**SYLLABUS**

**CORPORATE FINANCE (Spring 2021)**

PROFESSOR: Robert J. Rhee

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CLASSROOM: MCAC 209

CLASS TIME: Thursday & Friday: 1:00pm to 2:25pm

OFFICE HOURS: Thursday & Friday: 12:00pm to 1:00 pm

Zoom or telephone call only

FINAL EXAM: TBD

**TEXTBOOKS**

Robert J. Rhee, Corporate Finance (Wolters Kluwer 2016)

**COURSE DESCRIPTION**

Corporate Finance (LAW 6064): This course examines the legal and financial economic aspects of corporate finance. Course coverage includes foundational finance theories, and legal aspects of capital structure (including analysis of debt securities, equities, structured finance, and derivatives). Combined with Corporations, this course is intended to provide students with a rigorous background in the legal and financial aspects of corporate business.

**STUDENT LEARNING OUTCOMES**

Corporate financing transactions are some of the common corporate transactions in the practice of business and corporate law. Whenever a corporate seeks financing, the laws of corporate finance are always involved. This course teaches the basic legal structures of corporate securities.

After completing this course, students should be able to:

1. Know and analyze the legal rights related to various financial instruments and the laws applicable to corporate finance in general.
2. Consider issues related to advising the board and officers of matters arising under corporate financing, including issues related to their fiduciary duties and financial contracting.
3. Know basic aspects of financing transactions, such as capital markets and capital structure.
4. Know and apply basic business concepts in accounting, finance, and economics specifically relevant and related to the understanding of corporations and corporate finance.
5. Read and analyze essential corporate documents such as Form 10-Ks, certificate of incorporation, and bond indentures.
6. Work with financing documents and structures in corporate finance transactions.

**GRADING**

Grading will be consistent with College of Law policy. Your grade will be based on a final exam (100% of the final grade). Exam grades are done on a blind basis. All grades are final. There will be no regrading or revisions from me, except to correct any mathematical or clerical errors in computing the final score.

**FINAL EXAM FORMAT**

The final exam will be **open casebook**. There are no restrictions on what you can write into the book. You will also be permitted to bring **any personal notes or outlines**, **written by you as your or your study group’s workproduct** (i.e., no commercial outlines or any other published materials other than your textbook). There is no limitation on page count. Your notes and outline may include the statutory provisions that you believe will be necessary for the exam. The assembly of statutory materials, which is at your discretion, is recommended since this course is statute based.

The final exam may have essay, short answer, and multiple choice questions. Essay questions will be an issue-spotting, analysis, or problem-solving format typically seen in most law school exams. The issues and topics for exam questions will come from the course readings and class discussions. The exam will fairly reflect the work that is done in the course. This means that the best way to prepare for the exam is to do the class readings and to attend class. There are no prior exams.

*Makeup Exam Policy*: The law school policy on exam delays and accommodations can be found at: <https://www.law.ufl.edu/life-at-uf-law/office-of-student-affairs/current-students/forms-applications/exam-delays-accommodations-form>.

## **GRADING INFORMATION**

The Levin College of Law’s mean and mandatory distributions are posted on the College’s website and this class adheres to that posted grading policy. The following chart describes the specific letter grade/grade point equivalent in place:

|  |  |  |  |
| --- | --- | --- | --- |
| **Letter Grade** | **Point Equivalent** | **Letter Grade** | **Point Equivalent** |
| A (Excellent) | 4.00 | C (Satisfactory) | 2.00 |
| A- | 3.67 | C- | 1.67 |
| B+ | 3.33 | D+ | 1.33 |
| B | 3.00 | D (Poor) | 1.00 |
| B- | 2.67 | D- | 0.67 |
| C+ | 2.33 | E (Failure) | 0.00 |

The law school grading policy is available at: <http://www.law.ufl.edu/student-affairs/current-students/academic-policies#9>.

**WORKLOAD AND CLASS PREPARATION**

It is anticipated that you will spend approximately 2 hours out of class reading and/or preparing for in class assignments for every 1 hour in class.

**ATTENDANCE**

Per ABA requirements, please attend all classes, unless you e-mail me in advance with a legitimate excuse. Requirements for class attendance and make-up exams, assignments, and other work in this course are consistent with university policies that can be found at: <https://catalog.ufl.edu/ugrad/current/regulations/info/attendance.aspx>.

The single best thing that a student can do to maximize the possibility of doing well in the course in terms of a grade is to keep up with the class reading assignments and to attend class regularly. The final exam will draw from the work done in course and the class discussion.

**ACCOMMODATIONS**

Students requesting accommodation for disabilities must first register with the Disability Resource Center (<http://www.dso.ufl.edu/drc/>). Once registered, students will receive an accommodation letter which must be presented to the Assistant Dean for Student Affairs (Dean Mitchell) when requesting accommodation. Students with disabilities should follow this procedure as early as possible in the semester.

Also, with prior notification to the professor, students are entitled to be excused from class or other scheduled academic activity to observe a religious holy day of their faith. Students are entitled to have a reasonable amount of time to make up the material or activities covered in their absence. Students will not be penalized due to absence from class or other scheduled academic activity because of religious observances.

**ACADEMIC HONESTY**

Academic honesty and integrity are fundamental values of the University community. Students should be sure that they understand the UF Student Honor Code at <http://www.dso.ufl.edu/students.php>.

**ONLINE COURSE EVALUATIONS**

Students are expected to provide professional and respectful feedback on the quality of instruction in this course by completing course evaluations online via GatorEvals. Guidance on how to give feedback in a professional and respectful manner can be found here: <https://gatorevals.aa.ufl.edu/students/>. Students will be notified when the evaluation period opens, and can complete evaluations through the email they receive from GatorEvals, in their Canvas course menu under GatorEvals, or via [ufl.bluera.com/ufl/](file:///C:\Users\rmcilhenny\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\QH37XRU4\ufl.bluera.com\ufl\). Summaries of course evaluation results are available to students can be found here: <https://gatorevals.aa.ufl.edu/public-results/>.

**COVID POLICY**

Many students will have face-to-face instructional sessions to accomplish the student learning objectives of this course. In response to COVID-19, the following policies and requirements are in place to maintain your learning environment and to enhance the safety of our in-classroom interactions. I may take noncompliance into account when grading students or determining if a student may remain in the course.

* You are required to wear approved face coverings at all times during class and within buildings. Following and enforcing these policies and requirements are all of our responsibility. Failure to do so will lead to a report to the Office of Student Conduct and Conflict Resolution. You also will no longer be permitted on the UF Law campus. Finally, Dean Inman will also report your noncompliance to the relevant state board of bar examiners.
* This course has been assigned a physical classroom with enough capacity to maintain physical distancing (6 feet between individuals) requirements. Please utilize designated seats and maintain appropriate spacing between students. Please do not move desks or stations.
* Sanitizing supplies are available in the classroom if you wish to wipe down your desks prior to sitting down and at the end of the class.
* Be mindful of how to properly enter and exit the classroom.  Practice physical distancing to the extent possible when entering and exiting the classroom.
* If you are experiencing COVID-19 symptoms (<https://www.cdc.gov/coronavirus/2019-ncov/symptoms-testing/symptoms.html>), please do not come to campus or, if you are already on campus, please immediately leave campus. Please use the UF Health screening system and follow the instructions about when you are able to return to campus.  <https://coronavirus.ufhealth.org/screen-test-protect/covid-19-exposure-and-symptoms-who-do-i-call-if/>.
* Course materials will be provided to you with an excused absence, and you will be given a reasonable amount of time to make up work.<https://catalog.ufl.edu/UGRD/academic-regulations/attendance-policies/>.”

**CLASS DISCUSSION AND RECORDING**

Students may not take, circulate, or post photos or videos of classroom discussions, whether they are in-person, hybrid, or completely online. Students failing to follow this rule will be referred to the College of Law Honor Code Council and the University’s Office of Student Conduct and Conflict Resolution.

**ONLINE (ZOOM) CLASS SESSIONS**

Per law school policy, our course must have a majority of in-person class sessions. Consistent with this policy, we will try to have more in-person class sessions during the early part of the course, thus permitting us to “bank” the possibility of online sessions during the latter part of this course. Zoom class sessions will be announced ahead of time.

**ASSIGNMENTS**

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| **Class #** | **Topics, Issues, and Cases** | **Text pages** |
| 1 | INTRODUCTION  CHAPTER 1: FINANCIAL STATEMENTS   * Balance sheet   + *Bolt v. Merrimack Pharmaceuticals, Inc.* * Income statement | 1-20 |
| 2 | CHAPTER 1: FINANCIAL STATEMENTS   * Income statement * Cash flow statement * Statement of shareholders’ equity * Financial statement analyses | 20-36 |
| 3 | CHAPTER 1: FINANCIAL STATEMENTS   * Review of Alcoa financial statements   CHAPTER 2: FINANCE PRINCIPLES   * Risk and return * Time value of money | 37-40  41-52 |
| 4 | CHAPTER 2: FINANCE PRINCIPLES   * Time value of money * *In re Vanderveer Estates Holding, LLC* * Cost of capital * *Cede & Co. v. Technicolor, Inc.* * Security market line | 52-79 |
| 5 | CHAPTER 3: VALUATION   * Market multiples * *Agranoff v. Miller* * Discounted cash flow analysis * *Cede & Co. v. Technicolor, Inc.* * *In re Pullman Const. Indus. Inc.* * Valuation of bonds | 81-108 |
| 6 | CHAPTER 3: VALUATION   * Valuation process and studies * *Cede & Co. v. Technicolor, Inc.* * *In re Pullman Const. Indus. Inc.* | 108-136 |
| 7 | CHAPTER 3: VALUATION   * Market mechanisms   + *Basic, Inc. v. Levinson*   + *West v. Prudential Securities, Inc.*   + *In re Polymedica Corp. Sec. Litig.* | 136-166 |
| 8 | CHAPTER 4: CAPITAL TRANSACTIONS, STRUCTURE, AND MARKETS   * Capital transactions * *Waggoner v. Laster* * Capital budgeting * Capital structure * *Missouri Gas Energy v. Public Service Commission* | 167-195 |
| 9 | CHAPTER 4: CAPITAL TRANSACTIONS, STRUCTURE, AND MARKETS   * Overview of capital markets * Overview of securities issuance   CHAPTER 5: COMMON STOCK   * Common stock financing | 195-224  225-229 |
| 10 | CHAPTER 5: COMMON STOCK   * Common stock financing * Legal capital * Statutory limitations on distributions * *Klang v. Smith’s Food & Drug Centers, Inc.* * Other limitations on distributions * *Kamin v. American Express Co.* * *Sinclair Oil Corp. v. Levien*   **Note:** Do not read *In re C-T of Virginia, Inc.* and *Matter of Munford, Inc.* (skip these cases in the reading) | 229-256 |
| 11 | CHAPTER 5: COMMON STOCK   * Other limitations on distributions * *Gabelli & Co. Profit Sharing Plan v. Liggett Group, Inc.* * *Wertheim Schroder & Co., Inc. v. Avon* * *Nixon v. Blackwell* * *Kahn v. Roberts* * *Kahan v. United States Sugar Corp.* | 256-286 |
| 12 | CHAPTER 5: COMMON STOCK   * Fraudulent transfer * *Wieboldt Stores, Inc. v. Schottenstein* * Stock dividends and splits * *Applebaum v. Avaya, Inc.* * AIG case study   CHAPTER 6: PREFERRED STOCK   * Preferred stock financing | 286-309  311-315 |
| 13 | CHAPTER 6: PREFERRED STOCK   * Preferred stock financing * *In the matter of the Appraisal of Ford Holdings, Inc. Preferred Stock* * Common terms of preferred stock * *Guttman v. Illinois Central R. Co.* * *In re Sunstates Corp. Shareholders’ Litigation* * *Goldman v. Postal Telegraph* * *Rothschild International Corp. v. Liggett Group, Inc.* * *Eisenberg v. Chicago Milwaukee Corp.* * *Rauch v. RCA Corp.* | 315-346 |
| 14 | CHAPTER 6: PREFERRED STOCK   * Common terms of preferred stock * *Bove v. Community Hotel Corp.* * *Gradient OC Master, Ltd. V. NBC Universal, Inc.* * *Baron v. Allied Artists Pictures Corp.* * *Warner Communications v. Chris-Craft Industries, Inc.* * *Elliott Associates v. Avatex Corp.*   **Note:** Do not read *Greenmont Capital Partners v. Mary’s Gone Crackers* | 346-376 |
| 15 | CHAPTER 6: PREFERRED STOCK   * Fiduciary duty * *Dalton v. American Investment Co.* * *Jebwab v. MGM Grand Hotels, Inc.* * *In re FLS Holdings Inc. Shareholder Litigation* * *HB Korenaes Investments, L.P. v. Marriott Corp.* | 382-407 |
| 16 | CHAPTER 6: PREFERRED STOCK   * Fiduciary duty * *Orban v. Field* * *Equity-Linked Investors, L.P. v. Adams* * *In re Trados, Inc. Shareholder Litigation* * *LC Capital Master Fund, Ltd. V. James* | 407-446 |
| 17 | CHAPTER 6: PREFERRED STOCK   * Goldman Sachs case study   CHAPTER 7: DEBT INSTRUMENTS   * Debt financing * *Eliasen v. Itel Corp.* * *Credit Lyonnais Bank Nederland v. Pathe Comm’n Corp.* * Bonds and indentures * *Broad v. Rockwell International Corp.* * *Rudbart v. New Jersey District Water Supply Commission* | 447-462  463-486 |
| 18 | CHAPTER 7: DEBT INSTRUMENTS   * Bonds and indentures * *Elliott Associates v. J. Henry Schroder Bank & Trust Co.* * *Rudbart v. New Jersey District Water Supply Commission* * *LNC Investments, Inc. v. First Fidelity Bank, N.A.* * *UnitedHealth Group, Inc. v. Wilmington Trust Co.* * *Birn v. Childs Co.* * *Rabinowitz v. Kaiser-Frazer Corp.* | 486-515 |
| 19 | CHAPTER 7: DEBT INSTRUMENTS   * Bonds and indentures * *Morgan Stanley & Co. v. Archer Daniels Midlands Co.* * *Sharon Steel Corp. v. Chase Manhattan Bank, N.A.* * *Bank of New York Mellon Trust v. Liberty Media Corp.* * *In re Envirodyne Industries, Inc.* | 515-544 |
| 20 | CHAPTER 7: DEBT INSTRUMENTS   * Bonds and indentures * *Metropolitan Life Insurance Co. v. RJR Nabisco, Inc.* * Rights of creditors * *Katz v. Oak Industries, Inc.* * *Simons v. Cogan* * *N. Am. Catholic Educ. Programming Found. v. Gheewalla* * *Blackmore Partners, L.P. v. Link Energy LLC* | 545-571 |
| 21 | CHAPTER 7: DEBT INSTRUMENTS   * Overview of bankruptcy and reorganization * Marriott Corp. case study   CHAPTER 8: CONVERTIBLE SECURITIES   * Convertible securities financing | 571-586  587-592 |
| 22 | CHAPTER 8: CONVERTIBLE SECURITIES   * Terms and rights of convertible securities * *Wood v. Coastal States Gas Corp.* * *Lohnes v. Level 3 Communications, Inc.* * *Broad v. Rockwell International Corp.* | 592-619 |
| 23 | CHAPTER 8: CONVERTIBLE SECURITIES   * Terms and rights of convertible securities * *Van Gemert v. Boeing Co.* * *Rudbart v. New Jersey District Water Supply Commission* * *Lorenz v. CSC Corp.* * *HB Korenaes Investments, L.P. v. Marriott Corp.* | 619-646 |
| 24 | CHAPTER 8: CONVERTIBLE SECURITIES   * Venture capital * *Fait v. Hummel* * *SV Investment Partners, LLC v. ThoughtWorks, Inc.* * *Greenmont Capital Partners v. Mary’s Gone Crackers* | 645-674 |
| 25 | CHAPTER 9: DERIVATIVES   * Basic characteristics of derivatives * Option valuation | 675-686 |
| 26 | OVERFLOW CLASS |  |