



Course Overview and Syllabus

Course Description	Building on capital markets and valuation principles, this course examines how and why different types of corporate restructurings affect firm value. The topics include mergers and acquisitions, leveraged buyouts, leveraged recapitalizations, the use of EVA, divestitures, and bankruptcy as an option to restructure the balance sheet. The readings cover both the academic literature and company-based cases. Students will evaluate the value-creating potential of different financial approaches to corporate transformation from the practitioner’s perspective; and will complete a final team project that incorporates key analytical skills and course concepts.
Credits	1.5
Prerequisite	Financial Management I (BFIN 2409) <i>and</i> Financial Management II (BFIN2410) <i>Or</i> Financial Management (BFIN 2006). BFIN 2030 strongly recommended.
Instructor	Andrew Washburn, Visiting Lecturer
Contact Information	Telephone: 412-648-2843 Office: Mervis 268 Email: ajwashburn@katz.pitt.edu Appointments scheduled at mutually convenient times.

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Grading	<p>Class Participation: 25%</p> <p>Assignments: 35%</p> <p>Final Project: 40%</p>
Text	<p>“Creating Value Through Restructuring” (available only at Pitt Book Center) ISBN-13: 978-1-256-44879-2 (Pearson Custom Publishing Coursepack); plus instructor-provided materials.</p>
Class Preparation and Participation	<p>Students are expected to have prepared all materials listed for the given class session <i>in advance</i> of the noted class. Preparation includes completing the readings; and developing sufficient familiarity with the material to participate actively in a class discussion. Interaction in the classroom is an essential element of the learning experience.</p>
Disabilities	<p>If you have a disability for which you are or may be requesting an accommodation, I encourage you to contact both me and the Office of Disability Resources and Services (DRS), 140 William Pitt Union, (412) 648-7890 or (412) 383-7355 (TTY), as early as possible in the term. DRS will verify your disability and determine reasonable accommodations for this course.</p>
Other	<p>All students are expected to comply with the <i>Guidelines for Academic Integrity</i>. To amplify this point, all work is to be completed solely by the individual student unless instructor explicitly directs that the effort can be done collaboratively or in teams. Additionally, any use of outside sources is prohibited unless explicitly permitted by instructor; and any outside sources used are to be fully attributed. Furthermore, seeking or using case solutions or solution models in any form is a violation of the Guidelines. Finally, you may not <i>offer to</i> anyone nor <i>receive from</i> anyone exam or problem set or case solutions; doing so is an explicit violation of the Guidelines.</p>

Preliminary Syllabus

The following represents a tentative outline of key topics, arranged by class week. Cases/chapters/articles are to be read/prepared *prior* to the noted class.

Class	Date	Topic	Custom Book Pages	Article/Case/Chapter
1	21-Oct-2013	<p>Value and Governance</p> <ul style="list-style-type: none"> Agency Costs Conflicts between management and shareholders Value creation incentives <p>Legal Context and Analytical Tools</p> <ul style="list-style-type: none"> Range of options available to management Obligations to explore financial alternatives 	<p>227-242</p> <p>197-226</p> <p>243-252</p>	<ul style="list-style-type: none"> Jensen, “Eclipse of the Public Corporation” Weston et al., “Corporate Governance” (Ch. 20) Baldwin et al., “M&A Legal Context”
2	28-Oct-2013	<p>Building the Analytical Toolkit</p> <ul style="list-style-type: none"> Tools available to assess value Valuation alternatives: Finding the right approach for the right alternatives <p>Restructuring Pathways</p> <ul style="list-style-type: none"> Acquisitions, Divestitures, Spinoffs, LBOs Debt/Equity Mix 	<p>253-268</p> <p>39-62</p> <p>63-86</p>	<ul style="list-style-type: none"> Gilson, “Valuing Companies in Corporate Restructurings” Weston et al., “Alternative Approaches to Valuation” (Ch. 9) Weston et al., “Corporate Restructuring” (Ch. 11)
Assgn #1	04-Nov-2014	<p><i>You’re an Analyst</i></p> <ul style="list-style-type: none"> <i>Prepare a 4-page analysis of Nova Chemical</i> <i>Due at beginning of Class 3</i> 	269-282	<ul style="list-style-type: none"> <i>Mason, “Restructuring of Nova Chemical”</i>

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Class	Date	Topic	Custom Book Pages	Article/Case/Chapter
3	04-Nov-2013	<p>Recapitalizations and Leverage</p> <ul style="list-style-type: none"> Radical balance sheet transformations and debt's value role Business risks and benefits Discerning the "right" level of debt <p>Restructuring in a Complex Environment</p> <ul style="list-style-type: none"> Value impacts of poor performing units Evaluating alternatives in the context of emerging information 	<p>87-99</p> <p>269-282</p> <p>283-304</p>	<ul style="list-style-type: none"> Weston et al., "Financial Restructuring" (Ch. 13, first 13 pages) Mason, "Restructuring of Nova Chemical" Wruck et al., "Sealed Air's Leveraged Recapitalization (A)"
Assgn #2	11-Nov-2013	<p>You're a CFO</p> <ul style="list-style-type: none"> Prepare a short (about 5 pages exclusive of exhibits) memo to CEO describing alternatives and recommendations Due at beginning of Class 4 	283-304	<ul style="list-style-type: none"> Wruck et al., "Sealed Air's Leveraged Recapitalization (A)"
4	11-Nov-2013	<p>Acquisitions</p> <ul style="list-style-type: none"> Theoretical framework Strategic logic and planning imperatives Empirical outcomes: Sobering facts about why acquisitions usually fail <p>Making an Acquisition: Doing a Deal</p> <ul style="list-style-type: none"> Acquisition planning Due diligence Assessing synergy value Integration planning 	<p>1-38</p> <p>305-320</p>	<ul style="list-style-type: none"> Weston et al., "Empirical Tests of M&A Performance" (Ch. 8) Ruback et al., "Radio One, Inc."

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Class	Date	Topic	Custom Book Pages	Article/Case/Chapter
Assign #3	18-Nov-2013	<p>You're a Restructuring Specialist</p> <ul style="list-style-type: none"> Prepare a 2-page summary of the key challenges facing Rashomon Due at beginning of Class 5 		<ul style="list-style-type: none"> Rashomon Corporation (Instructor-provided material)
5	18-Nov-2013	<p>Final Project Kickoff: "How do we fix this mess?"</p> <ul style="list-style-type: none"> Teams charged with developing analysis Make a logical, plausible recommendation: merger, divestiture, liquidation, bankruptcy, MBO <p>Releasing Value Through Share Repurchases</p> <ul style="list-style-type: none"> Why companies repurchase shares The repurchase versus dividends debate 	155-196	<ul style="list-style-type: none"> Rashomon Corporation (Instructor-provided material) Weston et al., "Share Repurchases" (Ch. 18)
6	02-Dec-2013	<p>Going Private</p> <ul style="list-style-type: none"> The role of LBOs and MBOs in restructuring Advantages and pitfalls of going private Role of private equity investors <p>Bankruptcy: The Restructuring of Last Resort</p> <ul style="list-style-type: none"> Mark of failure or plausible restructuring choice? Voluntary and pre-packaged bankruptcies Bankruptcy steps and options Winners and losers 	115-154 99-110 321-345	<ul style="list-style-type: none"> Weston et al., "Going Private and Leveraged Buyouts" (Ch. 16) Weston et al., "Financial Restructuring" (Ch. 13, last 12 pages) Foley et al., "Chrysler's Sale to Fiat"

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Class	Date	Topic	Custom Book Pages	Article/Case/Chapter
7	<i>Due by 9:00 pm 09-Dec- 2013</i>	<i>Final Project in lieu of Final Examination</i>		<ul style="list-style-type: none"><i>Rashomon Corporation (Instructor-provided material)</i>