Update: September 21, 2015

The University of Pennsylvania
The Wharton School
Management Department

Venture Capital and Entrepreneurial Management

MGMT 264 - Fall 2015
JMHH 370 MW 1:30 pm – 3:00 pm

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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 supports[1], continue to evolve structurally. This evolution traces to the dot.com bubble of 1998-2000; the dramatic economic upheaval in 2008/2009; the explosive growth of companies with an Internet-based business model; the globalization of business in general; the expansive adoption of consumer-based technologies, products and services; and other influential changes. Our class will cover traditional conventions in the industry that have historically shaped investor and company behaviors, as well as the structural changes that we are witnessing now.

Among the many factors that are currently impacting the industry:

- Venture capital funds typically have a ten-year life. The dot.com bubble of 1998-2000 that lifted the financial performance of and produced positive returns for so many venture firms has become a distant event and fallen off the horizon for return calculations. As a result, venture capital as an asset class is not performing at the traditional norms of 15-20% ROI. Many funds today are showing negative returns to their limited partners. As a result, traditional LPs are engaged in a “flight to quality”, reinforcing the dominance of the established top-tier VC firms at the expense of lesser-known firms. It is widely acknowledged that the VC industry is in a state of contraction. 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 average investment horizon for a venture-backed startup to achieve an “exit” through an IPO has continued to exceed historical norms—over 9 years on average in 2010, in contrast with an average horizon of a little over 4 years in 1999. Venture firms are therefore required to support the

[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, healthcare, etc.), clean and green tech companies (fuel cell, solar panel, wind, battery storage, conservation technologies, etc.), homeland security companies, and consumer companies.

capital requirements of their portfolio companies over a longer period as these companies wait for an opportune exit, and hence adversely affecting realized returns. Has venture capital as an asset class been permanently impaired?

- The IPO market has traditionally been a mainspring addressing the liquidity and capital formation requirements of the technology sector. But the last decade has witnessed a marked decline in the number of venture-backed technology IPOs, from an annual average of around 500 IPOs during 1990-1999 to fewer than 100 IPOs during 2000-2010, with a low of only 6 venture-backed IPOs in 2008. Following the economic meltdown in late 2008, the IPO market in 2008-2009 was the worst experienced in over 40 years. Should we expect that the IPO market will ever be restored to the level of significance that we witnessed during the 1990's?

- The angel community is exploding in terms of activity levels, number of individual angels/angel groups, and significance to the industry, in response to the dramatic increase in the number of consumer internet and social media startups and other companies structured around an online business model. These companies require extremely modest amounts of capital—in some cases less than $50,000—to demonstrate proof of concept, and their all-in equity capital requirements are significantly less than traditional "brick and mortar" companies. Individual angels, angel organizations and now "superangels" have rushed into the breach, with astounding success. However, is there a dark lining to this phenomenon? The traditional venture capital community is in a state of contraction, and VC fundraising levels are at about half of their levels in 2007. As these angel-funded companies grow and begin looking for their first round of institutional capital, will the traditional venture capital community be there to take these companies to the next level of growth? If they have limited investment dollars to spend, as was the case in 2008, we should expect that current portfolio companies will take priority over new investments. If this marks the beginning of a trend, should we expect a massive "culling" of these online startups that cannot attract institutional capital? What might we expect from the M&A market in respect of companies unable to secure additional funding? What impact on company valuation?

- The emergence of private secondary market exchanges, through companies that include SharePost and SecondMarket, has offered an alternative to the traditional "exits" found in an IPO or a sale or merger. Investors and employees in private companies with substantial valuations such as Facebook, Groupon and Zynga (before their IPOs) have achieved limited liquidity through these exchanges. Compounding the availability of some degree of liquidity through these private exchanges is the growing belief of many CEOs and their investors that "going public" has become too complicated, too costly, and too aggravating. If the luster of the technology company IPO has dimmed, for whatever reason, what structural impact will this have on the VC industry that traditionally favored an exit through an IPO to capture the "valuation premium" that the public market favors? Absent a vibrant IPO market for startups, are the exit opportunities available through M&A alone compelling enough to draw LP interest in VC as an asset class over the long term?

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 eight 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
- Evaluating investment opportunities
- Common organizational issues encountered in the formation of a venture-backed start-up, including matters relating to initial capitalization, intellectual property, and more
- 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
- Typical investment terms found in the term sheet and the dynamics of negotiation between the entrepreneur and the venture capitalist
- Elements of compensation, both cash and equity, that are common to venture-backed companies in the technology sector
- 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. In light of the time constraints associated with this 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 Canvas site for our course. Lecture notes, Caselettes, course materials that are not copyrighted by a third party and periodic announcements will be posted on this Canvas site. The Canvas URL is:

  https://canvas.upenn.edu/courses/1279791

- **You will be able to access Study.net through Canvas. All third party 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.**

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 Canvas. All third party copyrighted materials are found on Study.net, all other readings are found on the Canvas. This is meant to minimize the cost of students obtaining reading materials. There is a link to the Study.net site from Canvas. 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 occurrences (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 issues that are commonly encountered. The Caselettes will be posted on Canvas 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, every effort will be made to maintain these teams in the term sheet negotiation assignment to be handed out in **Session 18**. 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 final course grade will be computed as follows:

- 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 **display your name card in each class to facilitate teacher/student interaction.** Note: Failure to display you name card may result in not getting **any** credit for the class session in which your name card was not displayed.

Case write-ups and other assignments: For each of the assigned Caselettes or problem set, the study group team will turn in, **before** the start of class by uploading to Canvas, 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 started. **Credit will only be given to write-ups which are uploaded to Canvas before the start 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 upload the deliverables of the negotiation exercise before 11:59 pm 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 during Session 23, November 16, 2015 during class time. It may be taken on an open book/open notes basis. You must bring a calculator to the quiz. 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 Canvas prior to class.

Learning Environment

Students are expected to strictly adhere to **Concert Rules,** including:

- Class starts and ends exactly on time. Students 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 not be readmitted.
- Students display their nameplates.
- All phones and electronic communication devices are turned off.

Note: The instructor, at his sole discretion, will apply grade penalties for any and all violations of these **Concert Rules**.

Class Cancellation and Make-up Days:

In the unlikely event that a class must be canceled, students will be contacted by e-mail. Generally, if a make-up class can be scheduled, it will be held on the preceding or following Friday in the AM. Make-up classes will be video recorded and posted.

Communicating with the Instructor

The best way to contact me is by e-mail. I will make every effort to respond promptly. If you want to see me in person you will find it most efficient to coordinate a meeting with me. Alternatively, you may also come to my office (SH-DH 2012) during my office hours which are on Monday 3:00 - 4:00 pm throughout the semester.

VI. Course Outline At-A-Glance MGMT 264 Fall 2014				
Session Number	***Date***	***Topic***	***Case/activity***	***Submissions Due***
1	W 8/26/2015	Course Introduction and Overview		
2	M 8/31/2015	The VC Industry Today - An Industry in Transition		
3	W 9/2/2015	VC Firm Activities		
4	W 9/9/2015	VC Firm Structure: LP/GP Dynamics	Andreessen Horowitz Case	
5	M 9/14/2015	Evaluating Opportunities	Course Selection Period ends	
6	W 9/16/2015	Evaluating Opportunities: The Chemdex Case	Chemdex Case	
7	M 9/21/2015	Evaluating Opportunities: The ZX Microfinance Case	ZX Microfinance Case	
8	W 9/23/2015	Formation of a Startup: Organizational Issues	Caselette #1	Caselette #1
9	M 9/28/2015	Formation of a Startup: Initial Capitalization	Caselette #2	Caselette #2
10	W 9/30/2015	Formation of a Startup: Compensation Practice	Caselette #3	Caselette #3
11	M 10/5/2015	Valuation Methodologies	Drop Period ends	
12	W 10/7/2015	Valuation Methodologies (continued)	HBS Problem Set	HBS Problem Set
13	M 10/12/2015	**Guest Speaker-Jake Stein , Co-founder RJMetrics**		
14	W 10/14/2015	Negotiating the Term Sheets		
15	M 10/19/2015	Fundraising Challenges I: The Landscape \		
16	W 10/21/2015	Fundraising Challenges II: Angel Investing and Convertible Note		
17	M 10/26/2015	Liquidation Preferences and Price Protection Anti-Dilution	Caselette #4	Caselette #4
18	W 10/28/15	Analysis of a Term Sheet (Hand out materials for negotiation session)	Caselette #5	Caselette #5
19	M 11/2/2015	Integrating Valuation with Term Sheet Structure	APEX Case	
20	W 11/4/2015	Integrating Valuation with Term Sheet Structure	LuckyPai Case	
21	M 11/9/2015	Q&A Session for Quiz (Optional session)		
22	W 11/11/2015	**Guest Speaker- Marc Singer-- VC**		
23	M 11/16/2015	Quiz	Quiz	
24	W 11/18/2015	Corporate Governance – The role and composition of the BOD in a venture-backed firm		
25	M 11/23/2015	Managing the Exit		
26	M 11/30/2015	Term Sheet Debriefing		
27	W 12/2/2015	Term Sheet Debriefing		
28	M 12/7/2015	Course Summary		

Detailed Course Outline

Note: The session outline below is subject to change in order to accommodate the pace of class discussions and guest speakers' schedules

Wednesday, August 26, 2015
Session 1: Course Introduction and Overview

- Course introduction
- Study group formation
- The role of venture capital industry in the economy

Supplementary Reading:

- "Venture Impact: The Economic Importance of Venture Capital-Backed Companies to the U.S. Economy", by IHS Global Insights and National Venture Capital Association (NVCA), 2011
- "Does Venture Capital Foster the Most Promising Entrepreneurial Firms?" by R. Amit, L. Glosten & E. Muller, California Management Review, 32 (3): 102-111, 1990

Monday, August 31, 2015
Session 2: The VC Industry Today – An Industry in Transition

- An overview on the trend of global venture capital industry
- Current industry trends in US
- Current industry trends in China

Supplementary Reading:

- "The VC Shakeout" by Joseph Ghalbouni and Dominique Rouziès, Harvard Business Review (Jul/Aug 2010)
- "National Venture Capital Association Yearbook 2015",Thomson Reuters
- "Why the Structural Changes to the VC Industry Matter" by Scott Kupor (July 30, 2014)
- "The New Reality of Venture Capital" by Joey Dwyer (February 25, 2014)

Wednesday, September 2, 2015
Session 3: VC Firm Activities

- Venture Capital objectives and investment strategies
- Venture Capital firms activities
- Fundamental Issues on Venture Capital Investment

Supplementary Reading:

- "A Note on the Venture Capital Industry" Harvard Business School (HBS# 9-295-065 July 21, 2001)
- "How Venture Capital Works" by B. Zider, Harvard Business Review (Nov-Dec 1998)
- "The Venture Capital Funnel" CB Insight (April 7, 2014)

Wednesday, September 9, 2015
Session 4: VC Firm Structure and LP/GP Dynamics

- The structure of VC firms
- The relationship between limited partners and general partners

Required Reading:

- Andreessen Horowitz (HBS Case 9-814-060, revised: October 24, 2014)

Supplementary Reading:

- "The Evolving Relationship between LP and GPs" by Ann Leamon, Josh Lerner and Susana Garcia-Robles (September 5, 2012)
- "The Structure and Governance of Venture-Capital Organizations" by William Sahlman, Journal of Financial Economics, 27:473-521, 1990

Monday, September 14, 2015
Session 5: Evaluating Opportunities

- Opportunity definition and recognition
- Frameworks on evaluating opportunities

Supplementary Reading:

- "Criteria used by venture capitalists to evaluate business plans" by I. MacMillan, R. Siegel, and P. Subba Narashima. Journal of Business Venturing 1, 119-128 (1985)

Wednesday, September 16, 2015

Session 6: Evaluating Opportunities: The Chemdex Case

Required Reading:

- Chemdex.com (HBS Case 9-898-076, revised: June 22, 1999)

  (**Case preparation questions posted on Canvas**)

Monday, September 21, 2015

Session 7: Evaluating Opportunities: The ZX Microfinance Case

Required Reading:

- ZX Microfinance (Wharton Case-90, July 31, 2014)

  (**Case preparation questions posted on Canvas**)

Wednesday, September 23, 2015

Session 8: Formation of A Start-up: Organizational Issues

- Forming the company: legal forms
- Intellectual property: the importance of getting it right

Required Reading:

- **Caselette #1**: Organizational Issues in the Formation of a Start-Up

  (**Case memo due before class**)

Supplementary Reading:

- "The Legal Forms of Organization" Harvard Business School (February 19, 2004)
- "The Legal Protection of Intellectual Property" Harvard Business School (HBS# 9-898-230 April 17, 1998)
- "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)

Monday, September 28, 2015

Session 9: Formation of Start-up: Initial Capitalization

- Initial capitalization: design the equity and capital structure
- Founders' stock and basic equity incentive arrangements

Required Reading:

- **Caselette #2:** Considerations in establishing the initial capitalization of the start-up

  (**Case memo due before class**)

Supplementary Reading:

- "Vesting of Founders' Stock: Beyond the Basics," by Doug Collom, WSGR Entrepreneurs Report (Spring 2008)
- "Dividing Equity Between Founders," by Chris Dixon (August 23, 2009)

Wednesday, September 30, 2015

Session 10: Formation of Start-up: Compensation Practice

- Compensation Elements
- Alternative forms of Incentive compensation

Required Reading:

- **Caselette #3:** Issues encountered in connection with First Round Financing

  (**Case memo due before class**)

Supplementary Reading:

- "Starting Up: Sizing the Stock Option Pool," by Doug Collom, WSGR Entrepreneurs Report (Summer 2008)
- "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)

- “Five Compensation-Related Mistakes Startups Make (And Should Avoid),” by Caine Moss of WSGR, Venture Beat (February 9, 2010)
- “A Counterintuitive System for Startup Compensation” by First Round Capital, First Round Capital (November 2014)
- “Making Sense Out of Cents: Determining Employee Compensation” by Sharon Wienbar, Entrepreneur (March 14, 2014)

Monday , October 5, 2015

Session 11: Valuation Methodologies

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

Required Reading:

- “A Note on Valuation in Private Equity Settings” (HBS # 9-297-050, April 2002)

Supplementary Reading:

- “What’s My Company Worth?” by Herb Fockler, WSGR Entrepreneurs Report (Fall 2007)
- “How Do VC’s and Angels Value a Company?” by Jeff Carter (August 8, 2014)

Wednesday, October 7, 2015

Session 12: Valuation Methodologies (continued)

Required Reading:

- The Venture Capital Method – Valuation Problem Set (HBS case # N9-396-090)

  (**Answers from study group due before class**)

Monday, October 12, 2015

Session 13: **Guest Speaker - Jake Stein**

Wednesday, October 14, 2015

Session 14: Negotiating the Term Sheets

- Environmental factors surrounding term sheets
- Selected critical elements in venture term sheets

Required Reading:

- “Venture Capital Negotiations: VC versus Entrepreneur.” Harvard Business School (HBS# 9-800-170, March 2, 2000)

Supplementary Reading:

- “Control: The Critical Issue in Negotiating Financing Terms,” by Caine Moss, WSGR Entrepreneurs Report (Fall 2008)
- “Navigating Down-Round and Dilutive Financings,” by Yokum Taku, WSGR Entrepreneurs Report (Fall 2008)
- “Mark Suster: The Authoritative Guide to Pro-rata Rights” by Mark Suster, Venture Capital (October 13, 2014)

Monday , October 19, 2015

Session 15: Fundraising Challenges I: The Landscape

- Sources of capital
- Alternative forms of fundraising
- Fundraising process and fallacies

Required Reading:

- "New Venture Financing" Harvard Business School (HBS note # N9-802-131, Aug. 1, 2006)

Supplementary Reading:

- “Strategic Investors in the Early-Stage Company” by Allison Spinner, WSGR Entrepreneurs Report (Winter 2007)

- "Best Practices For Raising a VC Round," by Chris Dixon (May 4, 2011)

"How Crowd-Funding Is Changing Everything and What That means for Your Startup", First Round Review

<u>Wednesday, October 21, 2015</u>

Session 16: Fundraising Challenges II: Angel Investing and Convertible Note

Required Reading:

- A Mini-Case: Angel Investing and Convertible Note

Supplementary Reading:

- "Convertible Notes in Angel Financing." Harvard Business School (HBS# 9-813-017, September 11, 2012)
- "VC 'Super Angels': Filling a Funding Gap or Killing 'The Next Google'?", Knowledge@Wharton (September 1, 2010)

<u>Monday, October 26, 2015</u>

Session 17: Liquidation Preferences and Price Protection Anti-Dilution

Required Reading:

- **Caselette #4:** Liquidation Preferences and Anti-dilution Formulas

  (**<u>Case memo due before class</u>**)

Supplementary Reading:

- "Anti-Dilution Protection: What You Need to Know" by Mark Baudler, WSGR Entrepreneurs Report (Spring 2008)
- "Liquidation Preferences: What They Really Do" by Craig Sherman, WSGR Entrepreneurs Report (Winter 2007)

<u>Wednesday, October 28, 2014</u>

Session 18: Analysis of a Term Sheet

Required Reading:

- **Caselette #5:** Analysis of a Typical Venture Capital Term Sheet

  (**<u>Case memo due before class</u>**)

Hand out materials for negotiation session

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 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 26 on Monday (November 30, 2015) and Session 27 on Wednesday (December 2, 2015)**, 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 **Wednesday, November 25, 2015**, will be outlined in the materials which will be handed out to you.

<u>Monday, November 2, 2015</u>

Session 19: Integrating Valuation with Term Sheet

Required Reading:

- Apex Investment Partners (A): April 1995 (HBS # 9-296-028, Nov. 17, 1997)

  (**<u>Case preparation questions posted on Canvas</u>**)

<u>Wednesday, November 4, 2015</u>

Session 20: Integrating Valuation with Term Sheet

Required Reading:

- An Early-Stage VC Investment: DT Capital Financing of LuckyPai (Wharton Case-88, July 31, 2014)

  (**Case preparation questions posted on Canvas**)

Monday, November 9, 2015
Session 21: Q&A session for Quiz (Optional Session)

Wednesday, November 11, 2015
Session 22: Guest Speaker

Monday, November 16, 2015
Session 23: QUIZ

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

Wednesday November 18, 2015
Session 24: Corporate Governance – The Role and Composition of the BOD in a Venture-Backed Firm

- The roles and composition of the BOD

Required Reading:

- "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)
- "Venture-Backed Boards More Active, Better Aligned Amidst Financial Crisis" Dow Jones VentureSource (November 10, 2009)
- "CEO Playbook for Early Stage Board Meetings," by Geoff Yang, Red Point (August 2, 2013)
- "The Secret to Making Board Meetings Suck Less," First Round Review (October 18, 2013)

Monday, November 23, 2015
Session 25: Managing the Exit

- IPO and alternative exit strategies

Supplementary Reading:

- "A Note on the Initial Public Offering Process", (HBS note # 9-200-018, July 20, 2007)
- "SpeedSim: Made to Exit!" by Naeem Zafar and Victoria Chang, California Management Review, 54(4): 143-155, 2012

Monday, November 30, 2015
Session 26: Term Sheet Debriefing

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

Submissions Due: Please upload your deliverables to Canvas before 8:00 pm on November 25, 2015.

- **Each investor team and the founder to prepare a PowerPoint presentation, which includes the final proposed valuations as well as commentary on the key terms that were critical in the negotiation of the term sheet.**
- **Founders additionally provide a detailed summary of the final agreement using the format outlined in the Negotiation Instruction handout which will be distributed in class.**

Wednesday, December 2, 2015
Session 27: Term Sheet Debriefing (continued)

Monday, December 7, 2015
Session 28: Course Summary