



Course Title: New Venture Finance
Units: 2

SYLLABUS

Course Purpose

This course teaches about the financing new entrepreneurial ventures, emphasizing those that have the possibility of creating a national or international impact. The course examines the entrepreneur's and the investor's perspective and places a special focus on the venture capital process, including how they are formed and managed, accessing the public markets, mergers, and strategic alliances.

Objectives and Teaching Methods

The course uses lectures, case studies and guest speakers to explore issues in financing entrepreneurial ventures. Topics range from entrepreneurial team formation, legal issues in the startup phase, perspectives on venture capital and financing to successfully exiting the venture.

The lecturer require that you come to class prepared, having read the materials required and with prepared questions for the guests. The guests are all high-caliber individuals who give their time to come to Berkeley and have very high expectations of the students who take the class.

Evaluation and Grading

Class participation: 40%
Final assignment or examination: 60%

Schedule

Class 1 Introduction and Overview of the life of a high tech company

Class 2 Pulling the team and technology together

Readings and Materials:

“The Legal Protection of Intellectual Property,” Michael J. Roberts
§§ 16600 and 16601 - Business and Professions Code of California
At Will Employment and Confidential Information, Invention Assignment, and
Arbitration Agreement

Guests: Entrepreneurs

Class 3 Organizing the Start-Up

Readings and Materials:

“The Legal Forms of Organization,” Michael J. Roberts
Certificate of Incorporation (Delaware)
Articles of Incorporation (California)
By-laws
Organizational actions
Restricted Stock Purchase Agreement
Incentive Stock Plan

Class 4 Venture Capital: Current State of the Industry

Readings and Materials:

“A Note on the Venture Capital Industry,” Paul A. Gompers
Guest: Venture Capitalist

Class 5 Venture Capital: The Business

Readings and Materials:

“Venture Capital: More than Money?”, Jeffrey A. Timmons & Harry J. Sapienza
“Relationships Between Venture Capitalist and Entrepreneurs,” Brook H. Byers
“How Venture Capital Works,” Bob Zider

Guest: Venture Capitalist

Class 6 Getting Funded

Case: *Digital Think*

Readings and Materials:

“New Venture Financing,” Michael J. Roberts & Howard H. Stevenson
“How to Write a Great Business Plan,” William Shalman
“How Much Money Does Your New Venture Need,” James McNeill Stancill
“How to Choose and Approach a Venture Capitalist,” G. Jackson Tankersley, Jr.
“Meeting With the Venture Capitalists,” Wayne B. Kingsley

Guest: Entrepreneur from Digital Think

Class 7 Venture Financings: Legal structure of a venture capital financing

Readings and Materials:

“Venture Capital Negotiations: VC versus Entrepreneur,” Noam Wasserman
“Structuring the Financing,” Stanley C. Golder
“Negotiating Venture Capital Financings,” Richard D. Harroch
Memorandum of Terms For Private Placement of Series A Preferred Stock
Action By Unanimous Written Consent of the Board of Directors
Action By Written Consent of the Shareholders
Amended and Restated Articles of Incorporation
Series A Preferred Stock Purchase Agreement

Class 8 Angel Financing: Alternative Sources of Financing

Case: *The Band of Angels*

Readings and Materials:

“Non-Traditional Financing Sources,” Gregory B. Sneddon & Jay K. Turner
“Bootstrap Finance: The Art of Startups” Amar Bhidé
“Angel Investing: Innovation Within the Establishment,” John W. Glynn & Janet Feldstein

Guest: Angel financier

Class 9 Rewards and Incentives

Case: *Richard Spellman (A)*

Readings and Materials:

High Tech Startup Chapter 8 “Personal Rewards and Costs,” John L. Nesheim

Class 10 Intellectual Property & Strategic Alliances

Readings:

“The Global Logic of Strategic Alliances,” Kenichi Ohmae
“Negotiating Strategic Alliances,” Michael Watkins

Guests: CEO of an existing firm; patent attorney

Class 11 Valuation: Analyzing and Supporting the Value of a Start-up

Readings and Materials:

“A Note on Valuation in Private Equity Settings” Josh Lerner, John Willinge
“A Note on Valuation of Venture Capital Deals” Thomas Hellmann
“Valuation: What It’s Worth,” Venture One

Guest: Venture Capitalist



Class 12 Mergers and Acquisitions

Readings and Materials: to be announced

Guests: M&A attorney and Investment banker

Class 13 Initial Public Offerings

Readings and Materials:

“A Note on Distribution of Venture Investments,” Joshua Lerner

Guide to the Initial Public Offering, Steven Bochner

Guests: Mark Reinstra of Wilson, Sonsini Goodrich & Rosati and Kris Klein, CS First Boston

Class 14 Venture Capital – The Next Ten Years

Guest Panel: Venture Capitalists

Class 15 FINAL EXAM OR PROJECT

Teaching Guide

Requirements

It is imperative that the lecturer for this course to be involved with significant financings and intimately aware of the norms to getting those deals done. The material and the high-quality guests which make the course valuable are best taught by an individual familiar with both the entrepreneurial endeavor and the roles of venture capitalists and investment banks.

Use of Guests

The course makes heavy use of guest lecturers, each of whom can describe the financing of a new venture either in general, such as a venture capitalist, or in specific, such as an entrepreneur associated with a case.

Use of Graders

Graders are not required

Use of Mentors

Mentors are not required