
Allen Angel Capital Education Program ("Allen ACE Fund")

Spring 2015

W. D Allen, Faculty Advisor

allenwd@missouri.edu

307C Cornell Hall

Fin 4201-02/7201-02

MW 12:30 Cornell Rm 30

Course Syllabus

(Adapted from Kellogg School of Management)

Required Materials

- *Fool's Gold* by Scott Shane
- Various case studies – provided
- *What Every Angel Investor Wants You to Know* by Brian Cohen

Recommended

- www.angelcapitalassociation.com
- www.kauffman.org
- www.nvca.com
- *Winning Angels* by David Amis and Howard Stevenson

Course Description:

The Allen Angel Capital Education Fund (Allen Fund) is a cross-disciplinary, student-managed angel investment fund that allows undergraduate and graduate students at the University of Missouri the opportunity to learn angel and venture capital investment strategies through the first-hand experience of investing in high-growth Missouri start-up companies.

Students will learn about angel and venture capital investment strategies through a balance of case studies, books, and deal flow from actual companies seeking funding. Students will cultivate deal flow, perform pre-screening duties, complete due diligence, structure investment contracts, and monitor portfolio holdings.

1. Objectives

The objectives of this course are to:

- Provide students with an in-depth understanding of the mechanics of investing in start up enterprises with a focus on the requirements needed to secure angel capital from the angel investor perspective, and the type of deal structures that are typical in seed-stage investment opportunities.
- Present students with a balanced perspective of seed-stage investments from the perspective of both the entrepreneur and the angel investor that will allow students the

opportunity to view the start up capitalization of high growth enterprises from both sides of the deal.

- Introduce students to entrepreneurs and angel investors to learn first hand of their experiences in raising start up capital and how these experiences relate to the mechanics learned throughout the course. This will also include discussion of angel investing groups and syndicates so that students can gain an understanding of the resources that exist to facilitate seed-stage investment opportunities in startup enterprises.
- Through class analysis of various projects, deploy funds into select ventures.

2. Course Design

The design of this course is unique in terms of the content as well as the pedagogy and reflects the following themes:

- Multiple Perspectives- Each functional area will be taught and discussed from both points of view (investor and entrepreneur). This “point/counterpoint” format is designed to convey the dynamic tension present in actual capital raising experiences.
- Functional Foundation- Sessions covering areas such as financial analysis and deal documentation will be grounded in functional skills such as calculations of enterprise valuation, investment return, the impact of dilution on shareholding, and proper compliance with corporate protocols.
- Dynamic Experience- Guest speakers and a case study role play will be implemented to give students the opportunity to absorb and gain experience with the unpredictable and sometimes emotional aspects of the deal process.
- Decision Orientation- The assignments and speaker panels will emphasize decision-making and learning by doing. Students will be required to perform quantitative analyses yet will use a case study role play simulation as a tool for action learning. The role play is "live and unrehearsed", where the situation is evolving minute by minute. This process can be demanding, and should result in a superior learning experience.
- Real World Investing- This will be the major focus of the class and will evolve with implementation of the guidelines. The seven basic concepts to be covered are: Sourcing, Evaluating, Valuing, Structuring, Negotiating, Supporting, and Harvesting.

3. Pedagogical Style

The pedagogical style will be a hybrid of lectures, cases, and presentations. The cases chosen for the course will be structured to focus on key issues facing entrepreneurs and angel investors. Tools, perspectives, and solutions used in the cases will be addressed in the lecture sessions.

4. Student Expectations

Every student is expected to be *present, well-prepared, and willing to participate* in class sessions. Attendance is mandatory for all class sessions. Absences will affect your class participation grade.

Students are expected to have completed the assigned readings for each class. They should expect a great deal of Socratic dialogue and be ready to present or defend their viewpoint on the material.

Contribution to class discussions through active participation is expected. In evaluating class participation, quality of input has greater value than quantity.

- Comments should reflect the current synthesis of the speaker’s knowledge of the issues.
- Participation should reflect the current topic and be linked to the discussion thread.
- Comments are expected to raise related issues or provide additional insight.
- Speakers should be clear and concise.
- Speakers should use decorum and be courteous and respectful to other class members.

Students who display excellent behavior in the fund will be invited back to the fund for the following semester. The Managing Director or Faculty Advisor will extend these invitations via email. If a student is not invited back to the fund for the following semester, it will not negatively affect the student’s grade and should not negatively affect the student’s participation in the current semester.

5. *New Member Recommendations*

Each member of the Fund is encouraged to recommend potential new members during the recruiting process by emailing a member of the executive board. This does not guarantee the potential new member acceptance into the Fund.

6. *Grading*

Item	Points/Item	Total Points
Papers (3)	2	6
Quizzes (2)	2	4
Attendance (1)	29	29
Participation Units (4)	7.5	30
Research/Professionalism	Varies	<u>31</u>
		<u><u>100</u></u>

93-100	A
90-93	A-
87-89	B+
80-87	B
65-80	C
50-65	D
0-50	F

7. *Grading Components*

Papers:

Students will be expected to write three one-page papers over various topics relating to angel investing.

The purpose of the papers is to encourage research and understanding of relevant class material.

Quizzes:

Students will be expected to take two short quizzes over *Fool's Gold* by Scott Shane and *What Every Angel Investor Wants You to Know* by Brian Cohen.

Attendance:

It is crucial that the students attend all of the class periods and arrive on time. Additionally, it is crucial that students come dressed appropriately. Generally, the class is casual dress but on occasions such as company presentations, the dress will be business casual. Students will receive one point for each class they attend prepared and dressed appropriately over twenty-nine class periods for a total of twenty-nine points. Students who arrive to class more than five minutes late (or late at all during a guest speaker visit) will not receive attendance points for the day.

Educational Trips:

Each semester, the Allen Fund takes at least one educational trip to learn more about entrepreneurship, angel investing, and/or private equity in general. In the past, the destinations have been Chicago, Dallas, Utah, and Boston. New students (who have not previously taken the class) and returning students who have attended at least ninety percent of the prior semester's class periods are eligible to attend the trips. All students who wish to take this semester's trip must attend at least 90% of classes leading up to the trip, must actively participate in class discussions, and must complete at least nine out of the ten assigned papers/quizzes. Students who do not meet these qualifications may not be invited on the trip and will be approached by the fund's Managing Director and Faculty Advisor.

Participation Units:

Students are expected to actively participate in the Allen Fund. Students are expected to add value to the class by completing "participation units." Participation units may include representing the Fund at related events or undertaking special projects to benefit the Fund (which do not include strictly "social events" that the Fund may host). **Students will receive a maximum of one participation unit for the semester for attending a Fund trip.** Students will accumulate four "participation units" at 7.5 points each to receive the full participation unit score. If a student volunteers to represent the Allen Fund at an event and arrives late, leaves early, or does not show up to the event at all, then this will be considered a "no show." Each "no show" that a student has will result in the subtraction of an existing (or nonexisting) participation unit. For example: if a student who currently has zero participation units volunteers to attend a Centennial Investors meeting and does not actually attend the meeting, that student will need to accumulate five total participation units throughout the rest of the semester in order to receive the full thirty points.

Research:

Students will often be asked to perform intensive research in concert with due diligence. The number of research projects performed depends on the level of entrepreneurial activity the Program sees during the semester; as such, a student's "research score" will be the weighted average of all projects for a score up to thirty-one points.

Professionalism:

All students must act with professionalism in all events in which the students are representing the Allen Fund. This includes class, Centennial Investors meetings, educational trips, etc. If the Faculty Advisor feels that a student is not acting in a professional manner, then the student will not receive full research/professionalism points.

8. Officers

The class will have appointed officers that will coordinate and be held accountable for the program.

Managing Director: Curtis Strubinger

- The public face of the fund and primary liaison of the fund with other organizations and individuals on campus and in the community
- Establish and grow relationships with entrepreneurs and angels on campus and in the community
- Manage all class activities including transitioning new members of the Fund
- *** recruiting efforts for the following semester and oversee the selection process

Executive Director & Director of Investing Activities: Clay Finley

- Encourage entrepreneurs to apply to the Fund
- Responsible for entire angel investing process
 - Prescreening Process
 - Presentation Screening Process
 - Due Diligence Process
 - Valuation, Term Sheet, and Negotiation Process
 - Monitoring Investment Process
 - Harvesting Process

Committees: To be revised

UM System	Private Sector	Social Media	Deal Flow	Media Relations	Internal Process
Ed Downs	Danny Forman	Lauren Langille	Laura Roider	Ben Becker	Curtis Strubinger
Chris Sinks	Tom Eliot	Erika Trombley	Jon Clements	Scott Feldt	Clay Finley
Keith Starr	Jimmy Vogt		Charles Gutierrez		Theresa Mullineaux
Sara Cochran	Jenny Gann		Jake Maxwell		
	J.D. Seelig (Contact DB)		Jack Easley		

Responsibilities: May be overlap. Let’s all play well with others.

- Maintain a database of relationship history
- Work to make the Allen Fund’s presence known throughout the entrepreneurial organizations on campus and in the community to improve deal flow
- Seek further funding to support both educational and investing funds
- Manage the Fund’s branding
- Maintain the Fund’s web presence
- Advertise recruiting efforts each semester
- Plan fund events and team building activities
- Prepare and create memorabilia and gifts for fund members, guest speakers, and donors Generate reports for dissemination outside of the class, including the newsletter

EternoGen Deal Lead: Jimmy Vogt

- Oversee Spring 2012 investment

Elemental Enzymes Deal Lead: TBA

- Oversee Summer 2012 investment

Knoda Deal Lead: Danny Forman

- Oversee Summer 2014 investment

Recorder: Theresa

- Maintain accurate records of each class meeting and outcome of discussions
- Travel planner Czarina

Faculty Advisor W.D. Allen

- Establish and grow relationships with entrepreneurs and angels on campus and in the community
- Encourage entrepreneurs to apply to ALLEN FUND
- Responsible for overseeing angel investing process
 - Prescreening Process
 - Presentation Process
 - Due Diligence Process
 - Valuation, Term Sheet, and Negotiation Process
 - Monitoring Investment Process
 - Harvesting Process
- Attend monthly Centennial Investor meetings

Alumni Advisory Board:

Due to the long-term orientation of angel investing, an Alumni Advisory Board has been created. The purpose of the Board is to provide continuity in the Allen Fund information and relationships as well as to advise Allen Fund students in the angel investing process. After graduation, students may be asked to join the Alumni Advisory Board.

9. Allen ACE Fund Dictionary

- AACE – Allen Angel Capital Education Program/Fund
- CI – Centennial Investors
- EIP – Enterprise Investment Program
- Kauffman Foundation – One Million Cups every Wednesday morning
- Incubator
- Contact Database
- EternoGen
- Elemental Enzymes
- ACA
- GUST
- MTC – Missouri Technology Corporation
- OTMIR – Office of Technology...

10. Schedule

DATE	CLASS	ASSIGNMENT
1/21/15	Class intro - WD	HOMEWK: Due 1/28 One page on three websites in syllabus
1/26/15	POAI intro Pt. 1	
1/28/15	Homework due POAI intro Pt. 2	HOMEWK: Due 2/4 One page on Sec.Act of 1933 (Reg D important?)
2/2/15		
2/4/15	Homework due SEC	Study for Fool's Gold quiz
2/9/15	Fool's Gold quiz + Egen/EE report	
2/11/15		Study for Cohen book quiz
2/16/15	Cohen book quiz	
2/18/15		
2/23/15		

2/25/15		
3/2/15		Early Registration
3/4/15		
3/9/15		
3/11/15		
3/16/15		
3/18/15	Start up Weekend	
3/23/15	Spring Break	
3/25/15	Spring Break	
3/30/15		
4/1/15		
4/6/15		
4/8/15		
4/13/15		
4/14/15	Leave for SD	
4/15/15	No class – San Diego	
4/20/15		
4/22/15		
4/27/15		
4/29/15		
5/4/15		
5/6/15	Last day of class	

11. The other usual caveats

Honor code - Academic dishonesty is an offense against the University and other students in the class. Any student who has committed an act of academic dishonesty has failed to meet a basic requirement of satisfactory academic performance. Thus, academic dishonesty is not only a basis for disciplinary action but also is relevant to the evaluation of the student’s level of performance. When there has been an act of academic dishonesty in this course, I will assign a failing grade for the course, without exception. I will not consider any other sanction. If you have any further questions regarding University policy regarding academic honesty, please see your instructor, academic advisor, or other University official. You should also consult the Mizzou Student Handbook. Honor pledge: *“I strive to uphold the University values of respect, honor, responsibility, discovery, and excellence. On my honor, I pledge that I have neither given nor received unauthorized assistance on this work.”*

ADA - If you need accommodations because of a disability, if you have emergency medical information to share with me, or if you need special arrangements in case the building must be evacuated, please inform me immediately. Please see me privately at my office. To request academic accommodations (e.g., a notetaker), students must also register with Disability Services in Memorial Union, 882-4696. It is the campus office responsible for reviewing documentation provided by students requesting academic accommodations, and for accommodations planning in cooperation with students and instructors, as needed and consistent with course requirements. For other MU resources for students with disabilities,

click on “Disability Resources” on the MU homepage. All students are expected to abide by the honor code of the University of Missouri.

Academic Integrity - Academic integrity is fundamental to the activities and principles of a university. All members of the academic community must be confident that each person's work has been responsibly and honorably acquired, developed, and presented. Any effort to gain an advantage not given to all students is dishonest whether or not the effort is successful. The academic community regards breaches of the academic integrity rules as extremely serious matters. Sanctions for such a breach may include academic sanctions from the instructor, including failing the course for any violation, to disciplinary sanctions ranging from probation to expulsion. When in doubt about plagiarism, paraphrasing, quoting, collaboration, or any other form of cheating, consult the course instructor.

Close cover before striking, do not remove under penalty of law, sold for prevention of disease only....