

**The Wharton School
University of Pennsylvania**

**FNCE 891-Corporate Restructuring
Spring 2008**

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Office Hours: 10:30-12:00 on Fridays or by appointment

webCafe: <https://webcafe.wharton.upenn.edu/eRoom/fnce/891-sp08-1>

Teaching Assistants: Andres Bianchi, Nicole Izzo, Gordon Su

Overview: The objective of this course is to familiarize students with financial, legal and strategic issues associated with corporate restructuring process. Main focus of the course will be on the restructuring of financially distressed firms. We will survey a variety of restructuring methods (out-of-court workouts, exchange offers, prepackaged bankruptcies, Chapter 11 bankruptcies, insolvency practices in other countries) available to troubled firms. A small portion of the course will be concerned with restructuring employee contracts and equity claims (equity carve-outs, spin-offs, tracking stock). Throughout the course, our attention will be devoted equally among valuation tools; details of the legal framework; and strategies available to the companies and their claimants under the legal framework they operate. In addition, the course will provide the students with specialized vocabulary and important facts about the restructuring industry and distressed investing.

Format: The course uses a mixture of lectures, cases, guest speakers and a negotiation exercise. In order to accommodate the speakers, the talks are scheduled outside the regular class times. The talk will be taped and made available on webCafe. If you have to miss a talk due to conflicts with other classes, you should watch its video.

webCafe: There is a webCafe room for this class that I will use regularly. For the classes that involve lectures, I will post the lecture notes on webCafe so that you can print them before class and bring to class to take notes. The spreadsheets associated with case discussions are posted on webCafe so that you don't need to re-enter the data.

Course Materials: There is a course bulkpack available from Wharton Reprographics. Some additional readings will be posted on webCafe. The following books are recommended and are on reserve at the Lippincott library:

Stephen Moyer, *Distressed Debt Analysis: Strategies for Speculative Investors*, J. Ross Publishing, 2004.

Thomas Salerno, Jordan Kroop, and Craig Hansen, *The Executive Guide to Corporate Bankruptcy*, Beard Books, 2001.

Grading and Exams: Final grades in the course will be based on:

- Six written case analyses and a negotiation exercise (24% in total). Each case carries a weight of 4%. Gaylord Container case is optional; it allows earning an additional 4%.
1. Written analysis and presentation of a term project (26%)
 2. Class participation (20%)
 3. A take-home midterm exam (30%).

The written case analyses and term project are to be completed in teams of two to three students.

Attendance and Class Etiquette: Please attend only to the section you are registered in, arrive class on time, do not use laptops during the class, and remain in class until the class is completed.

Course Outline and Readings (tentative)

- 1/16** INTRODUCTION AND COURSE OVERVIEW
Ineichen, Chapter 7 (pp 270-285)
Moyer, Chapters 1,2
- 1/23** FINANCIAL DISTRESS
Kaiser, Chapter 11
Moyer, Chapter 8
- 1/28** METHODS OF DEALING WITH FINANCIAL DISTRESS
Kaiser, Chapter 12
Moyer, Chapter 9
- 1/30** CASE DISCUSSION: CUMBERLAND WORLDWIDE
****Written analysis due****
- 2/4** U.S. BANKRUPTCY LAW
Kaiser, Chapter 13
Moody's Investors Service Special Comment
- 2/6** BUSINESS VALUATION IN BANKRUPTCY
Roe, Chapter 2
American Institute of Certified Public Accountants, Business Valuation in Bankruptcy, Section 13
- 2/11** CASE DISCUSSION: SUNBEAM-OSTER
****Written analysis due****
Rosenberg, Chapters 7 & 8
[Business Week Article: The Return of the Wall Street Vulture](#)
- 2/13** COST OF CAPITAL IN RESTRUCTURING
Copeland, Koller and Murrin, Chapters 10 and 14 and Appendix A
- 2/18** REVIEW OF FREE CASH FLOWS AND ADJUSTED PRESENT VALUE METHODS
- 2/20** CAPITAL CASH FLOWS METHOD
Gilson, Appendix B
Gilson, Hotchkiss, Ruback article
- 2/21** GUEST SPEAKER: HOWARD MARKS, OAKTREE CAPITAL MANAGEMENT
INVESTING IN DISTRESSED COMPANIES

3:00 pm JMHH 265

(NOTE THE DATE—THIS IS ON A THURSDAY. THIS REPLACES THE CLASS ON 2/25)

Moyer, Chapters 10 and 11

Branch and Ray, Chapter 5

Rosenberg, Chapter 2

- 2/27** CASE DISCUSSION: NATIONAL CONVENIENCE STORES
****Written analysis due****
- 3/3** CASE DISCUSSIONS:
NORTHWESTERN ENERGY AND FOAMEX INTERNATIONAL INC.
- 3/5** *****Exam*****

SPRING BREAK
- 3/17** CASE DISCUSSION: HORIZON PCS
INTRODUCTION TO THE NEGOTIATION CASE: PIMPRIDE INC.
- 3/19** IN CLASS NEGOTIATION EXERCISE
****Pre-negotiation write-up due at the beginning of class****
****Post-negotiation summary due by 3/19, 5pm****
- 3/24** DEBRIEFING OF THE NEGOTIATION EXERCISE
DEAL DESIGN
Moyer, Chapter 6
- 3/26** **(Optional Class)**
CASE DISCUSSION: GAYLORD CONTAINER
****(Optional) Written analysis due****
This class is optional. However, if you attend the class, you must complete the written analysis homework.
Ross, Westerfield, Jaffe Chapters 22, 23, 24 or Brealey and Myers
Chapters 20, 22 (not in bulkpack)
- 3/31** GUEST SPEAKER: DAVID HILTY, HOULIHAN LOKEY
INTERNATIONAL RESTRUCTURINGS
4:30 pm JMHH 265
Kaiser, Chapter 14
****Term project progress meetings during regular class time****
- 4/2** GUEST SPEAKER: DOUG ROSEFSKY, ALVAREZ & MARSAL
INTERNATIONAL RESTRUCTURINGS

4:30 pm JMHH 265

Warnaco Group, Inc. (HBS Cases A & B)

****Term project progress meetings during regular class time****

- 4/7** RESTRUCTURING OF EMPLOYEE CLAIMS
CASE DISCUSSION: NAVISTAR INTERNATIONAL
****Written analysis due****
DiNapoli, Chapter 16
- 4/9** GUEST SPEAKER: GILBERT SANBORN, LEHMAN BROTHERS
CASE DISCUSSION: ASARCO LLC
4:30 pm JMHH 265
- 4/14** GUEST SPEAKER: HENRY MILLER, MILLER, BUCKFIRE & CO.
DISTRESSED MERGERS AND ACQUISITIONS
4:30 pm JMHH 265
[HLHZ, Buying and Selling the Troubled Company](#)
- 4/16** RESTRUCTURING OF EQUITYHOLDER CLAIMS
CASE DISCUSSION: USX CORPORATION
****Written analysis due****
Kaiser, Chapter 8
- 4/21** GUEST SPEAKER: JOEL GREENBLATT, GOTHAM CAPITAL
INVESTING IN SPINOFFS
4:30 pm JMHH 265
Greenblatt, Chapter 3
- 4/23** ****Term projects due****
****Presentation of term projects****
- 4/28** ****Presentation of term projects****