

SYLLABUS

CORPORATE FINANCE (Spring 2020)
Seton Hall University School of Law
Professor Lubben

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1. Introduction

This course is a sequel to Business Associations and is designed to allow you to work with accountants and investment bankers, not to make you an accountant or investment banker. The course is organized around four basic units: Valuing the Firm; Financing the Firm; Selling the Firm; and The Firm in Financial Distress.

The course will involve some math, especially in the valuation unit, but nothing beyond algebra. A financial calculator is not necessary, but Excel is needed for this class.

This is an intensive version of the course, which is normally done in a three-credit format. For that reason, note that Financial Concepts is a prerequisite.

2. Materials; Reading Assignments

The required materials for this class are Lubben, [Corporate Finance](#) (2nd ed. 2017), and various supplemental documents that I will post on the class Blackboard page. There is also a statutory supplement on Blackboard that begins to be relevant at Chapter 12. Reading assignments begin on the third page of this syllabus.

For those who have not taken bankruptcy, I have asked the bookstore to carry [American Business Bankruptcy, A Primer](#), which provides background that you may find useful when we get to the fourth unit of the course. The book is suggested if you have not taken bankruptcy, but not required.

Latham and Watkins [has created an app](#) that can also be useful in this course.

3. Class Preparation and Participation

I call on people in class and expect everyone to be prepared. If there is a day when you cannot be prepared let me know by email before class and I will not call on you that day. Excessive requests to “opt out” of class participation will affect your final grade.

In addition to reading the assigned pages in the texts, you must read the other assigned materials.

In designing my lectures, I assume that everyone has read the materials and often do not expressly reference them in my lectures. You must attend class and must do the reading in order to follow what is going on in the class.

4. Grading; Examination

The first, final, and only exam will be a **24-hour take-home exam**. Regular preparation, class participation, and analogous intangibles are important to the overall success of the course. I will take these factors into account and adjust grades accordingly, consistent with school policy.

As past students can attest, attendance in this class is rather important. Consider yourself forewarned.

5. Office Hours; Contact Information

I am in my office most weekdays (Room 521). Feel free to come by to discuss anything related to the class. Questions or requests to schedule a meeting at a specific time can be sent to me via email (my preferred means of communication).

6. Disability Support

If you have, or think you might have, a disability that requires an accommodation in order to maximize your prospects for success in Law School, please contact either our Assistant Dean of Students, Andrea Cascarano, or the Office of Disability Support Services (“ODSS”) at the University at (973) 313-6003.

All accommodations must ultimately be sought through and approved by ODSS. It will make every effort to accommodate documented disabilities of every kind. The deadline for submitting applications (including reports from physicians, psychologists and other professionals) to ODSS to establish eligibility for accommodations on exams for the Fall semester is on or about November 1st and on or about April 1st for the spring semester. This deadline ensures that the documentation review process will be completed and accommodations in place in time for final exams. More information is provided [online](#), but Dean Cascarano at the Law School can also advise you about the process.

7. Reading Assignments

Materials not in the book are on Blackboard. The statutes are available in the statutory supplement, also on Blackboard. I’ve indicated key statutes on the syllabus, but you should read all relevant statutes (i.e., those mentioned in the book) before class.

Please prepare all problem sets in the materials and be prepared to discuss them in class.

Part 1: Valuing the Firm

Class 1: Understanding a Firm's Business

- Lubben Introduction and Chapter 1
- <http://goo.gl/CZHL2a>
- **Dynegy Annual Report:**
 - On Blackboard
 - Assume a law firm partner has asked you to “get smart” on the client’s business so you can participate in a meeting in one hour. Read accordingly.
- *Skim Chapter 2* (should be a review of material you covered in Financial Concepts)

Class 2: The Net Present Value Rule and Valuing Debt

- Lubben Chapters 4 and 5
- Chapter 4 Spreadsheet
- *Skim Chapter 3 for relevant background*

Class 3: Risk and Return; CAPM

- Lubben Chapters 6 and 7
- See the note on Blackboard regarding the problems with Google Finance
- Note regarding Problem Set 6.2, question 2: Replace Dow with Bank of America (BAC)
- Note regarding Problem Set 7.2, question 2: The second question should probably read: What if the *risk premium* changes to 5 percent?

Class 4: Modigliani-Miller

- Lubben Chapter 8, 9 & 10
- <https://www.dropbox.com/s/grtpyk4f655gjec/Tax%20Cuts%20and%20Jobs%20Act.pdf?dl=0>
- <http://goo.gl/Xnyq3R>

Class 5: Valuation and Firms

- Lubben Chapter 11

Part 2: Financing the Firm

Class 6: Equity

- Lubben Chapters 12 & 13

Class 7: Bonds and Notes

- Lubben Chapters 14 & 15
- **Dynegy Note and Indenture**

Class 8: Derivatives & Options

- Lubben Chapters 17 & 18
- **ISDA Equity Definitions** (skim)
- <https://www.bloomberg.com/news/articles/2018-05-01/as-dairy-goes-global-more-farmers-turn-to-futures-and-options>

Class 9: Loan Agreements and Securitization

- Lubben Chapters 16 and 19
- **Dynegy Credit Agreement**
 - See the “checklist” for specific clauses to focus on
- <https://ftalphaville.ft.com/2016/01/11/2149761/a-short-history-of-the-bowie-bond/>

Part 3: Selling the Firm

Class 10: M&A

- Lubben Chapters 22, 23, and 24
- Williams Act (1934 Act sections 13 & 14) and rules thereunder

Part 4: The Firm in Financial Distress

Class 11: Exchange Offers, Workouts, and Prepacks

- Lubben Chapters 26 & 27
- 1933 Act §3(a)(9):

15 U.S.C. § 77c. Classes of securities under this subchapter

(a) Exempted securities — Except as hereinafter expressly provided, the provisions of this subchapter shall not apply to any of the following classes of securities:

Except with respect to a security exchanged in a case under title 11, any security exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange;

- 1933 Act §4(a)(2):

15 U.S.C. § 77d. Exempted transactions

(a) In general — The provisions of section 77e of this title shall not apply to—

(2) transactions by an issuer not involving any public offering.

- 11 U.S.C. § 1126 (11 U.S.C. §___ refers to the Bankruptcy Code)
- 11 U.S.C. § 1125(g)

Class 12: Introduction to Chapter 11

- Lubben Chapter 28
- 11 U.S.C. §§ 101, 109, 362-65, 1101-03, 1106-08
- <http://goo.gl/P9Mwcs>
- **Dynegy Bankruptcy Materials**

Class 13: 363 sales and Chapter 11 Plans

- Lubben Chapters 29 & 30
- 11 U.S.C. § 363
- <https://goo.gl/4A9Fqg>
- 11 U.S.C. §§ 503, 506, 507, 510, 1121, 1123, 1126, 1129, 1141, 1145

Last update: Saturday, November 2, 2019