Review Questions for Swanson and Baird
Chapters 16, 17 and 18

1. What is the essential message of "tax free exchange of intellectual property for stock?" What potentially serious problem does it solve? [This should never be ignored].

2. What are warrants and how are they used (your teacher really likes warrants in cap plans and typically advises them for startups)?

3. What is the difference between an ESPP and an ESOP (your teacher likes ISOPs and many Mudders in the past benefitted for Microsoft's ESPP back in the glory days)?

4. Launch Valuation: What is the VonGehr standard for valuation at launch?

5. Cap Valuation: What X target does this book say is the target for early funders? Can you see how my Capitalization Plan (the homework) is drawn from this (working backwards from exit to now)?

6. Important!: What is the "cynical but accurate" venture capital formula for investing in your startup!! This seems pretty accurate to me!

7. Important!: Why should you consider seeking more money than originally intended? (Bullet point 4). This IMHO is very important.

8. What is the "peer group comparison" technique?

9. What concept is used for the "discounted value" approach, including that represented by the Plummer formula? (I think these are kind of silly - too academic - the black box works better).

10. What is the "First Chicago" method of valuation? (I kind of like this, although getting a realistic range for the required values is a bit of a crapshoot - and this is also a little academic).

11. Sidebar 17.1 - You do need to know how to calculate pre-money and post-money valuation.

12. Why would you want to outsource payroll and benefits (most startups, once actually established, do)?

13. What are you going to do about health insurance?

14. Compare their discussion of employment contracts to mine (I give them higher status and importance).