



FIN 428B/681 | Venture Capital & Private Equity

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Summary

The course surveys the private equity industry, with an emphasis on the financial and economic tools useful for leveraged buyout and venture capital investing. The course is divided into three modules. We begin with an introductory module on the organization and strategies of private equity funds. The second module covers examples of the basic types of private equity transactions, and the third module expands on these types by studying transactions with options and hybrid financing structures. The primary audience for this course is finance majors interested in careers at private equity funds. The secondary audience is students planning careers that have significant interaction with private equity funds, either as providers of these funds (pension fund managers, institutional investors, investment advisors) or as consumers of them (managers/owners of startups or buyout candidates). The class meetings are split about equally between cases and lectures. There are nine written assignments & presentations by student-formed teams, and an in-class final.

Goals of the Course

After completing this course, students should understand deal structure and valuation for a broad range of private equity transactions. They should also know the current institutional and contractual practices in the private equity industry, and understand how these practices are driven by the information and incentive problems faced by the key players.

Format

The course is primarily in a case/discussion format, supplemented by some lectures and guest speakers. Guest lectures are a mandatory part of the class. For approximately half of the classes there is a case discussion (see the section on deliverables & grading for more information on case procedures).

This course utilizes professionally pre-recorded videos for some classes to review basic class material and to cover certain topics in more depth. All lectures are professionally pre-recorded on video and available through canvas. The flipped classroom setting is not intended to increase student workload compared. Rather, a range of studies have found that videos in combination with traditional classroom instruction significantly increase student learning.

Materials

The materials for this class consist of cases, spreadsheets, class slides, readings, and background readings. Most of the materials used in the course originate from Harvard Business School, *Venture Capital & Private Equity: A Casebook* by Josh Lerner and *Venture Capital and the Finance of Innovation* by Andrew Metrick and Ayako Yasuda. Except for copyrighted cases and readings, all class materials are freely available from the class website. The copyrighted materials are hosted on study.net. Access to the study.net materials ends when the semester ends.

Deliverables and Grading

Course grades are based on each individual's cumulative score relative to the rest of the class. Assignments submitted past the due date incur a 20% penalty for every day that they are late. Assignments submitted after they are discussed in class will not receive credit. The following elements determine one's score:

Case Reports (35 percent of overall grade): There are eight case assignments. To execute the case assignments, students form into self-selected four person teams or partnerships at the beginning of the semester. Partnerships are expected to meet (in-person or virtually) to discuss and execute each team assignment. For each case, each partnership designates one person as "managing partner" (MP). The managing partner structure allows partnerships to efficiently allocate the work within the partnership, with the managing partner taking the lead on the case and the other members of the partnership supporting the managing partner. Each student must serve at least twice as a MP. Since there are eight cases, each partnership cannot have more than four members. Partnerships with less than four members need to complete all cases but can select (if any) which cases will have no MP at the end of the semester (as long as each member serves at least twice as a MP). For each case, each partnership is expected to turn in a two-page report (plus up to three pages of supporting calculations) at the start of the class in which the respective case discussion takes place. A case score counts twice for the managing partner on that case.

Problem Sets (15 percent of overall grade): There is one problem set.

Class Participation (10 percent of overall grade): Class participation is vital to the success of the course. For class participation, quality is better than quantity. You need not speak often; you need to speak thoughtfully. There are multiple opportunities for class participation, inside and outside of class. The main criteria is "Did you help other people learn?"

Methods to gain class participation include: attendance, quality of preparation and in-class responses, discussion boards on Canvas, volunteer presentations (if any), in-class exercises, and a student survey at the end of the semester in which each student can acknowledge those peers who contributed most to their learning and class experience.

All students are expected to participate in class discussions. Managing partners should prepare to be cold-called to discuss their findings from the case.

Attendance of every [% attendance elements] is mandatory. All students get [% miss class] free unexcused absences. For unique circumstances please send an email in advance of missing a class with the reason for doing so. An unexcused absence from the class results in a failing grade.

Final Exam (40 percent of overall grade): There is a closed book in class exam reviewing the materials of the entire semester.

BBA students - The exam is mandatory.

MBA students scoring less than 80 percent on the problem set: The exam is mandatory.

MBA students scoring at least 80 percent on the problem set: The exam is optional for MBA students receiving a score of 80 percent or above on the problem set. Students who choose not to take the exam receive a grade based only on their case reports' scores, their problem set score and their class participation score and cannot receive a course grade higher than a "PS." For students who do take the exam, we compute a course grade both with and without the final, and then give the higher grade of the two. To prevent gaming, if the final exam is taken without serious effort we may void the final exam. Summarizing the above, if you take the exam, your grade is based on the maximum of the two weighting schemes in the table below. If you do not take the exam, your grade is based on the right column in the table below.

Grading Element	Weights With Exam	Weights Without Exam
Class Participation	10%	17%
Case Assignments	35%	58%
Problem Set	15%	25%
Final Exam	40%	0%
<i>Maximum Grade</i>	<i>DS</i>	<i>PS</i>

Grade Distribution: The final grades in this course adhere to the Goizueta recommended grade distribution:

BBA Grade	Frequency
A	15% - 25%
A-	15% - 25%
Not to exceed	40%
B+	15% - 25%
B	15% - 25%
B-	10% - 15%
Not to exceed	50%
C+ or below	10%

MBA Grade	Frequency
DS	15% - 20%
HP - DS	50% - 60%
PS	35% - 45%
LP and NC	0% - 5%

Contact Information & Office Hours

Prof. Klaas P. Baks PhD

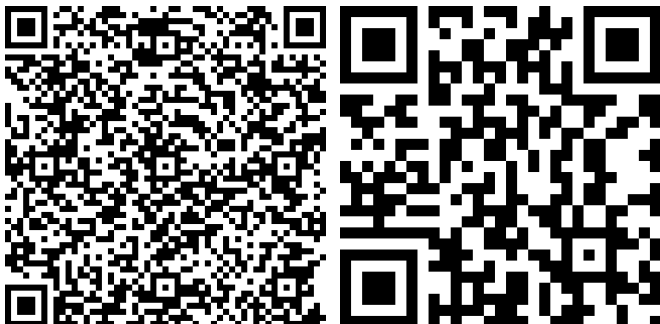
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Office: GBS 506

Hours: For appointments please visit calendly.com/baks. If you are unable to find a suitable time, please contact Ms. Tanya Dickson.

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Professor Bio

Klaas P. Baks PhD is a recognized thought-leader in the alternative investments industry. The combination of cutting-edge academic insights and leading industry practices forms the foundation of his investment ideas and research. An award-winning professor and a frequent speaker on topics related to alternative investments, investing and entrepreneurship, he is known for a unique ability to combine original and useful business content with an engaging and dynamic speaking style.

Dr. Baks is the Executive Director and Co-Founder of the Emory Center for Alternative Investments and a Professor in the Practice of Finance at Emory University's Goizueta Business School. The Emory Center for Alternative Investments is a global leader in the alternative investments industry.

Dr. Baks's research and teaching focuses on issues in alternative investments, entrepreneurial finance and investment management, and he has published papers in numerous academic and business journals, including the Wall Street Journal. He teaches courses in private equity, venture capital and entrepreneurial finance at Emory University and has been recognized by students and alumni with nine awards, including the Marc F. Adler Prize for Teaching Excellence awarded by alumni, the Donald R. Keough Award for Excellence, and the university's highest award for teaching excellence, the Emory Williams Distinguished Teaching Award.

Dr. Baks serves as director or advisor for over 13 companies and investment funds with over \$1.5 billion in assets under management, including American Virtual Cloud Technologies (NASDAQ: AVCT), Buckhead One Financial (fixed Income), Peachtree Hotel Group (real estate), TWO Capital Partners (real estate), and Vistas Media Acquisition Company (NASDAQ: VMAC). An active member of the Atlanta community, Dr. Baks serves on the board of the Michael C. Carlos Museum and the Investment Committee of the Westminster Schools Board of Trustees.

Prior to joining Emory University, Dr. Baks held positions at Fuji Bank in Tokyo, Japan, Deutsche Bank in Hong Kong and the International Monetary Fund in Washington DC.

Dr. Baks studied at the Wharton School at the University of Pennsylvania (PhD in Finance), Brown University (Master's in Economics), Groningen University (Master's in Econometrics, cum laude) and Leiden University (Diploma in Japanese Language and Business Studies). He spent two years at Harvard University as part of his doctoral research at Wharton on the performance of actively managed mutual funds.

Born and raised in the Netherlands, Dr. Baks resides with his wife and son in Atlanta, Georgia.