Distressed Value Investing

Spring 2021- Bidding Syllabus

PROFESSOR DANIEL KRUEGER
Owl Creek Asset Management
E-mail: dk546@columbia.edu

TAs:

COURSE OBJECTIVE
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, including turnarounds, litigation stubs, capital structure arbitrage, buying and selling CDS, etc. The class emphasizes hands-on distressed analysis, teaching students to interpret and learn from dynamic real-life situations such as the demise of Toys R Us and the recent JC Penney bankruptcy. To facilitate this learning process, the class includes the insights of many guest speakers.

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.

CLASSROOM NORMS AND EXPECTATIONS

Students are expected to adhere to CBS Core Culture in this class by being Present, Prepared, and Participating.

- **Laptops cannot be used during class regardless of purpose**, except in a few classes as shown on the calendar. They tend to be distracting to the speakers and to me. Please don’t ask if I will make an exception for you.
- No guests are allowed for any portion of any class.
- No recording devices of any kind are allowed.
- Please mute cell phones and do not send emails/texts during lecture unless it is extremely important.
- 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.
- Guest speakers must be shown the highest amount of respect during their presentations and discussions.
COURSE CALENDAR / ASSIGNMENTS
Please see separate handout.

METHOD OF EVALUATION

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homework</td>
<td>42</td>
</tr>
<tr>
<td>Group project</td>
<td>40</td>
</tr>
<tr>
<td>Bankruptcy hearing writeup</td>
<td>13</td>
</tr>
<tr>
<td>Bankruptcy simulation</td>
<td>5</td>
</tr>
</tbody>
</table>

Homework (up to 42 points):
There will be seven homework assignments due at the start of certain classes as described in the course calendar. 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. Between 2 and 6 points will be assigned to all completed homework assignments. 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 4 points. All homeworks after that time can receive a maximum of 2 points.

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

Bankruptcy hearing writeup (up to 13 points) and bankruptcy simulation (up to 5 points): Details to come.

Final grades:
Final grades will be assigned based solely on a student’s ranking versus the rest of the class using the above 100-point system. The professor, at the end of the semester, will determine within what point-range different grades are earned (i.e., an H, HP, etc.). For reference, the grade distribution over the past few years has been approximately:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>46%</td>
</tr>
<tr>
<td>HP</td>
<td>40%</td>
</tr>
<tr>
<td>P</td>
<td>10%</td>
</tr>
<tr>
<td>LP</td>
<td>2%</td>
</tr>
<tr>
<td>F</td>
<td>2%</td>
</tr>
</tbody>
</table>
ATTENDANCE POLICY
Students are required to attend each class. Students should reach out to the instructor or TA regarding excused absences (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Unexcused absences will affect your course grade.

INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS
At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University’s Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University’s Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but they will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. “Gender-based misconduct” includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students.