

# FLORIDA ATLANTIC UNIVERSITY™

## Graduate Programs—NEW COURSE PROPOSAL

UGPC APPROVAL \_\_\_\_\_  
 UFS APPROVAL \_\_\_\_\_  
 SCNS SUBMITTAL \_\_\_\_\_  
 CONFIRMED \_\_\_\_\_  
 BANNER POSTED \_\_\_\_\_  
 ONLINE \_\_\_\_\_  
 MISC \_\_\_\_\_

DEPARTMENT NAME: **MANAGEMENT**

COLLEGE OF: **BARRY KAYE COLLEGE OF BUSINESS**

**RECOMMENDED COURSE IDENTIFICATION:**

PREFIX MAN COURSE NUMBER 6876 LAB CODE (L or C) \_\_\_\_\_

(TO OBTAIN A COURSE NUMBER, CONTACT ERUDOLPH@FAU.EDU)

COMPLETE COURSE TITLE : **ENTREPRENEURSHIP AND VENTURE CAPITAL**

**EFFECTIVE DATE**

(first term course will be offered)

CREDITS: **3**

TEXTBOOK INFORMATION: **SEE ATTACHED**

GRADING (SELECT ONLY ONE GRADING OPTION): REGULAR X PASS/FAIL \_\_\_\_\_ SATISFACTORY/UNSATISFACTORY \_\_\_\_\_

**COURSE DESCRIPTION, NO MORE THAN 3 LINES:**

PROVIDES an understanding of new venture finance and related issues including due diligence, valuation, financing, deal structuring, deal sourcing, within an overall framework of strategic decision making for value creation

PREREQUISITES W/MINIMUM GRADE: \*

COREQUISITES:

OTHER REGISTRATION CONTROLS (MAJOR, COLLEGE, LEVEL):

PREREQUISITES, COREQUISITES & REGISTRATION CONTROLS SHOWN ABOVE WILL BE ENFORCED FOR ALL COURSE SECTIONS.

\*DEFAULT MINIMUM GRADE IS D-.

**MINIMUM QUALIFICATIONS NEEDED TO TEACH THIS COURSE:**

Other departments, colleges that might be affected by the new course must be consulted. List entities that have been consulted and attach written comments from each.

CHANDRA S. MISHRA, CMISHRA@FAU.EDU, 561-297-0251  
 Faculty Contact, Email, Complete Phone Number

**SIGNATURES**

**SUPPORTING MATERIALS**

Approved by: Peggy Golden  
 Department Chair: \_\_\_\_\_  
 College Curriculum Chair: \_\_\_\_\_  
 College Dean: \_\_\_\_\_  
 UGPC Chair: \_\_\_\_\_  
 Dean of the Graduate College: \_\_\_\_\_

Date: 9/18/08  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Syllabus—must include all details as shown in the UGPC Guidelines.  
 Written Consent—required from all departments affected.  
 Go to: <http://graduate.fau.edu/gpc/> to download this form and guidelines to fill out the form.

## **Entrepreneurship and Venture Capital**

### **Walnut Venture Associates (A): RBS Group Investment Memorandum**

*by Michael J. Roberts*

Product Type: HBS Case (Field)

Product#: 9-899-062

### **Note on the Structural Analysis of Industries**

*by Michael E. Porter*

Product Type: HBS Note

Product#: 9-376-054

### **Note on Business Model Analysis for the Entrepreneur**

*by Richard G. Hamermesh , Paul W. Marshall , Taz Pirmohamed*

Product Type: HBS Note

Product#: 9-802-048

### **Walnut Venture Associates (D): RBS Deal Terms**

*by Michael J. Roberts*

Product Type: HBS Supplement (Field)

Product#: 9-899-097

### **A Note on Private Equity Securities**

*by G. Felda Hardyman , Josh Lerner*

Product Type: HBS Note

Product#: 9-200-027

**A Note on Valuation of Venture Capital Deals**

*by Thomas Hellmann*

Product Type: HBS Note

Product#: E95

**Venture Capital Negotiations: VC vs. Entrepreneur**

*by Robert J. Robinson , Noam Wasserman*

Product Type: HBS Note

Product#: 9-800-170

**Paint-Pen, Inc.**

*by Michael J. Roberts*

Product Type: HBS Case (Field)

Product#: 9-898-156

**Note on Valuing Private Businesses**

*by Dwight B. Crane , Indra A. Reinbergs*

Product Type: HBS Note

Product#: 9-201-060

**John M. Case Co.**

*by Samuel L. Hayes III*

Product Type: HBS Case (Field)

Product#: 9-291-008

**LBOs for Smaller Companies**

*by James McNeill Stancill*

Product Type: Harvard Business Review Article

Product#: 88113

**Entrepreneurship and Venture Capital  
Florida Atlantic University  
Barry Kaye College of Business**

**Professor Chandra S. Mishra  
207C DeSantis Center  
Phone : 561-297-0251  
E-mail : cmishra@fau.edu**

### **Course Objectives and Career Focus**

The course is primarily geared to students who may be interested in starting a business, buying or selling or restructuring an existing one, playing a managerial role in a rapidly growing business, providing financial and other resources to entrepreneurial businesses, or pursuing careers in investment banking, business brokerage, venture capital, private equity, commercial banks, money management, management consulting, or new business development in larger companies.

This course is designed to give each participant an understanding of the private company finance and related issues including due diligence, valuation, financing, deal structuring, mergers and acquisitions, buyouts and roll-ups, deal sourcing, within an overall framework of strategic decision making for value creation. The course provides a framework of tools, concepts, and exercises to enable you to make better investment and financing decisions.

### **Required Readings**

A course packet is available through the Harvard Business School Publishing web site at the following link: <http://harvardbusinessonline.hbsp.harvard.edu/relay.jhtml?name=cp&c=c96833>

### **Reference Books**

*Equity Finance: Venture Capital, Buyouts, Restructurings and Reorganizations*, Volume 1, 2, and 3, Joseph Bartlett, Panel Publishers

### **Office Hours**

My office hours are on Tuesday/Friday 9:00-12:00 noon. I am also available by appointment and before and after the class on Wednesday. Please e-mail me for an appointment prior to your coming from off-campus.

### **Grade Determination**

Deal Structuring Exercise	40%
Midterm Exam	40%
Case Quizzes	10%
Class Participation	10%

## **Investment Memorandum, Deal Structuring Exercise, and Team Participation**

The team exercise is based on an assigned business plan. All business plans will be collected at the end of the course. Each team is designated either as an investor team or a management team.

The exercise consists of three parts.

In part one each management team makes a fifteen-minute in-class PPT presentation to its paired investor team followed by a fifteen-minute due diligence question and answer session by the investor team. Before the presentations begin, a copy of the PPT presentation is due from each management team and a list of due diligence questions due from each investor team. **The part one is ten points.** Each management team will be graded on how well the team pitches their plan for funding, how well the team fields the questions, and how well the team manages its time. Each investor team is graded for how well the team understands and critiques the company's business model, does the team focus on the most important issues for that company, and does the team establish a professional rapport with the management.

In part two each team prepares an investment memorandum. A template will be provided during the first meeting. The report is limited to maximum 15 pages (not including the attachments such as proposed term sheet, tables, graphs, charts, and spreadsheets). The report should consist of the following: Executive Summary, Reasons to Invest, Key Risk Factors, Business Description, Business Model Analysis, Competition, Strategy, Management Assessment, Financial Analysis, Valuation Analysis, Deal Structure, Due Diligence Plan, and Proposed Deal terms. The report is due in the last meeting before the negotiation exercise begins. **The part two is twenty points.** Each report will be graded on how well the team identifies the key risk elements with the company, how well the team identifies the specific milestones whose achievement is critical for the company to be successful, how well the team crafts the term sheet to meet the key issues referenced above, how well does the team understand the fundamental operation of each business, and how well the team demonstrate knowledge of the venture capital investment decision process.

In part three, team pairs will negotiate (two hours in the class) a deal structure, and after the negotiation, each team will fill out a post-negotiation deal structure form and an opposing team evaluation form. **The part three is ten points.** The negotiation exercise will be graded for how comprehensive and creative the deal outcome is and to what extent the two teams meet their negotiation objectives.

***Individual grades will vary according to each member's contribution to the team effort. Each member of the team will fill out a peer evaluation form at the end of the class.***



### **Case Quizzes and Assignments**

*Each student is expected to read the case and assigned readings and adequately prepare the class preparation questions before coming to each class. Each student is expected to take all case quizzes and keep up with the class assignments on a weekly basis.*

### **Class Participation**

Each student is responsible for all in-class and e-mail announcements. *You must check your e-mail and blackboard accounts regularly.*

Effective participation is when a student provides regular and substantive insights into the problem and its solution while taking into consideration the ideas provided by others.

In assigning class participation grades, the following scale will be used:

0 points	Student is absent, unprepared or makes no comments
5 points	Student adds minimally to the discussion.
8 points	Student makes a significant contribution to the discussion.
10 points	Student provides regular and substantive insights

### **Honor Code**

Students of the FAU College of Business subscribe to a code of academic honesty and affirm that they will not participate in plagiarism, cheating, violation of test policies, or complicity in dishonest behavior, nor will they tolerate in their midst students who violate this code.

The faculty of the College of Business considers academic dishonesty as a serious breach of academic ethics that cannot be tolerated in an environment of learning and the free exchange of idea.

Academic dishonesty is defined as representing another's work as one's own, active complicity in such falsifications, or violation of test policies.

## Tentative Schedule of Sessions

<b>Aug 23</b>		Introduction and Overview
<b>Aug 30</b>	Case:	Walnut Venture Associates (A)
	Additional Readings:	<ol style="list-style-type: none"><li>1. How Venture Capitalists Evaluate Potential Venture Opportunities</li><li>2. Note on Business Model Analysis</li><li>3. Equity Finance for Entrepreneurs (Handout)</li></ol>
	Class Preparation Questions:	<ol style="list-style-type: none"><li>1. Who are angel investors? Why are they investing in start-ups? Why would an entrepreneur seek financing from an angel?</li><li>2. Evaluate the potential investment in RBS from Walnut's point of view.</li><li>3. As a Walnut investor, what critical issues do you see as requiring more investigation or due diligence on your part prior to investing, and how would you accomplish that?</li></ol>
<b>Sept 6</b>	Case:	Walnut Venture Associates (D)
	Additional Readings:	<ol style="list-style-type: none"><li>1. Note on Structural Analysis of Industries</li><li>2. Note on Valuation of Venture Capital Deals</li></ol>
	Class Preparation Questions:	<ol style="list-style-type: none"><li>1. What is a reasonable valuation for RBS in June '98?</li><li>2. Assume that in five years RBS is liquidated for \$3 million. If the deal proposal in the term sheet is accepted, who will receive the \$3 million? If RBS is liquidated for \$10 million or \$30 million in 5 years, who will receive the money?</li></ol>
<b>Sept 13</b>	Case:	Walnut Venture Associates (D) Contd.
	Additional Readings:	<ol style="list-style-type: none"><li>1. Note on Private Equity Securities</li><li>2. A Guide to Venture Capital Term Sheets (Handout)</li></ol>
	Class Preparation Questions:	<ol style="list-style-type: none"><li>1. What do you think the investors are trying to accomplish?</li><li>2. What proposal terms do you find most troubling and why? What would you try to renegotiate and what might you will be willing to give up to get what you want?</li></ol>

<b>Sept 20 and 27</b>	Case:	Paint-Pen Inc Speaker (To be confirmed)
	Additional Readings:	Note on Valuing Private Businesses
	Class Preparation Questions:	<ol style="list-style-type: none"><li>1. Would you buy this company? Why or why not?</li><li>2. What are the key risk factors?</li><li>3. What additional information would you try to get and how?</li><li>4. What is the company worth?</li><li>5. What should Blake and Hammer do?</li></ol>
<b>Oct 4</b>	Case:	Paint-Pen Inc. (Contd.) Speaker (To be confirmed)
<b>Oct 11</b>		<b>Midterm Exam</b>
<b>Oct 18</b>		<b>Deal Structuring Exercise (Part one)</b>
	<b>Team Presentations:</b>	<ol style="list-style-type: none"><li>1. Management Presentations and Investor Q&amp;A</li><li>2. PPT Presentations and Investor Questionnaires Due</li></ol>
	Additional Readings:	Developing an Elevator Pitch for a New Venture
<b>Oct 25 and Nov 1</b>	Case:	John M. Case Company Speaker (To be confirmed)
	Additional Readings:	<ol style="list-style-type: none"><li>1. Note on Valuation of Equity Cash Flows</li><li>2. LBOs for Smaller Companies</li></ol>
	Class Preparation Questions:	<ol style="list-style-type: none"><li>1. What are the most important operating and financial characteristics of the Case Company?</li><li>2. Is the company worth Mr. Case's \$20 million asking price?</li><li>3. Can the \$20 million purchase be financed so that management can retain at least 51% ownership? What sources should management tap? In what amounts? Is the return being sought by the venture capital firm reasonable?</li></ol>



<b>Nov 8 and 15</b>	<b>Case:</b>	Car Wash Partners Inc. Speaker (To be confirmed)
	<b>Additional Readings:</b>	How to Structure and Manage Leveraged Build-Ups (Handout)
	<b>Class Preparation Questions:</b>	<ol style="list-style-type: none"><li>1. Is the car wash industry an attractive industry for consolidation? What are the economics of operating a car wash? Are there economies of scale?</li><li>2. Are Brown and Burgin value added investors? What are their experiences that are relevant?</li><li>3. Do the two proposed acquisitions make sense? What price should CWP pay for them?</li><li>4. What is an appropriate valuation for CWP? How much equity should they receive?</li></ol>
<b>Nov 22</b>		<b>Deal Structuring Exercise (Part Two)</b>
	<b>Team Report Due:</b>	<ol style="list-style-type: none"><li>1. Investment Memorandum Due</li><li>2. Peer Group Evaluation forms are due.</li><li>3. Teams are briefed.</li><li>4. Teams meet for final preparation for negotiation.</li></ol>
	<b>Additional Readings:</b>	Venture Capital Negotiations: VC vs. Entrepreneur
<b>Nov 29</b>		<b>Deal Structuring Exercise (Part Three)</b>
	<b>Negotiation Exercise:</b>	<ol style="list-style-type: none"><li>1. Team pairs will negotiate a deal structure for the investment. The exercise is about two hours in the class.</li><li>2. Each team will fill out a post-negotiation deal structure form and an opposing team evaluation form.</li><li>3. Business plans are returned.</li></ol>