The Wharton School – University of Pennsylvania  
FNCE 402/887  
Corporate Governance and Shareholder Activism  

Fall 2020  
Preliminary Course Syllabus  

(Please note that this syllabus is subject to change over the duration of the course; however, the general structure and content of the course will remain the same.)  

Professors  
Bilge Yilmaz (yilmaz@wharton.upenn.edu)  
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Teaching Assistants  
Gowtham Balaji (gobalaji@wharton.upenn.edu)  
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Classroom & Time  
FNCE 887 001 – M/W at 1:30 p.m. – 2:50 p.m. – online  
FNCE 887 002 – M/W at 3:00 p.m. – 4:20 p.m. – online  
FNCE 402 001 – M/W at 4:30 p.m. – 5:50 p.m. – online  

Course Description  
The aim of the course is to provide an introduction to shareholder activism. The course makes use of lectures and case studies. The lectures expose the students to the institutional and empirical facts as well as approaches followed by leading shareholder activists. The case studies are designed to provide students an experience on identifying potential opportunity for value creation through active engagement.  

An essential element of the course is learning how to estimate the value of the activism target, and how to assess the potential for value creation through alteration of the company strategy, operations, or financial policy. This potential for unlocking value needs to be assessed, and the resulting value compared to the existing price to assess the quality of the investment thesis. The course assignments require students to develop and practice skills on fundamental analysis.  

Reading Materials:  
• Case materials and lecture notes on course webpage (Canvas)  
• Additional background reading materials will be distributed  
• Recommended (but not required) background reading:
“The Blue Line Imperative,” by Kaiser and Young, 2013

“Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences,” by David Larcker and Brian Tayan

Format:
The structure of the course includes lectures, case discussions, and guest speakers. The major objective of the case method in finance is to use the logic of financial theory to arrive at sensible conclusions when faced with real world problems. However, one should keep in mind that there is not one absolutely right answer to a case; different assumptions can lead to different solutions. While there are no “right” answers, there are good arguments and bad arguments. The process of this course will help distinguish between sensible and senseless arguments. Considering the professor’s analyses as the correct solution defeats the purpose of this course and contributes to the silly notion that in the “real world” there is a single correct recipe to be followed.

Student Responsibilities and Assessment:
1. Case Study Assignments: (60% of the course grade).
   Students will organize themselves into groups of three to five members to work on all cases. Groups must be fixed throughout the course. Diverse background within the group is beneficial. Since group work is a cooperative undertaking, students are urged to ensure that they form groups that are able to work effectively as a group. Although brief discussions across different groups are allowed, exchange of analysis and calculations is not. The major objective of the case method in finance is to use the logic of financial theory to arrive at sensible conclusions when faced with real world problems. Therefore, demonstration of the key concepts of financial theory is imperative in these cases.

There are 8 case studies in the course and each group must submit a report for each case study. However, only 4 of the submitted reports will be graded. Each group must select from among the 8 case studies which of their reports will be graded and submit a “long report” for those case studies they select.

Submission and Grading of cases:
• Each group must select 4 of the 8 cases for which they will submit a "long report" of maximum 3 pages (pdf) plus exhibits which will be carefully graded
• Each group must submit a "short report" of maximum 1 page (pdf) for the remaining 4 cases for which they did not choose to submit a long report. The short reports will only be graded for "received" or "not received".

Supporting computations and tables can be described in the text of the report or in an appendix and submitted in Excel format. All of the inputs and formulas used should be provided. Some of the case assignments contain questions that need to be addressed, however you will also be graded based upon how well you identify the relevant questions and issues to be addressed. Therefore, whether there are questions for the case or not, please consider what the relevant questions are in the context of each case and discuss why and then perform the necessary analysis to address these questions. The raw data and relevant information for cases will be made available on the course webpage. A subset of groups may be chosen to lead the discussion by presenting their analysis.
2. Class Participation and Attendance: (15% of the course grade)
A goal of this course is to provide students with the opportunity to learn how to best contribute
to discussions about complex financial issues. Therefore, this class depends and thrives on
class participation. It is an important and essential part of this course. Because so much learning
in this course occurs in the classroom, it is important that you attend every class. Voluntary
class participation is encouraged. “Cold calls” will be made as to ensure that the class
enjoys the benefit of every student’s contribution. Inadequate class participation combined
with several absences can lead to a failing grade. Performance will be judged based on the
quality of comments/answers. Students are expected to prepare for each case and
participate actively in class. To facilitate recording of class participation, please keep the
same sitting arrangement throughout the semester.

3. Topical research paper: (20% of the course grade)
Each participant should endeavor to increase her/his awareness of activist events and corporate
governance news during this course. In order to ensure participants exercise their own curiosity
and pursue and apply knowledge outside of the case studies and lecture/speaker sessions
presented in the classroom, each participant is responsible for writing an original paper on a
Corporate governance or shareholder activism issue or event. This “Topical/Reflection Paper”
is an opportunity for summarizing your individual and team learning from the course and
applying those learnings to a self-selected topical issue/event related to the corporate
governance/shareholder activism. Each group will present their original work to the class in
the sessions 25-27 of the course.

4. Individual Reflection paper (5% of the course grade)
Learning is an effortful process and I have added this assignment in place of a final exam.
The purpose of this exercise is to ensure that each individual devotes some time (a couple
hours or more) to reflecting back on this course and trying to recall and deepen your
understanding of the many topics and concepts covered. You are expected to submit (along
with the group paper) your individual reflections on what you learned during this course and
the insights you gained. It is expected to be between 2-5 pages and address the following
elements: (1) Summarize and demonstrate understanding of the concepts taught in this
course, (2) Summarize the insights you gained, and (3) Describe how these insights will
impact you/your behavior going forward.

Please do not be evaluative (e.g., please avoid statements such as "I really loved the session
when we talked about..." or "I found the discussion around xxx to be very confusing...")

Simply emphasize your learning by structuring your reflections as, "What I learned was...."
Grading will be based on the depth and quality of your reflections as reflected in the depth
and quality of the learning and insights you share in this report.
**Code of Ethics:**
Submitted assignments for grading should be your own or your team’s own work only. Most cases in this course involve actual companies. You may use firm specific or market data that are publicly available for your analysis. You cannot, however, use analysis originating/belonging to others e.g. banks, hedge funds. Failure to observe this rule may result in an automatic failing grade for the course.

**Office Hours and Contact Information:**

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Kevin Kaiser:
Office Hours: tbd
Email: kaiserk@wharton.upenn.edu
<table>
<thead>
<tr>
<th>Class #</th>
<th>Date</th>
<th>Topic</th>
<th>Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wednesday, September 2, 2020</td>
<td>Course Intro &amp; Who are Activist Investors?</td>
<td>no assignment today</td>
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<tr>
<td></td>
<td>Monday, September 7, 2020</td>
<td>NO CLASSES _LABOR DAY</td>
<td>no assignment today</td>
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<tr>
<td>2</td>
<td>Wednesday, September 9, 2020</td>
<td>Value Investing Foundations</td>
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<tr>
<td>3</td>
<td>Monday, September 14, 2020</td>
<td>Activist Toolkit - Proxy advisors and campaign</td>
<td>Apple: Corp Governance &amp; Carl Icahn</td>
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<td>4</td>
<td>Wednesday, September 16, 2020</td>
<td>Proxy proposals and Proxy fights</td>
<td>Apple, continued</td>
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<td>5</td>
<td>Monday, September 21, 2020</td>
<td>Intro and Overview of Activist HF</td>
<td>no assignment today</td>
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<td>6</td>
<td>Wednesday, September 23, 2020</td>
<td>Activist Hedge Funds</td>
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<td>7</td>
<td>Monday, September 28, 2020</td>
<td>Legal Framework - Approaching the Target</td>
<td>Speaker?</td>
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<td>8</td>
<td>Wednesday, September 30, 2020</td>
<td>Legal Framework - Defending the Target</td>
<td>Speaker - Sullivan &amp; Cromwell</td>
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<td>9</td>
<td>Monday, October 5, 2020</td>
<td>Defending against a Shareholder Activist</td>
<td>Speaker - Schulte, Roth &amp; Zabel</td>
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<td>10</td>
<td>Wednesday, October 7, 2020</td>
<td>Valuing Yahoo!</td>
<td>Yahoo! 2013 - report due date</td>
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<td>11</td>
<td>Monday, October 12, 2020</td>
<td>AOL</td>
<td>AOL - report due date</td>
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<td>12</td>
<td>Wednesday, October 14, 2020</td>
<td>AOL</td>
<td>AOL - continuation</td>
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<td>13</td>
<td>Monday, October 19, 2020</td>
<td>Valuation and Activism - Where's the value?</td>
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<td>14</td>
<td>Wednesday, October 21, 2020</td>
<td>Valuation and Activism - Measuring the value</td>
<td>Speaker/pre-recorded</td>
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<td>15</td>
<td>Monday, October 26, 2020</td>
<td>Valuation and Activism - Creating the value</td>
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<td>16</td>
<td>Wednesday, October 28, 2020</td>
<td>Applying the activist toolkit</td>
<td>ZAYO</td>
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<td>17</td>
<td>Monday, November 2, 2020</td>
<td>Applying the activist toolkit</td>
<td>Marvell - report due date</td>
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<td>18</td>
<td>Wednesday, November 4, 2020</td>
<td>Applying the activist toolkit</td>
<td>Marvell</td>
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<td>19</td>
<td>Monday, November 9, 2020</td>
<td>Investment Banking Support</td>
<td>Speaker - Credit Suisse</td>
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<td>20</td>
<td>Wednesday, November 11, 2020</td>
<td>Darden</td>
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<td>21</td>
<td>Monday, November 16, 2020</td>
<td>Lululemon</td>
<td>Darden</td>
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<td>22</td>
<td>Wednesday, November 18, 2020</td>
<td>Activism in Japan</td>
<td>Alp Ercil (?)</td>
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<td>23</td>
<td>Monday, November 23, 2020</td>
<td>Multinational Activism: Canada</td>
<td>Canadian Pacific</td>
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<td>24</td>
<td>Wednesday, November 25, 2020</td>
<td>Activism &amp; Culture: Japan</td>
<td>FANUC Japan</td>
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<td>25</td>
<td>Monday, November 30, 2020</td>
<td>Reflection</td>
<td>Research Papers due</td>
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<td>26</td>
<td>Wednesday, December 2, 2020</td>
<td>Topical Paper presentations</td>
<td>Group presentations</td>
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<td>27</td>
<td>Monday, December 7, 2020</td>
<td>Topical Paper presentations &amp; wrap-up</td>
<td>Group presentations</td>
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<tr>
<td>28</td>
<td>Wednesday, December 9, 2020</td>
<td>Topical Paper presentations</td>
<td>Group presentations</td>
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