Distressed Value Investing

Spring 2016

(** Tentative spring 2016 syllabus: All information below is subject to change**) 

DANIEL KRUEGER
Owl Creek Asset Management
Class location: Warren 209

REQUIRED READING
Distressed Debt Analysis by Stephen G. Moyer

RECOMMENDED READING
United States Code - Title 11 - Bankruptcy

OPTIONAL READING
Understanding Bankruptcy by Michael J. Herbert

REQUIRED PREREQUISITES
This class is quantitatively challenging, but no prior knowledge of the bankruptcy process is required. An understanding of and comfort with common valuation methodologies is essential.

• Required: Capital Markets and Investments
• Highly Recommended: Debt Markets
**CONNECTION TO THE CORE**

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Accounting</td>
<td>1. Revenue and expense recognition&lt;br&gt;2. Resources and obligations – measurement and disclosure</td>
</tr>
</tbody>
</table>

Students will be expected to have mastered these concepts and be able to apply them in the course.

**COURSE OBJECTIVE**

The goal of Distressed Value Investing is to provide students with broad-based exposure to what is one of the most complex and intellectually stimulating areas of the market. The class will introduce distressed investing broadly, touching on many different styles of investing in distressed companies and securities. The class also emphasizes hands-on distressed analysis, teaching students to interpret and learn from dynamic real-life situations. To facilitate this learning process, the class includes the insights of many guest speakers.

**COURSE OUTLINE / ASSIGNMENTS**

[To come]
METHOD OF EVALUATION

<table>
<thead>
<tr>
<th>Method</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homework</td>
<td>40</td>
</tr>
<tr>
<td>Group project</td>
<td>40</td>
</tr>
<tr>
<td>Bankruptcy hearing writeup</td>
<td>15</td>
</tr>
<tr>
<td>Bankruptcy simulation</td>
<td>5</td>
</tr>
</tbody>
</table>

**Homework (up to 40 points):**
There will be five homework assignments due at the start of certain classes as described in the syllabus. Although what you hand in will be in hardcopy form, be prepared to email your Excel spreadsheet to the TAs or professor if requested. Discussion (and only discussion) with other students, professors, friends in the business, etc. on the homework assignments is encouraged, but all submissions should be done individually. To be clear, **all excel spreadsheets and written text should be the work product of each student.**

Points will be assigned as follows:
- check plus = 8
- check = 6
- check minus = 4

Late submissions that are emailed to the Professor and TAs within 24 hours of the deadline will be allowed but can receive a maximum of 5 points. All homeworks after that time can receive a maximum of 3 points.

**Group project (up to 40 points):**
All group members will receive the same grade. You will have the option to choose your own five or six-person group or be randomly assigned.

**Bankruptcy hearing writeup (up to 15 points) and bankruptcy simulation (up to 5 points):** Info to come.

CLASSROOM NORMS AND EXPECTATIONS

**Guest Speakers:**
Most classes will have guest participants who will participate in interactive debate with students. Readings will sometimes be assigned in advance of class in order to allow the students to prepare for specific cases which the speakers will reference. Backgrounds of the guest speakers are diverse, including portfolio managers, turnaround advisors, lawyers, etc.

**Miscellaneous:**
- Laptops cannot be used during class regardless of purpose, except where specifically permitted in advance by the professor, as shown on the calendar. They tend to be distracting to the speakers and me. Please don't ask if I will make an exception for you.
- No recording devices of any kind are allowed.
- Please turn cell phones off.
- No guests are allowed for any portion of any class.
- Please start the subject line of any emails you send with “Distressed Class” so that the professor and TAs can periodically go back and screen for emails we may have missed.