



Course Overview and Syllabus

Course Description	Examines the impact on capital and capital structure strategies of investment bankers and venture capitalists. Assesses the impacts of recent rapid changes in the global capital markets and the roles of these specialized intermediaries and investors. Analyzes the risk/reward paradigms of venture and private equity investors, and the power and influence of investment banks in shaping the size and direction of capital flows. Highlights the likely changes to the role of financial intermediaries.
Credits	1.5
Prerequisites	Financial Management I (BFIN 2409) <i>and</i> Financial Management II (BFIN2410) <i>Or</i> Financial Management (BFIN 2006). BFIN 2030 recommended.
Instructor	Andrew Washburn, Visiting Lecturer
Contact Information	Telephone: 412-648-2843 Office: Mervis 268 Email: ajwashburn@katz.pitt.edu Appointments scheduled at mutually convenient times.

Investment Banking & Venture Capital (LEC/CRN 14557) BFIN 2124-FT

Grading	<p>Class Participation: 20%</p> <p>Assignments: 45%</p> <p>Final Exam: 35%</p>
Text	<p>“Investment Banking and Venture Capital” (Coursepack), McGraw-Hill Create. ISBN-13: 978-1-121-043961-6</p>
Class Preparation and Participation	<p>Students are expected to have prepared all materials listed for the given class session <i>in advance</i> of the noted class. Preparation includes completing the readings; and developing sufficient familiarity with the material to participate actively in a class discussion. Interaction in the classroom is an essential element of the learning experience.</p>
Disabilities	<p>If you have a disability for which you are or may be requesting an accommodation, I encourage you to contact both me and the Office of Disability Resources and Services (DRS), 140 William Pitt Union, (412) 648-7890 or (412) 383-7355 (TTY), as early as possible in the term. DRS will verify your disability and determine reasonable accommodations for this course.</p>
Other	<p>All students are expected to comply with the <i>Guidelines for Academic Integrity</i>. To amplify this point, all work is to be completed solely by the individual student unless instructor explicitly directs that the effort can be done collaboratively or in teams. Additionally, any use of outside sources is prohibited unless explicitly permitted by instructor; and any outside sources used are to be fully attributed. Furthermore, seeking or using case solutions or solution models in any form is a violation of the Guidelines. Finally, you may not <i>offer to</i> anyone nor <i>receive from</i> anyone exam or problem set or case solutions; doing so is an explicit violation of the Guidelines.</p>

Preliminary Syllabus

The following represents a tentative outline of key topics, arranged by class week. Case/article readings are to be read/prepared *prior* to the noted class.

Class	Date	Topic	Custom Book Pages	Article/Case/Chapter/Podcast
1	21-Oct-2013	The Role of Venture Capital <ul style="list-style-type: none"> • Entrepreneurship, risk and return • Foundations of start-up financing 	1-24 25-36	<ul style="list-style-type: none"> • Roberts, Stevenson, and Morse, “Angel Investing” • Zider, “How Venture Capital Works”
<i>Short Response</i>	23-Oct-2013	Goldman Sachs and its Influence <ul style="list-style-type: none"> • <i>Prepare a short (2-3 pages) response to the NPR interview of William Cohan</i> 		<ul style="list-style-type: none"> • <i>NPR Stream</i>
2	23-Oct-2013	The Role of Investment Banks <ul style="list-style-type: none"> • Investment banks as catalysts for capital flows • VCs, Angels, Private Equity, and I-Banks: Providing fuel for economic growth 	Course Web 37-48	<ul style="list-style-type: none"> • Morrison & Wilhelm, “Investment Banking: Past, Present, and Future” (<i>Posted on CourseWeb</i>) • Wasserstein, “Giving Great Advice”
3	28-Oct-2013	How VCs Make the Investing Decision <ul style="list-style-type: none"> • DCF and its limitations • Assessing Optionality • Valuation approaches at various venture stages • Allocating risk and ownership 	49-67	<ul style="list-style-type: none"> • Roberts & Barley, “How Venture Capitalists Evaluate Potential Venture Opportunities”

Investment Banking & Venture Capital (LEC/CRN 14557) BFIN 2124-FT

Class	Date	Topic	Custom Book Pages	Article/Case/Chapter/Podcast
4	30-Oct-2013	Valuation in the Venture and Private Equity World <ul style="list-style-type: none"> Valuation approaches at various venture stages Pre-Money/Post-Money Valuations 	68-80 81-88	<ul style="list-style-type: none"> Hellman, “A Note on Valuation of Venture Capital Deals” Cyr, “Note on Pre-Money and Post-Money Valuations”
5	04-Nov-2013	Structuring a Venture Deal <ul style="list-style-type: none"> Investing Terms and participation Exit strategies 	89-96	<ul style="list-style-type: none"> Roberts & Stevenson, “Deal Structure and Deal Terms”
6	06-Nov-2013	Making the Case to Investors: Honest Tea	97-125	<ul style="list-style-type: none"> Gompers, “Honest Tea”
Assgn #1	11-Nov-2013	<i>You’re a VC</i> <ul style="list-style-type: none"> <i>Prepare a short (3-5 pages exclusive of exhibits) memo outlining your conditions for investing in the company</i> <i>Due at beginning of Class 7</i> 	97-125	<ul style="list-style-type: none"> <i>Gompers, “Honest Tea”</i>
7	11-Nov-2013	Emergence of Modern Investment Banking <ul style="list-style-type: none"> Defining value and service at investment banks Financial engineering as a product Unique value delivery capabilities 	126-150 151-171	<ul style="list-style-type: none"> Saunders, Cornett, “Financial Services Industry” Nanda et al., “History of Investment Banking”
8	13-Nov-2013	Case Discussion: The Banker <ul style="list-style-type: none"> Lines of business Sources of profitability 	172-194	<ul style="list-style-type: none"> Baker & Barley, “Investment Banking at Thomas Weisel Partners”

Investment Banking & Venture Capital (LEC/CRN 14557) BFIN 2124-FT

Class	Date	Topic	Custom Book Pages	Article/Case/Chapter/Podcast
Assign #2	18-Nov-2013	You're a Regulator <ul style="list-style-type: none"> Should Magnetar be reined in? Is anyone at fault for the collapse? Due at beginning of Class 9 		<ul style="list-style-type: none"> Podcast: <i>This American Life</i> #405: "Inside Job"
9	18-Nov-2013	Case Discussion: The Client <ul style="list-style-type: none"> Using investment banking services How much is it worth paying your banker? 	195-213	<ul style="list-style-type: none"> Stowell, "Freeport-McMoRan: Financing an Acquisition"
10	20-Nov-2013	How Investment Bankers Make Money <ul style="list-style-type: none"> Agency issues Underwriting stock Underwriting debt M&A Trading Market making 	Course Web 214-226	<ul style="list-style-type: none"> Brau & Fawcett, "Evidence on What CEOs think about the IPO Process" (<i>Posted on CourseWeb</i>) Perold & Singh, "Lehman Brothers... Securitization"
Assign #3	02-Dec-2013	You're an I-Banker <ul style="list-style-type: none"> How should Lehman Brothers proceed now? Due at beginning of Class 11 	214-226	<ul style="list-style-type: none"> Perold & Singh, "Lehman Brothers... Securitization"

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Class	Date	Topic	Custom Book Pages	Article/Case/Chapter/Podcast
11	02-Dec-2013	Contemporary Perspectives and the Future of Investing; Exam Review <ul style="list-style-type: none"> • The convergence of commercial and investment banking • Globalization in banking • What went wrong and why • The future of investment banks and why they will have a role 	227-243	<ul style="list-style-type: none"> • Kelly, “Investment Banking in 2008 (B): A Brave New World”
12	04-Dec-2013	Lehman Securitization Recap; Final Exam Review <ul style="list-style-type: none"> • Motives and means in the Lehman securitization • Exam review 	Course Web	<ul style="list-style-type: none"> • Leonard, “How Lehman Brothers Got Its Real Estate Fix” (<i>Posted on CourseWeb</i>)
<i>13</i>	<i>Week of 09-Dec-2013</i>	<i>Final Examination</i>		