Syllabus - New Venture Finance

MGT 481-001 | Fall 2018 | 3 Credit Hours

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When and Where

Lecture: 11:00 am - 12:15 pm, TR, Bidgood 140, August 22 - December 7, 2018
Office hours: Wednesdays, 12:00 pm - 4:00 pm, or by appointment

Course Catalog Description

Provide students with working knowledge of financing mechanisms such as venture capital, angel investments, and debt instruments for creating and operating a new venture.

Pre-requisites

MGT 300 and MGT 386

Strongly Suggested Texts

Three paperback (or ebooks) available at Amazon.com

- Founder's Pocket Guide: Friends and Family Funding $7.99 ($3.03)
    - ISBN 978-1-938162-11-4
- Founder's Pocket Guide: Startup valuation $7.99 ($3.99)
    - ISBN-13: 978-1938162046
    - ISBN-10: 1938162048
- Founder's Pocket Guide: Term sheets and preferred shares $7.99 ($3.99)
    - ISBN 978-1-938162-06-0

The lowdown: You can probably get through this course without these books, but I purposely chose these books because of their quality, conciseness, and price.

Course objectives

This course is for aspiring or active entrepreneurs who wants to understand how to secure funding for their company. This course will demystify key financing concepts to give entrepreneurs and aspiring entrepreneurs a guide to secure funding. Examine the many financing options available to get your new venture funded. Learn the basics of finance, valuations, dilution and non-dilutive funding sources. Understand capital structure for new

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ventures, term sheets and how to negotiate them, and the differences between early-stage versus later-stage financing. Develop an understanding of how to develop winning investor pitches, who and when to pitch, how to avoid common mistakes that limit the effectiveness of the pitch, and how to 'get to the close'.

Key questions answered within the course include:

- When to raise outside capital?
- What kind of investors invest by stage and where to find them?
- What are your fundraising options?
- What are the key components of the term sheet?
- How to perform company valuations?
- How to create milestones to delineate the progress of the new venture?
- How to pitch to investors?
- What techniques help the entrepreneur 'get to the close'?

(Adapted from https://www.coursera.org/learn/startup-funding)

Learning outcomes

Accordingly, student learning objectives include *at a minimum* the following:

- Recognize and anticipate situations where entrepreneurs should raise outside capital
- Identify appropriate types of investors by stage and recognize where to find them
- Identify and evaluate fundraising options that are appropriate the to type and stage of development of the venture
- Understand and differentiate the key components of the term sheet
- Perform several different approaches to company valuations
- Understand the components of an effective pitch to prospective investors
- Recognize, evaluate, and select situation-appropriate techniques that help the entrepreneur 'get to the close'

Topics

- Bootstrapping
- Crowdfunding
- Option pools
- Pro formas
- Debt financing / convertibles
- Cap tables
- Schedule D
- Rounds of equity financing

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- Milestones
- Down rounds
- 409 valuations
- Friends and family financing
- Angel investing
- Venture capital investing
- Term sheets
- Valuation methods
- Preferred shares
- Exits and harvests
- IPOs and S1 documents

Activities and assignments

Note: You will receive a separate, more detailed description of graded assignments with due dates and point totals in class.

- Blue Bottle and Schedule D
- Write a term sheet
- Create a capitalization table for an equity-funded private firm
- Determine the valuation of several companies using different valuation methods
- Reverse-engineer an IPO - I provide list of companies
- Create pro forma financials for a sports technology company to IPO (study FitBit, milestones, financing needs, resource needs, length of time between rounds)

Exams and Assignments

There will be several online quizzes each worth 5% of your overall grade and cumulatively worth 50% of your overall grade. Expect to receive each quiz as a google form by email every Thursday afternoon; you need to submit that quiz by 11:59 pm the next day (Friday) to receive full consideration. You can use course materials and any course notes you have taken to complete the quiz, but all quizzes are strictly individual effort. Other assignments will generally each be worth 5% and staggered "linearly" across the semester.

Grading Policy

I follow the conventional grading policy of A+ > 96.99999, A > 92.99999, A- > 89.9999, etc. I do not round up. I will give you feedback and grades as soon as possible after you've submitted a quiz or assignment. I rarely use Blackboard for courses, so you are expected to keep track of your own scores and figure out your current class standing. I will occasionally update grades on Bb.

Policy on Missed Exams and Coursework

I do my best to give students sufficient advance notice on due dates for assignments. So I generally will not award credit for missed or late assignments. If you are a few hours late submitting a quiz, take the quiz any way.

Attendance Policy

You are expected to come to every class session. I do not take attendance every lecture, but I will do so occasionally to track who's showing up. Class attendance amazingly correlates strongly with grades.

You and I have made an appointment to be together twice a week. Many graded activities will occur in the classroom during the assigned lecture period.

Notification of Changes

The instructor will make every effort to follow the guidelines of this syllabus as listed; however, the instructor reserves the right to amend this document as the need arises. In such instances, the instructor will notify students in class and/or via email and will endeavor to provide reasonable time for students to adjust to any changes.

Statement on Academic Misconduct

Students are expected to be familiar with and adhere to the official Code of Academic Conduct provided in the Online Catalog.

Statement On Disability Accommodations

Contact the Office of Disability Services (ODS) as detailed in the Online Catalog.

Severe Weather Protocol

Please see the latest Severe Weather Guidelines in the Online Catalog.

UAct Statement

The UAct website provides an overview of The University's expectations regarding respect and civility.