

Foundations of VC Syllabus (1.5 Credits)

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
5. This course will not cover later stage VC in depth – the focus will be on early stage investing

The course is very experiential. You will first learn tools and frameworks, then apply them to case examples, then to real companies that are currently fundraising. You will assess each company as if you were considering investing. There will be 1-2 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
- 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

- **Co-Requisite: Capital Markets**
- **This course is a pre-req for other VC courses (Building a VC Investment Thesis and VC Seminar)**
- It is not recommended that students take both this course and Entrepreneurial Finance as there is a high degree of overlap between these two courses
- 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
- **Please do not reach out to OSA or the professor to ask to audit. This course tends to be highly overbid and the school's policy is that auditing is not allowed when a course is overbid because there is no equitable way to determine who will be allowed to audit**

Faculty Bio

Professor Lee started her career in product management and then moved to consulting at McKinsey. She has started 4 startups and is also the founder of 37 Angels, an investing network that has evaluated over 20000 startups, invested in 90, and activates new investors through a startup investment bootcamp. She also serves as a venture partner at Fresco Capital, an early-stage venture fund that focuses on the future of work, digital health, and sustainability.

Angela has spoken at the White House and NASA and is an expert in teaching online and making learning scalable. 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, by Entrepreneur Magazine as one of 6 Innovative Women to Watch, and by Crain's as a Notable Women in Tech. In 2020, she was awarded the Dean's Award for Teaching Excellence at Columbia Business School.

	Session overview:	Assignments: Due before class
1	Startup Ecosystem: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Components of diligence and founder red flags • How to size a market: TAM, SAM, SOM • What metrics to look for when evaluating progress 	Pre-class survey Startup Evaluation Two assigned readings <ul style="list-style-type: none"> • Submit written summaries • Be prepared to share in class
2	Term Sheets: <ul style="list-style-type: none"> • Financial (economic) & governance (control) terms • Priced equity vs. convertible notes vs. SAFEs • Liquidation preferences 	
3	Due Diligence (Real World Application): <ul style="list-style-type: none"> • Real startups pitch • Students form teams to diligence 	Concept Check Quiz 1
4	Valuation & Venture Math: <ul style="list-style-type: none"> • 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 	
5	Portfolio Strategy & Investment Thesis <ul style="list-style-type: none"> • Investors' roles post investment • Board composition and compensation • Different investing avenues (funds, equity crowdfunding) • Developing an investment thesis 	Concept Check Quiz 2
6	Diligence Discussion: <ul style="list-style-type: none"> • We will review a summary of each team's diligence and investment recommendation and the professor will offer feedback and guidance 	Diligence Memo (Group) Venture Math Exercise Both are due 2-3 weeks after the end of class for the block week

Grading

25%: Class participation

- If you are not present for Day 1 in person, you will not be allowed to add the course. If you are enrolled and you do not attend Day 1 in person, you will be dropped from the course.
- If you add the course at the last minute, you are expected to complete the pre-work
- Given that class attendance is central to the learning, missing any subsequent sessions (unexcused) will lower your grade.
- 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)