

Corporate Finance Syllabus (Professor Lynn Bai, Fall, 2007)

Requirements

1. Students taking this class have different levels of background knowledge about the subject matters of this course. Those of you who have prior education or working experience in finance/business/economics may find it easier to understand certain concepts in the course materials while those who have not had much exposure to this field may take more time to learn. For this reason, students are encouraged to form study groups of 4 or 5 students each and help each other in preparing class assignments (see below).
2. Each student is assigned two subject matters in the syllabus below for presentation in class on dates indicated. Some classes cover multiple topics so the scope of each assignment includes all topics/materials until a different date and presenter are indicated. Depending on the topic, the presentations normally last for about 30 – 40 minutes, and I will spend the rest of the time commenting on key points of the subject matter. Students can ask the presenting student questions at any time during the presentation.

The presenting student is required to prepare a detailed outline of the presentation and distribute the outline either via email prior to the class or a hard copy in class. The presenter's role is to convey his/her knowledge in the assigned subjects to fellow students in a clear and logical way that helps them understand the subject matters. Having said this, I would like to emphasize that the presenter is not required to know everything about the subject matter he/she presents. The presenter should feel free to say "I do not know the answer" to questions asked. After all, you are here to learn, and no one, not even the experts in this field, can claim that they know everything about the subject matters we are studying. It is also perfectly fine for the presenter to post questions and issues which he/she finds difficult to understand – let's talk about those questions and issues in class and see if we can come up with answers.

If you cannot attend class on any of the dates you are assigned to present, you can switch presentation dates (and thus topics assigned) with any student in your group. You should come to talk to me if that is a problem.

3. Your grades will have two components: (1) each in-class presentation and outline takes 20% of total scores (that is, 40% of total scores for two presentations), and (2) a short paper of 5 – 10 pages (double spaced and in any case not exceeding 10 pages) that identifies a contemporary issue about any subject matter that is in the field of corporate finance, the concerns/arguments about the issue, and your thoughts on the issue. This paper is due on the last day of the class, that is, December 5, 2007. There are many sources where you can identify such issues, including, e.g., reading business/finance/securities journals, checking out the SEC

websites about rule proposals and the websites of major stock exchanges, or even google searching by key words of a finance subject matter.

4. A note on class attendance and participation: I understand that some of you may need to do job interviews this semester, so I do not require you to be present at each class. However, your good class attendance and active participation in class discussions will be a positive factor that I will consider if your grade is close to the boarder line of two different levels.
5. A short list of reference books:
 - a. Fundamentals of Corporate Finance, 8th ed., by Ross, Westerfield and Jordan (RWJ), McGraw-Hill. I have put a few copies on reserve in the library.
 - b. The Legal Aspects of Corporate Finance, by McDermott, Lexis/Nexis
 - c. Financial Markets and Institutions, 3rd ed, by Saunders and Cornett, McGraw-Hill.
 - d. Fundamentals of Corporate Finance, Brealey, 5th ed., Myers and Marcus (BMM), McGraw-Hill.

Let's have some fun together learning corporate finance!

Chapter 1 Introduction (*August 22, 2007*)

1. Overview of finance channels available to corporations and the flow of capital to corporations
2. Major types of corporate finance activities
3. Major financial products available for capital market financing
4. key valuation methods in corporate finance activities
5. Major financial markets in the U.S.

Chapter 2 Equity Financing

1. Introduction to equity Securities (*August 27, 2007, Elizabeth Ahrens*)

- a. Common stock features (RWJ 245 – 248)
 - b. ADRs (RWJ 727)
 - c. Preferred stock features (RWJ 248 – 249)
2. Common stocks
- a. Overview of business aspects of dividends (RWJ 590 – 594, 597 - 609)
(*August 29, 2007, Timothy Bezbatchesko*)
 - b. Legal aspects of dividends and distributions
 - 1. Ivanhoe Partners v. Newmont Mining Corp. (McDermott 576 – 577), Gabelli & Co. Profit Sharing Plan v. Liggett Group, Inc. (McDermot 577 – 582).
 - 2. In Re C-T of Virginia, Inc., Shearson Lehman Brothers, Inc. v. Valuation Research Corporation, In re Envirodyne Industries, Inc. Isquith v. Caremark International, Inc. (McDermott 583 – 606) (*September 5, 2007, Isabelle Dinerman*)
 - c. Stock repurchase, stock dividends and stock splits
 - 1. business aspects (RWJ 609 – 616) (*September 10, 2007, Alicia Adams*)
 - 2. legal aspects (McDermott 606 – 631) (*September 12, 2007, John Domaschko*)
 - 3. legal aspects (McDermott 631 – 662) (*September 17, 2007, Jayson Edell*)
3. Preferred stocks
- a. Legal authority to issue preferred and contractual nature of preferred rights (McDermott 299 – 325) (*September 19, 2007, Jeannette Gute*)
 - b. Dividend right and liquidation preference (McDermott 326 – 345)
(*September 24, 2007, Patrick Hayes*)
 - c. Voting rights (McDermott 358 – 386) (*September 26, 2007, Jamia Holloman*)
 - d. Redemption of preferred and modification of preferred provisions (McDermott 386 – 391, 396 - 404) (*October 1, 2007, Meredith Brown*)

4. Equity financing activities (*October 3 & 8, 2007, Andrew Patrick Spoor, Lynn Bai*)
 - a. Venture capital (RWJ 514 – 516)
 - b. Private placement (BMM 383)
 - c. IPOs and secondary offerings (RWJ 516 – 532)
 - d. Shelf registration (RWJ 543)
 - e. Rights offering (RWJ 534 – 542)
5. Valuation of common stocks and investment opportunities
 - a. Book value, liquidation value and market value (BMM 146 – 149) (*October 10, 2007, Lynn Bai*)
 - b. The most commonly used valuation method – discounting future cash flows (RWJ 122 – 133, 146 - 153)
 - c. The net present value of investment opportunities (RWJ 264 – 275, 277 - 285) (*October 22, 2007, Stephen Worth*)
 - d. The dividend discount model (RWJ 235 – 244) (*October 24, 2007, Elizabeth Ahrens*)
 - e. Fairness opinions (McDermott 95 – 112)

Chapter 3 Debt Financing

1. Bond features and valuation (RWJ 193 – 219) (*October 29, 2007, Timothy Bezhatchenko*)
2. The term structure of interest rates (RWJ 222 – 226) (*October 31, 2007, Isabelle A Dinerman*)
3. Issuance of debt (RWJ 542 – 543, 641 -643)
4. Debentures and Indentures
 - a. Sample legal opinion and sample debenture forms (McDermott 135 – 146) (*November 5 2007, Alicia Adams*)

- b. Express and implied covenants of indentures (McDermott 161 – 197) (*November 5, 2007, John Domaschko*)
 - c. Redemption provisions (McDermott 198 – 214) (*November 7, 2007, Jayson Edell*)
 - d. Subordinated debt securities (McDermott 262 – 271)
5. Convertible bonds
- a. Convertible bond features (RWJ 466 – 468, McDermott 409 – 414) (*November 12, 2007, Jeannette Gute*)
 - b. Indenture provisions relating to convertible securities (McDermott 414 – 460) (*November 14, 2007, Patrick Hayes, Jamia Holloman*)
 - c. Poison pill provisions (McDermott 534 – 555) (*November 19, 2007, Meredith Brown*)

Chapter 4 Using derivative securities

- 1. Options
 - a. Basic features (RWJ 439 – 446) (*November 21 2007, Andrew Patrick Spoor*)
 - b. The BS options pricing model and factors (RWJ 446 – 454)
 - c. Employee stock options (RWJ 454 – 456) (*November 26 2007, (Lynn Bai)*)
 - d. Warrants (RWJ 465 – 466)
 - e. Hedging with options contracts (RWJ 771 – 775)
- 2. Forward and futures contracts (RWJ 762 – 768) (*November 28, 2007, Stephen Worth*)
- 3. Swap contracts (RWJ 768 – 771) (*December 3, 2007 Lynn Bai*)

Chapter 5 Mergers and Acquisitions (an overview of the process) (*December 5, 2007 Lynn Bai*)