

UCLA Anderson School of Management
MGMT 298H: *Impact Investing I & II*

Course Syllabus

Course Overview and Objectives:

Impact Investing is a two quarter (2 units per quarter) course covering the core principles of investing in businesses that generate both financial returns and tangible social impact, including environmental sustainability, education and empowerment, health and welfare, and economic equality, among others.

We explore impact investing primarily through the lens of venture capital investing, including the sourcing, evaluation, structuring, and value enhancement of investments in privately held companies that have an impact focus. We discuss approaches to evaluating and measuring the social impact of businesses and investments and touch on topics pertaining to impact entrepreneurship.

The course is taught through a combination of lecture, cases, and expert insight via guest speakers, such as Brian Lee, co-founder of The Honest Company and co-founder and Managing Director of BAM Ventures, and Brian Cayce, founder of Gray Ghost Ventures. In addition, students receive hands-on experience through the direct sourcing and evaluation of actual impact ventures. Students are placed on one of four topic-specific teams: Environmental Sustainability, Financial Inclusion, Healthcare, or Education/Workforce.

The course and program culminate in the presentation of selected investment opportunities to an internal investment committee consisting of UCLA Anderson faculty. The investment committee is composed of three faculty: Magali Delmas, the Faculty Director for the Center for Impact at Anderson, Jon Funk, a professor and faculty advisor in entrepreneurship, and Bill Cockrum, a professor in finance. The committee's role is to work with students to identify gaps in due diligence, focus on the growth of the fund, and give final approval of investments. The best investment opportunities are eligible to (a) be considered to receive up to \$50,000 in funding from Anderson Venture Impact Partners, UCLA's Impact Investment Fund and/or (b) be considered to participate in MIINT, the global MBA impact investment competition held annually at Wharton in April. A selection committee determines the eligibility of each investment opportunity for the above two categories. (See <https://www.anderson.ucla.edu/about/centers/impactanderson/for-students/impact-investing> for additional information on the *UCLA Anderson Impact Investment Program*.)

While this course is focused on impact investments, course learnings are applicable to venture investing and entrepreneurship generally.

Learning Objectives:

The course is designed to equip the student to accomplish the following:

- Develop an Impact Investment Thesis to source and screen potential investments;
- Assess the investment and impact merits and risks of a potential investment;
- Analyze different business models and financial projections;

- Value and explore alternative securities and structures for venture investments;
- Synthesize due diligence findings and analysis in a recommendation presented through an Investment Committee Memorandum and discussion;
- Identify way to increase investment value and impact, including associated metrics to measure and monitor progress post-investment.

Course Dates and Location:

- **Dates:**
 - Fall (5 sessions): 10/4, 10/18, 11/1, 11/15, 11/29
 - Winter (5 sessions): 1/11, 1/25, 2/8, 2/22, 3/8
- **Time:** 4:10pm to 7pm
- **Location:**
 - Zoom (see course site on BruinLearn for link)
 - D310 (Winter quarter)

Course Instructors:

Jason Lee

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Course TAs:

Haley Cassriel

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Investment Committee:

Magali Delmas

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Bill Cockrum

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Jon Funk

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Course Reader:

Digital course reader provided to enrolled students.

Deliverables:

Assignments:

Fall Quarter

- **Investment Thesis** (due 10/18) – Develop an investment thesis (~3 to 5 slides) describing the impact theme(s) your team has elected to pursue among the core impact themes of (i) environmental sustainability, (ii) education and workforce development, (iii) financial inclusion and (iv) healthcare and wellness. [*Note: If you would like to pursue target investments in other impact categories, please discuss and obtain prior approval of the course instructors.*] In your investment thesis slides, include the description of the problems/needs your team will seek to address through your impact investments, target beneficiaries and how they will benefit, your team’s criteria for investment selection, and a framework for evaluating the impact of a potential investment (pre/post-investment).
- **Investment Sourcing Plan** (due 11/1) – Prepare a plan (~1 to 2 pages), including specific sources (e.g., organizations, firms, associations, forums, websites, etc.), for identifying potential target investments within the impact themes/sectors described in your investment thesis.
- **Due Diligence Plan** (due 11/15) – Prepare a due diligence check list with a description of key diligence topics for your target investment and your plan for evaluation thereof. The plan should be 3 to 5 pages and include a work plan with milestones and timetable. Summary of your team’s diligence findings corresponding to this plan will be due in the winter quarter (see below).
- **Investment Target Summary & Presentation** (due 11/29) – Prepare a summary of your investment target including company description, investment/impact merits, risks and key due diligence areas, diligence work plan and findings to date, and timeline and milestones for completion of the evaluation, negotiation of investment terms and closing. The summary should be 4 to 5 pages in length and will form the basis of a preliminary presentation to the Investment Committee (IC). [*Note: The full IC memorandum and presentation will not be due until the end of the Winter quarter.*]

Winter Quarter

- **Impact Analysis and Metrics (Logic Model)** (due: 1/25) – Prepare a logic model (1-2 slides) for your target investment. (*In the event your team has more than one investment target at the time you are preparing this assignment, you may select the highest probability target as the subject for this assignment*). Refer to the Logic Model framework as discussed in the lecture and readings for session four of the fall quarter.
- **Due Diligence Summary** (due: 2/8) – Prepare a summary of your due diligence findings from the previously submitted diligence work.
- **Valuation and Investment Terms** (due: 2/22) – Prepare a write-up (2-3 pages) describing your valuation assessment of the investment target and your analysis/rationale that led your team to this conclusion. Summarize key investment terms in the form of a draft term sheet (sample/template to be provided).
- **Investment Committee Memo & Presentation** (IC memo due: 3/3; IC presentations during 3/8 class) – Prepare a comprehensive Investment Committee Memorandum (10 to 15 pages, excluding

exhibits – see format below), including an overview of the business, investment thesis, investment and impact merits, risks and strategies for mitigation, financial projections/analysis, due diligence findings, proposed investment amount and terms, next steps. The IC memo will form the basis for a presentation to and discussion with the Investment Committee, who will assess the attractiveness of the opportunity relative to those presented by the other teams.

- Memo format: 10-15 pages in length without including cover page and appendix. Appendices limited to 10 pages maximum. Memo should include 1 page executive summary.
- Investment Committee Presentation: The PowerPoint presentation should be maximum of 12 slides (use slides in Appendix as required during Q&A). Teams should plan for a 10 minute presentation followed by a 10-15 minute Q&A. The submission MUST be in Microsoft PPT standard format.

Grading:

Note the final grade for this course will be assessed on a Satisfactory / Unsatisfactory basis.

Fall Quarter

- Class participation: 20%
- Investment Thesis: 20%
- Investment Sourcing Plan: 20%
- Investment Due Diligence Plan: 15%
- Investment Target Summary and Presentation: 25%

Winter Quarter

- Class participation: 20%
- Business and Social Impact Analysis and Metrics: 15%
- Due Diligence summary: 15%
- Valuation and Investment Terms: 15%
- Investment Committee Memo & Presentation: 35%

Course Sessions:

FALL QUARTER

Session 1 (Oct 4) – Introduction to Impact Investing & Venture Capital

Topics:

- Defining social impact
- Impact investing – definition, players, paradigms and philosophies
- Approaches to impact investing
- Mechanisms for generating impact through investing
- History of and trends in impact investing
- Challenges in driving growth in and greater impact from impact investing
- Development of an impact investment thesis and strategy
- Key questions for impact players
- *Guest speaker:* Brian Cayce, Gray Ghost Ventures

Readings:

- *Introduction to Investing for Impact*, Cole, Gandhi and Brumme, HBS, December 2020
- *Social Impact Investing will be the New Venture Capital*, Sir Ronald Cohen and William A. Sahlman, HBR Blog, January 2013 [\[link\]](#)
- *The Trouble with Impact Investing, Part 1, Part 2, Part 3*, Kevin Starr and Laura Hattendorf, Stanford Social Innovation Review, 2012 [\[link\]](#)
- *Making Sense of the Many Kinds of Impact Investing*, Brian Trelstad, January 2016 [\[link\]](#)
- *Making Impact Investing Work*, Brian Trelstad, Project Syndicate, January 2020 [\[link\]](#)
- *Impact Investing 2.0: What \$3 Billion Tells Us About the Next \$30 Billion*, Cathy Clark and Ben Thornley, Huffington Post, September 2013 [\[link\]](#)

Assignments:

- None

Session 2 (Oct 18) – Investment Process and Sourcing

Topics:

- Overview of venture investing and the VC model
- The venture investment process and lifecycle
- Characteristics of an attractive investment
- Investment sourcing strategies
- Competitive dynamics and cooperation among VCs
- *Guest speaker:* Patrick Sagisi, Acario Capital

Readings:

- *How Venture Capital Works*, Bob Zilder, Harvard Business Review, November-December 1998 [\[link\]](#)
- *Critical Factors for Obtaining Venture Funding*. Garage Technology Ventures [\[link\]](#)
- *How Venture Capitalists Evaluate Potential Venture Opportunities*, Michael Roberts and Lauren Barley, Harvard Business Publishing, 2004
- **Case:** *DBL Partners: Double Bottom Line Venture Capital*

Assignments:

- Investment Thesis

Session 3 (Nov 1) – Opportunity Evaluation and Due Diligence – Business Evaluation

Topics:

- Opportunity screening
- Evaluation of investment merits including financial and social impact
- Identification of risks and approaches to diligence and mitigation
- Investment due diligence
- *Guest speaker:* Peter Lee, Embark Ventures

Readings:

- *How Venture Capitalists Evaluate Potential Venture Opportunities*, Michael Roberts and Lauren Barley, Harvard Business Publishing, 2004
- *The Due Diligence Process in Venture Capital*, MaRS, December 6, 2013 [\[link\]](#)
- *Size Matters...How Big is Your Market?*, Hambleton Lord & Christopher Mirabile, Seraf-Investor.com [\[link\]](#)
- *A Philosophy for Early Stage Startup Due Diligence*, Angel Capital Association [\[link\]](#)
- *Stones Unturned: An Investor's Guide to Due Diligence in Early Stage Companies* [\[link\]](#) -- skim

Assignments:

- Investment Sourcing Plan

Session 4 (Nov 15) – Opportunity Evaluation & Due Diligence – Impact Analysis

Topics:

- Assessing the potential social impact of a business/investment
- Impact investment KPIs and metrics
- Screening for impact
- Relationship between financial and impact returns
- *Guest speaker:* Brian Lee, BAM Ventures & Co-Founder, Honest Company, Legal Zoom

Readings:

- *Managing and Measuring Impact*, Cole, Gandhi and Brumme, HBS, April 2018
- *Impact Engine's Approach to Measuring What Matters*, Tasha Seitz, Impact Engine Blog, July 31, 2019 [\[link\]](#)
- *What Impact? A Framework for Measuring the Scale and Scope of Social Performance*, Ebrahim and Rangan, 2014
- *Impact Due Diligence*, Elizabeth Coston, Impact Engine blog, March 31, 2017 [\[link\]](#)
- *Measuring the Impact in Impact Investing. Theory of Change and Logic Models*, pp. 23-31. So, Ivy and Staskevicius, Alina [\[link\]](#)
- *Calculating the Value of Impact Investing*, Harvard Business Review, January 2019, Addy, Chris [\[link\]](#)
- **Case:** *Acumen Case (A) and/or (B)*

Assignments:

- Target Due Diligence Plan

Session 5 (Nov 29) – Business Model and Forecast Analysis / Group Presentations – Investment Thesis & Target Investments

Topics:

- Analysis of various business models (recurring and non-recurring sales)
- Financial metric KPIs associated with business models
- Evaluation of financial forecasts and projections
- Analysis of projected social impact
- Group presentations of impact investment thesis and investment targets

Readings:

- None

Assignments:

- Investment Target Summary and Preliminary IC Presentation

WINTER QUARTER

Session 1 (Jan 11): Fall Quarter Review / Investment Valuation, Capitalization and Structuring – Part I

Topics:

- Understanding equity valuation: Size and slice of the pie!
- Co-investors and Syndicates
- Capitalization and cap tables
- Financial incentives: Show me the money!
- Valuing a venture investment
- Does valuation matter?

Readings:

- *Seraf: Approximations, Assumptions and Aspirations: Methods For Valuing Startups, Part 1 and Part 2* [\[link1\]](#) [\[link2\]](#)
- *A Method for Valuing High-Risk, Long-Term Investments – The “Venture Capital Method”*, William Sahlman, Harvard Business Publishing, 2009 – **pages 1-7 and 18-25 only**; rest is optional (Course Reader)
- *Valuing Pre-Revenue Companies*, Kauffman Foundation [\[link\]](#)
- *How do VC firms value a start-up?*, Paul Cohn blog post [\[link\]](#)
- *Seraf: Who Owns What – Understanding Early Stage Capitalization Tables, Part 1 and Part 2* [\[link1\]](#) [\[link2\]](#)

Assignments:

- None

Session 2 (Jan 25): Investment Valuation, Capitalization and Structuring – Part II

Topics:

- Introduction to Convertible Notes, SAFEs and Preferred Equity
- VC Term sheets – key terms
- Understanding motivations: Why do these terms exist?
- Negotiating a Term sheet
- “What’s market?”
- Timelines
- Venture Debt

Readings:

- **Review Session 1 readings**
- *Everything You Ever Wanted to Know About Convertible Note Seed Financings (But Were Afraid To Ask)*, April 2012 [\[link\]](#)
- *Convertible Notes: Good or Evil*, Hambleton Lord & Christopher Mirabile, Seraf-Investor.com [\[link\]](#)
- *Anatomy of SAFE*, Propel(x) June 28, 2021 [\[link\]](#)
- *SAFE vs. Convertible Note: What’s the Difference?*, Propel(x) June 16, 2021 [\[link\]](#)

- *What's in a Term Sheet? The World's Most Irritating Not-Quite-Contract*, Bruce Gibney of Founders Fund and Paypal Investor [\[link\]](#)
- *How to Negotiate with VCs*, Deepak Malhotra [\[link\]](#)
- **Skim sample convertible note, SAFE and term sheet agreements posted to course site**
- *Optional:*
 - *Latest Wilson Sonsini Entrepreneurs Report* [\[link\]](#)
 - *Y Combinator SAFE financing documents – Safe User Guide (US companies)* [\[link\]](#)

Assignments:

- Impact Analysis and Metrics

Session 3 (Feb 8): Investment Oversight and Financial & Impact Value Creation

Topics:

- Life post-investment – roles, relationships and dynamics among the parties
 - Management and the Board / Investors
 - Dynamic between co-investors
- The day after the investment
- 100-day, strategy and value creation planning
- ESG: Environmental, Social and Governance
- Performance measurement and reporting
- Recruiting
- Financing the operations
- *Guest speaker:* Tony Pringle, Partner @ Quinn & Partners

Readings:

- *Strategies For VCs To Increase Startup Success Odds*, David Teten, TechCrunch, 2013 [\[link\]](#)
- *Managing vs. Measuring Impact Investment* (SSIR 2012) [\[link\]](#)

Assignments:

- Due Diligence Summary

Session 4 (Feb 22): Impact Management & Measurement

Topics:

- Impact investment KPIs, reporting and management
- Current impact measurement and ESG rating bodies and frameworks
 - UNPRI, SASB, GRI, etc.
- Theory of Change and Logic Models
- *Guest speaker:* Adriana Embus, Los Angeles Cleantech Incubator (LACI)

Readings:

- *ESG Metrics: Reshaping Capitalism?* Serafeim and Grewal, HBS, April 2019 (Course Reader)
- *Calculating the Value of Impact Investing*, Harvard Business Review, January 2019, Addy, Chris [\[link\]](#)
- *Managing and Measuring Impact*, Cole, Gandhi and Brumme, HBS, April 2018

- *Impact Engine's Approach to Measuring What Matters*, Tasha Seitz, Impact Engine Blog, July 31, 2019 [\[link\]](#)
- *What Impact? A Framework for Measuring the Scale and Scope of Social Performance*, Ebrahim and Rangan, 2014 (Fall Course Reader)
- *Measuring the Impact in Impact Investing. Theory of Change and Logic Models*, pp. 23-31. So, Ivy and Staskevicius, Alina [\[link\]](#)
- **Case:** *The Rise Fund: TPG Bets Big on Impact* (Course Reader)

Assignments:

- Valuation and Investment Terms

Session 5 (Mar 8): Group Investment Committee Presentations & Course Wrap-Up

Topics:

- Group Investment Committee presentations and discussions

Readings:

- None

Assignments:

- Investment Committee memo to be uploaded on BruinLearn by **March 3**. *Students are expected to have reviewed the IC memos for the other groups prior to the Mar 8 class and engage with questions and feedback as the investment committee.*

Instructor Bios:

Jason Lee

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<http://www.anderson.ucla.edu/faculty/finance/faculty/lee>

Jason is a lecturer in finance and entrepreneurship at UCLA Anderson School of Management. He has over 24 years of professional experience in investment banking, entrepreneurship and investing. His teaching focus includes finance, entrepreneurship, mergers & acquisitions, and private equity.

Outside of campus, Jason is a managing partner of Element, a strategic and transactional advisory firm focused on the energy and critical infrastructure sectors. Previously, he co-led the Power Opportunities Group of Oaktree Capital Management, where he managed a \$3 billion private equity group focused on the energy sector. While at Oaktree Jason directly led numerous investments in companies in the energy efficiency, infrastructure construction and services, and renewables sectors, including the two largest renewable energy company IPOs in U.S. history, is a recognized industry leader in the field of energy efficiency and services and a Certified Energy Manager. Prior to Oaktree, Jason was a founding managing partner of Ascend, a venture consulting and incubation company, and co-founder of Intersphere, a business services company. He also previously served as Director of International Business Development and Strategy for Youbet.com, a publicly listed new media company, and CFO of Amerix Group, an international distributor of semiconductor and other electronic components. Jason began his professional career in the investment banking group of JP Morgan, focusing on M&A and corporate finance transactions for companies in the technology, media, consumer retail and industrial sectors. Jason serves/has served on numerous public and private company boards and is a founding partner of The Edge Corporation, which provides training for professionals in the fields of finance, management, strategy consulting and law.

B.S. Business Administration, UC Berkeley

MBA Business Administration, UCLA Anderson School of Management

Anil Tammineedi

anil.tam@gmail.edu

Anil is a Principal at Angeleno Group, a pioneer in providing growth capital for next generation clean energy and climate solutions companies. Since 2008, Anil has been a member of the investment team and serves on the Angeleno Group Investment Committee. He leads investments across several sectors including sustainable mobility, energy storage, resource efficiency and smart infrastructure.

Anil has several years of technology and operating experience at Broadcom, where he worked from 1999 to 2006, in product development and management roles related to semiconductors targeting communications, mobile and power management applications. His work has contributed to eight patents as an inventor.

Anil's prior investing experience includes his work at Applied Ventures, the corporate venture capital group of Applied Materials.

He currently serves as a Senior Faculty Advisor to the Business Creation Option program at UCLA Anderson School of Management. He is also a Kauffman Fellow, a selective two-year leadership development program for venture capitalists.

Anil is actively involved on the Boards of several Angeleno Group portfolio companies including Stem (NYSE: STEM), Critigen, Patriot Environmental Services and mPrest.

B.E., PSG College of Technology, India

M.S., Iowa State University

M.B.A., UCLA Anderson School of Management

Investment Committee:

Magali Delmas

Magali (Maggie) Delmas is a Professor of Management at the UCLA Anderson School of Management and the Institute of the Environment & Sustainability. She is the director of the UCLA Center for Corporate Environmental Performance and the Center for Impact at Anderson. She conducts research in Strategy and Corporate Sustainability, and has published more than 90 articles, book chapters and case studies on the subject. She is the recipient of the Academy of Management/Organization and the Natural Environment Distinguished Scholar Award. She currently works on developing effective information strategies to promote conservation behavior and the development of green markets. She is engaged in refining current methodologies to measure and communicate firm and product environmental performance. Her award-winning book: "The Green Bundle: Pairing the Market with the Planet," is published at Stanford Press.

Bill Cockrum

Professor Bill Cockrum is a Professor of Finance at the UCLA Anderson School. He has won numerous teaching awards, including recognition as the top entrepreneurial professor in the nation in a survey conducted by *Business Week* in 1996. Prior to joining the UCLA faculty, Cockrum spent 25 years in financial services, initially as a marketer and last as CFO/CAO and one of the top senior officers at Becker Paribas Inc., a 3,000-employee investment banking firm.

Cockrum teaches Entrepreneurial Finance, Leadership and Business Ethics; Real-World Challenges Leaders Face; and Investment Management. He also is a member of the school's Board of Advisors, the Anderson alumni board, the advisory board of the Price Center for Entrepreneurship & Innovation and the advisory board of the Fink Center for Investment. He is a former member of the UCLA Foundation investment committee and a governor of the Foundation.

Cockrum was until 2019 a member of the advisory board of the Graduate School of Management of Cranfield University in Cranfield, England, as well as a visiting professor and a member of the advisory board of the Betty Centre for Entrepreneurial Studies at Cranfield. Currently, Cockrum is a professor and member of the advisory board at the business school of Trinity College Dublin University, where he was awarded the top teaching award from students in 2016, 2017, 2018, 2019 and 2020. Cockrum is a trustee of Educational Housing Services in New York City, a not-for-profit providing 4,400 beds to university students in the New York City area. He is chairman of the board's nominating, governance and compensation committee.

Jon Funk

Jon Funk is a lecturer at the UCLA Anderson School of Management. He teaches Management 295D (Business Plan Development) and serves as a faculty advisor for Management 444 (Masters Thesis – Business Creation Option).

Funk is the founder of Ocean Road Partners, a private venture capital firm primarily investing in startup information technology companies in Southern California. He serves on the board of the UC Berkeley College of Engineering's annual fund and was awarded the LAVA Lifetime Achievement Award in 2012. He served as a managing director at Allegis Capital (now AllegisCyber), a Palo Alto-based venture capital firm, from its founding in 1996 until 2007, opening and managing the Santa Monica office. He served as a venture partner until 2016. Funk directed several of Allegis Capital's most successful investments, including Sandpiper Networks, Rent.com, Shopzilla and ClariPhy Communications, which collectively have provided \$2 billion in returns to shareholders.

Previously, Funk was a founding general partner of InterVen Partners.