MBA 705: Venture Capital and Private Finance  
Spring 2019  
M. Rashed Hasan – Adjunct Faculty

Class Meetings: January 31, 2017 – April 6, 2019  
Thursdays 6:30 pm – 10:05 pm in Founders Hall 477 (Arlington)

Office: 402A (Adjunct Faculty)

Office Hours: Thursdays 5:30 pm – 6:15 pm and by appointment only

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Course Description

The private equity industry has been growing tremendously over the last two decades with 2017 being a record year in terms of exits, investment and transaction volume. Indeed, while the total amount of private equity capital invested globally was only around $650 million in 1990, the global capital available reached a maximum of $1.1 trillion in 2008 and was approximately $1.7 trillion as of the end of 2017. Despite the hit by the financial crisis in 2008, there is still much untapped potential for private equity and investments, not only in the U.S. but around the world globally, making private equity a very interesting asset class.

Total Global Private Equity Capital Raised (by type), Source: Preqn
The objective of this course is to familiarize students with the private equity industry by providing them with an introduction to the terminology and practices used in private equity transactions by the participants in the industry.

Over the next ten weeks we will be focusing on private equity transactions involving enterprises at different stages of development whose financing needs are answered by private equity companies with different investment focuses. As this is a finance course, our main focus is going to be the application of common financial valuation models to venture capital and private equity transactions and recognizing how financing and valuation change for a firm over its life-cycle.

This course is organized as a case course; hence class meetings will consist of case discussions. I will not be lecturing, so each class member is expected to be well prepared for each session and to actively participate in class discussions. Your participation is vital to making this class a fun learning experience for all of us.

**Course Material**

Harvard Business School Publishing cases are the main material for the course. I have created a course pack which can be purchased from HBS publishing directly at:

[https://hbsp.harvard.edu/import/597744](https://hbsp.harvard.edu/import/597744)

In addition to the cases, I have also included a couple of HBS Publishing notes on specific issues, mainly on valuation in different private equity settings, in the abovementioned course pack.

There is no required textbook for the course. If you want, I recommend “Metrick and Yasuda, Venture Capital and the Finance of Innovation” as a reference textbook. Additionally, I believe that you would greatly benefit from regular reading of the Wall Street Journal, the Economist, Business Week, Fortune, Forbes, Barron’s etc.

**Program-Level Learning Goal**

Analytical Decision Making: Demonstrate the ability to analyze uncertain complex management situations using appropriate tools, techniques and information systems for decision-making.

**Grading**

Your final course grade will be determined as follows:

- Class Participation in Case Discussions 30%
- Case Analysis Presentation/Discussion 20%
- First Case Analysis Report 25%
- Second Case Analysis Report 25%
You will work on all case assignments individually or in groups (if assigned) and submit two written case reports. Presenting a case analysis and leading a discussion on it is a great and effective way of mastering the concepts presented in a case. You (or your group) will also be required to do a presentation/lead a discussion on one of the two case analyses you work on. Every group member (if assigned) has to be present on the day of their group presentation/discussion. If you miss the class on your group’s presentation/discussion date, you will receive zero credit. Please note that the other students are also expected to participate in the case discussion when one group presents/discusses their case analysis.

All case assignment reports must be submitted at the beginning of class on the dates specified. Late submissions will not be accepted. Group case analyses must be original work – see below for academic integrity statement. No credit will be given for unoriginal or copied work and necessary action will be taken based on the honor code. There will also be peer evaluation forms for rating case group members. These ratings will guide me when assigning final case grades.

Class Participation

The value gained from this course is greatly affected by the quality of class participation. Effective participation requires being prepared. It also requires reflection and synthesis of information (sometimes quite diverse) to form cogent arguments and points.

This grade will be based on my assessment of your participation during the class discussions.

- The participation evaluation is based on “contribution” and not “participation.” It is an opportunity to engage and bring diverse ideas into the questions and discussion. It is the quality of input and questions, not number of questions and comments.
- A good insightful question posed, is as important to a discussion as synthesis and answer.
- Comments and questions that are vague, unrelated to discussion, repetitious, disrespectful of others, made without sufficient foundation will be viewed and scored negatively.

Student Responsibilities

Students are expected to be prepared for class, do their homework, and participate in class discussions.

Course Policy

Standards of Behavior: In accordance with the School of Business Standards of Behavior, the MBA 705 classroom culture is founded on three primary values: learning, respect, and integrity. It is critical that classmates feel free to express their views and opinions; all discussion posts must be professional and respectful of other students in the class. In order to create this environment it is incumbent on all of us to be respectful of one another.
## Tentative Course Outline

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Cases/Notes</th>
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| Week 1 (01/31) | ➢ Introduction to Course  
             ➢ A General Look at Private Equity Investments                      |                                                                            |
| Week 2 (02/07) | ➢ Organization of Private Equity Firms  
             ➢ Valuation Methods in Private Equity Settings                        | • Greylock Partners  
             • Yale University Investments Office: February 2011  
             • A Note on Valuation in Private Equity |
| Week 3 (02/14) | ➢ VC Funding Pitch  
             ➢ Historical Performance of Venture Capital Funds                   | • Zipcar: Refining the Business Model  
             • Risk and Reward in Venture Capital |
| Week 4 (02/21) | ➢ Venture Capital Term Sheet Valuation                               | • A Note on Valuation of Venture Capital Deals  
             • SpiffyTerm, Inc.: January 2000 |
| Week 5 (02/28) | ➢ Cash Flow to Equity Valuation  
             ➢ Subscriber Model Valuation                                   | • NetFlix.com, Inc.  
             • Growing Up in China: The Financing of BabyCare Ltd. |
| Week 6   | Mezzanine Financing  | Guest Lecture – Incline Capital  
|         | Growth Capital       | Valuation of Late-Stage Companies and Buyouts  
| (03/07) |                    | Elephant Bar Restaurant: Mezzanine Financing  
|         |                    | Case #1 Due  
| Week 7  | Rollup Deals        | BCI Growth III: May 1993  
| (03/14) | Leveraged Buyouts   | AtHomeCare, Inc.: Health Care Services Rollup  
| Week 8  | Leveraged Buyouts   | Guest Lecture – Bain Capital  
| (03/21) |                    | Hertz Corporation (A)  
|         |                    | Hertz Corporation (B)  
| Week 9  | Leveraged Buyouts   | Berkshire Partners: Bidding for Carter’s  
| (03/28) |                    | The Carlyle Group: IPO of a Publicly Traded Private Equity Firm  
| Week 10 | Review and Class Wrap-Up | Case #2 Due  
| (04/04) |                    | Case Presentation  

**Reading Assignments:** In order to prepare you for the discussions and other assignments, all required readings must be completed during each week. All readings and other required course materials are listed in Blackboard in the assignment tables and within the relevant assignments themselves. Some recommended readings may be posted online for discussion. Check the course announcements and the current events page regularly for faculty updates.

**Technology:** You must have consistent access to an internet connection in order to complete the assignments in this course through Blackboard (http://mymasonportal.gmu.edu).
E-mail: Email messages will periodically be sent to the entire class. These emails will come through the Blackboard communication system. You are fully responsible for checking your e-mail regularly, and for any information communicated to the class via e-mail. You should always feel free to communicate with your faculty via e-mail.

Disability: Students with disabilities who require special accommodation should contact the Student Disability Resource Center (http://www.gmu.edu/student/drc/ or call 703-993-2474) and should inform their faculty of their needs so they can be taken into consideration. Please take care of this during the first week of the semester.

Religion: Students who will be unable to participate in online activities certain days for religious reasons should inform the faculty of their anticipated absences during the first week of the semester.

Honor System and Code: The Honor System and Code adopted by George Mason University will be enforced for this class. You may find the honor code at https://oai.gmu.edu/mason-honor-code/.

Examples of Honor Code violations include but are not limited to, the discussion of or sharing the content of any writing assignment, online assessments, discussion questions, or exams with previous, current, or future MBA students (in any section or semester); falsely representing your own work or the work of others (i.e., plagiarism); using or handing in work from a different course.

Please note: The GMU Honor Code requires that faculty submit any suspected Honor Code violations to the Honor Committee. Therefore, any suspected Honor Code violation will be submitted to the Honor Committee. The typical penalty for an honor code violation is an F in the course for a first offense (See table below). Second offenses result in more severe penalties up to and including suspension from the university. Any honor code violation is documented in the student’s permanent disciplinary record.
## School of Business Recommendations for Honor Code Violations

*Adopted by the faculty May 2012*

### Graduate Students

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th>First Offense</th>
<th>Second Offense</th>
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<tbody>
<tr>
<td>Plagiarism—failure to cite/attribute sources</td>
<td>An F in the class; multiple visits to the Writing Center required; and Academic Integrity Seminar Attendance</td>
<td>An F in the class; multiple visits to the Writing Center required; Academic Integrity Seminar Attendance; dismissal from the program; and possible suspension or expulsion</td>
</tr>
<tr>
<td>Plagiarism—representing someone else’s work as the student’s own</td>
<td>An F in the class; multiple visits to the Writing Center required; and Academic Integrity Seminar Attendance</td>
<td>An F in the class; multiple visits to the Writing Center required; Academic Integrity Seminar Attendance (at times of hearing and reenrollment if relevant); dismissal from the program; and possible suspension or expulsion</td>
</tr>
<tr>
<td>Cheating on an assignment, homework, class participation, or minor project</td>
<td>An F in the class; and Academic Integrity Seminar Attendance</td>
<td>Expulsion</td>
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<tr>
<td>Cheating on a major project, test, or exam</td>
<td>An F in the class; Academic Integrity Seminar Attendance; and at least one semester suspension</td>
<td>Expulsion</td>
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<tr>
<td>Egregious Violation [e.g., stealing an exam; submitting coursework from another class as original work; lying to an employer about academic performance]</td>
<td>Dismissal from the program; at least one year suspension; and attendance at Academic Integrity Seminar at the time of hearing and just prior to reenrollment</td>
<td>Expulsion</td>
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Writing Assignment Standards
All writing assignments should be formatted as follows: double-spaced, Times New Roman, 12-point font, and 1-inch margins. To cite and reference your sources of information, use the notes and bibliography system as prescribed in Chicago style. Specific instructions for in-text citations and referencing are found at http://www.chicagomanualofstyle.org/tools_citationguide/citation-guide-1.html.
To help manage the citations and seamlessly create reference lists, Mason supports a free software called Zotero. Please go to https://www.zotero.org/. This program offers:
- Centralized bibliography management
- Ability to sync across computers
- Ability for teams to combine contributions to the references
- Word plug-in that allows citation management within MS Word

George Mason University has a writing center that can help you improve your English writing skills. More information is available at http://writingcenter.gmu.edu/

Inclement Weather and Campus Emergencies
Information regarding weather related changes in the University’s schedule (e.g., closing or late opening) will be provided on the GMU website and via MasonAlert. Students sign up for the Mason Alert system to provide emergency information of various sorts at https://alert.gmu.edu.

An emergency poster exists in each classroom explaining what to do in the event of crises and that further information about emergency procedures exists on http://www.gmu.edu/service/cert.