Foundations of VC Syllabus (1.5 Credits) – Spring 2020
Half Block Week in MBA and EMBA Sat A term
Formerly called Seed Stage Investing

Learning Objectives & Course Overview
1. To understand and experience the process of investing in early stage (primarily tech) startups
   a. Sourcing deals from the startup ecosystem
   b. Conducting diligence
   c. Valuing startups
   d. Negotiating term sheets (financial and governance terms)
e. Managing a portfolio post investment
2. To understand the seed stage investing landscape: players and resources
3. To understand the structural differences between venture capital and angel investing
4. This course will not go into sector specific investment strategies or growth stage investment

The course is very experiential. You will first learn tools and frameworks, then apply them to cases. Then, learnings will be applied to companies that are currently fundraising and you will assess each company as if you were considering investing. There will be 2-3 guest lectures from experts in the ecosystem so students get a varied perspective. Real company info will be shared in this class. As a result, class slides will be handed out in class but not shared electronically and class sessions will not be recorded.

Intended Audience:
• Aspiring VC or angel investors who want to understand how investors evaluate startups
• Founders who want to understand how seed investors evaluate startups
• Students interested in the startup landscape who want to understand the language and players
• This course is not intended for students who want to deep dive on a particular sector or who are interested in growth and later stages of VC investing

Pre-Requisites & Connection to Core
• Pre-Requisite: Capital Markets
• Corporate Finance: How valuation methods differ for early stage vs. established companies
• Strategic Formulation: Competitive analysis
• Marketing: How to assess target market, customer acquisition cost, customer lifetime value
• Note that this course is a pre-requisite for VC Seminar

Faculty Bio
Angela Lee is an educator & entrepreneur. As Chief Innovation Officer and Associate Dean at Columbia Business School, she is focused on fostering teaching excellence and innovation across faculty. Angela teaches The Leader’s Voice and a number of courses in venture capital. She started her career in product management and then was a strategy consultant at McKinsey. Angela has started 4 startups and is also the founder of 37 Angels, an investing network that has invested in 50+ startups and activates new investors through an investment bootcamp.

Angela has spoken at the White House and is regularly invited to advise decision-makers at the highest levels, including Prime Minister Trudeau. She is a sought-after expert on CNBC, Bloomberg TV, MSNBC and Fox Business. She was recognized by Inc. as one of 17 Inspiring Women to Watch in 2017, by Entrepreneur Magazine as one of 6 Innovative Women to Watch in 2015, and has been named by Alley Watch as one of 100 NYC Tech Influencers You Need to Know. She serves on the boards of Fresco Education Fund, Alice App, and Cariclub.
**Session overview:** this is taught as a 6-week course and half block week. For the latter, each day will cover ~2 sessions.

**Assignments:** due at the start of each class session.

### 1 Startup Ecosystem:
- Difference between VCs and angel investors
- Value of accelerators
- How the stages are defined (seed, series A, B...)
- Other players: service providers, corporations...

**Due Diligence:**
- Components of diligence and founder red flags
- How to size a market: TAM, SAM, SOM

**Assignments:**
- Pre-class survey
- Two assigned readings
  - Submit written summaries
  - Be prepared to share in class

### 2 Term Sheets:
- Financial (economic) & governance (control) terms
- Priced equity vs. convertible notes
- Liquidation preferences – why do they exist, how to calculate, when appropriate?

**Assignments:**
- Startup Evaluation

### 3 Due Diligence (Real World Application):
- Real startups pitch
- Students form teams to diligence

**Assignments:**
- Concept Check Quiz 1

### 4 Valuation & Venture Math:
- Startup valuation using scorecard, risk factor summation, VC, dilution, and market-based methods
- Calculating dilution in each round of investment
- Deep dive on cap tables / share price / exit payouts

**Assignments:**
- Nothing to turn in, but you should be working on your diligence memos

### 5 Portfolio Strategy & Investment Thesis
- Investors’ roles post investment
- Board composition and compensation
- Different investing avenues (funds, equity crowdfunding)
- Developing an investment thesis

**Assignments:**
- Concept Check Quiz 2

### 6 Diligence Presentations:
- Each team presents a summary of their diligence and makes an investment recommendation
- Feedback and diligence discussion

**Assignments:**
- Diligence Memo (Group)
- Venture Math Exercise

### Grading

25%: Class participation
- If you are not present for Day 1, you will not be allowed to add the course. If you are enrolled and you do not attend Day 1, you will be dropped from the course.
- If you add the course at the last minute, you are expected to complete the pre-work
- If you miss a subsequent 3-hour session, the highest grade you will be able to receive is a HP-
- Please be on time and present for the entire class. Device usage (phones, laptops) will take away from your participation grade (when not used for learning as directed by the instructor)
- Students are expected to actively participate in discussions, pulling in insights from readings
- When guests are in the room and peers are presenting, be respectful. Listen, be engaged, and be prepared to ask thoughtful questions and provide feedback when appropriate.

40%: Individual Assignments
- All assignments are individual assignments
- The concept checks are graded 60% based on completion, 40% based on accuracy
- You will also be asked to grade your group on individual contribution to the group project

35%: Group project – Diligence Memo (no final exam)