Course Objectives

The objective of this course is to develop a better understanding of firms financing with a special focus on the capital raising decision and the process of raising capital. The class discusses the main decisions by treasurers and CFOs relative to the choice of capital raising techniques and sources of funds. Specifically, the class will consider issues relative to the public equity markets (e.g., IPOs and SEOs) and private equity including venture capital. The course will discuss debt financing at length. In particular, we will study corporate bonds, bank financing, short-term finance (e.g., commercial paper and credit lines) and other forms of debt financing. Finally, we will discuss bankruptcy and financial restructuring and the decision to finance acquisitions.

Approximately half of the class sessions will be devoted to lectures and the other half will be devoted to case discussions.

Materials

Required

- Course Packet. The course packet includes articles and cases.
- Lecture Notes and Class Handouts. Available on line on Blackboard as the class develops.

Recommended

Course Requirements and Grading

The grade in the course will be determined as follows:

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homework and Case Assignments</td>
<td>40%</td>
</tr>
<tr>
<td>Class Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm Exam</td>
<td>25%</td>
</tr>
<tr>
<td>Final Exam</td>
<td>25%</td>
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</tbody>
</table>

Description of Requirements

- The final exam is comprehensive (i.e., cumulative). This allows me to make one exception to the above grading rule. If the final exam score is in the top 20% of the score distribution the student will get an A in the class, regardless of the midterm and assignment scores. To benefit from this rule a student must have been an active participant in lectures and handed in all homework assignments.

- Homework assignments include applied problems and exercises (i.e., problem sets) and case write-ups. Assignments must be handed in at the start of the class in which it is due. There is thirteen cases and four problem sets due. While we will grade all of them, we will take the ten highest grades in your cases and use all the grades from the problem sets.

- Case write-ups will be brief memos of at most four double-spaced pages (two/three pages is recommended). For each case, we will assign some specific questions to be addressed.

- Working in groups to prepare both case write-ups and problem sets is not mandatory but it is strongly recommended. The maximum number of students in a group is five.

- The quality of your questions and observations will determine your class participation grade. It is important that you attend every class, be on time, and be prepared to participate. There will be many opportunities for you to get involved in our class discussion. Your class participation (particularly in cases) will be evaluated on my assessment of the following:
  - Can you identify key issues?
  - Can you clearly and convincingly articulate your viewpoint?
  - Can you build on the arguments of others to contribute to a superior solution?

McCombs Classroom Professionalism Policy

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects. Please be on time, be prepared to actively contribute and avoid class disruptions.

Academic Dishonesty

I will be strict against academic dishonesty. We will follow the Honor System as described on http://mba.mccombs.utexas.edu/students/academics/honor/index.asp.

Students with Disabilities

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, in the fourth floor of the Student Services Building. Information on how to register, downloadable forms, including guidelines for documentation, accommodation request letters, and releases of information are available online at http://deanofstudents.utexas.edu/ssd/index.php. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or by e-mail if you have any
Questions.

Articles and Cases Included in the Course Packet

Articles

15. Susan Chaplinksy, “PIPEs: Private Equity Investments in Distressed Firms,” UV 0512.

Cases

1. Cartwright Lumber Co. (HBS 9-204-126)
3. GM and Cerberus: Unusual Partners (KEL 315)
4. Netflix: Going Public (Stanford GBS E155)
5. Goodyear Tire & Rubber Company: Follow-On Equity Issue (UV 2555)
7. a) Freemont Financial Corp. (A) (HBS 9-294-098)
   b) The Weekend that Changed Wall Street (UV 2547)
8. Chase’s Strategy for Syndicating the Hong-Kong Disneyland Loan (A) (HBS 9-201-072)
11. Bankruptcy and Restructuring at Marvel Entertainment Group (HBS 9-298-059)
12. MicroStrategy, Inc: PIPE (UV 0275)
13. Freeport-McMoRan: Financing an Acquisition (KEL 345)
Class Schedule & Assigned Readings

January

Wed. 18    Introduction (GT Ch. 1-3)

Mon. 23    Financial Planning (H Ch. 1-4 & BM Ch. 27)

Wed. 25    Case 1: Cartwright Lumber

Mon. 30    Early Equity and Venture Capital (BM Ch. 23.1; Articles 1, 2 & 3)

February

Wed. 1     Private Equity (Articles 4 & 5)

Mon. 6     Case 2: Metapath

Wed. 8     Case 3: GM & Cerberus

Mon. 13    IPO and The Going Public Decision (BM Ch. 23.2 and 23.3) (JL Ch. 1-2)

Wed. 15    Case 4: Netflix

Mon. 20    Public Equity Markets (I) (BM Ch. 23.4, GT Ch. 19 Articles 7 & 8)

Wed. 22    Public Equity Markets (II) (BM Ch. 23.4, GT Ch. 19 Articles 7 & 8)

Mon. 27    Case 5: Goodyear

Wed. 29    Case 6: Corning

March

Mon. 19    Bank Lending, Commercial Paper and Short Term Financing (Articles 9 and 10)

Wed. 21    Case 7: (a) Freemont + (b) The Weekend that Changed Wall Street

Mon. 26    Case 8: Chase Hong Kong Disneyland Loan
Wed. 28  Public Debt, Bond Issuances and Bond Ratings *(BM Ch. 24; Articles 8 and 11)*

**April**

Mon. 2  Project Financing and Leasing *(BM Ch. 25; Articles 8 and 12)*

Wed. 4  *Case 9: Aluminum Bahrain*

Mon. 9  *Case 10: PPL Corp.’s*

Wed. 11  Bankruptcy and Financial Restructuring *(GT Ch. 16; Article 13)*

Mon. 16  Hybrid Securities *(BM Ch. 24.4; Articles 14 and 15)*

Wed. 18  *Case 11: Marvel*

Mon. 23  *Case 12: MicroStrategy*

Wed. 25  Financing Acquisitions *(GT Ch. 20.9)*

Mon. 30  *Case 13: Freeport-McMoRan*

**May**

Wed. 2  Review and Wrap-up