MGMT 510 – Financing Emerging Growth Companies
Course Syllabus

Summer Term 2005 – 2 Credits

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Class Sessions

- Friday, July 8, 2005   1:00 PM – 5:00 PM
- Friday, July 15, 2005   1:00 PM – 9:00 PM
- Friday, July 22, 2005   10:00 AM – 6:00 PM

Required Reading

No textbook is required for this course. Collected case studies and articles will be compiled and will be available prior to class from Clean Copy.

Course Description

This class will examine the venture financing process from the perspective of both the investor and the entrepreneur. Students will be introduced to the different stages of financing and the individuals and institutions that are the most likely participants at each stage. Students will also be exposed to real-life case studies; CEO/principals of companies that have been through the process; and successful individual and venture investors. Students will develop a business plan, the high level funding pitch, and deliver the pitch to active investors.

This is a hands-on graduate level course focused on venture finance. Please come prepared to work hard, learn lots, and have a great time!

Course Learning Objectives
- Understand capital requirements and stages of funding
- Understand how to create, refine, and deliver an investor pitch
- Understand the flow of a venture finance deal
- Understand typical investor terms and trade-offs
- Understand the pro's and con's of different sources of funding
- Interact with current entrepreneurs and investors to learn from their experiences

Detailed Class Schedule

- Friday, July 8, 2005   1:00 PM – 5:00 PM

   1:00 – 1:50 class overview, review syllabus, grading, case studies
   2:00 – 2:50 life-cycle of a business & stages of financing
   3:00 – 3:50 fund-raising process; finding investors; term sheet
   4:00 – 5:00 assign & discuss first case

- Friday, July 15, 2005   1:00 PM – 9:00 PM

   1:00 – 1:50 review first case
   2:00 – 2:50 break into groups; choose business idea; class selects one
   3:00 – 3:50 seed stage panel (< $200K)
   4:00 – 4:50 break into functional groups & create functional plan to share
   4:50 – 5:30 dinner
   5:30 – 5:45 Series A (< $3M) present: seeing yourself through investors' eyes
   5:45 – 6:30 Series A (< $3M) panel
   7:00 – 7:50 create new groups; build & present investor pitch
   8:00 – 9:00 assign & discuss second case

- Friday, July 22, 2005   10:00 AM – 6:00 PM

   10:00 – 10:50 review second case
   11:00 – 11:50 review, present, & critique new business ideas
   12:00 – 12:50 expansion panel
   12:50 –   1:30 lunch
    1:30 –   2:00 fine-tune new business ideas & pitches
    2:00 –   3:30 investor pitches (8 minute pitch; 8 minute Q&A)
    3:40 –   4:30 road show pitch
    4:40 –   6:00 Liquidity event panel
    6:00 –   6:30 class reception

Class Grades

Activity	Points
Attendance	100
Class Participation	200
Case Study 1	175
Case Study 2	175
Investor Pitch	350 (1/2 instructors, 1/2 investors)
Total Possible	1,000

Grading

A= 93%+, A-=90%+, B+=87%+, B=83+, B-=80+, etc.

Class/Grading Policies

Course participants are expected to maintain high standards of academic honesty – this is a requirement for passing this course.

Participation: This course relies on guest speakers, supporting material, cases and exercises to achieve the learning objectives. Your class participation will be vital to the quality of the learning experience for the entire class.

With regard to cases, you should be prepared when you enter class to fully present your analysis and work together as a group in order to reach the best possible courses of action. Think of yourself as part of a management team that is coming together to reach actionable decisions. The quality of conclusions we reach will be a function of the passion and preparation you bring to class. Case participation is graded on the extent to which you provide insightful questions and analysis. You are encouraged to form study teams for analyzing the cases.

Participation will also enhance what we learn from the guest panelists. The class will offer four panel sessions with entrepreneurs and investors. These respected guests have taken time out of their very busy schedules to share their experience with you. Students should come prepared with relevant and insightful questions that will enrich the session for the guest speakers and the rest of the class.

After each class your participation will be ranked as follows:

"+" means you asked questions and provided analysis that turned the direction of the conversation in unanticipated and fruitful directions.

"check (√)" means you were prepared for class as evidenced by your ability to fill in facts, argue for a course of action, and/or ask insightful questions.

"-" means that you never said anything or were obviously not prepared when called on.

"a" means that you were absent. This is the worst-case scenario. There are only three class sessions – students are expected to attend all three.

Requirements for Written Work: Effective writing is tightly linked to the overall impact of your analysis and recommendations for a case.   All written assignments should be concise, well-organized, and free of grammatical mistakes.

Case Write-ups: For the two cases, write a brief in which you specify the actions to be taken and a brief summary of the rationale that you employed to reach these recommendations. The length of these briefs is limited to <u>two</u> single-spaced pages of text with as many supporting exhibits or appendices as you need.   Reaching the exact same conclusion as other members of your study team is fine, but you are expected to write your own paper. Exhibits should be referenced in the text where they have the most significant implications for your analysis.

SUGGESTIONS FOR WRITING CASES

1. Know your audience. Show a particular style and approach that differs from the preferences of other people.

2. Understand the case from all points of view, but particularly from the protagonist's perspective. Argue for your recommendations with passion and don't waffle. Take the perspective of a consultant who has been brought in to analyze the situation and provide recommendations. Give your best analysis and recommendations regardless of whether they would be politically saleable to the company. However, this is not to imply that you shouldn't point out that a particular strategy or action wouldn't be difficult to implement. Strategy and implementation are interdependent.

3. Realize that issues you face in a case seldom have one best solution. You need to go out of your way to make the reasoning behind your recommendations apparent to the reader.

4. Don't state a bunch of facts or data with no conclusions, and don't state a conclusion without making it clear what data and assumptions you are using to reach that conclusion. For example, a SWOT analysis is often valuable when analyzing a case, but doesn't do anything for the reader if you refer to an exhibit without stating key conclusions or implications from the analysis. Equally bad is stating what should be done without telling why. Show sound reasoning? Consider using the ladder of inference as a tool:

    data→meaning→assumptions→conclusions→beliefs→actions

    If you come to a conclusion or a belief that some course of action is called for in a case, walk us up the ladder by being explicit about what data and assumptions lead you to recommend that course of action.

5. Don't avoid the numbers, particularly with regard to estimating demand and profit/loss. Sometimes decent data is available, while other times it's not.

6. Use tools like SWOT analyses, product-market matrices, comparisons of positive versus negative courses of action, and target market descriptions.

7. Definitely look for applications of concepts and theory from our readings in the cases. Doing these cases is very much about developing theories in use so that you can apply those theories in your work settings in the future. Without applying the concepts and theories in these cases, you won't be able to use them when it could count the most.

8. Spend the extra 5-10% effort to polish your writing. Why give the reader the opportunity to make general negative inferences about your analysis from sloppy writing? Worse yet is such poor sentence construction and grammar that the reader doesn't understand the meaning you're attempting to convey and gives up out of frustration.

9. You have limited space for these cases. Make your introduction very short, use subheadings, and get to the point.

10. Don't bother to conduct any outside research on the companies in the cases. We are interested in the quality of recommendations we can derive from only the snapshot presented in the case.