New Undergraduate Course Proposal Form

1. Department and Contact Information

<table>
<thead>
<tr>
<th>Tracking Number</th>
<th>Date &amp; Time Submitted</th>
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<td>2009-10-02 14:38:19</td>
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<tr>
<th>Department</th>
<th>College</th>
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<tbody>
<tr>
<td>Entrepreneurship</td>
<td>Business</td>
<td>140600BA0056</td>
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<table>
<thead>
<tr>
<th>Contact Person</th>
<th>Phone</th>
<th>Email</th>
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<tbody>
<tr>
<td>Michael Fountain</td>
<td>813-974-7900</td>
<td><a href="mailto:fountain@coba.usf.edu">fountain@coba.usf.edu</a></td>
</tr>
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2. Course Information

<table>
<thead>
<tr>
<th>Prefix</th>
<th>Number</th>
<th>Full Title</th>
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<tbody>
<tr>
<td>ENT</td>
<td>4427</td>
<td>Fundamentals of Venture Capital and Private Equity</td>
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<tr>
<th>Credit Hours</th>
<th>Section Type</th>
<th>Grading Option</th>
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<tbody>
<tr>
<td>3</td>
<td>Class Lecture (Primarily)</td>
<td>Regular</td>
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<table>
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<tr>
<th>Total Clock Hours</th>
<th>Abbreviated Title (30 characters maximum)</th>
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<tr>
<td>45</td>
<td>Venture Capital</td>
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Prerequisites
Jr. Standing, Ent 4930 New Venture Formation and EIN 4935 Creativity and Technology

Corequisites

Co-Prerequisites

Course Description
Elective course for business and industrial engineering students. Integrates basic principles of venture financing through an examination of both venture capital and private equity in entrepreneurial new business creation and growth.

3. Justification

A. Indicate how this course will strengthen the Undergraduate Program. Is this course necessary for accreditation or certification?

    Course integrates the critical elements of venture capital and private equity, provides students an opportunity to explore the complexities of financing new ventures. Course is an elective course which provides students an opportunity to apply basic financial principles to models for valuation of new ventures. Critical thinking, communication and content/discipline are evaluated via presentations, written assignments and student presentations in class.

B. What specific area of knowledge is covered by this course which is not covered by courses currently listed?

    Course content explores basic understanding of the process for raising investment capital for entrepreneurial ventures. Students learn about the various sources of capital and modeling techniques to value the cost of investment capital. Students learn basic principles of Security Law.

C. What is the need or demand for this course? (Indicate if this course is part of a required
sequence in the major.) What other programs would this course service?

Course is an elective in the Minor in Entrepreneurship

D. Has this course been offered as Selected Topics/Experimental Topics course? If yes, what was the enrollment?

Yes, 10-15

E. How frequently will the course be offered? What is the anticipated enrollment?

Course will be offered Fall and Spring Terms, Anticipated enrollment is expected to be 35-45 students per course section

F. Do you plan to drop a course if this course is added? If so, what will be the effect on the program and on the students? (Please forward the nonsubstantive course change form regarding the course to be deleted to the Council secretary.)

no

G. What qualifications for training and/or experience are necessary to teach this course? (List minimum qualifications for the instructor.)

The instructor should hold a minimum of MBA of Masters degree in related field. S/he should also have continuing professional experiences in entrepreneurship or a record of research and publication in the field

4. Other Course Information

A. Objectives / Outcomes

Critical Thinking Skills: Demonstrate critical thinking and analytical abilities, including the ability to engage in inductive and deductive thinking and quantitative reasoning to assess the advantages and disadvantages of alternative sources of investment capital for venture financing. Demonstrate the ability to assess the merits of arguments and counter-arguments about the key issues of financing valuation models. Demonstrate the ability to construct a coherent, sustainable position/argument about venture financing issues. Communication Skills: Create and deliver effective oral presentations. Develop effective written communications. Contribute effectively to group discussions. Content/discipline skills: Understand and use tools and techniques addressed in Venture Financing Models. Describe the complexities of Venturing Financing through venture capital and private equity sources. Apply knowledge of venutre financing to chosen Major areas of study. Understand the financial infrastructure of venture financing on a global scale. Identify current events and trends affecting the sources and availability of venture capital and private equity.

B. Major Topics

Sources of Investment Capital, Differences between Venture Capital and Private Equity, Securities Law, Term Sheets, Private Placement Memorandum, Valuation Models, Forecasting Methods, Venture Capital Strategies.

C. Textbooks

Current Articles, various book chapters. See syllabus

5. Syllabus

Your college will forward an electronic copy of your syllabus to Undergraduate Studies when your course is approved for submission.
FUNDAMENTALS of VENTURE CAPITAL & PRIVATE EQUITY
Fall 2008
ENT 4227
Thursday 6:00 PM – 9:40 PM
BSN 1402

Dr. Sean Lux
Office: BSN 3109
Phone: 813-974-7820
E-Mail: slux@coba.usf.edu
Office Hours: R 5-6:00 PM or By Appt.

COURSE PREREQUISITES:
1) Students should have a working knowledge of financial statements.

OVERVIEW of the COURSE
Students develop an in depth understanding of capital markets for new businesses. The purpose of the course is to convey five primary areas of knowledge.

1. Learning to think like an investor. Start-up ventures are one of a myriad of investment options available in today’s global capital markets. Entrepreneur’s need to understand their investors just as they understand their business’ customers. Students will be provided an overview of equity, debt, and derivative markets and the major forces in these markets.
2. A basic understanding of the process for raising capital. Students are introduced to venture capitalists, investment bankers, “angel investors,” and other private equity players, and learn the roles they play from obtaining seed funding through IPO stages.
3. Learning how to perform a business valuation, an essential skill in obtaining and providing capital.
4. Securities law. An overview of securities law and contract (i.e. term sheets and private placement memorandum) development.
5. Understanding the basic of being a venture capitalist. Students will learn why and how VC’s make investment decisions based on what it takes to survive in a high risk, high reward, global business.

GENERAL APPROACH to TEACHING the COURSE
The instructor employs a three stage learning process to educate students. The intent is to move from theory in early stages to their practical use in later stages. The first stage is comprised of class readings and lectures. Developing an understanding of concept and theory is the desired learning outcome in the first stage.

The second stage involves in and out of class assignments and discussion with experienced professionals. This is intended for students to gain an understanding of how concept and theory are applied in practice. The third stage involves actual student application of concept and theory through case study development and presentation.
Overall, class participation by everyone involved is crucial to the learning experience. In order to accomplish this, it is critical that **everyone come to class totally prepared to discuss the assigned materials**. The instructors’ role is primarily that of facilitators with the goal of maximizing the learning experience, especially the opportunity to gain from each other’s ideas and expertise.

A typical class will begin with a 15 to 30 minute discussion on the economy and finance. Students should come prepared to discuss at least one good investment idea each week based on recent information from business news sources.

**GRADING**
The objective of the grading in the course will be to both evaluate the quality of student work and to provide feedback and suggestions that can be implemented by students.

A hard copy of all assignments must be turned in on the due dates. Any late assignments will be penalized by 5% per day, no exceptions and will not receive timely feedback or grading. Assignments are late when they are received after the time of day that they are due. A 24-hour period equals one day so that, for example, an assignment received 25 hours after the due date is 2 days late. **No course material will be accepted after November 14, 2008. No incompletes will be given at the end of the semester for the purpose of improving a grade. There are absolutely no exceptions to this policy.**

**Grading Scale**

<table>
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<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>94-100</td>
</tr>
<tr>
<td>A-</td>
<td>90-93</td>
</tr>
<tr>
<td>B+</td>
<td>88-89</td>
</tr>
<tr>
<td>B</td>
<td>82-87</td>
</tr>
<tr>
<td>B-</td>
<td>80-81</td>
</tr>
<tr>
<td>C</td>
<td>70-79</td>
</tr>
<tr>
<td>D</td>
<td>60-69</td>
</tr>
<tr>
<td>F</td>
<td>&lt;60</td>
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</table>

**ASSIGNMENTS**
Group and individual assignments are graded in this class. All students will receive the same group assignment grade.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Individual/Group</th>
<th>Points</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly Investment Ideas</td>
<td>Individual</td>
<td>20 Points</td>
</tr>
<tr>
<td>Weekly Investment Diary</td>
<td>Individual</td>
<td>10 Points</td>
</tr>
<tr>
<td>Case Studies</td>
<td>Group</td>
<td>50 Points</td>
</tr>
<tr>
<td>Peer Evaluation</td>
<td>Individual</td>
<td>20 Points</td>
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**Total: 100 Points**

**Class participation** is comprised of two components and worth 30 points toward your final grade. Students will be required to identify and if called upon and informally present one **investment idea** to the class based on current events. All students will receive the maximum 20 points unless they are called upon and not have an investment opportunity to present. Students will lose 5 points each time they fail to present an investment idea (if you are absent you cannot
present an idea). Students will be chosen using a random name generator. You may be called upon several times or not at all over the course of the semester.

Students are required to keep an **investment diary**. Each student should assume they posses a hypothetical $10,000 to invest as they see fit in legal investment opportunities available to nonqualified U.S. investors. The diary will be turned in on the last day of class. Students are required to make at least of one change to their portfolio per week and record why and when the change was made (you get of out what you put into this exercise). The diary should begin with a one page summary to include: (1) total return or loss (2) weekly value of the portfolio and presented in the form of a chart, and (3) three lessons learned from managing this portfolio over the semester.

**Case studies** are assigned on most weeks. The instructor will typically begin class with a question or task to be completed by student teams. Students will be given 15 to 45 minutes for their groups to develop a solution. All students should have read the assigned case study prior to class. Student teams will then present their cases solutions.

**Peer evaluations** are determined through group members evaluating their fellow group members on all group work. Students will receive the results of their peer evaluation, but will not be allowed to see how their peers individually rated them. Peer evaluations are calculated as follows: students will evaluate their group members by assuming they have 100 points to distribute to their group not including themselves. If all students are evaluated the same (an even split), all students will receive maximum credit (20 points towards their final grades). Students that are receive more or less points than an even split will receive either extra credit or lose points based on the degree of deviation from the average.

For example, in a four student group each student will distribute 100 points amongst his/her three peers (students do not evaluate themselves). Assuming all four members evaluated each other evenly (100/3 = 33.3 points) each group member receives full peer evaluation credit towards their final grade. Now let’s assume one student did pull his/her weight and a second student was the group’s star. The underperformer receives an average of 20 points for his/her peers, the two normal contributors receive 33.3 (the even split average), and the over achiever receives an average of 46.6 points. Points are based on deviation form the average are calculated in this manner:

\[
20 - 33.3 = -13.3/33.3 = -.399. \quad (1 + (-.399)) = .601. \quad 20 \times .601 = 12.02
\]
\[
33.3/33.3 = 1.
\]
\[
33.3/33.3 = 1.
\]
\[
46.3-33.3 = 13.3/33.3 = .399. \quad (1 + .399) = 1.399. \quad 20 \times 1.399 = 27.98
\]

The instructor will assume that students who do not turn in peer evaluation forms are giving their peers an even split.

**REQUIRED INSTRUCTIONAL MATERIALS**

1. Case study book available at Pro Copy
2. Term Sheets & Valuations - A Line by Line Look at the Intricacies of Venture Capital Term Sheets & Valuations by Alex Wilmerding, Aspatore Books Staff
4. Fees for Florida Venture Forum events.

**RECOMMEND INSTRUCTIONAL MATERIALS**

3. *The Economist*. Great way to keep up on the world without reading the *FT* daily.

**COURSE MEETINGS** (all readings in Pro Copy book unless otherwise stated)

**August 28: Course Overview and Introduction**
- Class Introduction and Syllabus Review
- Student Team Formation and Selection
- Review of Economics and Trading Strategies
- Reading and Using the *WSJ*

**Required Readings for September 4**: How Venture Capital Works and Angel Investing

A review session will be held before the Sep 4 class meeting (time and place to be determined) to review basic financial accounting.

**September 4: Obtaining Entrepreneur-Capital Fit**
- Obtaining Financing
  - Who’s Who in New Venture Finance
  - Understanding Who Wants What (matching opportunities and investors)
- Harvesting the Venture
  - IPO’s and Other Exit Strategies

**Required Readings for Sep 18**: Securities Law and Private Financing and Term Sheets & Valuations - A Line by Line Look at the Intricacies of Venture Capital Term Sheets & Valuations

**September 11: No Class, Leadership Tampa Retreat**

**September 18: Securities Law, Term Sheets, and Private Placement Memorandums**
- Transaction Cost Economics and Economic Institutional Change Theories
- U.S. Federalism
- U.S. Securities Law
- Overview of Term Sheets and PPMs
- Term Sheet Negotiations

**Required Reading for Sep 25**: Venture Capital Negotiations: VC versus Entrepreneur

**September 25: Term Sheet Negotiation Hosted by the Florida Venture Forum**

NOTE: Class will meet at 5:30 at the University Club downtown. There is an unadvertised student rate for our class of $45. Please contact Pat Schneider at 335-8116 to register. DO NOT register online.

Required Readings for October 2: A Note on Valuation of Venture Capital Deals, A Method for Valuing High-Risk, Long-Term Investments, and Note on Valuing Private Businesses

October 2: Analytic Tools and Skills I: Valuation Methods
   Equity Valuation Analysis Techniques I

October 9: Analytic Tools and Skills II: Forecasting Methods
   Guest Speaker(s): The Art of Business Valuation
   Equity Valuation Analysis Techniques II
   CASE STUDY: Walnut Venture Associates: RBS Group Investment Memorandum

October 16: Road Shows & Advanced Financing Strategies
   Guest Speaker: The Road Show Presentation
   New Equities Markets (AIM, etc.)
   New Capital Raising Methods (PIPES, etc.)
   CASE STUDY: Framedia

October 23: Managing a Venture Capital Fund
   Guest Speaker(s)
   CASE STUDY: Orchid Partners: A Venture Capital Start-Up

October 30: No Class: Southern Management Association Conference

November 6: Venture Capital Strategies
   Guest Speaker(s)
   CASE STUDY: Emergence, Valhalla, and Orchid: Divergent Models for Venture Capital Funds

November 13: International Venture Capital
   CASE STUDY: Lightspeed Venture Partners -- International Expansion