NORTHEASTERN UNIVERSITY
BUSINESS INSTITUTIONS PROGRAM

INVESTMENT BANKING COURSE
BUS INST 394
FALL QUARTER 2021
WEDNESDAY AT 2:00 – 4:45 PM
KELLOGG GLOBAL HUB

Professor: David Stowell
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Office: KGH #4385
Classroom: KGH (classroom TBD)
Office Hours: Wednesday at 10-11 am, by appointment

COURSE DESCRIPTION

The course focuses on investment banking organizational structure, products, risks, earnings, regulations, innovations and competition. The functions of the “banking” business (M&A and financings, including equity, bonds and convertibles), the “sales and trading” business (client-related sales and trading and proprietary trading) and other investment banking businesses will be analyzed. In addition, new, innovative Wall Street securities and advisory products will be reviewed. Finally, investment banking relationships with private equity funds, hedge funds and corporate and institutional clients will be explored.

REQUIRED BOOKS

Investment Banks, Hedge Funds and Private Equity, by David P. Stowell, 3rd Edition
(published by Academic Press, an imprint of Elsevier Inc.)

Too Big To Fail, by Andrew Ross Sorkin (published by Viking, an imprint of the Penguin Group)

GRADING

Grading for the following assignments and exam will based on a curve:

1. Class Participation and Group Evaluation (15% weighting). Classroom comments and questions should demonstrate knowledge of the topic being discussed and facilitate learning for the entire class. Participation points will be given based on in-class participation and chats. Class participation recorded by the professor and indicated by students represents half of this grade. The other half comes from the Group Evaluation component of the Class Participation and Group Evaluation survey completed by each student, which must be posted to Canvas prior to midnight of the last class.
2. **Case Questions. (20% total weighting)** There are six cases and five of these cases have question sets that are each weighted 4%. A one page response to each set of case questions should be posted on Canvas prior to designated classes. The purpose of the questions is to ensure comprehension of the cases and to facilitate class discussion. Questions should be answered individually and not based on discussions with group members, other students, or any other source.

3. **Group Presentation to Class (18% weighting)** on weekly financial and M&A market developments. A group presents on recent market developments during the first part of designated classes (see description under Assignments in Canvas).

4. **Group Presentation on H.J. Heinz M&A Case (17% weighting).** A group powerpoint presentation on the H.J. Heinz M&A case is due before class on the designated date (see description under Assignments in Canvas).

5. **Take-home Final (30% weighting)** Closed book in-class exam.

**GRADING PHILOSOHY**

The following is necessary to achieve the highest grade:

- Participation in class discussions
- Teamwork
- Awareness of current financial and merger market conditions
- Effective use of electronic news media
- Meeting class deadlines
- Class attendance and punctuality
- Insightful and efficient verbal and written communication
- Total adherence to the Academic Integrity, as summarized below

**ACADEMIC INTEGRITY**

Weekly presentations on market developments and the M&A case will be completed by groups. These and other group activities must adhere to principals of Academic Integrity, including each group member having a full understanding of any written material that includes a student’s name. For example, even though one student may do the principal work on a spreadsheet, all group members are expected to fully understand the spreadsheet and be able to answer questions regarding it or any other aspect of the group’s product. Principals of Academic Integrity will, of course, also apply to all individual work as well and to the Final Exam. **Students are not permitted to collaborate on any assignments other than the two group assignments. The final exam must be completed without any assistance from other students, or any other person or electronic source.**
SUMMARY COURSE OUTLINE

Class # 1  September 22
Topics:  Course Organization
          Overview of Investment Banking

Reading:  Chapter 1
          Investment Banking in 2008 (A): Rise and Fall of the Bear case

Class # 2  September 29
Answers to Investment Banking in 2008 (B) case due before class

Topics:  Overview of Investment Banking (cont.)
          History and Regulation of the Securities Industry

Reading:  Chapter 2
          Investment Banking in 2008 (B): A Brave New World case

Class # 3  October 6
Answers to Freeport-McMoRan case due before class

Topic:  Financings

Reading:  Chapter 3
          Freeport-McMoRan: Financing an Acquisition case

Class # 4  October 13
Answers to P&G Acquisition of Gillette case due before class

Topics:  Financings (cont.)
          Mergers and Acquisitions

Reading:  Chapter 4
          The Best Deal Gillette Could Get: Proctor & Gamble Acquisition of Gillette Case

Class # 5  October 20
Answers to ServiceCo case due before class

Topic:  Mergers and Acquisition (cont.)

Reading:  ServiceCo Case (found in Exhibit 4.9 in chapter 4 of the textbook)
          Too Big To Fail (chapters 1-7)
Class # 6   October 27
Answers to Kmart, Sears and ESL case due before class

Topic: Trading

Reading: Chapter 5
Kmart, Sears and ESL: How a Hedge Fund Became One of the World’s Largest Retailers case
Too Big To Fail (chapters 8-14)

Class # 7   November 3
Group Powerpoint Presentation on H.J. Heinz M&A Case due before class

Topics: H.J. Heinz Case
Asset Management, Wealth Management and Research
Credit Rating Agencies, Exchanges, Clearing and Settlement

Reading: Chapter 6
Chapter 7

Class # 8   November 10

Topics: International Banking
Convertible Securities and Wall Street Innovation

Reading: Chapter 8
Chapter 9
Too Big To Fail (chapters 15-20 and Epilogue)

Class #9   November 17
Class Participation and Group Evaluation due by 11:59 pm on November 17

Topics: Convertible Securities and Wall Street Innovation (cont.)
Investment Banking Career Opportunities and Trends
Course Review

Reading: Chapter 10

Final Exam   December TBD

RECOMMENDED BOOKS (optional reading)

Barbarians at the Gate – Burrough and Heylar
When Genius Failed – Roger Lowenstein
Goldman Sachs: Culture of Success – Endlich
Liar’s Poker -- Lewis
Greed and Glory on Wall Street – Auletta
Den of Thieves – Stewart
An Accidental Investment Banker – Knee
Tearing Down the Walls -- Langley