

UNIVERSITY OF WASHINGTON

Foster School of Business

ENTREPRENEURIAL FINANCE

“THE POWER OF ACCESS: IMPACT LENDING TO UNDERSERVED COMMUNITIES”

FIN 579

Winter Quarter 2022

Room PCAR 391 – Tuesday Evenings 6:00P – 8:50P

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COURSE OBJECTIVE

Access. A Black business pioneer was often quoted in the 1960s and 1970s that minority communities needed, “access to capital”. The Consulting and Business Development Center [Center] at the UW Foster School of Business has teamed up with The Commerce Bank of Washington to lend \$1 million to businesses owned by people of color and others who would otherwise not be able to secure a bank loan to support their growth. The Center engages students, faculty, and staff in improving the management skills and practices of businesses owned by people of color, women, and other underserved groups with a focus on businesses in communities with high levels of unemployment.

Entrepreneurship plays an important role in building wealth in families, communities, and economies, but the opportunity to start and grow a business is not equal for White and Black Americans. Research shows that these disparities can be explained by persistent gaps in access to financial capital. According to findings from the U. S. Chamber of Commerce, Black entrepreneurs are nearly three times more likely than White entrepreneurs to have business growth and profitability negatively impacted by a lack of financial capital. Given that 70.6% of Black entrepreneurs rely on personal and family savings for financing, lower family wealth for Black families overall drives more of a divide in access to capital.

Teams of MBA students will analyze the financing needs for ## businesses that participate in the Center’s programs. Students will be guided by Foster School faculty and industry experts through a course that covers business assessment, risk analysis,

and an exploration of research related to structural challenges that business owned by people of color face in accessing credit.

Students will complete a financial analysis of companies seeking credit and work with business owner to project future financing needs. Once this work is completed, students will recommend a select group to the Commerce Bank. Those that qualify for traditional loans will receive them and those that need additional support will be able to secure a loan using the newly created “Foster Loss Reserve Fund.”

The Commerce Bank of Washington has committed to providing loans, that they and other regulated financial institutions would not have made at a rate comparable with all of its business clients without the loan loss reserve fund and ongoing support from the Center.

When you complete this course, you should be able to:

- Assess company financial statements to identify strengths and weaknesses.
- Prepare pro forma financial forecasts and scenarios.
- Estimate a company's future need and engage in working with small BIPOC businesses to gain access to debt financing.
- Perform financial assessments, risk analyses, forecasts and create loan packages for these businesses to submit Commerce Bank for approval.

REQUIRED MATERIALS

- J. Chris Leach and Ronald W. Melicher, *Entrepreneurial Finance*, 7th edition, 2021.
- E-Book ISBN-10: 035713074X | ISBN-13: 9780357130742
- Hardcover ISBN-10: 0357442040 | ISBN-13: 9780357442043
- Case materials to be specified.

GRADING AND WRITTEN DELIVERABLES

Your grade will be based on your class participation, team participation, performance on exercises that will occur during our class engagements, business plan, financial statements and scenarios, a completed loan package, team [Credit Committee]

presentation to Commerce Bank of Washington's loan officials and completed peer reviews. The Team/Credit Committee presentations will take place on the second to the last and last day of the quarter on campus or in a virtually depending on UW protocols. This will be announced as the class progresses through the quarter.

An overview of the assignments is as follows.

| Assignment | Due Date | Weight |
|---|------------------|--------|
| Class attendance | Each session | 20% |
| Homework | To be announced | 5% |
| Business plan, financial statements & scenarios | Febrary 22, 2022 | 25% |
| | March 1, 2022 | |
| Loan package for Commerce Bank | March 8, 2022 | 25% |
| | March 1, 2022 | |
| Team/Credit Committee Presentation | March 8, 2022 | 25% |
| Total | | 100% |

DAILY PREPARATION AND PARTICIPATION

This course has been designed to support an in-person classroom format. Guest speakers and panelists will have the ability to be in-person or use video conferencing. We will have live video conferences and I will also record and assign for your review lectures on special topics. To get the most out of class and high grade, you must prepare conscientiously, both individually and in your teams, and participate actively in this class. Failure to participate robs others of your perspective and increases the chances that the businesses will not be supported in the manner to which they deserve.

What is conscientious preparation? Read the assigned chapters and articles carefully; identify the principal issues to be addressed; meet with your teams to create strategies to approach the business principals to glean information, meet as needed with business principals to gain understanding of their business needs; create business plan with forecasted scenarios; and create a loan package and credit committee-like presentation to Commerce Bank loan officials for debt financing to the business. Attempt to analyze these issues using the appropriate tools or techniques; and note any action recommendations implied by your analysis. Alternatively, if you find yourself

hitting a roadblock, try to articulate what your problem is. Often identifying roadblocks is as valuable as a complete analysis.

Do not be surprised if after conscientious preparation you still feel there are some loose ends in the case you are not certain about. If it were otherwise, there would be nothing for you to learn in class, and we would have been guilty offering a class was too basic. Your test of whether you are learning the material, and progressing adequately, should be how you feel after the class discussion and after your team's presentation, not before. You are doing fine if after your team's presentation, you receive insightful feedback from Commerce Bank loan officials and your team members. You will not be graded, nor should you be chagrined if the business does not receive debt financing from Commerce Bank of Washington. This is not a part of your class grade. That you have made active, concerted efforts, you should not feel embarrassed by the result.

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Course Outline

Specific assignments will be given in class.

CLASS 1 | January 4, 2022: Introduction & Commerce Bank Requirements

CLASS 2 | January 11, 2022: Team & Business Matching

CLASS 3 | January 18, 2022: Business Assessment

CLASS 4 | January 25, 2022: Risk Analysis & Underwriting

CLASS 5 | February 1, 2022: Forecasting

CLASS 6 | February 8, 2022: Scenario Planning

CLASS 7 | February 15, 2022: Business Policies

CLASS 8 | February 22, 2022: Addressing Systemic Bias & Panel Discussion

CLASS 9 | March 1, 2022: Credit Committee /Class Presentations

CLASS 10 | March 9, 2022: Credit Committee /Class Presentations