

Hong Kong University of Science and Technology
School of Business and Management
Department of Finance

FINA 539 – Venture Capital & Private Equity
Spring, 2006

I. COURSE DESCRIPTION

This 8-week, 28-hour course offers a practical, “real world” understanding of venture capital in Asia. It will provide an overview of the marketplace and include such Venture Capital (VC) topics as: 1) Deal structuring; 2) Valuation techniques; 3) Negotiating investment term sheets; 4) Due diligence and post-investment management; 5) Going public and other exit strategies. Real world examples and cases, primarily from Asia, will be used to illustrate these topics. The student will see VC transactions from several perspectives, including as a promoter of a new investment, as a potential investor, as the head of an investment committee, as a prospective subsequent investor, as an entrepreneur, and as an entrepreneur seller.

II. THE INSTRUCTOR

Dr. Laurence Franklin, Adjunct Professor of Finance and Business Law, has been doing business in Asia since 1981, as a lawyer, commercial banker, investment banker and equity investor. He has raised \$5 billion in equity and debt for projects in China, and another \$4 billion for projects elsewhere in Asia Pacific.

Most recently, Larry worked for Hutchison Whampoa (China) Ltd., the China subsidiary of Hutchison Whampoa Ltd., as General Manager-Investments supervising a US\$500 million Venture Capital Fund, and as Head Legal Counsel. This Fund was focused on direct investments in Greater China (*i.e.*, China, Hong Kong and Taiwan) and in North America. Previously, Larry held the position of Deputy Managing Director for AIA Capital Corp. (AIACC), the investment banking arm in Asia of the American International Group (AIG), and was actively involved in sourcing and structuring direct investments in the Asia region for AIACC’s US\$110 million Venture Capital Fund, as well as for AIG’s \$1.1 billion Infrastructure Fund. AIG has in excess of US\$50 billion in investments in Asia Pacific. From 1981-1989, Larry worked for The First National Bank of Chicago, first as Asia Pacific Regional Counsel (1981-1985), and then as China Country Head (1985-1989).

Larry holds MBA and Juris Doctor degrees from Stanford University, and is a Certified Public Accountant. Larry has taught more than 100 MBA and EMBA level courses. In addition to his MBA teaching at HKUST, he has taught previously in the MBA programs at Stanford, Chicago, MIT Sloan, Darden (U. Virginia), USC, UCLA, Tsinghua in Beijing and Manchester in the U.K. He has taught in the Executive MBA programs at Chicago, MIT Sloan, the Kellogg EMBA programs with WHU in Germany, Recanati in Israel, Schulich in Canada, and HKUST in Hong Kong, and China-Europe International Business School (CEIBS) in Shanghai and Beijing.

Larry is honored to have received 50 Teaching Excellence citations from the 50 MBA courses he has taught at HKUST.

Larry’s publications include *Establishing a Holding Company in China*, a 30-page Chapter in *Obtaining PRC Approvals*, 300 pps., published by Euromoney’s Asia Law & Practice, January, 2000.

III. TOPICS FOR COURSE MEETINGS

Session One	Overview of Venture Capital in Asia
Session Two	Deal Structuring
Session Three	Due Diligence and Post-investment Diligence
Session Four	Valuation Techniques
Session Five	Evaluating VC Term Sheets I
Session Six	Evaluating VC Term Sheets II; Convert or Cash Out?
Session Seven	Exit Strategies
Session Eight	Course Wrap-Up, Final Examination

IV. READINGS

There is no required text. There will be required Reading Materials for each session available in advance. In each session of the course, there will be caselets (short-form cases) to prepare for discussion. In evaluating whether or not to take this course, you should consider that this course has a “heavy” workload and is expected to require at least 3 hours outside of class for every hour in class.

Preparation for class is essential if you want to benefit fully from the class session, which will tend to move swiftly and be highly interactive with and among the students.

You are expected to be a well-informed reader of the business press on venture capital, especially transactions occurring in Asia. At a minimum, this would include daily readings in The Asian Wall Street Journal and The South China Morning Post. Highly recommended periodicals include Far Eastern Economic Review, The Economist, Fortune and Business Week. We will spend 15 minutes at the beginning of each session discussing current items on venture capital in Asia in the media.

V. OFFICE HOURS

Before class, after class and by appointment. The best way to reach me is by email as shown below.

VI. GRADING

Your grade is based on your participation in class (30%), homework (20%) and the final examination (50%). As there are only 7 substantive sessions, it is recommended you attend and participate in all classes. The final exam will be short essay rather than numerical problem solving, and will be designed to test your common sense, your ingenuity and your ability to apply the substance of the course to new fact situations.

VII. CONTACT INFORMATION

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Email: lcfran@ust.hk

Classroom: TBA
Office: Room 5482, HKUST
Office Hours: By Appointment
