

Venture Finance, BUS ADM 458-001  
Seminar-in-Management, BUS ADM 795-001

Spring 2009

Dr. Yong-Cheol Kim

---

Office: S430D, Phone: 229-4997, e-mail: ykim@uwm.edu

Office Hours: Tuesday & Thursday 3:30-4:30 PM or by appointment

Class: Tuesday 5:30 pm-8:10 pm, LUB S230

## **COURSE OVERVIEW**

The course is an extension and specialization of corporate finance into venture and entrepreneurial finance. As such, the course will develop and discuss unique and specialized nature of venture finance, building upon the sound and comprehensive knowledge base of corporate finance. Following the life-cycle of venture firms from the initial idea to the final exit, the course develop and discuss the mechanisms of financing, incentive structure, and other related concepts and questions that are more specific and unique in each stage.

## **Class Materials**

Textbook: Leach and Ronald W. Melicher, *Entrepreneurial Finance*, 3rd Edition, South Western, ISBN-10: 0324561253, Copyright Year: 2009

Cases:

1. The Role of Capital Market Intermediaries in the Dot-Com Crash of 2000 (HBS 101110)
2. Case: Netflix: Going Public (HBS E155)

I recommend students to read and be familiar with current news, events and materials from The Wall Street Journal, Financial Times, Economist, Business Week or other media sources

Lecture materials: Students are expected to read materials prior to class. All class materials are stored in the G-drive: [http://gdrive.sba.uwm.edu/gdrive/Kim\\_Y/](http://gdrive.sba.uwm.edu/gdrive/Kim_Y/)

## **GRADING**

Midterm Exam	30%
Final Exam (Cumulative)	50%
Class participation, quiz and HW	10%

Internet exercises*	10%
Total	100%

Grading scale:

90-100%:	A range;
80-89%:	B range;
70-79%:	C range
60-60%:	D range;
Below 60%:	F range

1. **Exam:** There will be a midterm and a cumulative final exam. The exams will be a mix of concept questions and problems (some in multiple choice formats). The concept questions will test your understanding of the assigned reading materials. The problems will be similar to those problems discussed in the class.

Missed exam: If you miss a midterm while on an official university trip or when absent due to serious illness, I must be notified immediately in writing. No make-up exams will be given. If you are excused from the exam, the weight of missed exam will be added to the final exam. Otherwise you will receive a grade of zero for the missed exam.

2. **Class Participation:** This is evaluated based on attendance, quizzes, the discussion of chapter-end problems, and a short-presentation.
  1. Spot quizzes will be given frequently to facilitate the understanding of the materials. Students are expected to work on problems, and spot quiz may cover some of the listed problems in the syllabus or questions to be discussed in the class.
  2. If you miss a quiz or home work assignment while on an official university trip or when absent due to serious illness, the instructor must be notified immediately in writing. A verbal notification or e-mail is not acceptable.
  3. For cases, each student writes one-page executive summary of the case, and it is due on the day it is scheduled in the course outline.
  4. Short-presentation (Optional): A student will pick a topic from current events that are relevant to the class, and prepare a power point file up to 5 slides. The purpose of the short presentation is to broaden our view on what's going on in venture businesses. Due to time constraint, the instructor may select which one is going to be presented. If you choose to take a short presentation, your topic and presentation date must be set two weeks before your actual presentation. The last date for the short presentation is prior to two weeks from the final exam date.

### **3. Internet Exercises**

The purpose of the project is to relate what we learn in the class to the real world, and to update facts in the rapidly changing venture business environments. A student will sign up one topic from the list of the internet exercises in the textbook. Alternatively a student can choose a topic that is relevant to the class as long as the topic is approved beforehand by the instructor. A power point file and other related electronic materials should be sent to the instructor by e-mail one day prior to the presentation date, and a hard copy of presentation materials should be submitted to the instructor at the beginning of the class as well. The presentation date is the first date when the chapter is scheduled in the course outline.

A team of two will work together and everybody in the team will get the same grade. A team should sign-up for the assignment in the second week of the semester. The evaluation criteria of the project are the quality and the relevancy of the works to the class materials. The maximum length of the presentation is 10 power point slides and in 10 minutes.

### **4. Special Notes**

1. If the instructor is more than 15 minutes late for class, consider the class canceled. The instructor expects all students to attend each class.
2. Students with any kind of disability should notify the instructor within the first 2 days of class so that we can make the appropriate accommodations.
3. While I am lecturing, I expect students to stay awake (not always easy), and listen attentively. I will not tolerate students routinely showing up late for class, talking in class or leaving early. The extent to which you abide by these rules will be reflected in your participation grade. If you do too much talking with your neighbors or make noises disturbing class discussion, then you will be asked to change seats or leave the classroom. In addition, if you miss more than two classes without any valid reasons, then I will drop you from the class.
4. E-mail communication: Some information will be communicated through e-mail. Make sure that you check e-mail when it is announced in the class.

## **Course Outline**

### **Module I: BACKGROUND AND ENVIRONMENT. (1/27/2009; 2/3/2009)**

1. Introduction and Overview.
  2. From the Idea to the Business Plan.
- Text Case 1: Coral Systems, Inc.

### **Module II: ORGANIZING THE VENTURE. (2/10/2009; 2/17/2009)**

3. Organizing and Financing a New Venture.
  8. Securities Law Considerations When Obtaining Venture Financing.
- Case1. The Role of Capital Market Intermediaries in the Dot-Com Crash of 2000 (HBS 101110)

### **Module III: VALUING THE VENTURE: Background. (2/24/2009)**

4. Measuring Financial Performance. (Background reading, not covered in the class)
5. Evaluating Financial Performance. (Only 5.3 covered in the class)
6. Financial Planning: Long-Term and Short-Term. (Only 6.2 and 6.6 covered in the class)
7. Types and Costs of Financial Capital. (Only 7.2, 7.5 and 7.6 covered in the class)

### **Module IV: VALUING THE VENTURE. (3/3/2009; 3/24/2009; 3/31/2009; 4/7/2009)**

9. Valuing Early-Stage Ventures. (Background reading, not covered in the class)
10. Venture Capital Valuation Methods.
13. Security Structures and Determining Enterprise Values.

### ***Midterm (3/10/2009)***

### **Module V: FINANCING FOR THE VENTURE. (4/14/2009; 4/21/2009)**

11. Professional Venture Capital.
12. Other Financing Alternatives.

### **Module VI: EXIT AND HARVESTING.**

14. Harvesting the Business Venture Investment. (4/28/2009; 5/5/2009)
- Case 2: Netflix: Going Public (HBS E155)

### ***Final Exam (5/12/2009)***

**University of Wisconsin-Milwaukee**  
**Sheldon B. Lubar School of Business**  
*Course Syllabus Template*  
**(to be attached to all course syllabi)**

**Statement of Academic Misconduct**

Chapter UWS 14, entitled “Student Academic Disciplinary Procedures,” of the Wisconsin Administrative Code contains rules enacted by the University of Wisconsin Board of Regents that apply to all University of Wisconsin–Milwaukee students. Section 14.01 states, “The Board of Regents administrators, faculty, academic staff and students of the University of Wisconsin System believe that academic honesty and integrity are fundamental to the mission of higher education and of the University of Wisconsin System. The University has a responsibility to promote academic honesty and integrity and to develop procedures to deal effectively with instances of academic dishonesty. ... Student who violate these standards must be confronted and must accept the consequences of their actions.”

**Statement of Sexual Harassment**

Sexual harassment is reprehensible and will not be tolerated by the University. It subverts the mission of the University and threatens the careers, educational experience, and well being of students, faculty, and staff. The University will not tolerate behavior between or among members of the University community which creates an unacceptable working environment.

**Discriminatory Conduct**

The University of Wisconsin-Milwaukee remains steadfastly committed to the principles of academic freedom. This commitment requires an equally strong obligation to foster respect for the dignity and worth of each individual. Without this respect, the principles of academic freedom become meaningless. Moreover, relationships such as student-faculty and employee-supervisor have inherent power differences that compromise some persons’ ability to protect their own rights. Therefore, this University must provide an environment that respects the value of each individual and which does not tolerate discriminatory conduct of any kind.

### **University Policies Regarding Change of Registration/Adding and Dropping or Withdrawal from Classes**

After initial registration, students have the opportunity to modify their class schedule by adding, dropping or withdrawing from classes during specific periods prior to the start of the semester. Such changes can be made without financial penalty until shortly before the start of the term (or before the start of a particular summer session). However, significant financial penalties can apply for changes made beyond the appropriate deadline, and some departments have unique deadlines and approval requirements governing how and when students may add and drop particular courses. Some academic programs also require their students to obtain specific approval for adding or dropping courses. Consult the most recent *Schedule of Classes* for dates, deadlines and procedures or contact the Business School Undergraduate Student Services office.

### **University Policies Regarding Repeating Courses**

Unless a restriction is stated in the *Schedule of Classes*, undergraduates may repeat any course **only once**. Under exceptional circumstances, one more repeat may be allowed following approval of a written appeal to the advising office of the student's school or college. Except in the case of courses with variable content (which may be repeated for credit as often as permitted for that particular course, as specified in UWM Bulletins), both grades earned for repeated courses will appear on the student's academic record, but only the higher grade will be calculated into the grade point average. Students illegally repeating courses will be dropped, and "WR" will be assigned to the course on the student's academic record.

Students who took a course as a repeat prior to Fall 1988 are entitled to one additional enrollment. Transfer students who did not previously take a course at UWM are entitled to one repeat at UWM of a course taken at a previous institution.

In courses of limited enrollment, qualified students who have not taken the course previously have priority. It is generally advisable for any student to consult an advisor before registering to repeat a course.

### **University Policy Regarding Incompletes**

An Incomplete may be given to a student who has carried a subject successfully until near the end of the semester but, because of illness or other unusual and substantiated cause beyond that student's control, has been unable to take or complete the final examination or to complete some limited amount of term work. An Incomplete is not given unless the student proves to the instructor that s/he was prevented from completing course requirements for just cause as indicated above.

A course marked Incomplete must be completed during the next succeeding semester, excluding summer sessions and UWinteriM. If the student does not remove the Incomplete during this period, the report of "I" will lapse to "F".

### **University Change of Grade Policy and Procedures**

The following is from UWM Faculty Document No. 1927, May 12, 1994, entitled "Policies on Grading and Grade Records". Grade or Record Changes.

Instructors may not change a semester grade after the grade sheet has been submitted to the Registrar except for an inadvertent error in determining or recording the grade. Any change in a student's grade or record, including retroactive change to drop, withdrawal, or incomplete, must receive the approval of the Dean of the School or College in which the student was enrolled at the time the course was taken.

**Special Accommodations**

If special accommodations are needed in order to meet any of the requirements of the course, please contact the professor as soon as possible. Students will be allowed to complete examinations or other requirements that are missed because of a religious observance.