

Course Description

While many finance courses focus on theory or practical application for enterprises large and small, this course focuses on the enterprise yet to be. All businesses start with an idea, and that’s where this course begins – how to determine whether or not to pursue the construction of an enterprise around an idea. From there we follow the life cycle of a new venture, from the perspective of financial strategy to optimize the probability of success.

Learning Objectives

The first part of the course will focus on making something out of nothing – the financial strategy of converting an idea into a venture and the market environment. The second part of the course will focus on the financing strategies to model and scale the venture. The third part of the course will focus on later stage financing, exit design, and advanced modeling.

Recommended Preparation: IDSN-525 Business Essentials.

Course Notes

This course will be conducted online, using a combination of synchronous and asynchronous methods.

Additionally, I use a variety of materials (textbooks, academic papers, etc.) in constructing my notes for this class. Given that this is an advanced elective course, I will not be teaching directly from the textbook, although one is required. View the required textbook as a supplementary view of my class lectures, which, given the complexity of the material covered in this course, should aid in a better understanding of the material.

- Text – Metrick, “Venture Capital and the Finance of Innovation”.

Technological Proficiency and Hardware/Software Required

Students must provide their own laptop. The laptop specifications take into consideration that students will be creating, streaming, and downloading audio and video; communicating using video conferencing applications and creating and storing large multimedia files.

	Apple	Windows PC
Laptop (Minimum standards)	<ul style="list-style-type: none"> • 2.6 GHz dual-core Intel Core i5 or 2.0 GHz quad-core Intel Core i7 • Minimum 13” display • 250 GB hard drive or larger • 8 GB memory/16GB memory recommended 	<ul style="list-style-type: none"> • Intel Core i5 or Intel Core i7 • Minimum 14” display • 250 GB hard drive or larger • 8 GB memory/16GB memory recommended

Warranty	<ul style="list-style-type: none"> ● Manufacturer warranty or extended warranty coverage (Apple Care) 	<ul style="list-style-type: none"> ● Manufacturer warranty or extended warranty coverage
Operating System	<ul style="list-style-type: none"> ● Mac OS X operating system or higher 	<ul style="list-style-type: none"> ● Windows 7, 8, 10 operating system or higher
Peripherals	<ul style="list-style-type: none"> ● HD webcam, speakers and microphone (Most newer laptops have built-in webcam, speakers and microphone) ● Headset ● Digital camera (Cameras on newer smartphones are acceptable) ● External drive for cloud account for backup and storage 	
Software	<ul style="list-style-type: none"> ● Adobe Creative Cloud (Photoshop, Illustrator, and InDesign) ● Adobe Acrobat Reader ● Microsoft Office Suite ● Sophos Endpoint Security (antivirus) ● Browser: Most recent version of Firefox, Chrome, Safari, or Internet Explorer 	
Network	<ul style="list-style-type: none"> ● Cable modem, DSL, T1/T3 or higher 	

Required Readings and Supplementary Materials

Required reading will be drawn from textbooks, articles, papers, cases, and online publications (e.g., articles, op-ed essays) available through a host of available outlets; in all instances, the material will be delivered via computer. Students are required to view online videos, complete web-based, interactive exercises, journaling, and responding to peer and faculty comments (within an online discussion forum or group discussion). Reading assignments are listed in the Course Schedule below. Students may also be asked by the instructor to review additional resources or contemporary news stories posted to the LMS. Lectures, readings, viewings will be supplemented with current articles and audio/video content provided by relevant publications.

Academy Student Attendance Policy

The Academy maintains rigorous academic standards for its students and on-time attendance at all class meetings is expected. Each student will be allowed two excused absences over the course of the semester for which no explanation is required. Students are admonished to not waste excused absences on non-critical issues, and to use them carefully for illness or other issues that may arise unexpectedly. Except in the case of prolonged illness or other serious issue (see below), no additional absences will be excused. Each unexcused absence will result in the lowering of the final grade by 1/3 of a grade (e.g., an A will be lowered to A-, an A- will be lowered to B+, etc.).

Students remain responsible for any missed work from excused or unexcused absences. Immediately following an absence, students should contact the instructor to obtain missed assignments or lecture notes and to confirm new deadlines or due dates. Extensions or other accommodations are at the discretion of the instructor.

Automatically excused absences normally may not be used for quiz, exam or presentation days. Using an excused absence for a quiz, exam or presentation, such as in the case of sudden illness or other emergency, is at the discretion of the instructor.

In the case of prolonged illness, family emergencies, or other unforeseen serious issues, the student should contact the instructor to arrange for accommodation. Accommodation may also be made for essential professional or career-related events or opportunities. All accommodations remain at the discretion of the instructor, and appropriate documentation may be required.

Grading Breakdown

Assignment	% of Grade
Problem Sets	20%
Round 1 – New Venture Model and Presentation of Venture	10%
Round 2 – Final New Venture Model and Presentation of Venture	15%
Midterm Exam (take-home, online – submitted through LMS)	20%
Final Exam (take-home, online – submitted through LMS)	30%
Participation (synchronous and asynchronous)	5%
Total	100%

Assignment Submission Policy

All assignments must be uploaded to the learning management system by **9:00 a.m. Pacific Time** on the date that deliverable is listed as due in the Course Schedule. No exceptions. (Early submissions are, of course, encouraged!)

- Deliverables that exceed maximum page or time length requirements will only be assessed up to (and not beyond) that limit.
- Read and heed supplementary Assignment Details, distributed when each assignment is launched, carefully.
- Journaling assignments must be completed on Tumblr, and then require the student to post the relevant URL to the Assignments Upload Unit within the LMS.

All assignments, no matter how late, must be completed in order to pass this class.

Late Submissions

Assignments will be accepted after the deadline with the following grade penalties. Do not ask for extensions; the below *are* the extensions.

- Submission in the 24 hours after the deadline 10% deduction
- Submission between 24 and 48 hours after the deadline 20% deduction
- Submission between 48 hours and 3 days after the deadline 50% deduction
- Submission more than 3 days after the deadline 100% deduction

Keep copies of all your files and emails until the end of the semester.

Correcting a Grading Error or Disputing a Grade

If you don't inform the instructor of missing or incorrect grades within two weeks of those grades being posted, the grades will be assumed correct. Do not wait until the semester's end to check or appeal any grades. If you feel a grade merits re-evaluation, you are encouraged, within one week of the instructor providing a grade and initial feedback, to send the instructor a memo in which you request reconsideration. The memo should include a thoughtful and professional explanation of your concerns. Be aware that the re-evaluation process can result in three types of grade adjustments: positive, none, or negative. (Note: Complaints on the date of a graded assignment's return to you will not be addressed; it is essential to wait one full day prior to raising a concern.)

Additional Policies

Class notes policy: Notes or recordings made by students based on a university class or lecture may only be made for purposes of individual or group study, or for other non-commercial purposes that reasonably arise from the student's membership in the class or attendance at the university. This restriction also applies to any information distributed, disseminated, or in any way displayed for use in relationship to the class, whether obtained in class, via e-mail or otherwise on the Internet, or via any other medium. Actions in violation of this policy constitute a violation of the Student Conduct Code, and may subject an individual or entity to university discipline and/or legal proceedings. Again, it is a violation of USC's Academic Integrity Policies to share course materials with others

without permission from the instructor.

No recording and copyright notice: No student may record any lecture, class discussion or meeting with the instructor without his/her prior express written permission. The word “record” or the act of recording includes, but is not limited to, any and all means by which sound or visual images can be stored, duplicated, or retransmitted whether by an electro-mechanical, analog, digital, wire, electronic or other device or any other means of signal encoding. The instructor reserves all rights, including copyright, to his/her lectures, course syllabi and related materials, including summaries, slides (e.g., Keynote, PowerPoint), prior exams, answer keys, and all supplementary course materials available to the students enrolled in the class whether posted to the LMS or otherwise. They may not be reproduced, distributed, copied, or disseminated in any media or in any form, including but not limited to all course note-sharing websites. Exceptions are made for students who have made prior arrangements with The USC Office of Disability Services and Programs and the instructor.

Participation: Students are expected to actively participate in this course. In an online forum, participation includes:

- Careful reading and viewing of assigned materials by the date due
- Regular, substantive contributions to discussions
- Active engagement with online content
- On-time attendance and full attention in synchronous sessions
- Significant collaboration with classmates and teammates

Course grades may be affected for students who do not contribute to the course through active participation. Students should notify the instructor in advance if they are unable to attend class. Those unable to attend will be required to review the online recording for the session missed, and submit thoughtful feedback to the Instructor.

Contact Hours

This 3-unit course requires 2,250 minutes of instructional time per semester, which equals 150 minutes (2.5 hours) of instructional time each week. Instructional time may be further broken down into 75 minutes (1.25 hours) of asynchronous time and 75 minutes (1.25 hours) of synchronous time. In addition, it is expected that students will work, on average, an additional 300 minutes (5 hours) per week outside of class — on readings/viewings, homework assignments, field experiences, and individual or team projects. Synchronous class sessions will be offered as regularly scheduled evening or weekend classes, once each week.

Course Schedule

WEEK	TOPIC	ASSIGNMENTS
1	Introductions – Ideas and Markets <ul style="list-style-type: none">● Evaluate viability of Ideas and Markets quantitatively (aka State of the Union)	Case Study Prep (QPED)

2	<p>That's an Idea! – Value of Ideas and Businesses</p> <ul style="list-style-type: none"> From a founder's perspective construct a value model for ideas and determine if they have business potential, (top down and bottom up) and Boolean 	Case Study Prep (HEMLOCK) / Team Formation
3	<p>Into the Weeds – Modeling the P&Ls</p> <ul style="list-style-type: none"> Identify resources (talent, technology, time) and liabilities (credit, credibility, time, opportunity costs, regret) Build a financial model from the ground up to determine how much you need to get you where. 	Case Study Prep (FLYBY) / Problem Set 1
4	<p>To receive an offer you can't refuse – The Capital Raise</p> <ul style="list-style-type: none"> Explore types of capital available, compare/contrast, work through right type for ICB 	Problem Set 2
5	<p>What's a VC? – Fundamentals of Venture Capital</p> <ul style="list-style-type: none"> Why are VCs a thing - who are they, what do they do, how do they do it? How to value a portfolio of options. 	
6	ROUND 1 Presentations	Model 1 submission / Deck 1 submission
7	Mathematical Abstractions - Sensitivites	
8	Mathmatical Abstractions - Optimization	Midterm Exam
9	<p>Terms of Endearment - Term Sheet Deconstruction</p> <ul style="list-style-type: none"> Explore the items/aspects of terms sheets; Explore the ability/need to negotiate the term sheet 	Case Study Prep (Death Star Capital)
10	<p>VC Valuations</p> <ul style="list-style-type: none"> Understand how a VC evaluates an investment opportunity 	Problem Set 3
11	Preferred, Not Shaken – Preferred Stock	Case Study Prep (Frize)

	<ul style="list-style-type: none"> Understand Preferred Stock, terms, types, methods. 	Model 2 submission / Deck 2 submission
12	Choose Your Own Venture... Valuation <ul style="list-style-type: none"> Understand Venture Exit Valuations 	Problem Set 4
13	Monte Carlo Simulation	
14	Just Add Water - Antidilution Provisions <ul style="list-style-type: none"> Understand the effects and implications of AD provisions 	
15	ROUND 3 Presentations	Model 3 submission / Deck 3 submission
15.1	Final Exam	Final Exam

Assignments

WEEK 1:

1. Case Study Prep (QPED)

Read and prepare thoughtful discussion questions and conversation points for the case study = QPed.

WEEK 2:

1. Case Study Prep (HEMLOCK) / Team Formation

Read and prepare thoughtful discussion questions and conversation points for the case study = Hemlock.

2. Commit to and submit groups of 2-3 students for Model and Presentation submissions.

WEEK 3:

1. Case Study Prep (FLYBY)

Read and prepare thoughtful discussion questions and conversation points for the case study = FLYBY.

2. Submit Problem Set 1

WEEK 4:

1. Submit Problem Set 2

WEEK 5:

WEEK 6:

1. Model 1 submission

Model 1 should be comprised of a 36-month pro forma with three separate tabs:

Tab 1 = Assumptions for the model

Tab 2 = the dynamic model that clearly labels all inputs and outputs

Tab 3 = the dynamic visuals that clearly illustrate the firm's growth over the next 36 months wrt Cash position, revenue, and net income.

2. Deck 1 submission

Deck 1 should be the visual aid that complements the 7-minute pitch. Suggested slides should include:

Title / Overview

Problem

Solution
Opportunity
Market
Customer
Competition
Business Value
Team
Ask

WEEK 7:

1. Case Study Prep (Death Star Capital)

Read and prepare thoughtful discussion questions and conversation points for the case study = Death Star Capital.

WEEK 8:

1. Midterm Exam

WEEK 9:

1. Case Study Prep (Frize)

Read and prepare thoughtful discussion questions and conversation points for the case study = Frize.

WEEK 10:

1. Submit Problem Set 3

WEEK 11:

1. Model 2 submission

Model 2 should be comprised of a 36-month pro forma with three separate tabs:

Tab 1 = Assumptions for the model

Tab 2 = the dynamic model that clearly labels all inputs and outputs

Tab 3 = the dynamic visuals that clearly illustrate the firm's growth over the next 36 months wrt Cash position, revenue, and net income.

*Additionally – Model 2 should clearly indicate which cells are assumptions, decisions, and forecasts.

*Model 2 should demonstrate growth only as a function of assumptions and decisions directly controlled / influenced by founder-level resources.

2. Deck 2 submission

Deck 2 should be the visual aid that complements the 6-minute pitch. Suggested slides should include:

Title / Overview

Problem

Solution

Opportunity

Market

Customer

Competition

Business Value
Team
Ask

WEEK 12:

- 1. Submit Problem Set 4**

WEEK 15

- 1. Model 3 submission**

Model 3 should be comprised of a 36-month pro forma with three separate tabs:

Tab 1 = Assumptions for the model

Tab 2 = the dynamic model that clearly labels all inputs and outputs

Tab 3 = the dynamic visuals that clearly illustrate the firm's growth over the next 36 months wrt
Cash position, revenue, and net income.

*Additionally – Model 2 should clearly indicate which cells are assumptions, decisions, and forecasts.

*Model 3 should demonstrate growth only as a function of assumptions and decisions directly controlled / influenced by founder-level resources.

*Model 3 should include Monte Carlo simulation

- 2. Deck 3 submission**

Deck 3 should be the visual aid that complements the 5-minute pitch. Suggested slides should include:

Title / Overview

Problem

Solution

Opportunity

Market

Customer

Competition

Business Value

Team

Ask

Final Exam

Due within 72 hours after final class ends.

Statement on Academic Conduct and Support Systems

Academic Conduct:

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, policy.usc.edu/scientific-misconduct.

Support Systems:

Student Health Counseling Services - (213) 740-7711 – 24/7 on call
engemannshc.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-4900 – 24/7 on call
engemannshc.usc.edu/rsvp

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED) | Title IX - (213) 740-5086
equity.usc.edu, titleix.usc.edu

Information about how to get help or help a survivor of harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following protected characteristics: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations.

Bias Assessment Response and Support - (213) 740-2421
studentaffairs.usc.edu/bias-assessment-response-support

Avenue to report incidents of bias, hate crimes, and microaggressions for appropriate investigation and response.

The Office of Disability Services and Programs - (213) 740-0776
dsp.usc.edu

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

USC Support and Advocacy - (213) 821-4710
studentaffairs.usc.edu/ssa

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101

diversity.usc.edu

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call

dps.usc.edu

Non-emergency assistance or information.