The Complete Financier – From Raising Seed Capital to Completing an IPO

Course #: B8416-001

Format: Seminar

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Office Hours: TBD  
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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. The course will draw from case studies based on the actual experiences of entrepreneurs and companies in their pursuit of growth capital.

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; second hour will be discussion based on assigned case study materials; third hour will be a discussion with an industry professional having directly relevant industry experience on the day’s topic.

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 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: Getting in Tune: Venture Math (Columbia CaseWorks, 2009, Harris)
Case Study: AudienceView (Harvard Business School, 2007, Rosenberg)
Instructor furnished materials based on completed private placements
Week 3: Valuation Issues – Methodologies for Valuing Private Entities and IPO Candidates

Focus on approaches for valuing businesses – identifying key issues to consider and alternative methodologies

Case Study: HurryDate (Harvard Business School, 2009, Katz, Riedl & Deckinger)
Instructor furnished materials based on completed private placements and IPOs

Week 4: Structuring Deals and Evaluating Term Sheets

Critical evaluation of transaction structures and term sheet negotiations.

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: For Everyman, Inc. (Columbia CaseWorks, 2009, Harris)
Case Study: Spinback’s Venture Capital Decision (Columbia CaseWorks, 2011, Ganjon & Kaplan)

Week 5: Key Pre-IPO Activities, Completing an IPO and Recent Developments in Private Capital & IPO Markets

Accounting preparation including option pricing strategies & cheap stock analysis; corporate governance and Sarbanes-Oxley issues; equity incentive structures for employees; executing pre-IPO acquisitions; 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 and the roadshow process; bookbuilding and pricing an IPO; 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); PIPE financings.
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
Case Study: Sedona: The End of a PIPE Dream (Columbia CaseWorks; 2013; Glosten)

Week 6: Student presentations to investor panel