

**FINC 932**  
**Cases in Venture Investment and Management**  
Prof. Yael Hochberg  
**Winter 2007**

**Course Introduction and Procedures**

This course is aimed at students who are considering a career in the entrepreneurial sector. This includes students who wish to start new ventures, those who wish to join new and growing organizations, and those who wish to work in venture capital. The objective of the class is to teach you how to evaluate and analyze early stage investment opportunities, and to familiarize you with the process used by VCs and private equity professionals when deciding whether to invest in companies, and in managing their investments.

The class will be based on a series of cases which focus on the venture capital investment process, evaluation of business ventures, and on the subsequent management of such ventures. The primary perspective is that of the venture capitalist in assembling and evaluating information, preparing forecasts, assessing risks, developing and negotiating investment structure and terms, and deciding whether to invest. Cases also focus on management and financial problems and policy issues and the relationship between venture capitalists and entrepreneurs. The secondary perspective is that of the entrepreneur and the techniques and skills employed in managing growing enterprises. The course will revolve around student discussion and analysis of real life business plans, with participation of the involved venture capitalists.

The course will consist of two to three lecture sessions and approximately seven case sessions. **Please note that case sessions will likely run 3.5 hours, whereas lecture sessions will likely be shorter** (the total academic hours will remain 30). **Students will receive an exact schedule at the start of the quarter.** Lectures will provide an overview of the due diligence process, contracting and deal structure, and valuation techniques, reviewing and then expanding in depth on material covered in FINC 445. **FINC 445 is a co-requisite course.**

Case sessions will revolve around in-depth analysis of a business plan. Some case sessions will also provide an opportunity to focus on a particular aspect of the investing process, such as the due diligence plan, the term sheet, sourcing of deal flow, and exiting investments. In most cases, venture capital professionals involved in deciding on this particular investment will be present in class to share their experiences and engage in the case discussion.

**Course Procedures**

Preparatory material regarding each case will be distributed prior to each session. In addition, you will be assigned questions or a specific analysis concerning the case and the

preparatory materials. You are allowed and encouraged to meet in groups outside of class to discuss and analyze the case material.

Each student will submit a two-four page report analyzing the week's case at the beginning of the class session. If you are working in a group, one report for the group will be sufficient; however group size may not exceed three students. I highly recommend that you work in groups. However, please note that if your name is on a group report, I expect that you took a significant part in doing the work on that assignment, and that you can answer any and all questions related to that work. Rotation of responsibility for preparing the cases is unacceptable and will be considered a violation of the honor code.

Reports should be typed and at least 1.5-spaced. The page limit is for text only. Please feel free to attach numerical calculations or exhibits. Write your report as if you were addressing an investment committee, not as an academic seminar paper. Reports will not be accepted after the start of the Thursday session. When writing your report, you should address the major considerations in the proposed investment. You should also answer and discuss any additional questions assigned for the case. Finally, each student should come prepared for discussion and with questions for the case VC.

One to two additional written assignments may be handed out during the course of the class. These assignments may or may not be case related, but should not be overly burdensome. An announcement regarding these written assignments will be made in class before they are handed out.

Because of the nature of the course, it is extremely important that you attend every class, arrive on time, and be prepared to participate. The venture capitalists and entrepreneurs who will be participating in the case discussions have taken valuable time out of extremely busy lives to come and share their knowledge and experience with you. Class participation will be a major component of the final grade. **You must come to class prepared for the day's discussion.**

**Attendance at classroom sessions is mandatory.** If you will need to miss a session, you must seek approval from Prof. Hochberg in advance. Absences will only be approved for very good reasons. Please note that recruiting events (with the exception of call-back interviews requiring travel to another city) are generally not considered good reasons. In the event that you receive approval to miss a session, you will need to hand in an individual written report summarizing the take-aways from the class discussion you missed by the following Thursday's class.

The final exam will be a take-home individual case analysis given towards the end of the quarter. You will have at least a week to complete the final, including at least one weekend. Tentative dates are currently March 1<sup>st</sup> to March 8<sup>th</sup>, but are subject to slight change.

### **Grading**

Grades will be based on written reports (25%), classroom participation (40%) and a final exam (35%), which will consist of a case analysis. As the success of the class rests heavily on active participation by the students, both the quantity and quality of your participation will be considered. Please remember that in the post-Kellogg, real world, closer to 100% of your “grade” will depend on your ability to effectively communicate with your colleagues. If you are uncomfortable with a heavy weight on participation, you should not take the class.

### **Honor Code and Cardinal Rules**

Each student in this class is expected to abide by the Kellogg Honor Code. Any work submitted by a student in this course for academic credit will be the student’s own work. Collaboration in groups is allowed only in the instances stated above.

You may not use Google, VentureSource, Yahoo, or any other search engine, internet resource, published resource, or any other means, including verbal inquiry, to look up or find out information about the companies and resolution of a case we are discussing in class prior to the end of that case class session. Attempting to find out information about a case company prior to the case class session using any materials other than those distributed in class will be considered a violation of the honor code and will result in a failing grade. Don’t destroy the learning process for yourself and your classmates by trying to see the end result before you have started. The point of the class is to learn how to make decisions when the outcome is uncertain.

### **Laptop Policy**

Laptops will not be permitted in class.

### **First Class Assignment**

Please note that attendance at the first session, as all sessions, is mandatory. There is no required reading for the first session; however, we will review and discuss the supplementary materials contained in your course packet. You will need to read these materials before preparing your first case, so I encourage you to get a head start on the reading if you have time over winter break.