

Wharton School, University of Pennsylvania  
Management Department

# Venture Capital and Entrepreneurial Management

Version 1

0.5 CU

MGMT 804 – Spring 2022 (Q3)

Mondays and Wednesdays

10:15 to 11:45 AM

Location: Classroom TBA

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Syllabus as of November 15, 2021

Subject to Change

## Prolog

In these rapidly changing times from which “new normals” are bound to emerge, the importance of innovation and entrepreneurship will take center stage. Understanding the structure, operations and mindset of venture capital investors is necessary for the formation, funding, and growth of new enterprises. While we live in an era of venture capital that celebrates disruptive technologies and unicorns, there are perennial approaches and disciplines that make venture capital an enduring asset class. To achieve the great degree of learning and comprehension, this course combines extensive reading, lecturing, a simulation series, and intensive student engagement. The instructor will use available tools to preserve a great level of exchange in the virtual delivery of the course and will look to the students for additional ideas and techniques to enhance the success of the course.

## 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 with some reference to practices in non-domestic markets. The course is designed for the entrepreneur who is seeking venture capital and needs insight into the structure, practices, and operations of venture capitalists. At the same time, students aspiring to a career in venture capital will find that the course provides insight into deal sourcing, assessment, valuation and structure, governance and exiting.

Venture capital and the companies that it supports continue to evolve in terms of their capabilities, business models and technologies. This evolution traces from the origination of the asset class in the 1970s and the role that it played in launching semi-conductor, personal computing, and biotechnology companies. The pace of evolution, however, accelerated with the information technology revolution and associated dot.com downturn of 1998-2000, the financial crisis circa 2008, and the current pandemic. Venture capital practitioners and the entrepreneurial community in the new millennia have had to confront the impact of the

genomics era in medicine, “internet 2.0” business models and social media and its market influence all in the milieu of recovery from the 2008 financial crisis. At the same time, the re-thinking of business models, the emphasis on “lean management,” and unabated globalization of business have all conspired to change the investment thought processes and, therefore, the approaches that entrepreneurs must take to capitalize their companies. That said, there are classical best practices that still prevail, but that must be conducted in an ever-changing environment. This principle will guide our teaching and learning in this course.

Complementing, and sometimes in opposition 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, we 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. 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. 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.
- Common organizational issues encountered in the formation of a venture-backed start-up, including matters relating to initial capitalization, intellectual property, and more.
- Formulation of the persuasive entrepreneurial and technology strategy in the light of the due diligence process.
- 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 and financing strategies.
- 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 seeking a managerial role with a venture-backed start-up company, or who wish to pursue a career in venture capital. Considering the time constraints associated with a half-unit course, the curriculum is confined to key fundamentals in 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 high growth potential start-ups. Students

completing the course will have a solid understanding of the questions and issues that typical start-up face with respect to capitalization.

## **Other Course Features and Resources**

There will be a dedicated Canvas site for our course. Lecture notes, the Simulation Cases, and course materials that are not copyrighted by a third party, periodic announcements and a course blog will be posted on this Canvas site. In addition, the Lippincott Library provides access to numerous powerful data bases and other resources for venture financing that we will identify and review.

**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 log-in information from Study.net at the beginning of the semester.**

## **Requirements and Evaluation**

The reading assignments in the course are “front-loaded” because the entrepreneurial and venture capital processes are a never-ending simultaneous equation. This syllabus, the assignments, and the readings have been organized so that students can manage the requirements efficiently and in an iterative way. As a caveat, entrepreneurship and venture capital do not behave in a similar iterative way. 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.

### **Students Requirements and Evaluation**

There are two CoursePacks” Required Readings and Supplemental Materials. The Required Readings are generally comprised of secondary source materials provided for background. The Supplemental Materials consist of examples of legal or business documents included for the purpose of illustrating the themes discussed in class.

The course is primarily in a term “simulation” and discussion format, supplemented by lectures. For each class there will be a submission of a portion of the simulation. During the class, two student teams will present their analysis and conclusions for the relevant portion of the simulation – one from the VC point of view, the other from the entrepreneurial point of view. All teams will be expected to submit their simulation analysis and all students come to class fully prepared to respond to the questions outlined in the simulation. **This format may change based on enrollment in the course and the scheduling of groups present at any given time.**

Depending on enrollment Students are asked to form a total of **Five** simulation teams of **five or six** members at the beginning of the course. Choose your team-mates carefully – changes will not be allowed once your study group team has been formed. Study groups are expected to meet and develop each part of the simulation.

All students are expected to participate in class discussions; students should expect to be cold called.

### **Student Grades**

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

#### **Five simulation memo submissions (teams) (50%)**

These are scored based on up to 0 points per simulation. To encourage full participation by all team members, teams will be expected to evaluate the contributions of members using a form that will be provided by the instructor at the end of the term.

### **Class contribution and attendance (10%)**

Class participation is an important differentiator for final grading. There are four ways of accumulating participation points:

1. The TA will monitor and score class participation. Participation consists of asking well-formulated questions, carefully framed answers to questions posed by the instructors, and in-class dialog among the students when done thoughtfully and respectfully.
2. The course will also consist of six (6) “Platonic Dialogs” between the instructor and among the students. The Platonic Dialogs are used to introduce a major topic in the course by having the students offer their thoughts on the issues that are to be discussed on that topic. To promote useful exchange, each student must sign up for one Platonic Dialog Group at the start of the semester. At the end of this syllabus are guidelines for preparation for a Platonic Dialog. Students in the respective groups should consider each of the questions and be prepared to contribute their thoughts, ideally supported from the assigned readings for that session or from experience. Contributions during the Dialogs will be noted by the TA.
3. In order to compensate for the limited time together, Canvas includes Discussion Boards. Entries onto Boards created by the instructor or creation of a Discussion Board by a student will count towards class participation.

**Given the circumstances of the pandemic, attendance will not factor into grading but the instructor expects faithful attendance either synchronously or asynchronously.**

**An individual, running logbook** of observations and challenges associated with venture financing (10%). The instructor will give specific guidance in class, but this assignment is meant to be a personal chronicling of a subject or project of interest developed throughout the term. It is kept as a personal document until the due date at the end of the quarter. Only the instructor will view this work.

**Open-book take home exam (30%).** This will be in essay form and is designed to synthesize course material. The exam will be posted a week to 10 days prior to its submission date.

**Note: The instructor will take great care to grade as fairly as possible and will strictly adhere to Wharton MBA program grading policies. Grades will NOT be discussed at the end of the course.**

### **Lecture Notes**

The PowerPoint slides used in class will be posted on Canvas prior to class. Students should print the slides and bring to class. With some exceptions, particularly in the first two sessions, three to six slides per page will be readable. The instructor will abide by the practice of non-use of electronic devices during class be they laptops, tablets, mobile phones or the next new-new thing.

### **Required Texts**

Coursepack: MGMT 804 Venture Capital and Entrepreneurial Management, Spring 2022 edition, compiled by Stephen Sammut will be available on **study.net**. This course pack is based on reading selections recommended by Professors Raffi Amit and Douglas Collum for their offering of MGMT 804.

### **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 the instructor is by e-mail. An appointment matrix will be posted on Canvas. The instructor prides himself in availability to students and welcomes opportunities to get to know students. Group Zoom sessions and private Zoom meetings will be scheduled liberally for discussion of course material, entrepreneurial ideas and career discussions.

### **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. Allow for the extra time for screening upon entry into the building.
- Students remain in attendance for the duration of the class, except in an emergency.
- Students display their Wharton issued name tent cards.

### **About the instructor**

Dr. Stephen M. Sammut

Chairman, Industry Advisory Board, Alta Semper Capital  
Co-Founder and CEO, Pangea University for the Health Sciences  
Senior Fellow, Health Care Management and Lecturer, Entrepreneurship, Wharton School

Dr. Sammut has founded, managed, or financed over 40 companies in life sciences and IT globally as an entrepreneur and venture capital investor. He recently founded Pangea University for the Health Sciences in Bangalore, India, an international platform for medical, nursing and health technology education for the emerging and frontier markets. Over the last several decades he has been a partner or adviser to numerous health care and impact-oriented venture capital and private equity firms internationally and has also founded health care management MBA programs in India and throughout Africa. Through his role in VC and PE at Alta Semper, Dr. Sammut is facilitating the adoption of Universal Health Coverage in several African countries, as well as promoting the adoption of precision medicine and cancer immunotherapy into African health care.

He is also Senior Fellow, Health Care Management and Lecturer, Entrepreneurship at the Wharton School. During his 30 years teaching at Wharton and other business schools in India, Israel, Kenya, Portugal, and Russia, he has created over a dozen courses that he has taught to over 13,000 students. These courses include Venture Capital; Private Equity in Emerging Markets; Strategic Management of Intellectual Property; Health Care Services Systems (India and African venues), Health Care Entrepreneurship; and, the Role of the Private Sector in Global Health, among others. His research focuses on international development and health care and biotechnology capacity development in emerging economies, as well as adoption of precision medicine. He has published articles in *Nature Biotechnology*, the *New England Journal of Medicine*, the *Journal of Commercial Biotechnology* and has authored numerous book chapters on health care and biotechnology. Dr. Sammut puts his research findings into practice through the International Institute for Biotechnology Entrepreneurship, an organization which he founded and manages, that has offered over 55 intensive training programs in 14 countries to over 2500 entrepreneurs.

He is visiting faculty and served as coordinator of the Indian School of Business healthcare program and is Visiting Associate Professor at the Strathmore University Business School in Nairobi where he founded the first Healthcare Management MBA program on the African continent, as well as founding the African Institute for Healthcare

Management, an organization focused on developing faculty and teaching materials to advance health services. He is currently co-developing a School of Global Public Health at Strathmore University in partnership with NYU.

His board memberships have included HealthRight International, Center for Medicine in the Public Interest, BioEthics International, Pandorum Technologies, the Africa Health Fund, Alta Semper, the Russian Foundation for Cancer Research and numerous other profit and non-profit organizations in the US and the emerging markets.

Dr. Sammut was a Venture Partner at Burrill & Company, a biotechnology and health care venture fund, where he focused on the development of international venture funds, until 2008. He has consulted for the IFC/World Bank on PE/VC, technology transfer and program assessment, and investments in Fintech for economic development. Similarly, he has advised the governments of Brazil, China, India, Japan, Malaysia, Singapore, South Korea, and Taiwan in the development of policies to promote venture financing of their biotechnology industries.

Earlier in his career he was VP, SR One, the venture capital arm of GSK, and VP for Development and Private Equity at Teleflex Incorporated. He has also been Managing Director of Technology Transfer at the University of Pennsylvania and Thomas Jefferson University. He began his career as co-founder and CEO of the Philadelphia transplant organ bank, known today as the Gift of Life Donor Program, the largest in the United States.

He holds graduate and undergraduate degrees from Villanova University, an MBA from the Wharton School of the University of Pennsylvania and engaged in special studies in medicine and epidemiology at Hahnemann Medical college for two years. He holds a doctorate from the Fox School of Business at Temple University where his dissertation research focused on organizational aspects of precision medicine implementation. He holds certificates in precision medicine from Harvard, fintech from Oxford, global health innovation from IESE and Implementation Research from the WHO. He is a Knight of Malta through which he is engaged in African activity in food security and management of Hanson's Disease.

**PRELIMINARY SESSION SCHEDULE FOR SPRING SEMESTER Q3, 2021**

<i>Sess</i>	<i>Date</i>	<i>Topic</i>	<i>Case/Activity</i>	<i>Deliverable</i>	<i>Preparation and Required Readings</i>	<i>Supplemental Readings</i>
1	<b>Wednesday January 19</b>	Course introduction and The structure of the VC industry		<b>Students must select and sign up for a Platonic Dialog Group by Sunday, January 23, 11:59 PM. Participation in each group is limited so first-come first served.</b>	<p>“A Note on the Venture Capital Industry,” Harvard Business School (HBS # 9-295-065, July 12, 2001)</p> <p>“16 Definitions on the Economics of VC,” by Scott Kupor, Andreessen Horowitz (September 2016)</p> <p>“A Day in the Life of a Venture Capitalist” (Stanford Case E-44, January 28, 2013)</p>	<p>“10 Growing Trends in Venture Capital for 2016,” by Lisa Calhoun (January 25, 2016)</p> <p>“How Much Does Venture Capital Drive the U.S. Economy?” by Ilya Strebulaev and Will Gornall (October 21, 2015)</p> <p>“The State of U.S. Venture Valuations and Other Notable Trends in 10 Charts,” by Pitchbook (April 5, 2016)</p> <p>“The Silicon Valley Standoff in Three Charts,” by Louis Basenese (May 12, 2016)</p> <p>“Are Venture Capitalists Becoming Less Important for US Tech Startups?” by CBInsights (March 7, 2015)</p> <p>“As Private Valuations Increase, Returns Shrink, Study Finds,” by Rolfe Winkler (November 2, 2015)</p> <p>“The Changing Structure of the VC Industry” by Mark Suster (July 22, 2014)</p> <p>“The Other Problem with Venture Capital: Management Fees,” by Chris Dixon (August 26, 2009)</p> <p>“The Private IPO Phenomenon,” by Josh Kopelman (April 8, 2015)</p> <p>“Venture Outlook 2016,” by Mark Suster (October 18, 2015)</p> <p>“What to Expect When You’re Expecting Venture Capital Returns,” by Charlie O’Donnell (July 30, 2015)</p> <p>“Why the Structural Changes to the VC Industry Matter” by Scott Kupor (July 30, 2014)</p> <p>“Demystifying Venture Capital</p>

						Economics, Part I,” by Andy Rachleff (June 19, 2014) “Demystifying Venture Capital Economics, Part II,” by Andy Rachleff (September 24, 2014)
2	<b>Monday, January 24</b>	Company formation: structures, ownership, and issues among founders	<b>Platonic Dialog Group 1</b>	<b>Simulation teams must be formed by 11:59 PM today, January 24</b>	<p>“The Legal Forms of Organization,” Harvard Business School (HBS # 9-898-245, February 19, 2004)</p> <p>“The Legal Protection of Intellectual Property,” Harvard Business School (HBS # 9-898-230, April 17, 1998)</p> <p>“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)</p> <p>“Venture Capitalists,” Chapter 9 in High tech start-up: the complete handbook for creating successful new high-tech companies, by J. Nesheim (2000)</p>	<p>“In Search of the Next Big Thing”, Harvard Business Review (May 2013)</p> <p>“How Venture Capitalists Evaluate Potential Venture Opportunities”, (HBS Note 9-805-019, December 1, 2004)</p> <p>“Dividing Equity Between Founders,” by Chris Dixon (August 23, 2009)</p> <p>“Don’t Build Your Startup Outside of Silicon Valley,” Harvard Business Review (October 23, 2013)</p>
3	<b>Wednesday, January 26</b>	Company formation wrap-up  Due Diligence 1	Simulation Part 1: Company Formation  See CANVAS under Assignments  <b>Platonic Dialog Group 2</b>	Post Sim 1 write-up by Tuesday, January 25, 11:59 PM	<p>“Founder Vesting: Five Tips for Entrepreneurs,” by Scott Edward Walker, Walker Corporate Law Group (September 10, 2009)</p> <p>“Selecting and Protecting a Company Name,” by Aaron Hendelman, WSGR Entrepreneurs Report (Summer 2008)</p> <p>“Top 10 Intellectual Property Tips for Early-Stage Companies,” by Peter Eng, WSGR Entrepreneurs Report (Summer 2008)</p> <p>“Starting Up: Sizing the Stock Option Pool,” by Doug Collom, WSGR Entrepreneurs Report (Summer 2008)</p> <p>“VC Nomenclature and the Investor Spiral,”</p>	<p>“Dream Teams: The Characteristics of Billion-Dollar Startup Founders,” by Tomasz Tunguz, Red Point (October 29, 2013)</p> <p>“Vesting of Founders’ Stock: Beyond the Basics,” by Doug Collom, WSGR Entrepreneurs Report (Spring 2008)</p>

					by Manu Kumar, CNN Money (May 16, 2011)  "VC 'Super Angels': Filling a Funding Gap or Killing 'The Next Google'?" Knowledge@Wharton (September 1, 2010)	
4	<b>Monday, January 31</b>	Simulation 1 Presentation and Commentary by Teams 1 and 2  Part 2 of diligence lecture		Complete Log Book Entry for "Phase 1" by 11:59 PM this date	"Financing New Venture" (HBS Note N9-811-093, March 28, 2011)  "Convertible Notes in Angel Financing." (HBS Note 9-813-017, September 11, 2012)	<p>"Strategic Investors in the Early-Stage Company" by Allison Spinner, WSGR Entrepreneurs Report (Winter 2007)</p> <p>"Best Practices for Raising a VC Round," by Chris Dixon (May 4, 2011)</p> <p>"How Crowd-Funding Is Changing Everything and What That means for Your Startup," First Round Review</p> <p>Convertible Note Financing (Summary of Terms)</p> <p>"6 Questions Entrepreneurs Should Ask During an Investor Meeting" By Bhavin Parikh &amp; Aaron Schwartz (October 15, 2014)</p> <p>"A VC's Tips on Securing Seed and Series A Financing" by Carl Showalter, Entrepreneur Guest Post (February 12, 2010)</p> <p>"Due Diligence Reveals All," AlwaysOn: The Insider's Network (October 21, 2008)</p> <p>"How to Prepare for a Presentation to a VC," by Carl Showalter, Opus Capital</p> <p>"How to Raise Money," by Paul Graham (September 2013)</p> <p>"In Defense of the Deck," by Bill Gurley (July 7, 2015)</p> <p>"Why Raising Too Much Money Can Harm Your Startup," by Mark</p>

						Suster (June 30, 2016) A Guide to Seed Fundraising,” Geoff Ralson (January 7, 2016)
5	<b>Wednesday, February 2</b>	Part 1 of Lecture on Capitalization Tables and Valuation	Simulation Part 2: Due Diligence  See CANVAS under Assignments  <b>Platonic Dialog Group 3</b>	Post Sim 2 write-up by Sunday, February 6 at 11:59 PM		“How Do VC’s and Angels Value a Company?” by Jeff Carter (August 8, 2014)  “How Funding Rounds Differ: Seed, Series A, Series B, and C…” Elad Blog (March 15, 2011)  “Series A Dynamics – Ownership, Timing, and Valuation” by Rob Go, NextView Ventures (May 20, 2014)  “The Series A Round is the New Series B Round” by Jeff Jordan (June 18, 2013)  “The Top 20 Reasons Startups Fail” CB Insight  “The Impact of Dilution,” by Andy Rachleff (August 26, 2014)  “When Seed Funding is Better Than Series A” by Carl Showalter (October 9, 2007)
6	<b>Monday, February 7</b>	Simulation 2 Presentation and Commentary by Teams 3 and 4  Part 2 of Lecture on Capitalization Tables and Valuation		Post Sim 2 write-up by Sunday, February 6 at 11:59 PM	“A Note on Valuation in Private Company Settings.” Harvard Business School (HBS # 9-297-050, 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)	
7	<b>Wednesday, February 9</b>	Part 3 of lecture on cap tables and valuation		Post Sim 3 by Sunday February 13, 11:59 PM		“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)  “How to Build a Unicorn from
8	<b>Monday, February 14</b>	Simulation 3 Presentation and Commentary by Teams 5 and 6  Part 1 of Lecture on Term Sheets	Simulation Part 3: Cap Table and Valuation  See CANVAS under Assignments  <b>Platonic Dialog Group 4</b>	Post Sim 3 by Sunday February 13, 11:59 PM  Complete Log Book Entry for “Phase 2” by 11:59 PM this date	“Venture Capital Negotiations: VC versus Entrepreneur.” Harvard Business School (HBS# 9-800-170, March 2, 2000)  “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)	

9	<b>Wednesday, February 16</b>	Part 2 of Lectures on Term Sheets	Simulation Part 4: Term Sheet Negotiation  See CANVAS under Assignments	Post concluded negotiation (Sim 4) with commentary on dynamics by Sunday, February 20, 11:59 PM		Scratch—and Walk Away with Nothing,” by Heidi Roizen (May 11, 2015)  “Protections for Late Investors Can Inflate Start-Up Valuations,” by Randall Smith, New York Times (June 7, 2015)  “Startup Accelerator Anti-Dilution Provisions; The Fine Print,” by Jose Ancer (June 21, 2015)
10	<b>Monday, February 21</b>	Simulation 4 Teams 7 and 8 will present the results of their combined negotiation of a term sheet.  Part 1 of lecture on Governance, Value Add and Exits;	Take Home Exam will be posted by 11:59 PM this date	Complete Log Book Entry for “Phase 3” by 11:59 PM this date		“The Entrepreneurs Report: Private Company Financing Trends for 3Q 2016” Wilson Sonsini Goodrich & Rosati  “The Toxic Term Sheet: Founders Beware!” by John Backus (October 6, 2015)  “Unicorns and Other High Valuation Deals,” by Ben Hance and Calise Cheng (November 10, 2015)  “On the Road to Recap: Why the Unicorn Financing Market Just Became Dangerous...for All Involved,” by Bill Gurley (April 21, 2016)  Memorandum of Terms for Preferred Stock (negotiated)  Memorandum of Terms for Preferred Stock (non-negotiated company favorable)  Memorandum of Terms for Preferred Stock (non-negotiated investor favorable)  Terms for Private Placement of Series Seed Preferred Stock  “Memorandum of Terms,” WSGR Term Sheet Generator  “Plain Preferred Term Sheet,” The

						Funded Founder Institute "Term Sheet for Series A Preferred Stock Financing," NVCA Model Documents
11	<b>Wednesday February 23</b>	Part 2 of lecture on Governance, Value Add and Exits	<b>Platonic Dialog Group 5</b>	Post concluded negotiation (Sim 4) with commentary on dynamics by Tuesday, February 22, 11:59 PM	"After The Term Sheet," by Dennis T. Jaffe and Pascal N. Levensohn (November 2003) (Missing Doc) "Rites of Passage," by Pascal N. Levensohn (January 2006) "A Note on the Initial Public Offering Process", (HBS Note # 9-200-018, July 20, 2007)	"A Counterintuitive System for Startup Compensation" by First Round Capital, First Round Capital (November 2014)  "Demystifying 409A Valuations," Parts 1 and 2, by Shri Bhashyam (November 2015)  "Employee Equity: How Much?" by Fred Wilson (November 22, 2010)  "Five Compensation-Related Mistakes Startups Make (And Should Avoid)," by Caine Moss of WSGR, Venture Beat (February 9, 2010)  "How We Explain Stock Options to Team Members & How Much Money They Would Make," by Joel Gascoigne (November 3, 2015)  "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) Model Equity Incentive Plan (January 2014)  "CEO Playbook for Early Stage Board Meetings," by Geoff Yang, Red Point (August 2, 2013)  "Corporate Governance and Disclosure Practices of Venture-

						<p>Backed Companies in U.S. Initial Public Offerings,” Wilson Sonsini Goodrich &amp; Rosati (July 2011-June 2012)</p> <p>“The Basic Responsibilities of VC-Backed Company Directors,” by Working group on Director Accountability and Board Effectiveness (January 2007)</p> <p>“The Secret to Making Board Meetings Suck Less,” First Round Review (October 18, 2013)</p>
12	<b>Monday, February 28</b>	<p>Simulation 5 Team 9 will present Part A; Team 10 will present term sheet analysis</p> <p>Wrap-up on Exits</p>	<b>Platonic Dialog Group 6</b>	<p>Post Sim 5 submission by Sunday, February 27, 11:59 PM</p> <p>Complete Log Book Entry for “Phase 4” by 11:59 PM this date</p>		
	<b>TAKE HOME EXAM</b>	<b>Take home exam to be submitted through Canvas Assignments by 11:59 PM on Friday, March 4, 2022</b>				

**Platonic Dialogs: Preparation Guidance**

<b>Group #</b>	<b>Session # / Date</b>	<b>Topic</b>	<b>Questions to consider</b>
1	Session 2: Monday, January 24	Company formation	<ol style="list-style-type: none"> <li>1. How does an entrepreneur determine the best type of structure for his/her entity?</li> <li>2. What are the issues in determining who participates as a founder of an entity and what their fair share of ownership should be?</li> <li>3. Intellectual property is the foundation of this entity, how should the entrepreneur start the process?</li> <li>4. What should the entrepreneur seek in the way of legal counsel and why?</li> <li>5. What should be considered when recruiting a Board of Directors? An Advisory Board?</li> <li>6. What is the importance of establishing milestones and an associated project plan? What are the best ways of establishing that process?</li> <li>7. What is the process for planning on capital needs over time?</li> <li>8. What role does exit planning play at the time of company formation?</li> </ol>
2	Session 3, Wednesday, January 26	Due Diligence	<ol style="list-style-type: none"> <li>1. What is “due diligence” and what is its purpose? Why?</li> <li>2. How does a venture capital firm go about preparing a due diligence strategy?</li> <li>3. Generically, what are the critical issues for exploration in due diligence?</li> <li>4. What considerations must an entrepreneur make when formulating a business model? A revenue model?</li> <li>5. How does a venture firm assess the viability of a business model? Of a revenue model?</li> <li>6. What comparison tools and techniques can be used in the due diligence process?</li> <li>7. What are the key issues of diligence to be cited in the Investment Memorandum?</li> <li>8. What approaches can be taken to compensate for concerns identified in due diligence?</li> </ol>
3	Session 5, Wednesday February 2	Valuation	<ol style="list-style-type: none"> <li>1. Can the valuation methodologies for established companies be applied to earlier stage entities? If so, How and in what way?</li> </ol>

			<ol style="list-style-type: none"> <li>2. Is the concept of working from the future backwards in order to derive a present value a legitimate approach to valuation?</li> <li>3. What are the challenges in the derivation of a “terminal value?” Do you place any credence in the concept?</li> <li>4. What types of dilutional events will affect the valuation of a company when looking forward?</li> <li>5. How can these events be predicted or documented in the valuation exercise?</li> <li>6. Are there special considerations for valuation methods at different stages of a company’s development?</li> <li>7. Once you’ve arrived at a valuation or valuation range, what is the best way of introducing it to the VC (from an entrepreneur’s point of view) or to an entrepreneur (from a VC’s point of view)?</li> <li>8. Is the recent history of valuation of companies, especially “Unicorns” a rational approach to valuation? What have we seen reported in the financial literature?</li> </ol>
4	Session 8, Monday, February 14	Term Sheets	<ol style="list-style-type: none"> <li>1. What is a term sheet and what purpose does it play?</li> <li>2. Who prepares the term sheet and why?</li> <li>3. How does the due diligence process relate to term sheet construction and content?</li> <li>4. How does the valuation process relate to term sheet construction and content?</li> <li>5. What are the major issues for negotiation in term sheets and why?</li> <li>6. What approaches should be taken when negotiating terms sheets?</li> <li>7. Are their codes of conduct or ethics associated with term sheet negotiation?</li> <li>8. Once a term sheet is accepted, what happens next?</li> </ol>
5	Session 11, Wednesday, February 23	Value-add and Governance	<ol style="list-style-type: none"> <li>1. What do we really mean by “value added activity?” Value from whose point of view?</li> <li>2. How does the entrepreneur introduce the value-add strategy into the business plan?</li> <li>3. Is there a relationship between due diligence and value-add activity?</li> <li>4. What is the role of the VCs individually, the Board of Directors and</li> </ol>

			<p>the Advisory Board in building value?</p> <ol style="list-style-type: none"> <li>5. What are the best ways of addressing failure to meet plan or other surprises from the entrepreneur's point of view?</li> <li>6. What are the best ways of addressing failure to meet plan or other surprises from the Board's point of view?</li> <li>7. What are the principles for "just" compensation? Is there even a legitimate notion of "just" compensation?</li> <li>8. What are the Board/Management dynamics in negotiating compensation?</li> </ol>
6	Session 12, Monday, February 28	Exiting	<ol style="list-style-type: none"> <li>1. What are the potential conflicts among and within the Board on the issues of exiting?</li> <li>2. What are the potential conflicts between management and the Board with respect to exit planning?</li> <li>3. What are the lessons from the exiting process, especially as related to IPOs, over the last two years?</li> <li>4. When and how does the IPO process start?</li> <li>5. What are the strategic considerations in planning or managing the company for acquisition?</li> <li>6. Is there a preferred route towards exiting? Why and under what circumstances?</li> <li>7. What happens to the proceeds associated with an acquisition?</li> <li>8. What happens to the management team post exit?</li> </ol>