
Course Syllabus -- Private Equity Finance – Spring 2009

Course Information

<i>Course Number/Section</i>	FIN 6316
<i>Course Title</i>	Private Equity Finance
<i>Term</i>	Spring 2009
<i>Days & Times</i>	Wednesdays, 7:00pm -10:00pm
<i>Location</i>	SOM 2.116

Professor Contact Information

<i>Professor</i>	David J. Springate, Ph.D.
<i>Office Phone</i>	972-883-2647
<i>Email Address</i>	spring8@utdallas.edu
<i>Office Location</i>	SOM 2.610
<i>Office Hours</i>	By appointment

Co-Instructor Contact Information

<i>Co-Instructor</i>	Elizabeth Jones, MBA Executive in Residence & Visiting Professor
<i>Office Phone</i>	972-883-5909
<i>Email Address</i>	elizabeth.jones@utdallas.edu
<i>Office Location</i>	SOM 2.709
<i>Office Hours</i>	By appointment

Administrative Contact Information

<i>Administrative Assistant</i>	Debbie Davis
<i>Office Phone</i>	972-883-5941
<i>Email Address</i>	debbie.davis@utdallas.edu
<i>Office Location</i>	SOM 2.415

Course Description**Key Features of the Course**

There are several distinguishing features of this course:

- We will be selective in our presentations and course coverage. We aim to cover current private equity activity as carried out through designated investment funds raised and managed by private equity firms and, to a more limited extent, hedge funds. We will first consider investors in such funds. We will then take up the choice and execution of leveraged buyouts, turnarounds, public infrastructure investments, and international investments. As the course progresses, we will examine the recent credit crisis and the future of private equity. We will close with a consideration of issues in the management of private equity funds. Although it is part of private equity, Venture Capital activity is covered in the Entrepreneurial Finance course.
- We will include coverage of relevant domestic and international private equity topics.

- We will emphasize relevant theory.
- We will stress case analysis in class.
- We will bring in weekly visitors from the Texas and regional financial community as speakers. This will add depth and breadth to the coverage of various topics and will help illustrate what is going on locally.
- We will position this course as one of professional development for our students.

Conduct of the Course

We will explore topics through class discussion of real case situations faced by investors and fund managers, contributions by outside experts and instructor-led discussion. Approximately equal time will be given each week to concepts and frameworks, case discussion, and visitor presentations.

Course Topics

The fifteen classes are divided into five course sections:

1. In the “Fund Investors” section we will:
 - Review major developments in the world of private equity.
 - Consider the investors in private equity and fundraising from these sources.
 - Discuss returns and partnership structures
2. In the “Leveraged Buyout Investments” section we will:
 - Consider how value gets created.
 - Consider deal dynamics.
 - Consider the role of debt and the state of current debt markets
3. In the “Public Infrastructure Investments” section we will:
 - Consider the recent credit crunch and its longer term implications.
 - Consider recent growth of public/private partnerships with governments.
4. In the “International Investments” section we will:
 - Consider private equity firm strategy in a world of international opportunities.
 - Examine the rise of sovereign wealth funds
 - Position private equity fund activity in public markets

5. In the “Private Equity Management” section we will:
- Consider due diligence.
 - Consider corporate governance.
 - Consider deal structuring, deal sourcing, and pricing
 - Review the value of public markets to private equity activity.
 - Consider strategic issues for private equity funds.

See the attached class schedule for details. Please note that although we will have many speakers in class, you will be provided with clarifying details as the course evolves. Due to scheduling constraints of potential speakers, we need the flexibility this affords. We do expect to have a cross-section of professionals including fund managers, investors, valuation experts and others.

Associated Field Work Opportunities

Some students may have interest and qualify for participation in selected field projects supervised by course faculty. Such opportunities will require high quality deliverables for outside sponsors and, accordingly, will be offered on a selective basis. More details on specific opportunities and on academic credit structure will be announced as the course progresses.

Student Learning Objectives/Outcomes

The objectives of the course are to build your skills, frameworks and knowledge in understanding this new and evolving world of private equity finance. The skills and frameworks are similar to those employed in traditional corporate finance, but are, of necessity, more focused on identification of opportunities, projected cash flow, return enhancement, developing value and deal making. The context of private equity finance is different than that of traditional corporate finance. Companies are, by definition, not listed on public exchanges. High debt is frequent. There is deal making involved. As opposed to traditional private financial activity, institutional investors, specialized private equity firms, and lightly regulated funds/funds have been central to the new private equity world. Perhaps some of this will change given the new international and domestic markets structure. Safe to say, Private Equity is of growing significance, both domestically and internationally. The specific course aims are to improve your capacity to:

- Recognize an opportunity worth financing through private equity.
- Value such an opportunity.
- Understand the differences between fund investors’ perspectives, those of the partners in private equity firms, and those of portfolio company managers.
- Appreciate the difference between venture capital, recent private equity developments, and traditional financing activity.
- Explain why private equity activity will likely to continue to grow, and why such activity is spreading in the traditional public financing domain..
- Understand the importance of innovative capital structuring and debt management for private equity activity.

- Operate internationally.
- Apply the above in an integrated fashion.

Required Textbooks and Materials

We will use a package of 19 business school notes and cases, and a thin book entitled “Private Equity as an Asset Class” by Guy Fraser-Sampson. Both are available in the bookstore. You will need them to proceed in the course.

List of cases and notes:

Harvard Business School

9-902-004	Technical Note on LBO Valuation (A)
9-902-005	Technical Note on LBO Valuation (B)
9-208-037	A Note on Private Equity in Developing Countries
9-807-073	Yale University Investments Office: August 2006
9-208-030	The Hertz Corporation (A)
9-807-005	Lion Capital and the Blackstone Group: The Orangina Deal
9-807-033	Summit Partners – The FleetCor Investment (A)
9-807-069	Brazos Partners and Cheddar’s Inc.
9-808-017	Texas Pacific Group – J. Crew
9-807-006	3i Group plc: May 2006
IMD 147	ATP – Private Equity Partners (A)
HKU640	InfraStructure Finance: The Sydney Cross City Tunnel
9-807-143	NCH Capital and Univermag Ukraina
9-800-104	Capital Alliance Private Equity: Creating a Private Equity Leader in Nigeria
9-508-092	Carlyle Japan (A)

9-208-026 JP Morgan Partners – Cabela’s Inc.

TXU – Energy Futures Holdings case
121 / CINTRA case

Week	Date	Topics/Investors	Assigned Case	Lectures and Concepts	Visitor	Readings/ Assignments	
1	1/14	Fund Investors	• Yale University Investments Office: August 2006	<ul style="list-style-type: none"> • Analysis of real world cases • The virtues of private equity • The growing significance of private equity funds today • The actors in private equity funds • Types of private equity portfolio activities • Asset allocation • Choice of investment fund 	None	• F-S Chapter 1	
2	1/21		• ATP – Private Equity Partners	<ul style="list-style-type: none"> • Differentiated markets and their choices • Limited partners • Private equity firms and compensation • Cash flow valuation 	#1	• F-S Chapter 2	
3	1/28	Leveraged Buyout Investments	• The Hertz Corporation (A)	<ul style="list-style-type: none"> • How value gets created • Detailed analysis • Expected returns • Deal dynamics • Valuation • Leveraged buyouts 	#2	• F-S Chapter 3, 4	
4	2/4		• The Hertz Corporation (B)	<ul style="list-style-type: none"> • How funds select private equity investments • Changing role of debt markets and related instruments 	#3	• First Written Assignment: Ithmar Capital	
5	2/11		• Lion Capital and the Blackstone Group: The Orangina Deal	<ul style="list-style-type: none"> • The rise of hedge funds • Financial issues in hedge funds • Written element 	#4	• Technical Note on LBO Valuation (A) and (B) • F-S Chapter 5	
6	2/18		• Texas Pacific Group & J. Crew	<ul style="list-style-type: none"> • Deal structuring and pricing • The involvement of management • Incentives 	#5		
7	2/25		• TXU / Energy Futures Holdings case	• What happened in this deal?	#6	If Private Equity Sized Up Your Business	
8	3/4		Public Infrastructure Investments	• InfraStructure Finance: The Sydney Cross City Tunnel	<ul style="list-style-type: none"> • Possible scenarios • Compliance issues 	#7	
9	3/11	• 121 / CINTRA case		• What is going on in Texas?	#8	TBD	
10	3/25	International Investments	• NCH Capital and Univermag Ukraina	<ul style="list-style-type: none"> • Scaling of private equity firms • Listing of private equity firms • Economic downturns 	#9		
11	4/1		• Capital Alliance Private Equity: Creating a Private Equity Leader in Nigeria	• Sovereign Wealth Funds	#10	A Note on Private Equity in Developing Countries	
12	4/8	Private Equity Management	• Summit Partners – The FleetCor Investment (A)	• Due diligence	#11	• Second Written Assignment: Brazos Partners and Cheddar's Inc. • F-S Chapter 9	
13	4/15		• Carlyle Japan	• Sourcing of private equity deals	#12		
14	4/22		• JP Morgan Partners – Cabela's Inc.	• Management of portfolio company expectations	#13		
15	4/29		• 3i Group plc: May 2006	<ul style="list-style-type: none"> • International expansion • Private equity firm strategy 	#14	• F-S Chapter 10	
	5/6	FINAL EXAM					

Blackstone's IPO extra case

Grading Policy

Deliverables

You will be judged on class discussion of topics and cases and on your questions for visitors. You will also be writing in class on several occasions to test your comprehension and integration of topics. Other deliverables include individual written analysis of two cases and a team presentation in class. Under some circumstances a paper may be substituted for the second written case analysis. See the instructors.

WebCT will be used as a means of class communication including weekly evaluations. Group discussion areas will be provided through this media.

Evaluation

Class discussion, participation and case analysis	40%
Two individual written case analyses	40%
Final examination	20%
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	100%

Course Policies

Make-up exams

These are possible only in exceptional circumstances. Seek the instructors' approval in advance.

Extra Credit/Special Assignments

Extra credit is possible if the course objectives are advanced. Please see the instructor.

Late Work

All work should be submitted even if late. Penalties may apply.

Class Attendance

Grades depend, in part, on attendance. You are expected to be in class.

Classroom Citizenship

Participation calls for due respect of classmates and the instructors. Do not embarrass yourself. Come prepared to class with required readings and case preparation completed.

Student Conduct & Discipline

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and activities. General information on student conduct and discipline is contained in the UTD publication, *A to Z Guide*, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations, Board of Regents, The University of Texas System, Part 1, Chapter VI, Section 3*, and in Title V, Rules on Student Services and Activities of the university's *Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391).

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

Academic Integrity

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic dishonesty includes, but is not limited to, statements, acts or omissions related to applications for enrollment or the award of a degree, and/or the submission as one's own work or material that is not one's own. As a general rule, scholastic dishonesty involves one of the following acts: cheating, plagiarism, collusion and/or falsifying academic records. Students suspected of academic dishonesty are subject to disciplinary proceedings.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

Email Use

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.

Withdrawal from Class

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, instructors cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

Student Grievance Procedures

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

Incomplete Grade Policy

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of F.

Disability Services

The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:

The University of Texas at Dallas, SU 22
PO Box 830688
Richardson, Texas 75083-0688
(972) 883-2098 (voice or TTY)

Essentially, the law requires that colleges and universities make those reasonable adjustments necessary to eliminate discrimination on the basis of disability. For example, it may be necessary to remove classroom prohibitions against tape recorders or animals (in the case of dog guides) for students who are blind. Occasionally an assignment requirement may be substituted (for example, a research paper versus an oral presentation for a student who is hearing impaired). Classes enrolled students with mobility impairments may have to be rescheduled in accessible facilities. The college or university may need to provide special services such as registration, note-taking, or mobility assistance.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

Religious Holy Days

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

Off-Campus Instruction and Course Activities

Off-campus, out-of-state, and foreign instruction and activities are subject to state law and University policies and procedures regarding travel and risk-related activities. Information regarding these rules and regulations may be found at the website address given below. Additional information is available from the office of the school dean. (http://www.utdallas.edu/Business_Affairs/Travel_Risk_Activities.htm)