This course will provide a practical approach to the fundamentals of venture capital investing and the venture capital industry. The course has been designed to offer students exposure to the day-to-day activities of the venture capital business – including strategies for managing investments, investment portfolios, venture capital firms, and an early career in venture capital. Specific topics include investment selection, due diligence, valuation, negotiation, portfolio company management, exits, limited partners, and firm management. Students will develop a perspective and a framework for understanding the practical aspects of the business as well as the current state of the venture capital industry.

Instructors: Stuart J. Ellman Will Porteous
Co-Founder, Managing Partner General Partner
RRE Ventures RRE Ventures
sje@rre.com will@rre.com

Format: A series of case discussions, lectures, group exercises, and guest speakers designed to give students broad exposure to the venture capital industry.

Material: Selected cases and original course materials are included in a course reader. These materials will be supplemented by pre-class polls, handouts and additional cases during the semester.

Requirements: Regular attendance, thorough preparation, and active participation. Grading will be based on:
- Participation (50%)
- Final paper (50%)
- Participation is based on regular attendance, completion of pre-class polls on CANVAS, and constructive contributions to class discussion.

The paper is an opportunity for students to perform an industry or investment opportunity analysis, much like an Associate in a venture capital firm would perform. Papers should clearly identify an opportunity to create or build a new company and then consider the attractiveness of the industry with attention to existing and potential competition (both public and private), supply and demand drivers, and investment criteria discussed in the course. Papers are limited to 5 pages, excluding citations. Typical topics will be discussed at the first class session on February 2, 2015.

Paper topic proposals should be emailed to the TA, Stephanie Korey (skorey15@gsb.columbia.edu) by Monday, February 23, 2015 for approval. Final papers are due at the start of the final class session on April 27, 2015 both by hard copy as well as via email to Stephanie.
Course Schedule

February 2, 2015
Session 1A: Investment Selection

Session 1B: Course Introduction
Lecture: Course Introduction and “Planning a career in venture capital”

Please note: The Valuation Problem Set for Session 2A takes a considerable amount of time. Students are advised to start as early as possible.

February 9, 2015
Session 2A: Valuation
Reading: The Basic Venture Capital Formula (HBSP 9-804-042; Rev. May 13, 2009)
Problem Set: Valuation Problem Set (HBSP 9-9396-090; Rev. May 10, 1995), Questions 1-4

Session 2B: Term Sheets
Case: Hans Trepreneur and TenX, LLC
Speaker: Ward Breeze, Gunderson Dettmer

Please note: Roles for the Endeca negotiation and supporting materials will be distributed at the end of class on February 9, 2015.

February 16, 2015 – Presidents Day, no class meeting
Session 3A and 3B: Use this time to prepare for next week’s negotiation
Case: The Endeca Negotiation (material distributed on February 10, 2014)
Reading: Venture Capital Negotiations: VC versus Entrepreneur (HBSP 9-800-170; Rev. March 2, 2000)

February 23, 2015
Session 4A and 4B: Negotiation
Case: The Endeca Negotiation (Material distributed on February 10, 2014)
Reading: Venture Capital Negotiations: VC versus Entrepreneur (HBSP 9-800-170; Rev. March 2, 2000)

Please note: Project topic proposals due by email for approval today.
March 2, 2015
Session 5A: Company Formation
Case: Intuitive Surgical (HBSP 9-202-094; Rev. March 21, 2002)

Sessions 5B: Company Formation
Case: Iora Health (HBSP
Speaker: Alexandar Packard, COO, Iora Health

March 6, 2015
Session 6A: Recapitalizations and Restarts
Case: Framework Technologies Corp. (HBSP 9-801-227; Rev. October 19, 2000)

Session 6B: Recapitalizations and Restarts
Case: Good Money After Bad? HBR Case Study and Commentary (HBR Reprint R0703A; March 1, 2007)
Speaker: Matt Tucker, COO, OLO

March 16, 2015 – Spring Break, no class

March 23, 2015
Session 7A and 7B: Company Formation

March 30, 2015
Session 8A and 8B: Current Trends in Venture Capital

April 6, 2015
Session 9A: Firm Strategy
Lecture: The Power Law and Getting to 3X

Session 9B: Firm Strategy in an International Context
Speaker: Talbot Simonds, Tondern Capital

April 13, 2015
Session 10A: Firm Strategy
Case: Andreessen Horowitz (HBSP 9-814-060; January 30, 2014)

Session 10B: Corporate Venture Capital
Case: Microsoft’s IP Venture (HBSP 9-810-096; June 15, 2010)
Reading: Making sense of Corporate Venture Capital (HBR Reprint R0203G; March 1, 2002)
Speaker: Frank Rimalovski
April 20, 2015
Session 11A: Expanding Investment Opportunities
Case: Seed Investing at RRE Ventures (Distributed in class on April 13, 2015)

Session 11B: Limited Partners
Case: Pawson Foundation (HBSP 9-806-042; Rev. May 16, 2008)

April 27, 2015
Session 12A: Ethics
Case: Adnet (A) (HBSP 9-902-024; Rev. August 19, 2004)
Reading: Ethics in Venture Capital (HBSP 9-902-028; Rev. July 31, 2001)

Session 12B: Course Summary
Lecture: Course Summary & Final Papers

Please note: Final Papers are due today.
Stuart J. Ellman

Stuart Ellman is co-Managing Partner of RRE Ventures. Founded in 1994, RRE has raised six venture capital funds with over $1.5 billion under management and has invested in over 250 companies. Since founding RRE with close friend and co-Managing Partner Jim Robinson IV, Stuart has been responsible for investing in over 40 technology companies at all stages of growth and across all sectors. He currently serves as a director of Bark and Co., Betaworks, Floored, Kroll Bond Ratings, Payfone, and Shake.

Prior to founding RRE, Stuart began his career at McKinsey and Company in Australia. He later worked at Dillon, Read & Co. as a Financial Analyst and at Morgan Stanley as an Associate. He also co-founded and served as Vice President of Advisory Capital Partners.

Stuart holds an MBA with Distinction from Harvard University and a BA in Economics from Wesleyan University where he was a Gilbert Clee Scholar and a Horace White Fellow. He lives in Manhattan with his wife, two kids, and one spoiled black cat.
Will Porteous

Will Porteous is a General Partner and the Chief Operating Officer of RRE Ventures. Before joining the venture capital industry, Mr. Porteous held senior management positions in marketing and product management with SupplyWorks and NetMarket, the e-commerce pioneer now owned by Cendant Corp.

Mr. Porteous is a Director of BuzzFeed, Connected Data, Crossboard Mobile, and Spire. He is a former Director of Whiptail Technologies (acquired by CSCO), Frictionless Commerce (acquired by SAP), Skyhook Wireless (Acquired by Liberty Media), Tacit Networks (acquired by PKTR), and Xobni (Acquired by Yahoo!). He also serves as an Adjunct Associate Professor at Columbia Business School and as Chairman of the Dockery Farms Foundation, which he founded.

Mr. Porteous holds an MBA from Harvard University, an MSc from the London School of Economics and Political Science, and a BA with Honors from Stanford University where he served as Captain of the Varsity Crew.