MBA 702-001
Corporate Financial Policy
Fall 2018

Course Information
Class location: James Buchanan Hall, D001
Class meeting dates: Wednesdays from August 23 to October 17, 2018
Class meeting times: 6:30 p.m. to 10:05 p.m.

Professor’s Contact Information
David R. Gallay, D.Sc.
Enterprise Hall, Room 233
Telephone numbers: (703) 993-1869
E-mail address: dgallay@gmu.edu
Office hours: by appointment

Course Description
This course applies theories and methods of corporate financial management to series of complex cases. Topics include capital projects as real options, cost of capital, capital structure, firm valuation, and merger and acquisition analysis.

Course Objectives
Develop a deeper understanding of the following topics:
- Financial policy
- Capital Structure
- Cost of capital
- Firm valuation
- Mergers and acquisition
- Project finance
- Distribution policy
- Real options
- Risk management
- Lease financing

Class Plan
This is a seminar-type class. You will be assigned to one of two groups: Green Group or Gold Group. Each week, you will be assigned a group-specific case to analyze and respond in writing to a set of case-related questions. Your written papers will be due by the beginning of class. During class, we will discuss the assigned cases. You will find the cases and (where applicable)
background material for each session in a course-pack at https://hbsp.harvard.edu/import/539416.

Within the group, you may create study subgroups to discuss the issues of the case. But your written responses must be your own original work.

Course Schedule

Session 1
Date and time: Wednesday, Aug. 15, 2018, 6:30 p.m. to 10:05 p.m.
Topics: Introduction and Course Overview
Readings: Note to the Student: How to Study and Discuss Cases
Structuring Corporate Financial Policy: Diagnosis of Problems and Evaluation of Strategies
Tactical Execution of Corporate Financial Policy
The Financial Detective
FANUC Corporation: Reassessing the Firm’s Governance and Financial Policies
Papers due: None

Session 2
Date and time: Wednesday, Aug. 22, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Capital Structure
Readings: Finance Reading: Capital Structure Theory
An Introduction to Debt Policy and Value
Papers due:
* Gold: Restructuring JAL*
* Green: Blaine Kitchenware, Inc.: Capital Structure*

Session 3
Date and time: Wednesday, Aug. 29, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Cost of Capital
Readings: The Cost of Capital: Principles and Practice
Papers due:
* Gold: Midland Energy Resources, Inc.*
* Green: H.J. Heinz Cost of Capital*

Session 4
Date and time: Wednesday, Sept. 5, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Firm Valuation
Readings: Business Valuation: Standard Approaches and Applications
Multiples in Firm Valuations
Papers due:
* Gold: Bluntly Media: A Private Company Valuation*
* Green: Kohler Co.*
**Session 5**
Date and time: Wednesday, Sept. 12, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Mergers and Acquisition
Readings: Do M&A Deals Ever Really Create Synergies?
          Business Valuations in Mergers and Acquisitions
Papers due:
          *Gold*: Buffett’s Bid for Media General’s Newspapers
          *Green*: Suit Wars: Men’s Wearhouse versus JoS. A. Bank

**Session 6**
Date and time: Wednesday, Sept. 19, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Project Finance
Readings: An Overview of Project Finance and Infrastructure Finance – 2014 Update
Papers due:
          *Gold*: Iridium LLC
          *Green*: Financing the Mozal Project

**Session 7**
Date and time: Wednesday, Sept. 26, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Distribution Policy
Readings: None
Papers due:
          *Gold*: Dividend Policy at FPL Group, Inc.
          *Green*: Rockboro Machine Tools Corporation

**Session 8**
Date and time: Wednesday, Oct. 3, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Real Options
Readings: Introduction to Real Options
          Real Options: Valuing Managerial Flexibility
          Strategy as a Portfolio of Real Options
Papers due:
          *Gold*: Laura Martin: Real Options and the Cable Industry
          *Green*: The Right of Acquisition: Options in Commercial Real Estate

**Session 9**
Date and time: October 10, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Risk Management
Readings: None
Papers due:
          *Gold*: Risk Management at Apache
          *Green*: Foreign Exchange Hedging Strategies at General Motors: Transactional and
          Translational Exposures
Session 10
Date and time: Wednesday, Oct. 17, 2018, 6:30 p.m. to 10:05 p.m.
Topic: Lease Financing
Readings: None
Papers due:

*Gold*: AMG, Inc. & Forsythe Solutions: Lease vs. Buy Decisions
*Green*: WNG Capital LLC

**Grading**
Grades will be awarded on the basis of your case analyses and your contribution in class. Case analyses will be prepared in written form. Typical length your papers will be between 3 and 10 pages, double-spaced (see writing assignment standards below).

**Grading Rubric for Writing Skills**

<table>
<thead>
<tr>
<th>Category</th>
<th>Exemplary</th>
<th>Competent</th>
<th>Marginal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approach to subject matter</td>
<td>Original, logical approach to topic that acknowledges complexity and/or ambiguity; sustained, consistent analysis</td>
<td>Logical, appropriate approach to topic; adequate analysis with some inconsistencies</td>
<td>Illogical, inappropriate approach to topic; inadequate analysis with frequent inconsistencies</td>
</tr>
<tr>
<td>Development of primary ideas</td>
<td>Main ideas well-defined and developed with depth and thoroughness</td>
<td>Main ideas reasonably well-defined and developed</td>
<td>Main ideas poorly developed</td>
</tr>
<tr>
<td>Use of evidence</td>
<td>Evidence is germane, critically evaluated, and convincingly interpreted</td>
<td>Supplies evidentiary basis for argument</td>
<td>Lacking or faulty evidence</td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction</td>
<td>Engages reader as it develops focus and purpose</td>
<td>Develops focus and purpose</td>
<td>Fails to develop focus and purpose</td>
</tr>
<tr>
<td>Sequence and development of paragraphs</td>
<td>Logical, coherent sequence of paragraphs demonstrating clear analytical development; fluid transitions between ideas</td>
<td>A few lapses in coherence and analytical development of paragraphs; occasional lack of transition</td>
<td>Paragraph sequence lacks logic; paragraphs often lack analytical development; failure to provide transitions between ideas</td>
</tr>
<tr>
<td>Conclusion</td>
<td>Sums up main ideas and points to larger implications or places ideas in broader context</td>
<td>Sums up main ideas</td>
<td>Superficial or cursory summing of main ideas</td>
</tr>
<tr>
<td><strong>Style</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grammatical norms</td>
<td>Consistently uses standard spelling, punctuation, and grammar</td>
<td>Uses standard spelling, punctuation, and grammar with occasional lapses</td>
<td>Frequent errors in spelling, punctuation, or grammar</td>
</tr>
<tr>
<td>Diction</td>
<td>Thoughtful, clear word choice</td>
<td>Word choice appropriate to purpose</td>
<td>Frequent inappropriate word choice</td>
</tr>
<tr>
<td>Category</td>
<td>Criterion</td>
<td>Exemplary</td>
<td>Competent</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------------------------</td>
<td>-----------------------------------------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td>Voice</td>
<td>Writer’s unique sensibility revealed</td>
<td>Writing is clear but sometimes clichéd or generic</td>
<td>Writing is often clichéd or generic</td>
</tr>
<tr>
<td>Sentence clarity and conciseness</td>
<td>Clear, vigorous, concise sentences</td>
<td>Sentences are readable but lack conciseness and vigor</td>
<td>Sentences lack clarity, conciseness, and vigor</td>
</tr>
<tr>
<td>Research</td>
<td>Choice of sources</td>
<td>Number and types of sources thoroughly address topic</td>
<td>Number and type of sources appropriate for project</td>
</tr>
<tr>
<td></td>
<td>Integration of sources</td>
<td>Source material thoughtfully and smoothly integrated</td>
<td>Occasional awkwardness in integrating source material</td>
</tr>
<tr>
<td></td>
<td>Documentation of sources</td>
<td>Consistently uses standard documentation procedures in text and bibliography</td>
<td>Uses standard documentation procedures with a few lapses</td>
</tr>
</tbody>
</table>

**Article and Case Study Grading Criteria**
- Exemplary (A+/A/A-)
- Competent (B+/B/B-)
- Marginal (C)
- Unacceptable (F)

**Class Participation**
The value gained from this course is greatly affected by the quality of class participation. Effective participation requires being prepared. It also requires reflection and synthesis of information (sometimes quite diverse) to form cogent arguments and points.

This grade will be based on my assessment of your participation during the class discussions.

- The participation evaluation is based on “contribution” and not “participation.” It is an opportunity to engage and bring diverse ideas into the questions and discussion. It is the quality of input and questions, not number of questions and comments.
- A good insightful question posed, is as important to a discussion as synthesis and answer.
- Comments and questions that are vague, unrelated to discussion, repetitious, disrespectful of others, made without sufficient foundation will be viewed and scored negatively.
- Guidelines to be used for evaluation are provided below.

**Guidelines for Evaluating Participation**
- **Outstanding Contributor (110%):** Contributions reflect exceptional preparation. Ideas offered are always substantive, provide one or more major insights as well as direction for the class. Challenges are well substantiated and persuasively presented. If this person were not a member of the class, the quality of discussion would be diminished markedly.
• **Good Contributor (93%)**: Contributions reflect thorough preparation. Ideas offered are usually substantive, provide good insights and sometimes direction for the class. Challenges are well substantiated and often persuasive. If this person were not a member of the class, the quality of discussion would be diminished.

• **Adequate Contributor (85%)**: Contributions reflect satisfactory preparation. Ideas offered are sometimes substantive, provide generally useful insights but seldom offer a new direction for the discussion. Challenges are sometimes presented, fairly well substantiated, and are sometimes persuasive. If this person were not a member of the class, the quality of discussion would be diminished somewhat.

• **Non-Participant (0%)**: This person says little or nothing in discussions. Hence, there is not an adequate basis for evaluation. If this person were not a member of the class, the quality of discussion would not be changed.

• **Unsatisfactory Contributor (-50%)**: Contributions in reflect inadequate preparation. Ideas offered are seldom substantive, provide few if any insights and never a constructive direction for the discussion. Integrative comments and effective challenges are absent. If this person were not a member of the class, valuable air-time would be saved.

**Final Grade Weights**

<table>
<thead>
<tr>
<th>Graded Material or Activity</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nine case analyses</td>
<td>80%</td>
</tr>
<tr>
<td>Class Participation throughout the course</td>
<td>20%</td>
</tr>
</tbody>
</table>

Letter grades are: A, A-, B+, B, B-, C, or F. Normally the overall class GPA for MBA 643 will fall within a range of 3.40 to 3.60.

**Student Responsibilities**

Students are expected to be prepared for class, do their homework, and participate in class discussions.

**Course Policy**

*Standards of Behavior*: In accordance with the School of Business Standards of Behavior, the MBA 703 classroom culture is founded on three primary values: learning, respect, and integrity. It is critical that classmates feel free to express their views and opinions; all discussion posts must be professional and respectful of other students in the class. In order to create this environment it is incumbent on all of us to be respectful of one another.
**Due Dates:** Assignments are due at the beginning of class. Either soft-copy or hard-copy submissions are acceptable. Late submissions will not be accepted unless the student has obtained permission from the instructor prior to the submission date.

**Reading Assignments:** In order to prepare you for the discussions and other assignments, all required readings must be completed during each week. All readings and other required course materials are listed in Blackboard in the assignment tables and within the relevant assignments themselves. Some recommended readings may be posted online for discussion. Check the course announcements and the current events page regularly for faculty updates.

**Technology:** You must have consistent access to an internet connection in order to complete the assignments in this course through Blackboard (http://mymasonportal.gmu.edu).

**E-mail:** Email messages will periodically be sent to the entire class. These emails will come through the Blackboard communication system. You are fully responsible for checking your e-mail regularly, and for any information communicated to the class via e-mail. You should always feel free to communicate with your faculty via e-mail.

**Disability:** Students with disabilities who require special accommodation should contact the Student Disability Resource Center (http://www.gmu.edu/student/drc/ or call 703-993-2474) and should inform their faculty of their needs so they can be taken into consideration. Please take care of this during the first week of the semester.

**Religion:** Students who will be unable to participate in online activities certain days for religious reasons should inform the faculty of their anticipated absences during the first week of the semester.

**Honor System and Code:** The Honor System and Code adopted by George Mason University will be enforced for this class. You may find the honor code at https://oai.gmu.edu/mason-honor-code/.

Examples of Honor Code violations include but are not limited to, the discussion of or sharing the content of any writing assignment, online assessments, discussion questions, or exams with previous, current, or future MBA students (in any section or semester); falsely representing your own work or the work of others (i.e., plagiarism); using or handing in work from a different course.

Please note: The GMU Honor Code requires that faculty submit any suspected Honor Code violations to the Honor Committee. Therefore, any suspected Honor Code violation will be submitted to the Honor Committee. The typical penalty for an honor code violation is an F in the course for a first offense (See table below). Second offenses result in more severe penalties up to and including suspension from the university. Any honor code violation is documented in the student's permanent disciplinary record.
### School of Business Recommendations for Honor Code Violations

*Adopted by the faculty May 2012*

#### Graduate Students

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th>First Offense</th>
<th>Second Offense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plagiarism—failure to cite/attribute sources</td>
<td>An F in the class; multiple visits to the Writing Center required; and Academic Integrity Seminar Attendance</td>
<td>An F in the class; multiple visits to the Writing Center required; Academic Integrity Seminar Attendance; dismissal from the program; and possible suspension or expulsion</td>
</tr>
<tr>
<td>Plagiarism—representing someone else’s work as the student’s own</td>
<td>An F in the class; multiple visits to the Writing Center required; and Academic Integrity Seminar Attendance</td>
<td>An F in the class; multiple visits to the Writing Center required; Academic Integrity Seminar Attendance (at times of hearing and reenrollment if relevant); dismissal from the program; and possible suspension or expulsion</td>
</tr>
<tr>
<td>Cheating on an assignment, homework, class participation, or minor project</td>
<td>An F in the class; and Academic Integrity Seminar Attendance</td>
<td>Expulsion</td>
</tr>
<tr>
<td>Cheating on a major project, test, or exam</td>
<td>An F in the class; Academic Integrity Seminar Attendance; and at least one semester suspension</td>
<td>Expulsion</td>
</tr>
<tr>
<td>Egregious Violation [e.g., stealing an exam; submitting coursework from another class as original work; lying to an employer about academic performance]</td>
<td>Dismissal from the program; at least one year suspension; and attendance at Academic Integrity Seminar at the time of hearing and just prior to reenrollment</td>
<td>Expulsion</td>
</tr>
</tbody>
</table>
Writing Assignment Standards
All writing assignments should be formatted as follows: double-spaced, Times New Roman, 12-point font, and 1-inch margins. To cite and reference your sources of information, use the notes and bibliography system as prescribed in Chicago style Specific instructions for in-text citations and referencing are found at http://www.chicagomanualofstyle.org/tools_citationguide/citation-guide-1.html.
To help manage the citations and seamlessly create reference lists, Mason supports a free software called Zotero. Please go to https://www.zotero.org/. This program offers:
- Centralized bibliography management
- Ability to sync across computers
- Ability for teams to combine contributions to the references
- Word plug-in that allows citation management within MS word

George Mason University has a writing center that can help you improve your English writing skills. More information is available at http://writingcenter.gmu.edu/

Inclement Weather and Campus Emergencies
Information regarding weather related changes in the University’s schedule (e.g., closing or late opening) will be provided on the GMU website and via MasonAlert. Students sign up for the Mason Alert system to provide emergency information of various sorts at https://alert.gmu.edu.

An emergency poster exists in each classroom explaining what to do in the event of crises and that further information about emergency procedures exists on http://www.gmu.edu/service/cert.