



## FINANCING AND LEGAL ASPECTS OF ENTREPRENEURSHIP

**Course Number: 050634201**

**Monday 6:30-9:00**

**Prerequisites**

Professor Kimble A. Byrd David Lawyer, Adjunct Lecturer	Spring 2006
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**COURSE OVERVIEW:** This course provides a transactional perspective on the financing and legal issues most frequently encountered by entrepreneurs and others involved in the pursuit of opportunity through start-ups, small, closely-held, or family businesses. The course blends both a theoretical perspective on venture organization and initiation and the practical skills of application and execution through structuring actual transactions. The course will emphasize the acquisition of resources through debt and equity financing models including venture capital. The experience is also designed to give entrepreneurs the tools they need in financing issues and in focusing on how to avoid legal problems and how best to cope when they arise. This course will expose students to a mix of approaches and techniques that promote innovative thinking and entrepreneurial behavior at each stage of the entrepreneurial organizational process.

**COURSE METHODOLOGY:** The format consists of case study and lecture discussion sequenced with extensive background readings, occasional guest lecturers, and a term case-based project culminating in a transactional plan.

**TEXTS:**

*The Entrepreneurs Guide to Business Law*, 2<sup>nd</sup> Edition; Bagley and Dauchy; Thomson Publishing, 2003

*How To Read A Financial Report* 6<sup>th</sup> Edition– John Tracy 2004  
ISBN 0-471-47867-9 John Wiley & Sons

**Harvard Business School Cases:** *Eastwind Trading Company, Kate Spade and Honest Tea*

**Harvard Business School Toolkit,**

Harvardbusinessonline.hbsp.harvard.edu/b02/en/academic/edu\_teachres\_studres.jhtml

**Wall Street Journal Online, Start Up Journal,** www.startupjournal.com

**TOOLS AND MATERIALS:** Resource materials that students may find useful to supplement the required textual materials including periodicals, research articles or scholarly works will be provided. An electronic analytical toolkit containing functional financial, accounting, marketing statistical tools and models is also available for reference purposes.

Harvardbusinessonline.hbsp.harvard.edu/b02/en/academic/edu\_teachres\_studres.jhtml

#### **Accounting Tools**

- >| [Double-Entry Accounting Workbook](#)
- >| [Financial Ratio Analysis](#)
- >| [Depreciation Calculator](#)

#### **Finance Tools**

- >| [Sustainable Growth Rate and DuPont Ratio Analysis](#)
- >| [Capital Asset Pricing Model](#)
- >| [Weighted Average Cost of Capital Valuation](#)
- >| [Adjusted Present Value Valuation](#)
- >| [Basic Terminal Value](#)
- >| [Comparison Valuation](#)
- >| [Venture Capital Method Valuation](#)
- >| [Employee Stock Option Calculator](#)

#### **Marketing Tools**

- >| [Break-Even Analysis](#) □ □ □>| [Lifetime Customer Value Calculator](#) □ □

**Articles Source:** [WWW.BANKRATE.COM](http://WWW.BANKRATE.COM)

**COURSE PROJECT:** A case based project originating in the life cycle of an entrepreneurial business utilizing the HBS case Honest Tea.

**COURSE ORAL PRESENTATIONS:** Brief oral presentations of cased based projects will occur. In this, you should summarize the essential issues involved in the topic and discuss your strategic recommendations, which have been addressed in your written response.

**COURSE GROUPS:** Students will be formed into working groups at various points in the course in order facilitate peer learning through study of the materials and preparation for the class discussion, an end of semester group presentation is scheduled.

**OUTCOMES ASSESSMENT:** At several points in the term, students will be asked to complete brief, in-class exercises designed to determine the extent to which course objectives are being achieved. The results of these exercises will be used in a continuing process of course development and improvement.

## ESSENTIAL SKILLS TO BE LEARNED/EXTENDED

All courses in the COB have been designed to impart or extend specific skills, and to convey knowledge organized around several integrative themes. We hope to assist students in acquiring a valuable set of skills that will serve them well as managers. Three areas are priorities in this course:

**Analytical Thinking:** Critical analysis of case materials and suggestion of appropriate decision strategies are an essential part of the course.

**Analytical skills include:** connecting events and actions by developing broader models, discovering assumptions and ideological positions, mapping the intricate links among organizations and social groups, learning to draw conclusions and make recommendations based on evidence and analysis.

### Communications (Oral & Written)

**Oral presentation skills include:** in-class responses to topical queries on an individual basis. speaking publicly, extemporaneously and with prepared text, for informational and advocacy purposes, logical organization, illustrative examples materials, understanding the difference between written and spoken received English, presenting professionally, engaging the audience, imparting a complex message in limited time.

**Written preparation skills include:** organizing material effectively, writing a coherent document, condensing information into usable form, and packaging the information in a professional manner.

**Statistical Financial Data Analysis:** In analyzing case situations, background research is a necessary component of considering a broad spectrum of perspectives.

**Research skills include:** finding resources, tracking down leads, learning to interview effectively, understanding the uses of statistics and other evidence, scanning massive volumes for relevant data, and comfortable competency with statistical electronic databases.

## COURSE OBJECTIVES

- To address the role of legal and accounting counsel and provide practical tips for selecting and working effectively with an attorney.
- To examine the considerations entailed in choosing an appropriate legal form for the business venture.
- To detail the structuring of the ownership equity of the business among the founders, managers and the investors
- To understand the proper governance structure for the entrepreneurial venture, with particular attention to the role of the board of directors.
- To explore in depth the equity investor universe of founders, friends, family, angels and venture capitalists.

- To discuss financing approaches, sources of the funds, and the advantages and disadvantages of different ways of acquiring financing, including the tax and securities law aspects of raising capital.
- To examine debt financing options and requirements,
- To underscore the importance of maintaining satisfactory personal credit.
- To discuss debtor and creditor rights and duties along with an overview of bankruptcy
- To highlight contractual and leasing issues often faced by entrepreneurs.
- To consider legal issues in employment, and with particular emphasis on those legal concerns faced by a growing company when dealing with employees and independent contractors.
- To explore intellectual property law involving innovation and the enforceability of non-competition and confidentiality covenants.
- To furnish an understanding of issues involved in licensing technology, product or process.
- To highlight special issues associated with electronic commerce and the sale of goods and services.
- To review a variety of business torts and regulatory issues that an entrepreneur may face and suggests ways (including insurance) to manage risks.
- To describe the actual process in terms of structuring the acquisition of a venture.
- To discuss the factors to consider when expanding internationally, including tax considerations and employment issues.

### COURSE SCHEDULE

WEEK	TOPIC	READINGS
January 23	<p style="text-align: center;">➤ <b>Introduction</b></p> <p style="text-align: center;"><b>“The Entrepreneurial Game Plan”</b></p> <ul style="list-style-type: none"> <li>• <b>Working With Professional Service Providers</b></li> <li>• <b>Choices Of Business Form</b></li> </ul>	<ul style="list-style-type: none"> <li>• EBL Pgs. 1-8, 31-46</li> </ul> <p style="text-align: center;"><u><i>Eastwind Trading Company - HBS Case Study</i></u></p>

30	<ul style="list-style-type: none"> <li>➤ <b>Structuring Ownership</b> <ul style="list-style-type: none"> <li>• <b>Founders</b></li> <li>• <b>Management</b></li> <li>• <b>Board</b></li> </ul> </li> </ul> <p><i>Interim#1</i></p>	<ul style="list-style-type: none"> <li>• EBL Pgs. 74-132</li> <li>• HOW Pgs. 74-132</li> </ul>
February 7	<ul style="list-style-type: none"> <li>➤ <b>Non-Traditional Sources</b> <ul style="list-style-type: none"> <li>• <b>Founders</b></li> <li>• <b>Friends</b></li> <li>• <b>Family</b></li> </ul> </li> <li>➤ <b>Angels and Financing</b></li> </ul>	<ul style="list-style-type: none"> <li>• HOW Pgs. 74-132</li> </ul>
13	<ul style="list-style-type: none"> <li>➤ <b>Financial Information For Decision-making</b></li> <li>➤ <b>Personal Credit Planning</b></li> <li>➤ <b>Your Firms Financing Needs</b></li> <li>➤ <b>Traditional Sources</b> <ul style="list-style-type: none"> <li>• <b>Banks</b></li> </ul> </li> <li>➤ <b>Loan Access and Documentation</b></li> </ul>	<ul style="list-style-type: none"> <li>• HOW Pgs. 74-132</li> </ul>
20	<ul style="list-style-type: none"> <li>➤ <b>Government Sources</b> <ul style="list-style-type: none"> <li>• <b>SBIC's</b></li> <li>• <b>SBA</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• HOW <u>Pgs. 74-132</u></li> </ul>
February 27	<ul style="list-style-type: none"> <li>➤ <b>Government Sources</b> <ul style="list-style-type: none"> <li>• <b>SBIC's</b></li> <li>• <b>SBA</b></li> </ul> </li> <li>➤ <b>Building Financial Data</b></li> </ul>	<p><u><i>Kate Spade - HBS Case Study</i></u> Lab Projections</p>
March 6	<b>MIDTERM EXAMINATION</b>	
March 13	<b>Spring Break</b>	
March 20	<ul style="list-style-type: none"> <li>➤ <b>Venture Capital Funding</b></li> <li>➤ <b>Debtor and Creditor Rights and Duties</b></li> </ul>	<ul style="list-style-type: none"> <li>• EBL Pgs. 384-430</li> <li>• EBL Pgs. 431-485</li> <li>• HOW</li> </ul> <p><u><i>Honest Tea - HBS Case Study</i></u></p>

	➤ <b>Bankruptcy</b>	
27	➤ <b>Legal Issues In Employment, Marshalling Human Resources</b> ➤ <b>Contracts and Leases</b> ➤ <b>Commercial Transactions</b> <i>Interim#2</i>	<ul style="list-style-type: none"> <li>• EBL Pgs. 306-340</li> <li>• EBL Pgs. 176-264</li> </ul>
April 3	➤ <b>Intellectual Property Law</b> <ul style="list-style-type: none"> <li>• <b>Patents</b></li> <li>• <b>Copyrights</b></li> <li>• <b>Trademarks</b></li> </ul> ➤ <b>Technology Development And Trade Secret Law</b> ➤ <b>Licensing your Technology, Product or Process</b>	<ul style="list-style-type: none"> <li>• EBL 487-551</li> </ul>
10	<b>PRESENTATION CONSULTATIONS WORKSHOP</b>	
17	➤ <b>Operational Liabilities And Insurance</b> ➤ <b>Risk Assessment and Risk Management</b>	<ul style="list-style-type: none"> <li>• EBL Pgs. 341-383</li> </ul>
24	➤ <b>Acquisitions and Mergers Buying or Selling A Business</b> ➤ <b>Harvesting</b>	<ul style="list-style-type: none"> <li>• EBL Pgs.585-648</li> </ul>
May 1	➤ <b>Case Presentations</b> ➤ <b>Industry Experts Dinner</b>	
May 8	➤ <b>Final Case Studies</b>	

Please note that because of the complex nature of scheduling guest speakers during class time, the schedule outline above is tentative. Changes may need to be made from time-to-time in order to accommodate these individuals since they maintain extremely busy schedules that generally require extensive travel. Announcements of changes will be made in class if advanced notice permits; otherwise, announcements will be made via e-mail.

### **COURSE ASSESSMENT:**

Though the professor will retain discretion in assigning a grade, each student will be graded based upon the following scale:

Interim Mini Cases/Examinations	20%
Class Participation	30%
Entrepreneurial Case Project	30%
Final Presentation	20%

### **CONFIDENTIALITY POLICY**

Throughout the Entrepreneurship Program's classes and events, students will be exposed to proprietary information from other students, guest lecturers, and faculty. It is the policy of the Entrepreneurship Program that all information is to be treated as confidential.

By enrolling in and taking part in the Entrepreneurship Program's classes and activities, students agree not to disclose this information to any third parties without specific written permission from students, guest lecturers, or faculty, as applicable. Students further agree not to utilize any such proprietary information for their own personal commercial advantage or for the commercial advantage of any third party.

In addition, students agree that any legal consulting advice provided without direct fee and in an academic setting will not be relied upon without enlisted opinion of an outside attorney or consultant, without affiliation to the program.

The Entrepreneur Program, the College of Business, and Rowan University disclaim any responsibility for the protection of intellectual property of students, guest's lecturers, or faculty who involved in Entrepreneur Program classes or events.

Receipt of this policy and registration in our classes in our classes is evidence that you understand this policy and abide by it. Any breach of this policy may subject to academic integrity proceedings.

### **COURSE WITHDRAWAL POLICY\***

**DURING DROP/ADD:** Courses can be dropped by completing the Drop/Add form which will be turned in to the Office of the Registrar. Any course dropped during the Drop/Add period will not be recorded on the permanent record.

**BETWEEN DROP/ADD AND MID-TERM:** A Withdrawal Request Form must be secured from the Office of the Registrar. The reason for the request may be stated on the form and must be

signed by the student and the professor, with the last date of attendance indicated. Upon receipt of the form, the Registrar's Office will enter a W on the student transcript.

**AFTER MID-TERM:** The same process as #2 will prevail except that the reason must be stated and approval obtained from the professor and the respective department chairperson. If the professor approves the withdrawal, he/she will indicate that the student is either withdrawing with a passing academic standing (WP) or withdrawing with academic failure (WF) and also provide the last date of attendance.

**DURING THE LAST FOUR WEEKS:** Withdrawal must be considered exceptional and may occur only with the approval of the professor, department chairperson and college dean and only for good and sufficient reasons beyond the control of the student. (WP/WF remains in effect, as does the last date of attendance.)

### **ACADEMIC HONESTY POLICY\***

*The vitality of any academic program is rooted in its integrity. It is essential to Rowan University that the grades awarded to students only reflect their own individual efforts and achievements. Each segment of the academic community, i.e., faculty, students and administration, are responsible for the academic integrity of the university. Academic dishonesty, in any form, will not be tolerated. Students who are found to have engaged in acts of academic dishonesty may be subject to failure for the course and suspension from the University. \*For further information on this Policy, please consult the Schedule of Courses under "General Information. "*

### **GRADES/GPA EQUIVALENTS**

A = 4.0 93 – 100, A- = 3.7 90 – 92, B+ = 3.3 88 – 89, B = 3.0 83 – 87, B- = 2.7 80 – 82, C+ = 2.3 78 – 79, C = 2.0 73 – 77, C- = 1.7 70 – 72, D+ = 1.3 68 – 69, D = 1.0 63 – 67, D- = 0.7 60 - 62

**REPEATING A COURSE:** In the event that a student must or voluntarily chooses to repeat a course, the grade received for the repeated course will constitute the final grade for that subject for cumulative GPA purposes-whether the grade is higher or lower than the grade received in the original course. The original grade, although not counted in the cumulative GPA, remains on the student's transcript. Herein, the University stipulates that the same course may not be taken more than twice including withdrawals.

**LEARNING DISABILITY:** If you have a learning disability and need special accommodation, please approach the instructor.

### **NOTES/INSTRUCTIONS/REMINDERS**





