



The University of Chicago Booth School of Business

Private Equity and Venture Capital Lab (B34702) – Spring 2013

Professors Jason Heltzer and Ira Weiss

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Class Time and Location:

Tuesday evenings 6-9pm
April 2nd to June 11th
Gleacher Center room 408

Office Hours: 5:00-6:00pm prior to class (please email professors Heltzer or Weiss to let us know you will be coming by) and by appointment at other times.

TAs:

The TAs are important resources for the class. In addition to providing assistance on class work, the TAs can also provide perspective on navigating your internship. Please reach out to TAs via email to enlist their help.

Name	Specialty	Email
Webb Brown	VC	dbrown02@chicagobooth.edu
Ezra Galston	VC	egalston@chicagobooth.edu
Garrett Monda	PE	gmonda@chicagobooth.edu
Katie Ossman	PE	kossman@chicagobooth.edu
Ankit Patel	PE	apatel15@chicagobooth.edu

Materials: B34702 course packet and materials posted on Chalk.

Course Objective: The goal of this course is to provide students with a practical set of tools to help them succeed as principal investors in private equity and venture capital funds. While some theory will be covered, the primary focus is how the profession is practiced in the field. Armed with a current, real-world perspective and pragmatic tools, we hope to accelerate each student's apprenticeship process. The course complements students' internships at a PE or VC firm. The toolset includes creating an investment thesis, performing due diligence, fundraising and managing PE/VC funds, negotiating and structuring financial terms, exiting deals, board governance and influence, and overseeing portfolio companies.

The course includes both PE and VC models because we believe it is important for each group of professionals to understand each other's structures, tools and incentives. PE funds often buy companies that were previously backed by VCs, and one of the most common exits for VC portfolio companies is to PE funds. In addition, some PE firms and VC firms have expanded into other stages, and competitive dynamics can sometimes result in a blurring of the two.

Additional Resources: Students enter this class with a wide range of experience in PE and VC. For some students, this is their first experience in the field, while others have worked at PE/VC firms for 3-5 years. In an effort to accommodate this spectrum, we have created an extensive “resources” wiki on the class Chalk site. These resources include background reading and videos for those that are newer to the industry (or stage of investing), and also include more in-depth materials for advanced students. We have also included resources that offer advice for both the internship and recruiting, as well as regional networking organizations.

The resources are organized by stage and level of previous exposure, and in certain cases will be associated with a particular class session (specified below). Several of the videos were made exclusively for this class. All of the online resources are optional, except if noted in the syllabus.

It is recommended that all students subscribe to relevant [Twitter lists](#) created especially for this class and/or newsletters for their stage of investing. A comprehensive listing is in the resources wiki under “Industry News Resources”.

If you come across a resource that you believe would be helpful to your classmates, please email the professors so they can consider posting it to the site.

Prerequisites and Requirements: Students are required to take the course if they have secured an internship with a PE or VC fund through the PE/VC Lab. Students involved in the Sterling Partners Investment Thesis Challenge are also eligible to take the class, but are not required. You may request to opt-out of the academic course by sending a written request to the professors. Students who opt-out of the course will not receive course credit, accrue bidding points or be allowed to audit the class. Decisions are made on a case-by-case basis at the discretion of the professors.

Laptop and Tablet policy: Tablets can be used in class to take notes and display class materials. Laptops are only allowed to be used in the last row in the classroom unless students are working on an in-class exercise that requires laptop use. Use of a laptop does not exempt students from engaging in class discussion or being called upon to participate. Please consider guests speakers when choosing to use a laptop. Professors and guest speakers reserve the right to request that use of devices be discontinued during class.

Grades: Your grade is based on your score out of a possible 300 points. You may not take this class pass/fail. All grades are final. The points are allocated as follows:

Final project	100
Case write-ups & Exercises (best 5 of 6)	125
Class Participation	75
Host firm evaluations	100

Cases: We will do three cases (and four case write-ups) this quarter:

1. Daedalus Case (two write-ups)
2. CDW Case
3. Ovation Case

We will go over these cases in class. Grades will be based on write-ups responding to several questions associated with each case. Students are *encouraged to work in groups*, and students should turn in 1 case write-up per group (maximum of 5 people per group). The Daedalus case will be used for two write-ups. Each case write-up is graded on a scale of 0-25.

Exercises: We will do two exercises this quarter. Each exercise is patterned after work you might expect to encounter as a junior professional in a VC or PE firm. The exercises are to be completed by each student individually, and each student must turn in his/her own assignment. Each exercise is graded on a scale of 0-25.

Of the six case write-ups and exercises, the lowest score will be dropped.

Final Project: The final project for the class involves teams of students who are part of an investment partnership. The investment partnership will be asked to describe its focus and investment thesis, and to evaluate a set of real world investment opportunities. Each team will give a presentation on June 11th that justifies the decisions that the partnership has made about the investment opportunities and suggest an investment structure for any investment the partnership recommends. Professionals from the industry will be invited to judge and provide feedback to the presenting teams. Every student is required to attend this presentation day. If you have a conflict, you must notify the professors before May 1.

Participation: Participation grades will be based on attendance and a student's ability to answer basic questions about the material and contribute to the class discussion.

Honor Code: Students are required to adhere to the standards of conduct in the Chicago Booth Honor Code and the Chicago Booth Standards of Scholarship.

Class Guests: We have linked guest speakers' bios to their names in the class listing below. For class sessions with multiple guests, links to bios will be distributed by email before the class when possible. We encourage students to read the bios and visit company sites for guests to enrich the class discussion.

Date	Topics	Assignment(s) Due	Guests	Readings and Additional Resources
4/2	<ul style="list-style-type: none"> • Course Expectations • Student Introductions • Fund Dynamics (lecture) 	First class assignment: turn in a bio and describe yourself to the class (see coursepack or Chalk for details)		<p>Required Readings:</p> <ul style="list-style-type: none"> • <i>Private Equity Today and Tomorrow. <u>Venture Capital and Private Equity A Casebook</u></i>, by Josh Lerner (coursepack) • <i>Note on Private Equity Partnership Agreements, <u>HBS Case 9-294-084</u></i>. by Josh Lerner (coursepack) <p>Recommended Reading:</p> <ul style="list-style-type: none"> • <i>Helpful Hints for Private Equity and Venture Capital Lab Interns from former Interns and Host firms</i>. By Jason Heltzer, Ira Weiss and class TAs. (Chalk) <p>Optional Readings:</p> <p>(i) Specific to Private Equity</p> <ul style="list-style-type: none"> • <i>Recasting the Role of Debt, Creative Leverage and Buyout Financing. The New Financial Capitalists: Kohlberg Kravis Roberts and the Creation of Corporate Value</i> (coursepack) <p>(ii) Specific to Venture Capital</p> <ul style="list-style-type: none"> • <i>Pioneer Investing: Taking VC from Silicon Valley to Bangalore and Beyond</i>, William H. Draper III. <u>Masters of Private Equity and Venture Capital</u>, by Robert Finkel, Part II.8 (coursepack) <p>Background Videos:</p> <ul style="list-style-type: none"> • Raising Capital for a startup (Khan Academy) • Getting a seed round from a VC (Khan Academy) • PE Definition and Stages Overview I (Jason Heltzer) • Stages Overview II (Jason Heltzer)
4/9	<ul style="list-style-type: none"> • Due Diligence • Economics of various structures (walk thru) 	Case Write-up #1: Daedalus Systems (Group)		<p>Case:</p> <p><i>Daedalus Systems: November 2010</i>, by Jason Heltzer (Chalk)</p> <p>Required Readings:</p> <ul style="list-style-type: none"> • <i>Down and Dirty Due Diligence</i>, parts I and II. <u>Journal of Private Equity</u>, by Allan Smithee (coursepack)

Date	Topics	Assignment(s) Due	Guests	Readings and Additional Resources
4/16	<ul style="list-style-type: none"> • Termsheets • Valuation • Structuring • Internship problem solving 	Exercise #1: Economics of various structures (Individual)	Ryan Harris , Partner, McDermott, Will and Emory Law firm	<p>Required Readings:</p> <ul style="list-style-type: none"> • <i>Note on Valuation in Private Equity Settings</i>, HBS Case #9-297-050 by Josh Lerner and John Willinge (coursepack) • <i>Economics of the Term Sheet, Control Terms and Capitalization Table</i>, Venture Deals: Be smarter than your lawyer and venture capitalist, by Brad Feld and Jason Mendelson: chapters 4, 5, 7 (coursepack) <p>Background reading and media:</p> <ul style="list-style-type: none"> • Private Equity sample LOIs (Chalk) • VC Sample Term sheet, Series A (Chalk) • NVCA sample Series A legal documents (for experienced students) • Techstars sample seed legal documents (for experienced students) • Series B. Back to the Till (Khan Academy Video)
4/23	<ul style="list-style-type: none"> • The Role of Debt and Different types • Anatomy of a Public to Private Buyout • Investment Memos • Deal Post-mortem 	Case write-up #2: CDW (Group)	<p><u>Debt Discussion</u> Chris McGowan, Executive in Residence, Chicago Booth</p> <p><u>CDW Discussion</u> Ann Ziegler, SVP and CFO, CDW Brittany Smith, Director, Madison Dearborn Partners</p>	<p>Case:</p> <ul style="list-style-type: none"> • <i>CDW</i>. By Ellen Rudnick (Chalk) <p>Background Readings:</p> <ul style="list-style-type: none"> • <i>LBO Financing: Structure, Primary Sources, and Key Terms. Investment Banking: Valuation, Leverage Buyouts, and M&A</i>, by Joshua Rosenbaum and Joshua Pearl. Pg 178-192 (course reserves on Chalk) • <i>Note on Leverage Buy-outs. Case from Tuck School of Business at Dartmouth, Center for Private Equity and Entrepreneurship. Case #05-0004</i>, by Fred Wainwright and Colin Blaydon (coursepack)
4/30	<ul style="list-style-type: none"> • Differentiating your fund's Strategy • Fundraising 	Case Write-up #3: Daedalus termsheet (Group)	Todd Warnock , Founding Partner and Senior Advisor, Roundtable Healthcare Partners	<p>Required Readings:</p> <ul style="list-style-type: none"> • <i>A note on Private Equity Fundraising. HBS Case 9-201-042</i>, by Josh Lerner (coursepack) <p>Background Reading:</p> <ul style="list-style-type: none"> • Fund formation legal documents (Chalk) (For experienced students)

Date	Topics	Assignment(s) Due	Guests	Readings and Additional Resources
5/7	<ul style="list-style-type: none"> • Compensation of fund professionals • Carry calculations and distributions • Building a team • Politics • Reporting 	Exercise #2: Fund Dashboard (Individual)		<p>Required Readings:</p> <ul style="list-style-type: none"> • Inside Game: Managing a Firm Through Change after Change, John Canning Jr. Madison Dearborn Partners. <u>Masters of Private Equity and Venture Capital</u> by Robert Finkel, Part I.6 (coursepack) <p>Background Reading:</p> <ul style="list-style-type: none"> • ILPA quarterly reporting standards document
5/14	<ul style="list-style-type: none"> • Presentation of Student Dashboards & prior examples • Industry Panel: Creating deal-flow and sourcing outstanding opportunities (6:30-7:45pm) • Thank you reception for host firms. <i>PLEASE INVITE YOUR HOST FIRM TO THIS EVENT.</i> They are also welcome to attend the panel discussion. 	None	Various	<p>Background reading and media:</p> <ul style="list-style-type: none"> • Private Equity and VC Careers (ignore sections commenting on current market as of 2003) • How to get a PE job in 2550 words • PE and VC recruiting process (video by Jason Heltzer)

Date	Topics	Assignment(s) Due	Guests	Readings and Additional Resources
5/21	<ul style="list-style-type: none"> Partnership with Investors Exits 	Case write-up #4: Ovation Pharmaceuticals (Group)	Jeff Aronin , Founder, Chairman and CEO, Paragon Pharmaceuticals	<p>Case: <i>Ovation Pharmaceuticals</i>. By Ellen Rudnick (Chalk)</p> <p>Background Reading and Media:</p> <ul style="list-style-type: none"> IPOs (Khan Academy Video) More on IPOs (Khan Academy Video)
5/28	NO CLASS SESSION. Instead, attend a portion of the NVC finals on Thursday, 5/30 (VC Teams only), begin work with your team, and present final project to class on 6/11			
Thurs 5/30	NVC Finals (a few seats will be reserved for students in the PEVC class)			
6/4	<ul style="list-style-type: none"> Board governance (board simulation) Interpersonal Influence Exits 	None	Various	<p>Vignettes:</p> <ul style="list-style-type: none"> Alderaan Corporation 2009. By Jason Heltzer (Chalk) <i>Whitefire 2010</i>. By Jason Heltzer (Chalk) <p>Background Reading and Materials:</p> <ul style="list-style-type: none"> <i>The Basic Responsibilities of VC-Backed Company Directors</i>, White Paper written by the NVCA's Working Group on Director Accountability and Board Effectiveness (coursepack)
6/11	Final Project Presentations	Final Project Presentation	Various	