



# FIN 495/695 | Distressed Investing

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[Courses \(www.emoryprof.com\)](http://www.emoryprof.com)

[Emory Center for Alternative Investments \(goizueta.emory.edu/faculty/cai\)](http://goizueta.emory.edu/faculty/cai)

[Emory Entrepreneurship \(goizueta.emory.edu/strategicplan/entrepreneurship/\)](http://goizueta.emory.edu/strategicplan/entrepreneurship/)

## Summary

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The course surveys distressed investing with a focus on real estate. The course is divided into three modules. The first module covers the institutional structure of the distressed market and valuation techniques. The second module features a broad overview of distressed investing strategies across the capital structure and market segments. The third provides an in-depth analysis of distressed investing techniques used by one of the premier distressed investing firms in the world, Lone Star Funds. The fourth and final module provides practical framework for students to start buying distressed real estate. The primary audience for this course is (i) finance majors interested in careers in real estate finance or in private equity and hedge funds and (ii) entrepreneurially oriented students aiming to buy distressed real estate. The secondary audience is students planning careers that have significant interaction with real estate finance and/or private equity and hedge fund industries, either as providers of these funds (pension fund managers, institutional investors, investment advisors) or as consumers of them (managers/owners of companies). Approximately fifty percent of the classes will have guest participants who will participate in an active debate with students. There are six written assignments & presentations done in teams.

## Goals of the Course

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After completing this course, students should understand deal structure and valuation for distressed debt private equity transactions. They should also know the current institutional and contractual practices in the distressed private equity industry, and understand how these practices are driven by the information and

incentive problems faced by the key players.

## Format

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The course is primarily in a case/discussion format, supplemented by guest participants. Most classes will be held on Wednesdays, however, there may be classes held on off days to accommodate guest participants' schedules. Guest lectures are a mandatory part of the class. For approximately a quarter of the classes there is a case discussion (see the section on deliverables & grading for more information on case procedures).

## Materials

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The materials for this class consist of cases, spreadsheets, class slides, and readings. Except for copyrighted cases and readings, all class materials are freely available from the [class website](#). The copyrighted materials are hosted on [study.net](#). Access to the [study.net](#) materials ends when the semester ends.

Although this class does not use a textbook, there are several books which provide background materials on a variety of topics that will be discussed in class:

Real Estate:

- William B. Brueggeman and Jeffrey D. Fisher – Real Estate Finance and Investments (introductory level real estate book)
- Peter Linneman – Real Estate Finance & Investments: Risks and Opportunities (intermediate level real estate book)
- David M. Geltner, Norman G. Miller, Jim Clayton and Piet Eichholtz – Commercial Real Estate Analysis & Investments (advanced level real estate book)

Finance:

- Richard A. Brealey, Stewart C. Meyers, Franklin Allen – Principles of Corporate Finance
- Edward I. Altman and Edith Hotchkiss – Corporate Financial Distress and Bankruptcy

## Deliverables and Grading

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Course grades are based on each individual's cumulative score relative to the rest of the class. Assignments submitted past the due date incur a 20% penalty for every day that they are late. Assignments submitted after they are discussed in class will not receive credit. The following elements determine one's score:

**Case Reports** (30 percent of overall grade): There are six case assignments. To execute the case assignments, students form into self-selected three person teams or partnerships at the beginning of the semester. Partnerships are expected to meet (in-person or virtually) to discuss and execute each team assignment. For each case, each partnership designates one person as "managing partner" (MP). The managing partner structure allows partnerships to efficiently allocate the work within the partnership, with the managing partner

taking the lead on the case and the other members of the partnership supporting the managing partner. Each student must serve at least twice as a MP. Since there are six cases, each partnership cannot have more than three members. Partnerships with less than three members need to complete all cases but can select (if any) which cases will have no MP at the end of the semester (as long as each member serves at least twice as a MP). For each case, each partnership is expected to turn in a two-page report (plus up to three pages of supporting calculations) at the start of the class in which the respective case discussion takes place. A case score counts twice for the managing partner on that case.

**Class Participation** (20 percent of overall grade): Class participation is vital to the success of the course. For class participation, quality is better than quantity. You need not speak often; you need to speak thoughtfully. There are multiple opportunities for class participation, inside and outside of class. The main criteria is "Did you help other people learn?"

Methods to gain class participation include: attendance, quality of preparation and in-class responses, discussion boards on Canvas, volunteer presentations (if any), in-class exercises, and a student survey at the end of the semester in which each student can acknowledge those peers who contributed most to their learning and class experience.

All students are expected to participate in class discussions. Managing partners should prepare to be cold-called to discuss their findings from the case.

Attendance of every [% attendance elements] is mandatory. All students get [% miss class] free unexcused absences. For unique circumstances please send an email in advance of missing a class with the reason for doing so. An unexcused absence from the class results in a failing grade.

**Final Exam** (50 percent of overall grade): There is a closed book in class exam reviewing the materials of the entire semester.

BBA students - The exam is mandatory.

MBA students - The exam is optional for MBAs. Students who choose not to take the exam receive a grade based only on their case reports, their class paper and their participation score and cannot receive a course grade higher than a "PS." For students who do take the exam, we compute a course grade both with and without the final, and then give the higher grade of the two. To prevent gaming, if the final exam is taken without serious effort we may void the final exam. Summarizing the above, if you take the exam, your grade is based on the maximum of the two weighting schemes in the table below. If you do not take the exam, your grade is based on the right column in the table below.

<b>Grading Element</b>	<b>Weights With Exam</b>	<b>Weights Without Exam</b>
Class Participation	20%	40%
Case Assignments	30%	60%
Final Exam	50%	0%
<i>Maximum Grade</i>	<i>DS</i>	<i>PS</i>

**Grade Distribution:** The final grades in this course adhere to the Goizueta recommended grade distribution:

BBA Grade	Frequency
A	15% - 25%
A-	15% - 25%
Not to exceed	40%
B+	15% - 25%
B	15% - 25%
B-	10% - 15%
Not to exceed	50%
C+ or below	10%

MBA Grade	Frequency
DS	15% - 20%
HP - DS	50% - 60%
PS	35% - 45%
LP and NC	0% - 5%

## Contact Information & Office Hours

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**Prof. Klaas P. Baks PhD**

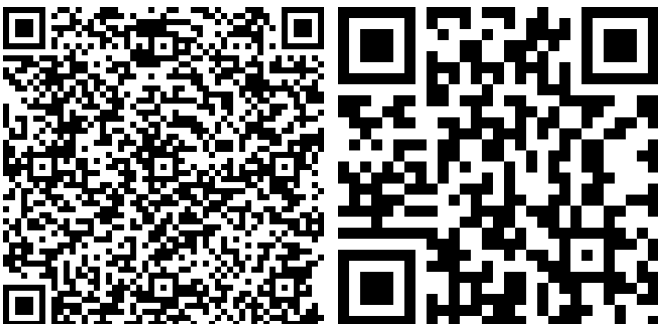
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Hours: For appointments please visit [calendly.com/baks](https://calendly.com/baks). If you are unable to find a suitable time, please contact Ms. Tanya Dickson.

Assistant: Ms. Tanya Dickson, (404) 727-7840, Office: GBS 532, [tanya.dickson@emory.edu](mailto:tanya.dickson@emory.edu)



# Professor Bio

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**Klaas P. Baks PhD** is a recognized thought-leader in the alternative investments industry. The combination of cutting-edge academic insights and leading industry practices forms the foundation of his investment ideas and research. An award-winning professor and a frequent speaker on topics related to alternative investments, investing and entrepreneurship, he is known for a unique ability to combine original and useful business content with an engaging and dynamic speaking style.

Dr. Baks is the Executive Director and Co-Founder of the Emory Center for Alternative Investments and a Professor in the Practice of Finance at Emory University's Goizueta Business School. The Emory Center for Alternative Investments is a global leader in the alternative investments industry.

Dr. Baks's research and teaching focuses on issues in alternative investments, entrepreneurial finance and investment management, and he has published papers in numerous academic and business journals, including the Wall Street Journal. He teaches courses in private equity, venture capital and entrepreneurial finance at Emory University and has been recognized by students and alumni with nine awards, including the Marc F. Adler Prize for Teaching Excellence awarded by alumni, the Donald R. Keough Award for Excellence, and the university's highest award for teaching excellence, the Emory Williams Distinguished Teaching Award.

Dr. Baks serves as director or advisor for over 13 companies and investment funds with over \$1.5 billion in assets under management, including American Virtual Cloud Technologies (NASDAQ: AVCT), Buckhead One Financial (fixed Income), Peachtree Hotel Group (real estate), TWO Capital Partners (real estate), and Vistas Media Acquisition Company (NASDAQ: VMAC). An active member of the Atlanta community, Dr. Baks serves on the board of the Michael C. Carlos Museum and the Investment Committee of the Westminster Schools Board of Trustees.

Prior to joining Emory University, Dr. Baks held positions at Fuji Bank in Tokyo, Japan, Deutsche Bank in Hong Kong and the International Monetary Fund in Washington DC.

Dr. Baks studied at the Wharton School at the University of Pennsylvania (PhD in Finance), Brown University (Master's in Economics), Groningen University (Master's in Econometrics, cum laude) and Leiden University (Diploma in Japanese Language and Business Studies). He spent two years at Harvard University as part of his doctoral research at Wharton on the performance of actively managed mutual funds.

Born and raised in the Netherlands, Dr. Baks resides with his wife and son in Atlanta, Georgia.