Columbia University – Graduate School of Business

Title: The Complete Financier – From Raising Seed Capital to Completing an IPO (Fall 2014 – B Term)

Course #: B8416 - Sec. 1

Format: Seminar

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Course Description: This course is targeted for both business and law school students seeking to develop an understanding of the issues involved in raising capital for entrepreneurial ventures as well as emerging growth companies. The course will combine a brief overview of the fundamentals of securities regulation with a practical analysis of the key business and valuation issues to be considered in raising capital at all stages in a company’s evolution from startup to IPO. During the course of the seminar, we will track and evaluate the progress of several IPOs in the market as they seek to complete their capital raising activities. The course will draw from case studies based on the actual experiences of entrepreneurs and companies in their pursuit of growth capital.

Required Prerequisites: Capital Markets & Investments (B6302)

Relevancy: Skills developed and knowledge gained in this course will be highly relevant for students intending to pursue careers in entrepreneurship; corporate finance; investment banking; private equity and merchant banking.

Class format: First hour will be lecture/powerpoint presentation based and will involve discussion of current equity capital market conditions with a focus on relevant IPOs; second hour will be discussion based on assigned reading and case study materials; third hour will be a discussion with an industry professional having directly relevant industry experience on the day’s topic.

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**Requirements:** Class attendance and participation are mandatory. Participation in the seminar will be considered in calculating the final grade. All students, in groups of 3 will make a 20 minute presentation soliciting capital investment to support a business plan. Students will be provided with a package of materials describing a business; identifying key sales points; key risk issues; historical and projected financial performance; capitalization and other key metrics. Presentations will be in roadshow format to evaluators posing as potential investors. Students will be required to develop and defend their investment thesis and proposed term sheet and justify a proposed valuation based on a variety of valuation techniques.

In determining the final grade, seminar requirements will be weighted as follows:

- Seminar participation: 40%
- Group presentation: 60%

**Course Materials:**

- Securities Regulation – Cases & Materials by James D. Cox (selected content)
- Securities Underwriting – A Practitioner’s Guide by Kenneth Bialkin & William Grant (selected content)
- Initial Public Offerings – A Practical Guide to Going Public (PLI) – by David A. Westenberg (with contributions by the instructor) (selected content)
- Case studies as noted in course schedule below
- Supplemental course materials to be provided by instructor based on materials developed and presented to clients

**Schedule of Seminar Topics:**

**Week 1: Course Introduction and Fundamentals on Sources of Financing**

Course overview; identifying and accessing sources of private financing (angel investors, venture capital, financial sponsors and strategic investors); brief overview of securities regulations associated with private placements and IPOs (including how regulations have been affected by the JOBS Act); company positioning, development and marketing of an investment thesis; critical evaluation of sample capital raising presentations.

*Selected readings from Securities Regulatory/Underwriting & Initial Public Offerings materials*

*Case Study: Exploring Seed Investment Opportunities at RRE Ventures (Columbia CaseWorks, 2011, Porteous & Katz)*

*Case Study: Dermacare (Harvard Business School, 2007, Hammermesh & Barley)*
Week 2: Investor Principles, Due Diligence & Private Placement Process

Focus on how investors evaluate investment opportunities including expected return parameters, structural protections available to both entrepreneurs and investors (securities alternatives, anti-dilution protections and liquidation preferences); how to effectively manage a due diligence process with emphasis on key financial and operational metrics; the private placement process and timetable; strategies and tactics to insure successful closing of a private financing.

Case Study: How Venture Capitalists Evaluate Venture Opportunities (Harvard Business School, 2004, Roberts & Barley)
Case Study: AudienceView (Harvard Business School, 2007, Rosenberg)
Instructor furnished materials based on completed private placements

Week 3: Structuring Deals, Evaluating Term Sheets & Valuation Issues – Methodologies for Valuing Private Entities and IPO Candidates

Focus on approaches for structuring transactions & valuing businesses – identifying key issues to consider and alternative methodologies. Critical evaluation of transaction structuring & term sheet issues.

In Venture Capital Deals, Not Every Founder Will Be A Zuckerberg, NY Times, 4/20/13, Davidoff)
Case Study: Deal Structure and Deal Terms (Harvard Business School, 2005, Roberts & Stevenson)
Case Study: Spinback’s Venture Capital Decision (Columbia CaseWorks, 2011, Ganjion & Kaplan)
Case Study: HurryDate (Harvard Business School, 2009, Katz, Riedl & Deckinger)
Instructor furnished materials based on completed private placements and IPOs

Week 4: IPO Process & Valuation Approaches

Review of IPO process and critical steps including: accounting preparation, option pricing strategies & cheap stock analysis; corporate governance & Sarbanes-Oxley issues; equity incentive structures for employees; quiet period and gun jumping issues (Webvan, Salesforce.com & Google case studies); managing the Street regarding financial performance and developing financial projections for equity research analysts (“beat & raise” models); a typical IPO timetable and process steps (including structuring dual path/M&A processes); transaction structure issues (primary vs. secondary mix; % of company for sale; lockups); impact of patent litigation during an IPO (Soundbite Communications case study); interacting with equity research analysts subsequent to the Global Research Settlement; marketing & the roadshow process; bookbuilding & pricing an IPO.
Week 5: Key Marketing Tactics & Recent Developments in Private Capital & IPO Markets

Innovative marketing approaches as a result of the JOBS Act; allocation principles and the use of anchor investors (Blackstone, Imperva & Guidewire IPO case studies)/directed share programs; and aftermarket trading and stabilization activities; current perspectives and trends in the private capital and IPO markets – challenges associated with dutch auction IPOs (Google case study); what went wrong with the Facebook IPO; current monetization strategies (Avago & recent internet company case studies). Review of current IPO transactions in the market, how they were valued and how those transactions priced.

Press materials on gun jumping violations by WebVan, SalesForce.com & Google
Case Study: Don’t Be Evil: Google’s 2004 Dutch Auction Initial Public Offering (Columbia Business School Case Study, Fall 2009, Laurie Hodrick)
Press materials on Google & Facebook IPOs
Instructor developed materials on financial sponsor monetization; use of cornerstone investors

Week 6: Student presentations to investor panel