

LHC 508

SYLLABUS -- SECURITIES LAW

WINTER 2008

Professor Dana Muir
Office: 6735 Wylie
Office Phone: 763-3091
E-mail: dmuir@umich.edu

Office hours: Mondays: 1:30-2:30 and Wednesdays 2:30-3:30. Also by appointment or you are welcome to stop by any time. Unless I am in the middle of something, I will be glad to see you.

Required Materials

Alan R. Palmiter: Securities Regulation: Examples & Explanations, (3d edition, 2005)
ISBN: 0-7355-5100-6 published by Aspen Law & Business

CTools documents and handouts as noted on syllabus

Description:

In this course I am striving for a mix of very practical current law material on securities offerings and regulation with coverage of basic legal principles. The reading material reflects that mix. The "cases" assigned in this class are legal decisions written by courts or enforcement decisions by the SEC. These cases, in conjunction with many problem questions, will be used to illustrate legal decision making and how the general legal principles we study apply to actual securities situations. In order to keep the material accessible, it focuses almost solely on traditional domestic equity securities.

This course is especially relevant to students planning a career in either corporate or investment finance, but it is not intended specifically for i-bankers. It is much more general, and as such should be very useful to those who go into general management, accounting, or consulting. The course will focus heavily on the federal securities laws, the types of legal claims that arise under those laws, and actual application of the laws. It is a survey class so we will not go into much detail in any of these fields. It is a law class. Securities law is extraordinarily technical and heavy in legalese. If you've had another law class here, even one of mine, you will find that this one is different. It is not a "discussion" or opinion-oriented course. There is no reasonable way to teach securities law without a lot of technical discussion of legal concepts. This class is much heavier on short questions for discussion in class and lighter on discussion of cases than most law classes. Yet, this class in no way will prepare you to handle securities law matters on your own. The most it will do is sensitize you to basic issues and provide you with a framework and vocabulary for your dealings with securities lawyers. Students with significant experience in transactional securities work actually tend to be at a disadvantage unless they are willing to focus on legal analysis instead of interesting

facts and industry practice. After the enforcement actions of the last few years, everyone should be aware that you cannot evaluate the legality of practices in the securities industry simply by asking whether those practices are wide spread.

EVALUATION AND TESTING

There will be one writing assignment that will be due during the term and a take-home final examination. All relevant dates are indicated on the syllabus. There also will be a general class participation component to your final grade.

Examination: The examination will be a take-home exam with short answer and short essay questions. You will have to do the exam by yourself but can use course materials, including notes. **Note: I expect that most of the divergence in student grades will come from this exam.** I will put a copy of a recent exam on CTools along with some sample exam answers. The exam itself will be posted to the CTools site during the morning of February 16. For full credit, I must receive the hard copy, fax, or e-mail of your exam answers by 6:00 p.m. on February 19. I will accept late exam answers, but will penalize them 15 points for each day or part of a day they are late. I don't expect to make any exceptions to this timing. 125 points.

Writing Assignment: This assignment will be worth 50 points. You can do it alone, with one other person or two other people. It will be posted to CTools after the first class period and is due by the beginning of class on January 22. You also must bring a copy to class with you and be prepared to discuss it. I have three goals for this assignment. First, it is a useful way to assign and discuss registration statements. Second, some of the questions should give you an idea of how class material and in-class discussion relate to the exam. Third, the class discussion and grading will give you some feedback on how to write good answers to legal questions. I suspect the exam will do more to distinguish among students for grading purposes than this assignment will. 50 points.

General Class Participation: Class participation is an important component of a successful learning experience in this class. Each student will begin the semester with 40 of the 50 general class participation points. Points will be subtracted for more than rare absences (1 absence during the term is not an issue and you should not contact me about it; absences will not be "excused" except in rare circumstances of extended serious illness, etc.), tardiness, leaving early or for being unprepared or inattentive during discussions. Ten additional class participation points can be earned by truly outstanding contributions to class (regularly answering questions in class, evidencing excellent class preparation, etc.). At the end of the term students will receive one of the following class participation scores: 50 = outstanding; 40 = normal; 20 = significantly below average; 0 = poor). I expect most students will earn 40 points.

*****LEGAL WARNING*** This Professor's Pet Peeve is Inappropriate Use of and Distractions Created by Electronic Devices:** You may use a laptop in the classroom if you are taking notes for this course and can convince me that's all you're doing. The burden of proof resides on you. If I see or have a reasonable belief that you are using the laptop for any other purpose, your class participation grade will be zero. My decisions in this regard are as final and binding as those in binding arbitration. If your cell phone rings, I will answer it.

DATE TOPIC & ASSIGNMENT

1/8 Securities Law – The SEC and U.S. Federal Securities Laws – and Ethics

REQUIRED: Palmiter: Read the Preface (page xix) and skim chapter 1 (note: For most of you the material on federal regulation (pages 19-34) will be far more important than the basic markets material). In all assignments you may omit the examples and explanations sections in the text. We will not cover them in class, but you might find them useful in understanding the material. If you have questions about them, please see me outside of class.

1/10 Materiality – Does it Matter?

REQUIRED: Palmiter: chapter 3

CTools: Problem set

NOTE: The way I would do this assignment is to read the Palmiter chapter quickly trying skim past the ‘legalese.’ Then do the problem set. If the problem set is ‘easy’ then you’ve probably gotten enough detail from the Palmiter chapter. If not, you might want to go back and look carefully at §§ 3.1.1., 3.2.2, 3.3.1 and 3.3.2, which I think are the most important sections for today.

1/15 The Registration Process, What Needs to be Registered, and a Heads Up on Exemptions

REQUIRED Palmiter: Chapter 2: only pp. 39-42 (stop before section 2.2.2)

OPTIONAL in Palmiter: chapters 5 & 7. This material is on exemptions. It is very technical. I’ll do an overview in class that will be enough for the course exam. If you’re interested, the first layer of details are covered in these chapters.

REQUIRED CTools Page: Updated portions of Chapter 4

1/17 Communications – What You Can’t Tell Anyone And What You Must Tell Everyone

REQUIRED: Palmiter: chapter 8: only pp. 261-262 and skim 270-281; chapter 10: only pp. 371-373;

REQUIRED CTools Page: Reading & Questions on Communications

NOTE: This includes a long reading section that is from the new version of chapter 4 of your book as well as questions we will use for the basis of class discussion.

1/22 Registration Statements and Liability

REQUIRED CTools Page: Reading and questions on Registration Statements and Liability

NOTE: within this material is the required writing project

1/24 Losing a Securities Fraud Case – Public Companies - Who is liable and what is fraud?

REQUIRED: Palmiter: chapter 9: pp. 305-330.

REQUIRED CTools Page: Reading & Questions on Securities Fraud

1/29 Liability for Deception or Manipulation -- Liability for Everyone Else

REQUIRED: Palmiter: chapter 11: pp. 401-418

REQUIRED CTools Page: Reading on 10(b) and Securities Industry; Note, this reading probably will be posted later than most of the rest of the readings to see if the Supreme Court issues a decision in a key case.

1/31 Share Acquisition in Corporate Control Transactions

REQUIRED Palmiter: chapter 8: pp. 284-287

REQUIRED CTools Page: Reading on Corporate Control Transactions and Securities Law

OPTIONAL CTools Page: For those of you who did not take LHC 517 and have no background in state corporation law, that is the primary law regulating M&A transactions. That material is NOT covered in this class. If you want some material on those issues, I will post some optional reading to CTools. None of the optional material will be covered or tested, and reading it will not help you do well in this class.

2/5 International Implications of [Mostly] U.S. Law

REQUIRED Palmiter: chapter 13

REQUIRED CTools Page: Reading on International Implications

2/7 Mix and Match

REQUIRED CTools Page: Reading

2/12 Insider Trading -- Section 10(b)

REQUIRED: Palmiter: chapter 10, pp. 357-370

REQUIRED CTools Page: Questions on Section 10(b) regulation of Insider Trading

2/14 Insider Trading -- Section 16(b)

REQUIRED: Palmiter: chapter 10, pp. 383-391

REQUIRED CTools Page: Questions on Section 16(b) regulation of insider trading.

2/16 FINAL EXAMINATION – Posted to CTools

2/19 FINAL EXAMINATION – DUE BY 6:00 p.m.