

The University of Pennsylvania
The Wharton School
Management Department

Venture Capital and Entrepreneurial Management

MGMT 804, Q1 – Fall 2010
JMHH F50

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Course Overview and Design

This elective course focuses on venture capital and the typical venture-backed start-up company, based on conventions and practices in the United States.

Venture capital and the technology sector that it supports¹, although perhaps more resilient than other sectors in the U.S. economy, appear to be going through a number of structural changes as a result of the economic challenges that have been presented over the last year. Unlike the dot.com bust in 2000-2001 which witnessed a modest but general resurgence in the industry in the handful of years that followed, there is widespread concern that venture capital as an industry has more challenging obstacles to overcome this time around. In the face of this concern, the structural changes already in motion are affecting behaviors of investors and entrepreneurs alike. Our class will cover traditional conventions that have historically shaped investor and company behaviors, as well as the structural changes that we are witnessing even now.

Among the many factors that are currently shaping the industry:

- Venture capital funds typically have a ten year life. As 2010 unfolds, the dot.com bubble of 1998-2000 that lifted the financial performance and produced positive returns of so many venture firms is now becoming a distant event and therefore falling off the horizon for return calculations. As a result, most funds today are showing negative returns to their limited partners. The expectation is that many lower-tier VC firms will be unable to raise new funds and will quietly shut down as they run out of funds to invest. With the inflow of new funds to VC firms diminishing and as the VC community consolidates, what effect will this have on innovation and growth in the technology sector?
- The IPO market has traditionally been a mainspring addressing the liquidity and capital formation requirements of the technology sector. However, the IPO market in 2009 has been the worst experienced in over 40 years. The inaccessibility of the public equity markets to technology companies has constrained growth and forced these companies and their investors to look to acquisitions for liquidity. Notwithstanding the recent indications that perhaps the IPO market may be re-opening, should we expect that the IPO market will ever be restored to the level of significance that we witnessed during the 1990's?

¹ For purposes of our class, the technology sector includes companies in a wide range of industries that look to venture capital as a principal financing resource. These industries include traditional technology companies (software, internet, semiconductor, electronic hardware, etc.), biotech companies (medical device, pharmaceutical, biotech, etc.), clean and green tech companies (fuel cell, solar panel, wind, battery storage, conservation technologies, etc.), homeland security companies, and consumer companies.

- Portfolio returns on venture capital as an asset class have diminished dramatically since the dot.com period, and the returns of most firms today are in the red. The average horizon for a venture-backed startup to achieve an “exit” has continued to exceed historical norms (almost 8 years on average, in contrast with an average horizon of less than 3 years at one point during the dot.com bubble); venture firms are therefore required to support the increased equity requirements of their portfolio companies over a longer period; and exit valuations have been compromised for lack of a viable alternative to a sale or merger. Has venture capital as an asset class been permanently impaired?
- With the increasing frequency of startup business models leveraging the efficiencies made possible by outsourcing, the internet, and more conservative management philosophies, the amount of outside capital required to support the development and growth objectives of many companies has declined. What organic changes to the ecosystem of professional investors—seed stage, angel, early stage, and mezzanine—have occurred as a result of these diminished capital requirements? As importantly, how will these changes affect the financing and governance structures typically used by VC firms in making portfolio investments?
- Similarly, in the current environment, how will the community of service providers—attorneys, auditors and consultants—respond to the need to provide greater service but at lower cost to early stage companies?
- Unemployment levels are high, and many expect that jobs in the technology sector will not recover at the same pace as the rate of business revival in general. Even as venture capital investment begins to climb above the moribund levels from early 2009, startup companies in general are reluctant to increase headcount and are under pressure from their investors to dial back cash and equity incentive compensation levels for existing employees. What is the prognosis for management compensation trends going forward?

The course will take all of these factors into consideration from the different and distinct perspectives of both the entrepreneur and the venture capital investor. As well, I will address management issues regarding the working relationship between the VC and the entrepreneur, corporate governance, and executive compensation.

The entrepreneur’s perspective addresses the challenges in organizing and financing the venture. Examination of this perspective reveals how entrepreneurs gain an understanding of the context and mechanics of valuing the business. Together, these matters help define the financing requirements of the business and suggest the approach for where and how to raise capital, and thereafter manage the relationship with investors.

Complementing, and sometimes in counterpoint to, the entrepreneur’s outlook, is the venture capitalist’s perspective, which explores issues of concern to investors in evaluating, structuring and pricing venture capital investments. Insights gained from these class discussions will be valuable for students considering a career in venture capital, while also providing essential information for entrepreneurs. As we explore the venture capitalist’s perspective, I will address several aspects of the investment process including the term sheet content and structure, term sheet negotiation, valuation methods, and the impact of successive rounds of financing on capitalization and ownership. All of these factors set the stage for the relationship between management and investors as well as the governance of the company.

The course is pragmatic in its orientation. I will attempt to expose students to both perspectives simultaneously. It will cover seven principal areas relevant to the privately held high-growth-potential start-up.

These include:

- A brief overview of the venture capital industry today, as well as a discussion of the typical venture fund structure and related venture capital objectives and investment strategies
- Common organizational issues encountered in the formation of a venture-backed start-up, including matters relating to initial capitalization, intellectual property, and early stage equity incentive and compensation arrangements

Course Syllabus

- Valuation methodologies that form the basis of the negotiation between the entrepreneur and the venture capitalist in anticipation of a venture investment
- The challenges of fundraising, due diligence, financing strategies and the importance of the business plan and presentation
- Elements of compensation, both cash and equity, that are common to venture-backed companies in the technology sector
- Typical investment terms found in the term sheet and the dynamics of negotiation between the entrepreneur and the venture capitalist
- Corporate governance in the context of a venture-backed start-up company and the typical dynamics that play out between VC and the entrepreneur in the post-financing phase

The course is designed principally to address the interests of students who expect to embark on an entrepreneurial career, expect to assume a managerial role with a venture-backed start-up company, or wish to pursue a career in venture capital. The course assumes a basic understanding of general business principles. In light of the time constraints associated with a half-unit course, the curriculum is confined to key fundamentals in the area of venture capital and start-up companies. The course will touch upon a range of fields including finance, accounting, executive compensation, strategy and corporate law and will attempt to identify mainstream “best practices” in the area of high growth potential start-ups. Students completing the course will have a solid understanding of the questions and issues that face the typical start-up.

Other course features and resources

- There will be a dedicated eRoom for our course. Lecture notes, course materials that are not copyrighted and periodic announcements will be posted on this site. The eRoom can be accessed through WebCafé. The URL is:

<https://webcafe.wharton.upenn.edu/eRoom/mgmtb/804-fa10-1>

- All copyrighted readings are found on Study.net (you should receive an email with logon information from Study.net at the beginning of the semester). Please contact customerservice@study.net with any logon issues.

http://www.study.net/r_mat.asp?crs_id=30016648

Requirements and Evaluation

The assigned readings in the course are in the range of moderate to heavy, particularly at the beginning of the course. This syllabus, the assignments, and the readings have been organized so that students can manage the requirements efficiently. As in all courses, the lectures and discussions in the classroom will be much more meaningful if the required readings have been studied in advance. From time to time, mid-course changes in presentations or materials may be made to achieve academic objectives.

The class readings have been split between two sites: Study.net and WebCafé. All copyrighted materials are found on Study.net, all other readings are found on the WebCafé. This is meant to minimize the cost of students obtaining reading materials. Please note that the readings are further divided between Required and Supplemental readings. The Required Readings are generally comprised of secondary source materials provided for background. The Supplemental Materials consist of optional reading materials and examples of legal or business documents included for the purpose of illustrating the themes discussed in class.

The short case studies, or Caselettes, which will be used in this course are based on actual occurrence (with some degree of poetic license as appropriate) and are substantially shorter than the traditional case study. Each Caselette has been prepared with the objective of highlighting “best practices”, conventions in the industry, or

Course Syllabus

issues that are commonly encountered. The Caselettes will be handed out in class and are part of the required readings. The classes generally will involve both lecture and case discussions, with interaction and dialogue with the instructor strongly encouraged.

For each Caselette, specific study questions have been assigned. In most class sessions, we will consider these questions and the material in the case.

Students are asked to form study group teams of up to 5 students per team. Study groups are expected to meet to discuss each Caselette; in addition, these teams will be used in the term sheet negotiation assignment to be handed out in Session 9. Choose your teammates carefully – changes will not be allowed once your study group team has been formed. You are encouraged to form your study group before our first session.

Student Grades

The Wharton MBA grading practices will be used. The final course grade will be computed as follows:

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|--|-----|
| • Classroom Participation | 15% |
| • Case Problem Set Memos | 25% |
| • Negotiation Submissions & Presentation | 15% |
| • Quiz | 45% |

Individual class participation: Active class participation is very important for this course. Both quantity and quality of your comments count. Because so much of the learning in this course occurs in the classroom, it is important that you attend every class. If you have to miss class, for one reason or another, please notify the instructor and the TA in advance by e-mail. All students are expected to participate in class discussions. Students should expect to be cold called. You are required to **bring your name card to each class to facilitate teacher/student interaction.**

Case write-ups and other assignments: For each of the assigned Caselettes or problem set, the study group team will turn in at the beginning of class (or post in the Web Café before class) a write-up in which the study questions are addressed. The instructor recognizes the challenges of responding to the study questions of each Caselette given the pace of the course.

The write-up should be double-spaced, font size 11, and as a guideline should be limited to 4 pages in length. The 4-page limit is for text only. You may attach as many numerical calculations as you wish BUT your submission must be integrated into a single file. The names of the students in the study team must appear on front page of the memo. Write these as if you were writing a recommendation to the major decision-maker in the case.

Write-ups of the Caselettes and problem sets will not be accepted after the class has met. **Credit will only be given to write-ups which are submitted at the beginning of the class to which the Caselette was assigned. No credit will be given for write-ups which are handed in late or not handed in.**

You are required to submit the deliverables of the negotiation exercise the evening before the date of the term sheet negotiation debriefing class meeting. As well, all team members are required to participate in the assigned presentation.

QUIZ: Will be held on October 25, 2010 during class time. It may be taken on an open book/open notes basis. Students should bring a calculator to the exam. No laptops are allowed.

Note:

The instructor will take great care to grade as fairly as possible and will NOT discuss grades at the end of the course.

Lecture Notes

PDF files with the PowerPoint slides used in class will be posted onto the WebCafe prior to class.

Required Texts

Students are expected to read all required texts—these are split between the Webcafe and Study.net websites to reduce the course material costs to students. All copyrighted readings are available on Study.net. Readings available through the Penn library databases (this does not include Harvard Business School materials) can be found in the class WebCafé:

<https://webcafe.wharton.upenn.edu/eRoom/mgmtb/804-fa10-1>

Learning Environment

Consistent with the MBA Resource Guide, students are expected to strictly adhere to **Concert Rules**, including:

- Class starts and ends exactly on time. Students and faculty are expected to be prompt.
- Students remain in attendance for the duration of the class, except in an emergency. Students who leave the class while it is in session will be readmitted at the break.
- Students display their nameplates.
- All phones and electronic devices are turned off.

Course Syllabus

Session Number	Date	Topic	Case/activity	Submissions Due
1	Wednesday, September 8, 2010	Course introduction: The VC industry today - an industry in transition		
2	Monday, September 13, 2010	VC Firm Structure and Activities (formation of study groups due)		
3	Wednesday, September 15, 2010	Organizational Issues and Initial Capitalization in the Formation of a Startup	Caselette # 1 Organizational Issues in the Formation of a Start-Up	Case Memo
4	Monday, September 20, 2010	Valuation Methodologies	HBS Problem set case # N9-396-090	Prepare questions 1 & 2
5	Wednesday, September 22, 2010	Valuation Methodologies (continued)	HBS Problem set case # N9-396-090 (continued)	Prepare questions 3 – 6
6	Monday, September 27, 2010	Financing Strategies from an Entrepreneur's Perspective	Guest Speaker: TBD	
7	Wednesday, September 29, 2010	Valuation Methodologies (wrap up) and Fundraising Challenges	Caselette # 2 Considerations in Establishing the Initial Capitalization of the Start-Up	Case Memo
8	Friday, October 1, 2010, at 10:30am in Room JMHH F90 SPECIAL MAKE-UP CLASS	First Round Financing; Lecture on Term Sheets	Caselette #3: Issues Encountered in Connection with a First Round Financing	Case Memo
9	Monday, October 4, 2010	Liquidation Preferences and Anti-dilution Formulas Compensation	Caselette # 4: Liquidation Preferences and Anti-dilution Formulas Hand out negotiation materials	Case Memo

Course Syllabus

10	Wednesday, October 13, 2010	The Term Sheet	Caselette # 5: Analysis of a Typical Venture Capital Term Sheet	Case Memo
11	Monday, October 18, 2010	Term sheet Negotiation and Debriefing	Teams must be ready to present their negotiated term sheet	See negotiation instructions for the content and timing of your deliverables
12	Wednesday, October 20, 2010	Corporate Governance Issues Primer Course summary		
13	Monday, October 25, 2010	QUIZ		

*Course Syllabus***Detailed Course Outline****Wednesday, SEPTEMBER 8, 2010****Session 1: Course Introduction: The VC industry today****Session 1**

- An overview and brief history of the venture capital industry and its role in fostering the growth firms
- Current industry trends

Required Reading

- “The VC Shakeout” by Joseph Ghalbouni and Dominique Rouziès, Harvard Business Review (Jul/Aug 2010)

Monday, SEPTEMBER 13, 2010**Session 2: VC Firm Structure and Activities
Study groups must be formed****Session 2**

- The typical venture fund structure and investment terms; venture capital objectives and investment strategies; role of the general partners

Required Reading

- “A Note on the Venture Capital Industry.” Harvard Business School (July 21, 2001)
- “How Venture Capital Works.” B. Zider, Harvard Business Review
- “Market Structure Is Causing the IPO Crisis,” by David Weild and Edward Kim of Grant Thornton LLC (October 2009)
- “Will the IPO Market Make a Comeback?” by Aaron Gershenberg and Jason Liou, Venture Capital Update (October 2009)
- “Venture capital investment increase in Q3 2009...,” PricewaterhouseCoopers LLP (October 20, 2009)

Supplemental Reading

- “Does Venture Capital Foster the Most Promising Entrepreneurial Firms?” by R. Amit, L. Glosten & E. Muller, California Management Review, 32 (3): 102-111, 1990

- “Venture Funds Sweetening the Terms,” Wall Street Journal (November 23, 2009)
- “A Second(ary) Chance for Venture Capital,” BusinessWeek (July 6, 2009)
- “Global Survey Finds Strong Optimism Despite Downturn,” Venture Capital Journal (July 2009)
- “Dow Jones economic sentiment indicator rebounds...,” PRNewswire (November 2, 2009)
- “VC confidence flat, but what does it mean?” San Jose Mercury News (October 29, 2009)
- “VC Industry Needs Less Regulation, Not More Money,” by Marc Heesen of the National Venture Capital Association, Venture Capital Journal (May 2009)
- “A 4-Part Plan to Revive VC-Backed IPOs,” by Marc Heesen of the National Venture Capital Association, Venture Capital Journal (June 2009)
- “Ten Points for Better Venture-Backed Entrepreneurship,” by Bart Schachter of Blueprint Ventures, Venture Capital Journal (June 2009)

Wednesday, SEPTEMBER 15, 2010**Session 3: Organizational Issues and Initial Capitalization in the Formation of a Startup****Submissions Due: Caselette Memo #1****Session 3**

- Forming the company; creating a capital structure in preparation for venture funding
- Intellectual property
- Founders’ stock and foundations of equity incentive arrangements
- **Prepare Caselette #1:** Organizational Issues in the Formation of a Start-Up (**Due at the beginning of class**)

Required Reading

- “The Legal Forms of Organization.” Harvard Business School (February 19, 2004)
- “The Legal Protection of Intellectual Property.” Harvard Business School (April 17, 1998)

Course Syllabus

- “The Process of Forming the Company.” Chapter 3 of High tech start-up: the complete handbook for creating successful new high tech companies, by J. Nesheim (2000)
- “Venture Capitalists.” Chapter 9 in High tech start-up: the complete handbook for creating successful new high tech companies, by J. Nesheim (2000)

Supplemental Reading

- “Guide to Trademark Issues for a New Company.” WSGR Entrepreneurs Report (2005)
- “Selecting and Protecting a Company Name,” by Aaron Hendelman, WSGR Entrepreneurs Report (Summer 2008)
- “Top 10 Intellectual Property Tips for Early-Stage Companies,” by Peter Eng, WSGR Entrepreneurs Report (Summer 2008)
- “Startup Companies and Financing Basics,” by Yoichiro Taku, WSGR Entrepreneurs Report (Fall 2007)
- “Vesting of Founders’ Stock: Beyond the Basics,” by Doug Collom, WSGR Entrepreneurs Report (Spring 2008)
- “Starting Up: Sizing the Stock Option Pool,” by Doug Collom, WSGR Entrepreneurs Report (Summer 2008)
- “Innovation Cuts Through Tough Times to Find Success,” by John deYonge of Ernst & Young, Venture Capital Journal (August 2009)
- “Avoiding Trouble: Provisions in Previous Employment Documents that Every Start-up Company Founder Needs to Review,” by Yokum Taku, WSGR Entrepreneurs Report (Winter 2008)

Monday, SEPTEMBER 20, 2010**Session 4: Valuation Methodologies
Case Questions 1 & 2 Due****Session 4**

- Financial valuation methodologies; the art and the science of valuation
- Financing strategies and the impact of dilution

- **Case Discussion:** The Venture Capital Method – Valuation Problem Set (HBS case # N9-396-090) **(Questions 1 and 2 are due at the beginning of class)**

Required Reading

- “A Note on Valuation in Private Equity Settings.” (HBS # 9297050, April 2002)
- “Ownership, Dilution, Negotiation, and Valuation.” Chapter 7 in High tech start-up: the complete handbook for creating successful new high tech companies, by J. Nesheim (2000)
- “Valuation: What It’s Worth.” VentureEdge 2001

Supplemental Reading

- “What’s My Company Worth?” by Herb Fockler, WSGR Entrepreneurs Report (Fall 2007)

Wednesday, SEPTEMBER 22, 2010**Session 5: Valuation Methodologies cont’d
Case Questions 3-6 Due****Session 5**

- **Case Discussion:** The Venture Capital Method – Valuation Problem Set (HBS case # N9-396-090) **(Questions 3 through 6 are due at the beginning of class)**

Monday, SEPTEMBER 27, 2010**Session 6: Financing Strategies from an
Entrepreneur’s Perspective****Guest Speaker: TBD****Wednesday, SEPTEMBER 29, 2010****Session 7: Valuation Methodologies Wrap-up
and Fundraising Challenges
Caselette Memo #2 Due****Session 7**

- Raising capital; the role of the business plan; fundraising strategies
- Due diligence: content and process

Course Syllabus

- **Prepare Caselette #2:** Considerations in Establishing the Initial Capitalization of the Start-Up (**Due at the beginning of class**)

Required Reading

- “Non-Traditional Financing Sources.” G. Sneddon and J. Turner in Pratt’s Guide to Private Equity Sources, by Thomson Venture Economics (2003)
- “How to Write a Great Business Plan,” by W. Sahlman, Harvard Business Review, July-Aug 1997
- “Meeting with the Venture Capitalist.” W. Kingsley in Pratt’s Guide to Venture Capital Sources, Stanley Pratt & Jane Morris (1987)
- “New Venture Financing.” Harvard Business School (HBS note # N9-802-131, Aug. 1, 2006)
- “Strategic Investors in the Early-Stage Company,” by Allison Spinner, WSGR Entrepreneurs Report (Winter 2007)

Supplemental Reading

- “Fundraising Workshop.” Deloitte & Touche
- Sample executive summaries
- “Does My Start-Up Qualify for Venture Debt Financing?” John Mao, WSGR Entrepreneurs Report (Summer 2008)
- “Early-Stage Fundraising Advice for Tough Times,” by Ken Elefant, Opus Capital (Spring 2008)
- “Due Diligence Reveals All.” AlwaysOn: The Insider’s Network (October 21, 2008)
- “Sharp drop in start-ups bodes ill for jobs, growth outlook,” Wall Street Journal (September 28, 2009)
- “Top 100 Global Venture Capitalists,” Red Herring (September 11, 2009)
- “Survey finds venture capitalists rely heavily on ‘gut feelings’,” San Jose Mercury News (September 23, 2009)

Friday, OCTOBER 1, 2010 @10:30am in JMHH F90—SPECIAL MAKE UP CLASS

Session 8: First Round Financing; Lecture on Term Sheets

Caselette Memo #3 Due

Session 8

- Basic building blocks involved in equity financings with venture investors
- Corporate structures to support financing
- Environmental factors surrounding term sheets
- Selected critical elements in venture term sheets
- **Prepare Caselette #3:** Issues Encountered in Connection with First Round Financing (**Due at the beginning of class**)

Required Reading

- “Structuring the Financing.” Stanley C. Golder in Pratt’s Guide to Venture Capital Sources, Stanley Pratt & Jane Morris (1987)
- “Venture Capital Negotiations: VC versus Entrepreneur.” Harvard Business School (March 2, 2000)
- “It’s Time To Do Away With Participating Preferred.” Venture Capital Journal (July 2006)
- “Liquidation Preferences: What They Really Do,” by Craig Sherman, WSGR Entrepreneurs Report (Winter 2007)
- “Anti-Dilution Protection: What You Need to Know,” by Mark Baudler, WSGR Entrepreneurs Report (Spring 2008)

Supplemental Reading

- Memorandum of Terms for Preferred Stock (non-negotiated company favorable)
- Memorandum of Terms for Preferred Stock (non-negotiated investor favorable)
- Memorandum of Terms for Preferred Stock (negotiated)

Course Syllabus

- “Control: The Critical Issue in Negotiating Financing Terms,” Caine Moss, WSGR Entrepreneurs Report (Fall 2008)
- “Navigating Down-Round and Dilutive Financings,” by Yokum Taku, WSGR Entrepreneurs Report (Fall 2008)
- First Amended and Restated Articles of Incorporation
- “Seed is the New Series A for VCs,” by Caine Moss of WSGR, VentureBeat (August 24, 2009)
- “Left Out,” Venture Capital Journal (July 2009)
- “Perfecting Your Pitch,” by Brad Feld, WSGR Entrepreneurs Report (Winter 2008)
- “The Fundraising Process: Best Practices for Entrepreneurs and Directors,” by Robert Housley and Evan Kastner, WSGR Entrepreneurs Report (Summer 2009)

Monday, OCTOBER 4, 2010**Session 9: Liquidation preferences and anti-dilution formulas; Compensation Caselette Memo #4 Due****Session 9**

- Compensation Elements
- ISOs and NSOs
- The impact of 123R on Incentive compensation in the high growth potential company
- Implications of IRC section 409A
- Alternative forms of Incentive compensation

Term Sheet Negotiation Assignment

- Materials explained
- Selection of negotiating teams

Note: At the end of this class session we will confirm with you the pairing of the negotiation teams: Each team will be designated as either Entrepreneurs or as VCs.

We will pair two VC teams with against a single

Entrepreneur team. Each Entrepreneur team will get term sheets which reflect initial offers from the two different VC teams. Everyone will get a “backgrounder” document which explains the assignment in great detail.

For Session 11 on Monday, October 18, 2010, each team will be required to summarize and present to the class the results of the term sheet negotiation.

The exact details of the negotiation process and the presentations that are due on **October 18** will be outlined in the materials which will be handed out to you.

- **Prepare Caselette #4:** Liquidation Preferences and Anti-dilution Formulas (**Due at the beginning of class**)

Required Reading

- “New Rules on Option Pricing for Private Companies,” by Craig Sherman & Scott McCall, WSGR Entrepreneurs Report (Fall 2007)
- “The Do’s and Don’ts of Compensation for Early-Stage Company Employees,” by Kristen Garcia Dumont and Jennifer Martinez, WSGR Entrepreneurs Report (Fall 2008)

Supplemental Reading

- 2009 Equity Incentive Plan
- 2009 Stock Option Agreement
- Equity Compensation Overview Memorandum (WSGR)
- “Interesting Approaches to Unique Problems: Partial Cash-Out of Founders’ Stock,” by Doug Collom, WSGR Entrepreneurs Report (Fall 2007)

Wednesday, OCTOBER 13, 2010**Session 10: The Term Sheet Caselette Memo #5 Due****Session 10**

- **Prepare Caselette #5:** Analysis of a Typical Venture Capital Term Sheet (**Due at the beginning of class**)

Monday, OCTOBER 18, 2010**Session 11: Term Sheet Negotiation and Debriefing**

During this session, teams will present their negotiated term sheets and discuss the issues they ran into during the negotiation.

Submissions Due:

- **VC teams: redlined copies of negotiated term sheets in hard and soft copy**
- **Entrepreneur teams: your presentation, using the format which is outlined in the negotiation exercise materials**

Wednesday, OCTOBER 20, 2010**Session 12: Corporate Governance Issues Primer****Session 12**

- Board members' duty to stockholders
- Composition and roles of the board of directors in the private company
- Sarbanes Oxley and the private company

Required Reading

- "Rites Of Passage," by Pascal N. Levensohn (January 2006)
- "After The Term Sheet," by Dennis T. Jaffe and Pascal N. Levensohn (November 2003)

Supplemental Reading

- "The Basic Responsibilities of VC-Backed Company Directors," by working group on Director Accountability and Board Effectiveness (January 2007)
- "A Brave New Board Era," Venture Capital Journal (March 2006)
- "How to Turn A 'Bored' Meeting Into A Real Board Meeting," Venture Capital Journal (August 2006)
- "Venture-Backed Boards More Active, Better Aligned Amidst Financial Crisis," Dow Jones VentureSource (November 10, 2009)

Monday, OCTOBER 25, 2010**Session 13: QUIZ****QUIZ**

- **Bring your calculator.** (No laptops allowed.)
- *Open books*
- *Open notes*
- *Open minds...*