



Lloyd Greif Center
for Entrepreneurial Studies

USC Marshall
School of Business



BAEP 559: Investing in New Ventures

Syllabus: Spring 2016 (Jan. 11th – April 29th)
Class Time: Monday 6:30–9:30 PM
Room: JKP 212
Professor: Mr. Ivan K. Nikkhoo
Office: Bridge Hall One, Basement Level
Phone: (310) 861-2100
Office Hours: Monday 3:00 - 4:00 PM
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About the Instructor: With over 30 years of industry experience in various senior capacities internationally, Ivan is a Managing Director at Siemer & Associates, a leading global technology merchant bank. He is also an advisor at Wavemaker Partners, an early stage fund focused on technology investments globally. He has a strong background in private equity, venture capital, growth capital, M&A, technology ecosystem, finance, and entrepreneurship. He maintains a broad network of industry contacts, and has demonstrated a proven ability to bring early stage companies to life, taking growth companies to the next level, developing teams, raising growth capital, and implementing exit strategies.

Ivan has served on a number of corporate, business, and charity boards, including Digital Jersey, New Entrepreneurs Foundation, Cedars-Sinai Medical Center, LA Chamber of Commerce, USC Marshall Partners, Junior Achievement of Southern California, and LA Venture Association to name a few. He is a Wexner Heritage Program Fellow, a member of Young Presidents' Organization, and is very active in the technology community. He was a finalist at the E&Y Entrepreneur of the Year Award in 1999. He maintains a blog for lifecycle of tech companies, is a CNN Guest Contributor, and is published on a number of tech sites. Mr. Nikkhoo received his MBA from USC Marshall School of Business and his Bachelor's of Science in Engineering from McGill University.

I. CLASS OVERVIEW, GOALS & OBJECTIVES

Class Description

Raising capital for new ventures and building a high-growth company is about understanding its changing needs and challenges of a company throughout its lifecycle. It is about team building, execution, managing expectations, establishing relationships, and understanding the ever changing markets, needs, and trends.

Starting a company is not that difficult. Starting and growing a successful one is. Therefore, understanding the fundamentals, the process, and the challenges is critical to success. This class will provide a 360 degree view into the venture and private equity funding process. We will cover, from a practicing investor's point of view, how venture funding works and how entrepreneurs work with investors. We will establish an in-depth understanding of the fundamentals, language, and terminology of new venture creation as well as the process and requirements during each stage of a company's lifecycle.

Using current, real-world examples, we will review and examine which companies are being funded, and which ones are not, and the reasons why.

We will further discuss how in order to be successful, you must believe in what you are doing, have passion for it, and be able to articulate your vision. We will hear from guest speakers including venture capitalists, industry executives, attorneys, bankers, and founder-CEOs, about their path to success, challenges, and failures. We will also visit the leading incubators in town to get a firsthand look at the process of incubating companies.

Class Goals & Objectives

BAEP 559 focuses on the entrepreneurial skill set applied to understanding institutional investing from a 360-degree standpoint. Whether you wish to be a company founder, Venture Capitalist or an Organizational Entrepreneur, the issues of creation of the new enterprise are complex and require the integration of various skills and the adoption of them to each individual case.

This is a discussion-based course where we will use actual companies, their CEOs and VCs to establish a fundamental understanding of investments during every stage of a company's lifecycle. You will have the opportunity to engage with entrepreneurs who have faced the challenges of managing and exiting new ventures. In this Class, you will develop an understanding of what it takes to seed, fund, and raise capital for a start-up company. Specifically you will:

1. Develop an understanding of the fundamental concepts, definitions, and parameters of Investing in new ventures.
2. Gain an "insider" look at the venture creation process and fund raising for new ventures.
3. Understand how VCs operate and the expectations from a CEO.
4. Learn to break down a business model to a set of quantifiable parameters that can be measured and monitored for Investing in new ventures at each stage of a company's lifecycle:



We will cover topics including:

- Capital sources & needs at different stages
- Key elements of a fundable business model
- Validating assumptions
- Understanding term sheets, valuation, stock options, and cap tables
- Process documents including Private Placement Memorandum (PPM), etc.
- Legal aspects and Venture debt
- Selecting professional advisors
- Negotiations
- Strategic partnerships
- Contemplating exit options
- Expanding the ecosystem

To achieve these objectives, we will have a series of lectures, guest speakers, field trips, and individual and group assignments. Success in this class is based upon how you prepare for each class session, how

familiar you become with the topics/principles presented in each class, participation, and quality and timeliness of your assignments.

Prerequisites

Since many of the most successful tech companies in history, including Microsoft, Oracle, Apple, and Facebook, among others, have been founded by college dropouts, there are no formal pre-requisites for this class. However, a deep desire to learn, and a full engagement of every student throughout the class will be absolutely imperative.

To be successful in this class and get the value that you deserve, you must be excited and inspired to learn. This class will feature high-profiled CEOs, founders, and VCs and you will be responsible for researching these individuals/companies to help prepare you for the weekly lectures. I fully expect every student in this class to represent USC in the best light possible.

II. CLASS MATERIALS AND COMMUNICATION

Required Materials

Required materials include a set of articles and cases. In addition, students are expected follow and review a select few technology web sites regularly, and come prepared to class to discuss and apply. The required sites are also listed on Appendix 2. Additional readings may be posted on BB as needed.

Class Notes

If applicable, session slides will be posted on Blackboard the day after each class.

Class Communications

The best way to reach me is via e-mail: Ivan.Nikkhoo@marshall.usc.edu. I will be happy to meet during office hours which are right before the class every Monday afternoon from 3:00 – 4:00 PM. You can also reach me via my assistant. Her contact information is:

Maurissa Harris
p: (310) 861-2105
e: Maurissa.Harris@Siemer.com

Class communication will take place through announcements in class, emails, and the Blackboard system. By default, Blackboard uses your USC email address (username@usc.edu) for sending emails; if this is not your primary email account, please make sure to change the Blackboard email setting or to forward your USC email to the account you use. You are responsible for ensuring that messages will not bounce back due to your storage quota being full.

III. ASSIGNMENTS AND GRADING

Participation Requirements

The Entrepreneur Program is a real life experience and as such expects you to be real world professionals. The class is treated as a business meeting. Therefore, tardiness and absences without notice are not acceptable. If you have a customer meeting, you will be on time. If you cannot be on time, you will call well in advance. Similar etiquette is required in this program. Your responsibilities for all classes are to:

1. Attend the class promptly and participate actively
2. No electronics in the classroom
3. No late entries in the class
4. Participate actively with teams and in classroom discussions

Participation is evaluated based on your level of involvement in class discussions – both the quality (relevance and insightfulness) and quantity (frequency) of your participation. At the end of the semester you will be asked to complete a self-assessment of your participation. It is impossible to earn a participation points if the student is not in class. Students are expected to attend all classes on time and stay until dismissed.

1. **Attendance at class sessions is critical.** We may discuss material not found in the course materials as well as conduct in-class exercises. You can miss one class without penalty—no questions asked, no need to let me know. Further absences will reduce your participation grade. If you miss a class, you are responsible for staying up-to-date on seminar content and assignments. Please download class slides from Blackboard and check with classmates or me regarding potential handouts and announcements.
2. **Show up on time and stay until the end**—it is disruptive to your classmates' learning experience if you arrive late or leave early.
3. **Prepare** for the class.
4. **Participate** actively in classroom discussions and in-class exercises. Effective class participation consists of analyzing, commenting, questioning, discussing, and building on others' contributions. The ability to present one's ideas concisely and persuasively and to respond effectively to the ideas of others is a key entrepreneurial skill.
5. Make good use of guest presenters' time. Ask thoughtful questions after guest speaker and student presentations.

Class Assignments

There will be one team assignment and one team presentation. Detailed instructions for these assignments will be distributed during the class.

Assignment Submission

1. Detailed instructions will be given out for each of the assignments
2. The assignments will be done in class. If you must be absent, it is your responsibility to make the appropriate arrangements. Late assignments will not be accepted.
3. If an assignment is not legible, it will not be graded.

Grading

Grading Component	Points	Percentage
1. Class Attendance, Preparation & Participation	20	20%
2. Team Presentation	10	10%
3. Mid-Term	20	20%
4. Team Assignment	10	10%
5. Final Exam	40	40%
Total	100	100.00%

Your grade in this class represents how you perform in the class, including attendance, your class participation, write-ups, mid-term exam, and final exam. Final grades represent how you perform in the class relative to other students and your ranking among all students in the class.

IV. CLASS POLICIES

Classroom Policies

1. ***Please be prompt. Arriving late or leaving early from class meetings is not acceptable,*** as it disrupts the learning experience for other students.
2. ***No cell phones or texting.*** Laptop computers/tablets are to remain closed (unless otherwise instructed), as they distract from the learning experience in class.
3. Class seating and name cards. Please sit in the same seat throughout the class and **display your name card** at every class meeting. (I will have blank name cards available.)
4. On days when we have a guest speaker, dress code is business casual (no hats, shorts, etc.).
5. No eating during class please.

Spring Semester 2016 Key Dates & Add/Drop Process

Oct. 26-Jan. 8	Registration for continuing students
Nov. 19-Jan. 8	Registration for returning students and continuing students
Jan. 7-8	Registration for spring semester continues
Jan. 8	Last day to register and settle without late fee
Jan. 11	Spring semester classes begin for Session 001
Jan. 11-15	Late registration and change of program for Session 001
Jan. 18	Martin Luther King Day, university holiday
Jan. 29	Deadline for purchasing or showing proof of health insurance
Jan. 29	Last day to register and add classes for Session 001
Jan. 29	Last day to drop a class without a mark of "W," except for Monday-only
Jan. 29	Last day to change enrollment option to Pass/No Pass or Audit for Session
Jan. 29	Last day to purchase or waive tuition refund insurance for Session 001
Feb. 2	Last day to drop a Monday-only class without a mark of "W" and receive a refund or change to Pass/No Pass or Audit for Session 001
Feb. 15	Presidents' Day, university holiday

Feb. 26	Last day to drop a course without a mark of “W” on the transcript *Please drop any course by the end of week three (or the week three
Feb. 26	Last day to change a Pass/No Pass course to letter grade
March 14-20	Spring recess
April 1	Thesis/Dissertation submission
April 8	Last day to drop a class with a mark of “W” for Session 001
April 29	Spring semester classes end
April 30- May 3	Study days
May 4-11	Final examinations
May 12	Spring semester ends
May 13	Commencement

Greif Center for Entrepreneurial Studies Confidentiality Policy

Throughout The Entrepreneur Program's classes and events, students will be exposed to proprietary information from other students, guest lecturers, and faculty. It is the policy of The Entrepreneur Program that all such information be treated as confidential.

By enrolling in and taking part in The Entrepreneur Program's classes and activities, students agree not to disclose this information to any third parties without specific written permission from students, guest lecturers or faculty, as applicable. Students further agree not to use any such proprietary information for their own personal commercial advantage or for the commercial advantage of any third party.

In addition, students agree that any legal or consulting advice provided without direct fee and in an academic setting will not be relied upon without the enlisted opinion of an outside attorney or consultant without affiliation to The Program. Any breach of this policy may subject a student to academic integrity proceedings as described in the University of Southern California "University Governance Policies and Procedures" as outlined in *SCampus* and to any remedies that may be available at law.

The Entrepreneur Program, the Marshall School of Business and the University of Southern California disclaim any responsibility for the protection of intellectual property of students, guest lecturers or faculty who are involved in The Entrepreneur Program classes or events. Receipt of this policy and registration in our classes is evidence that you understand this policy and will abide by it.

Technology Policy

Laptop and Internet usage is not permitted during academic or professional sessions unless otherwise stated by the respective professor and/or staff. Use of other personal communication devices, such as cell phones, is considered unprofessional and is not permitted during academic or professional sessions. Videotaping or audiotaping faculty lectures is not permitted due to copyright infringement regulations. Use of any distributed material is reserved exclusively for the USC students registered in this class.

Statement for Students with Disabilities

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30 a.m.–5:00 p.m., Monday through

Friday. The phone number for DSP is (213) 740-0776. For more information visit www.usc.edu/disability.

Statement on Academic Integrity

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own. All students are expected to understand and abide by these principles. *SCampus*, the Student Guidebook, (www.usc.edu/scampus or <http://scampus.usc.edu>) contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student-affairs/SJACS/>. Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

Emergency Preparedness/Class Continuity

In case of a declared emergency if travel to campus is not feasible, USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies. Please make sure you have access to the class in Blackboard; this will be crucial in an emergency. USC's Blackboard learning management system and support information is available at blackboard.usc.edu.

V. CLASS SCHEDULE

This schedule may change due to changes in guests' schedules, and additional readings may be distributed during the semester.

Class	Date	Topics
1	1/11	<u>Introductions & Fundamentals – Presentation</u> <ul style="list-style-type: none">• Introductions & overview• Instructor /Students backgrounds• Name cards & class protocol• Syllabus• Goals, objectives & expectations• “Financial Terminology” study guide
1/18		MLK Holiday

2	1/25	<u>Seed Stage</u> <ul style="list-style-type: none"> • Overview Discussion • Fundamentals, Definitions & Glossary <u>Guest Speaker:</u> <ul style="list-style-type: none"> • Brett Brewer – MD, CrossCut Ventures - Confirmed
3	2/1	<p style="text-align: center;">Field Trip Science Media</p> <u>Host & Guest Speaker</u> <ul style="list-style-type: none"> • Mike Jones - CEO, Science Media - Confirmed
4	2/8	<u>Lecture – Seed & Early Stage – Presentation</u> <ul style="list-style-type: none"> • Review Science visit • Video: Shark Tank <u>Guest Speaker</u> <ul style="list-style-type: none"> • Kris Bjornerud – MD, Amplify - Confirmed <u>Discuss Team Presentations</u> <ol style="list-style-type: none"> 1. Pick numbers from the hat (5 people per team) 2. Each team picks a company from the hat 3. Create a pitch deck to raise an early series A round 4. Pitch, max 15 slides 5. 10 minutes per presentation, 5 minutes Q&A 6. Clearly state the following: <ol style="list-style-type: none"> a. Which 5 VCs will you be approaching and why b. How much capital are you raising and use of funds 7. Due in 2 weeks (2/22)
2/15		President's Day Holiday
5	2/22	<u>Team Presentations</u> <ul style="list-style-type: none"> • Present & Review Pitches <u>Guest Speaker</u> <ul style="list-style-type: none"> • David Waxman - MP, TenOneTen Ventures - Confirmed

6	2/29	<p><u>Lecture – Legal & Debt</u></p> <ul style="list-style-type: none"> • Understanding the Legal Aspects of the Process • Term Sheets - Funding • LOI – M&A • PPM – Cap Raise • Due diligence • Terms & Conditions • Venture Debt <p><u>Guest Speaker</u></p> <ul style="list-style-type: none"> • Eytan Elbaz – Founder, Scopely - Confirmed
7	3/7	<p><u>Mid-Term Exam, Review, & Grading</u></p> <p>Closed Notes, No Electronics</p> <p><u>Guest Speaker</u></p> <ul style="list-style-type: none"> • Sean Kane – President, The Honest Company - Confirmed
8	3/14	<p><u>Lecture – Growth Stage</u></p> <ul style="list-style-type: none"> • Growth Capital Fundamentals <p><u>Guest Speaker</u></p> <ul style="list-style-type: none"> • Rob Tolsen – CPO Commerce - Confirmed
9	3/21	<p><u>Lecture – Growth Stage - Presentation</u></p> <ul style="list-style-type: none"> • Growth Stage Presentation • Pitch Deck • Process: Sell side & cap raise <p><u>Guest Speaker</u></p> <ul style="list-style-type: none"> • Steve Royer – MP, Shamrock - Confirmed
10	3/28	<p><u>Lecture – Growth Stage</u></p> <ul style="list-style-type: none"> • Growth Stage (Cont.) <p><u>Guest Speaker</u></p> <ul style="list-style-type: none"> • Adam Kanner – Chairman, ScoreBig - Confirmed

11	4/4	<p><u>Lecture – Late & Exit Stage - Presentation</u></p> <ul style="list-style-type: none"> • Late Stage Fundamentals <p><u>Team Assignment</u></p> <ul style="list-style-type: none"> • Team Assignment to be Done in Class • Teams of 4-5 • 10 questions, Team answers • No notes or electronics <p><u>Guest Speaker</u></p> <ul style="list-style-type: none"> • John Suh - CEO, LegalZoom - Confirmed
12	4/11	<p><u>Lecture – Late & Exit Stage</u></p> <ul style="list-style-type: none"> • Exits • Late Stage <p><u>Guest Speakers</u></p> <ul style="list-style-type: none"> • Fred Theil – CEO, Local - Confirmed
13	4/18	<p><u>Closing Class Reception</u></p> <p>Class Held at the offices of D&B in Malibu</p> <p><u>Host & Guest Speaker:</u></p> <ul style="list-style-type: none"> • Jeff Stibel - CEO, D&B - Confirmed
14	4/25	<p><u>Lecture – Late & Exit Stage</u></p> <ul style="list-style-type: none"> • Exits & Acquisitions • Self-Evaluations • Class Review & Recommendations <p><u>Guest Speaker</u></p> <ul style="list-style-type: none"> • Alex Kazerani - CEO, Verizon Digital - Confirmed
5/9		<p>Final Exam – Closed Notes, No Electronics</p>

List of Blogs/ Web Sites

1. <http://www.socaltech.com/>
2. <http://techcrunch.com/>
3. <http://www.techmeme.com/>
4. <http://www.crunchbase.com/>
5. <http://venturebeat.com/>