

## **FIN 4180 ENTREPRENEURIAL FINANCE**

**Spring 2012**

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Text: Entrepreneurial Finance, by Paul A. Gompers and William A Sahlman

### **Overview**

It has been said that there are two ways to make real money in this world; either invent something or invest in someone who does. Whether you are or want to be an entrepreneur or an investor, the financing of entrepreneurial ventures is critical to the success of all young and growing companies. Entrepreneurial ventures, both from the entrepreneur and the investor, help promote innovation, drive capitalism, change the way people interact with products, create new industries, and generate wealth. In essence, entrepreneurial finance helps fulfill dreams and change the world. It is for this reason that entrepreneurial finance produces such passion.

This course will focus on those areas most crucial to both investors and entrepreneurs. Topics will range from evaluating credit risk to valuing small businesses and new business ventures. While participating students should have a background in finance, marketing, and accounting, the course work is designed to leverage these courses, not teach them. Lectures are interactive and the related course work will be more practical than theoretical.

### **Course Objective**

When the student successfully completes this course he/she will be able to:

- Understand credit risk both from the standpoint of the borrower and the lender. Be able to evaluate the relative strength and weaknesses of a prospective borrower.
- Become familiar with various types of lending instruments from lines of credit to commercial loans.
- Learn how to evaluate the strengths and weaknesses of a business plan.
- Become familiar with the kinds of instruments private equity investors and angel investors use to structure their investments.
- Employ various valuation techniques used to value small businesses, start-ups, and franchises.
- Learn what real options are and how they influence the decision making processes.

### **Attendance**

Regular Attendance is required for this course. If you must be absent, it is your responsibility to contact a fellow student or me to find out what you missed. Attendance will be taken in class. Even if you know you will be absent for institutional absences, you must make arrangements for the materials covered.

### **Correspondence**

Expect to receive correspondence via Canvas. In the event there is a syllabus change or an announcement that needs to be sent to the class, it will be set posted to Canvas or via email. I will also be posting assignments, answer keys, and course updates periodically to Canvas as well. If you have questions, please don't hesitate to

give me a call or send me an e-mail. I usually check my e-mail each day, but sometimes when I am not on campus for a couple of days, I may be slow to get to all of my email. If you need to call me, do not call before 8:00 am or after 8:00 pm, and not on the weekends. I am fine with text messages—just make sure you tell me who you are in the text.

### **Please Note**

The syllabus includes objectives and a schedule for the course. Any changes to the syllabus will be announced in class. The Syllabus is subject to change, and it is **extremely** likely that it will during the course of the semester. I will change the syllabus as I deem necessary based on my evaluation of your comprehension of the material and current events. As a student, you may request a revised copy of the syllabus at any time by sending me an e-mail.

### **Group Projects**

Real world entrepreneurship and investing is a collaborative and cooperative endeavor. For your company creation project and several of the cases and mini-cases you will work in small groups of 4. Groups must be chosen by the second class.

### **Reading**

In order to remain current with class progress and discussion, there will be some assigned reading, particularly with the cases. I expect you to come prepared for class. This will enable you to learn the material much better, contribute more to class discussion, and prepare you to meet the objectives of the course. As participation is a part of your grade, it will be very difficult to participate without having prepared for each class. I recommend that you regularly read the Wall Street Journal or similar publication to increase your understanding of business and finance and remain current on deal flow and structure. Please feel free to ask any questions you have related to this reading.

### **Mini-Cases and Cases**

There are two mini-cases and approximately five Harvard Business Review (“HBR”) cases. You will work on each of these projects in your individual groups. Each of these assignments will require preparation of a written summary that will be turned in for a grade. As a group, you will need to be prepared for each class to make a presentation of your findings and recommendations. The respective assignments will outline the requirements for that particular situation.

Grading will come from three components:

- 1) **Written Summaries:** Each written summary **must be typed** and will be scored from 0 to 10 where a 10 will be given for a complete assignment meeting all of the objectives. Late assignments earn ½ of the score they would have earned if they were turned in on time. No credit is given where minimal effort is made or no written summary is turned in.
- 2) **Presentations:** There will be group case presentations for this course. Each group should come prepared to present their findings and analysis to the class. Do not review the facts of the case, as we’ve all read the case. Simply present your group’s analysis and findings. The presenting groups will be determined randomly. Scoring is the same as for written summaries. Presentations need not be longer than 10 minutes. If your group is not present on a day when they are assigned to present, you will receive a 0.
- 3) The third component is your peer evaluation. Periodically throughout the semester, the other members of your group will evaluate your performance and this evaluation will be incorporated into your grade.

## Company Presentations

In your groups of 3 you will create a company and take it from concept to funding. Throughout the semester the project will include business plan writing, marketing, elevator pitches, business problem and solution, strategy, competition, financials, etc. More information will be provided in the first weeks of the semester.

## Grading

Please keep all graded tests and homework assignments until you complete the course and receive a final grade. If I make a mistake in your grade, your graded work will be required to make corrections. Grades are for percentages greater than or equal to the percentage shown and are calculated using the weightings below, rounded to the nearest 10<sup>th</sup> of a percent.

Case Written Summaries	25 %
Case Presentations	10 %
Company Creation (in total)	35%
Peer Evaluation	5%
Final Exam	<u>25 %</u>
Total	100%

<b>Percent</b>	93%	90%	87%	83%	80%	77%	73%	70%	67%	63%	60%	0%
<b>Grade</b>	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	F

## ADA Information

If you are a student with a medical, psychological or a learning difference and are requesting reasonable academic accommodations due to this disability, you must provide an official request of accommodation to your professor(s) from the Disability Resource Center within the first two weeks of the beginning of classes. Students are to contact the Center on the main campus to follow through with and receive assistance in the documentation process to determine the appropriate accommodations related to their disability. You may call (435) 652-7516 for an appointment and further information regarding the Americans with Disabilities Act (ADA) of 1990 per Section 504 of the Rehabilitation Act of 1973. We are located in the Student Services Center, Room #201 of the Edith Whitehead Building.

## Email Accounts

Important class and college information will be sent to your Dmail email account. This information includes your DSC bill, financial aid/scholarship notices, notification of dropped classes, reminders of important dates and events, and other information critical to your success in this class and at DSC. All DSC students are automatically assigned a Dmail account. If you do not know your user name and password, go to [www.dixie.edu](http://www.dixie.edu) and select "Dmail," for complete instructions. You will be held responsible for information sent to your Dmail, so please check it often.

## Miscellaneous

I teach because I want to provide the students at Dixie with the best education possible. I am always available to discuss any and all questions, concerns, comments, etc with you. Similarly, Dixie State College wants you to be successful. Take advantage of the Tutoring Center and the Writing Center—(652-7743 for hours or appointment—or online at <http://dsc.dixie.edu/owl/> in the Browning Building.

## Planned Schedule

Week of	Group	Section
9-Jan	Overview	Investment Analysis
16-Jan	Understanding Entrepreneurs and Investors	
23-Jan	Module 1 A- Sources of Value	
30-Jan	Module 1 B- Understanding Financial Statements	
6-Feb	Module 1 C- Purchasing Firms, Buyouts, Valuations	
13-Feb	Module 2 A- Venture Capital	Financing the Entrepreneurial Firm
20-Feb	Module 2 B- Angel Investing	
27-Feb	Module 2 D- Franchising	
5-Mar	Module 2 E- Banks	
12-Mar	<i>Spring Break</i>	
19-Mar	Module 2 F- Licensing/ Strategic Alliance/ Government Financing	Harvesting
26-Mar	Module 3 A- Initial Public Offering	
2-Apr	Module 3 B Acquisitions	
9-Apr	Group Presentations	
16-Apr	Group Presentations	
23-Apr	Wrap Up	
30-Apr	Final Exam	

### **About the Instructor**

Adam is the Co-Founder and Managing Director of Vision Venture Capital specializing in early stage investments. Vision Venture's investor pool tops \$500,000,000 and manages the Southern Utah Angel Investors. Prior to founding Vision Ventures, Adam was with Morgan Stanley's Global Wealth Management Division on a small team managing \$150,000,000. A passionate entrepreneur, Adam has developed, managed, and sold 5 companies over the past 9 years. Along with Vision Ventures, Adam is currently the founder and CEO of two exciting start-ups.

Adam holds the following degrees and licenses/ designations:

- Master of Business Administration (Finance), *Cum Laude*- Pepperdine University
- Master of Negotiation, *Cum Laude*- Pepperdine University
- Bachelors of Political Science/ French, *Cum Laude with Honors*- University of Arizona
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