**SYLLABUS**

**CORPORATE FINANCE (Spring 2019)**

PROFESSOR: Robert J. Rhee

CONTACT: Holland Hall # 378, 352-273-0958; rhee@law.ufl.edu

CLASSROOM: Room 382

CLASS TIME: Monday: 1:30 PM to 2:45 PM

Tuesday: 1:00 PM to 2:15 PM

OFFICE HOURS: Monday & Tuesday: 11:00 AM to 12:00 PM

FINAL EXAM: This exam will be a 24 hour take-home exam.  Exam can be picked up at 10:00 am on May 1st at the Registrar and must be submitted by 10:00 am on May 2nd at the Registrar.

**TEXTBOOKS**

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

**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 a take home, open book exam. You may use the class reading assignments and any handouts, including PowerPoint class notes, and any notes or outlines you or your peers in the course created. You may **not** use any other materials, including such things as internet resources and other published materials including textbooks and commercial outlines. The exam is a sole effort, and you may **not** consult any person during the exam period.

The final exam may have will have at least a combination of essay, short answer and multiple choice questions. The exam will have each of these forms of questions. Short answer and multiple choice questions are fairly self-explanatory. Essay questions will be an issue-spotting, analysis, or problem-solving format typically seen in most law school exams. The essay and short answer questions will have page limits or other writing restrictions. You will receive instruction on the specific format of the exam toward the end of the course. The issues and topics for exam questions will come from the course readings and class discussions. Accordingly, class attendance and class preparation will be important to doing well in the course.

**EXAM PROCEDURE**

This exam will be a 24 hour take-home exam.  Exam can be picked up at 10:00 am on May 1st at the Dean’s Office and must be submitted by 10am on May 2nd at the Dean’s Office. Students will sign in the time of submission. No exam will be accepted after 4:30pm, May 2nd, which will result in a failing grade. If an exam is late, for every 1 hour period, the exam grade will be deducted by 5% of the total maximum grade of 100%. Any fraction of an hour will be rounded up to one whole hour.

Barring some exigent circumstance, Professor Rhee and the Dean’s Office will **NOT** accept email delivery. Exams must be delivered in printed physical form. Please note if a student emails Professor Rhee the exam, the student will necessarily compromise anonymity. Please do not email the exam.

## **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 |
| A (Excellent) | 4.00 |
| A- | 3.67 |
| B+ | 3.33 |
| B | 3.00 |
| B- | 2.67 |
| C+ | 2.33 |
| C (Satisfactory) | 2.00 |
| C- | 1.67 |
| D+ | 1.33 |
| D (Poor) | 1.00 |
| D- | 0.67 |
| 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>.

Many students find that this course is difficult. Some legal concepts require background knowledge in business, economics, finance, and accounting, which will be foreign to many students. These concepts will be explained and discussed in class. Class attendance and preparation will be important to doing well in the course. 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>.

**ASSIGNMENTS**

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| **Class #** | **Topics, Issues, and Cases** | **Text pages** |
| 1.1 | INTRODUCTION  CHAPTER 1: FINANCIAL STATEMENTS   * Balance sheet   + *Bolt v. Merrimack Pharmaceuticals, Inc.* * Income statement | 1-20 |
| 1.2 | CHAPTER 1: FINANCIAL STATEMENTS   * Income statement * Cash flow statement * Statement of shareholders’ equity * Financial statement analyses | 20-36 |
| 2.1 | CHAPTER 1: FINANCIAL STATEMENTS   * Review of Alcoa financial statements   CHAPTER 2: FINANCE PRINCIPLES   * Risk and return * Time value of money | 37-40  41-56 |
| 2.2 | 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 | 56-79 |
| 3.2 | **NOTE: This class will be held on Friday, Jan. 18 (rather than the regular Tuesday, Jan. 22 and no class on Tuesday, Jan. 22)**  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 |
| 4.1 | CHAPTER 3: VALUATION   * Valuation process and studies * *Cede & Co. v. Technicolor, Inc.* * *In re Pullman Const. Indus. Inc.* | 108-136 |
| 4.2 | CHAPTER 3: VALUATION   * Market mechanisms   + *Basic, Inc. v. Levinson*   + *West v. Prudential Securities, Inc.*   + *In re Polymedica Corp. Sec. Litig.* | 136-166 |
| 5.1 | 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 |
| 5.2 | 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 |
| 6.1 | CHAPTER 5: COMMON STOCK   * Common stock financing * Legal capital * Statutory limitations on distributions * *Klang v. Smith’s Food & Drug Centers, Inc.* * *In re C-T of Virginia, Inc.* * *Matter of Munford, Inc.* * Other limitations on distributions * *Kamin v. American Express Co.* * *Sinclair Oil Corp. v. Levien* | 229-256 |
| 6.2 | 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 |
| 7.1 | 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 |
| 7.2 | 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 |
| 8.1 | 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 |
| 8.2 | 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 |
| 9.1 | 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 |
| 9.2 | 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 |
| 10.1 | 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 |
| 10.2 | 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 |
| 11.1 | 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 |
| 11.2 | CHAPTER 7: DEBT INSTRUMENTS   * Overview of bankruptcy and reorganization * Marriott Corp. case study   CHAPTER 8: CONVERTIBLE SECURITIES   * Convertible securities financing | 571-586  587-592 |
| 12.1 | 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 |
| 12.2 | 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 |
| 13.1 | 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 |
| 13.2 | CHAPTER 9: DERIVATIVES   * Basic characteristics of derivatives * Option valuation | 675-683 |
| 14.1 | CHAPTER 9: DERIVATIVES   * Option valuation * Uses of derivatives * *Ryan v. Gifford* * *Weiss v. Swanson* * *Brane v. Roth* | 683-699 |
| 14.2 | CHAPTER 9: DERIVATIVES   * Credit derivatives * *Eternity Global Master Fund Ltd. V. Morgan Guaranty* * *Deutsche Bank AG v. Ambac Credit Prods., LLC* * *Aon Fin. Prods., Inc. v. Société Générale* | 699-729 |
| 15.1 | Overflow class |  |
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