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## Case: Venture Capital Contracting

SI 646, Information Economics  
Prof. Jeff MacKie-Mason

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Read Charles H. Ferguson. *High St@kes, No Prisoners: A Winner's Tale of Greed and Glory in the Internet Wars*. Crown Business, 1999, ch. 3 (Introduction chapter optional)

Come prepared to discuss the following:

1. What are three different conflict of interest involving hidden action problems that Ferguson identifies?
2. How does the long-running debate over initial valuation relate to the participation constraint (PC) from contracting theory?
3. Be prepared to describe at least two ways in which the incentive compatibility (IC) constraint is reflected in the terms of the various contracts discussed in the chapter.