

VENTURE CAPITAL INVESTMENT COMPETITION (ENTRE 542)

Autumn 2016, Thursdays 6:00 – 7:50pm, Paccar 292

Office hours by appointment only in MKZ 262

Instructor: Diane Legg, DRenihan@UW.edu, (206) 669-8129

Course description: This course provides an overview of the venture capital world. Though the capstone of the class is the Venture Capital Investment Competition (VCIC), the curriculum is more broadly designed to provide students with the necessary tools to evaluate early-stage investment opportunities. Attendance, however, is limited to students who fully intend to participate in the intramural VCIC.

The class is interactive and integrative – every session will involve student activity and every subsequent week will build on the materials covered previously. Guest speakers include entrepreneurs, VCs, early-stage attorneys and prior VCIC competitors; and, students will engage with them on a weekly basis. Through team-based exercises, Q&A and role play, you'll get into character as a venture capitalist. We will cover such basics as business planning, valuation, term sheets, the investment life cycle and negotiations. **Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist**, by Brad Feld and Jason Mendelson is required reading; other readings will be topical, online research as recommended by industry experts – the more research you do, the more you will get out of the class. The course will entail weekly deliverables and readings; one set of responses will be required for each team. It is a 2-credit, C/NC course, but credit cannot be granted to students who miss more than two classes. This is a participation sport – not for casual spectators – and full engagement is expected for the greater good!

What is VCIC? The premier entrepreneurial strategy competition for more than 60 of the top international business schools, the VCIC (<http://www.vcic.unc.edu/>) is entering its 18th year. Turning the traditional business plan competition on its head, students pose as venture capitalists managing a \$150 million fund. Student teams will read and evaluate business plans, interview CEOs, make an investment decision, and construct and negotiate a term sheet – all in a fish bowl under observation by real life venture capitalist judges. **The UW intramural competition will be held at UW on Saturday, January 7, 2017.** The winning team will compete at a regional competition in Colorado on February 3, 2017, and eight regional champions will move forward to the 18th annual international competition at the University of North Carolina – Chapel Hill from April 7 - 8, 2017. The UW has a strong VCIC tradition, winning world championships in 2004 and 2006 and a second place finish in 2008, 2014 and 2015.

Syllabus

Week 1: 9/29/16 “Getting Into Character”

Welcome to the Venture Capital Investment Competition course! In this introductory class, you'll get an overview of the quarter and we will get to know each other since you'll quickly have to organize in teams of 5. You'll work in random teams until you select your own teams. Be sure to get to know your classmates so you can select a well-balanced team for the competition.

- **Assignments:**
 - Review VCIC website (www.vcic.unc.edu)
 - Read **Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist**, Chapters 8, 1 and 2

Week 2: 10/6/16 “How VC Funds Work”, “The Players” and “How to Raise Money”

In this session, you'll learn what the competition is all about from members of last year's #2 team in the world – yep, they are from UW! This will put the quarter in perspective and show you exactly how to get to the goal – to win the VCIC competition! Then we'll get started with the basics of Venture Capital.

- **Assignments:**
 - Read **Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist**, Chapters 3, 4, 5 and 6

Week 3: 10/13/16 “Economic, Control and Other Terms of the Term Sheet”

We're really moving up the hockey stick as you get a crash course in the nuts and bolts of term sheets. You'll get an understanding of the key focal areas of a term sheet as you prepare yourself to negotiate with entrepreneurs.

- **Assignments:**
 - Review the sample term sheet in **Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist**, Appendix A

Week 4: 10/20/16 “Batter Up” Practice Pitches from Entrepreneurs

Learn what it's really like to start a business from real-life entrepreneurs who will pitch their companies so you can get familiar with business pitches and practice asking due diligence questions. You'll work individually this time since you haven't picked teams yet.

- **Assignments**
 - Select your 5-person team and give it a name inspired by a Seattle neighborhood
 - Read **Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist**, Chapter 7
 - Read **“Notes on Contents of a Term Sheet”**

Week 5: 10/27/16 “Math Isn’t Hard!” aka The Waterfall Diagram

Let’s learn how to make money in venture capital investing! This is determined by a variety of market conditions and the terms specified in the term sheet. We will talk about cap tables and walk you through a case study, “**Notes on Contents of a Term Sheet**”, to demonstrate how the theories play out in practice.

- **Assignments**
 - Read **Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist**, Chapter 9

Week 6: 11/03/16 “Show Me the Money” – Valuations, Negotiations and Partner Meeting

This is where the rubber meets the road! You’ll learn about the art and science of valuation and how to “make a deal” with an entrepreneur. You’ll get a behind-the-scenes look at VC practices before you try your own hand at it. After the valuation and negotiation primer, we will divide into teams and practice negotiating a term sheet. Each team will play both sides of the negotiation – entrepreneur and VC – so remember, what comes around goes around!

- **Assignments**
 - In your teams, make an investment decision from the entrepreneurs you’ve seen present, and prepare a draft term sheet.

Week 7: 11/10/16 “Meet the Experts”

This session is always one of the most popular! Each team will be assigned an industry expert to discuss the draft term sheet you have prepared. Come armed with questions about what the experts see as “market”, what techniques they use to resolve conflicts, and leave with a day-in-the-life experience from a term sheet expert.

- **Assignments**
 - Take great notes on your expert’s advice, revise your team’s term sheet and turn them in.

Week 8: 11/17/16 “A Day in the Life of a VC

Learn what it’s really like to be a VC and what to look for in a deal, including the metrics and industry standards to consider when evaluating a company.

In your teams, discuss strategies for your due diligence and negotiating sessions in the upcoming “Mock VCIC”.

No Class 11/24/16 THANKSGIVING HOLIDAY

Week 9: 12/1/16 “Mock VCIC”

Each team will have the opportunity for a lightning round of questions with each of the entrepreneurs who presented this quarter, have a mock partner meeting, and negotiate a term sheet. You will be observed by a panel of judges, who will provide feedback on your Q&A, partner and negotiating sessions.

Week 10: 12/8/16 “Wrap It Up”

This is our last chance to revisit the key takeaways from each of the prior sessions, so bring all your questions! We will also review the logistics for the intramural VCIC to be held on Saturday, January 7, 2017.