

Course Code & No. - Section: ENTP 320 - Section 1
Course Title (Credits): Financing Entrepreneurial Ventures (3)
Term & Year: Spring 2015
Course Ref. No. (CRN): 10214
Instructor: Ted A. Parkhill, BA, MBA
Phone: Office: 775-831-2287 (weekdays, 8am-5pm)
Email: tparkhill@sierranevada.edu
Office: 2nd floor TCES - in the Business Department
Office Hours: By appointment only; M-W from 4pm – 5pm or T-TH 11:30am – 12:30pm.
Class Meeting Time: MW 2:30pm - 3:45pm
Location: Patterson Hall: #207
Prerequisites: ACCT 204, BFIN 351, and ENTP 313 or ENTP 410
Corequisites: None

Instructor's Profile:

Mr. Parkhill has over 20 years of management experience in the investment business. He is a founding partner of global macro investment manager Incline Investment Management, LLC (IIM). He is registered with the National Futures Association as a Principal and Associated Person of IIM. Mr. Parkhill also provides strategic consulting services to hedge funds and investment start ups through his consulting firm Parkhill Financial, LLC.

Prior to IIM he was the director of marketing for Zazove Associates, an Incline Village based, multi-billion dollar quantitative convertible securities manager. He was a senior marketing executive at John W. Henry & Company; one of the original Commodity Trading Advisors. He was also Managing Director of a small Commodity Trading Advisor in 2007. Before joining the alternative investment space in 2001, Mr. Parkhill spent over ten years in various sales and marketing management roles in the mutual fund industry, notably with Ivy Mackenzie in the U.S. and with Investors Group in Canada. He began his career as an investment analyst with Great-West Life.

Mr. Parkhill earned his MBA from Cornell University with concentrations in Finance and Marketing. He received a B.A. in Economics and Commerce from the University of Manitoba. He holds his Series 3 and Series 30 licenses and has earned the CFP designation. He is married with three children and resides in Crystal Bay, Nevada.

The SNC Mission Statement

Sierra Nevada College graduates will be educated to be scholars of and contributors to a sustainable world. Sierra Nevada College combines the **liberal arts** and **professional preparedness** through an interdisciplinary curriculum that emphasizes **entrepreneurial thinking** and environmental, social, economic and educational **sustainability**. [Note: SNC's four core themes are emphasized in **bold** text.]

Course Description

This course covers the financial challenges unique to small and medium-sized firms either starting up or experiencing periods of rapid growth. Topics include raising "seed" and growth capital, using angel funds and venture capital, IPOs, sources of capital for long and short-term needs, and franchising and licensing. Students will develop comprehensive, multi-year pro forma income statements, balance sheets, cash flow analyses, and break-even analyses for an entrepreneurial venture, either real or hypothetical, and defend their capitalization plan before a live audience. Students will also create a crowd sourcing fund raising video that could be posted 'live'.

Student Outcomes

Upon successful completion of this course, a student will be able to:

1. Understand the life cycle stages of a venture and the appropriate financial management.
2. Understand the types and sources of financial capital and the related investment process for each stage in the venture's life cycle.
3. Understand the legal environment related to the financial relationships among ventures, investors, and financial institutions.
4. Understand and apply accounting theory and techniques of financial reporting and management to the entrepreneurial venture.
5. Draft a formal request for funding.
6. Create a video 'pitch'.

Methods of Assessing Student Outcomes

Student outcomes will be assessed using the following:

1. Class Participation;
2. Guest Speaker evaluations
3. Midterm Exam;
4. Crowd Funding video
5. Group Investment Pitch;
6. Final Exam – Analysis of an investment offer.

Instructional Strategies

This class will utilize small group and individual work in class using laptop computers, inquiry learning, case studies, guest lectures, and readings.

Required Texts and Materials

1. *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist*; 2nd Edition, by Brad Feld, Jason Mendelson, and Dick Costolo; Wiley; © 2012; ISBN: 978-1118443613
2. *Financing Your Small Business*; Burk and Lehman; Sourcebook; © 2006; ISBN: 978-1572485532
3. *Online Readings*; Listed in Syllabus and provided by Professor
4. *Case Studies*; Case study materials will provided by the Professor
5. Laptop computer (one that meets the published SNC Laptop Requirements)
6. Microsoft Excel, Word, and PowerPoint (You may use Open Office or Google Apps if you do not have Microsoft Office, however all documents must be handed in MS Office formats)

Attendance

Attendance is MANDATORY and you are expected to arrive on time and not leave early. Each unexcused absences will result in –a reduction of pro-rated attendance points and unexcused late arrivals and early departures will also result in a reduction of points (excused absences, late arrivals, and early departures for things like illness, SNC sports, etc must be pre-approved by the professor either in person or by email). Missing a Guest Speaker will result in a full point reduction.

Final Project

There will be a semester long project that will account for 30% of your total grade. The project will be divided into two parts. The first part is a GROUP pitch (66.66% of the project/20% of your total grade). The class will divide into 5 groups, each group will have 10 minutes to pitch their business to the class (the investors) followed by 20 minutes of Q&A from the Professor & class (a great time to add some last minute class participation points). Each group must also supply complete backup documentation for their

investment pitch including a business plan (Business Plans from the Business plan competition will be permitted, 5-year pro-forma financials, etc.

Each group must assign a CEO as group leader. This can be tough within a group of founders that start as equals, but you will find all investors require it. At the end of the semester the CEO will evaluate all group members and each group member will evaluate the CEO.

It is NOT necessary to have all members of the group speak during the presentation; in fact, it is rare to have more than one person speak during an investor pitch. All members of the group will receive the same grade for this portion of the project.

The second part of the final project will be an INDIVIDUAL final exam (33.33% of the project/10% of your total grade). For the exam, each student will be given an investment offer based on the group's pitch. You will analyze this offer and highlighting the important features of the offer and their implications. You will then either accept the offer or make a counter proposal.

Groups have three choices for the project. If you have a business idea of your own you may form a team to work on this with the approval of the Professor. The second option is to team up with a team that is already participating in the SNC Business Plan Competition. Otherwise, groups may choose from a selection of projects provided by the Professor.

Remember, expect the unexpected! Groups must provide bi-weekly status reports to the Professor and can expect new information, parameters, conditions, and/or opportunities to be added by the Professor as the semester goes on.

Class Requirements.

Turn off your cell phone BEFORE you come to class. I do not want to see nor hear your cell phone. NO TEXT MESSAGING. Violations of this policy will affect your class participation grade.

You may use your laptops for note-taking as long as you do not abuse this privilege. No email, IMing, games, or web surfing, otherwise the privilege will be revoked.

Prim Library Resources

Using the library's resources effectively (not just Internet resources) contributes to developing each of SNC's core themes by exposing students to high quality academic resources, diverse opinions, new ideas, and a future that includes building on a liberal arts education. In this course, you will be expected to utilize the library's resources (either on-site or remotely) as you complete your assignments.

Sanctions for Cheating and/or Plagiarism

The Honor Code

The faculty of SNC believes students must be held to high standards of integrity in all aspects of college life in order to promote the educational mission of the College and to encourage respect for the rights of others. Each student brings to the SNC community unique skills, talents, values and experiences which, when expressed within the community, contribute to the quality of the educational environment and the growth and development of the individual. Students share with members of the faculty, administration and staff the responsibility for creating and maintaining an environment conducive to learning and personal development, where actions are guided by mutual respect, integrity, responsibility and trust. The faculty and students alike must make diligent efforts to ensure high standards are upheld by their colleagues and peers as well as themselves. Therefore faculty and students accept responsibility for

maintaining these standards at Sierra Nevada College and are obligated to comply with its regulations and procedures, which they are expected to read and understand.

Consequences of Violating the Student Honor Code

SNC students and faculty share the responsibility for maintaining an environment of academic honesty. Thus, all are responsible for knowing and abiding by the SNC Faculty/Student Honor Code published in the current SNC Catalog. Faculty are responsible for presenting the Honor Code and the consequences of violating it to students at the start of their classes AND for reporting all incidences of academic dishonesty to the Provost. Students are responsible for knowing what constitutes CHEATING, PLAGIARISM and FABRICATION and for refraining from these and other forms of academic dishonesty. Violations of the Honor Code become part of a student's academic record.

1st Offense: Student receives a zero for assignment/exam and counseling with faculty on the honor code, consequences for violating the honor code, and the value of academic honesty in learning.

2nd Offense: Student fails course and receives counseling with faculty on the honor code, consequences for violating the honor code, and the value of academic honesty in learning.

3rd Offense: Student is expelled.

Grading Policy

Grades are determined on a 100 Point Scale with points allocated as follows:

Class Participation – 14 Points

Students are expected to come to class prepared and to actively participate. This is not a lecture class and it is not a spectator sport. The Professor will cold-call students. The reading load in this class is not huge, but while the cases and readings may be short, they will be dense and require the student to fully think through the implications and reasoning behind the theory.

Guest Speaker Evaluations – 16 Points

It is expected that we will have about eight or more guest speakers throughout the semester. A one page write up is required to be submitted in the class following each guest speaker. **~2 points each**

Midterm Exam – 20 Points

There will be a midterm during the last class before spring break (and spring break will be a real break with nothing due the day we return)

Crowd Funding Video – 10 points

It is expected that each group will be required to submit a 3 -5 minute video on a product or service.

Group Pitch – 20 Points

Each group will have 10 minutes to pitch the class, followed by 20 minutes of Q&A. We want nothing short of EXCELLENT, COMPELLING pitches from the groups. Pitches will be backed up with a

“business plan,” including pro-forma financials and the rationalization for the valuation the group is seeking.

Final Exam – 10 Points

For the final, the Professor will give each student a term sheet offering to invest in the venture they pitched. Students will analyze the term sheet including whether or not they would accept it and what changes they would like to negotiate on.

Subjective Points – 10 Points

There will be a total of 10 points available to students at the professor’s discretion. These are included for students that are highly interested in the subject area and want to look further into a topic or to students that might feel the need to make-up for areas they did not excel in (such as a poor midterm grade or early class participation).

Grades will be assigned in the traditional manner:

- A 100-90
- B 89-80
- C 79-70
- D 69-60
- F <60

ADA Accommodations

In accordance with the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, students with a documented disability are eligible for support services and accommodations. If a student wishes to request an accommodation, please contact the Director of Academic Support Services, Henry Conover, at (775) 831-1314 x7534, hconover@sierranevada.edu, office in Prim Library: PL-304.

The SNC Email System

The SNC email system is the official communication vehicle among students, faculty members and administrative staff and is designed to protect the confidentiality of student information as required by the Family Educational Rights and Privacy Act of 1974 Act (FERPA). Students should check their college email accounts daily during the school year.

Students have a right to forward their SNC e-mail to another e-mail account (for example, @hotmail or @gmail). However, confidentiality of student information protected by FERPA cannot be guaranteed for SNC e-mail forwarded to an outside vendor. Having email redirected does not absolve a student from the responsibilities associated with official communication sent to his or her SNC email account.

Class Schedule

Date	Topic	Readings & Due Dates
1/21/2014	Introduction First a brief introduction and then a discussion of the class mechanics, assignments, and due dates.	
1/26/2014	Case Study #1 Today we will jump right in with a case study. The Professor will play the part of the entrepreneur and the class will play the part of the investment committee for a corporate VC. The discussion of the case will lead us into the question of how the company valued itself and into our next topic.	Venture Deals Chapter 1
1/28/2014	Guest Speaker: Rick Winfield? Valuation Today we will begin our discussion of how to value an entrepreneurial endeavor. We will review the traditional Free Cash Flow method of valuation and discuss why it is often inadequate for new ventures.	http://fundersandfounders.com/how-startup-valuation-works/ http://www.youngentrepreneur.com/startup/finance/learn-before-you-earn-how-to-figure-a-startups-pre-money-valuation/ http://onematchventures.com/irr-analysis-years-invested-vs-return-multiple/ http://onematchventures.com/various-rounds-of-investment-effecting-ownership-waterfall-analysis-and-irr-return-multiple-analysis/ Groups Formed
2/2/2014	Choosing the Form of Your Business The first choice a soon to be business owner must make is how to form their business. We will discuss the various business forms and when they are appropriate to use.	Financing Your Small Business Chapter 1
2/4/2014	Guest Speaker: Crowdfunding expert Business Plans and Models We will discuss business plans, forecasts, and pro-forma financials.	Venture Deals Chapter 2 Financing Your Small Business Chapter 2
2/09/2014	Equity and Debt Financing We will look at the different types of financing, equity and debt.	Financing Your Small Business Chapter 3, 4, 5

2/11/2014	<p>Guest Speaker: Rob Griffin, Adams Hub for Innovation</p> <p>A Theory of Entrepreneurship: Who Owns an Idea Today we will get a little philosophical and discuss a “Theory of Entrepreneurship.” We will then connect his discussion to our Valuation discussion and discuss who owns a business idea.</p>	<p>http://fundersandfounders.com/how-funding-works-splitting-equity/</p> <p>Due: Group Project Status Update</p>
2/16/2014	President’s Day – NO CLASS	
2/18/2014	<p>Case Study #2 We will analyze a business plan for a fitness franchise. This is a real case, modified to “protect the innocent.” We will discuss valuation, the projections, and where the funding is coming from. This will lead us into our next topic: Sources of Funding</p>	Read case study and prepare case questions
2/23/2014	<p>Guest Speaker: Eric Madison, Entrepreneur, etc.?</p> <p>Sources of Funding For the next two classes we will discuss the various sources of funding, from banks to friends and family to loans to Venture Capital firms.</p>	<p>Financing Your Small Business Chapter 7</p> <p>http://paulgraham.com/startupfunding.html</p> <p>http://finance.fortune.cnn.com/2013/07/15/capital-market-climate-change/</p> <p>http://www.inc.com/francesca-fenzi/everything-you-need-to-know-about-series-a.html</p> <p>http://www.forbes.com/sites/dileepprao/2013/07/29/why-99-997-of-entrepreneurs-may-want-to-postpone-or-avoid-vc-even-if-you-can-get-it/</p>
2/25/2014	<p>Sources of Funding Today we continue our discussion of funding sources, including looking at a new and rising funding source, Crowd funding.</p>	<p>http://fundersandfounders.com/getting-funded-online-ways-of-crowdfunding/</p> <p>http://www.techinasia.com/sign-times-investments-asia-increase-investments-silicon-valley-decrease</p> <p>Due: Group Project Status Update</p>
3/02/2014	<p>Case Study #3 – Guest Speaker An Entrepreneur who has raised funds</p>	Background Info on Guest Speaker’s company will be provided.
3/04/2014	<p>Guest Speaker: Ty Good, The CUBE</p> <p>Incubators and Accelerators Today we will discuss Startup Incubators and</p>	Read Mini-Case study (provide by professor)

	Accelerators, looking first at what they are and then discussing the pluses and minus of joining one. We will look at a mini-case study.	
3/09/2014	Midterm – Video DUE	Discuss Video techniques in more detail
3/11/2014	MIDTERM VIDEO DUE	Video = 10% Due: Group Project Status Update – (paragraph)
3/16/2014	SPRING BREAK	NO CLASS
3/18/2014	SPRING BREAK	NO CLASS
3/23/2014	Guest Speaker: Rolf Lesem? Case Study #4 To get back into the swing of things we'll have another real life example.	
3/25/2014	Building the Perfect Investment Pitch Ok, you've got a great idea and a great business plan, but you need money to make it happen. This means you have to ASK investors for money and CONVINCE them to invest in you. For the next two classes we will discuss how to build the perfect pitch and make investors fight each other to invest in you.	Financing Your Small Business Chapter 8 Venture Deals Chaps 10 & 11 http://www.inc.com/kevin-daum/give-the-perfect-elevator-pitch.html http://blogs.wsj.com/accelerators/2013/07/08/ed-zimmerman-find-out-whos-who/ http://www.cnbc.com/id/100839792 Due: Group Project Status Update
3/30/2014	Building the Perfect Pitch: Case Studies Continuing from last class we will look at several excellent pitch decks and watch and discuss several pitches.	Materials provided by professor
4/01/2014	Guest Speaker: Dan Ambrosi – Marketing expert? Deal Terms Woo hoo, someone wants to invest in us. Now we have letter of intent and term sheet, but what the heck does it all mean?	Venture Deals Chaps 3,4,5
4/06/2014	Deal Terms The lawyer said what? This is getting more and more confusing...No worries, we will learn how to cut through the jargon and insure we're getting the best deal we can.	Venture Deals Chaps 6,7,8 & 13

4/08/2014	Guest Speaker: Ray Sidney - Investor? Licensing & Franchising We will look at two common ways to finance the growth of a successful business.	Financing Your Small Business Chapter 6 Due: Group Project Status Update
4/13/2014	Exits Investors invest to make money, and they make their money when they exit from the investment. We will discuss various “good” options for exiting including IPO and acquisition and various “bad” option including bankruptcy and liquidation.	Venture Deals Chap 9 & 14 http://www.wired.com/business/2013/07/startup-reckoning/
4/15/2014	Case Study #5 We will look at the life of a small Internet Marketing company, from initial founding, through growth, to exit	Background Information provided by Professor
4/20/2014	Guest Speaker: Tim Cohee? Case Study #6 – TBD	Background Information provided by Professor
4/22/2014	Corporate Governance This will be a bonus lecture on Corporate Governance. We will look at the company’s responsibilities once it has raised funding.	Financing Your Small Business Chapter 9 Due: Group Project Status Update
4/27/2014	Pitches #1 and #2 10 Minute maximum followed by 20 Minutes of Q&A from the class (a great opportunity to firm up your class participation points).	
4/29/2014	Pitches #3 and #4 10 Minute maximum followed by 20 Minutes of Q&A from the class.	
5/04/2014	Pitch #5 & Wrap Up Well, that was fun! We’ll tie up any loose ends and reminisce about the journey we all just took together. We will go over what is expected for the final exam in detail.	
5/06/2014	Class 11:30am-2:30pm FINAL Exam	

Summary

Sit back, take a deep breath, and get ready for the ride. Just like entrepreneurship in the real work, expect the unexpected. At the same time, RELAX! Over the course of the semester we are going to learn the tools and techniques of Entrepreneurial Finance that will arm you to succeed whether you want to start your own business or join an organization that invests in other businesses. Notice that while the word "Finance" is the title of this course, it is an Entrepreneurship course. We will learn that financing a business is as much (if not more) about strategy than it is about traditional finance.

That said, we will use the first half of the class to build a toolkit of finance tools (and as we will be playing with numbers, this part will end with a midterm exam, RELAX, this is really just to test to make sure we're all on the same page as we move into the fun part). The second half of the class will look at the strategy behind securing financing for a business. How do we ask for money and how do we make sure we are getting the best deal possible for business and ourselves (given that the investors are trying to the same for themselves)?

All along we will be looking at REAL WORLD cases. We'll jump right in with a pre .com bubble burst (a strange time in the history of Entrepreneurial Finance when Venture Capitalist, the best of whom tend to be wrong around 95% of the time, became Rock Stars) case. This will lead us into our discussion of how to determine valuation and how to back-up our determination. Next, we'll look at the business plan for a fitness club franchise and this will lead us into our discussion of sources of funding (everything from VCs to mom and dad, bank loans to the exciting new world of Crowd Funding).

After our midterm we'll jump into the real fun. We'll learn how to craft the perfect funding pitch by tearing apart pitch decks and pitches from companies like Airbnb, CafePress, FourSquare, Reddit, Loopt, Dropbox, and Apple (because no Entrepreneurship class is complete without a video of Steve Jobs). Then we'll look at what happens when investors want to invest in you and how you and your investors exit from the investment/company.

Our class will come to an end with 4 AMAZING pitches from our teams. This will be the culmination of an entire semester's worth of work and most important, it will be a TONNE OF FUN. Finally, if that wasn't enough, you will get an offer to invest in your company based on your pitch. After handing in a fantastic paper analyzing the pros and cons of the offer you will learn one of the harshest lessons in entrepreneurship, in the end (even with a term sheet), most endeavors don't actually get financing ☺