

## **Persuading investors: Emphasizing communication in a finance simulation**

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### **ABSTRACT**

This paper introduces a unique project to faculty seeking an interdisciplinary activity that exposes students to the necessary art of persuasive communication in the field of finance. Specifically, we have designed a multi-stage simulation in which undergraduate business students apply both finance and communication skills, specifically persuasion, to compete for a finite pool of capital for use in private equity investments. The simulation stresses the importance of teamwork as students participate in a hypothetical Venture Capital Conference in which they attempt to persuade the audience of potential investors to commit capital to their investment ideas. The project takes approximately four weeks to execute. At its conclusion, students will have participated in a tangible classroom project that integrates financial communication best practices through a team-teaching approach that allows for reinforcement of each discipline's learning outcomes.

Keywords: finance, communication, pedagogy, persuasion, audience recognition

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## **INTRODUCTION**

Integrating disciplines within the courses of a business school curriculum can be very valuable, but can also be quite challenging. Recognizing the real nature of such an effort can be the first step in executing such a course. Specifically, “interdisciplinary thought can be understood as the shift from a recognition of the coexistence of multiple but apparently independent activity systems to an overlap and inter-animation of those activity systems” (Nowacek, 2009). While an interdisciplinary approach to course design might theoretically be a best practice, the logistics of executing such a plan can present real challenges to many universities while at the same time yield real value, especially in a business curriculum. Nowacek notes, “the simultaneous presence of multiple instructors heightens the opportunities to be immersed in and discuss the rhetorical dimensions of disciplinary expectations” (2009). However, defining the parameters in which two instructors from different disciplines can operate to create true educational value can be difficult. “Students who are used to lecture-based instruction may resist the team-teaching approach (Gayton, 2010). The purpose of this paper is to contribute a tangible classroom project that integrates the best practices of finance and communication through a team-teaching approach in a venture capital finance course in such a way that allows for reinforcement of each discipline’s learning outcomes. To be effective, “the first step in developing a cross-disciplinary course is to find an assessment outcome or primary student assignment that can only be completed using topical material from each of the [class type] included in the course.” (Bowers & Scherpereel, 2008). We present such an assignment within this paper.

## **FINANCE COURSE DESCRIPTION**

Venture Capital and Private Equity is a three-credit elective course, cross-listed in both the Finance and Entrepreneurship (Management) majors. Typically, undergraduate students take this course in their junior or senior year. Pre-requisites include one fundamentals course in finance and one in management. While not a pre-requisite for this course, Management Communication (“MCOM”), often taken by students in their sophomore year, has historically been taken by at least 75 percent of students entering the venture capital course. The Venture Capital and Private Equity course description contains course goals and student learning objectives, as indicated in Exhibit 1 (Appendix A).

## **PROJECT OVERVIEW**

We have designed this project as a multi-stage simulation in which undergraduate business students apply both finance and communication skills, specifically persuasion, to compete for a finite pool of capital for use in private equity investments. The actual simulation takes place in the last third of the course schedule and lasts for four weeks; however, several preparatory steps for both professor and student take place during earlier parts of the course when students are building their knowledge of venture capital fundamentals and learning about the role of persuasion in securing investors.

Specifically, the simulation has students attend a fictional Venture Capital (“VC”) Conference, sponsored by an intermediary that brings together venture capitalist and investors. Students play dual roles during the course of the simulation. When presenting, students represent

a venture capital firm seeking to raise capital from the audience to invest in fledgling firms that are part of a specific industry, e.g., solar energy companies or education technology firms. When serving as audience members, students represent a wealthy investor, e.g., a foundation, endowment or pension, who has \$30 million to allocate to up to three of the venture capital firms that are presenting at the conference. A primer of key highlights of this course is indicated in Exhibit 2 (Appendix B) to help those not familiar with this finance subject matter.

## **MARRYING FINANCE AND COMMUNICATION**

While emphasizing the financial principals of the venture capital world, the VC Conference allows for students to experience the importance of effective oral and written communication skills in attempting to persuade an audience to act – namely to select their team as a recipient of investment capital. Students find themselves developing their presentations with an eye to strong financial content, appealing aesthetic design, and effective messaging. However, students often find that translating financial data into a proposal for what might be a lay audience presents certain challenges. “[S]tudents’ use of financial jargon, including abbreviations..., may be an indication that they are not comfortable with their knowledge of the concept” (Carrithers, Ling, & Bean, 2008).

The simulation offers opportunities for intertwining both finance and communication skills in four distinct deliverables: a business presentation, a handout, a written response to audience questions, and a due diligence report that justifies the final allocation of scarce investment dollars by the investors. A list of the assignments and specific learning outcomes are indicated in Table 1 (Appendix C). This project differentiates itself from standard finance assignments because of its added expectations of clear communication to a lay audience and not just the finance instructor. According to Carrithers, Ling, & Bean (2008), “finance instructors may unconsciously reward technical language because they themselves do not role-play the worldview of the lay client.” The additional expectation of best communication practices requires the students to master the financial material in a way that allows them to translate the data effectively to a lay audience to persuade them to invest.

## **VENTURE CAPITAL CONFERENCE MECHANICS**

While the VC Conference will not be formally introduced until several weeks into the semester, student project teams should be established early in the course. While a “free-market” method leaves team formation to the students, some professors will want to assign teams. Regardless, two caveats should be in place: 1) teams should have four members (unless an odd number of students leads to a team of three), and 2) at least two members of each team should have already completed a course in MCOM (as noted above, this should be an easy hurdle to cross given that MCOM is a course typically taken early in a business curriculum).

### **Initial Project Introduction to the Class**

About six weeks before the VC Conference, set aside 30-40 minutes to discuss the upcoming project. At this point, the co-instructor of the class, an instructor of MCOM, will be present to reinforce the MCOM writing presentation expectations for the VC Conference. Because both instructors play a key role in conveying the goals of the project, each should be

given equal speaking time during the introduction and an equal distribution of grading responsibility should be noted to the students.

During the project introduction, the students will learn that their goal is to design a venture capital fund that raises money (committed capital) to invest in early-stage, privately-held companies that operate within a particular sector. They can choose the amount of committed capital that their fund is attempting to raise, and they can hold as many target companies as they want within the fund. Students learned the pros and cons of these strategies during the earlier stages of the class. An additional layer to the goal will be an awareness of the need for communication strategy as they design the venture capital fund. The fund must be attractive to investors; it must provide a reason for the audience to choose it over others.

Following the initial project introduction, students first choose a name for the venture capital firm that their team will be running and also determine the investment objective for the fund, e.g., solar energy companies. They will then, through research, identify two companies that have not gone public as potential target firms within their fund. These two firms will be incorporated into their presentation to the potential investors as examples of possible future uses for capital raised. Students should research investment opportunities in the venture capital world and choose an area of investment that they believe is relevant and will be profitable in the future. Students will have a deadline for these first deliverables within two weeks following the project introduction. To summarize, these deliverables include: 1) VC firm name, 2) investment objective, and 3) two target companies.

### **Selection Day for Presentation Order and for Investor Representation**

After all student teams have submitted their VC Conference names and investment objectives (first come, first served to avoid duplicates), the now co-professors, acting as the VC Conference hosts, will have each team draw for a presentation day and order as well as for the investor that their team will represent while in the audience. Following the drawing, ideally a teaching assistant to the professors will summarize and distribute the results to the students the next day as a VC Conference brochure, as indicated in Exhibit 3 (Appendix D).

### **VC Conference Presentation and Handout Assignment Overview**

Following the general introduction of the project and the selection of fund themes, students must now focus on producing the 16-minute presentation they will give during the VC Conference. This presentation will demonstrate students' mastery of the course material as well as of the best practices of business presentations. This presentation is the main opportunity for each team to persuade investors in the audience to invest in its fund. Students are warned not to produce a presentation that only highlights hard numbers, but rather to build in a good story. The authors of the book, *Made to Stick*, note, "[w]hen we're trying to build a case for something, most of us instinctively grasp for hard numbers. But in many cases, this is exactly the wrong approach" (Heath and Heath, 2007). To be effective, the teams must first assess their target audience and then plan a message, or more appropriately, a story that attracts investors. Students must follow the specific guidelines of the presentation, as indicated in Exhibit 4 (Appendix E).

Additionally, each presenting team must create a handout to give each investor in the audience. This purpose of this handout is to allow for an easy reference tool that the investors can use when making their final investment decisions. It is widely documented that such

decisions can be affected by either a primacy effect in which more attention is given to initial information in a series, or a recency effect in which more recently acquired information is deemed more salient and accessible when forming a final judgment (Wagner & Klein, 2007). Since the VC Conference stretches over several weeks, these handouts become a very practical tool to help investors place all presenting teams on a level playing field to combat both primacy and recency effects. Students can use various layouts for the handout and are provided with a sample, as indicated in Exhibit 5 (Appendix F).

### **Week prior to VC Conference Start**

Students can easily get off track in both the financial content of their presentation and the communication strategies that they develop to persuade the audience to invest with their team. To help ensure high quality presentations, the co-professors offer two workshops. For a large class of 60 students, and therefore 15 teams, two class periods should be set aside directly before the start of the conference for in-class workshops that focus solely on presentation content. Groups should be assigned to one of these workshop class sessions and told that they should work with their teams outside of class for the other class day. The day before their workshop appointment, teams submit the drafts of their presentation slides and handout. During the workshop, teams meet with the finance professor for critiques on the financial data that they have put together.

After receiving feedback on the financial data the teams plan to present, during the weekend before the conference begins teams attend a second workshop that is held in the room where the conference will take place. During the workshop, the MCOM professor critiques the teams' slide and handout drafts as well as provides the teams with 30-minute private appointments to work on presentation delivery. These private team sessions offer students the opportunity to practice in front of their student colleagues as well as to fine tune the overall strategy of the team's story for investors.

### **The VC Conference Logistics**

This section details the mechanics of one day, which can be replicated for enough days to accommodate the number of teams in the class. Instructors should build a calendar of deliverables and workshops, as indicated in Table 2 (Appendix G). Additionally, instructors should provide a critique sheet for students to evaluate each team's performance, as indicated in Exhibit 6 (Appendix H). Pre-printed placard display the name of investors being represented in the audience.

Investors are welcomed to the VC Conference and the first batch of Venture Capital firms present. We suggest video taping the presentations so that the teams can watch and critique their own presentations after the conference as an additional learning experience to reinforce MCOM standards. The professors play the role of hosts and facilitators – smoothing the transition between presenting teams.

### **Post Conference Logistics**

Post conference, each team in the audience, acting in the role of an investor, completes a critique form that evaluates the presenting teams on several tenets of effective communication,

identifies general strengths and weaknesses of the presentation, and allows submission of two follow-up questions to the presenting team. These questions offer the audience a chance to ask the presenters to expound upon items they did not fully discuss, or to explain inconsistencies and confusing data. The due date for these critiques is 8p.m., the evening of the VC Conference.

By 8a.m. the next day, the audience critiques are merged into one feedback document, ideally by a TA, for the teams that presented. The feedback and questions from the audience are submitted to each venture capitalist firm. Answers from the venture capital firm are due two days after the presentation at 8pm.

### **The Investment Decision**

After all teams have presented, and all feedback has been given to all teams, and they have submitted their answers to the Conference host, it is time for the investors to begin preparation of their Due Diligence Report. The report is a 15-20 page document that rationalizes how the investing team chose to invest their \$30 million. Each team follows specific guidelines for this report, as indicated in Exhibit 7 (Appendix I). Here teams are required to incorporate both the best practices of investment decision making and the best practices of business writing. The teams have a short time frame, and must be precise and concise as they present their rationale in written form. The MCOM professor presents the teams with examples of past reports as well as with a brief guidelines sheet and a rubric of business writing expectations.

To aid with this due diligence report, the conference host will post all of the answers to the investor's questions on a conference website or electronic teaching support site such as Blackboard. Investors should be instructed to specifically incorporate their evaluation of these answers by the venture capital firms into their due diligence report. This report is due one day before the investment results are revealed in class.

### **The VC Conference Results**

In the next class, ideally the last day of the semester, the conference hosts lead a discussion of why capital allocation occurred as it did, culminating with the revelation of which venture capitalist firm raised the most capital. Specifically, each investor team should justify their investment choices in a very brief and informal presentation, usually delivered by a team spokesperson while seated. Both finance and communication best practices should be mentioned. As the spokesperson from each team announces his/her investment choices, these numbers should be recorded in an Excel spreadsheet projected in front of the room, as indicated in Exhibit 8 (Appendix J).

### **LEARNING OUTCOMES**

After completing in this VC Conference simulation, students will have had the opportunity to formulate a complex financial venture and to translate that venture into language that a lay person can not only understand but perhaps support through investment. Oral presentations and written documents require the students to boil down the hard numbers of their venture into a clear and persuasive package for a multi-layered audience.

## CONCLUSION

The AACSB identifies the 'course embedded' method for evaluating student learning in which an assignment is evaluated for two different skill sets by instructors from two different disciplines (AACSB, 2007). This course project offers such an opportunity in its use of co-instructors, its various written and oral assignments, and in its reinforcement of financial investment principles.

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## Appendix A

### Exhibit 1: Venture Capital and Private Equity Course Description

**Course Description:** *This course analyzes the concepts and theories of entrepreneurial finance, which includes venture capital and private equity. The course builds on the core finance topics covered in Financial Management and covers a wide range of topics related to entrepreneurial finance. A simulation is used in the course to help students understand how capital is often raised for investment in start-up firms.*

**Course Goals:** *This course is designed to teach students the elements of the timeline associated with creating a fund that invests in illiquid investments. This course is an intensive 3-semester credit hour course, covering key topics in private equity and venture capital using a combination lecture and case analysis format. A significant portion of the class effort is devoted to producing a project in which students, working as a team, simulate the establishment of a private equity fund by developing an investment strategy, establish a marketing plan for raising money for the fund, and then provide details on a specific investment opportunity. The course focuses on how private equity funds are organized to raise money from investors, then productively invest the money raised, and finally, develop options for exiting portfolio investments.*

**Student Learning Objectives:** *As the result of this course students should be able to communicate the basic structure of a PE/VC fund while also outlining the characteristics of portfolio companies in which the fund will invest (and eventually divest). Students will be able to communicate fundamental and advanced concepts of private equity investment as they role play in a simulation of a venture capital conference.*

## Appendix B

### Exhibit 2: Course Primer for Venture Capital and Private Equity

The course is not taught from the vantage point of the start-up or privately-held (non-public) firm. Therefore, this is not a course on writing business plans and strategy for the entrepreneur to execute. Instead, it is taught from the vantage point of the external investor – the venture capitalist. Furthermore, this external investor is a team of individuals who spend considerable time raising capital from other investors, who wish to invest in the private equity markets, but do not have the knowledge, experience, and/or time to do so directly. The course uses both lectures and case studies to build student knowledge of the following private equity concepts that largely fall into three categories (entering into, remaining in, and exiting from a private equity investment):

We will use a hypothetical firm called Greenwave Advisors to help convey some basics of the venture capital world:

1. The legal structure of the venture capital firm

Greenwave Advisors is registered as an LLC, and has 5 key investment professionals.

2. The establishment of a fund with a particular investment objective

Greenwave Advisors wants to raise capital to invest in start-up firms that operate in the solar energy industry.

3. The legal structure of the fund

Most funds are a Partnership, in which one General Partner (the venture capital firm) invests the funds of several Limited Partners (investors who have capital to invest). Sometimes, General Partners will comingle their own capital in the fund as well.

4. The role of the General Partner (The “GP,” i.e., the Venture Capital firm)

Greenwave Advisors is the General Partner and makes all of the daily decisions regarding investment of the funds. At Greenwave, one or more of their five investment professionals would typically have experience working in solar energy.

5. The role of the Limited Partner (The “LP,” i.e., the investors with capital)

Limited Partners do not have decision-making authority over the fund. They have a very long-term horizon for their investments. Some typical examples of LPs are university endowments, foundations, charities, family trusts, pensions, and corporations.

6. Committed Capital

Each fund has a target range of capital that the GP tries to raise from the universe of LPs. GPs are competing with other GPs for the same pool of capital.

## 7. Multiple Funds / Fund Life

Venture capital firms, like Greenwave, typically plan for their fund to have a 10-year life (on average). Therefore, LPs must have a long-term investment horizon, but also know that the investment will come to an end. Because of this, Greenwave might have several funds in their history – some in overlapping stages of development. For instance, Greenwave firm may have already invested and exited Funds I and II, have fully invested Fund III, have partially invested Fund IV and have started to raise capital for a new Fund V.

## 8. Selecting Investments in Target Companies

These are the companies in which the fund invests. Typically, a fund might have 7-15 target companies in it over its 10 year life. Not all will survive. There is a high rate of failure in the venture capital markets.

## 9. Structuring Private Equity Securities

Preferred stock with some convertibility into common stock is a commonly used security-type. Other equity and debt combinations have their strengths and weaknesses.

## 10. Term Sheets

This is the non-binding legal document that is used to negotiate the terms of the investment from the GP into the target companies.

## 11. Private Equity Valuation Methods

Valuing privately-held firms is fraught with difficulties, since there is so much asymmetric information about the firm. Valuation is especially important when a subsequent investment in a company is made, or when an LP attempts to determine how successful the GP has been.

## 12. Exiting Private Equity Investments within the Fund

Common exits from a fund for a target firm include: a sale to another firm; going public and having the shares distributed to the LPs; liquidation; and bankruptcy.

## Appendix C

**Table 1: Anticipated Learning Outcomes for VC Conference Assignments**

| <b>Assignment</b>                 | <b>Skills Required</b>   | <b>Learning Outcome</b>   |
|-----------------------------------|--|---|
| <b>Team presentation</b>          | Financial Analysis<br>Argument development<br>Content organization<br>Presentation delivery<br>PowerPoint design | Students will deliver a professional quality financial presentation accompanied by appropriate technology     |
| <b>Venture summary handout</b>    | Financial Analysis<br>Content organization<br>Written content development<br>Document design                     | Students will produce a professional business document that persuades investors                               |
| <b>Question response document</b> | Critical thinking<br>Financial Analysis<br>Argument development<br>Written content development                   | Students will exercise effective problem-solving techniques to provide cogent answers for potential investors |
| <b>Due diligence report</b>       | Financial Analysis<br>Critical thinking<br>Written content development   | Students will produce a professional business document to report findings                                     |

Appendix D

Exhibit 3: VC Conference Brochure

# VENTURE CAPITAL CONFERENCE



SPONSORED BY:

YEST & GRANT ASSOCIATES, LLC  
A.B. FREEMAN SCHOOL OF BUSINESS  
TULANE UNIVERSITY

NOVEMBER 7 - 29, 20XX  
15 INVESTORS (POTENTIAL LPS)  
(\$30 MILLION EACH; \$450 MILLION TOTAL)

FOUNDATIONS:

BILL & MELINDA GATES FOUNDATION  
SUSAN G. KOMEN FOUNDATION

FORD FOUNDATION

HIGH NET WORTH FAMILY TRUSTS

*(LISTED BY REGION - NAMES WITHHELD FOR PRIVACY):*

EASTERN EUROPEAN  
SOUTHERN U.S. (TEXAS)  
WESTERN U.S. (CALIFORNIA)

CORPORATIONS:

GENERAL ELECTRIC  
EXXON MOBIL  
APPLE

ENDOWMENTS:

HARVARD UNIVERSITY  
TULANE UNIVERSITY  
STETSON UNIVERSITY

PENSIONS:

UNITED AUTO WORKERS  
CALIF. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)  
AMERICAN FEDERATION OF TEACHERS

*VENTURE CAPITAL FIRMS*

*Atlas Capital Partners*

(Mesh Network Technologies)

*BioTech Capital*

(Biomedical Engineering Technologies)

*Cloud9 Partners*

(Cloud Computing)

*Digital Plus Investment Partners*

(Digital Marketing)

*Fasthealth Developers, Inc.*

(Emerging Country Healthcare Infrastructure)

*Flash Sale Investors*

(Flash Sale eCommerce)

*Grid Wave Partners*

(Smart Grid Technologies)

*Material Capital*

(Material Development Technologies)



*VENTURE CAPITAL FIRMS — (CONTINUED)*

*Motion Tech Partners*

(Gesture Recognition Systems)

*New World Capital*

(Bio-Diesel Alternative Fuels)

*New Tech Consulting*

(Near Field Communication Technology - NFC)

*Quantum Partners*

(Digital Content Technologies)

*Upperline Investments*

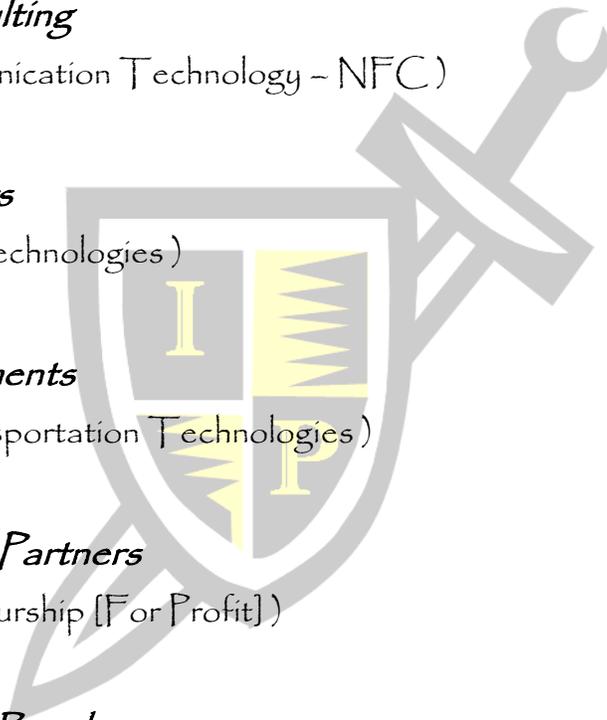
(Natural Gas Transportation Technologies)

*Venture Forward Partners*

(Social Entrepreneurship [For Profit])

*Venture Without Borders*

(Education Technologies)



**PRESENTATION SCHEDULE**  
**(16 MINUTE SLOTS)**

**Monday, November 7, 20XX**

- 3:35 ~ 3:51 Material Capital
- 3:53 ~ 4:09 Venture Without Borders
- 4:11 ~ 4:27 Upperline Investments
- 4:29 ~ 4:45 Fasthealth Developers, Inc.

**Wednesday, November 9, 20XX**

- 3:35 ~ 3:51 Venture Forward Partners
- 3:53 ~ 4:09 NewTech Consulting
- 4:11 ~ 4:27 BioTech Capital
- 4:29 ~ 4:45 Quantum Partners

**Monday, November 14, 20XX**

- 3:35 ~ 3:51 Cloud9 Partners
- 3:53 ~ 4:09 Motion Tech Partners
- 4:11 ~ 4:27 Atlas Capital Partners
- 4:29 ~ 4:45 New World Capital

**Wednesday, November 16, 20XX**

- 3:35 ~ 3:51 Digital Plus Investment Partners
- 3:53 ~ 4:09 Flash Sale Investors
- 4:11 ~ 4:27 Grid Wave Partners



## Appendix E

### Exhibit 4: Presentation Guidelines

#### The Presentation:

Your presentation will need to include at least the following:

- Fund Basic Information:
  - Name and Investment Objective of the Fund (and Fund #)
  - Bios of the Management Team (Give yourself some credibility as a GP in your chosen investment)
  - Fund History (Performance, number of previous Funds, etc. – you CANNOT predict/guarantee future fund performance!)
  - Fee Structure of the Fund
  - GP Co-Investment Percentages, if any
  - Target amount being raised by Fund
  - Minimum and Maximum investments allowed per LP
  - Proposed Fund Life
- Justification of the sector in which your fund plans to invest (sector/industry analysis).
- Discussion of two (2) specific target portfolio companies that you are considering for the Fund. These companies must be real. Obviously, the internet will be a vital source of information on these firms. If information is scarce, you are allowed to fill in some of the gaps of data with hypotheses.

Appendix F

Exhibit 5: Handout Example

### industry history

The medical technology industry works to better human health and to gain an understanding of disease prevention. It is largely responsible for the prevention and treatment of virus epidemics and other human disorders. This process involves the research and processing of biological and mineral components into researched antidotes and treatments. These treatments are then marketed to the general public and medical professionals on a global scale. At the base of this complex industry, is the framework for high growth rate and financial returns. Currently, due to an increase in political and legal attention, combined with the aging of the world population, the medical technology industry is one of the most interesting and rewarding industries to be involved in.

### firm history

Corstone Capital was founded in 1999 and is headquartered in Washington D.C. The founding partners began the firm having extensive background in the venture capital and medical technology industries. We know from experience that the key to success is making good judgements in an efficient time manner. We therefore have formed a team of veteran professionals with influential backgrounds to support our business environment.

In our research for investments, we value mature companies that have completed successful clinical trials, hold patent protected research, and have experienced management and research teams.

### fund III investments



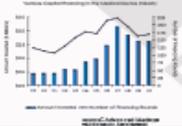
GoVax is a biotechnology company established primarily to develop an effective and safe vaccine against HIV-1. Ultimately the company mission is to create vaccines for many serious human diseases for which none currently exist. Currently in its Clinical Trial 2, involving 300 humans, GoVax has seen extremely promising results in the past eight years. In 2003, GoVax received the Integrated Preclinical/Clinical AIDS Vaccine Development (IPCAVD) Award of the NIH and a \$15 Million Grant. GoVax holds patents for all current projects. We at Corstone are planning a \$30 Million initial investment in GoVax.

### Pharmaceutical & Medicine Manufacturing 2010

Revenue: \$170.0bn, Annual Growth 03-10: -0.0%

Profit: \$21.5bn, Annual Growth 10-11: 0.7%

Exports: \$51.0bn, Subscribers: 3,793



### fund structure

| Fund       | Vintage Year | Fund Size     | Distributed   | ROI    |
|------------|--------------|---------------|---------------|--------|
| Coastal I  | 2000         | \$80 million  | \$120 million | 87.80% |
| Coastal II | 2006         | \$120 million | \$100 million | 88%    |

- Management Fee: 2.5%
- Carried Interest: 20%
- Profit Distribution: Accelerated Method
- GP Co-Investment: 2%
- Hurdle Rate: 10%
- Target Fund Size: \$150,000,000
- Minimum Investment: \$8,000,000
- Maximum Investment: \$20,000,000
- Fund Life: 10 years + 2 option

### liquidia technologies

Liquidia is a medical technology firm based in Research Triangle Park, North Carolina. Founded in 2004, Liquidia develops particle based vaccines and therapeutics for the treatment and prevention of disease. The management of Liquidia is extremely experienced and knowledgeable in the vaccine research field, with the CEO, CFO, and CMO having almost 85 years of experience. Corstone is looking to invest \$42 million into its current round of financing.



brian ladd . rachel schneider . lulu xu

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### management

**rachel schneider**

Ms. Schneider is currently on the board of Holy Cross Hospital in Silver Spring, Maryland, where she served as President from 1995-1999. She is also the former Director of General Disease Prevention Research of NIH from 1993-1995. In the past two decades, Ms. Schneider has sat on the board of over 20 companies including Bristol-Meyer Squibb, Cephalon, and Amgen. She received her BS of Princeton University, majoring in Chemical and Biological Engineering, and received her MD/MBA at Yale University.

**lulu xu**

Ms. Xu was a General Partner at Sequoia Capital from 2000-2003. Previously, she has been the Managing Director of Investment Banking Division, Goldman Sachs, from 1996-1999. She was also the Regional Managing Director of the Biotechnology Division at McKinsey & Company 1989-1993. Investment Banker at Goldman Sachs since 1982, Ms. Xu was also the U.S. Representative for California's Twelfth Congressional District 1998-2002. She received her BS of Princeton University majoring in Chemical and Biological Engineering and Molecular Biology, where she met Ms. Schneider, and received her MBA at Harvard Business School.

**brian ladd**

Mr. Ladd was a General Partner of Vanguard Ventures in Houston, Texas from 1996-1999 before joining Corstone. He was also President of the Yale Endowment from 1992-1996, where he was a senior analyst for 15 years. Mr. Ladd was on the Board of Directors for eight previously privately held medical technology firms including Fabre Kramer, Novum, and Polymed Therapeutics. He has a CFA designation from his Yale days, and he earned his BS of California Institute of Technology (CIT) in Economics and Biochemistry and received his MBA at Yale University, where he met Ms. Schneider.



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**Appendix G**

**Table 2: Timeline for Deliverables and Workshops**

(Assumes a Monday / Wednesday 75 minute course schedule and 16 teams)

|        | Sun   | Mon   | Tues                                     | Wed  | Thurs                                     | Fri  | Sat  |
|--------|---|---|--|--|---|--|--|
| Week 1 |   | Finance Workshop (8 minutes per team to Preview Presentation for content) |  | Finance Workshop (8 minutes per team to Preview Presentation for content)            |   |  | MCOM Workshop (30 minute coaching sessions per team) |
| Week 2 | 8pm - All GP Materials Due<br>➤ Presentation Handouts | GPs Present (1-4)<br>8pm - LP Critiques Due (1-4)                         | 8am - LP Questions emailed to GPs (1-4)  | GPs Present (5-8)<br>8pm - LP Critiques Due (5-8)<br>8pm - GP Answers Due (1-4)      | 8am - LP Questions emailed to GPs (5-8)   | 8pm - GP Answers Due (5-8)   |  |
| Week 3 |   | GPs Present (9-12)<br>8pm - LP Critiques Due (9-12)                       | 8am - LP Questions emailed to GPs (9-12) | GPs Present (13-16)<br>8pm - LP Critiques Due (13-16)<br>8pm - GP Answers Due (9-12) | 8am - LP Questions emailed to GPs (13-16) | 8pm - GP Answers Due (13-16)<br>11pm - All GP Responses posted for LP Review |  |
| Week 4 |   | Day off for Due Diligence Report Creation                                 |  | In Class Reveal and Justification of Investment Selection                            |   |  |  |

GP = General Partners (the Venture Capitalists)

LP = Limited Partners (the Investors who attend the VC Conference)

**Appendix H**

**Exhibit 6: Critique Sheets**

**VC FIRM (GP) PRESENTATION CRITIQUE**

**VC FIRM BEING CRITIQUED:** Choose a VC Firm

**LP SUBMITTING CRITIQUE:** Choose an LP

**RATINGS ON A SCALE OF 1 (LOW) TO 10 (HIGH):**

INTEREST GENERATED IN INVESTMENT SPACE: Choose a Rating

STRENGTH OF GP CREDENTIALS: Choose a Rating

QUALITY OF PRESENTATION/TRANSITIONS: Choose a Rating

QUALITY OF VISUALS USED: Choose a Rating

QUALITY OF HANDOUT(S) GIVEN TO LPS: Choose a Rating

**STRENGTHS OF VC FIRM PRESENTATION:**

Click here to enter text.

Click here to enter text.

Click here to enter text.

**AREAS FOR IMPROVEMENT:**

Click here to enter text.

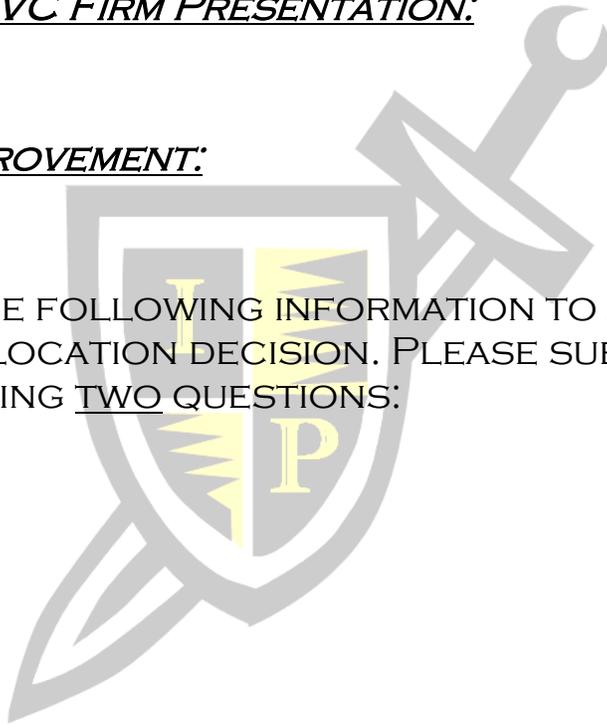
Click here to enter text.

Click here to enter text.

WE REQUEST THE FOLLOWING INFORMATION TO AID IN OUR INVESTMENT ALLOCATION DECISION. PLEASE SUBMIT ANSWERS TO THE FOLLOWING TWO QUESTIONS:

Click here to enter text.

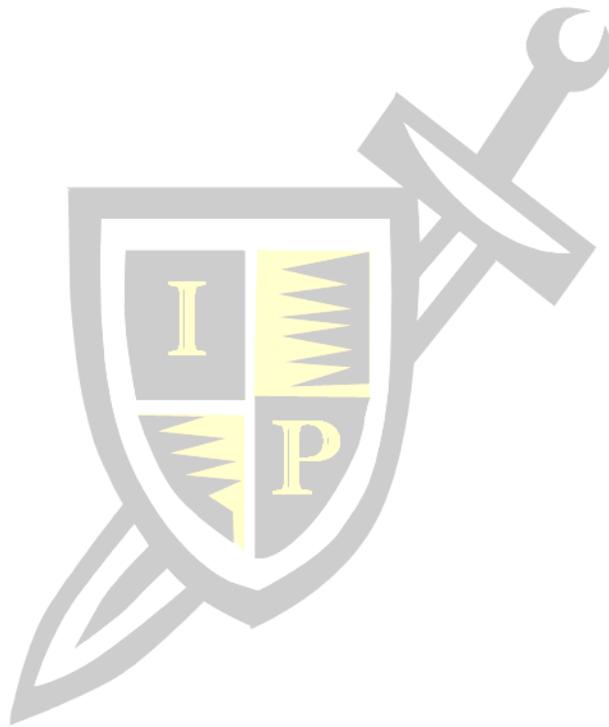
Click here to enter text.



## Appendix I

### Exhibit 7: Due Diligence Report Requirements

Your team will submit a 15-20 page assessment of how you would like your \$30 million allocated among 1-3 of the Funds that presented to you (use Digital Dropbox). Your write up should include an analysis as to why you chose the Fund(s) that you did. Remember – you are representing a specific LP and should consider their needs. It is ok to speculate on what some of those needs would be, as we aren't privy to inside information (you would be in reality, if representing these clients). Historically, the strongest submissions have established clear investing guidelines to help them objectively evaluation each VC Fund's potential. You should comment on each fund and why you did or did not choose to invest in it.



Appendix J

Exhibit 8: Excel Template for Investment Allocation

|            | WIMAX | Protect/Seeye | Iron Pig | In Motion | Wind-ergy | Global Entv. | NG Ventures | Solar Inv Adv | Interainment | ercood | Mizrahi | Freeman | XNY  | Targeted Cap | HealthTech | Dir. Postprint | Totals |
|------------|-------|---------------|----------|-----------|-----------|--------------|-------------|---------------|--------------|--------|---------|---------|------|--------------|------------|----------------|--------|
| Teacher's  |       |               |          |           |           |              |             | \$10          | \$10         |        |         | \$10    |      |              |            |                | \$30   |
| UAW        |       |               |          |           |           |              | \$10        |               |              |        |         | \$15    |      |              |            | \$5            | \$30   |
| CalPERS    |       |               |          |           |           |              |             |               |              |        |         | \$10    |      | \$15         | \$5        |                | \$30   |
| R.E. Fam   | \$10  |               |          |           | \$10      |              |             |               |              |        |         | \$10    |      |              |            |                | \$30   |
| Tech Fam   |       |               |          |           |           | \$15         |             |               |              |        |         |         |      | \$15         |            |                | \$30   |
| Oil Fam    |       |               |          |           |           |              |             |               |              | \$10   |         | \$10    | \$10 |              |            |                | \$30   |
| E. Eur Fam |       |               |          |           |           |              |             | \$10          | \$10         | \$10   |         |         |      |              |            |                | \$30   |
| Clinton    |       |               | \$10     |           | \$5       |              |             |               |              |        |         |         |      | \$15         |            |                | \$30   |
| S. Komen   |       |               |          |           |           |              |             |               |              | \$10   | \$10    |         |      | \$10         |            |                | \$30   |
| Gates      |       |               |          |           | \$10      |              |             |               | \$10         |        |         |         | \$10 |              |            |                | \$30   |
| Exxon      |       |               | \$10     |           |           |              |             |               |              |        | \$10    |         |      | \$10         |            |                | \$30   |
| GE         |       |               |          |           |           |              |             | \$15          |              |        |         | \$7     |      |              | \$8        |                | \$30   |
| Microsoft  |       |               |          |           |           |              |             |               |              |        | \$10    | \$10    |      | \$10         |            |                | \$30   |
| Tulane     |       |               |          |           | \$10      |              |             |               |              |        | \$10    |         | \$10 |              |            |                | \$30   |
| Harvard    |       |               |          |           |           |              |             |               |              |        | \$10    | \$10    |      | \$10         |            |                | \$30   |
| Stetson    |       |               | \$15     |           |           |              |             |               |              |        |         | \$15    |      |              |            |                | \$30   |
| TOTALS     | \$10  | \$0           | \$10     | \$25      | \$0       | \$35         | \$25        | \$35          | \$10         | \$20   | \$30    | \$90    | \$57 | \$30         | \$85       | \$18           | \$480  |
|            |       |               |          |           |           |              |             |               |              |        |         | 1       | 3    | 2            |            |                | \$480  |