

COURSE INFORMATION
ENTR 7337 – ENTREPRENEURIAL CAPITAL
SPRING, 2022

INSTRUCTOR

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PREP MATERIALS

- Brad Feld and Jason Mendelson: *Venture Deals (4th ed.)*, Wiley, 2019
- Videos, Handouts and HBS/HBR materials as assigned
- (optional) Bill Aulet: *Disciplined Entrepreneurship*, Wiley, 2013

COURSE OBJECTIVES

The broad objective of this course is to provide the tools you need to supply your business with the right amount of external funding at the right time on the right terms.

By the end of this course:

- You should know the basics of equity finance, including the pros and cons of equity (vs. debt), sources of equity financing, the mechanics and criteria of different equity sources, how to calculate the amount of equity financing needed to start and grow a business, and how to structure equity deals (including how to value a business).
- You should know the basics of debt finance, including the pros and cons of debt (vs. equity), sources of debt financing, the mechanics and criteria of bank loans, and how to calculate the amount of debt your business might qualify for.
- You should know who to approach to raise the right amount of money at the lowest total cost.
- You should be able to make a compelling presentation to potential sources of capital, clearly explaining the reason(s) why money is needed, how much is needed, and why this is a good deal.
- In general, you should learn about "real world" finance for entrepreneurial ventures.

ALIGNMENT WITH BAUER MASTERS PROGRAM LEARNING OBJECTIVES

Learning Objective	Whether/How Addressed
Functional Competence	Students will learn how to assess the feasibility of a business idea, how to choose key performance indicators, how to project profits and cash flow for an existing business, how to evaluate actual vs. budgeted performance, and how to determine the amount of funding needed to start and grow a business.

INSTRUCTIONAL PHILOSOPHY

- Experiential learning. We will present concepts in the context of applications, and learn by discussing practical examples and doing things.
- Open discussion. If you don't understand something said in class, or want more information on how it might apply to your personal situation, speak up. Guests are welcome, and everybody is invited to "put their two cents in."

ACADEMIC HONESTY

The University of Houston Academic Honesty Policy is strictly enforced by the C.T. Bauer College of Business. No violations of this policy will be tolerated in this course. A discussion of the policy is included in the University of Houston Student Handbook which can be downloaded at <http://www.uh.edu/dos/publications/handbook.php>. Students are expected to be familiar with this policy.

ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

The C. T. Bauer College of Business would like to help students who have disabilities achieve their highest potential. To this end, in order to receive academic accommodations, students must register with the Dart Student Accessibility Center (telephone 713-743-5400), and present approved accommodation documentation to their instructors in a timely manner.

AVAILABILITY OF COUNSELING SERVICES

Counseling and Psychological Services (CAPS) can help students who are having difficulties managing stress, adjusting to college, or feeling sad and hopeless. You can reach CAPS (www.uh.edu/caps) by calling 713-743-5454 during and after business hours for routine appointments or if you or someone you know is in crisis. Also, there is no appointment necessary for the "Let's Talk" program, which is a drop-in consultation service at convenient locations and hours around campus.

http://www.uh.edu/caps/outreach/lets_talk.html

COURSE SCHEDULE

Week 1 (1/20)	Course introduction
Topics	<ul style="list-style-type: none"> • Introductions • Personal objectives for the course • Syllabus and grading
Prep materials	
Assignments	
Week 2 (1/27)	How much funding do you need?
Topics	<ul style="list-style-type: none"> • Financial statements structure and contents • Projecting funding needs at startup • Projecting funding needs for growth • Sustainable growth rate
Prep materials	<ul style="list-style-type: none"> • Video: Introduction to the income statement • Video: Introduction to the cash flow statement • Video: Introduction to the balance sheet • Video: How much funding do you need to start? • Video: How much funding do you need to grow?
Assignments	
Week 3 (2/3)	Time value of money
Topics	<ul style="list-style-type: none"> • Time value of money • Internal rate of return
Prep materials	<ul style="list-style-type: none"> • Video: Three Rules of Money • Video: Time Value of Money • Handout: Internal rate of return
Assignments	<ul style="list-style-type: none"> • IRR CALCULATIONS
Week 4 (2/10)	Risk and return
Topics	<ul style="list-style-type: none"> • Risk and return
Prep materials	<ul style="list-style-type: none"> • Video: Risk and return
Assignments	<ul style="list-style-type: none"> • RISK AND RETURN
Week 5 (2/17)	How to be a millionaire; Types and costs of debt and equity
Topics	<ul style="list-style-type: none"> • How to be a millionaire • Types of debt and equity • Costs of debt and equity

Prep materials	<ul style="list-style-type: none"> • Video: How to be a millionaire • Video: Types of debt and equity • Video: Costs of debt and equity
Assignments	
Week 6 (2/24)	Valuing businesses
Topics	<ul style="list-style-type: none"> • Methods for valuing businesses • Earnings multiples and rates of return • What share of the business should you give for an investment? • Should you take an investor's offer? • Why we fund from milestone to milestone
Prep materials	<ul style="list-style-type: none"> • Video: Methods for Valuing Businesses • Video: Earnings Multiples and Rates of Return • Video: What Share Should You Give • Video: Should You Take an Investors Offer • Video: Why We Fund from Milestone to Milestone • Handout: Valuing businesses
Assignments	
Week 7 (3/3)	Sources of equity funding
Topics	<ul style="list-style-type: none"> • Sources of early stage equity • Sources of later stage equity • Which deals fit which sources?
Prep materials	<ul style="list-style-type: none"> • Video: Sources of Early Stage Equity • Video: Sources of Later Stage Equity • Video: Which Deals Fit Which Sources • Video: 5 Things to Know about Venture Capital
Assignments	
Week 8 (3/10)	Equity term sheets
Topics	<ul style="list-style-type: none"> • Economic terms • Control terms • The capitalization table • Dilution
Prep materials	<ul style="list-style-type: none"> • Feld and Mendelson: Venture Deals, chap. 3-9, 18, Appendix A, B • Handout: NVCA term sheet • Handout: Annotated investor term sheet
Assignments	<ul style="list-style-type: none"> • TEST #1
	Spring Break

Week 10 (3/24)	More on equity funding; Making the pitch
Topics	<ul style="list-style-type: none"> Miscellaneous Making the pitch
Prep materials	<ul style="list-style-type: none"> Video: Making the pitch Handout: Mercury Fund pitch templates Feld and Mendelson: Venture Deals, chap. 10, 12-15, 17, 19
Assignments	
Week 11 (3/31)	Open
Week 12 (4/7)	Sources of debt funding, bank loans
Topics	<ul style="list-style-type: none"> Sources of debt funding Does your business qualify for bank loans? Why banks don't lend to startups Bank term sheets Working with bankers
Prep materials	<ul style="list-style-type: none"> Video: Sources of Debt Funding Video: Does Your Business Qualify for Bank Loans Video: Why Banks Don't Lend to Startups Feld and Mendelson: Venture Deals, chap. 11
Assignments	
Week 13 (4/14)	Open
Week 14 (4/21)	Buying a business
Topics	<ul style="list-style-type: none"> Can you buy a business with its own money? Finding a business to buy Asset purchase vs. acquisition Due diligence
Prep materials	<ul style="list-style-type: none"> Handout: Buying businesses Handout: Due diligence Handout: A path when startup is not the goal Handout: Issues in selling a business Feld and Mendelson: Venture Deals, chap. 16
Assignments	
Week 15 (4/28)	Course review
Topics	<ul style="list-style-type: none"> Course review
Prep materials	
Assignments	<ul style="list-style-type: none"> TEST #2, TERM PROJECT

GRADING

Your course grade will have the following components.

- IRR calculations (10)
- Risk and return calculations (10)
- Test #1 (30)
- Test #2 (30)
- Term project (20)

At the end of the semester, these grades will be totaled. Course grades will be assigned according to point totals as follows:

% of available points	Grade
94%	A
90%	A-
87%	B+
84%	B
80%	B-
77%	C+
74%	C
70%	C-
67%	D+
64%	D
60%	D-
Lower	F

UH POLICIES

Face Covering Policy

To reduce the spread of COVID-19, the University strongly encourages everyone (vaccinated or not) to wear face coverings indoors on campus including classrooms for both faculty and students.

Presence in Class

Your presence in class each session means that you:

- Are NOT exhibiting any [Coronavirus Symptoms](#) that makes you think that you may have COVID-19
- Have NOT tested positive or been diagnosed for COVID-19
- Have NOT knowingly been exposed to someone with COVID-19 or suspected/presumed COVID-19

If you are experiencing any COVID-19 symptoms that are not clearly related to a pre-existing medical condition, do not come to class. Please see [Student Protocols](#) for what to do if you experience symptoms and [Potential Exposure to Coronavirus](#) for what to do if you have potentially been exposed to COVID-19. Consult the (select: [Undergraduate Excused Absence Policy](#) or [Graduate Excused Absence Policy](#)) for information regarding excused absences due to medical reasons.

COVID-19 Information

Students are encouraged to visit the University's [COVID-19](#) website for important information including on-campus testing, vaccines, diagnosis and symptom protocols, campus cleaning and safety practices, report forms, and positive cases on campus. Please check the website throughout the semester for updates.

Vaccinations

Data suggests that vaccination remains the best intervention for reliable protection against COVID-19. Students are asked to familiarize themselves with pertinent [vaccine information](#), consult with their health care provider. The University strongly encourages all students, faculty and staff to be vaccinated.

Reasonable Academic Adjustments/Auxiliary Aids

The University of Houston complies with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, pertaining to the provision of reasonable academic adjustments/auxiliary aids for disabled students. In accordance with Section 504 and ADA guidelines, UH strives to provide reasonable academic adjustments/auxiliary aids to students who request and require them. If you believe that you have a disability requiring an academic adjustments/auxiliary aid, please contact [the Justin Dart Jr. Student Accessibility Center](#) (formerly Center for Students with DisABILITIES).

Excused Absence Policy

Regular class attendance, participation, and engagement in coursework are important contributors to student success. Absences may be excused as provided in the University of Houston [Undergraduate Excused Absence Policy](#) and [Graduate Excused Absence Policy](#) for reasons including: medical illness of student or close relative, death of a close family member, legal or government proceeding that a student is obligated to attend, recognized professional and educational activities where the student is presenting, and University-sponsored activity or athletic competition. Under these policies, students with excused absences will be provided with an opportunity to make up any quiz, exam or other work that contributes to the course grade or a satisfactory alternative. Please read the full policy for details regarding reasons for excused absences, the approval process, and extended absences. Additional policies address absences related to [military service](#), [religious holy days](#), [pregnancy and related conditions](#), and [disability](#).

Recording of Class

Students may not record all or part of class, livestream all or part of class, or make/distribute screen captures, without advanced written consent of the instructor. If you have or think you may have a disability such that you need to record class-related activities, please contact the [Justin Dart, Jr. Student Accessibility Center](#). If you have an accommodation to record class-related activities, those recordings may not be shared with any other student, whether in this course or not, or with any other person or on any other platform. Classes may be recorded by the instructor. Students may use instructor's recordings for their own studying and notetaking. Instructor's recordings are not authorized to be shared with *anyone* without the prior written approval of the instructor. Failure to comply with requirements regarding recordings will result in a disciplinary referral to the Dean of Students Office and may result in disciplinary action.

Syllabus Changes

Due to the changing nature of the COVID-19 pandemic, please note that the instructor may need to make modifications to the course syllabus and may do so at any time. Notice of such changes will be announced as quickly as possible through email.