

FIN 641: Entrepreneurial and Venture Finance (Fall 2020)

Class Hours: Tuesday, 6:00 to 8:45 pm
Class Location: All classes online using the Zoom platform
Instructor: Ben Bystrom
Office: BusAd E602j
Office Hours: E-mail or call me anytime to discuss projects, assignments and lecture notes.
If I don't pick-up my cell, leave a message and I will get back to you ASAP.
My set times for phone conversations are: Wed 1:15 to 2:30pm, Friday 4:30 to 6:00pm
Phone: Cell: 808-226-6049
E-mail: bbystrom@hawaii.edu

Textbook: Entrepreneurial Finance
By: J. Chris Leach and Ronald W. Melicher
(Purchasing the textbook is optional. Key concepts will be covered in my class notes, assignments and lectures.)

Class Notes: Lecture outlines/notes will be made available on Laulima. Expand on these notes as necessary during class lectures, discussions, and activities. Financial statements, case studies, excel models and other material will also be provided on Laulima.

Course Goals and Objectives:

- Provide practical financial skills for planning, launching, funding, operating, expanding and selling entrepreneurial/venture businesses.
- Topics covered will include:
 - Identifying a viable and profitable venture opportunity
 - Forming the business organization
 - Developing an efficient financial plan and policies (managing cash and growth)
 - Raising capital for growth (venture capital, equity, debt, asset-based financing)
 - Analyzing financial statements and ratios from a new venture perspective
 - Creating pro-forma financials for a fast growth venture business
 - Valuing and modeling (in excel) a new entrepreneurial company or venture
 - Developing exit strategies (IPO, private sale)
 - Analyzing and valuing Intellectual Property/Patents in venture businesses
 - Pitching your venture business to equity investors
- Course is taught via lecture and interactive, in-class exercises. Students must prepare for and participate in all these activities. Assignments are developed to get students involved and learn from the experience.
- Strong “real-world” focus (i.e. case studies, problem solving, deals, trades, etc.).

Additional:

- Calculators: Bring your business calculator to class each day. The Hewlett Packard 10bII and Texas Instruments BAII Plus are fine for the problems we will cover.
- Excel: An understanding of excel will be necessary for project work. If you need extra help with Excel, stop by during my office hours.

Grading:

The following factors will be used to measure students' progress through the course.

Assignments/Cases: In-class case and homework assignments will be done in both individual and group formats. These assignments help reinforce the financial concepts covered on exams.

Excel Project: There will be one computer-based assignment during the semester. It will provide an opportunity to apply the concepts and skills discussed in class. The assignment will involve spreadsheet application, analysis and a written executive summary (600 word limit). Detailed instructions will be provided in class.

Venture Presentation: Students will present a 15-minute (limit) oral presentation pitching a new business venture to potential equity investors. In addition to the oral presentation, requirements include: 1) a written executive summary (500 words maximum), 2) Equity issuance term sheet 3) a hard copy of your power point slides (20 maximum content) and any other key presentation material (e.g. excel spreadsheets, etc.) and 4) email me an excel file of your financials/valuation model. Detailed instructions will be provided in class.

Class Participation: Students are strongly encouraged to actively participate in class discussions. Note: quality (not just quantity) of participation is important. We will have in-class assignments (case studies and problems) and regularly discuss current events/market trends providing students with various opportunities to participate.

Your course grade will be based on a **reasonable curve** over the total points accumulated on all assignments. The following weights pertain to those assignments:

| | |
|----------------------|-----|
| In-class Assignments | 32% |
| Excel Project | 20% |
| Venture Presentation | 38% |
| Class Participation | 15% |

Attendance Policy:

While attendance is not taken, do your very best to attend because there are NO make-ups for missed in-class assignments without official written excuse. Projects and assignments will be collected in class on the day due. You must have a written medical excuse if absent from a test. Make-up tests are typically essay format.

Schedule of Events:

Below is the **tentative** schedule of events subject to changes depending on progress made during the course. Reading assignments are from the *Entrepreneurial Finance* (text readings are optional) and additional handouts provided in class. You should read the material prior to class so as to maximize the usefulness of classroom time. I will be asking students questions in class.

| Session | Date | Day | Topic | Pre-reading Assignment |
|---------|---------|------|--|---|
| 1 | Aug-25 | Tues | Identifying viable ventures Trends, opportunities and value drivers Optimal Business Form | Chps 1, 2, 3 |
| 2 | Sept-1 | Tues | Venture Financial Statement Analysis Cash Flow and Breakeven | Chp 4 |
| 3 | Sept-8 | Tues | Venture Financial Ratio Analysis Liquidity and Credit Analysis Raising Debt Capital | Chps 4 & 5 Handout |
| 4 | Sept-15 | Tues | Financial Planning and Policies Evaluating Venture's Financing Needs Developing Pro-forma Financials | Chps 5 & 6 |
| 5 | Sept-22 | Tues | Developing Pro-forma Financials Case Study | Chp 6 and Excel |
| 6 | Sept-29 | Tues | Cost of Capital and Risk Analysis | Chp 7 |
| 7 | Oct-6 | Tues | In-class exercises and case studies covering Chapters 1-7 | |
| 8 | Oct-13 | Tues | Evaluating and Expanding Pro-forma Financials Venture and Corporate Valuation | Excel Modeling Venture Valuation Notes |
| 9 | Oct-20 | Tues | Venture and Corporate Valuation Methods In-class exercises | Venture Valuation Notes |
| 10 | Oct-27 | Tues | Venture and Corporate Valuation Methods In-class exercises | Venture Valuation Notes |
| 11 | Nov-3 | Tues | Holiday: Election Day | Don't forget to Vote! |
| | Nov-10 | Tues | Raising Equity Capital Case Study | Venture Valuations Notes Handouts |
| 12 | Nov-17 | Tues | Raising Capital with Securities Exit Strategies/Harvesting (IPOs, Private Sales) | Chp 8, Chp 14 and IPO Case Study |
| 13 | Nov-24 | Tues | Venture PowerPoint presentation methods Venture Capital and Financing Alternatives | Handout Chps 11 & 12 |
| 14 | Dec-1 | Tues | Venture Capital and Financing Alternatives In-class preparation for Venture Presentations | Chps 11 & 12 |
| 15 | Dec-8 | Tues | Student Venture Presentations | PowerPoint is due before the start of class. Write-up, term- sheet and Excel is due any time before Dec 15 th at 6pm. |

Note: Scheduling of guest lectures is still being arranged. Time and subjects will be announced in class.
Potential topics: New Venture Businesses, Private Equity/VC Funds, Intellectual Property