

FIN6930

Topics in Private Financing

A significant proportion of corporate financing is provided through private sources. Most but not all private financing is provided through financial intermediaries. This course examines the role of financial intermediaries in the corporate capital acquisition process. We will focus on two sources of private financing: Private equity and bank loan. The first part of the course focuses on the organized private equity markets, which involves professionally managed equity investments in unregistered securities of private and public companies. Professional management is provided by specialized intermediaries and institutional investors. These intermediaries typically acquire large ownership stakes in the companies they invest in and take an active role in monitoring and advising these firms. In the second part of the course we will examine the role of banks in the capital acquisition process and the factors that influence the choice between bank loan and bond financing.

The course has three objectives. First, the course seeks to deepen students' understanding of corporate finance by applying the intellectual frameworks used in corporate finance to analyze activities and institutions in the private equity and bank loan markets. Thus, one goal is to review and apply the key concepts and tools of corporate finance in a new and interesting environment.

Second, the course seeks to familiarize students with the key institutional features of the private equity industry. This involves examining how institutions and contracts are structured to mitigate agency costs and information problems that are endemic to private equity investments.

Finally, we will review the empirical literature concerning the value added by financial intermediaries.