ECE80G: Creating & Financing Sustainable Startups in a Global Economy

Instructor: Dr. Paul Vroomen
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Office hours: Tuesdays 1:00pm to 3:00pm
Location: https://ucsc.zoom.us/j/97624276857?pwd=T0tIQVdwRm90am0zZVNidHIXNGFSUT09

TA: Majid Moghadam (also Web Master)
email: mamoghad@ucsc.edu
Office hours: TBA
Location: TBA

Class time: Tuesday, Thursday 9:30am-12 noon, starting June 22, 2021, ending August 12, 2021
Location: https://ucsc.zoom.us/j/96295898803?pwd=WKFQRHptNDdjTUHiQ1ArR2wODdJUT09
Class website: https://canvas.ucsc.edu/courses/45257

Course Outline:
This course introduces students and prospective entrepreneurs to the ingredients required to successfully create and finance a start-up company or non-profit. Throughout the course particular emphasis is placed on two critical aspects of global business practice:

1) the global nature of modern business practice and supply chains and how those affect global well being;
2) The impact on sustainability of global supply chains throughout the lifetime of a product, including its initial conception and design, manufacturing, distribution, consumption and end of life process

Students will learn how to build a balanced team, define their product or service, understand their target market and competition, identify and connect with their customers, build a business plan and create a company pitch to raise financing for their startup. Students will also learn the ingredients required for a successful financing campaign. Students will apply all of these concepts in a quarter long team project in which they will create a company.

The course is divided into two parts: Part one covers the elements of your company that investors will expect to be in place when you start a funding campaign. This part of the course will enable you to create your company and prepare it for an institutional funding round. Part two discusses the types of investors and deals that are available to entrepreneurs today and reviews the investment process. Part two also reviews the typical terms and conditions that are found in term sheets for priced financing rounds.

Course Objectives:
Upon completion of this course, students will know how to create and secure financing for a startup company or non-profit. Specifically, students will:
• Understand that the purpose of a business is to create value for all stakeholders
• Understand the key elements of a successful startup, emphasizing the team, the market, customers, competition and the product/service.
• Learn how to create a business plan, financial plan and a meaningful and compelling company pitch
• Understand the expectations of investors so that you can ensure that your company is optimally prepared to raise an institutional funding round.
• Understand the financing process and typical financing terms so that you can close your deal in optimal time and with mutually attractive terms
• Understand the ethical dilemmas that arise in a fast changing, global business environment, especially as they affect local communities, and learn strategies to deal with those dilemmas
• Apply all the concepts learned to create a company and finance it.

Team Project:
This course will require you to prepare a financing presentation (The Pitch), backed up by a business plan, in appropriately sized teams to simulate the founders of a startup. Your team will present your pitch to the instructor and TA (representing your prospective investors). Each team will then receive a term sheet which you will analyze and then negotiate with your investors. The team project has four deliverables as shown in the class schedule.

Exams:
Students will complete a midterm and a final exam. The exams are take-home exams and students will have 5 days to complete each exam. The exams will directly test students on the material from lectures 1-7 (midterm) and lectures 9-15 (final) through case studies that describe situations in which students are required to apply the topics learned in class in a novel situation.

Quizzes:
Students will complete 4 in class quizzes in weeks 2 & 3, and weeks 6 & 7. The quizzes consist of 10 multiple choice questions with a bonus question and will be taken in class on the Canvas website. The quizzes are based on the readings and lectures up to the date of the quiz.

Readings:
Students are required to complete the readings listed for a particular lecture prior to the lecture. I will assume that you have read the lecture materials and will expand on the content of the reading for a particular lecture by means of real-world examples and discussions of the reading in class. Keeping up with the reading is critical to be successful in this class. Please make keeping up with the reading a top priority in your time planning for this class.
Evaluation:
In class Quizzes: 20%
Midterm exam: 25%
Final exam: 25%
Project: 30% (Each deliverable is graded and counts 7.5%)

Textbooks:
Required:

Recommended:

The material presented in this course is not available in a single textbook. I will be illustrating the concepts with real world examples and the material I present may differ from the textbook. So students are strongly advised to take notes in the lectures.

Course Schedule:
In the table below under the “Readings” column, ZCB means “Entrepreneurship” by Zacharakis, Corbett and Bygrave; F&M means “Venture Deals” by Feld & Mendelson
<table>
<thead>
<tr>
<th>Date</th>
<th>Lecture</th>
<th>Topic</th>
<th>Readings</th>
<th>Assignments</th>
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</thead>
<tbody>
<tr>
<td>22-Jun</td>
<td>1</td>
<td>Course organization &amp; schedule; Overview of a live startup</td>
<td>ZCB: P.1-12</td>
<td></td>
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<tr>
<td>24-Jun</td>
<td>2</td>
<td>Identifying an opportunity; identifying the value proposition of the product or service</td>
<td>ZCB: P.47 - 52; P.71-76</td>
<td>Teams Assigned: Startup company/non-profit selected</td>
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<tr>
<td>29-Jun</td>
<td>3</td>
<td>Identifying the serviceable market (TAM, SAM, SOM); analyzing competition</td>
<td>ZCB: P.141-159</td>
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<tr>
<td>1-Jul</td>
<td>4</td>
<td>Go to market - reaching your customers (CAC and CLTV)</td>
<td>ZCB: P.120-127</td>
<td>Quiz 1</td>
</tr>
<tr>
<td>6-Jul</td>
<td>5</td>
<td>Building &amp; compensating your team</td>
<td>ZCB: P.184-203</td>
<td><strong>Deliverable 1:</strong> First draft of business plan (product/service, value proposition, market TAM, SAM SOM, competition and customer CLTV and CAC)</td>
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<tr>
<td>13-Jul</td>
<td>7</td>
<td>The Financial Plan &amp; Business Model: constructing your pro forma statements</td>
<td>ZCB: P.275-292</td>
<td></td>
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<td>15-Jul</td>
<td>8</td>
<td>Midterm Exam Review</td>
<td></td>
<td><strong>Deliverable 2:</strong> Final business plan (adds team and pro forma financial statements); Midterm Exam Released</td>
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<td>20-Jul</td>
<td>9</td>
<td>Company Structure and Legal Considerations ; Patents, copyrights, trade secrets; types of corporations</td>
<td>ZCB: 373-396</td>
<td>Midterm Exam Due</td>
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<td>22-Jul</td>
<td>10</td>
<td>The Pitch - critical components; An example of a $13M pitch</td>
<td>ZCB: P.224-237</td>
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<td>27-Jul</td>
<td>11</td>
<td>How venture capital works</td>
<td>FM: P.167 - 185</td>
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<td>29-Jul</td>
<td>12</td>
<td>Financing for startups: FFF, crowdfunding, angel investors, venture capital; convertible notes; SAFEs</td>
<td>ZCB: P.303-312; P.353-359; F&amp;M: 113-121</td>
<td>Quiz 3; <strong>Deliverable 3:</strong> The Pitch (10-15 slides summarizing your business)</td>
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<td>3-Aug</td>
<td>13</td>
<td>The term sheet: economics terms</td>
<td>F&amp;M: P.45-66</td>
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<td>5-Aug</td>
<td>14</td>
<td>The term sheet: control &amp; other terms</td>
<td>F&amp;M: P77-88; P.91-102</td>
<td>Quiz 4</td>
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<td>10-Aug</td>
<td>15</td>
<td>Ethics in Business</td>
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<td><strong>Deliverable 4:</strong> Closing the deal - team negotiates term sheet with investors. Final Exam Released</td>
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<td>12-Aug</td>
<td>16</td>
<td>Final Exam review</td>
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<td>17-Aug</td>
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<td>Final Exam Due</td>
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