

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

**FINA 539 – Venture Capital & Private Equity**  
**Spring, 2007**

**I. COURSE DESCRIPTION**

This 8-week, 28-hour course offers a practical, “real world” understanding of venture capital and private equity. 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. ABOUT 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 directing 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 (1989-1998). 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 in the MBA programs at Stanford, Chicago, MIT Sloan, Darden (U. Virginia) and Tsinghua in Beijing. In addition to his EMBA teaching for Kellogg-HKUST and for HKUST’s iEMBA program in Beijing, he has taught in the Executive MBA programs for Kellogg-WHU (Germany), Kellogg-Recanati (Israel), Kellogg-Schulich (Canada), as well as for Chicago, MIT Sloan and China-Europe International Business School (CEIBS) in Shanghai and Beijing.

Larry is honored to have received 55 Teaching Excellence citations from the 55 MBA courses he has taught at HKUST. He has received several teaching awards, including Best Teacher in the Kellogg-WHU EMBA program (2004) and Professor of the Year in the HKUST iEMBA program (2003).

### III. TOPICS FOR COURSE MEETINGS

Session One	Overview of Venture Capital & Private Equity
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
Session Seven	Exit Strategies, Course Wrap-Up
Session Eight	Final Examination

### IV. READINGS

There is no required text. There is a course pack. For each Session, there are required Reading Materials. In each Session, 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.

### 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 strongly recommended you attend and participate in all classes. The final exam will be primarily 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

Telephone: 2358-7688  
Facsimile: 2358-1749

Classroom: Room 4219  
Office: Room 5482, HKUST

## VIII. COURSE OUTLINE

Session 1	Wednesday, January 31, 2007
Topics	<b>Overview of Venture Capital &amp; Private Equity</b>
Reading	Reading Materials
	<b>Caselet: Changchun Pepsi (consumer goods, China)</b>
	<b>Caselet: TV- India (media, India)</b>

Session 2	Wednesday, February 7, 2007
Topics	<b>Deal Structuring</b>
Reading	Reading Materials
	<b>Caselet: Le Meridien Lombok (hotel, Indonesia)</b>

Session 3	Wednesday, February 14, 2007
Topics	<b>Due Diligence</b>
Reading	Reading Materials
	<b>Caselet: Delirium (internet services, Pan-Asia)</b>
	<b>Homework Due: Questions II. C 1-10 and III.</b>

Session 4	Wednesday, February 21, 2007
Topics	<b>Valuation Techniques</b>
Reading	Reading Materials Reference: Brealey & Myers, Chapters 4 and 5
	<b>Caselet: Ms. Chung Equity Valuation (consumer goods, Hong Kong)</b>
	<b>Caselet: Qingdao Float Glass Equity Valuation (industrial goods, China)</b>

Session 5      Wednesday, February 28, 2007  
Topics          **Understanding and Evaluating Term Sheets**

Reading        Reading Materials

**Caselet: HITECH (wireless technology, China)**  
**Term Sheet I (first prospective buyer)**

Session 6      Sunday, March 4, 2007 \*\*\*Note Special Date\*\*\*  
Topics          **Evaluating Term Sheets (continued)**

Reading        Reading Materials

**Caselet: HITECH**  
**Term Sheet II (second prospective buyer)**

**Homework Due: Prepare and turn in Answers to Term Sheet II**

Session 7      Wednesday March 7, 2007  
Topics          **Exit Strategies**  
**Course Summary**

Reading        Reading Materials

**Class Exercise: Exit Strategies for Caselets**

**Caselet: The Green Hills Convertible Debenture**

**Homework Due: Prepare and turn in Answers to Green Hills Caselet**

Session 8      Wednesday March 28, 2007 9:00-12:20 Room 4219  
(Note: There is a two week gap because Exam Week begins March 26)

Topics          **Final Examination (3.0 hours, open book, open notes)**