

**COURSE SYLLABUS**  
**Private Equity Finance– Spring 2013**  
**The University of Texas at Dallas – Naveen Jindal School of Management**

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**Course Information**

*Course Number/Section* FIN 6316 – 001 / ENTP 6316- 001  
*Course Title* Private Equity Finance  
*Term* SPRING 2013  
*Days & Times* Wednesdays, 4:00pm – 6:45pm  
*Location* TBD

**Professor Contact Information**

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Professor and Director,  
Center for Finance Strategy Innovation  
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*Office Hours* By appointment

**Co-Instructor Contact Information**

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Visiting Professor and Associate Director,  
Center for Finance Strategy Innovation  
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*Office Location* JSOM 2.709  
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**Administrative Contact Information**

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**Course Description**

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. We will first consider investors in such funds and the managers of funds. We will then take up portfolio investments and the assessment, structuring and valuation of opportunities. This will include only leveraged buyouts and turnarounds. We will close with a consideration of strategic issues in 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 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 students.

**Center for Finance Strategy Innovation**

This course is one of a series offered through the Center for Finance Strategy Innovation. The Center was founded in 2008 to focus on education and research programs in areas crucial to today's economy. Working with businesses, the center addresses corporate transformations, restructurings, turnarounds, and leveraged buyouts, as well as funding for innovation, project finance, and growth capital. It also has active programs centered on public-private partnerships.

## **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. Classes will include some combination of concepts and frameworks, case discussion, and visitor presentations. 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.

## **Course Topics**

See the attached class schedule for details, page 4.

## **Associated Field Work Opportunities**

Some students may have interest and qualify for participation in selected supervised field projects. Such opportunities will require high quality deliverables for outside sponsors and, accordingly, will be offered on a selective basis. 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. A capital structure involving debt is usual. There is deal making transformation and shared interests 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.

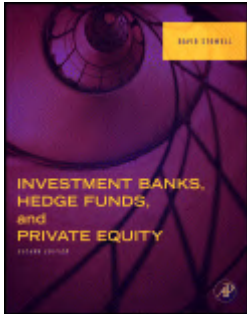
The specific course aims are to improve your capacity to:

- Recognize an opportunity worth financing through private equity.
- Value such an opportunity.
- Understand the differences the perspectives of fund investors, those of the partners in private equity firms, and those of portfolio company managers.
- Understand the importance of innovative strategy, capital structuring, debt management and risk allocation / assumption for private equity and partnership activity.
- Operate internationally.
- Apply the above in an integrated fashion.

## Required Textbooks and Materials

We will use a package of 20 business cases and notes and the textbook: *“Investment Banks, Hedge Funds, and Private Equity”* by David Stowell. These required materials may be found at the UT Dallas bookstore, Off-Campus Books, and Stanza Textbooks. The cases may also be purchased from Harvard Business Publishing. You will need these materials to proceed in the course.

### Textbook:



## Investment Banks, Hedge Funds, and Private Equity

### **By**

**David Stowell**, is Professor of Finance at the Kellogg School of Management, Northwestern University, Evanston, IL. He also manages Paradigm Partners, a boutique investment bank.

Hardbound, 672 Pages

**Published:** AUG-2012

**ISBN 13:** 978-0-12-415820-7

**Imprint:** [ACADEMIC PRESS](#)

### List of Cases and Notes:

<b>Case NO.</b>	<b>Case Title</b>
1 W12782-PDF-ENG	Bain Capital and Dollarama
2 909N18-PDF-ENG	BCE Inc.: In Play
3 210014-PDF-ENG	Blackstone Group: Merlin Entertainment, The
4 211026-PDF-ENG	Countrywide plc
5 297046-PDF-ENG	Fojtasek Companies and Heritage Partners--March 1995
6 810064-PDF-ENG	Grove Street Advisors: September 2009
7 208030-PDF-ENG	Hertz Corporation (A)
8 208031-PDF-ENG	Hertz Corporation (B)
9 811032-PDF-ENG	Hony, CIFA, and Zoomlion: Creating Value and Strategic Choices in a Dynamic Market
10 810073-PDF-ENG	Iris Running Crane: December 2009
11 TU0027-PDF-ENG	Jiuding Capital: Private Equity Firm with Chinese Characteristics
12 807005-PDF-ENG	Lion Capital and the Blackstone Group: The Orangina Deal
13 910N10-PDF-ENG	North Village Capital Private Equity
14 UV5622-PDF-ENG	Oregon Public Employees Retirement Fund: Push and Pull Over GP/LP Compensation
15 UV5243-PDF-ENG	Taking Private Equity Public: The Blackstone Group
16 902004-PDF-ENG	Technical Note on LBO Valuation (A): LBO Structure and the Target IRR Method of Valuation
17 902005-PDF-ENG	Technical Note on LBO Valuation (B): The Equity Cash Flow Method of Valuation Using CAPM
18 808017-PDF-ENG	Texas Pacific Group -- J. Crew
19 210007-PDF-ENG	University of Notre Dame Endowment, The
20 812062-PDF-ENG	Yale University Investments Office: February 2011

**Private Equity Finance – SPRING 2013 – David Springate and Elizabeth Jones**

	Date	Course Section	Topics	Case*	Readings	
1	1/16	<b>Start of Course</b>	<ul style="list-style-type: none"> <li>• Course placement and introduction</li> <li>• Private equity activity</li> </ul>	<ul style="list-style-type: none"> <li>• Iris Running Crane: December 2009</li> </ul>		
2	1/23	<b>Investors</b>	<ul style="list-style-type: none"> <li>• Private Equity Funds</li> <li>• Fund Investors</li> <li>• Co-investors</li> <li>• Fund of funds</li> <li>• General partners</li> <li>• Limited partners</li> <li>• Financial advisors</li> </ul>	<ul style="list-style-type: none"> <li>• Yale University Investments Office – February 2011</li> </ul>	<ul style="list-style-type: none"> <li>• Chapters 16, 18, 19</li> </ul>	
3	1/30			<ul style="list-style-type: none"> <li>• Grove Street Advisors: September 2009</li> </ul>		
4	2/6			<ul style="list-style-type: none"> <li>• Oregon Public Employees Retirement Fund: Push and Pull Over GP/LP Compensation</li> </ul>		
5	2/13	<b>Portfolio Companies</b>	<ul style="list-style-type: none"> <li>• Portfolio companies</li> <li>• Control and ownership</li> <li>• Recapitalizations</li> <li>• Ownership transition</li> <li>• Readiness for sale</li> <li>• Public and private companies</li> <li>• Corporate valuation</li> <li>• Due diligence</li> </ul>	<ul style="list-style-type: none"> <li>• Fojtasek Companies and Heritage Partners--March 1995</li> </ul>	<ul style="list-style-type: none"> <li>• Chapters 17, 20</li> </ul>	
6	2/20			<ul style="list-style-type: none"> <li>• BCE Inc.: In Play</li> </ul>		
7	2/27	<b>Private Equity Deals</b>	<ul style="list-style-type: none"> <li>• The process of valuation</li> <li>• Techniques of valuation</li> <li>• Cash as a source of value</li> <li>• Debt as source of value</li> <li>• Capital structure</li> <li>• Leveraged buyouts</li> <li>• Management attention</li> <li>• Operational improvements</li> <li>• Enterprise transformation</li> <li>• Product and market strategies</li> <li>• Debt limits</li> <li>• Distressed debt</li> <li>• International differences</li> </ul>	<ul style="list-style-type: none"> <li>• Bain Capital and Dollarama</li> </ul>	<ul style="list-style-type: none"> <li>• Chapter 11-15</li> <li>• Technical Note on LBO Valuation (A): LBO Structure and the Target IRR Method of Valuation</li> <li>• Technical Note on LBO Valuation (B): The Equity Cash Flow Method of Valuation Using CAPM</li> </ul>	
8	3/6			<ul style="list-style-type: none"> <li>• Lion Capital and the Blackstone Group: The Orangina Deal</li> </ul>		
9	3/20			<ul style="list-style-type: none"> <li>• North Village Capital Private Equity</li> </ul>		
10	3/27			<ul style="list-style-type: none"> <li>• Countrywide plc</li> </ul>		
11	4/3			<ul style="list-style-type: none"> <li>• Hertz Corporation (A)</li> <li>• Hertz Corporation (B)</li> </ul>		
12	4/10	<b>Financial Issues in Private Equity Firms</b>	<ul style="list-style-type: none"> <li>• Product and market strategies</li> <li>• Private equity partners</li> <li>• Portfolio management</li> <li>• Compensation</li> <li>• Corporate strategy</li> <li>• Going public</li> </ul>	<ul style="list-style-type: none"> <li>• Hony, CIFA, and Zoomlion: Creating Value and Strategic Choices in a Dynamic Market</li> </ul>	<ul style="list-style-type: none"> <li>• Chapters 1-10</li> </ul>	
13	4/17			<ul style="list-style-type: none"> <li>• Jiuding Capital: Private Equity Firm with Chinese Characteristics</li> </ul>		
14	4/24			<ul style="list-style-type: none"> <li>• The Blackstone Group: Merlin Entertainment</li> </ul>		
15	5/1			<ul style="list-style-type: none"> <li>• Taking Private Equity Public: The Blackstone Group</li> </ul>		
	5/8	<b>FINAL EXAM</b>				
<p>First Written Paper will be assigned on 2/6 and due on 2/20: " University of Notre Dame Endowment"                  Second Written Paper will be assigned on 4/10 and due on 4/24: "Texas Pacific Group – J. Crew".</p>						

**\*These descriptions and timelines are subject to change at the discretion of the Professors.**

## Grading Policy

### Deliverables

You will be judged on class discussion of topics and cases and on your questions for visitors. Other deliverables include individual written analysis of two cases. Under some circumstances a paper may be substituted for the second written case analysis. See the instructors.

[www.eLearning@utdallas.edu](mailto:www.eLearning@utdallas.edu) will be where the professor will post assignments, where you can send emails to the professors and to other classmates, where general class discussions or questions may be posted, where you should introduce yourselves to the other classmates. E-learning will have private group chat and discussion areas set up once the study groups have been established.

### Evaluation

Class discussion, participation, and case analysis	40%
Two Individual written case analyses	40%
Final Examination	20%
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	100%

## Grading Criteria

A	A-	B+	B	B-	C+	C	P	F	I
4.0	3.67	3.33	3.00	2.67	2.33	2.00	Pass	Fail	Incomplete

## Course Policies

### *Make-up exams*

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

### *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/BusinessAffairs/Travel\\_Risk\\_Activities.htm](http://www.utdallas.edu/BusinessAffairs/Travel_Risk_Activities.htm))