



SYLLABUS- Summer 2015

MGEM 5112 – Entrepreneurial Finance

Instructor: Wes Selke, Adjunct Professor
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Class: Tuesdays & Thursdays, 9:00-12:15pm, Room 527 (Downtown)

Office Hours: Tuesdays & Thursdays, 12:15-12:45pm

TA: TBD

Required Texts:

- [*“Venture Deals: Be Smarter than Your Lawyer and Venture Capitalist.”*](#) by Brad Feld and Jason Mendelson (available at USF bookstore or Kindle in e-book).
- [*“The Monk and the Riddle: The Art of Creating a Life While Making a Living,”*](#) by Randy Komisar
- Harvard Study.net course pack:
<https://cb.hbsp.harvard.edu/cbmp/access/36945146>
- Relevant industry blogs and articles (see list below, in the syllabus)

Course Description:

This course provides an overview of the financing options for startups and the venture capital fundraising process. We examine the various options that companies have for financing at different stages, from seed-stage to later-stage and explore the options that companies (and investors) have for exit (including M&A and IPO). The course also provides an overview of the venture capital industry, the key players, how venture funds are structured, how the industry has evolved, and new financing options. We explore all of the important aspects of fundraising including deal structuring, valuation, term sheets, and planning for exit. The course will provide insight into the art of fundraising and how entrepreneurs can increase the likelihood of successfully closing a round. Students will learn from the perspective of both an investor who is evaluating deals as well as an entrepreneur who is raising capital. This course is designed for students who wish to pursue an entrepreneurial endeavor or a career as a venture capitalist.

Learning Objectives:

- Understand the fundamental concepts of entrepreneurial finance.
- Gain knowledge of venture capital including the current state of the industry and how it has evolved.
- Understand how investors evaluate deals.
- Gain working knowledge of deal structures and term sheets.
- Create startup financial and valuation models.
- Learn how to effectively pitch and gain insight into the art of fundraising.

Topics:

- Entrepreneurship
- Venture capital
- Angel investing
- The rise of startup accelerators
- Startup legal
- The art of fundraising
- Convertible debt vs. preferred equity
- Financial planning and modeling
- Due diligence
- Startup valuations
- Financing alternatives
- Exit strategies
- Impact investing

About the Professor:

Wes Selke is Co-Founder and Managing Director of [Better Ventures](#), an Oakland, CA-based venture firm that backs entrepreneurs building scalable solutions to some of the world's biggest and most important problems. He is the resident "numbers guy" and enjoys helping startups figure out how they're going to make and raise money. Wes has 15 years of venture capital and financial advisory experience and previously worked at Good Capital's Social Enterprise Expansion Fund, William Blair & Company, and Ernst & Young's Mergers & Acquisitions group. He is a Chartered Financial Analyst and earned an MBA from the Haas School of Business at UC Berkeley and a BBA from the University of Michigan. Wes has volunteered with organizations around the globe, which has fueled his passion for applying his business skills to build a better world. He lives in Oakland, CA with his wife and two young kids and enjoys road cycling in the East Bay hills and Sunday trips to the farmers market.

Course Requirements:

- Class participation 20%
- Current events presentation 10%
- Quizzes (two) 20%
- Midterm venture capital case presentation 25%
- Final company presentation 25%

Class Participation (20%). Please come to class each week prepared to discuss the assigned reading materials. We will be using the case method during the majority of classes, therefore discussions will be highly interactive, and students will be asked to summarize the cases, share their opinions on the situation, and answer specific questions about the cases. I will resort to cold calling, if needed, to encourage broader participation. Since this class is discussion driven, attendance is required and there is no “make-up” work for missed classes. Any student missing more than two classes for any reason will receive a failing grade in class participation.

Current Events Presentation (10%). In addition to the assigned readings, students will be asked to share articles of interest found on the sites listed below or elsewhere with the class. Students will present these articles of interest in their groups once during the semester, and the schedule for these presentations will be created early in the semester.

Quizzes (20%). Two quizzes will be given during the term to reinforce your knowledge of the reading materials, lectures, and discussions. These quizzes will be completed individually in class, and students will be allowed to use one page of notes (two-sided) for each quiz. You will need a calculator to complete these quizzes.

Mid-Term Venture Capital Case Presentation (25%): Halfway through the course, you will be asked to complete a mid-term investment memo and group presentation on the AudienceView case. You will work in your assigned company groups (same for the final presentation), and you will act as venture capitalists assessing an investment opportunity in AudienceView and presenting it to your venture partners. Prior to the presentation, you will turn in a short investment memo that summarizes the investment considerations and risks, valuation, financing structure, and term sheet proposal. In class, you will give a 10-minute presentation of the investment opportunity, simulating a “Monday morning venture capital partners meeting.”

Final Company Presentation (25%): On the first day of class, each student will have 60 seconds to give an elevator pitch on your current business idea. We will then run a “hackathon” style selection process to vote and consolidate teams around the top 8-10 ideas, which will then form the final groups. At the end of the course, you will give a group presentation on your company as if you were an entrepreneur pitching to a venture capital firm. You will have 10 minutes to present and convince the class to invest in your company. The presentations should include information about the product, competitive advantages, team, market size, business model, investment amount, uses of capital, brief financial projections, and a proposed valuation.

Late Policy (for class and assignments)

I will be punctual in dismissing class and please know that arriving on time to class is important in order to maximize the quality of our time together. In the first class we will decide what the “incentive” is to ensure on-time arrival of all students to class. While we realize that there are legitimate reasons to be late and it’s much better to arrive late than not to attend at all, being late on a consistent basis is disruptive to the class overall.

Additionally, work turned in late will receive a half grade deduction for each day that it is late. If this is a team-based project, all team members will receive this same grade deduction for late work. If an assignment is turned in the same day, but past the time due, it will automatically receive a half grade deduction. An additional ½ grade deduction will then follow for each day that it is late. If the assignment is more than five days late, it will receive a failing grade. All assignments, except quizzes, will be turned into Canvas. As a result, you do not need to bring a hard copy to class.

Exam Policy:

No make-up exams or quizzes will be permitted unless there is a legitimate and well-documented excuse, and unless the instructor has been emailed in advance. This includes a doctor’s note if there was a health emergency, or other relevant documentation if there is a family emergency.

Syllabus Revisions:

This syllabus is subject to revisions. These will be made to make the course more responsive to your needs and will be announced in advance of when assignments are due. It will be updated on Canvas as well.

Honor Code:

As a Jesuit institution committed to cura personalis- the care and education of the whole person- USF has an obligation to embody and foster the values of honesty and integrity. USF upholds the standards of honesty and integrity from all members of the academic community. All students are expected to know and adhere to the University’s Honor Code. You can find the full text of the code online at www.usfca.edu/fogcutter.

Selected Sources for In-Class Article Presentations:

- **A VC (Fred Wilson's Blog -- <http://www.avc.com/>)**
- **Paul Graham Essays - <http://paulgraham.com/articles.html>**
- **Ask the VC – <http://www.askthefvc.com/wp/>**
- **Venture Beat -- <http://venturebeat.com/>**
- **Feld's Thoughts -- <http://www.feld.com/wp/>**
- **Tech Crunch – <http://techcrunch.com>**
- **Mendelson's Musings – <http://www.jasonmendelson.com/wp/>**
- **The Conglomerate (legal business academics' blog -- <http://www.theconglomerate.org/>)**
- **New York Times' Deal Book -- <http://dealbook.nytimes.com/>**
- **This Week in Startups – <http://thisweekinstartups.com/>**
- **PandoDaily - <http://pando.com/>**

Detailed Weekly Syllabus:

Class	Date	Theme	Topics	Class Preparation
1	19-May	Course Overview	Startups and entrepreneurship, the key players, how to raise money	<ul style="list-style-type: none"> • Read syllabus • Venture Deals, chap 1, 2 • Come ready to deliver a 60-second elevator pitch on your company and form groups around 8-10 ideas
2	21-May	Before You Raise	The Lean Startup, MPV, customer development, startup legal	<ul style="list-style-type: none"> • Venture Deals, chap 13 • HBS: Hypothesis-Driven Entrepreneurship • HBS Case: AirBnB • Guest speaker: Rick Moss, Better Ventures (talking about the Lean Startup)
3	26-May	Early-Stage Financing	Convertible note term sheets, the changing landscape of seed investing	<ul style="list-style-type: none"> • Venture Deals, chap 3-4, 11 • HBS: RSSWorks • TechCrunch article on Convertible Note Seed Financings • (Skim) HBS: The Changing Face of Angel Investing
4	28-May	Venture Rounds	Preferred equity term sheets, valuation, other key terms, legal issues, negotiating	<ul style="list-style-type: none"> • Venture Deals, chap 5-7, 9 • Bill Gurley Article: "The Keys to the 10x Revenue Club" • HBS Case: Yieldex
5	2-Jun	Crowdfunding	Field trip to Kiva	<ul style="list-style-type: none"> • HBS: Kiva vs. MyC4: Business Model Innovation for Social Lending • Review Kiva's website and make at least one loan on the site • Come prepared to ask thoughtful questions about the case and Kiva's business model
6	4-Jun	Venture Funds	Field trip to Kleiner Perkins (conversation with Randy Komisar)	<ul style="list-style-type: none"> • Finish Monk & the Riddle and bring book for Randy to sign. • (Skim) HBS: A Day in the Life of a Venture Capitalist • Review Kleiner Perkins website including portfolio companies • Come prepared with thoughtful questions about the firm, the M&R book, and how KP evaluates investment opportunities
7	9-Jun	Venture Funds	How venture capital funds work, key players, state of the industry, due diligence	<ul style="list-style-type: none"> • Venture Deals, chap 8 • HBS Case How Venture Capitalists Evaluate Potential Venture Opportunities • (Skim) Kauffman report, We Have Met the Enemy... And He is Us
8	11-Jun	Mid-Term Case Presentation	Write-ups and presentations due prior to class	<ul style="list-style-type: none"> • Team presentations of investment memo and term sheet for AudienceView case (10 min presentation, 5 min Q&A)
9	16-Jun	Late-Stage Financing and Exits	Exits (acquisition, IPO, alternatives)	<ul style="list-style-type: none"> • Venture Deals, chap 12 • Case: Hotmail
10	18-Jun	Impact Investing	Trends in impact investing, mission alignment	<ul style="list-style-type: none"> • HBS: Ben & Jerry's Homemade, Inc. • HBS: Socially Responsible Entrepreneurs
11	23-Jun	Raising Money the Right Way	Fundraising materials, fundraising strategy, investor pitching	<ul style="list-style-type: none"> • Venture Deals, chap 10 • Paul Graham Article: "How to Raise Money"
12	25-Jun	Final Company Presentations	Write-ups and presentations due prior to class	<ul style="list-style-type: none"> • In-class presentations (10 mins each and 5 mins for Q&A)

Note: If the syllabus lists HBS, the article can be found within your HBS Course pack. You have a series of cases and readings through *Harvard Study.net*.

You need to register on the site to create a user name if you do not already have one. After you register, you can get to the coursepack at any time by doing the following:

1. Visit hbsp.harvard.edu and log in.
2. Click **My Coursepacks**, and then click:

<https://cb.hbsp.harvard.edu/cbmp/access/36945146>