SYLLABUS

Course Title: FIN 6476 - Venture Finance
   PMSE09 Term 3

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Text: Instructor's Class Notes, instructor-provided case, and Harvard Case 9-803-096: Zipcar: Refining the Business Model

Supplementary readings:
8. Welch, Ivo and Ritter, Jay; February 8, 2002; *A Review or IPO Activity, Pricing and Allocations*, Yale International Center for Finance Working Paper No. 02-01.
11. Wong, Andrew. 2002. *Angel Finance: The Other Venture Capital*, University of Chicago Graduate School of Business, Chicago, IL.
Course Objectives:

1. Investigate how the conventional principles of corporate finance can be used to analyze the financing needs of new ventures, and discuss the shortcomings of these for new ventures. Introduce the concept of risk and risk-based valuation as an alternative approach to valuing early stage companies.

2. Develop new tools and perspectives for addressing the unique planning needs of new ventures (predictive modeling, valuation, harvest, the deal).

3. Create and present the results of applying the course content to case studies.

4. Provide the background and tools to participate in the entrepreneurial process within a large company, in a new venture or as an investor.

Course Overview:

Since the major causes for the high rate of new venture terminations are attributed to economic and financial factors, a clear understanding of venture financing is required before a start-up is undertaken.

Whether this entrepreneurial activity occurs within a corporate structure or as an independent enterprise, the unique nature of a start-up’s financing needs require the creation of “new” interpretations of conventional financial analysis tools to insure survival and growth.

Although the emphasis of this course is on new venture financing, the student will also begin to grasp the need to integrate all aspects of the business strategy (financial, marketing, management, etc.) into a cohesive approach to new venture formation from both the entrepreneur and investor's perspective.

The course will be organized around lectures, readings, class discussions, cases and a team project.

The mid-term case is an individual effort, and the deliverable is a written analysis of an assigned case. Each student is required to apply everything covered in class through Risk-based Valuation on the mid-term case and to value the firm quantitatively.
Students will analyze the final case on a team basis. Teams are required to apply all material covered in the course through Harvesting in the analysis of the final case. Each team will present its results at the end of the course as well as a written report covering its analysis. Team members will be graded on presentation technique as well as how thoroughly the course content is applied to the case.

The final exam will be an essay-based exam covering the entire course content.

Class participation not only is expected but is an important component of the learning process in this course. Your grade in the class will be determined as follows:

Mid-Term Case Study - Individual  35%
Final Case Study - Team Project  35%
Final Exam  30%

Class Outline:
I. Sources of New Venture Financing
II. Role of Financial Modeling
III. Traditional Forms of Valuation
IV. Impact of Risk
V. Risk-based Valuation
VI. Harvesting
VII. Venture Capital
VIII. Private Capital
IX. The Deal

Class Schedule:

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Overview</th>
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</thead>
<tbody>
<tr>
<td>Dec 7</td>
<td>Introduction</td>
<td>Overview. Introduce mid-term and final case studies. Introduction to Entrepreneurial Finance.</td>
</tr>
<tr>
<td>Dec 7</td>
<td>Sources of NV Financing</td>
<td>Introduction to the various sources of financing available to existing &amp; start-up companies</td>
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<tr>
<td>Dec 7</td>
<td>Role of Financial modeling</td>
<td>Review the major concepts of financial statements and the role of financial modeling.</td>
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<tr>
<td>Jan 10</td>
<td>Valuation</td>
<td>Introduction to conventional approaches to company valuations.</td>
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<tr>
<td>Jan 10</td>
<td>Impact of Risk</td>
<td>Evaluate the nature of start-up risk and impact on choice of financing.</td>
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<td>Date</td>
<td>Topic</td>
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<tr>
<td>Jan 10</td>
<td>Valuation</td>
<td>Introduction to a risk-based valuation technique</td>
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<tr>
<td>Jan 11</td>
<td>Harvesting</td>
<td>Detailed discussion of how exit strategies can impact the choice of financing</td>
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<tr>
<td>Jan 11</td>
<td>Venture Capital</td>
<td>Detailed discussion of the role of venture capital in financing start-ups.</td>
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<tr>
<td>Jan 11</td>
<td>Private Capital</td>
<td>Detailed discussion of the role of private equity capital in financing start-ups.</td>
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<td>Jan 11</td>
<td>The Deal</td>
<td>Detailed discussion of various forms of &quot;the deal&quot;.</td>
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<td>Jan 20</td>
<td>Mid-Term Case Due</td>
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<td>Feb 7</td>
<td>Mid-term review</td>
<td>Review of Tag Case</td>
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<td>Feb 7</td>
<td>10 Entrepreneurial Death Traps</td>
<td>For perspective</td>
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<td>Feb 8</td>
<td>Team Presentations</td>
<td>Teams present final case analysis</td>
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<tr>
<td>Mar 6</td>
<td>Final Exam</td>
<td>Essay exam based on entire course content</td>
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