] portfolios that are backed with their values and seek out impacts that, you know, matter to them and to their constituents.

[00:07:39] **Jason Ray:** If it's a charitable organization, those portfolios have outperformed in a number of cases over a number of time periods, right? And then there's secondary evidence, right? Books like The XX Edge or other sources out there really prove the fact that diversity drives optimal outcomes, particularly when management teams of companies or projects are diverse.

[00:08:04] **Jason Ray:** So, our investment thesis really lies in the fact that diverse management teams are focused on solving big problems and creating a more equitable future. will drive the best investment performance and alpha over the broader environment of investment opportunities and companies.

[00:08:21] **Malcolm Ethridge:** So, Okay. Well, I know that, as you sort of mentioned leading up to this, you know, your focus is also on partnering with community organizations who support the missions that we're talking about.

[00:08:34] **Malcolm Ethridge:** They support the missions of your clients in some cases. Right. Why is that the work that's important? As far as you, I guess, you know, I'm not asking you personally necessarily; if you want to throw that in there, you're welcome to it, but I'm asking more as far as the business is concerned. Right. As far as the firm that you've built to this point and are continuing to grow, why is it so important to align the mission of the firm with [00:09:00] that work?

[00:09:02] **Jason Ray:** You know, Malcolm, it is really important that we build our firm around the values and leading with our values is intentional, not just for our own activities but also for how our clients engage with and interact with us. And we feel a lot of our clients and feedback that they give us leading with our values is what draws them to our work and wanting to align their foundations or endowments or their financial literacy work.

[00:09:27] **Jason Ray:** With their values are something that we can help them accomplish. We tend to, you know, learn from our clients, whether it's an individual, their family, or a charitable organization. and their objectives, goals, and questions kind of drive how we do things in the future. So, I think it's important that we also work with clients that inspire us and you know, their work is really rooted in things that we believe in because, you know, I think it makes the feedback look that much more.

[00:09:53] **Jason Ray:** That much more rich. I think it's important that our clients challenge us as well and working with new types of individuals that have potentially different income streams or you know, we've done a lot more work with entrepreneurs recently and diving into things like financial modeling for their business or helping them conceptualize, you know, an equity raise, or fundraising round is a newer service on our platform.

[00:10:16] **Jason Ray:** And it's something that, we really find a lot of energy in because one, We're helping minority-owned businesses really think about how raising capital will change their company and how not only [00:10:30] to accurately display what that capital gonna look like in their business plan, but also give them an operating model moving forward is a key element of, the business planning process that we think will add value long term to these companies.

[00:10:44] **Jason Ray:** So, we're not only working with the type of client we feel most energy about, but we're also providing a service. We're getting better at, and we feel vital for, changing the scales in society that we're trying to adjust.

[00:10:55] **Malcolm Ethridge:** Well, stay there for a second because, you know, I initially started out by talking about how you guys focus on, you know, institutional investors and endowments and what have you, but you guys then decided, to your point, that you needed to also wrap your arms around the small business community and start to educate folks there, right from the very beginning stages to even the more mature business stage.

[00:11:17] **Malcolm Ethridge:** I imagine you know, why is that then? Right? I keep asking why I feel like, but why is that? Like institutions, I understand, right? They have questions about their endowments and grants and donations they receive, and they need guidance around how to be good stewards of that capital and maybe how to align their mission with their investments themselves and that sort of thing.

[00:11:36] **Malcolm Ethridge:** But why include the small business owner community in that mix and make it, you know, make your lives more complicated?

[00:11:44] **Jason Ray:** Yeah, I mean, look, we want some level of complication, right? I think that's how we learn to get better. and we really listen to what our clients, you know, whether it was an individual or an institution, were, were asking for.

[00:11:57] **Jason Ray:** And they didn't just want to invest in, you know, [00:12:00] public stocks and bonds, but they wanted to invest in all-term investments. Early-stage companies that are owned or run by minorities or black and brown women are things that they were asking for. So, we went out to find these companies and in doing so, we realized that a lot of them needed the work that we're providing to them Now, right?

[00:12:21] **Jason Ray:** And it was hard not only from a relationship standpoint to raise money but also because, you know, they may not have necessarily had the financial model and the operating plan and focus on key performance indicators that investors were looking for. But I think further we found a lot of them just didn't have a lead partner to help them.

[00:12:41] **Jason Ray:** You know, understand their finances, their equity waterfall their capitalization table post-raising money. And we can be that person to help lead them through that and potentially help set the terms on their race. And if it's, you know, a pool of funds from a client or fund that we work with potentially even lead a fund into their business after providing.

[00:13:03] **Malcolm Ethridge:** Well, so let's unpack that a little bit more because you said a ton that I think is probably valuable, and I wanna make sure that we don't just zoom past it and not give its due. So, you're talking on one hand about the need to, it sounds like get yourself in gear from the very beginning stages so that, as I mentioned in my intro, a potential investor would come along and look at your books.

[00:13:26] **Malcolm Ethridge:** Look at your cap table and say, [00:13:30] I can see how this business is going to make money. One, I can also see how I fit in here. Two, and there's room for me to also have a bite at the apple or see X return on my investment down the road because of the way that this thing is structured and based on who owns what, right?

[00:13:49] **Malcolm Ethridge:** At what point do you start to even introduce that level of conversation with these founders that you're talking about? Right? Because there's obviously a place where, or you, maybe you'll tell me differently, but I imagine there's a place where it's too early. Right. And then there's also that place where you look and you go, "Man, you should have done this two years ago."

[00:14:10] **Malcolm Ethridge:** So, like, where is the place where you start to recommend to folks that like they really start to think of themselves in their business in such a way that they get organized, get formalized, and start to build out the cap table that you're talking about? Those sorts of things that make them look and feel like a grown-up business, for lack of a better way to say it.

[00:14:32] **Jason Ray:** Yeah. That’s a great question. You know, I think there's probably two components to that: One is just asking questions and being curious on our behalf. Right. But two is, you know, sharing representative work from other things we've done with other companies and founders.

[00:14:47] **Jason Ray:** Yeah, you know, the questions, though, I think, are asking about how much they're gonna raise, why, and what they're gonna do with the funds. And you know, really diving into the reasons people say they wanna raise money. [00:15:00] I think it just highlights if somebody's thought that far in advance or thought about it in a way that is relating to kind of the potential payout for them long term.

[00:15:05] **Jason Ray:** Or how many people they're gonna be able to hire or the change that they're trying to drive in society. Like what the impact metrics will be based on—you know, bringing on external partners. So, you know, being curious is huge. Right.

[00:15:20] **Malcolm Ethridge:** Can you say a little more about that though?

[00:15:22] **Malcolm Ethridge:** Because we're talking about impact investing, we're talking about goals. Investing, we're talking about ESG, and so your answer might be a little bit different than traditionally what I hear from people, so I'm genuinely curious about this. When you ask that question the founders that you're talking about, why do you even wanna raise funds?

[00:15:40] **Malcolm Ethridge:** What is the answer generally? I'm asking you to generalize here, but what answer do you typically get from these folks who are mission-driven like you?

[00:15:48] **Jason Ray:** It's a range of things, right? I think it's creating software; it's hiring more people for their team. It's expanding their product set or service offering.

[00:16:00] **Jason Ray:** It's wanting to just have a partner that is more experience in the space that gives them advice, not just the check. Right. So, it's a range of things, but to your point, I think when we deliberately ask about what impact are you trying to drive or what are your impact metrics, those things tend to be right.

[00:16:24] **Jason Ray:** We're trying to address this about food insecurity, or there's a reason that the founder [00:16:30] has created the business, right? We want to create safer products for ethnic hair, right? Like, these are not necessarily quantifiable future visions from these founders, but we're asking them how they plan to address them and measure them.

[00:16:47] **Jason Ray:** And I don't think there's a perfect answer, right? But socializing it with the founder at an early stage really, I think, uncovers the reason that they're doing the business. And I also think it illustrates how their future customers, partners, and supporters will align with and value themselves with the company.

[00:17:06] **Jason Ray:** So, you know, when we ask why people are raising money, The traditional answers come out, encouraging them to think about what type of impact they want to drive, right? If they're hiring a bunch of people, how are they gonna promote staff diversity, right? And like, make sure they have a diverse set of teammates or suppliers making sure if they're manufacturing clothes, for example, making sure they're doing that in ethical fashion.

[00:17:30] **Jason Ray:** All those things are questions that we'll ask and try to formalize the process of what delivering and driving on an impact really means.

[00:17:38] **Aric Johnson:** Hey there, listeners. It's Aric with an A, and I'm interrupting the show for just a moment to tell you about our newest offering, the Tech Money Guide to Restricted Stock Units.

[00:17:47] **Aric Johnson:** This guide was developed to teach those who are paid in RSUs to develop a plan for how and when to convert those shares into actual dollars, as well as how to incorporate them into your overall personal financial plan. You may have already heard [00:18:00] Episode 50, where Malcolm described the guide in detail as well as his own philosophy and rules of thumb when it comes to managing this valuable form of equity.

[00:18:08] **Aric Johnson:** If you haven't, no problem. We would still encourage you to head on over to tech-money.com and download a free copy of the guide today. There's also a link to it in the show notes of this episode. Again, that web address is tech-money.com, and you can download a free copy of the guide right there from the homepage, keeping with the promise of this show.

[00:18:27] **Aric Johnson:** Our hope is that the Tech Money Guide to Restricted Stock Units helps make you just a little smarter about your money. Now, back to the show.

[00:18:34] **Malcolm Ethridge:** Yeah, see, I just feel like we know different people. Like when I say, "Hey, you know, so and so founder, why is it that you're raising a Series A or whatever?"

[00:18:46] **Malcolm Ethridge:** The answer inevitably will be some variation of the word growth because that's how we're gonna grow, and I never hear anybody talk about the impact that they're going to be able to make and how, by scaling the business, they can also scale their impact or they can also, you know, reach x number of additional people that they can't reach the way they're operating here and by bootstrapping it going forward and so forth and so on.

[00:19:12] **Malcolm Ethridge:** And so, I appreciate you humoring me there because I just wanted to tease out the fact that, like, it does exist. It's just not necessarily at the forefront of everything sexy when we think about the world of investing in a startup, right? Like from, not to [00:19:30] disparage them, but when I think about, like Tech Crunch for example in the companies that they cover, it's rare for me to come across a feature on there about a company that the mission is the focus above all else, not just a sidecar.

[00:19:46] **Malcolm Ethridge:** You know what I mean? Yes. There's the companies that are like 5% of every widget we sell, we're gonna donate to Help slow global warming or something, and it's kind of just a sideshow. It's not necessarily their main thing. So anyway, I just, you know, find it fascinating that there are so many of those people out there who are building things because they want to help solve a problem on a broader scale and not just sell a product, get rich, buy an island, and ride off into the sunset.

[00:20:20] **Malcolm Ethridge:**  So anyway, but like one of the things, you know, that I'm also talked to, I'm also amazed by, you know, when I talk to, founders or small business owners or however you think of yourself is how much they're winging it. Right? And I kind of mentioned this before, kind of asked a question before, but I'll ask it a different way because I've found that, you know, oftentimes, founders are just trying to get through the end of the day, right?

[00:20:44] **Malcolm Ethridge:** Put out as many fires as possible and make it home to their family before, I don't know, the entire house is dark because everybody they love is already going to bed. Right? But I'll ask you this, you know, at the end of that long wind-up, because, you know, I think you're somewhat uniquely qualified to answer it [00:21:00] in this space, given, you know, that you guys even offer bookkeeping solutions and basic services like that to your business owners.

[00:21:07] **Malcolm Ethridge:** My question is, at what point do you recommend that folks get serious and begin to really formalize things like hiring an accountant or bookkeeper or investing in software even to help them manage their cap table? Maybe it's not a person or a group. Maybe it's even software. Like, at what point do I need to be thinking like

[00:21:27] **Malcolm Ethridge:** I have to approach this business differently.

[00:21:31] **Jason Ray:** Yeah. I think that it's really when you or the founder determine that they want to raise external financing. Right? Okay. That's the trigger point to say, "Okay, well, somebody else is gonna have to do due diligence." You're gonna have to convey to somebody what your pre- and post-money cap tables look like and what your financials look like.

[00:21:52] **Jason Ray:** So, let's get that work started now. Right. And you know, to the point about, you know, people trying to raise money to grow, I would argue, and maybe this is like, maybe I'm just, I could be biased here, but if a company is not growing, it probably shouldn't raise money.

[00:22:09] **Jason Ray:** Cause then it won't be to pay its master back long term. So, you know, I think that's part of it. And you know, when people tell us like, "Well, I wanna raise money, and we don't have a growth plan, Malcolm, to that point, or "there's not historical that would suggest that the company's on its way to be able to raise money and pay everybody back long term,"

[00:22:29] **Jason Ray:** And the founders make [00:22:30] money, and they generate all the things that are good in the world that they want to generate. You know, we have to help them put that growth plan into place. And doing so through a financial model is, that's the advice we deliver. That's, you know, creating the model and doing the bookkeeping.

[00:22:44] **Jason Ray:** Is the work that we feel is required to get really high-quality advice that we can deliver on what the growth plan looks like, right? How to create reasonable assumptions that are both compelling, but you know, fair and ethical. Right? Those services really get us to the point where we can help that founder conceptualize, like, what it means to raise the money and what they'll do with it and how they'll use it to grow, in your example, or to create the changes in society that they wanna create.

[00:23:12] **Jason Ray:** Right. Airbnb is an example. They wanna create a world where anyone can belong anywhere. They have their core business, obviously, but then they also house homeless folks during COVID. Like that's. You know, that's kind of—it seems like it's core to their operations and that's probably not measurable.

[00:23:27] **Jason Ray:** It's certainly measurable in financials. but it's measurable in a different way, like success in housing homeless folks. and really going forward on that mission that I said a little bit earlier. So, those metrics are things that we can help Hash out during the financial modeling process to say, "If you hire all these people and this is the financial progression, how many people will you be able to serve?"

[00:23:50] **Jason Ray:** Right? What will they look like? What will the impact be? I think it's easier to conceptualize once you build that model around it.

[00:23:56] **Malcolm Ethridge:** It's funny that you mention "the point where you [00:24:00] go to raise outside capital," being the point when you really need to do your homework and start to formalize things.

[00:24:07] **Malcolm Ethridge:** Because I always kind of chuckle internally whenever I talk to somebody who's looking to borrow money or raise money from somewhere, and they immediately begin talking about what they're not gonna do for that money. Like, I'm not gonna personally guarantee alone. I'm not gonna put up any collateral.

[00:24:22] **Malcolm Ethridge:** I'm not gonna take a high-interest rate. I'm not gonna give up too much equity, whatever it is. And then you ask them about, I don't know, they’re like done score or their business' credit score, and they don't have one. Right? And I'm like, "Well, you know, you're paying something, right?" one way or another as an unproven entity, you know, you're gonna have to pay something, but like, Again, asking you to paint with a broad brush here, but like you've been in these conversations, far more than I have, and rolled up your sleeves to really get people to a place.

[00:24:52] **Malcolm Ethridge:** And I assume away from some of this pattern of thinking, like, why do you think that is that people come in with, with that attitude? Is it not enough education out there about what's realistic, or something else?

[00:25:04] **Jason Ray:** You know, I think people always, you know, they want to get the best terms for themselves, right?

[00:25:08] **Jason Ray:** And, if you haven't done it before, it's hard to conceptualize what you'll need to give up to do it in the future, right? But I think the more you raise money and the more you go through loan applications or whatever it may be, you kind of get a sense of the things you'll have to give up to get the money now, but if you haven't done it before to the point about, you know, I don't know if it's educational.

[00:25:28] **Jason Ray:** I think it's just [00:25:30] experiential. Right? Okay, if you haven't done it before, it's hard to really imagine how people are gonna negotiate or what the market, you know, will kind of dictate as like the terms of your round. because one, I think it changes right as the market environment changes. Think about how startups were raising money a year ago versus today.

[00:25:46] **Jason Ray:** Yeah, and two, you know, I think the types of capital change, right? People investing in preferred securities versus convertible notes. Now people have safe notes. You know, I think things also change from a term standpoint, and it's difficult to really pinpoint and build a succinct framework around what people will need to give up.

[00:26:08] **Jason Ray:** But I think to your point, when people are at the super early stage, and they don't really have any operating. I think it's important to understand that you're probably gonna have to give up a lot, right? Yeah. And that's a conversation where, you know, I think we're we'll want to encourage and say, sure, we can model out what this will look like now, but it's not gonna be that attractive.

[00:26:27] **Jason Ray:** How can you maybe operate the business for a year and create some goals based on this model to hit? So, in a year, you can raise money on better terms. So that's a conversation I think is, it's important to have, you know, I think we've, those are sobering sometimes for our founder, right? For sure. But it's on us to kind of give our best advice and not share code stuff.

[00:26:47] **Jason Ray:** We've had some tough conversations and evaluations too, right? as companies’ skill to raise, and they have specific terms in mind. You know, sometimes being realistic with optimistic founders is difficult. You know, just like me, I understand you. [00:27:00] know, the struggle there, but sometimes being, you know, honest with founders about evaluation or how much money they may be able to raise is a tough, sobering conversation as well.

[00:27:09] **Jason Ray:** But that's another reason we provide the services. We've gotta be real with people. We can't sugarcoat stuff and make them believe things. Can be true that we don't believe can be true, but,

[00:27:18] **Malcolm Ethridge:** Well, let's dig in a little bit more there, like before moving away from that point, because you've mentioned this idea of, you know, that idea, you've mentioned financial modeling a few times in financial forecasting a few times.

[00:27:30] **Malcolm Ethridge:** And I started off talking about cap tables and actually monitoring, you know, cash flow statements and so forth and so on. But like, let's tease that out a little bit more, and can you say a little bit more about it? What goes into good financial modeling and forecasting, right? I imagine there's some level at which I need to know what my top-line revenue is gonna look like this year, next year, and the year after.

[00:27:54] **Malcolm Ethridge:** But what about those gears that you turn underneath the surfaces that are gonna help drive top-line revenue and one direction or another are those key performance indicators that are gonna actually Move the needle in one direction or another? Like, what are you actually modeling out with folks that doesn't overwhelm them or go over their heads, you know, this early on in the game?

[00:28:17] **Jason Ray:** Sure. That's a great question. You know, to the point about going too deep or over their heads, keeping it simple is really important in this process. You know, we try to project out the three financial statements, income statement, cash [00:28:30] flow statement, and a balance sheet. And we use specific

[00:28:38] **Jason Ray:** Some of those toggles include: what are their revenue streams, right? How many units per stream will they sell? What's the pricing per unit? What's the monthly growth rate on that pricing? When are they gonna have the first month in sales for that revenue stream, right? And then we look at it, so that's the top line, right?

[00:28:55] **Jason Ray:** What are the components of their income, right? Then we're looking at costs of good sold in other expenses, right? What does it cost them to sell their product? And also, what are some of the ancillary operating expenses that go with operating a business-like marketing or legal and professional services, right?

[00:29:10] **Jason Ray:** And then, importantly, we look at the staffing model, right? and what personnel they want to hire in the future. When they hire them and what their salary could be, and those assumptions, basically help drive the creation of those proforma or future, you know, projection income statement, proforma statement, and balance sheet.

[00:29:28] **Jason Ray:** Right. And if a client is thinking about raising money, we will also create a pro forma capitalization table to help them understand. Okay, here's who owns what shares. Now here's what new shares you're proposing, or the convertible nature of the shares you're proposing based on the vehicle you're using.

[00:29:44] **Jason Ray:** A safe or preferred stock or a loan. And then we help them think about, well, if you do, maybe 2 million at a safe or 4 million at a safe, how will that affect you in the future? And using those terms as assumptions and toggles helps us, you know, keep the [00:30:00] model intact. Keep it simple with the entrepreneur and founder and give them something that's editable moving forward.

[00:30:05] **Jason Ray:** I think that's the key value and differentiator for us: we help them make models that are editable and can be used in many different scenarios planning and, you know, with many different components of their business going in and out or changing. So, as they operate their business over time, they have a model that they use for their goals, budgeting, and, you know, really operating the business.

[00:30:26] **Malcolm Ethridge:** Can you define a safe for me in case I didn't graduate from a Y Combinator cohort?

[00:30:33] **Jason Ray:** Yeah, so safe, you know, it's a form of equity financing, so, you know, this is an investor investing in the equity of your company. Safe is a simple agreement for future equity. It's really just a promise that allows an investor to purchase a specific number of shares for an agreed-upon price at some point in the future.

[00:30:54] **Jason Ray:** You know, it is probably the most founder-friendly type of equity financing in the market. So, founders I think can really benefit from setting the right terms on a safe note. you know, a year ago when folks were raising money, left and right, and interest rates were low and there was a lot of money in the system, you know, a lot of founders raised on safe notes today, you know, I'm not seeing quite as many safe deals get done, right?

[00:31:20] **Jason Ray:** We're seeing, you know, more preferred stock or convertible notes more you know, investor-friendly terms being set with, you know, those types [00:31:30] of structures. It will probably swing back. And it was great for why Combinator to create the safe because it doesn't really require a huge legal effort for the company to raise money with a safe note, which is a huge benefit, again, to the founder versus their methods.

[00:31:44] **Jason Ray:** But hopefully people continue to innovate on those, financing structures, hopefully for the benefit of founders. You know, as we look to and manage funds on behalf of clients to invest in early-stage companies or impact investment opportunities. Like we're trying to be innovative as well on the terms that we set with the entrepreneurs in the companies, that allow them to, you know, execute and really benefit from their financial modeling and long term, their wealth generation from the business.

[00:32:11] **Malcolm Ethridge:** Yeah. What's funny is, I guess not ha-ha, funny but ironic. You talk about the safe being sort of the deal, the formula of choice for folks while the getting is good, the market is hot, interest rates are low, and everybody's feeling happy, and if you wanna raise, you can raise. And there's funds—funds of funds—that are, you know, helping you get there.

[00:32:34] **Malcolm Ethridge:** That's probably the moment when you don't necessarily need the cookie-cutter, rubber-stamped deal terms that let you know that everybody is kind of getting the same thing. But then as we get to a market where we're in now, where things have become a lot more tight, a lot more heavily scrutinized, raises are a lot smaller than they probably, you know, would have wanted to be or would have been two years ago, so forth and so on.

[00:32:59] **Malcolm Ethridge:** This is kind [00:33:00] of the time when you wish you did have some more templated deal terms rather than having to dig in and really now have to understand whether this is predatory or not, right? Whether the Deal premium that you're having to take is the best you're gonna get and so forth and so on.

[00:33:17] **Malcolm Ethridge:** And so, it's kind of like the pendulum has swung in opposite directions of when we kind of need that formula and things to be standardized versus when there's room for a lot more fluctuation, creativity, and so forth and so on from VC. So anyway, just, you know, something random. I'm thinking about it as you're talking because I'm reading more and more about how deal terms are getting to be borderline predatory in some instances, right?

[00:33:47] **Malcolm Ethridge:** In these, you know, risk premiums that VCs are putting on it and thinking about it. But anyway, like I said, you take us down an entirely different rabbit hole with that one. But before we get ready to wrap, you know, what would be your main message to folks who, you know, recognize the importance of getting on top of their numbers?

[00:34:06] **Malcolm Ethridge:** But the thought of it overwhelms them, right? They don't even know where to begin. What would you say to those folks?

[00:34:14] **Jason Ray:** I would say outside advice always helps. I seek out objective advice in my own life, and it's been a benefit. We see for our clients, you know, getting have providing objective opinions on their business is useful, especially when thinking about, you know, giving up [00:34:30] control of the business potentially to outside investors in, in some capacity.

[00:34:34] **Jason Ray:** So even if you're not doing financial modeling and really in-depth projections, at least getting outside opinions on your business. And the fact that you are, you know, thinking about going to market with a fundraiser is paramount, right? Because people will ask questions and, you know, give you feedback. And, you know, if you need somebody to talk to about your business, we're here; reach out.

[00:34:54] **Jason Ray:** But I think a big takeaway is that objective opinions and advice really make a difference. They should always be sought after and are valuable, whether it's from your own clients, whether it's from supporters, whether it's from, strategic partners. Please go out there and solicit that advice.

[00:35:10] **Jason Ray:** And if anybody has some advice for anything I've said to that, I'd love to talk with them as well.

[00:35:15] **Malcolm Ethridge:** Fair enough. Well, my last question likely has absolutely nothing to do with investing, finance, or anything else. You can kind of take your Zenith hat off for a second and relax your shoulders a little bit.

[00:35:27] **Malcolm Ethridge:** But let's say for a moment so you never found your passion for it, and you had to find a different way to occupy your days, but money wasn't a factor in your decision-making at all. What do you think you'd be doing right now?

[00:35:42] **Jason Ray:** Reading a lot. playing a lot of pickup sports: basketball, soccer, and running.

[00:35:47] **Jason Ray:** But reading a lot. You know, I really enjoy reading, and running a business takes away the time of you know, being able to just immerse myself and things that I'm interested in reading. I'm reading right [00:36:00] Now, Survival of the City by Edward Glazer and David Cutler is a great book about just

[00:36:05] **Jason Ray:** The future of urban life in an age of isolation that we just saw I'm reading The XX Edge as well, which talks about gender-lens investing. but I've been on these books for too long, Malcolm.

[00:36:16] **Malcolm Ethridge:** You're gonna have to invest in an audible membership.

[00:36:19] **Jason Ray:** audible Yeah. I've given it a try, but maybe I'll go back to it.

[00:36:23] **Jason Ray:** That's not a bad idea.

[00:36:25] **Malcolm Ethridge:** We'll get you there, but no thanks, man. This was great. I really appreciate you being so generous with your time. Where can people find you if they wanna learn more about you or Zenith after this goes live?

[00:36:37] **Jason Ray:** Yeah. Where you know, our handles on social media are @networthzenith.

[00:36:41] **Jason Ray:** You know, my LinkedIn is Jason Michael Ray. And people can reach out. My email is jason@networthzenith.com, so feel free to hit me up. But yeah, Malcolm, thank you for having me on the podcast. It's great to connect in this capacity, and I look forward to hopefully having more conversations.

[00:36:58] **Malcolm Ethridge:** You got it, man.

[00:36:59] **Malcolm Ethridge:** Well, on that note, Aric, with a, why don't you go ahead and close us out, sir?

[00:37:03] **Aric Johnson:** It would be my pleasure. Jason, again, I'm just gonna echo what Malcolm said. Thank you so much for being on the show; I learned a ton and got a kind of a glimpse of where your heart and soul are with that business. So, thank you so much for sharing, Malcolm.

[00:37:15] **Aric Johnson:** Of course. Thank you for facilitating this and bringing another amazing guest to the show. And our last thank you, of course, is to you, the listening audience. Thank you so much for tuning in and listening to the Tech Money podcast with Malcolm Ethridge. If you have not subscribed to the podcast yet, please click the "subscribe now" button below. [00:37:30]

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[00:37:48] **Aric Johnson:** Again, thank you so much for listening today for everyone at Tech Money. Our hope is that this show has helped make you a little smarter about your money.

[00:37:57] **Voiceover:** This has been the Tech Money Podcast. For more information on today's topic, to review the show notes, or to catch up on past episodes, be sure to check out MalcolmEthridge.com/podcast.

[00:38:10] **Voiceover:** And if you have an idea for a show topic that you'd like us to cover or you want to send us feedback, the web address again is MalcolmEthridge.com. You can also find Malcolm across all social media platforms at Malcolm on Money. This episode was written and created by Malcolm Ethridge, with the production, the editing, and sound controls, Powered by Proud Mouth.

[00:38:31] **Voiceover:** This has been a Malcolm on Money original. Thank you for listening.

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