COURSE OBJECTIVE

Develop an integrative Entrepreneurial Value Based Management (EVBM) Framework comprising three key drivers: Market Opportunity, Competitive Position, and Deal Structure. These three drivers interact to create value for founders and investors in a venture; the success of the venture depends on the degree of fit between these key drivers over the life cycle of the venture. The class lectures and case analyses are designed to deepen the understanding of the EVBM Framework.

Student Learning Outcomes

- Demonstrate a clear understanding of the key elements - Opportunity, Competitive Position, and Deal Structure – of the EVBM Framework.
- Demonstrate a clear understanding of cash flow and working capital management, and financial analysis and planning as applied to startups.
- Demonstrate a clear understanding of valuation analysis and valuation issues as applied to startups.
- Demonstrate a clear understanding of the role of investors – for example, angels VCs, vendors - in financing and operations of startups.

Required Material


3. Financing the Emerging Enterprise: Class Notes, Fall 2014, Montezuma Publishing.

Course Prerequisite: BA 665: Financial Management I

Grading Standard

1. Mid-term Exam 40%
2. Case Assignments 40%
3. Class Participation 20%
## Course Outline

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Case Preparation Questions

Jones Electrical Distribution
1. How well is Jones Electrical Distribution performing?
2. What drove the increase in Jones’s accounts receivable and inventory balances in 2005 and 2006?
3. Is Nelson Jones’s estimate that a $350,000 line of credit is sufficient for 2007 accurate?
4. When will Jones be able to repay the line of credit?
5. What could Jones do to reduce the size of the line of credit he needs?

Polar Sports, Inc.
1. Which factors should Mr. Weir consider in deciding whether to adopt level production?
2. What are the total savings from adopting level production?
3. Prepare pro forma income statements, balance sheets to estimate the amount of funds required and the timing of the needs under level production. Does Polar need more than $4 million to finance level production? Why or Why not?
4. Compare the liability patterns feasible under the alternative production plans. What implications do their differences have for the risk assumed by the various parties?
5. What would be the impact of unsold inventory on cash flows and projected cash savings?

R & R
1. What factors created the market opportunity for Bob Reiss and the “TV Guide Game?”
2. What risks and obstacles had to be overcome in order to pursue the opportunity successfully? How did Bob Reiss accomplish this?
3. Would this approach have worked for Parker Bros. or Milton Bradley? Why or why not?
4. As a result of this success, what should Bob Reiss do now?

Commercial Fixtures, Inc.
1. What do you expect Albert Evans to bid for Gordon’s half interest? Why?
2. What should Gordon Whitlock bid for Albert’s half interest? Why?
3. What would you as an outside third party bid under the same conditions for the entire company (both halves)? Why?
4. How would you structure the purchase of the business?

Oceanhouse Media and Michel Kripalani: Journey of a Serial Entrepreneur
1. Evaluate key features of Oceanhouse Media’s operating strategy as articulated by Michel Kripalani.
2. Describe Michel Kripalani’s entrepreneurial journey to date. What are the lessons from this journey for entrepreneurs?
3. Describe the structure of the digital applications market, and the children’s digital applications segment within this market.
4. Evaluate the economics of the digital applications market in terms of growth and profitability.
5. As of year-end 2012 what are the issues faced by Oceanhouse Media as Michel Kripalani evaluates Oceanhouse Media’s growth prospects?
6. Should Michel Kripalani seek external financing – either debt or equity - to fund Oceanhouse Media’s growth? Why or why not?
7. How will the current legal structure of Oceanhouse Media impact its financing strategy?
8. On a personal level, what issues does Oceanhouse Media’s rapid growth pose for Michel Kripalani?

Onset Ventures
1. What is Onset’s model for the factors that create an attractive opportunity?
2. Do you agree or disagree with each of the elements of this model?
3. How much should Onset raise in this latest fund?
4. Evaluate Onset’s actions with respect to Tally Up so far. How should the firm deal with the issues presented at the end of the case?

**Evaluating Venture Capital Term Sheets**

1. Which items should the entrepreneurs focus most carefully on?
2. How do various terms impact their return if the company does well?
3. How were the venture capital term sheets affected by the outstanding convertible notes?
4. What is missing from these term sheets?
5. If they run into trouble, how would they fare under each of the offers?
6. How, if at all, should they negotiate these terms?
7. With only a few days before the term sheets expire, what should they do?

**Martin Blair**

1. What principal strategic issues must Blair address in managing the expansion of his business?
2. What strategy should he pursue, in particular, regarding:
   - Franchising versus organic growth?
   - Pizzetta versus Viva Italia?
3. In light of your answer above, what should Blair do about the current offer for several new locations?
4. What are the key factors which Blair must manage in order to make your recommended strategy successful?