VC/Angel Deals: Gut Driven Tech Investing!
B8385-001–Fall 2018
Professor Ed Zimmerman, with Pooja Patel

**Time:** Tuesday, 2:15 pm - 5:30 pm  
**Location:** URI 142

**Overview:** Our class explores venture capital and angel investing by looking at the primary participants in the venture capital market: venture capital firms, high net worth individual (angel) investors, limited partners who invest in venture funds and importantly, the entrepreneurs who seek, receive, rejoice and/or (sometimes) regret the funding. With a focus on the intangibles, this class will provide a hands-on understanding of the process of sourcing, evaluating and negotiating venture capital and angel investments and then working with portfolio companies.

We’ll consider from the investor perspective, the following questions: how do VCs evaluate startup companies as potential investments, what things are more important than valuation, what happens when there’s a founder dispute, how do venture capital transactions work, how should investors and founders think about convertible notes as opposed to priced round preferred stock financings, how do companies swap out CEOs/Founders, when does an angel deal foreclose later venture rounds, what are the perils of bridge funding or of too much funding, how valuable is reputation in venture, how do you spot and resolve ethical issues in venture, how do limited partners (pension funds, endowments, family offices, etc.) evaluate and invest in venture funds and how do VCs get paid? We’ll also discuss venture community’s failings (frequently in the press) with diversity and how the tech and venture community are (and are not) addressing those issues.

Professor Zimmerman has taught this class at CBS since 2005. We include guest lecturers from the VC world, including some of our class’s alums. Although the course is taught by a lawyer, this course does not focus on venture law.

Professor Zimmerman has been a startup and venture lawyer at Lowenstein Sandler LLP for 25+ years. He co-founded and chairs Lowenstein Sandler’s Tech Group as well as VentureCrush. He is also an active angel and LP investor who has personally invested in more than 100 startups and more than 30 venture funds.

Professor Zimmerman also he serves as an Expert on the WSJ Panel of Experts. He has published more than 75 columns on the Wall Street Journal’s blog pages and another 30+ in Forbes where he’s a contributor.

Professor Zimmerman’s colleague Pooja Patel (also a startup and venture lawyer in Lowenstein Sandler LLP’s Tech Group) will assist with the course.

The course will have two significant group projects and one individual five page double-spaced paper on one of the case studies discussed in the course.
**DISCLAIMER:** This course will not teach students to build a financial model for early stage startups. We believe that generating a financial model of a pre-revenue startup’s revenue will not separate the great startups from those that fail. Nor do we feel that valuation of early stage venture capital startups is best handled through financial modeling. While students will use some math skills, we encourage interested students to take the course even if they don’t consider themselves to be deeply technical or great at math.

Our class focuses on VC and angel investing, especially in tech (and some low tech) startups and growth companies. We won’t cover life sciences or clean tech VC investing. While we expect some discussion of European venture capital, this class won’t really have a global focus.

**Important Dates**

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<tr>
<th>Date</th>
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<tr>
<td>September 14*</td>
<td>Last day for add/drop period – students should confirm that date</td>
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<tr>
<td>September 18</td>
<td>Student groups assigned (randomly) by Professor Zimmerman &amp; Ms. Patel</td>
</tr>
<tr>
<td>October 2</td>
<td>Due date for Phase 1 of Group Project A (PRIOR to the start of class)</td>
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<tr>
<td>October 30</td>
<td>Due date for Phase 2 of Group Project A (PRIOR to the start of class)</td>
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<tr>
<td>November 6</td>
<td>ELECTION DAY - No class</td>
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<tr>
<td>November 13</td>
<td>Due date for Phase 1 of Group Project B (PRIOR to the start of class)</td>
</tr>
<tr>
<td>November 27</td>
<td>The last class in which we cover a case study; therefore, it’s also the deadline to submit an individual project. If you haven’t already submitted an individual project, be sure you’re submitting the project on this class’s case study, prior to the start of this class.</td>
</tr>
<tr>
<td>December 4 &amp;</td>
<td>Each student group will present their final presentation during one of the final two weeks of the semester. We’ll provide a final schedule of the presentations in November; however, each group should be prepared to present and submit its final paper during the first week of December. If desired by the class, we may add an extra date.</td>
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<tr>
<td>December 11</td>
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**Connection to the Core** - This course will apply and build on concepts covered in the following core courses. Students are expected to be able to apply them in the course.

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tr>
<td>Corporate Finance</td>
<td>1. Time value of money&lt;br&gt;2. Risk&lt;br&gt;3. Opportunity Cost</td>
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</table>
Instructors: Office Hours by appointment only*

Edward M. Zimmerman
Telephone: (212) 204-8696
Email: ezimmerman@lowenstein.com
Assistant: Sophonie Saint Felix
Email: SSaintFelix@lowenstein.com

With help from:
Pooja Patel
Telephone: (973) 422-6430
Email: ppatel@lowenstein.com
Assistant: Betty King
Email: bking@lowenstein.com

Format: We’ll largely use the case study method, with some lecturing and interactive exercises. We’ll have multiple guest speakers.

Materials: Selected cases, articles, blog posts & podcasts.

Assignments/Grading:
Class Participation (more than attendance; actually adding value to the discussion): 35% of grade
Individual Project (“Case Analysis”): 15% of grade
Group Project A (“Term Sheet”): 20% of grade
Group Project B (“Investment Analysis”): 30% of grade

Description of Projects

Individual Project - “Case Analysis” - 15% of grade

Due Date: See below

After the first of class, each student will select ONE of the cases we cover this semester for a 5 page, double-spaced analysis. The analysis will be due at the START of the class, during which we discuss the case. We can’t accept late submissions. Please prepare the analysis assuming the reader’s familiarity with the case study – please don’t summarize the case. You need only briefly recite the facts of the case in the context of analyzing those facts. Your analysis should include a statement of the problem(s) considered (ascertaining which problems deserve focus is a critical skill), an analysis of the options and a recommend as to which option to select.

Group Projects – sourcing, selecting & investing in two different startups or venture funds

Soon after the drop/add period ends, we’ll randomly assign students to groups, each of which will be assigned an actual VC fund, angel team or LP – so each Student Group will, for purposes of these projects, become that fund, angel team or LP. Each Student Group should familiarize itself with the assigned VC fund, angel team or LP (bios, portfolio, stage, sector, size of fund, geography) in order to approach the group projects from the perspective of serving as members of that investor group. Our group projects will also focus on finding and evaluating startups and/or growth companies that are appropriate to the scope and stage of the fund/angel group etc.

Group Project A -- “Startup Selection and Basic Terms” - 20% of the grade

Due Date Phase 1: October 2, 2018
Due Date Phase 2: October 30, 2018 – Discuss whether class would prefer before Fall Break

Each Student Group will find a startup that is stage, sector, investment amount and geographically appropriate to the investor group the Student Group represents. Immediately prior to class on the Due Date for Phase 1, each group will submit by email, a single paragraph on the startup (including the company’s name, geography and funding to date – if known – as well as the URL for the startup and its founder(s)) and why it makes sense as an investment, for that specific Student Group. Once approved, each Student Group will prepare a four page, double-spaced paper, analyzing why they chose the particular company, why the Student Group
is a good fit for the company and the rationale for the terms of the Student Group’s offer. In connection with this project, each Student Group will prepare and submit a one page summary of terms (providing: structure of the investment – whether, for instance, it will be a convertible note, preferred equity, etc.), amount of investment (and amount coming from the Student Group itself as opposed to from other investors), valuation, percent ownership the Student Group will take, founder vesting/founder liquidity, request for co-investors/requirements for investment from existing investors (if any), and request for board seat (if applicable).

**VC Advisors:** We’ll have VCs and angels meet (via skype, phone or in person) once with each Student Group, after the papers are submitted, to provide feedback to that Student Group.

Pitch Observation Opportunity: We may provide students the ability to attend some startup pitches through Lowenstein Sandler’s VentureCrushFGX events.

**Group Project B -- “Investment Analysis” - 30% of Grade**

**Due Date Phase 1: November 13, 2018**

**Due Date Phase 2: Some Groups on each of December 4 or 11, 2018 – (determined in class)**

Each Student Group will “source” a deal for an actual startup or other appropriate investment and present the following to that Student Group’s “investment committee” (the committee will consist of the instructor teaching this course as well as one or more visiting actual investors).

As with Group Project A, the investment should be stage, sector, investment amount and geography appropriate to the investor group the Student Group represents. On the Phase 1 due date, each Student Group will submit a single paragraph on the investment opportunity (including the target’s name, geography and funding to date – if known – as well as the URL for the target and its founders(s)) and why it makes sense for that Student Group. The Phase 1 Due Date will be just before class on November 13. Once approved, each Student Group will submit:

(a) A five or six page, double-spaced paper providing a recommendation to fund the investment target (including the basis for seeing it as an investment fit for that Student Group);

(b) A slide presentation, which the Student Group will present live during one of the last two classes. Depending on the size of the class and the number of groups, each group will have roughly 15 or 20 minutes to present/respond to questions.

In addition to the above, the paper and summary should:

1. Address the business opportunity and value proposition;
2. Analyze the market potential and competitive landscape;
3. Evaluate the financial prospects and potential returns;
4. Assess the main risks and challenges to the proposed business and propose solutions for addressing and overcoming them;
5. Propose deal terms for the investment;
6. Describe investment fit – meaning how the startup fits within the investment thesis and mandate of the fund/angel team; and
7. Identify one or two potential co-investors (other venture funds or investors not already invested in the startup that would be as great co-investors in the investment and why this would be within that investor’s mandate/why they’d be a great co-investor).
# Fall 2018 Course Schedule

| Week 1  
(Tues, Sept. 4) | **ATTN:** If you haven’t yet done so, please email us a copy of your resume prior to the first class in order to help us get to know you.

**Founding & Funding A Startup & The Co-Founder Relationship**

Reading: *Sales Razor Technologies* (HBSP 9-217-040)

Additional Reading: *When Has a Startup Over Shopped for Funding* (Forbes 2016)  
“Help Me Help You”: Asking for Intros to Venture Investors (WSJ 2014)

Guest Speaker(s):  
Aaron Holiday (@AHolidayiii), Co-Founder & Managing Director, 645 Ventures  
Nnamdi Okike (@nokike), Co-Founder & Managing Director, 645 Ventures |
| Room: URI 142 |

| (Tues Sept.11) | There is no class on Tuesday, September 11th. This class has been rescheduled to FRIDAY, September 21 |
| (Tues, Sept. 18) | Building Teams in VC Funds & Startups (there are 2 case studies for this class)

Reading(s):  
*Aspect Ventures* (HBSP 9-217-046)  
*The Perfect CEO* (HBSP 9-805-156)

Additional Reading:  
WSJ Article: Lazerow Is Right Graham Is Wrong: You Shouldn’t Ignore Associates At Venture Funds (WSJ 2013)


Guest Speaker(s):  
Eric Feng (@efeng), Partner, Kleiner Perkins; former CTO, Flipboard, Founding CTO of Hulu  
Rachael Foo (@rxfoo2), Growth Stage Investor, Stripes Group |
| Room: URI 142 |

| Week 3  
(resch. from 9/12) 
(Fri, Sept. 21) | Sizing Seed Funds & Stage Creep in VC

Reading(s):  
*Floodgate: On the Hunt for Thunder Lizards* (HBSP 9-617-044)

Additional Reading:  
Dispatch From VentureCrushParis: VCs & Their Backers Discuss Backwards Math & Failure (Forbes 2017)

Optional Listening: Origins - A podcast about Limited Partners, created by Notation Capital  
Episode (May 4, 2016) Interview with Beezer Clarkson of Sapphire Ventures

Guest Speaker(s):  
Iris Choi (@donutsidthis), Partner, Floodgate  
Jocelyn Goldfein (@jgoldfein), Managing Director, Zetta Venture Partners  
Theresia Gouw (@tgr), Co-Founding Partner, Aspect Ventures |
| Room: tbd |
| Week 4  (Tues Sept. 25) | **Valuing Venture Capital & Angel Investments**  
Reading: *Endeca Technologies (A)* (HBSP 9-802-141)  
Arlan Hamilton (Backstage Capital): *Dear White Venture Capitalists: If you’re reading this, it’s (almost!) too late* (2015)  
Guest Speaker(s): Satya Patel (@satyap), Co-Founder & Partner, Homebrew, former VP of Product, Twitter  
Jonathan Seelig, Angel Investor, formerly: Co-Founder, Akamai Technologies; Chairman, Zipcar  
Sarah Kunst (@sarahkunst), Managing Director, Cleo Capital | Room: URI 142 |
|------------------------|---------------------------------------------------------------------------------------------------------------|
| Week 5  (Tues Oct. 2)  | **Finding the Right Investor**  
Reading(s): *BaubleBar: For Women By Women*;  
Additional Reading: Is Fantasy Sports More Fundable Than Jewelry? (WSJ 2013)  
Richard Kerby (Equal VC), *Where Did you Go to School?* (2018)  
Optional Listening: StartUp Podcast: Arlan Hamilton 1: Silicon Valley, By Invite Only  
Guest Speaker(s): Marta Sjögren (@martasjogren), Partner, Northzone  
Daniella Yacobovsky (@DaniellaYac), Co-Founder, BaubleBar | Room: URI 142 |
| Week 6  (Tues Oct. 9)  | **Anatomy of a VC Fund** (there are 2 case studies for this class)  
Questions Founders Should Ask About a Fund’s Longevity (WSJ 2016)  
Guest Speaker(s): Dayna Grayson (@daynagrayson), Partner, NEA  
Arlan Hamilton (@ArlanWasHere), Founder & Managing Partner, Backstage Capital  
Kim Lew, Vice President, Chief Investment Officer, Carnegie Corporation of New York | Room: URI 142 |
| Week 7  (Tues Oct. 30)  | **Convertible Notes in Seed Funding**  
(The case focuses on the relationships with existing and new investors, in the context of a seed round and subsequent up round).  
Reading: *Pommardify: Convertible Notes in Seed Funding*  
Additional Reading: Startup Founders: Avoid These Convertible Note Glitches (Forbes 2016)  
Optional Additional Reading: Bridge Funding Startups: Interested Board Members, CEOs and How to Sanitize The Process (Forbes 2016)  
Guest Speaker(s): tbd | Room: URI 142 |
| Week 8  
(Tues Nov. 13) | Founder–CEO Replacement  
Reading(s): *Founder-CEO Succession at Wily Technology* (HBSP 9-805-150)  
Additional Reading: *Founder Replacement, Increasingly Rare, Always Risky* (WSJ 2013)  
Guest Speaker(s): Bob Goodman, Partner, Bessemer Venture Partners  
Rebecca Kaden (@rebeccak46) Partner, Union Square Ventures |
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<td>(Tues Nov. 20)</td>
<td>There is no class on Tuesday, November 20. This class has been rescheduled to FRIDAY, November 30.</td>
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| Week 9  
(Tues Nov. 27) | Term Sheet Day & Negotiating Seed Deals  
Reading(s): *Rebel Technologies Series Seed Negotiation* (SCG-534)  
We may try a simulated negotiation for part of the class.  
Guest Speaker(s): Beth Ferreira (@bethferreira), Managing Director, FirstMark  
Rachel Lam (@rachellam2), Co-founder and Managing Partner, Imagination Capital |
| Week 10  
(resch from 11/20)  
(Fri Nov. 30) | Double Down or Exit  
Readings: *Yieldex (A)* (HBSP 9-809-090)  
*What’s Cooler than a $5$ Billion Startup, A Real Exit! Against ‘Going Long’* (Forbes 2015)  
Guest Speaker(s): tbd |
| Week 11  
(Tues Dec. 4) | Group Presentations for Final Group Projects – Week 1  
Guests, along with Professor Zimmerman and Ms. Patel will act as the “investment committee” and students will present an investment for consideration.  
Guest Speaker(s): Wendy Xiao Schadeck (@wen_xs), Investment Manager, Northzone |
| Week 12  
(Tues Dec. 11) | Group Presentations for Final Group Projects – Week 2  
Guests, along with Professor Zimmerman and Ms. Patel will act as “investment committee” and students will present an investment for consideration.  
Guest Speaker(s): Rob Hayes (@robhayas), Partner, First Round Capital |
Our class’s “Venture Advisors”-investors who will provide feedback on Student Group Projects:

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<thead>
<tr>
<th>Name</th>
<th>Fund</th>
<th>LinkedIn</th>
<th>Twitter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Francesca Warner</td>
<td>Ada Ventures (London)</td>
<td>linkedin.com/in/francescawarner</td>
<td>@checkwarner</td>
</tr>
<tr>
<td>Meghan Cross Breeden*</td>
<td>Red Bear Angels</td>
<td>linkedin.com/in/megabcross</td>
<td>@megabcross</td>
</tr>
<tr>
<td>Rick Zullo*</td>
<td>Equal Ventures</td>
<td>linkedin.com/in/rickzullo</td>
<td>@Rick_Zullo</td>
</tr>
<tr>
<td>Robin Li</td>
<td>GGVC</td>
<td>linkedin.com/in/robinli2</td>
<td>@robin_p_li</td>
</tr>
<tr>
<td>Shruti Gandhi</td>
<td>Array VC (SF)</td>
<td>linkedin.com/in/shrutigandhi</td>
<td>@atShruti</td>
</tr>
<tr>
<td>Todd Breeden*</td>
<td>KiwiVenture Partners</td>
<td>linkedin.com/in/tpbreeden</td>
<td>@TPBreeden</td>
</tr>
<tr>
<td>Wendy Xiao Schadeck*</td>
<td>Northzone</td>
<td>linkedin.com/in/wendyxiaoschadeck</td>
<td>@wen_xs</td>
</tr>
<tr>
<td>Zach Aarons*</td>
<td>Millennium Partners</td>
<td>linkedin.com/in/zachaarons</td>
<td>@ZacharyAarons</td>
</tr>
<tr>
<td>Carolina Huaranca</td>
<td>Kapor Capital (SF)</td>
<td>linkedin.com/in/carolina-huaranca-mendoza-a573374</td>
<td>@carohuaranca</td>
</tr>
<tr>
<td>Jackie Loken Dunklau</td>
<td>CAVU Venture Partners</td>
<td>linkedin.com/in/jacqueline-loken-dunklau-b2104a32</td>
<td>None</td>
</tr>
<tr>
<td>Morgan Cheatham</td>
<td>Bessemer Venture Partners</td>
<td>linkedin.com/in/morgan-cheatham-3b64a076</td>
<td>@MorganCheatham</td>
</tr>
<tr>
<td>Peter Boyce</td>
<td>General Catalyst Venture Partners</td>
<td>linkedin.com/in/peterboyce2</td>
<td>@badboyboyce</td>
</tr>
<tr>
<td>Sydney Thomas</td>
<td>Precursor Ventures</td>
<td>linkedin.com/in/sydneythomas</td>
<td>@sydneypaige10</td>
</tr>
<tr>
<td>Tosin Agbabiaka</td>
<td>Octopus Ventures</td>
<td>linkedin.com/in/tosinagbabiaka</td>
<td>@Tosin_agb</td>
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*reflects VCs who are alums of our class.