Guest Lecture

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* The Idea
  + Better, Faster, and Cheaper
    - General idea for being an entrepreneur
    - “Someone has a mouse trap, and you want to build a better one”
    - Dell
  + Never been done before
    - Facebook, Google, etc
    - Business concept i.e. free with advertisement sponsors
* The Team ~ “The Founders”
  + Three Types of people
    - Someone who understands finances
      * “Money man”
    - Marketing person
      * Understands how people are going to use the newly made product
      * Helps choose pricing
    - Technologist
      * Engineers, CPOs for the company
  + Growing the team
* The Capitalization Table ~ “The Cap Table”
  + Who the owners are
  + How much stock they own
  + Stock options
    - Offers pieces of the company
  + Options vs Restricted Shares
    - Option – gives the right to purchase the share of a company at a concrete price
      * When purchased, extra money paid is considered regular income
    - Restricted – Bought at the beginning
      * When shares are sold, you are subject to capital gains
* Understanding Your Differentiation – How do you provide value that is different?
  + As well as articulating the idea
  + Understand the Competition
* Size Your Market
  + Two ways to think about market
    - Available market
    - Addressable market
      * What you can actually solve with idea
      * Find out who your customers are
* Raising money
  + Initially is from the Founders
  + Friends and Family
  + Angels and Venture Capitalists
* The Term Sheet
  + Networking is Crucial
  + Document detailing what an investment looks like
  + Components
    - What it is, who the issuer of the stock is
    - Who the investor(s) is/are
    - How: Security
    - When the money is to be received
    - How much
    - Usually very long (Can get up to 20 pages)
      * Legal counsel may be needed
* Four things
  + Preferences – Preferred shares
    - Earns dividends at a specified rate
    - Generally accrued, not paid
  + Control
    - What percentage of the company do they own – BOD
    - Any investors would want a board seat
  + Anti-Dilution
    - Don’t be greedy
  + Option-pool
    - Make sure that is pol gets populated
    - Replenish the option pool
* Managing Risk - Make sure you don’t go out of business
  + Technical Risk
    - Does the product work as intended
    - May work during testing but not out in the field
  + Market Risk
    - Can it be sold beyond a few customers
    - Trickiest thing to work through
* The Exit
  + Most successful ones get bought
  + Very Few go IPO
    - Getting Bought is preferred