

COURSE NUMBER: 687-21171

COURSE NAME: RISK THEORY - VENTURE CAPITAL

LECTURER: PROFESSOR RAMY ELITZUR

BACKGROUND

The course is designed to provide a framework for students to understand how private equity firms operate and how to deal with them. In particular, the course focuses on the relationship between the VC firm and entrepreneur. We hope that at the end of the course, you will be better able to answer the following questions: How can I best assess a potential equity investment, and how can I assemble an appropriate portfolio of investments? How can I best structure an investment, and how can I add value to the firm post-investment? And, from the perspective of an entrepreneur: How do I evaluate whether a prospective VC firm is best for me? When should I prefer venture capital financing to alternate funding sources?

The course is an integrative one that introduces students to the issues and analytical arguments behind these questions, drawing on recent advances in finance, economics, and industrial organization. Please note that the class discussions and the exam will be in Hebrew but the PowerPoint presentations and cases are in English.

COURSE OBJECTIVES

The objectives of the course are to provide analytical frameworks and tools that will sharpen your ability with respect to:

1. What is venture capital and how does a venture capital firm operate.
2. Provide an understanding how to approach a VC.
3. Examine the different sources of private equity financing.

TOPICS

1. The structure of the VC industry
 - a. What is VC?
 - b. When is VC funding better than other forms of financing?
 - c. Trends in the VC industry
2. How are funds raised and structured?
 - a. How is money raised/invested in the post dot.com world?
 - b. How are investments managed in the post dot.com world?
3. Evaluating a business plan
4. Valuation
5. Incentives and control
 - a. Agency challenges in VC funding

- b. Why syndicate?
- 6. Exit strategies for VC firms
 - a. Alternate ways to exit an investment.
 - b. Managing the IPO process.

COURSE EVALUATION

A. Participation (see note 2 below)	20%
B. Final exam (see note 3 below)	80%

NOTES:

1. HBS denotes Harvard Business School, all readings and cases are in the readings package.
2. **Participation:** Participation should not be confused with attendance. The participation mark will be given for the contribution made by the student in that class and not based on “air time”. Since the entire workshop is very short, failure to attend cumulatively more than half a day in the course will result in a failing grade and, thus, make sure to attend throughout the course and participate in class discussions.
3. **The exam is in English (it is not a take-home exam but a regular exam),** you can however answer it in Hebrew. The exam will be held on Thursday, May 19, 2016.

Detailed Course Schedule

Session Times	Sun. May 15, 2016	Mon. May 16, 2016	Tue. May 18, 2016	Wed. May 19, 2016	Thur. May 19, 2016
Session 1: 9:00 to 10:20 am	Introduction to the course: The structure of the VC industry	Angel financing	Evaluating a business plan	The agency problem and asymmetric information	Final Exam
Break 10:20 to 10:30	Break	Break	Break	Break	
Session 2: 10:30 to 12:00 pm	History and trends of private equity financing	How are funds raised and structured?	Valuation in the private equity setting	Exit strategies for VCs	
Lunch 12:00- 13:00	Break	Break	Break	Break	
Session 3 13:00- 14:20	History and trends of private equity financing	How are funds raised and structured?	Valuation in the private equity setting	Exit strategies for VCs	
Break 14:20- 14:30	Break	Break	Break	Break	
Session 4 14:30- 17:00	Case analysis: The Advent Israel Venture Capital Program	Case analysis: What Angels Want (A&B)	Case analysis: Adams Capital Management	Case analysis: To be determined	
Readings	HBS Note 9-298-061: Introduction to Entrepreneurial Finance HBS Note 9-295-065: A Note on the Venture Capital Industry	Bob Zider, "How Venture Capital Works," Harvard Business Review Reprint HBS Note 9-298-083: A Note on Angel Financing	HBS Note 9-297-250: A Note of Valuation in Private Equity Setting	HBS Note 9-298-067: Contracting and Control in Venture Capital HBS Note 9-200-018: A Note on the Initial Public Offering Process	