

Corporate Finance
Spring 2006

Professor Daniel Greenwood

Schedule:
Tu 8:00-9:15 pm; Th 6:00-7:15 pm

Basic Texts:

BRATTON, CORPORATE FINANCE, Fifth Edition, Foundation Press, and the annual update.

Wall Street Journal. If you wish to subscribe at student rates, go to:
<http://subscribe.wsj.com/semester>

Recommended Supplemental Texts:

WILLIAM A. KLEIN & JOHN C. COFFEE, BUSINESS ORGANIZATION AND FINANCE, LEGAL AND ECONOMIC PRINCIPLES, Ninth Edition, Foundation Press. The bulk of this book is a review of the law of business organizations which you may find quite helpful. Chapter 4 concentrates on the various types of securities discussed in this course, and chapter 5 reviews the principles of corporate finance with which we begin.

STRUNK & WHITE, THE ELEMENTS OF STYLE. The best and smallest guide to good writing, which is, after all, most of what you came to law school to learn.

ROBERT SHILLER, IRRATIONAL EXUBERANCE (2000). On the reasons and ways in which markets are not efficient or rational.

Jorge Luis Borges, *The Library*, in FICCIONES (1962). On the importance of random effects.

KURT VONNEGUT, SIRENS OF TITAN (1959) chapter 3, pp. 65-85. On investment techniques and magical thinking.

Lynn M. LoPucki, *The Death of Liability*, 106 YALE L.J. 1 (1996). On the uses of planning to reduce liability.

**Approximate Syllabus
Assignments**

(subject to change--this is the first time I am teaching out of this book, so it is very hard to predict how fast we will move)

First class: (Th Jan 12)

Topic: Elements of Valuation: Present Value, Future Value, Net Present Value.

Read: Bratton: 30-39.

Do Not Pass Go, Do Not Collect 10 Million, Go Directly to Jail, 8/29/94 WALL ST. JRNL at A1.
(on present value)

Recommended: Klein & Coffee pp 302-14, 318-27

Second class: (Tu, Jan 17)

Topic: Expected Returns

Read: Bratton 39-55

Problem Set: Publishers Clearing House problem set I

Recommended: Klein & Coffee, pp. 239-40

Third class: (Th, Jan 19)

Topic: Risk, Diversification

Read: Bratton pp 55-87

Do: Publishers Clearing House problems, part II

Recommended: Klein & Coffee, pp. 240-47, 327-38

Fourth –Fifth class: (Tu-Th, Jan 24, 26)

Topic: CAPM, Portfolio Theory

Read: Bratton 149-171

Do: Auto leasing/purchase problems

Sixth class: (Tu, Jan 31)

Topic: Efficient Markets
Read: Bratton 149-171

Sugarscape Model Shows Flaws in Textbook Economics 11/21/1994 WALL ST. JRNL at B1.

Keynes' Beauty Contest (supp. mat.)

Smart or Lucky? Despite 11 Great Years, Jury Is Still Out on Famed Mutual Fund, 5/15/02
WALL ST. JRNL. at D1

Highly Recommended: JORGE LUIS BORGES, *The Library*, in FICCIONES (1962)

Recommended: Klein & Coffee pp 409-16

Recommended: KURT VONNEGUT, SIRENS OF TITAN (1959) chapter 3, pp. 65-85.

Seventh class: (Th, Feb 2)

Topic: Valuation Review; Hedging

Read: Bratton 1-30, 121-48.

Yes Ten Million People Can Be Wrong, THE ECONOMIST 81 (February 19, 1994). (Information cascades, fads and bubbles)

Recommended: Chapters 1, 2 & 3 of ROBERT SHILLER, IRRATIONAL EXUBERANCE

Jon E. Hilsenrath, *Stock Characters: As Two Economists Debate Markets, The Tide Shifts; Belief in Efficient Valuation Yields Ground to Role of Irrational Investors; Mr. Thaler Takes On Mr. Fama*, 10/18/2004 WALL ST. JRNL at p. A1

Eighth class: (Tu, Feb 7)

Topic: Senior Securities – Bondholders’ Rights

Read: Bratton 173-190 – fast; 190-209 – more carefully. Class discussion will focus on 190-209. Please note that the text refers to the Indenture in Appendix A, and NYBCL sec. 518 at Appendix B-81 – you should review those materials as well.

Recommended: K&C: 248-82

Ninth class: (Th, Feb 9)

Topic: Bondholders’ Rights

Read: Bratton 209-243 (Esp. Sharon, Metropolitan Life) & Indenture in Appendix C.

Do: Review Bond Negotiation Exercise (in supplemental materials) and consider what position you would take in each role.

Tenth class: (Tu, Feb 14)

Topic: Bondholders’ Rights

Read: 1. Review Sharon & Metropolitan Life.

2. Bratton 243-58, 263-66 (hold outs and coerced votes)

3. Bratton 275-290 (Fraudulent conveyance, Fiduciary duty)

Recommended: K&C 302-6

Eleventh Class: (Th, Feb 16)

Topic: Credit Derivatives

Topic: Preferred Stock

Read: Bratton Supplement 40-45, Bratton text 353-373

Twelfth Class: (Th, Feb 23)

Topic: Convertible Securities

Read: Bratton 412-39, 439-455, supp 72-84

Recommended: K&C 308-9

Thirteenth Class: (Tu, Feb 28)

Topic: Venture Capital

Read: review remainder of last assignment; Bratton 455-72, Supp 85-89

Fourteenth Class: (Th, Mar 2)

Topic: Capital Structure & Leverage

Read: Bratton 473-501

Recommended: K&C 328-70

Fifteenth Class: (Tu, Mar 7)

Topic: Capital Structure & Leverage

Read: Bratton 501-516, 526-543

Sixteenth Class: (Th, Mar 9)

Topic: Dividend Policy

Read: Bratton, 543-566, 566-580

Recommended: K&C 370-85

Seventeenth Class: (Tu, Mar 21)

Topic: Stock Dividends; Repurchases

Read: Bratton 580-88; 588-595; 595-612, SUPP p 89-97

Eighteenth Class: (Th, Mar 23)

Topic: Executive Stock Options

Read: Bratton 619-640

Nineteenth Class: (Tu, Mar 28)

Topic: Blockholders

Read: Bratton 640-675

Twentieth Class: (Th, Mar 30)

Topic: Mergers & Acquisitions-Intro, Accounting, Merger Agreements

Read: Bratton 675-726

21st Class: (Tu, Ap 4)

Topic: Mergers-Appraisal

Read: Bratton 741-759

22nd Class: (Th, Ap 6)

Topic: Mergers-Going private, MBOs

Read: Bratton 757-776

23rd Class: (Tu, Ap 11)

Topic: Mergers-Fiduciary Standards & Duty of Care

Read: Bratton: 776-777, 791-95, 804-828, 840-855, SUPP 126-137

24th Class: (Tu, Ap18)

Topic: Mergers-Disclosure

Read: Bratton: 855-874, 885-909

25th Class: (Th, Ap 20)

Topic: Tender offers

Read: Bratton 909-925, 925-939, 1040-45

26th Class: (Tu, Ap 25)

Topic: Tender Offer disclosure

Read: Bratton 1045-85

27th Class: (Th, Ap 27)
Conclusion/Review