

VENTURE CAPITAL INVESTMENT COMPETITION (ENTRE 542)

Autumn 2022, Thursdays 6:00 – 7:50pm, PCAR 395

Office hours by appointment; Syllabus subject to change

Instructor: *James Newell, newell@voyagercapital.com, (206) 438-1806*

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 as a venture capital investor. 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. Students will engage with them on a weekly basis so attendance is critical since sessions are not recorded. 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 analysis, due diligence, valuation, term sheets, the investment life cycle and negotiations.

Secrets of Sand Hill Road, by Scott Kupor 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. Another great book is **Venture Deals – Be Smarter Than Your Lawyer and Venture Capitalist**, by Brad Feld and Jason Mendelson. The course will entail weekly readings and other individual and group submissions. It is a 2-credit, C/NC course, but credit cannot be granted to students who miss more than two classes.

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 24th 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 under observation by real life venture capitalist judges. **The UW intramural competition will be held in early January 2023.** The winning team will compete in a regional competition against schools across the Western US, and eight regional champions will move forward to the 24th annual international competition, which is typically held at the University of North Carolina – Chapel Hill. 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: 9/29/22 “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 have to organize into teams of 5 later in the quarter. 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) and begin watching the training videos
- Read **Secrets of Sand Hill Road**, Chapters 2, 3, 4, 5

Week 2: 10/6/22 “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 team. 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 Due Diligence

- **Assignments:**

- Read **Secrets of Sand Hill Road**, Chapters 7, 8

Week 3: 10/13/22 “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:**

- Read **Secrets of Sand Hill Road**, Chapters 6, 9, 10, 11, 14, Appendix

Week 4: 10/20/22 “I Was Told There Would Be No Math”

Learn the basics of company valuation and methodologies for determining how you should price a deal. This will be a highly condensed version of what you will learn in some of your finance classes. Expect a guest speaker who is an expert in company valuation.

- **Assignments:**

- Read **Secrets of Sand Hill Road**, Chapter 15

Week 5: 10/27/22 “A Day in the Life of a VC” – Guest Speaker

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.

Week 6: 11/3/22 “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 during diligence questions then in a group to prepare your term sheet.

Week 7: 11/10/22 “Face the Firing Squad” – 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 a partner meeting.

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

Week 8: 11/17/22 "James Knows Nothing About Healthcare But Has Friends" – Guest Speaker

I'm primarily a software investor and our class typically includes a decent proportion of healthcare professionals. We will have a guest speaker who will provide an overview of the healthcare ecosystem and the frameworks for assessing healthcare related investments.

Thanksgiving: No Class

Week 9: 12/1/22 "Mock VCIC" - The Complete VCIC

A lightning round of the full VCIC including due diligence, partner meeting and negotiation, while getting observed and judged according to the VCIC matrix.

Week 10: 12/8/21 "Wrap It Up"- Q&A and Final Preparation

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.

VCIC Competition: TBD

It is time to put everything you have learned into practice. Good luck!