

Navigating Seed Stage Investing
Course Overview

Learning Objectives

1. To understand and experience the process of investing in early stage startups. At the end of this course you will know the terms, process, and mechanics involved in each phase of investing
 - a. Sourcing deals
 - b. Conducting diligence
 - c. Negotiating deals: Valuation & Term Sheets
 - d. Post investment
2. To gain a high level understanding of NY seed stage investing landscape: different players in the ecosystem and resources available to investors and entrepreneurs

Course Overview

The course is very experiential. Learnings will be applied to real companies (currently and previously fundraising) and you will assess each company as if you were personally considering investing.

Topics Covered	Readings (see assignments for complete list)
Deal Selection: <ul style="list-style-type: none"> • What to look for in team, market, and product • How to estimate TAM, SAM, SOM • What to look for in a pitch – common mistakes entrepreneurs make 	<ul style="list-style-type: none"> • Lean Startup by Eric Ries – Chapter 3 • Why Angel Investors Don't Make Money ... And Advice For People Who Are Going To Become Angels Anyway • Angel Investors Do Make Money, Data Shows 2.5x Returns Overall
Due Diligence: <ul style="list-style-type: none"> • How to conduct diligence on team, market, product, and business model with a team and write a diligence memo • High value-add diligence questions 	<ul style="list-style-type: none"> • Lean Startup by Eric Ries – Chapter 4 • Angel Investing Series Part II: Due Diligence • Due Diligence Red Flags
Due Diligence: <ul style="list-style-type: none"> • What lean testing tools exist to efficiently and effectively conduct diligence • Red flags to watch out for 	<ul style="list-style-type: none"> • Lean Startup by Eric Ries – Chapter 6 • Angel Resource Institute – Best Practice Guidance for Diligence • Angel Resource Institute – What is the Right Amount of Diligence
Valuation: <ul style="list-style-type: none"> • How to value a company (Berkus method, VC method, benchmarking/comps / multiples) • Understanding cap tables and dilution 	<ul style="list-style-type: none"> • Lean Startup by Eric Ries – Chapter 7 • Hard Truth About How Much Your Invention is Really Worth • Seedcamp – Alternative valuation methods • Angel Capital Assoc. – Methods for Valuation
Terms Sheets: <ul style="list-style-type: none"> • Understand difference between priced equity and convertible notes • Difference in roles between a lead and follow-on investor • Critical terms and how they impact negotiation (guest lecture by venture lawyer) 	<ul style="list-style-type: none"> • The Truth About Convertible Debt and The Hidden Terms You Didn't Understand • 4 Critical Things to Watch on your Term Sheet • Convertible Debt: Worst Form Of Seed Financing — Except For All The Others • Everything You Ever Wanted To Know About Convertible Note Seed Financings
<ul style="list-style-type: none"> • Diligence Presentations: Each team presents a 	<ul style="list-style-type: none"> • Rework by 37 Signals – Hiring Chapter

<p>summary of their diligence and makes an investment recommendation</p> <ul style="list-style-type: none"> • After The Investment: What happens after the investment, overview of NY startup ecosystem 	<ul style="list-style-type: none"> • What Happens After Venture Funding Is Secured?
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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

Grading

30%: Class participation

- Be on time and present in each class
- Actively participate in class discussions, pulling in insights from readings
- When guests are in the room, be respectful and prepared with thoughtful questions

30%: Individual Assignments

1. Prior to Day 1, read one of the assigned readings and:
 - a. Submit a 100-250 word summary
 - b. Be prepared to summarize it for your fellow classmates in 30-60 seconds
2. By Day 3, read a second reading and:
 - a. Submit a 100-250 word summary
 - b. Be prepared to summarize it for your fellow classmates in 30-60 seconds
3. You will have to grade your fellow team mates on how much they contributed to the group assignment (10 = collaborative, helpful, added to the team; 0 = not involved)

40%: Group Final project (no final exam)

There are two portions of the group project:

- The first will happen in class on day 3 where you have to present your group's high level findings from the diligence process to the rest of the class
- The second will be a complete written diligence memo (4-5 pages long not including exhibits, 1 per group of 6 students) – **due Feb 13**. The portions of a diligence memo are: Investment assessment, Team assessment, Market assessment, Product / Business model assessment

Faculty Bio

Angela Lee is an educator, investor, and entrepreneur. She is the founder of 37 Angels, a network that invests in early stage startups and trains women to invest in start-ups. Angela is also the Assistant Dean of Teaching Excellence at Columbia Business School and teaches on the topics of Leadership, Innovation and Strategy. She is passionate about entrepreneurship and has started several small businesses.

Her corporate career has largely been in marketing innovation, both on the product development side and on the consulting side during her stint at McKinsey. She is an occasional speaker on CNBC, Bloomberg, Fox Business and MSNBC and she is a regular conference keynote/panelist on topics such as leadership, innovation, and entrepreneurship.

Angela received a BA in Economics from UC Berkeley and an MBA from Columbia Business School.