

THE WHARTON SCHOOL
THE UNIVERSITY OF PENNSYLVANIA
MGMT 811: Entrepreneurship Through Acquisition

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TENTATIVE SYLLABUS SUBJECT TO CHANGE

Course Description

Overview

The objective of this course is to enable students to develop the skills and knowledge of the acquisition process as it relates to entrepreneurial businesses. Students will be expected to apply both their academic training and prior business experience to the class. The course requirements will consist of assigned readings, class discussions, caselets, and a final project.

Topics that will be discussed in class include locating a business, due diligence, valuation, adding synergy, tax considerations, obtaining capital, structuring purchases, employee retention plans, and post-closing integration.

The course is practical and comprehensive. It is designed to provide you with the skills, techniques, and tools to assess, evaluate, synthesize, value, structure, and consummate a business acquisition while having a meaningful and challenging learning experience. A day or two before each class, I will post the lecture slides on the webCafe. The slides are designed to provide an outline, but not a complete transcript, of the topics that will be covered in class. Since the class discussions are an important part of the learning process, you should not register for this course unless you are prepared to attend and actively participate in each class. If you do not attend the first class meeting, you cannot be enrolled in the course.

Course Submissions and Grade Composition

The course submission requirements, deadlines, and grade composition are as follows:

- Class participation- 30%

Your contributions will be evaluated after each class.

- Homework- 20%

There will be three homework assignments that will be posted on the webCafe the Thursday before the second, third, and fourth classes. The assignments, which are short caselets, will be due at 9 p.m. the night before these classes. Your response should be two pages or less, and you will be expected to discuss and defend your answers in class.

- Final Project- 50%

The final project will be a case study that will be distributed after the fifth class. As an alternative to the final project, you have the option of preparing an acquisition analysis of an existing business. The requirements for the acquisition analysis are posted on the webCafe and will be distributed in the first class. Either project can be prepared individually or in a group of 2 to 5 students. Regardless of whether you choose to do the final or alternative project, they are both due on October 26, 2011.

The homework assignments and the final project should be submitted via the webCafe. If an assignment is submitted late, your grade will be penalized.

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Accessibility

I am available to meet and can be reached via email and telephone to assist you. I will try to meet as many students as possible for lunch or dinner during the course.

Reading Materials

- Chalfin, Robert J.; *Selling Your IT Business: Valuation, Finding the Right Buyer, and Negotiating the Deal*. John Wiley & Sons, Inc. (2006) ISBN 0-471-74076-4 (RJC).
- The bulk packet can be obtained from Study.net through Wharton Reprographics.
- A selection of the lecture's slides will be posted before each class on the webCafe.

Course Schedule:

Class 1 – September 12, 2011:

Topics: Course Overview
Chronology of an Acquisition
Defining Your Goals
Sourcing Businesses
Confidentiality Agreements
Preparation Prior to Meeting the Owner(s)

Readings:

Lecture Notes
RJC pages 1 – 17, 149-160
"Purchasing A Business: The Search Process." HBS 9-388-044.(Walton, Ennis J. and Roberts, Michael J.)
"Would-Be Entrepreneurs Learn From The Search"
"For a Big Score, Think Small Towns"
"Buying a Small Company Takes Patience, Too"
"How to Sell a Small Business"
"Turning Managers Into Takeover Artists"

Class 2 – September 19, 2011:

Topics: The Art and Science of the Evaluation Process
Meeting the Owner
Key Metrics and Indices
Due Diligence

Readings:

Lecture Notes
RJC pages 51 - 69, 167 - 188
"Know Your Enemy"
"Ten Ways Earnings Lie"
"Groupon's Terms Not Endearing"
"Troubled Audit Opinions"
"Fuzzy Accounting Enriches Groupon"
"Auditors Sharpen Queries in China"
Homework Assignment #1 due before class

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Class 3 – September 26, 2011:

Topics: Definition of Fair Market Value
Types of Buyers
Valuation Guidelines and Determinants
Minority Interest Discounts
Valuation Methods
Buy Sell Agreements

Readings:

Lecture Notes
RJC pages 87 – 140
Pratt pages 201 – 234 – Understanding Discount and Capitalization Rates
“Valuation Techniques.” HBS 9-384-185(Roberts, Michael J. and Stevenson, Howard)
“How Much Is That Business Really Worth?”
“The Benefits of Using a Formula”
“Determining Your Company’s Value: Multiples and Rules of Thumb”
“Digits – Facebook Clamps Down”
“Twins’ Facebook Fight Rages On”
“Twitter to Raise \$400 Million...”
“Make the Most of Buy-Sell Agreements”
Homework Assignment #2 due before class

Class 4 – October 3, 2011: THIS CLASS MAY BE RESCHEDULED TO OCT 5, 2011

Topics: Sources of Funds
Obtaining Capital

Readings:

Lecture Notes
RJC pages 189 – 206
“A Meeting of the Minds”
“Investors Pay Business Plans Little Heed, Study Finds”
“To Get a Business Loan, Know How the Bank Thinks”
“Financing, With Strings Attached”
“Entrepreneurs Hit Up Family, but Payback is Slow”
“A Plea for Direct Lending to Small Businesses”
“Earn-Outs: Bridge the Gap, With Caution”
“On Wall Street, So Much Cash, So Little Time”
Homework Assignment #3 due before class

Class 5 – October 17, 2011:

Topics: Adding Synergy
Utilizing Professionals
Tax Consequences
Letter of Intent

Readings:

RJC pages 161-166
Lecture Notes
“In Tough Times, Companies Coddle Their Regulars”
“Timing Is Ripe for Negotiation”
“Outsourcing Finds New Niche”
“Independent Contractor or Not”
“The Transactional Lawyer and the Art of Plate Spinning”
“Letters of Intent...”

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Class 6 – October 24, 2011:

**Topics: Contract/Asset Purchase Agreement
Designing Incentive Plans
Equity Sharing
Preparing for Closing
Post Deal Suggestions**

Readings:

Lecture Notes
RJC pages 41 - 50, 207 - 210
“How to Deal With Noncompete Agreements”
“Cashing Out Start-Ups Gets More Complicated”
“How Employees Value (Often Incorrectly) Their Stock Options”
“Phantom Stock Plans”
“Merge Right”
“Integration Acceleration”

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