FIN 445 – VENTURE CAPITAL AND PRIVATE EQUITY INVESTING Prof. Anna Toldra-Simats Winter 2009

TENTATIVE COURSE SCHEDULE, CASES AND READINGS

Week 1: Introduction

A) Introduction, Organization and Overview

Readings: The Economics of the Private Equity Market, Chapters 1, 2 and 3 (Fenn, Liang and Prowse)

B) What is Venture Capital and Private Equity

Readings:

"Note on Private Equity Information Sources" (Josh Lerner)

"Private Equity Performance: Returns, Persistence and Capital Flows" (Kaplan and Schoar)

Week 2: Fundraising

A) Case: Yale University Investments

B) Case: Gobi Partners

Readings:

The Economics of The Private Equity Market, Chapter 5, 6 and 7 (Fenn, Liang and Prowse).

"A Note on the Private Equity Fundraising Process" (Lerner, Hardymon, Leamon)

"A Note on Private Equity Securities" (Lerner and Hardymon)

"Legal Forms of Organization" (Roberts)

"A Note on Angel Financing" (Gompers)

Week 3: Fund Structure and the Investor-Fund Relationship

A) Case: Florida Air

B) Invited speaker: TBA**

Readings:

"A Note on Private Equity Partnership Agreements" (Josh Lerner)

Week 4: Putting the money to work

A) Lecture: putting the money to work, contracts and incentives

B) Case: Accel Partners VII

Readings:

"The Economics of Private Equity Funds" (Metrick and Yasuda)

Week 5: The Role of the Intermediary in Private Equity

A) Lecture: intermediaries

B) Invited Speaker: TBA**

Readings:

The Economics of The Private Equity Market, Chapter 4 (Fenn, Liang and Prowse).

"Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts". (Kaplan and Stromberg).

Week 6: The Role of the Intermediaries - Valuation

A) Lecture: valuation techniquesB) Case: Horizon Communications

Readings:

"Note on Discounted Cash Flow Valuation Methods," (Kaplan).

"Note on Valuation in Entrepreneurial Settings," (Kaplan).

"Note on the Cash Flow to (Levered) Equity Method," (Kaplan)

"The Valuation of Cash Flow Forecasts," (Kaplan and Ruback).

Week 7: The Role of the Intermediaries – Analysis of the deal

A) Case: Tad O'Malley

B) Lecture: Structure of the deal

Readings:

"Note on Financial Contracting: Deals"

"Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses". (Kaplan & Stromberg)

Week 8: The Role of the Intermediary in Private Equity

A) Case: Metapath SoftwareB) Case: Pacific Source

Readings:

"The Governance of the New Enterprise" (Rajan and Zingales)

"The Effect of the Financial Revolution on the Nature of Firms" (Rajan and Zingales)

Week 9: The Role of the Intermediary in Private Equity

A) Case: BWIPB) Speaker: TBA**

Readings:

"The Evolution of Buyout Pricing and Financial Structure in the 1980s" (Kaplan and Stein)

"Corporate Governance and Merger Activity in the United States: Making sense of the 80s and 90s" (Holsmtrom and Kaplan)

Week 10: Exit

A) Lecture: Managing and exiting investments

B) Case: Grand Junction

Readings:

"A Note on the Initial Public Offering Process"

"A Review of IPO Activity, Pricing and Allocations" (Ritter and Welch)

"Securities Law and Public Offerings" (Stevenson and Roberts)

"Insider Ownership and the Decision to Go Public" (Luigi Zingales)

^{**}Subject to change.