

GCEC Award For Excellence in Entrepreneurship Teaching and Pedagogical Innovation



Cowtown Angels Fellows

submitted by



**Neeley School
of Business**

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Executive Summary

This submission is to nominate the Cowtown Angels Fellows Program at Texas Christian University for the Excellence in Entrepreneurship Teaching and Pedagogical Innovation Award. Cowtown Angels Fellows was designed and created by faculty at the TCU Neeley Institute for Entrepreneurship and Innovation (formerly the Neeley Entrepreneurship Center at TCU) to provide graduate business students with a unique, innovative, real-world experience in partnership with Cowtown Angels. The Cowtown Angels is an angel investment network that provides capital to early stage ventures with strong entrepreneurial teams, developed products or services, and early customer traction. As members of Cowtown Angel Fellows, select TCU graduate business students provide due diligence of entrepreneurial startups and analytical support for Cowtown Angels funding decisions. This is an exclusive opportunity for TCU MBAs to become deeply engaged with a diverse group of experienced investors as they evaluate early stage ventures for possible investment. Cowtown Angel Fellows participate in every aspect of the decision making, including: reviewing the initial entrepreneur's applications, attending and participating in Pitch Days, assisting with all due diligence, and term sheet negotiation and funding for those startups that make the cut. TCU MBAs learn first-hand what qualities investors seek in funding early stage ventures, and the deep-dive questioning and due diligence that go into the successful funding of a start-up. Cowtown Angel Fellows is highly competitive and sought after; only a small team of TCU MBA students are selected each semester. Concentrations include finance, marketing, supply chain and entrepreneurship. The following links tell the story of Cowtown Angel Fellows on the TCU Neeley website:

<http://www.neeley.tcu.edu/TopStoryDetail.aspx?id=23968&terms=cowtown>

<http://www.neeley.tcu.edu/MBAVoicesBlog/Default.aspx?id=22849>.

What Makes Cowtown Angels Fellows Unique

What sets Cowtown Angel Fellows apart is our integrated, two-tiered approach that combines academic rigor and experiential learning to fully prepare students to enter the program. The first tier is pre-training and conditioning through an MBA co-curricular course titled "Entrepreneurial Capital." This course incorporates the nuts and bolts of venture capital and how it operates for both the entrepreneur and the investor, and why due diligence is critical. Students examine the basics of both sides of entrepreneurial capital: raising startup capital and investing in startups. Topics include deal sourcing, due diligence, term sheets, cap tables, negotiating their best deal, and demystifying how VC firms/angel investors operate. For the second tier, they take what they have learned and put it to the test with real money for real startups, as they act as angel investors for the Bill Shaddock Venture Capital Fund, an endowed fund at TCU Neeley that invests in student ventures. The students hone their skills in deal sourcing, due diligence, investing, mentoring, follow-on metrics tracking, and more as they judge other students in pitch days and deep dives, and make all the decisions on whether or not to invest and how much.

With those two tiers of academics and experiential learning to give them the skills they need to be successful, they are now ready to apply to be Cowtown Angels Fellows and play a fundamental role in

the operations and overall success of the Cowtown Angels network, which connects entrepreneurs seeking early-stage funding with local investors in an environment that accelerates growth and rewards strategic risk-taking. Acceptance in Cowtown Angels Fellows is determined by a committee made up of Cowtown Angels and current Fellows. See Appendix 1.

Origins

Cowtown Angels Fellows was created by Brad Hancock and Michael Sherrod in the TCU Neeley Institute for Entrepreneurship and Innovation. Both have extensive success as entrepreneurs and investors. Hancock served as director of the Institute (formerly the Neeley Entrepreneurship Center) for 10 years. Sherrod is the William M. Dickey Entrepreneur-in-Residence at TCU Neeley. Together they pitched the idea for a Fellows program to the Cowtown Angels steering committee and the management team at TECH Fort Worth technology incubator to create the Fellows program. (Cowtown Angels is a program of TECH Fort Worth.) Many of Cowtown Angels' accredited investors are TCU Neeley graduates or parents of TCU Neeley students, and all see the undeniable value of having TCU MBA students serve as analysts.

Cowtown Angels and Tech Fort Worth fully support the Fellows and are committed to serving as mentors, coaches and overseers to the Fellows.

Objectives

Cowtown Angels Fellows' primary objectives are: 1) provide a one-of-a-kind, hands-on educational experience for TCU MBAs interested in a career in the private equity industry, 2) expose students to North Texas investors, family offices, and other private equity firms and investors, 3) create a pipeline of job opportunities for TCU MBAs in the investment community, 4) provide growth and mentorship opportunities for TCU MBAs, and 5) help source high-quality, early-stage investment opportunities for the Cowtown Angels.

Mentorships

The objectives are facilitated by the 44 members of Cowtown Angels, who make an important commitment to act as mentors and coaches to the Fellows as they work to complete their responsibilities. The Angels spend considerable time working with the Fellows as they research potential investment deals and communicate with executives. A Cowtown Angel is assigned to oversee the process of vetting each deal that Fellows consider. They act as highly valuable resources to our students, providing specific industry and financial expertise, connecting them with industry experts, assisting them in understanding the subtleties of structuring deals, and participating in investment calls between Fellows and startup executives. On presentation days, when four executives from new ventures are presenting, each Deal Lead is present to coach the Fellows on their analysis of the presentations' style and content. This unique process provides real-world, experiential learning and coaching for the Fellows from active industry players on all aspects of the investment process.

How It Works

1. ACADEMICS - MBA class in Entrepreneurial Capital is mandatory
2. IMPLEMENTATION - Sourcing and evaluating student ventures seeking funding by making all the decisions with real money from the Bill Shaddock Venture Capital Fund

3. THE FELLOWSHIP - Work on sourcing and due diligence for Cowtown Angels as Cowtown Angels Fellows, if selected for the program.

Academics

Entrepreneurial Capital has quickly become one of the most popular courses offered in the TCU MBA program, especially among those wanting to be a Cowtown Angels Fellow. It is also popular among TCU MBAs who want to learn about early stage investing. The class is highly experiential and includes guest speakers from the Cowtown Angels as well as entrepreneurs who have received funding from the group. Students study real-world cases, including deals brokered by Cowtown Angels. Topics that are examined, practiced and applied are:

- Key principles of economics and control
- Deal selection
- Diligence deep questions and materials
- Milestone tracking
- Pitch day operations
- Mentoring
- Valuation
- Term Sheet analysis and negotiation
- Cap Table formation and computation
- How Angels/VCs decide on investments
- Funding Rounds
- Legal, Intellectual Property, 83(b) Election, etc.

Implementation

Through the Shaddock Venture Capital Fund, TCU MBAs who have completed Entrepreneurial Capital incorporate the theories, fundamentals and practice of how both startups and investors make and negotiate investment deals. The opportunity includes introduction to deal sourcing and flow by managing programs that create awareness across the TCU campus that capital is available for student entrepreneurs; familiarization with due diligence through actual practice of due diligence on student startups; learning milestone tracking as a result of their investments; setting up and managing pitch day operations, mentoring future Cowtown Angels Fellows.

The Fellowship

After completing Entrepreneurial Capital and participating in the Bill Shaddock Venture Capital Fund, TCU MBAs may apply to be Cowtown Angels Fellows, chosen by the members of the Cowtown Angels and current Fellows. If selected, they work alongside experienced investors.

1. Each prospective investment goes through an initial vetting process/screening that is overseen by the Cowtown Angels screening committee. Fellows work closely with the screening committee to evaluate the applications and determine if they qualify to present on one of the monthly pitch days.
2. Once an entrepreneur pitches, if enough Angels vote to take the start-up to due diligence, there is an identified Deal Lead and team. The Deal Lead and investors work closely with the Fellows and direct, guide and provide feedback as they go through the process together. Many times Fellows uncover critical information about the prospective deal that proves invaluable to the team and the collective angel network when deciding whether or not to invest and the terms

under which they will invest. See Appendix 2 for a list of companies that Cowtown Angel Fellows have worked on.

Fellows are now compensated by Cowtown Angels, as they have witnessed the value Fellows provide and consider them an integral part of the operations.

Evolution

What began as a program to help TCU MBAs get involved and engaged in the angel decision-making process has evolved into a three-part experience that provides compensation and invaluable experience. Due to the expansion of the program to include the three steps outlined above, Fellows are now professionally prepared for their roles and can be productive immediately. As Cowtown Angels grows and evaluates significantly more potential investment deals each year, we will increase the number of Fellows in each academic year, giving even more TCU MBAs the opportunity to hone their investment skills.

Placement, Salaries and Impact of Cowtown Angels Fellows

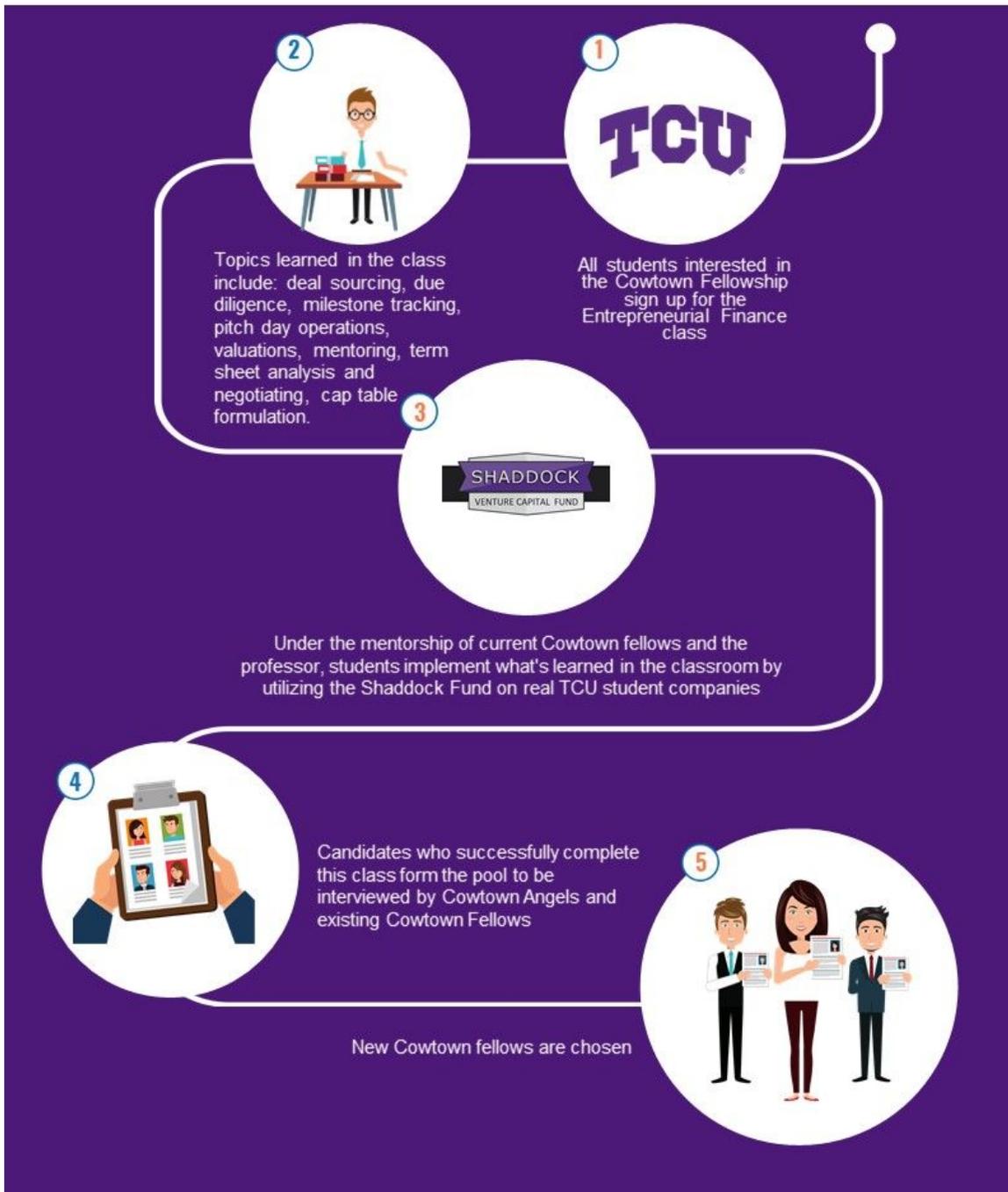
In addition to receiving course credit toward their MBA degree, TCU MBAs who have served as Fellows have average starting salaries 24% higher than their peers. Out of 16 former Fellows, four have joined firms owned by Cowtown Angels members and two Fellows are now active members of Cowtown Angels. See Appendix 3 for quotes from current and past Fellows as well as Investors.

In Conclusion

We believe Cowtown Angels Fellows has unique, innovative, successful elements that make it an ideal recipient of the Excellence in Entrepreneurship Teaching and Pedagogical Innovation Award. We acknowledge that, like many of our programs, Cowtown Angels Fellows has been impacted and made better by others in the GCEC community who have openly shared with us the details of their initiatives. Being a member of GCEC for many years has provided enumerable benefits to TCU Neeley's entrepreneurship programs and initiatives. We have bench-marked and shared with our colleagues many of our best programs. We have learned from and developed many of our offerings with the help and input from our colleagues at other universities.

Appendix 1

COWTOWN FELLOWS PROGRAM AT TEXAS CHRISTIAN UNIVERSITY



Appendix 2

Due Diligence performed by Cowtown Angels Fellows in the following Cowtown Angel portfolio companies.



Appendix 3

Impact of Cowtown Angels Fellows

Quotes from current and past Fellows

“The Cowtown Angel Fellowship was one of the most impactful parts of my MBA journey at TCU. The experience allowed me to have a behind-the-scenes view of what a private investor or venture capitalist deals with from sourcing, screening, entrepreneur pitches, due diligence, and ultimate deal terms. Sitting next to and working side-by-side with investors of all expertise and backgrounds, I was able to learn firsthand the complexities involved with not only investing of this type, but early stage company formation and execution. The experience tied in my formal classroom education with being part of real-time funding decisions at the investor level.”

“All MBA concentrations will find benefit from the experience as there are aspects of finance, marketing, supply chain, healthcare, and entrepreneurship within almost every monthly pitch meeting. The experience was incredible, but even better are the relationships that continue today. My experience from the fellowship was one of the primary reasons why I landed my ultimate position post-graduation - a senior leadership role at a medical device startup.”

“The Cowtown Angels Fellows provided the opportunity to apply what I’d learned in the classroom to the real world. I was able to analyze local start-ups and interact with successful business professionals from the Fort Worth community.”

Quotes from Cowtown Angels/Tech Fort Worth

“Cowtown Angels Fellows is an exciting experiential learning fellowship for students. For 18 months, TCU MBA students get to work beside 50+ angel investors on everything from screening applicants to conducting due diligence on potential deals, and it has shown to be a powerful experience for all involved since its launch in 2013.”

“The exposure and access the Fellows receive into the world of early stage investing is eye opening and has shown to shape the career pathways of the 16 Fellows who have completed their fellowship. They may say they are lucky to get to be one of the Fellows, but really, we are the lucky ones getting to watch the growth of each of the Fellows from the onboarding to the end of their 18 months. Each of them have shaped the program to be better for the next Fellows, and that trend continues to this day.”