Brandeis University
INTERNATIONAL BUSINESS SCHOOL

FIN 240A – Venture Capital and Entrepreneurial Finance
Fall 2017

Instructors: Professor Debarshi Nandy
Email: dnandy@brandeis.edu
Class Hours: Th 3:30 – 6:30 pm
Office Hours: By appointment
Course TA: Cliff Zhu – email: cliffzhu@brandeis.edu

Course Description:
The course will emphasize financial decision making skills for budding entrepreneurs. The structure of the course will follow the firm’s life cycle, with modules on contracting, valuation, and financial planning in the entrepreneurial context, raising capital, security choice, and the structure and valuation of exit decisions in the presence of information uncertainty. We will also analyze the role of financial contracts in addressing information and incentive problems in such uncertain environments, which is typical for entrepreneurial firms. The course will use a combination of case discussions and lectures. The aim of the course is to prepare students for careers connected to entrepreneurial finance, for example as budding entrepreneurs or as venture capitalists. Note that this syllabus is preliminary and will change as the course progresses.

Learning goals and outcomes:
- Understand business valuation in the entrepreneurial context
- Understand financial contracting in addressing information and incentive problems
- Understand core elements of financial planning for an entrepreneurial venture
- Understand the sources of internal and external finance for entrepreneurial ventures
- Understand the relevant elements of deal structure
- Understand venture finance in a portfolio context

Prerequisite: FIN 201A and FIN 202A. The course will rely heavily on the LATTE/Moodle platform. You should check this site, and your e-mail regularly for the course announcements. The course is intended to complement BUS231.


Grading: Class grades will be based on the following:
Case Discussion (written and oral): 45%
Class Participation: 15%
Startup Wind Deliverable: 10%
Startup Pitch: 30%
Deliverables:
Class participation will carry a relatively high weight in the grading for the course. Class sessions will be interactive and preparation before class will be essential. Students will need to come to class prepared to discuss in detail each week’s reading assignment. You should expect to prepare an average of one case per week. Each case will come with guideline questions. Students should work in teams of no more than four. This course places a strong emphasis on presentation and discussion skills. It will be important for you to explain your positions or arguments to each other and to try to argue for the implementation of your recommendations.

For some case studies, students are required to submit a two-page memorandum on the cases. The memorandums should be typed and double-spaced. They should be written as if you were presenting it to your business partners (be they your fellow entrepreneurs or investors). The two-page limit is for text only. You may attach as many numerical calculations as you wish. Memoranda will not be accepted after the class has met. The grading of the memoranda will count towards the “case discussion” category.

Class attendance is critical to the learning process. Because this is such a new area of academic inquiry, there’s no one textbook from which to distill all the critical information. The recommended text covers many of the readings, though learning will also come from case discussions and interactions together, to come to a better understanding of the key issues in entrepreneurial finance.

The final startup pitch will entail a group presentation of an idea for a startup along with substantially developed business plans and term sheets to be pitched before a panel of angel financiers and venture capitalists from the greater Boston area. More details on this will be provided in class.

Planned Class Schedule (subject to change):

Note: MY refers to the Metrick and Yasuda, *Venture Capital and the Finance of Innovation*, 1st edition. Note that this is a preliminary syllabus and will change as the course progresses. The instructors reserve the right to add and remove readings from the course and to alter or modify the lecture schedule as required.

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<thead>
<tr>
<th>Topic 1</th>
<th>Introduction and Course Overview: The Venture Capital Industry</th>
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<tbody>
<tr>
<td>Sep 7</td>
<td>MY: Chapter 1 ‘The VC Industry’</td>
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<td>MY: Chapter 2 ‘VC Players’</td>
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<td>MY: Chapter 7 ‘The analysis of VC investments’</td>
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<td>Activity: ‘Name that IPO’</td>
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| Topic 2 | Sep 14 | **Inside the VC Partnership: How deals are chosen**  
|---------|--------|--------------------------------------------------|
| Topic 3 | Sep 28 | **Business Valuation: Discounted Cash Flow Analysis & VC Method**  
MY: Chapter 10 ‘The VC method’  
MY: Chapter 11 ‘DCF analysis of growth companies’  
MY: Chapter 12 ‘Comparables Analysis’ |
| Topic 4 | Oct 5  | **Business Valuation: Applications of Options: Real Options**  
MY: Chapter 13: ‘Option pricing’  
Reading on Real Options on LATTE  
Luehrman ‘Investment Opportunities as Real Options: Getting Started on the Numbers,’ HBR Jul-Aug 1998, Reprint 98404 |
| Topic 5 | Oct 12 | **Deal Structure and Term Sheets**  
MY: Chapter 8: ‘Term Sheets’  
MY: Chapter 9: ‘Preferred Stock’  
Case: Gompers, “edocs, Inc.” HBS 9-200-015 |
| Topic 6 | Oct 19 | **Venture Debt**  
Case: Matthew Rhodes-Kropf; Ann Leamon – Avid Radiopharmaceuticals and Lighthouse Capital Partners. HBS 9-810-054. |
| Topic 7 | Oct 26 | **Multi-stage Financing and Angels vs. VCs**  
Note: Kerr and Nanda, ‘Financing New Ventures,’ HBS 9-811-093  
Case: Nanda, Kerr, and Barley, “PunchTab, Inc.” HBS 9-812-033, October 2011 |
| Topic 8 | Nov 2  | **In-depth: A down round at Endeca**  
| Topic 9 | Nov 9  | **Compensation in Entrepreneurial Start-ups**  
Case: Hall and Tufano - Sara’s Options HBS 9-201-005, July 2002. |
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<tr>
<th>Topic 10</th>
<th>Nov 16</th>
<th>In-depth: Focusing on Seed Financing</th>
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<td>Case: Sahlman and White – BOLT; Seed Venture Capital Firm, HBS 5-815-121, December 2015.</td>
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<th>Topic 11</th>
<th>Nov 30</th>
<th>In-depth: Expansion and Financing Strategy</th>
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<td>Case: Gompers Paul, Honest Tea. HBS 9-201-076.</td>
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<th>Topic 12</th>
<th>Dec 7</th>
<th>Course Wrap Up: Final Pitch</th>
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**Disabilities:**
If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see both of us immediately.

**Academic integrity:**
You are expected to be familiar with and to follow the University’s policies on academic integrity (see [http://www.brandeis.edu/studentlife/sdc/ai/](http://www.brandeis.edu/studentlife/sdc/ai/)). Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University.