

Course Information

<i>Course Number/Section</i>	TDB
<i>Course Title</i>	ENTREPRENEURIAL FINANCE
<i>Term</i>	Fall 2007
<i>Days & Times</i>	TBD
<i>Location</i>	TBD

Professor Contact Information

<i>Professor</i>	Christopher Starr
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<i>Office Hours</i>	By appointment

Course Description

Key Features of the Course

There are several distinguishing features of this course:

- We will emphasize relevant theory.
- We will stress use of cases in class.
- We will bias our presentations and course coverage toward the current entrepreneurial finance practices and patterns in the Philadelphia area. This includes emphasis on venture capital financing.
- We will bring in visitors from the regional financial and entrepreneurial community as speakers. This will add considerably to the coverage of various topics. It will also bring in more and different points of view.

Conduct of the Course

We will explore topics through class discussion of real case situations faced by entrepreneurs and financiers, contributions by outside experts and instructor-led discussion. Time will vary each week for discussion of concepts and frameworks, case discussion, and visitor presentations.

Course Topics

The fourteen week schedule is divided into five course sections:

1. In the Overview section we will:
 - Review major concepts of valuation, risk management and planning.
 - Discuss types of investments and funding sources.
 - Introduce tools for analysis.
2. In the Opportunities Assessment section we will:
 - Consider opportunities from the point of view of both venture funds and individuals.
 - Revisit valuation concepts.
 - Model opportunities.
 - Consider sources of early funding, capital structures and decision horizons.
3. In the Venture Capital and Valuation section we will:
 - Examine VC funding and how it works.

- Consider funding rounds and the business of funding.
 - Consider the challenges of managing and funding growth.
 - Discuss term sheets and the concept of Due Diligence.
4. In the Growth and Exit Strategies section we will:
- Consider liquidity events such as Initial Public Offerings, sales and mergers.
 - Examine later stage financing, including mezzanine financing and buy-outs.
 - Consider international growth.
5. In the Technology Transfer and Strategic Investments section we will:
- Discuss technology transfer and I.P. acquisitions.
 - Consider corporate and strategic venture funds.
 - Consider equity carve-outs and spin-outs.

See the attached class schedule for details. Please note that although we will have speakers in class, you will be provided with clarifying details as the course evolves. Due to scheduling constraints of potential speakers, we need the flexibility this affords. We do expect to have a cross-section of professionals including entrepreneurs, valuation experts, financial officers, angel investors, and venture capitalists.

Student Learning Objectives/Outcomes

The objectives of the course are to build your skills, frameworks and knowledge in entrepreneurial finance. The skills and frameworks are similar to those employed in traditional corporate finance, but are, of necessity, more focused on cash flow, returns and recognizable value. The context of entrepreneurial finance is different than that of traditional corporate finance. Most companies are at a relatively early stage of maturity and, by definition, are not publicly listed on exchanges. Entrepreneurial Finance is of growing importance every year, both domestically and internationally. The specific course aims are to improve your capacity to:

- Recognize an opportunity worthy of financing.
- Value an opportunity.
- Understand the difference between the funder's perspectives and those of the company being financed.
- Appreciate the difference between venture capital, private equity, early stage and traditional financing sources.
- Approach a venture capital source and present your idea.
- Use different financing techniques.
- Understand the importance of options
- Use strategic partnering
- Operate internationally

Although we will include some coverage of private equity topics (fund, management, turnarounds etc.), the coverage will not be complete. More complete coverage of private equity topics is properly a course by itself.

Required Textbooks and Materials

We will use a textbook and a package of 13 business school notes and cases. Both are available in the bookstore. You will need them to proceed in the course. The book that we have chosen to use for reading and reference is *Entrepreneurial Finance* by Leach and Melicher, 2nd edition.

List of cases and notes:

Harvard Business School

9-804-056	Emergence, Valhalla and Orchid: Divergent Models for Venture Capital Funds
9-805-159	fortu PowerCell GmbH
9-805-030	Mt. Auburn Partners Search Fund
9-396-067	Pathfinder Capital
9-803-080	Epicentric
9-801-358	Term Sheet Negotiations for Trendsetter, Inc.
9-805-033	Valhalla Partners Due Diligence
9-804-077	Marv Tseu at Active Reasoning
9-805-031	Innocent Drinks
9-200-062	Dell Ventures
9-805-032	RightNow Technologies
9-298-071	NSK Technologies
9-295-105	ARCH Venture Partners: November 1993
9-288-006	Method for Valuing High-Risk Long-Term Investments

Assignments & Academic Calendar

Course Section	Week	Topics/Investors	Visitor	Assigned Case	Lecture Concepts	Readings	
Overview of Entrepreneurial Finance.	1	<ul style="list-style-type: none"> Major valuation, risk management and planning concepts. Types of investments and funding sources. Tools for analysis. 	None	NSK Technologies	<ul style="list-style-type: none"> Course setup. Data on VC. Early needs and resources. 	LM 1,13	
Opportunity Assessment for Venture Funds and Individuals.	2-3	<ul style="list-style-type: none"> Valuation concepts. Business/financial plans. Capital structure. Source of funding. Decision horizons. 	TBD	Emergence, Valhalla and Orchid: Divergent Models for Venture Capital Funds	<ul style="list-style-type: none"> Cash flow valuation frameworks Business and financial plans. Valuation. 	LM 2,9	
	4						LM 3,4,5,6
	5		TBD	Pathfinder Capital			LM 7,8
			TBD	Mt. Auburn Partners Search Fund			
Venture Capital Funding and Valuation.	6	<ul style="list-style-type: none"> How it works. Funding rounds. Professional management vs. founders. The business of funding. Term sheets. Due Diligence. Funding stages. 	TBD	Epicentric	<ul style="list-style-type: none"> Financing stages of growth. Required rates of return for venture capital. 	LM 10	
	7-8		TBD	Term Sheet Negotiations for Trendsetter, Inc. Valhalla Partners Due Diligence			LM 11,12
Growth and Exit Strategies.	9	<ul style="list-style-type: none"> Challenges of managing and funding growth. Liquidity events, exit strategies. Private equity groups. Initial Public Offerings. Mergers, sales. International growth. 	TBD	Marv Tseu at Active Reasoning	<ul style="list-style-type: none"> Advanced funding needs. Valuation. Public offerings. International VC. 	LM 14	
	10		TBD	Innocent Drinks			
Technology Transfer and Strategic Investments.	11-12	<ul style="list-style-type: none"> Technology transfer. I.P. acquisitions. Corporate and strategic venture funds. Equity carve-outs. Spin-outs. 	TBD Attorney	I.P. Simulation Game (in-class) ARCH Venture Partners: November 1993	<ul style="list-style-type: none"> Value to be gained. Corporate Entrepreneurship. R&D Commercialization. 		
	13		TBD	Dell Ventures			
	14	Final Exam					

First paper assigned TBD, due TBD: fortu PowerCell GmbH/Second paper assigned TBD, due TBD: RightNow Technologies. Class Presentation – TBD.

Grading Policy

Deliverables

You will be judged on class discussion of topics and cases and on your questions for visitors. Other deliverables include individual written analysis of two cases, a team presentation in class and a final exam.

Evaluation

Class discussion, participation and case analysis	30%
Two individual written case analyses	40%
One team presentation in class	15%
Final examination	<u>15%</u>
	100%

Course Policies

Make-up exams

These are possible only in exceptional circumstances. Seek the instructor's approval in advance.

Late Work

All work should be submitted even if late. Penalties may apply.

Class Attendance

Grades depend, in part, on attendance. You are expected to be in class.

Classroom Citizenship

Participation calls for due respect of classmates and the instructors. Do not embarrass yourself. Come prepared to class with required readings and case preparation completed.