

Fane 1

Questions founders 2024

Day 1	Questions on card	Follow up questions
Lena	<p>You have a friend who is about to split the equity between her and her co-founders. How would you advise her to do?</p> <p>Describe homophily, and what challenges it brings - relate it to Haute Hunte.</p> <p>What is pareto efficiency and can you apply it to a case?</p> <p>You are Annas advisor and need to advise her in an equity split situation (and something with robert)</p> <p>Did T&T from Nantucket Nectars pursue the rich or king strategy? (Neither, they had no clue of what they were doing)</p> <p>How would you advice a team of three new founders? Which pre emptive steps would you recommend them?</p>	<p>what strategies could your friend use when negotiating the equity split. (anchoring effect)</p> <p>what if your friend is being anchored? How would she get out.</p> <p>explain effectuation theory and relate it to a case.</p> <p>what are some of the downsides to the bird-in-hand principle</p> <p>How did they split equity in the Haute Hunte case?</p> <p>What instruments does a dynamic equity split have?</p> <p>How was the equity split in Nantucket Nectars?</p> <p>Is Anna a king or rich founder? It was up for discussion, I said she was a king founder, due to her passion for the project over the money, but you could argue otherwise (seeks series A)</p> <p>What is the theory of king versus rich?</p> <p>What was a case in which there was a king (wasserman)?</p> <p>How could you relate the king theory to the nantucket nectars?</p> <p>Was the equity split between Tom & Tom of NN good and why? (No, they sold 50% early on - asses pro's and con's of early vs. late)</p> <p>Did T&T suffer from homophily? (Critical evaluation of homophily)</p> <p>What strategies can you use to avoid homophily? (Playing with fire gap → avoidance strategies)</p> <p>Control sheet: As a consultant for a King Founder, what would you advise him to do in a negotiation of a term sheet?</p>

		<p>To summarize which is the three most important tips for a new founders team?</p> <p>Did the guys in the Nantucket case have early discussions about equity split?</p>
Christina	<p>What is an option pool?</p> <p>How does a cap table help plan for the future?</p> <p>What are the difficulties associated with starting a platform business (Double) in comparison to starting a juice business (Nantucket Necktars)?</p> <p>What are the pros and cons of an IPO and when would it be suitable?</p> <p>Cap Table</p> <p>Cap table: Pre money: 12%, \$In: 6mil, what is post \$?</p> <p>Your friend is confused about common and preferred stock, give him advice</p> <p>Imagine you are founder of a recycling clothing company, how would you overcome the “Penguin problem”?</p> <p>Describe affordable loss and relate it to a case of your own choice. Also include causal thinking.</p> <p>A friend of yours is considering a dynamic equity split. How would you advise him to do it?</p>	<p>What are the pros and cons of an option pool?</p> <p>Critical evaluation of theory about equity splits.</p> <p>Did you like any of the equity splits in the cases?</p> <p>What changes would you implement in the VC-industry if you worked for the government?</p> <p>Nantucket Nectars: when they were effectual and when they were causal and if it is normal for companies to shift from effectual to causal thinking.</p> <p>Effects of growth oriented VCs on society and sustainability (you should give your own opinion)</p> <p>Pros/cons of an acquisition</p> <p>What is earn-out</p> <p>When did Tom and Tom in Nantucket nectars apply the affordable loss principle, give a few examples</p> <p>What are the drivers of financing (still applied to nantucket nectars)</p> <p>What would you change in an equal equity split?(the one that I had in the cap table)</p> <p>What is a cap and discount and how do you apply them in this case?(the ones that I had in the cap table)</p> <p>After reading Wasserman, when and how would you disagree?</p> <p>How would investors value companies as an investment? (POCD)</p> <p>Why would I, as an investor, prefer “double dip” liquidation preference?</p> <p>What are the challenges with a platform business? (penguin problem)</p>

Pros and cons of an IPO

Control terms and which ones Nantucket Nectars might want to consider, since they gave up 50% equity early on

What changes the prime minister might want VC to make. I talked about sustainable investments and more female founded start-ups getting investments. This was only an opinion question and not related to cases.

Does the Penguin problem only apply to Network businesses?

How can you make a valuation of a firm?

Can you mention a strategic acquisition we haven't discussed in class?

If you are a "rich" founder in an acquisition would you prefer cash-out or earn-out? → earn-out = higher valuation = more money

<p>Hannah</p>	<p>What is homophily and apply it to a case?</p> <p>Assess why firms would have a down round.</p> <p>If you were 3 co-founders: how would you advise them to something team tensions? which pre-emptive steps would you take before going into business together?</p> <p>What is homophily? What consequences does it have in entrepreneurship?</p> <p>Effectuation on the Lovepop case</p> <p>Talk about the process of an IPO and what downsides there are.</p> <p>Evaluate pros and cons of a “double-dip preference” for the perspective of a founder.</p>	<p>Can you explain tools of a dynamic split?</p> <p>What are the two extremes of decision-making?</p> <p>The Three R’s in application to theory (I mentioned)</p> <ul style="list-style-type: none"> - There were a lot of follow-up questions about roles and rewards <p>What is important when creating an equity split?</p> <p>Make a critical evaluation about whether CASE would benefit more from an egalitarian or hierarchical structure.</p> <p>Would a VC prefer one person in charge and why?</p> <p>Apply homophily to a case. (Remember to be very specific)</p> <p>Discuss different exit strategies. Was acquisition the right exit in the Nantucket Nectar case?</p> <p>Convertible note</p> <ul style="list-style-type: none"> - explain valuation cap and conversion discount <p>What do you think of the valuation of Donkey Republic?</p> <p>What can you do in the IPO process to make it more effective?</p> <p>If you were an advisor to Donkey Republic, would you advise them to do an IPO?</p> <p>Can you provide an example of a case where liquidation preferences could be applied?</p>
<p>Christian</p>	<p>If you were 3 co-founders, which pre-emptive steps would you take before going into business together?</p> <p><i>Draw in the cases yourself instead of waiting for them to ask about it.</i></p> <p>What does saras sarasvathy mean with aligning business with the founder</p> <p>What is effectuation and how can we see that in a case in the syllabus ?</p>	<p>Can you explain tools of a dynamic split?</p> <p>If you were a platform business, which type of investor would you prefer?</p> <p>Which are the drivers of financing needs?</p> <p>If you were to found a business with two brothers, what are potential issues that could arise and how can you mitigate them</p> <p>Were Tom and Tom a good founding team and why?</p>

	<p>If you were a king founder, and about to enter a term sheet negotiation, what would you focus on?</p>	<p>Assess homophily in regards to Vikram's team from Haute Hunte</p> <p>Dennis was a solo founder, was this a good thing? Should he have found a cofounder?</p> <p>What are the reasons for needing financing ?</p> <p>How would you calculate (on a theoretical level) how much financing is needed? (Talked about drivers of financing)</p> <p>What types of investors do we find outside of angels and VC's?</p>
Siddhesh	<p>What does cap tables show / what are they used for?</p> <p>Why would a VC investor have an IP lawyer? What is the role of IP law?</p> <p>A friend is thinking about starting a venture... how would you advise her (3 circle model)</p>	<p>What is a down round - why is it bad?</p> <p>What can protect a company other than IP laws (I related to Double and network effects as a competitive advantage)</p> <p>What is the penguin problem?</p>

Day 2	Questions on card	Follow up questions
Christian		
Christina	<p>What is earn-out, and why would you choose it in an acquisition scenario? (Able to negotiate a higher valuation, if you agree to an earn-out)</p> <p>Explain the pros and cons of Bootstrapping vs VC funding?</p> <p>Explain the Double-Dip liquidation preference, and how you could argue against it when negotiating with investors</p>	<p>In terms of Rich vs. King founders, why would a Rich founder choose 100% earn-out? (Able to negotiate a higher valuation)</p> <p>What would you have done differently in the equity split of the Nantucket Nectars (Early & dynamic, Vesting schedule, option pool, buy-back provisions)</p> <p>Critical evaluation of vesting schedules. And pros and cons. (Early start-ups=time-based, as it is difficult to determine specific milestones)</p> <p>How do we value a company? (Replication value, strategic</p>

	<p>Explain the four principles of effectuation and apply it to Lovepop</p> <p>Explain the difference between Equity and debt financing</p> <p>Critically evaluate the King vs. Rich model - do you think it makes sense and what downsides are there?</p> <p>Cap Table (Having a percentage for money in and a number for pre-money) - what is post money?</p> <p>Cap Table: Explain the use of a convertible note (calculate in Excel) and explain the difference between a value cap and share discount.</p>	<p>purchase, similar previous acquisitions, etc.)</p> <p>Pros and cons of Solo founding vs Team founding</p> <p>What are some critical perspectives on high valuations in terms of society?</p> <p>Explain the different methods to value a company and choose the best fit for Lovepop.</p> <p>Do you think effectual reasoning is the best choice for Lovepop?</p> <p>Apply the crazy quilt principle to Nantucket Nectars</p> <p>What would a convertible note holder choose? Discount rate or valuation cap (discount rate was 10%). Discount rate is very low. A more normal discount is 20-25%. The noteholder would look at which option would give the lowest share price and choose that.</p> <p>What would you choose as a founder (equity or debt financing)?</p> <p>What should a King Founder focus on in a term sheet vs. what would a Rich Founder do different?</p> <p>What are some measures VCs can take to minimize their risk while investing? (Preference and Participating and debt finance tools like convertible stock if valuation is hard to assess at that stage)</p>
Hannah	<p>What is the “playing with fire gap” ? How can you manage it? Apply it to a case</p> <p>Apply effectuation to CASE (I think mine said lovepop, but I don’t remember if I just chose that case myself) and critically evaluate the effectuation principles. (I just critically evaluated what it meant for lovepop)</p> <p>Explain how an earn-out agreement works (with pros and cons for both</p>	<p>How are they managing the playing with fire gap in Sababa</p> <p>Was it a good decision for Donkey republic to go public?</p> <p>How could Donkey republic compete against their competitors?</p> <p>What capabilities were Donkey republic lacking for their IPO?</p> <p>What is the “opposite” of effectuation theory</p>

	<p>founders and investors/acquirers)</p>	<p>Why is a high valuation not always good - talking about cap tables (I recommend you bring in King vs Rich)</p> <p>Why will a big dilution of a founder as a result of a high valuation not always be as bad as you might think. (Because even though you get less equity, your shares are worth much more)</p> <p>(Remember Hannah might suddenly switch topic, I went from effectuation to talking about cap tables, which is a nice way of showing ur skills)</p>
Lena		
Siddhesh	<p>What is in the term sheet?</p> <p>What are convertible notes, pros and cons for a founder - and risk?</p> <p>Imagine you are founder of a recycling clothing company, how would you overcome the “Penguin problem”?</p> <p>Imagine your friend has at start up with 3 co-founders. How will you guide her on when to do the equity split? why?</p> <p>Did Tom and Tom from Nantucket Nectars pursue a “KING” strategy? why? why not? was their strategy the right to use?</p> <p>What is liquidation preferences and how/when are they beneficial to founders or not?</p> <p>Explain the “lemonade principle” and apply it to a case from the curriculum. evaluate effectuation theory in contrast the casual thinking</p> <p>What is the Replication Valuation and what are the pros and cons about it</p>	<p>What is strategic valuation?</p> <p>How is a DCF valuation done? (not technical, just in general)</p> <p>Explain POCD</p> <p>How would you as a founder react to a proposition based on replication valuation? -and what is it?</p> <p>What is an earn-out + pros/cons What is debt financing + pros/cons What is a convertible note + pros/cons What is the difference between Angel and VC investors + pros/cons How many startups in a VC portfolio will turn a profit? What are the ways to value a startup? (They really wanted the technical terms like liquidation and discounted cash flows, forgot one but it didn't matter)</p> <p>what are the other principle in effectuation theory?</p> <p>---</p> <p>No questions about any cases. Just pure theory (Drew new cards when done answering the first) - i got question to case - based on card</p> <p>Siddhesh said nothing, only co-examiner. He would interrupt me mid-sentence and ask a new question. I drew 4 cards more and answered maybe 12-14 questions in total. The co-examiner doesn't seem interested in the cases, only theory.</p> <p>(Did not ask that many follow-up questions, they just drew</p>

		<p>a new card I had to talk about. They also like to interrupt while speaking mid sentence as said above^ . They said it was very important to keep a structure which is kind of hard if you are interrupted every 5th sentence - but keep this in mind. If you mention liquidation preference in a sentence as an example, be prepared that they will ask in the middle of your explanation of another topic what a liquidation preference is. You just have to answer and then continue answering your original question.</p> <ul style="list-style-type: none"> - Siddhesh did not say a word, only the co-examiner said something during the exam. Co-examiner was also the only one doing the evaluation. We did not discuss a single case during the whole exam - it did not seem like it was important to them.) <p>Co-examiner is a younger male, PHD student, nods and smiles to show you are on the right path, siddesh does not, (stoneface and very open mouth)swqa</p> <p>feel free to take some time to think about questions and ask the examiners, briefly, if in doubt about anything about the questions</p> <p>i only heard about 1-person had to do something with cap tables - he had to, on paper and with his phone, calculate post money value, given investment amount and equity%</p> <ul style="list-style-type: none"> - I had to do this:) Had to calculate pre, money-in, and post money with a piece of paper and my phone as a calculator. If pre-money is 1.1m and money-in is 74% what is post-money and money-in? (divide 1.1m by 100%-74% to find post-money and subtract pre from post to find money-in) Was the 3rd card I drew <p>What is homophily</p>
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Day 3	Questions on card	Follow up questions
Christian	<p>What are pros and cons of late and early equity splits?</p> <p>What is a convertible note, valuation cap and valuation discount. What do you use them</p>	<p>If you had a company with your friend, how would you split the equity?</p> <p>What would you consider if you were to invest in a startup?</p>

	<p>for and how?</p> <p>What are the different drivers of financing needs for a platform business?</p>	<p>How could you make HH more asset intense?</p> <p>Are there different types of network effects?</p>
Christina	<p>What are the strategies of a rich founder and what he/she should avoid?</p> <p>What can you say about the founding team in “Haute Hunte” with regards to the Three R’s (Wasserman)? Do you agree that you need the Three R’s to have a good team?</p> <p>What is affordable loss and can you relate it to a case? Can you evaluate it with regards to causal thinking?</p> <ul style="list-style-type: none"> • Why do investors have multiple rounds of funding? <p>Assess the “double-dip”-preference’s pros and cons from the founder’s point of view</p>	<p>Rich founder vs King founder</p> <p>What does a rich founder prioritize on the term sheet? What about a king founder?</p> <p>Kind of investor that a rich founder would try to get</p> <p>Apply a case with rich and king founders (I said green folio)</p> <p>What would the perfect scenario look like for a VC when fulfilling the 3 R’s?</p> <p>what is the difference between common and preferred stock.</p> <p>What is in a cap table? what can you use it for?</p> <p>What is a term sheet?</p> <p>what negotiation tactics can you use when term sheet? (talked about king + rich)</p> <p>Case questions about donkey republic and nantucket nectars. (but only because i brought up the cases first)</p> <p>Apply to a case with rich and king founders</p> <p>Apply to a case with rich and king founders</p> <p>Why are option pools only for common stock holders?</p> <p>Fill cap table including description of option pool, convertible note and Series A-round.</p>

		<p>Can you give out some of the option pool to investors?</p> <p>What is a downside protection? Is double-dip preference downside protection? (also mention discount rate in convertible note)</p> <p>In a negotiation, what are some arguments the founder might have against the investor getting double-dip preference. (They wanted me to talk about if an investor gets double-dip preference, the next one wants it too, so there's nothing back to the founders in the end of a liquidation event)</p>
Hannah	<p>Would you recommend a vesting schedule and how would you structure it ?</p> <p>Would you found solo or found with a team?</p> <p>What is homophily and why can it be dangerous for startups? Explain your arguments.</p>	<p>Went from vesting schedule to rewards to the rest of the three R's</p> <p>Are there any cases where you think the founder could/should have founded solo instead of with a team?</p> <p>What would you advise to your friend to solve the problem of homophily in a founding team?</p> <p>Apply the affordable loss principle to Haute Hunte and in doing a market analysis to lessen homophily. (competency discount → should hire members with other skill sets)</p>
Lena		
Siddhesh	<p>What is the difference between debt financing and equity financing?</p> <p>What is effectuation and how did Tom and Tom from Nantucket Nectars use it?</p> <p>Explain vesting schedules</p> <p>Explain homophily</p>	<p>How do you evaluate an early startup (POCD)</p> <p>Explain the POCD framework</p> <p>Explain the effectuation principles</p> <p>Asked me to assess how homophily could be seen in all the previous cases</p> <p>What are the pros and cons of early vs</p>

		<p>late equity split</p> <p>What is homophily and explain the challenges</p> <p>How does a company evaluate startups</p> <p>How would you evaluate the ERNIT + Juice Guys team when assessing homophily</p> <p>Can you explain what a vesting schedule is</p> <p>What is an option pool</p>
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