

Seed Stage Investing – Spring 2017

Full Term Course Jan 18-20, 2017 + Feb 10, Feb 17, and Mar 3

Professor Angela Lee

E-mail: awl2108@gsb.columbia.edu

Office: 204 Uris

Phone: 212-854-4582

Learning Objectives

1. To understand and experience the process of investing in early stage startups.
 - a. Sourcing deals from the ecosystem
 - b. Conducting diligence
 - c. Valuing startups
 - d. Negotiating term sheets
 - e. Managing a portfolio post investment
2. To understand the NYC seed stage investing landscape: players and resources
3. To form a perspective on a particular sector. Students will do a deep dive on a particular sector and write an investment thesis (in teams)

Half Term vs. Full Term Course

	<u>Half Term Course</u>	<u>Full Term Course</u>
Timing	Half block week from Jan 18-20	Half block week from Jan 18-20 3 Fridays: Feb 10, Feb 17, and Mar 3
Learning Objectives & Workload	<ul style="list-style-type: none"> • Understand and experience the entire deal flow process from start to finish • Write a diligence memo on a real startup 	Everything from the half term course + <ul style="list-style-type: none"> • Write a 2nd diligence memo alongside real investors • Write an investment thesis about a particular sector
Intended Audience	<ul style="list-style-type: none"> • Founders who want to understand how investors evaluate startups • Students who want to be an investor at some point in their career • Folks interested in the space in general and want to understand the language 	<ul style="list-style-type: none"> • Students who are serious about becoming an angel investor • Students who are targeting VC immediately after graduation
Course Cap	40 students (during the half block there will be 60 students in the room)	20 students (during the half block there will be 60 students in the room)

Co-Requisites & Connection to Core

- **Co-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

Course Overview

The course is very experiential. 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 lecturers (in addition to the startup pitches) 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.

D	Date	Session overview	Assignments
1	Wed, Jan 18 9-4pm	NYC Startup Ecosystem: <ul style="list-style-type: none"> • Difference between VCs and angel investors • Value of accelerators Due Diligence: <ul style="list-style-type: none"> • How to write a diligence memo and founder red flags • How to estimate TAM, SAM, SOM Valuation: <ul style="list-style-type: none"> • How to value a company using the scorecard, VC, dilution, and market based methods 	Read two of the assigned readings: <ul style="list-style-type: none"> • Submit 100-250 word summaries • Be prepared to summarize both in class
2	Thu, Jan 19 9-4pm	Due Diligence (Real World Application): <ul style="list-style-type: none"> • Real startups will pitch • Form diligence teams, 2-3 hours in diligence Term Sheets (financial & governance terms): <ul style="list-style-type: none"> • Priced equity vs. convertible notes • Liquidation preferences – what do they mean? 	Concept Check Quiz
3	Fri, Jan 20 9-4pm	Diligence Presentations: <ul style="list-style-type: none"> • Each team presents a summary of their diligence and makes an investment recommendation Post Investment: <ul style="list-style-type: none"> • Dilution & venture math: cap tables, exit payouts • Portfolio strategy 	Prepare diligence presentations Concept Check Quiz
4	Fri, Feb 10 11-6pm	[MIDTOWN LOCATION] Diligence Feedback: <ul style="list-style-type: none"> • Feedback and Q&A on diligence memo 1 • Fireside chat with experienced investor Pitch Forum & Diligence: <ul style="list-style-type: none"> • Attend a 37 Angels pitch forum with 30-40 NYC investors • Students will join diligence teams with angel investors • Students will be expected to write a 2nd diligence memo 	By Feb 8, submit diligence memo 1
5	Fri, Feb 17 9-4pm	Thesis Presentations (to class) <ul style="list-style-type: none"> • Each team presents investment thesis for feedback • 10 min presentation, 10 min Q&A and feedback Diligence Working Session <ul style="list-style-type: none"> • Discuss startups that pitched Feb 10 & address questions Beyond seed stage <ul style="list-style-type: none"> • Differences in seed vs. A/B rounds, other types of funding • Digital literacy: Being technical enough to be an investor 	Prepare thesis presentations
6	Fri, Mar 3 12-6pm	Thesis Presentations (to VC judges) <ul style="list-style-type: none"> • Each team presents thesis to a panel of 2-3 VCs • 8 min presentation, 8 min Q&A and feedback Diligence Presentations: <ul style="list-style-type: none"> • Each team presents a summary of their diligence (internally to the class and instructor) and makes an investment recommendation 	Prepare thesis presentations Prepare diligence presentations

Grading

25%: Class participation

- Be on time and present for entire class
- Actively participate in class discussions, pulling in insights from readings
- When guests are in the room, be respectful and prepared with thoughtful questions
- When your peers are presenting, listen, be engaged, and give them thoughtful feedback
- Device usage (phones, laptops) will take away from your participation grade

25%: Individual Assignments

1. **Prior to Day 1:** Read two of the non-italicized assigned readings and:
 - a. Submit a 100-250 word summary for each
 - b. Be prepared to summarize both in class in 30-60 seconds
2. **Prior to Day 2:** 20 min concept check quiz (80% of grade based on completion, not accuracy)
3. **Prior to Day 3:** 20 min concept check quiz (80% of grade based on completion, not accuracy)
4. **By Feb 8:** Grade your fellow team mates on contribution to group final project
5. **Due Feb 15:** Submit venture math exercise

50%: Group projects (no final exam)

- **Diligence Memo 1:**
 - **Day 3:** Diligence presentations (instructor and peer grade)
 - **Due Feb 8:** Submit a diligence memo (4-5 pages long not including exhibits). Note many teams have a call with the founders the **week of Jan 23** to fill in any gaps in diligence
- **Diligence Memo 2:**
 - **Day 6:** Diligence presentations (instructor and peer grade)
 - **Due Mar 3:** Submit a diligence memo (4-5 pages long not including exhibits). Note many teams have a call with the founders the **week of Feb 13** to fill in any gaps in diligence
- **Investment Thesis:**
 - **Day 6:** Investment thesis presentations (instructor, judge, and peer grade)
 - **Due Mar 10:** Each team submits an investment thesis (10-15 slides)

Faculty Bio

Angela Lee is an educator & entrepreneur. As Associate Dean & Chief Innovation Officer at Columbia Business School, Angela is a highly rated instructor of strategy, leadership and entrepreneurship courses. As Founder and CEO of 37 Angels, she evaluates early stage startups and teaches women how to invest in them. In all of her work, Angela is known for demystifying complex topics and curating opportunities.

Angela is a sought-after expert on CNBC, Bloomberg TV, and Fox Business Network and is regularly featured in media outlets such as Forbes, Huffington Post, and Fast Company. Entrepreneur Magazine recognized Angela as one of Six Innovative Women to Watch in 2015, and Alley Watch named her as one of 100 NYC Tech Influencers You Need to Know.