Corporate Finance Syllabus (Professor Lynn Bai, Fall 2015)

Office: Room 427
Email: lin.bai@uc.edu
Phone: 513-556-0194

Requirements

1) TWEN Registration: I have created a TWEN page for this course. Please register so that you can access course materials and receive emails from me.

2) Homework: I will assign homework periodically as we finish topics listed on the syllabus. Homework is due one week after the assignment. Homework accounts for 30% of your final grade. You can seek help from each other in completing the homework.

3) Term Paper: You are required to turn in a term paper no later than the end of December 17, 2015 (that is the last day of the fall semester).

   The term paper should discuss developments in the past 10 years in the marketplace and the regulation on a topic listed on the syllabus (whether or not we have had the opportunity to cover it in class). For example, if you would like to write about a particular type of securities offering, you should discuss: (1) major offerings (in the US as well as in one foreign market) in the past 10 years and the key terms of those offerings, any discernable trend/change in the marketplace of this type of offerings, (2) current regulations applicable to this type of offerings. That includes statutes, regulatory agency (e.g., SEC) rules and enforcement actions, case law, and exchanges’ rules and disciplinary actions, etc. Up to 5 bonus points will be given if you compare the US regulation with that of a major foreign market, and (3) any improvement that you believe should be made to the current regulations.

   If you choose to discuss a particular financial product (e.g., a financial derivative product), you should discuss: (1) typical usage of the product, the marketplace (e.g., key US and international exchanges trading the product, major institutions that participate/trade in the market, daily trading volume, risk management measures, etc.), any discernable trend in the marketplace of this product, (2) current regulations applicable to this product. That includes statutes, regulatory agency rules and enforcement actions, case law, and exchanges’ rules and disciplinary actions, etc. Up to 5 bonus points will be given if you compare the U.S. regulation with that of a major foreign market, and (3) any improvement that you believe should be made to the current regulations.

   I do not set a page limit for the term paper as I would like it to reflect fully your knowledge of the topic. The term paper accounts for 70% of your final grade.

4) A note on class attendance and participation: I understand that occasionally there may be conflicts in your schedules so I do not require you to be present in every class. However, I reserve the right to move your grade down one level if you are constantly absent from class.
5) **Reading Assignments:** The syllabus is an aid for planning and I will follow it as much as possible, but I also reserve the right to change it from time to time as I think appropriate. Materials that are not readily available from Westlaw or Lexis/Nexis are posted on TWEN. Depending on your academic and working experience, you may find some materials more challenging than others. Do your best to finish reading assignments prior to class. Reading materials include pages selected from the following books as well as other sources that I believe appropriate for this class:


**Chapter 1 Equity Financing**

1) Initial public offering (“IPO”)
   a) An Overview of the IPO process (on TWEN).
   c) Underwriting agreement and selected dealers agreement (Johnson & McLaughlin, pages 2-26 to 2-59) (on TWEN)
   d) The role of securities analyst in securities offerings (Johnson && McLaughlin, pages 3-33 to 3-38.5) (on TWEN)
   f) Problematic practice of IPO share allocation
      i) NYSE/NASD IPO Advisory Committee Report (2003) (on TWEN)

2) Shelf registration
   a) Rule 415 Johnson & McLaughlin (pages 8-29 to 8-48) (on TWEN)
   b) Common stock shelf registration (pages 8-73 to 8-83) (on TWEN)

3) Exempt transactions (Johnson & McLaughlin (pages 1-53 to 1-61) (on TWEN)

4) Private placements (skip)
   a) Regulation D (Johnson & McLaughlin, pages 7-21 to 7-47, 7-73 to 7-80.2);
   b) Rule 144A (Johnson & McLaughlin, pages 7-47 to 7-58.3);
c) Stand-alone institutional placements (Johnson & McLaughlin, pages 7-67 to 7-74);

5) ADRs and GDRs
   a) Johnson & McLaughlin (pages 9-50 to 9-69) (on TWEN)
   b) Guide to Public ADR Offerings in the United States (on TWEN, optional reading)
   c) JP Morgan, Global Depositary Receipts Reference Guide (on TWEN, optional reading)

6) Offshore offerings and Regulation S (Johnson & McLaughlin, pages 9-17 to 9-42) (on TWEN)

7) Rights offerings
   a) RWJ 534 – 542 (on TWEN)
   b) Johnson & McLaughlin (pages 13-65 to 13-73) (on TWEN)
   d) Frequently asked Questions about Rights Offerings (Pinedo of Morrison & Forster LLP 2009) (on TWEN, optional reading)
   e) Sample rights offering prospectus (on TWEN, optional reading)

8) Stock dividends and stock splits
   a) RWJ 612 – 616 (on TWEN)

9) Stock repurchase
   a) RWJ 609 – 612 (on TWEN)
   b) Johnson & McLaughlin (pages 13-1 to 13-32) (on TWEN)
   d) In re SPM Manufacturing Corporation, 163 Bankr. 411 (1994)
   e) Unocal Corp. v. Mesa Petroleum Co, 493 A. 2d 946 (1985)

10) Rescission offer (Johnson & McLaughlin, pages 13-73 to 13-80) (on TWEN)

Chapter 2 Valuing Corporations and Stocks

2) The dividend discount model
   a) RWJ 235 – 244 (on TWEN)
3) Comparable company analysis: VRA materials (on TWEN)

Chapter 3 Debt Financing

1) Long-term corporate debt security: corporate bonds
   a) Bond features and markets
      i) Bond Basics Tutorial (on TWEN)
      ii) Floating rating bonds, Fabozzi 373 – 383 (on TWEN)
b) Bond issuance
   i) Corporate Bond Operational Underwriting Process, by The Bond Market Association (on TWEN)

c) Bond valuation: RWJ 193 – 203 (on TWEN)

d) Yield curve, spot rates and forward rates (on TWEN)

e) Bond price sensitivity to interest rate movements – duration and convexity
   i) Duration and Convexity, University of Virginia Darden Graduate School of Business course material (on TWEN)
   ii) SEC order against Charles Schwab (Jan. 2011) (on TWEN)

f) Convertible bonds
   i) Convertible bond features: RWJ 466 – 468 (on TWEN), McDermott 409 – 414 (on TWEN)
   ii) Johnson & McLaughlin (pages 12-4 to 12-18.2) (on TWEN)
   iii) Indenture provisions relating to convertible securities: McDermott 414 – 460 (optional reading) (on TWEN)

g) Debentures, indentures and legal issues
   i) Sample legal opinion and sample debenture forms (McDermott 135 – 146, optional reading) (on TWEN)
   ii) Express and implied covenants of indentures
   iii) Redemption provisions
   iv) “No action” clause
      (1) Rabinovitz v. Kaiser-Frazer Corp., 111 N.Y.S.2d 539 (1952)
   v) “All or substantially all” assets
      (1) Story v. Kennecott Copper Corp., 394 N.Y.S.2d 353 (1977)
   vi) Subordinated debt securities
      (1) In re Envirodyne Industries, Inc., 29 F.3d 301 (1994)
   vii) Duty of trustee to bondholders

2) Medium-term notes
   a) Fabozzi 339 – 350 (on TWEN)
   b) Johnson & McLaughlin (pages 8-66 to 8-72) (on TWEN)

3) Commercial paper
   a) Johnson & McLaughlin (Chapter 10) (on TWEN)
   b) Fabozzi 285 – 289 (on TWEN).
   d) Sample commercial paper offering memorandum (on TWEN)
Chapter 4 Derivative Securities

1) Options
   a) Basic features: RWJ 439 – 446 (on TWEN)
   b) The BS options pricing model and factors (video)
   c) Hedging with options contracts: RWJ 771 – 775 (on TWEN)

2) Swap contracts
   a) Interest Rate Swap Pricing: A Classroom Primer (on TWEN)
   b) Valuation of “Plain Vanilla” Interest Rate Swaps (on TWEN)

3) Forward and futures contracts: RWJ 762 – 768*

4) Collateralized debt obligations and credit default swaps: Fabozzi 669 – 729 (optional reading)*

*There is a high probability that we will not be able to cover these materials in class. If we do indeed cover them, I will post reading materials on TWEN before class.