

USASBE  
2007 Excellence in Entrepreneurship Education Awards

**Rowan University**  
**Rohrer College of Business and the Center for Innovation and Entrepreneurship**

Nominates

**“FINANCING AND LEGAL ASPECTS OF ENTREPRENEURSHIP”**

**(FLAE)**

For the

**NATIONAL OUTSTANDING ENTREPRENEURSHIP COURSE AWARD**

Submitted By:

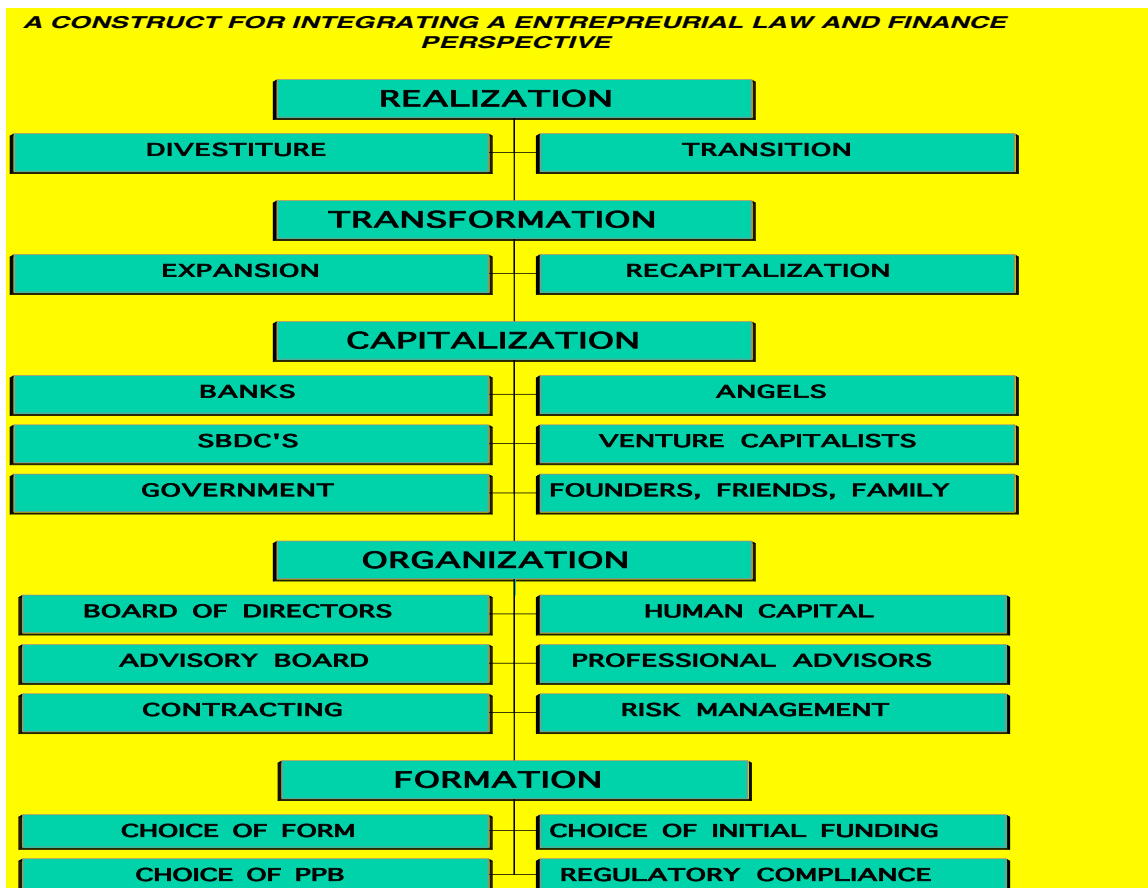
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## EXECUTIVE SUMMARY

### ***FINANCING AND LEGAL ASPECTS OF ENTREPRENEURSHIP*** **The Organization, Establishment, Governance, Financing and Operation of Entrepreneurial Ventures, a Transactional Approach**

**COURSE OBJECTIVES:** Two academic disciplines finance and business law are key knowledge bases which are important to the organization and operation of emerging businesses. 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 startups, small, closely-held, or family businesses. The course blends both a theoretical perspective on venture organization and initiation and the practical skills of its application and execution through structuring the actual transactions necessary for implementation. While the course emphasizes assessing financing issues and the acquisition of resources through debt and equity financing models including bank, angel and venture capital, the experience is also designed to give entrepreneurs the tools they need in focusing on how to manage the legal factor.



## **COURSE DESCRIPTION**

Offered annually, the course in its fourth iteration as a seminar usually with a student complement of 20-25. The format consists of case study and lecture discussion sequenced with extensive background readings, occasional guest lecturers, and an end of term case-based project culminating in a transactional plan. Each session is highly structured and spans eight segments on:

**Structuring the Organization** – One size does not fit all, and as a business grows its needs may change. Consequently, corporate forms, as well as alternative structures, such as limited liability companies, partnerships or other forms of association are appraised. The operating premise is delineating the tax and other benefits of each and explaining their limitations. Also considered is planning for structural changes for anticipated future transactions to meet the requirements of future investors, whether it is for a venture round of financing or the company's initial public offering.

**Financing Growth** – Raising capital is the lifeblood of an emerging business. The course addresses formation and capitalization transactions for startups and early stage companies, including seed money and venture capital transactions, and we help more established companies with private placements and public offerings of debt and equity.

**Mergers and Acquisitions** – Many businesses realize their growth strategy through acquisitions. Alternatively, a company's investors and management may look to the sale or merger of the company to a strategic acquirer as an exit strategy. Students have significant hands-on experience in assessing and mock negotiations for acquisitions.

**Intellectual Property** – Intellectual property often comprises some of the most valuable assets of an emerging business. Students examine all aspects of intellectual property rights, including creation, maintenance and enforcement, to help them understand the necessity for securing and protecting their assets and gain market positioning and competitive advantages.

**Labor and Employment** – A successful company is built on having skilled, productive and loyal employees. Students review designing and implementing strategies for attracting and retaining key talent through incentive-based compensation programs, stock option programs and stock appreciation rights programs and employment contracts. Also fellow students in my Legal Aspects of Human Resource Management course offer consultation on the development of personnel policies and sound hiring practices.

**Real Estate** – Students determine facilities needs and analyze a number of types of means of their acquisition, development and financing, whether leasing or purchase.

**Tax** – Simplified yet practical initial tax planning and compliance, is the focal point.

**Litigation and ADR** – Our students are counseled on litigation avoidance strategies, and aggressively litigate when necessary.

### **COURSE AUDIENCE:**

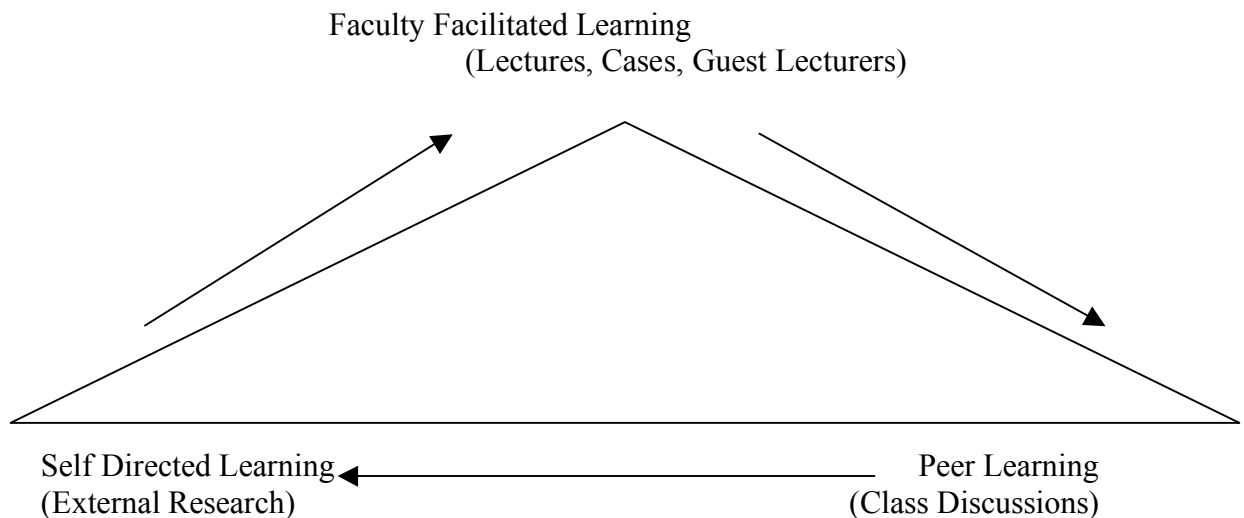
Rowan's entrepreneurship program is engineered to create dual pathways for undergraduate majors. A family path for those who seek to retain and sustain existing family businesses and a growth path for those creating new entities. The course is designed to be the touch point for both.

The target audiences for this course are those students have generally taken the Entrepreneurship and Innovation foundation course and either for the family path after the Small Business Operations course and those on the growth path after the New Venture Development course.

### **TEACHING METHODS**

My teaching philosophy is based conceptually upon a learning triad. Students' learning is facilitated through the lectures and facilitated discussion, from each other in the facilitated discussions of cases and problems, and individually through self-directed exploration in the process of completing assigned readings, research and cases. A key premise of the course is that the only way to have an enduring effect on skill learners is to impact at the "theory of action" (Bigelow, 1991) level. i.e. at the level of what learners actually do. First, it addresses skills in a more holistic manner. The notion of skills is replaced with "skillfulness" (Bigelow, 1991). The primary learning of the course occurs in a series of skill practice sessions. Learners cycle through the roles during successive skill practice sessions. As they cycle through the roles, learners also interact with different people, since guest experts from the financial and legal communities lend their expertise.

### **LEARNING TRIAD**



**ACTIVITY& ASSIGNMENT SCHEDULE**

WEEK	TOPIC	READINGS
January 23	<ul style="list-style-type: none"> <li>➤ Introduction</li> <li>“The Entrepreneurial Game Plan”               <ul style="list-style-type: none"> <li>• Working With Professional Service Providers</li> <li>• Choices Of Business Form</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• EBL Pgs. 1-8, 31-46</li> </ul> <u>Eastwind Trading Company - HBS Case Study</u>
30	<ul style="list-style-type: none"> <li>➤ Structuring Ownership               <ul style="list-style-type: none"> <li>• Founders</li> <li>• Management</li> <li>• Board</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• EBL Pgs. 74-132</li> <li>• HOW</li> </ul>
February 7	<ul style="list-style-type: none"> <li>➤ Non-Traditional Sources               <ul style="list-style-type: none"> <li>• Founders</li> <li>• Friends</li> <li>• Family</li> </ul> </li> <li>➤ Angels and Financing</li> </ul>	<ul style="list-style-type: none"> <li>• HOW</li> </ul>
13	<ul style="list-style-type: none"> <li>➤ Financial Information For Decision-making</li> <li>➤ Personal Credit Planning Your Firms Financing Needs</li> <li>➤ Traditional Sources               <ul style="list-style-type: none"> <li>• Banks</li> </ul> </li> <li>➤ Loan Access and Documentation</li> </ul>	<ul style="list-style-type: none"> <li>• HOW</li> </ul>
February 27	<ul style="list-style-type: none"> <li>➤ Government Sources               <ul style="list-style-type: none"> <li>• SBIC’s</li> <li>• SBA</li> </ul> </li> <li>➤ Building Financial Data</li> </ul>	<ul style="list-style-type: none"> <li>• <i>HOW</i></li> </ul> Kate Spade - HBS Case Study Lab Projections
March 6	<b>MIDTERM EXAMINATION</b>	
March 13	<b>Spring Break</b>	

March 20	<ul style="list-style-type: none"> <li>➤ Venture Capital Funding</li> <li>➤ Debtor and Creditor Rights and Duties</li> </ul> <b>Bankruptcy</b>	<ul style="list-style-type: none"> <li>• EBL Pgs. 384-430</li> <li>• EBL Pgs. 431-485</li> <li>• HOW</li> </ul> <b>Honest Tea - HBS Case Study</b>
27	<ul style="list-style-type: none"> <li>➤ Legal Issues In Employment, Marshalling Human Resources</li> <li>➤ Contracts and Leases</li> <li>➤ Commercial Transactions</li> </ul> <b>Interim#2</b>	<ul style="list-style-type: none"> <li>• EBL Pgs. 306-340</li> <li>• EBL Pgs. 176-264</li> </ul>
April 3	<ul style="list-style-type: none"> <li>➤ Intellectual Property Law <ul style="list-style-type: none"> <li>• Patents</li> <li>• Copyrights</li> <li>• Trademarks</li> </ul> </li> <li>➤ Technology Development And Trade Secret Law</li> <li>➤ Licensing your Technology, Product or Process</li> </ul>	<ul style="list-style-type: none"> <li>• EBL 487-551</li> </ul>
10	<b>PRESENTATION CONSULTATIONS WORKSHOP</b>	•
17	<ul style="list-style-type: none"> <li>➤ Operational Liabilities And Insurance</li> <li>➤ Risk Assessment and Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• EBL Pgs. 341-383</li> </ul>
24	<ul style="list-style-type: none"> <li>➤ Acquisitions and Mergers Buying or Selling A Business</li> <li>➤ Harvesting</li> </ul>	<ul style="list-style-type: none"> <li>• EBL Pgs.585-648</li> </ul>
May 1/8	<ul style="list-style-type: none"> <li>➤ Case Presentations</li> <li>➤ Industry Experts Dinner</li> </ul>	
May 8	<ul style="list-style-type: none"> <li>➤ Final Case Studies</li> </ul>	

**BOOKS AND OTHER MATERIALS USED**

**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*

**Wall Street Journal Online, Start Up Journal**, [www.startupjournal.com](http://www.startupjournal.com)

The course technologies in addition to providing tools for manipulating and presenting instructional material in a classroom, facilitate student access to information such as the course materials and include extensive hyperlinks to other material so students can pursue topics in more depth and take advantage of the resources on the web.

**Harvard Business School Toolkit** [www.hbsp.harvard.edu/b02/en/academic/edu\\_teachres\\_studres.jhtml](http://www.hbsp.harvard.edu/b02/en/academic/edu_teachres_studres.jhtml)

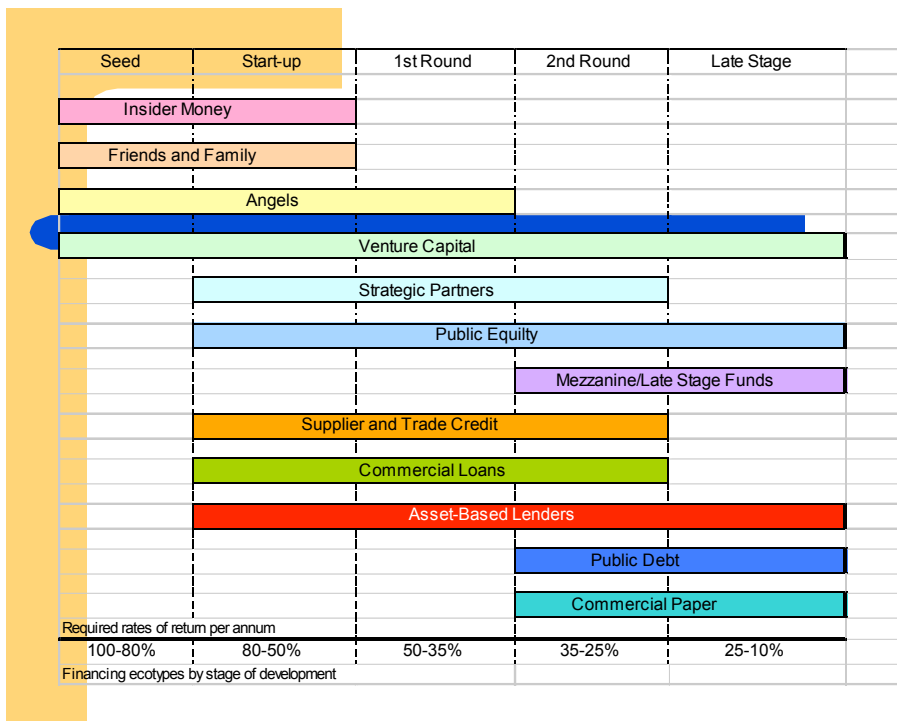
Materials that students may find useful to supplement the required textual materials including this electronic analytical toolkit containing functional financial, accounting, marketing statistical tools and models are also available for reference purposes.,

**STUDENT DELIVERABLES****COURSE PROJECTS:**

Initially, a mini-case based individual project utilizing the Harvard Business School Case, *Eastwind Trading Company*. This involves a newly generated business opportunity which must be converted into a viable business. The focus is on crafting a strategic plan, organizing and setting up the legal governance structure for the newly emerging business.

A second mini-case project uses the Harvard Business School Case, *Kate Spade*. The focus here is upon seeking options and determining the appropriate choices in growth stage financing, expansion and reorganization.

The major case project is the Harvard Business School Case, *Honest Tea*. This originates in the latter stage of the life cycle of an entrepreneurial business focusing on strategic development, scaling and recapitalization.



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

**COURSE GROUP COMPETITION:** Students are 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. This competition is judged by external executives representing banks, angels, venture capitalists and Government funding sources, with the winning group recognized with an award.

**OUTCOMES ASSESSMENT:** At several points in the term, students are 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.

### COURSE GRADING

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



## **COURSE BENEFITS**

This transactional course bridges theory with actual practice. The goals and objectives of this course naturally develop and/or refine the target skills and support not only the College of Business (COB) competency requirements but also the curricular initiatives of the Entrepreneurship specialization. The challenge is to extend the limits of personal achievement of the students and assessment results indicate that significant actual skill development occurs during the course and is carried forward to subsequent situations.

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, 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 economic and financial 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.

## **OUTCOMES**

**The student behavioral outcomes engendered in the course means that the student will:**

- Understand the risk assessment and risk management are central to the study of entrepreneurial law.
- Recognize that the study of entrepreneurial finance leads to better investment and financing decisions and increases the potential for establishing a successful venture.
- Be able to describe the process of new venture formation from inception of the idea to the harvesting

- Understand the considerations that influence the choice of organizational form of the venture
- Be able to recognize and use terminology commonly adopted by participants in the market for new venture financing
- Be able to identify the financing sources available to a new venture recognize their basic attributes and when each source is likely to be available and understand some of the factors that tend to favor one source over another,
- Be able to identify the key elements of deal structure and the basic functions they serve.
- Know how to use milestones and financial projections to manage and evaluate the progress of a new venture.
- Recognize the potential uses of financial information to facilitate negotiation between the entrepreneur and outside investors.
- Understand the interrelationships between financing decisions and other aspects of new venture strategy.
- Develop and prepare a pro forma analysis to build a financial model of a venture that integrates income statement, balance sheet and cash flow items.
- Be able to apply scenario analysis to assess financing needs
- Be able to determine how the choice of financing facilitates the entrepreneur's abilities to respond to product market success or failure and to retain significant ownership
- Use either the risk-adjusted discount rate form, hurdle rates and realized rates of return

### **UNIQUE ASPECTS OF THE COURSE**

The course was designed ab initio from the ground up to combine the specialized milieu and direct impact capability of the best of both of these disciplines. The course extends learning by examining how entrepreneurs and financiers manage the entrepreneurial process and its financial and legal aspects in a transactional framework. It mirrors the creation and operation dynamics of organic small firm growth from initiation to liquidation. By doing so the course promotes innovative thinking and entrepreneurial behavior at each stage of the life-cycle of the entrepreneurial organizational

While there are a many of entrepreneurial finance courses nationally and finally coming online there are a few entrepreneurship courses offered to equip students with baseline legal acumen. This course combines the two disciplines and knits them into the warp and weave of an innovative new academic offering. A course that imaginatively enhances proactive entrepreneurial ability and serves as a springboard for actual venture launches.