



STARTUP BOOTCAMP

Week 5

Show Me The Money

Finance and Stakeholders

Objective

This week we will review two topics related to finances for a startup...the first we will review how to raise financing, what types of financing are available, when to raise financing, what investors need to see etc. This is not intended to be a complete guide to fundraising. It includes only the basic knowledge most founders will need. Secondly, we will also cover managing startup finances, offering some operational tips and understanding why cash flow is so important.

Suggested Pre-reading

Republic: How to raise money for your business - the old vs. new

<https://republic.co/blog/founder-resources/how-to-raise-money-for-your-business-the-old-vs-the-new>

YCombinator CFO Kirsty Nathoo - Managing startup Finances

<https://www.youtube.com/watch?v=LBC16jhiwak>

Steve Blank, Raising Money

<https://steveblank.com/raising-money/>

A guide to seed fundraising

<https://www.ycombinator.com/library/4A-a-guide-to-seed-fundraising>

Discussion Questions

1. Why is cash flow so important to a business? What are the three rules an entrepreneur needs to remember? (Hint: #1, 2 and 3...never run out of cash)
2. What is Burn Rate and how much cash should an entrepreneur have in the bank?
3. What are the key financial metrics for startups to track (based on business model...).
4. Explain the 3 3 2 2 and the Rule of 40...what types of companies does this apply to? What is the trade-off between growth and profitability.

5. What type of returns would a VC expect to invest in Company?
6. What are the different corporate structures? And how do you choose what's most appropriate for your start-up?
7. Discuss the basics of a cap table. Founders shares, Common shares, Preferred shares, Option pool and dilution.

ADDITIONAL MATERIALS

VIDEOS and READING

- Republic: Financing Platform
<https://republic.co/>
- Steve Blank on Venture Capital
<https://steveblank.com/category/venture-capital/>
- Fred Wilson: Financing Options
http://www.avc.com/a_vc/2011/07/financing-options-convertible-debt.html
- Mark Suster on Convertible Debt
<https://bothsidesofthetable.com/the-truth-about-convertible-debt-at-startups-and-the-hidden-terms-you-didn-t-understand-9fccf6854dee#.z63i0cy5g>
- Announcing the Safe
<https://ycombinator.wpengine.com/announcing-the-safe-a-replacement-for-convertible-notes>
- Best Crowdfunding Sites for Startups
<https://www.business.org/finance/loans/best-crowdfunding-sites-for-startups/>
- Legal documents:
<https://nvca.org/model-legal-documents/>
- YC SAFE documents:
<https://www.ycombinator.com/documents/>

- Negotiating a Venture term Sheet
https://about.crunchbase.com/blog/negotiating-a-venture-term-sheet/?utm_source=cb_daily&utm_medium=email&utm_campaign=20210125&utm_content=intro&utm_term=content

BOOKS

- Venture Deals, Brad Feld
<https://www.amazon.com/Venture-Deals-Smarter-Lawyer-Capitalist-ebook/dp/B07WSYKG7N>
- Secrets of Sand Hill Road, Venture Capital and How to Get It
<https://a16z.com/book/secrets-of-sand-hill-road/>

**HIGH
EXPECTATIONS
ARE THE
KEY TO
EVERYTHING.**

SAM WALTON - WAL-MART

