



JA COMPANY PROGRAM

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JA
Central
Ontario

Member of
JA Canada

JA Central Ontario Company Program Venture Funding 2022-2023

Venture funding overview

Once your team has decided on a product or service and have received approval from the JA Company Program Team to move forward, it is time to determine your capitalization needs.

JA Companies gain start-up funding through the sale of shares.

Students may choose to issue two types of shares: **Common Shares** and **Preferred Shares**.

Common Shares:

- This share allows the holder to participate in the company's profit share and obtain voting privileges.
- The company sets the price of a common share.
- The value of this share during the company's liquidation will depend on the profit the company made.
- Common shares are for students on the team only.

Each student is allowed ONE common share. Therefore, each student is allowed ONE vote in the company. Shares can sell between \$5 - \$30; students will determine the final price based on the capitalization needs.

Each student MUST purchase a common share in the company to be an active company member with equal voting privileges. If a circumstance prevents a participant/student from purchasing a Common Share, please speak with your advising team and/or JA Staff to make alternate arrangements. JA Staff will hold such conversations in the strictest confidence.





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START HERE



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Preferred Shares:

- This share does not allow the holder to participate in voting or obtain profit sharing upon liquidation.
- The company sets the price of a preferred share.
- The value of this share during the company's liquidation will be the same that it was purchased for, plus a dividend of 20%.
- Team members may sell preferred shares to advisors, friends and family.
- Student may purchase one additional preferred share (optional).

After the 18 weeks, students will pay back their Preferred Shares and then determine the company's overall profit. This profit total is divided among those with Common Shares (students).

Capitalization Requirements:

Companies must complete the Capitalization Requirements exercise to determine the funding needed for start-ups. Before this, they must complete their break-even analysis. Companies should reference the product/service cost, break-even, and pricing tools provided to determine these numbers.

Companies should also keep in mind the JA Fixed Costs.

Max Shares:

Companies should avoid over or under-capitalization. Use the following tips to stay on track.

Common Shares: To determine the maximum amount of common shares allowed for our team, simply use the maximum amount of $\$30 \times$ the number of students in the program.

Example: $\$30 \times$ (number of students) = Max Share \$

$\$30 \times$ (20 students) = \$600

Therefore, the max amount allowed for common shares for a team with 20 students is \$600

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Preferred Shares: A maximum of \$300 can be raised through preferred shares, no matter the number of students.

Students can use the following formula to determine a company's overall Total Share Maximum:

Example: Common Share (Max) + Preferred Shares (Max) = Total Share Max

Example with a 20 student group: \$600 + \$300 = \$900

Therefore, a company with 20 students would have a total share max of \$900.

Companies must contact the JA Company Program to obtain approval if additional start-up funding is required beyond the total share max.

- No individual should own more than one common share and one preferred share in any single JA Company.
- Shares are non-transferable and non-legal.
- Remind students of the importance of ethics when issuing shares (i.e., they should not be buying another member's share and not telling anyone or holding more than two shares, etc.)

What happens if a participant leaves the Company Program?

The company should decide and agree on the policy for a participant who leaves the program and include the agreement in their Employee Handbook and Company By-Laws.

Option 1:

If a participant leaves the Company Program after purchasing a common share, that share will become a preferred share, payable at year-end with a dividend.

Option 2:

If a participant leaves the Company Program after purchasing a common share, they forfeit their share money and are not entitled to profit-sharing or year-end dividends.





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Other Means of Funding

Teams may be permitted to seek out in-kind opportunities for their company.

Appropriate “products/services in-kind” should not exceed a total of \$300

Examples include:

- Print/media company providing services in-kind to a team for printing, marketing, or design services.
- Coupons: Teams have struck a deal with companies to get digital coupons from a retailer to include with their product.
- Raw materials: Students have gathered raw materials for free or at cost from a supplier.

The JA Company must acknowledge in-kind sponsorship on print and digital materials, and students must inform JA of all sponsorship deals.

Anytime a JA Company is reaching out an external company for partnership opportunities – whether in-kind or monetary, students must follow the sponsorship policy and submit a list in advance to JA for approval and utilize the approved templated communication.

Please review the sponsorship policy for further details.

If you have any questions or are unsure if an activity your team is engaged in falls into this category, please contact JA before proceeding.

