

Answer five of the six questions!!

Briefly define six of the following eight terms

1. a) Crowd funding 2p b) Term Sheet 2p
 c) Dilution 2p d) Due diligence 2p
 e) Business Angel Network 2p f) Tag along right 2p
 g) Trade sale h) Flat round 2p
2. a) What are the benefits of syndicating (co-investing) investments 6p (max 0.5 page)?
 - less risk (VC) → lead inv. did
 - bigger amount of investment
 - prestige & rep. cent.
 - pos. to invest in more obj. (VC)
 b) How can advisors improve your chances of obtaining funding 6p (max 0.5 page)?
 - business plan for writing
 - contacts personal
 - reputation
 - where to start to look
3. a) What are the primary motives behind Corporate Venture Capital (CVC) investments and how do these motives differ from those of Independent Venture Capital funds 6p (max 0.5 pages)?
 - financial, strategic, CVC < new market
 - only financial VC improving existing market
 b) Explain how the Venture Capital Fund's reward structure looks like 6p (max 0.5 page)?
 - management fee ~2-3%
 - carry 20-40%
 - investing ex. pension funds' money
4. What are the so-called non-financial benefits that ventures can obtain from venture capital investments? Describe what they include and compare non-financial benefits in investments of venture capitalists and business angels 12p (max 2 pages).
5. How can venture capitalists reduce the risk of investing in businesses and entrepreneurs of poor quality (adverse selection) 12p (max 2 pages)?
6. A company called Even Flow Ltd. managed to successfully obtain VC funding. The company's founders had invested EUR 50,000 in the company when it was founded. This capital was provided by four founders. Each of them invested an equal amount into the business. The number of shares of the four founders amounts to 1,000,000. The company managed to raise EUR 2.5M from a VC. The company's post-investment valuation was EUR 4M. The number of shares of the VC equals to 1,666,667.

However, one of the founders decided to leave two years after the VC-investment was made.

- a) How much does the company pay the leaving founder assuming there is no vesting schedule (vesting provision) and what is the price per share?
- b) How much does the company pay the leaving founder assuming a vesting period of 5 years for the founders' shares and what is the price per share? 12p (max 2 pages)

Good Luck!