



**PLEASE READ THIS DOCUMENT THOROUGHLY AS IT CONTAINS MUCH INFORMATION ABOUT THE COURSE AND STANDS AS THE AGREEMENT BETWEEN THE PROFESSOR AND STUDENT.**

**New Venture Finance 52:390:345**

**Spring 2025**

**ONLINE**

**Professor Richard A. Michelfelder, Ph.D.**

**Office: BSB 437**

**Contact Information: richmich@rutgers.edu**

**Course Venue: Online, CANVAS**

Posted will be the syllabus, pre-recorded lectures (articles and examples), power point slides, announcements, guides, etc. To access this system, go to <http://canvas.rutgers.edu>, log in, and click on the course on the dashboard.

**Office Hours: Every Tuesday Online, 9 to 10 AM Online, or by in-person or Webex appointment, phone appointment; please email to schedule.**

**Invitations for all ONLINE office hours for the semester will be sent to students. Please accept the invitation so that it will be on your calendar as a reminder. Also, if you do not accept it, you will not have the link to access the office hours.**

**Key Spring 2025 Semester Dates**

<b>Spring Semester Begins</b>	January 21
<b>Spring Recess Begins</b>	March 15
<b>Spring Recess Ends</b>	March 23
<b>Regular Classes End</b>	May 5
<b>Reading Days</b>	May 6 – May 7
<b>NVF Final Exam</b>	May 10

### **Examinations To Be Announced Except the Final Examination.**

#### **Required Text:**

Smith, Janet Kilholm, and Richard L. Smith, 2004, *Entrepreneurial Finance*, 2<sup>nd</sup> ed., Danvers, Mass: John Wiley and Sons, Inc. ISBN: 0-471-23072-3

This text is available online and has a very low price as it does not have recent editions.

You will need access to MS EXCEL© and MS WORD©.

Other readings and handouts will be assigned.

#### **Readings To Be Provided**

Selected readings from finance and economic journals, consulting and corporate reports, white papers, newspapers, and other sources will be distributed in CANVAS.

#### **Partial List of Other Readings:**

R. Michelfelder, 2005, Presentation: Planning for a Successful Divestiture, The Business Plan, PriceWaterhouseCoopers Conference on Planning for a Successful Divestiture.

R. Michelfelder, 2000, Quantum Consulting's Business Plan Development Process.

Fentress Seagroves, 2005, Presentation: Planning for a Divestiture, PriceWaterhouseCoopers Conference on Planning for a Successful Divestiture.

Scott Shane and Frederic Delmar, 2004, "Planning for the Market: Business Planning before Marketing and the Continuation of Organizing Efforts," *Journal of Business Venturing* 19, 767-785.

Colin Mason and Richard Harrison, 2002, "Is It Worth It? The Rates of Return from Informal Venture Capital Investments," *Journal of Business Venturing* 17, 211-236.

Stephen Perry, 2001, "The Relationship between Written Business Plans and the Failure of Small Businesses in the U.S.," *Journal of Small Business Management* 39, 201-208.

John H. Cochrane, 2005, "The Risk and Return to Venture Capital," *Journal of Financial Economics* 75, 3-52.

Richard A. Michelfelder and Maureen Morrin, "Overview of New Product Diffusion Sales Forecasting Models," in Gordon V. Smith and Russell L. Parr, 2005, *Intellectual Property: Valuation, Exploitation, and Infringement Damages*, Hoboken, NJ: John Wiley & Sons, Inc., 817-827

PriceWaterhouseCoopers / National Venture Capital Association, Investment by Stage of Development Report, 1995 – 2006

PriceWaterhouseCoopers, Global Private Equity Report 2005

You should read the Wall Street Journal every day as a business student.

Selected readings from finance and economic journals, consulting and corporate reports, white papers, newspapers, and other sources will be distributed for reading and forthcoming review in class.

### **Disability Services/Accommodations**

Rutgers University welcomes students with disabilities into all of the University's educational programs. In order to receive consideration for reasonable accommodations, a student with a disability must contact the appropriate disability services office at the campus where you are officially enrolled, participate in an interview, and provide documentation: <https://ods.rutgers.edu/students/documentation-guidelines>.

If the documentation supports your request for reasonable accommodations, your campus's disability services office will provide you with a Letter of Accommodations. Please share this letter with your instructors and discuss the accommodations with them as early in your courses as possible. To begin this process, please complete the [Registration form](https://webapps.rutgers.edu/student-ods/forms/registration) (<https://webapps.rutgers.edu/student-ods/forms/registration>).

#### **Disabilities Office Contact Information:**

Erin G. Leuthold, MS Ed  
(856) 225-2717

Rutgers-Camden Disability Services:

311 North Fifth Street, Camden, NJ 08102-1405

Web page: <https://ods.rutgers.edu/contact-ods/rutgers-university-camden>

E-mail: [disability-services@camden.rutgers.edu](mailto:disability-services@camden.rutgers.edu)

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## **Academic Integrity**

Rutgers University takes academic dishonesty very seriously. By enrolling in this course, you assume responsibility for familiarizing yourself with the Academic Integrity Policy and the possible penalties (including suspension and expulsion) for violating the policy. As per the policy, all suspected violations will be reported to the Office of Community Standards.

Academic dishonesty includes (but is not limited to):

- cheating
- plagiarism
- aiding others in committing a violation or allowing others to use your work
- failure to cite sources correctly
- fabrication
- using another person's ideas or words without attribution
- re-using a previous assignment
- unauthorized collaboration
- sabotaging another student's work

If in doubt, please consult the instructor. Please review the Academic Integrity Policy at <https://deanofstudents.camden.rutgers.edu/sites/deanofstudents/files/Academic%20Integrity%20Policy.pdf>.

Refer to this site for resources to assist you in preventing academic integrity issues such as coaching from the Learning Resource Center, Tips to help prevent AI violations, and other reference material for writing. More information is available at: <https://deanofstudents.camden.rutgers.edu/academic-resources>

***Students are responsible for understanding the principles of academic integrity and abiding by them in all aspects of their work at the University.*** Students are also encouraged to help educate fellow students about academic integrity and to bring all alleged violations of academic integrity they encounter to the attention of the appropriate authorities.

Academic Integrity means that you (the student) must:

- properly acknowledge and cite all use of the ideas, results, or words of others,
- properly acknowledge all contributors to a given piece of work,
- make sure that all work submitted as your own in a course activity is your own and not from someone else,
- obtain all data or results by ethical means and report them accurately, and,
- treat all other students fairly with no encouragement of academic dishonesty.

Adherence to these principles is necessary in order to ensure that:

- everyone is given proper credit for his or her ideas, words, results, and other scholarly accomplishments,
- all student work is fairly evaluated and no student has an inappropriate advantage over others,

- the academic and ethical development of all students is fostered, and,
- the reputation of the University for integrity is maintained and enhanced.

Failure to uphold these principles of academic integrity threatens both the reputation of the University and the value of the degrees awarded to its students. Every member of the University community therefore bears a responsibility for ensuring that the highest standards of academic integrity are upheld. Violations are taken seriously and will be handled according to University policy.

Students have a right to due process when accused of violating the policy.

### **Course Objective, Description, and Venue:**

**Objective:** The overall objective of this course is to learn the early-stage business investment process and how to raise investment funds and evaluate investment for an early stage business and do valuations on early-stage businesses.

**Description:** See Learning Objectives Below. This is not a typical finance course involving exacting financial analyses and valuations using financial models. The analyses are based on formal financial models but their applications are very rough compared to corporate finance or investments. The nature of venture capital investment analyses and valuations are highly ambiguous and the decisions based on very rudimentary formal financial analysis at best. The course will also include Monte Carlo risk analysis and simulation for understanding and quantifying the risk associated with investment in a new venture.

## **Fundamental Learning Objectives:**

### **The Role of New Ventures (NV's) in Economic Growth**

1. Understand the economics of NV in creating growth

### **Proficiency with Capital Budgeting Analysis:**

1. Apply standard capital budgeting techniques with awareness of their benefits and limitations
2. Compute the cash flows associated with capital expansion decisions
3. Perform and interpret sensitivity and scenario analyses when evaluating proposed investments

### **Financing new and early-stage business ventures and value extraction:**

1. Learn the process and how to raise NV capital at various stages of venture creation
2. Learn the venues of investor value extraction (“cashing-out”) and relevance by business type
3. Use of debt and equity for financing

### **NV Risks and the Costs of Capital**

1. Understanding the risks and returns expected from NV's
2. Apply to estimating valuations and evaluations of NV's
3. Analyze the capital market for NV's

### **Business Planning**

1. How to develop a business plan (and doing)
2. How to develop pro forma financial projections
3. How to perform due diligence of a NV.
4. How to go about finding the right venture capital firm for a specific NV

## **How To Succeed In This Course**

The material presented in class provides the essential knowledge of the course. You are expected to:

- 1) Read this entire syllabus.
- 2) Read all assigned materials associated with each module during each period assigned.
- 3) Watch / listen to every assigned pre-recorded lecture. There will be one assigned every two weeks for each course topic Outline

- 4) Ask many questions, start and participate in discussions with me and other students.
- 5) Be vigilant in keeping up with the course pace. It is finance and fairly quantitative. This is a very fast-paced course with a lot of material and continues to build on previous material.
- 6) Pay close attention to and complete all assignments on-time. They will be extremely important for learning and understanding much of the material
- 7) Do not complete assignments in the last minute – haste makes waste and it will be obvious.
- 8) Consult with the professor immediately when you need help.

### **Student Code of Conduct**

The University's Student Code of Conduct can be found at <http://studentconduct.rutgers.edu/university-code-of-student-conduct>

Violations of the Student Code of Conduct are considered serious infractions of student behavior and students who violate the code are subject to penalties relative to the level of the matter. In general, students may not disturb normal classroom procedures by distracting or disruptive behavior. Examples of disruptive behavior include, but are not limited to, the following:

- Repeatedly leaving and entering the classroom without authorization
- Using smartphones in any way,
- Making loud or distracting noises
- Repeatedly speaking without being recognized, interrupting the instructor or other students, or otherwise acting in disregard of the instructor's requests
- Threats or violence

Violations of the Student Code of Conduct should be reported to the Dean of Students office [deanofstudents@camden.rutgers.edu](mailto:deanofstudents@camden.rutgers.edu) or 856-225-6050.

If the violation is immediate and a potential threat is a concern, call the Rutgers-Camden police at 856-225-6111

**Venue:** The course will include a combination of lectures, a few case study applications, review of business financings and plans, student presentations and guest lecturers.

### **Overall Policy and Grading:**

You are responsible for all lectures, readings and the completion of all assignments on a timely basis. Your grade will be determined by three examinations, a few case

assignments, and the development of a business plan and investment proposal. All examinations will be obviously “take-home” and issued on Saturdays. They are open-ended, essay based examinations.

**Final Examination: 40%**

This exam and all other exams will be essay in nature. The final exam will cover all topics in the course.

**Mid-Term Examination: 20%**

This exam will cover all topics up to the class before the exam.

**First Examination: 5%**

This exam will cover all topics up to the class before the exam.

**Assignments: 10%**

This will include a short report or memorandum on recommendations and analyses on the assigned case and will include presentations.

**Participation: 10%**

Time on the CANVAS website is measure and will be monitored for participation as the pre-recorded lectures are posted there and used to proxy participation.

**Business Plan and Investment Proposal: 15%**

This Plan and Proposal (“Proposal”) will be a complete development of a serious business plan and investment proposal for a start-up business. This Proposal will include a complete document. This document is to be a serious Proposal for raising equity investment funds. Therefore, any information that you use that is proprietary for serious business intent should not be directly disclosed in the document except for my eyes only. It can be referred to as available upon request upon execution of a non-disclosure agreement. Please do not attempt to develop this Plan at the “11<sup>th</sup> hour” as these Proposals take time to develop. An attempt to do a rush job on a Proposal will be obvious to investors, your peer audience and the professor, and will most likely raise no funds if such is the case.

**Missed Examinations Policy:**

If, for a university approved reason, you cannot take an exam at the scheduled time you must give the professor written notice at least one week in advance so that other arrangements can be made. If the situation does not allow for advance notification (for example, emergency hospitalization), contact the professor as soon as possible after a missed exam. Make-up exams for non-university approved reasons are not guaranteed. The professor reserves the right to request written documentation to support your absence (such as a doctor’s note, an obituary, or military orders).

If your exam is submitted late that is not pre-scheduled or otherwise not subject to the above paragraph, this is the policy:



If the midterm or final exam is submitted less than 24 hours after the due date and time, it will have ½ of a grade reduction. After 24 hours, the midterm exam will not be accepted and no grade will be posted for that exam, which means that all of the exam portion of your course grade will be based on the final exam only. If the final exam is more than 24 hours late, the course grade issued will be an incomplete as course grades cannot be held up because of one or a few student lateness.

### **Course Grades:**

Final course grades will not be issued by the professor in accordance with University Policy. They are available from the Registrar after they are submitted. Any questions or inquiries about final course grades will be done in a meeting or phone call, not email. Any inquiries regarding final course grades, once issued, are final and not subject to change as they are developed very carefully. So if your sole goal of grade review is to attempt to affect your course grade, your attempt will not be successful. However, all inquiries are always welcome with a phone, online or face-to-face appointment to reviewing anything that you wish to review. I will not provide information in response to email inquiries on grade details. Graded final examinations and projects will not be returned to promote academic integrity.

## **COURSE OUTLINE**

### **TOPICS & PARTIAL READINGS<sup>1</sup>**

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#### **1. Introduction**

Smith and Smith, Chapter 1

Mason and Harrison, 2002

Cochrane, 2005

PWC/NAVF, Investment by Stage of Development, 2005

PWC Global Private Equity Report, 2005

#### **2. The Business Plan**

Smith and Smith, Chapter 3

R. Michelfelder, 2005

R. Michelfelder, 2000

Shane and Delmar, 2004

Perry, 2001

#### **Case Study**

#### **3. Business Legal Structure**

Smith and Smith, Chapter 12

#### **4. Developing Pro Forma Financial Statements and Projecting Cash Flows and Profits, Assessing Financial Needs**

Smith and Smith, Chapter 6, 7, 15

Michelfelder and Morrin, 2005

#### **Case Study**

#### **5. Business Valuation, Risk Analysis, the Due Diligence Process for the New Venture**

Smith and Smith, Chapters 8, 9, and 10

**Case Study**

**6. Risk Analysis for the New Venture Using Monte Carlo Simulation**

Smith and Smith, Chapters 8, 9, and 10

Selected Readings on @RISK Software and Monte Carlo Simulation

**Practicum with @RISK Software**

**7. Strategies for Harvesting Value: Initial Public Offering and Other Methods to Extract Value**

Seagroves, 2005

Smith and Smith, Chapter 17

**Case Study**

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**1. Note: Other assigned readings will be distributed in class are also required readings.**