



The Hebrew University of Jerusalem

Syllabus

Introduction to VC World and Entrepreneurial Finance - 55824

Last update 13-03-2025

HU Credits: 3

Degree/Cycle: 2nd degree (Master)

Responsible Department: Business Administration

Academic year: 0

Semester: 2nd Semester

Teaching Languages: English

Campus: Mt. Scopus

Course/Module Coordinator: Mr. Shalom (Saul) Orbach

Coordinator Email: saul.orbach@mail.huji.ac.il

Coordinator Office Hours: Before and after class, or by appointment

Teaching Staff:

Mr. saul orbach

Course/Module description:

Course/Module description: This course will provide students with a deep understanding of the venture finance industry and financing types along the funding continuum from angel investing, venture capital, and private equity funds. Although our model will be the US market where the venture finance industry originated, we will also focus on, and highlight, the idiosyncrasies of the Israeli market. We will examine each type of funding from various perspectives including the entrepreneur, fund manager, and limited partner (to the extent there are) so that the student acquires a 360 degree understanding of each. This view will include fund structure and fund-raising, the relationship between general and limited partners, operational issues, evaluating opportunities and investment decisions, post investment activities and value creation, and value realization (exit). Particular attention will be paid to understanding valuation issues, cap tables and term sheets, the foundation of the actual investment.

For the entrepreneurs among us, you will receive insights into the VCs perspective that will help guide you in more successfully understanding the fundraising process and thus help you to more successfully raise capital. We will also examine the nature of the relationship between investors and entrepreneurs to better understand how to ensure the proper and successful alignment of interests.

Integrated into the venture material are several essential and fundamental legal topics including, founder's agreements, fund structure, term sheets, valuation, cap tables, and due diligence.

To achieve these goals, the course will combine lectures, case studies, a project, and several highly regarded guest lecturers from the investment community who will share their vast experience with the students, and give the students the opportunity to network with these industry luminaries. The case studies will illustrate the application of the ideas learned in the real world. By doing the exercises, you will gain practical experience dealing with real issues related to market research.

The group will be divided into, and work in, teams over the course of our time together, particularly in working on and submitting the select number of assignments that illustrate important concepts of startup funding with a practical application. Through this, each team will have the opportunity to simulate the funding process as a VC investment manager.

Students are expected to attend class regularly and participate in class discussions as this will be a key factor in the final grade.

Course/Module aims:

- To identify and characterize the different types of investments on the funding continuum
- To understand venture capital, including being able to:
 - o evaluate investments and be familiar with the decision process
 - o value an early stage company for investment purposes
 - o read, understand and differentiate between the economic and control aspects of Term Sheets
 - o automatically identify the characteristics of various funding rounds
 - o describe how VCs add value post investment
 - o evaluate the why, when, and how of exiting a company
- To know with the fundamental legal aspects of venture capital investments

Learning outcomes - On successful completion of this module, students should be able to:

- To identify and characterize the different types of investments on the funding continuum
- To understand venture capital, including being able to:
 - o evaluate investments and be familiar with the decision process
 - o value an early stage company for investment purposes
 - o read, understand and differentiate between the economic and control aspects of Term Sheets
 - o automatically identify the characteristics of various funding rounds
 - o describe how VCs add value post investment
 - o evaluate the why, when, and how of exiting a company
- To know with the fundamental legal aspects of venture capital investments

Attendance requirements(%):

80%

Teaching arrangement and method of instruction: Lectures, Presentations, Assignments, case studies, guest lecturers

Course/Module Content:

Session 1: Venture Finance – Overview and history
Venture Finance (or generically Private Equity):

- Definition
- History

The Funding Continuum:

- *Introduction*

Comparison of funding types and objectives:

- *Seed stage capital-Self Funding, Family & Friend*
- *Incubators/Accelerators*
- *Angel investing (Angel)*
- *Venture Capital (VC)*
- *Corporate Venture Capital (CVC)*
- *Private Equity (PE), Growth and Buy Out*

Session 2: The 5 Roles of a VC Overview:

Funding: Fund Creation and Fund Raising

- *All about Limited Partners*

Sourcing: Creating Deal Flow

- *Outbound and Inbound*

Investing: Evaluating and Investing in companies

- *Screening, Due Diligence, Term Sheets*

Supporting: Post-Investment Value Creation

- *The VC Value Add*

Exiting: Value Realization

- *Identifying Options, Executing*

The VC process and timeline

Case Assignment: TBD.

- *Due Week 4*

Session 3: Funding and Sourcing

Funding

- *Fund Structure*
- *Limited Partners*

Sourcing Deals

- *Creating Deal Flow*
- *Internal vs External*

Session 4: Investing: Evaluating companies

- *VC selection criteria*
- *The VC process and timeline*

Session 5: Investing in equity: Valuation and Cap Tables

Valuation

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- *Understanding Valuation*
 - *Methods to determine valuation*
 - *Understanding Dilution*
 - *Pre and post money valuation initially, and in future fund-raising rounds*

Session 6: Cap Tables

- *Definition*
- *Working with a Cap Table*
- *Understanding shares*
- *Option pools*
- *Representing rounds on the cap table*
- *Interpreting Cap Tables*

Due Diligence, Term Sheets and Stock Transfer Agreements

Session 7: Due Diligence (DD)

- *Purpose - Importance*
- *Various types of DD*
- *Timeline*

Session 8: Term Sheets

- *Economic Terms*
- *Management & Control*
- *Protection*
- *Exit & Liquidity*

Stock Transfer Agreements

- *Finalizing the Investment Transaction*
- *Overview of various agreements*
- *Mapping to Term Sheet*

Financing Rounds, and Post investment Value Creation

Session 9: Financing Rounds

- *Understanding a company's need for capital*
- *How much, When, and Why*
- *Planning your funding future*
- *Understanding the characteristics of each round*
- *Partnering with other funds*

Session 10: Post investment Value Creation

- *Ways VCs help companies grow*
- *Resources available to increase portfolio value*

Exiting, Late Stage investment, Private Equity

Session 11: Exiting, Late Stage investment

- *Knowing when to Sell*
- *Types of Exits: IPO, Acquisition, LBO, etc.*
- *Understanding mechanics and pros and cons of each*
- *Working with I-Bankers*

Private Equity

- *Understanding Private Equity*

Session 12: VCs and Entrepreneurs

- *The Entrepreneur's Perspective*
- *Aligning Interests*
- *Characteristics of a good fit or bad fit*
- *The Relationship and Responsibilities*

Session 13: Summary, Closing Remarks, and Final Test Prep.

Session 14: Final Exam

Required Reading:

Weekly reading assignments as designated on the course Moodle page.

Additionally:

- 1, Startup Valuation*
- 2, Cap Tables*
- 3, Term Sheets*
- 4. Convertible Notes*

Each pamphlet is available for purchase (\$3,99 each) online in e-book format at www.1x1Media.com

Additional Reading Material:

there will be a list of resources in the moodle

Grading Scheme:

Written Exam % 35

Essay / Project / Final Assignment / Home Exam / Referat 15 %

Submission assignments during the semester: Exercises / Essays / Audits / Reports / Forum / Simulation / others 20 %

Clinical Work / Lab Work / Practical Work / Workshops 15 %

Attendance / Participation in Field Excursion 5 %
Other 10 %

Additional information:

Teaching arrangement and method of instruction: Lectures, Presentations, Assignments, case studies

Final Exam Part 1: 15%

A multiple choice set of questions dealing with Term Sheets and Funding Rounds

Final Exam Part 2: 20% Term Sheet Analysis

You will be asked to review and analyze a company that has been presented with two different Term Sheets. Your job will be to analyze, evaluate and recommend which Term Sheet to accept and why based on the different conditions that will be set out in the test. This test is designed for you to demonstrate your grasp of the fundamental investment material we covered on the one hand, and your analytical abilities on the other.

Pitch Deck Analysis 20%

You will be asked to evaluate a company pitch for investment and asked to write an investment recommendation to the Fund manager about what course of action the Fund should take.

Case assignment 15%

Read, analyze and respond to the questions for the case. Remember, your outcome choice is less important than the rationale you develop in reaching that choice. Put emphasis and focus on the rationale!

Each Team will purchase a case study package will be available for purchase from the Harvard Business Review (hbr.org) web site. (Cost: \$4.95/team)

VC Fund Creation Exercise 15%

Each team will develop an original VC Fund and the pitch deck presentation for fund raising purposes.

2-3 Quizzes 10%

There will be up to 3 quizzes based on the weekly reading assignment or previous classroom discussion. Each quiz will be 10-15 questions, and will be administered at the beginning of the second half of the session

Classroom participation 5%

Classroom participation will be measured by their participation and involvement in the class. This is not a contest but a measure of your engagement in the classroom discussion.

Effective participation includes: (1) providing insightful questions and comments on concepts from lectures and readings; (2) sharing your experience or point of view with the class; (3) building on points raised by others; (4) clarifying issues; and (5) relating ongoing topics to previous class discussions. Please keep in mind that I will base your score on the quality of your comments and not their quantity.