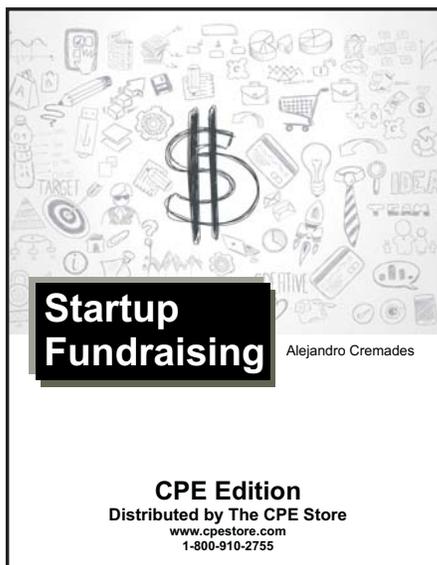


Startup Fundraising

Course Instructions and Final Examination



The CPE Store
819 Village Square Drive
Tomball, TX 77375
1-800-910-2755

Startup Fundraising

Table of Contents

	<u>Page</u>
Course Objectives	3
Course Instructions	3
Final Examination	5

COPYRIGHT 2016 – The CPE Store – ALL RIGHTS RESERVED. No portion of this material may be reprinted, reproduced, transmitted, stored in a retrieval system, or otherwise utilized, in any form or by any means, electronic or mechanical, including photocopying or recording, now existing or hereinafter invented, nor may any part of this course be used for teaching without written permission from the publisher and the author.

Course Objectives

After completing this course, you will be able to:

- Identify the first digital, invitation-only network for a select group of angel investors
- Select a trait of the best entrepreneurs
- Ascertain why a background in sales can give a startup founder an advantage
- Recognize a “con” of raising capital
- Determine the best outcome from utilizing an important advisor during startup
- Discern what turns investors off more than anything else
- Recognize what is encouraged with respect to a startup’s business plan
- Spot a startup’s key to unlocking the gates to the capital
- Pinpoint what will usually be requested first when an entrepreneur submits a fundraising request
- Recognize areas needing clarification during the investor’s due diligence process
- Identify a crucial part of the fundraising and due diligence process that is often overlooked by many founders
- Determine the best approach, from the viewpoint of the founder, to adopt toward the due diligence process
- Choose the number-one benefit of bootstrapping
- Ascertain what used to be the first place for entrepreneurs to appeal for funds
- Spot a reason venture debt is a valuable source of startup funding
- Determine who has a strategic role with a venture capital firm, mainly involving bringing new deal flow
- Recognize what compensates a VC in the amount of anywhere between 20 and 25 percent of a company’s profits
- Pinpoint what is absolutely necessary during a preliminary investment round, to indicate that a startup has direction
- Identify the individuals who focus on investing at the earliest gestation stage of a startup
- Determine the round in which institutional investors typically participate for the first time
- Choose the investment level that allows a startup to achieve the absolute minimum required to keep developing as a going concern
- Select a good way to attract investment quickly, when determining how to source and contact prospective investors
- Identify the key to successfully creating a public relations storm requires that all PR is woven with the startup’s messaging and branding
- Determine, what, according to Forbes, is a vital form of authentic content
- Choose a benefit provided by a domain expert
- Ascertain, if a founder gets involved with an unscrupulous investor, what is likely to be better insulated if the business turns bad
- Recognize when the term sheet process may be significantly simplified
- Pinpoint the ingredient that serves as a safety measure with convertible notes
- Identify the term sheet provision that is more common in later rounds of financing and tends to motivate the founder to stay on with the company
- Spot the key at the deal closing stage
- Determine what can be the death of a good business relationship
- Discern the purpose of the connection approach used by Rick Cohen of Robbins Research
- Recognize a shocking development that often occurs after startups receive funding offers
- Identify the part of the JOBS Act that really allowed startups to begin public advertising for fundraising, as highlighted in Forbes
- Pinpoint about how many Americans had access to startup investing prior to the implementation of Title III of the JOBS Act
- Choose the mechanism by which the JOBS Act created opportunities for individual investors to take control of their investments and savings
- Determine what one should always remember that is synonymous with fundraising
- Identify a proven source for funding prospective investors
- Spot a core principle used by Sam Walton when building the Walmart empire
- Ascertain what should be provided by both founder and investor

Course Instructions

To fully benefit from this course, please follow all of the steps below.

1. Read each chapter in the text to get a good understanding of the material.
2. Answer the study guide problems which appear at the end of each chapter. After answering the problems, compare your answers with the correct answers to ensure that you understand the material.

3. When you feel that you have a good understanding of the material contained in the chapter, answer the questions on the final examination.
4. When you have completed the final examination, record your answers on the answer sheet provided and submit it for grading. A score of 70% or better is required to pass. Please also complete the course evaluation and submit it to us along with your answer sheet. Upon passing you will receive a Certificate of Completion stating that you have successfully completed the course and earned the continuing education credit.

Prerequisites and Advance Preparation

No prerequisites or advance preparation are required for this course.

CPE Credit

This course is recommended for 9 CPE credits.

Final Exam Grading

- ▶ Online: Our fastest option, with instant results. Simply go to **www.cpestore.com** and click the link for online grading. Just follow the instructions from there. When you finish entering your answers, you'll receive instant test results and a Certificate of Completion to print.
- ▶ By Mail: Mail your test and course evaluation to us. We grade the tests the day we receive them and mail the results and Certificate of Completion to you the following business day.
- ▶ By Fax: Just fax your answer sheet to 1-281-255-4337. If you need us to fax the Certificate of Completion back to you, please provide us with your fax number and write "please fax back" on your answer sheet. If you don't need the Certificate faxed back, please write "no fax needed" on your answer sheet.

Refunds

The CPE Store guarantees your satisfaction. If, for any reason, you are not completely satisfied with your purchase, return it to us unused within 30 days for a prompt refund, no questions asked. (Sorry, but shipping fees are not refundable.)

Customer Service

The CPE Store holds itself to the highest standards. If we have not met your expectations, something is missing, or you just have a question please contact us at 1-800-910-2755 or customerservice@cpestore.com.

About Our Courses

The CPE Store's courses are developed to satisfy the continuing education requirements of the American Institute of Certified Public Accountants, each state's Board of Accountancy and the National Association of State Boards of Accountancy (NASBA). If your state requires registration of sponsors, our sponsor number will appear on your Certificate of Completion.

Our courses are designed to meet the continuing education requirements of accounting professionals. A great deal of care has been taken to ensure that the course material is both interesting and relevant to the practice of accounting. The information presented is, to the best of our knowledge, current and accurate. However, The CPE Store is not in the business of rendering legal, accounting or other professional advice and as such, the material presented in our courses is intended as an overview. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

Startup Fundraising

9-Credit Course

Final Examination

A score of 70% or higher is required to pass the exam. If you score less than 70% on your first attempt, we will allow you to take the test a second time.

Chapter 1 – Everything Started with Onevest

1. Which of the following is the first digital, invitation-only network for a select group of angel investors?
 - A. Onevest
 - B. 1000 Angels
 - C. CoFoundersLab
 - D. TechCrunch

Chapter 2 – Raising Capital for Your Startup

2. According to research data, venture capitalists fund about what percentage of the opportunities they review?
 - A. 2 percent
 - B. 3 percent
 - C. 10 percent
 - D. 97 percent
3. What is the real value of a company and how its investors view opportunities?
 - A. Breaking even
 - B. A solid business plan
 - C. Future value of cash flow
 - D. Proof of demand
4. What is a trait of the best entrepreneurs?
 - A. They are incredible salespeople
 - B. Their messaging has seamless synergy
 - C. They are the best visionaries
 - D. They focus on technical information
5. Of the following, which explains why a background in sales can give a startup founder an advantage?
 - A. Fundraising can take longer than expected
 - B. Salespeople are experienced in storytelling
 - C. Important assets of founders are their contacts and people's attention
 - D. Salespeople are trained to embrace rejection
6. What is a "con" of raising capital?
 - A. It can be critical for staying afloat
 - B. It results in shared control
 - C. Funds are needed to improve the product or service
 - D. It can amplify success

Chapter 3 – Setting Yourself Up for Success

7. The running of a business can be boiled down to which of the following?
 - A. Masterful execution
 - B. Business preparation
 - C. Corporate structure
 - D. Good management

Final Exam

8. What is the best outcome from utilizing an important advisor during startup?
 - A. The advisor may invest and even lead a round
 - B. He or she may help the founder for free
 - C. They can open doors to potential investors
 - D. It can cut down on consulting fees
9. What turns off investors more than anything else?
 - A. Lack of a business plan
 - B. Differences of opinion on strategy
 - C. A hesitant or unsure presentation
 - D. A founder's claim that he or she has no competition

Chapter 4 – Crafting the Pitch

10. Which statement is true with respect to a startup's business plan?
 - A. Do not invest in a business plan since it is an antiquated formality
 - B. Prepare a business plan that is realistic and does not oversell
 - C. Prepare an 18-month plan reflecting execution strategy utilizing raised capital
 - D. Create a comprehensive business plan covering 36 months
11. What is a startup's key to unlocking the gates to capital?
 - A. Team alignment
 - B. Elevator pitch
 - C. Clear vision
 - D. Competitive advantage
12. What will usually be requested first when an entrepreneur submits a fundraising request?
 - A. Pitch deck
 - B. Business plan
 - C. One-page executive summary
 - D. Mission statement

Chapter 5 – The Due Diligence Package

13. What is not an area needing clarification during the investor's due diligence process?
 - A. The product
 - B. Investor profile
 - C. The deal
 - D. People
14. What is a crucial part of the fundraising and due diligence process that is often overlooked by founders?
 - A. References and background checks
 - B. How much shares should be worth at each stage
 - C. Confidentiality agreements
 - D. Consultation with legal counsel
15. From the viewpoint of the founder, which of the following is the best approach to adopt toward the due diligence process?
 - A. View it as the most important step in the fundraising process
 - B. Exhaust all available energy in the preparation of due diligence materials
 - C. Do not let the process stall the startup's momentum
 - D. Realize that the process is a relationship test on the investor's turf

Chapter 6 – Sources of Capital

16. What is the number-one benefit of bootstrapping?
 - A. Spartan lifestyle
 - B. It appeals to investors
 - C. No requirement for reporting to investors
 - D. A new appreciation for everything

17. What used to be the first place for entrepreneurs to appeal for funds?
- A. Small business loans
 - B. Family offices
 - C. Friends and family
 - D. Credit cards
18. Why is venture debt a valuable source of startup funding?
- A. It is provided an exemption under the Dodd-Frank Act
 - B. There is no dilution of equity
 - C. It is perhaps the most commonly sought-after type of capital by founders
 - D. It fills the gap between friends and family, and more formal venture capital funds

Chapter 7 – Understanding the VC Game

19. Who has a strategic role with a venture capital firm, mainly involving bringing new deal flow?
- A. Limited partners
 - B. Venture partners
 - C. Principals
 - D. Partners
20. What compensates a VC in the amount of anywhere between 20 and 25 percent of a company's profits?
- A. Carried interest
 - B. Exit fee
 - C. Management fee
 - D. Rate of return

Chapter 8 – Investment Rounds Explained

21. During a preliminary investment round, what is absolutely necessary in order to indicate a startup has direction?
- A. Cost assessment
 - B. Developed concept
 - C. Product development plan for future rounds
 - D. Target marketplace
22. What term is used for individuals who focus on investing at the earliest gestation stage of a startup?
- A. Accelerators
 - B. Micro venture capitalists
 - C. Incubators
 - D. Angel investors
23. In what round do institutional investors typically participate for the first time?
- A. Bridge round
 - B. Series A
 - C. Micro seed investment
 - D. Series B
24. Which investment round is the first step to opening up a company to public investment?
- A. Series C
 - B. Series B
 - C. IPO
 - D. Series

D

Chapter 9 – Deciding Investment Amounts and Prospects

25. What investment level allows a startup to achieve the absolute minimum required to keep developing as a going concern?
- A. Needed
 - B. Realistic
 - C. Subjective
 - D. Ideal

Final Exam

26. When determining how to source and contact prospective investors, what is a fantastic way to attract investment quickly?
- A. Attend events
 - B. Utilize LinkedIn
 - C. Approach advisors and mentors
 - D. Crowdsourcing

Chapter 10 – PR: Creating a Storm and Building Momentum

27. What key to successfully creating a public relations storm requires that all PR is woven with the startup's messaging and branding?
- A. Efficiency
 - B. Synergy
 - C. Outreach
 - D. Timing
28. According to *Forbes*, what is a vital form of authentic content?
- A. Blogging
 - B. Sponsorship
 - C. Social media
 - D. Press release

Chapter 11 – What to Look for in an Investor

29. What is a benefit provided by a domain expert?
- A. Investor connections
 - B. Financial strength
 - C. Fresh perspective
 - D. Celebrity sponsorship
30. If a founder gets involved with an unscrupulous investor, who is likely to be better insulated if the business turns bad?
- A. The entrepreneur
 - B. The investor
 - C. The business
 - D. All parties will be equally harmed

Chapter 12 – Term Sheets and Terms

31. When may the term sheet process be significantly simplified?
- A. When using a third-party portal
 - B. During seed rounds
 - C. When the founder prepares the term sheet
 - D. Series A and beyond
32. With convertible notes, which ingredient serves as a safety measure?
- A. The interest given to the investor
 - B. Valuation cap
 - C. Maturity date
 - D. Discount on the valuation
33. What term sheet provision is more common in later rounds of financing, and tends to motivate the founder to stay on with the company?
- A. Antidilution
 - B. Investment tranches
 - C. Cosale limitations
 - D. Consent to sell

34. A rule of thumb is that each round of financing will result in a founder receiving what percentage of dilution?
- A. 5 percent
 - B. 10 percent
 - C. 15 percent
 - D. 20 percent

Chapter 13 – Closing the Deal

35. What is key at the deal closing stage?
- A. Vigilance
 - B. Weighing options
 - C. Forethought
 - D. Urgency
36. What can be the death of a good business relationship?
- A. Completion schedule
 - B. An unequal agreement in principle
 - C. Expectations
 - D. Post-closing communication

Chapter 14 – Avoiding Common Fundraising Mistakes

37. What is the purpose of the connection approach used by Rick Cohen of Robbins Research?
- A. To test an entrepreneur's grit and innovation
 - B. Using the introduction as social proof
 - C. To dismiss startups that don't meet his criteria
 - D. To provide valuable feedback
38. After startups receive funding offers, what is a shocking development that often occurs?
- A. Founders insist on taking the time to review each clause in the offering documents
 - B. Many startups cannot offer a return for a full year or two
 - C. The founders sabotage their investments
 - D. Founders don't ask other startups about their failures and mistakes

Chapter 15 – Understanding the JOBS Act

39. As highlighted in *Forbes*, what part of the JOBS Act really allowed startups to begin public advertising for fundraising?
- A. Title I
 - B. Title II
 - C. Title III
 - D. Title IV
40. Prior to the implementation of Title III of the JOBS Act, about how many Americans had access to startup investing?
- A. 8 million
 - B. 15 million
 - C. 50 million
 - D. 300 million
41. By what mechanism did the JOBS Act create opportunities for individual investors to take control of their investments and savings?
- A. Angel investing
 - B. Crowdfunding portals
 - C. Utilization of Regulation A+
 - D. Public solicitations from private companies

Final Exam

Chapter 16 – Recommended Tools for Fundraising

42. According to the text, one should always remember that _____ is synonymous with fundraising.
- A. Sales
 - B. Task management
 - C. Innovation
 - D. Opportunity
43. Which of the following is a proven source for finding prospective investors?
- A. ToutApp
 - B. Upwork
 - C. Crowdsourcing websites
 - D. Manta

Chapter 17 – Red Flags

44. What was a core principle used by Sam Walton when building the Walmart empire?
- A. Avoid using buzzwords when speaking with investors
 - B. Blind optimism will not support a sustainable startup
 - C. Too many team members at the beginning can be problematic
 - D. Control costs better than the competition
45. What should be provided by both founder and investor?
- A. Traction and momentum
 - B. Delivery of substance
 - C. Skin in the game
 - D. Technical development and maintenance

**Thank you for taking our course.
We hope you enjoyed it.**

Startup Fundraising

Course Number: B271501

Qualifies for 9 hours of CPE credit

If you are mailing or faxing your test to us for grading, please fill in Member ID _____ and Validation number _____.

Name as it should appear on your Certificate:

Where should we send your results?

License State(s): _____

License Number: _____

Date Course Completed: _____

* Answer each question A, B, C, or D, as appropriate.

* Be sure you are answering questions from the Final Examination, not from the Study Guide

* **For instant online grading, go to www.cpestore.com and click the link for Online Services**

- | | | | | |
|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 1. <input type="checkbox"/> | 10. <input type="checkbox"/> | 19. <input type="checkbox"/> | 28. <input type="checkbox"/> | 37. <input type="checkbox"/> |
| 2. <input type="checkbox"/> | 11. <input type="checkbox"/> | 20. <input type="checkbox"/> | 29. <input type="checkbox"/> | 38. <input type="checkbox"/> |
| 3. <input type="checkbox"/> | 12. <input type="checkbox"/> | 21. <input type="checkbox"/> | 30. <input type="checkbox"/> | 39. <input type="checkbox"/> |
| 4. <input type="checkbox"/> | 13. <input type="checkbox"/> | 22. <input type="checkbox"/> | 31. <input type="checkbox"/> | 40. <input type="checkbox"/> |
| 5. <input type="checkbox"/> | 14. <input type="checkbox"/> | 23. <input type="checkbox"/> | 32. <input type="checkbox"/> | 41. <input type="checkbox"/> |
| 6. <input type="checkbox"/> | 15. <input type="checkbox"/> | 24. <input type="checkbox"/> | 33. <input type="checkbox"/> | 42. <input type="checkbox"/> |
| 7. <input type="checkbox"/> | 16. <input type="checkbox"/> | 25. <input type="checkbox"/> | 34. <input type="checkbox"/> | 43. <input type="checkbox"/> |
| 8. <input type="checkbox"/> | 17. <input type="checkbox"/> | 26. <input type="checkbox"/> | 35. <input type="checkbox"/> | 44. <input type="checkbox"/> |
| 9. <input type="checkbox"/> | 18. <input type="checkbox"/> | 27. <input type="checkbox"/> | 36. <input type="checkbox"/> | 45. <input type="checkbox"/> |



The CPE Store
 819 Village Square Drive
 Tomball, TX 77375
 Phone 1-800-910-2755
 Fax 281-255-4337
 www.cpestore.com

Course Evaluation

Course # _____

Your Name _____

About the Course

Were the stated learning objectives met?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

If applicable, were prerequisite requirements appropriate and sufficient?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely N/A

Was the text well-written, accurate and easy to understand?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

Was the final exam well-written, accurate and easy to understand?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

Were course materials relevant and did they contribute to the achievement of the learning objectives?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

Was the time allotted to the learning activity appropriate?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

If applicable, were the individual instructors effective?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely N/A

About the Service

Were you satisfied with the ordering process?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

Were your course materials in good condition when they arrived?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

Did you receive your materials in a timely manner?

- 1 - Not at all 2 - Marginally 3 - Somewhat 4 - Mostly 5 - Absolutely

About You

What is your preferred method for completing your CPE?

- Textbook PDF materials downloaded from the internet Online courses Live seminars

Would you like us to notify you by email of our weekly specials and new courses?

- No Yes, my email address is _____ Already receiving

Comments Please

Are there any particular topics you would like to see covered in a CPE course or any additional services you would like to see us provide? _____

Please provide any additional feedback, either positive or negative, regarding our products or our service: _____