

VANDERBILT UNIVERSITY
LAW SCHOOL/OWEN GRADUATE SCHOOL OF MANAGEMENT

Professors Craig Lewis and Randall Thomas
Spring 2004

THE LIFE CYCLE OF THE FIRM: PART 2 (MOD 4) SYLLABUS

Course Objectives

This course offers a unique perspective of the legal and financial issues that managers of a firm must address at different points in the firm's life cycle. The course consists of lectures, and both legal and business cases. It will also feature a number of outside speakers. Lectures and class discussions will cover organizational forms, management and control of different forms of entities, early stage financing, raising debt and equity capital, bankruptcy and reorganization, and managerial compensation.

Course Overview

This course is divided into two parts. Part 1 (mod 3) will be primarily taught by Professor Thomas and will largely use law school cases to illustrate business and legal issues that arise in different forms of business enterprises. It will employ the question and answer format used in law school classes. For each case, one or more Owen students will identify the business issues arising in the case and one or more law students will be asked to describe the legal standards or devices that are used to address these issues. The focus will be on understanding the interaction between lawyers and business people in resolving problems.

Part 2 (mod 4) of the course will be taught primarily by Professor Lewis and will largely use business school approaches to illustrate issues surrounding large public corporations. It will employ Harvard Business School cases and analysis in addition to lectures.

Business School Case Presentations

You need to form a case group of at most five students. There must be at least two law students and two business students in each group. Each group will act as management and legal consultants and will formally present one case and be prepared to critique any of the remaining case presentations. The consultants will have 20 minutes to present their case analysis. The presentation should include an outline of the main business and legal issues, additional assumptions and data needed to arrive at conclusions and specific recommendations supported by a thorough analysis. This should be formalized in a typed report of at most 6 pages (excluding cover sheet, tables, and figures) prepared for distribution to the class (one report for each case group) and to Janis Stewart, Room 200, Law School (Janis.Stewart@law.vanderbilt.edu) for cases in classes taught by Professor Thomas (RST) and to Alice Horton at Owen School (Alice.Horton@owen.vanderbilt.edu) for classes taught by Professor Lewis (CL), by 4:00 P.M. on the day prior to the scheduled presentation. Late assignments will be penalized substantially. The report should have

separate sections analyzing the legal issues and the business issues as well as a section discussing how these issues are interconnected. A number of cases will involve two case groups independently presenting solutions to the class.

At the beginning of class, two other case groups will be randomly selected. Following the consultants' presentation, these groups will spend 10 minutes each critiquing their analysis and recommendations and offering an alternative analysis. Other class members will have an opportunity to make substantive comments over the following 20 minutes. One of us will attempt to bring some clarity to the problem and to suggest alternative solutions in the last 15 minutes.

All students should come to class prepared to discuss the case being presented, the assigned readings, and any relevant lecture material. Each student not in the consulting group presenting that day is to turn in a two-page memo summarizing the case at the start of class. If a student is not prepared to participate, he/she should alert one of us prior to class. After a case group's consulting report is submitted and again at the end of the semester, each member of the group is to independently grade the intellectual contributions of each member of his/her case group.

Honor Code

First, some cases and problem sets in this course have been used before at Owen and the Law School. Do not consult with students who have used these cases or use their notes, or other materials they developed in analyzing these cases. Second, evaluations and critiques found in books or articles from the business press concerning the corporate actions described in these cases are not to be used in your case preparation. However, public information available prior to the decision point in the case can be used. We will treat the use of any prohibited information source as a violation of the applicable Honor Code.

Grading for Mod 4(1/2 total grade)

Class Participation	20%
Final Exam	40%
Two-Page Case Writeups	20%
HBS Case	20%

The mid-term exam will be a take home exam. It will be graded by Professor Thomas on the Law School curve.

Texts on Reserve (Law School)

1. Cox, Hazen and O'Neal, Corporations (Aspen 1997).
2. Corporations and other Business Association's Statutory Supplement (2002)

3. Baird, *The Elements of Bankruptcy Law* (Foundation 2001).

Texts on Reserve (Owen)

1. Grinblatt and Titman, *Financial Markets and Corporate Strategy*, 2nd Edition (Irwin McGraw Hill 2001).

Course Outline (Additional Readings May Be Assigned For A Few Classes).

- Mar. 15th** **The Going Public Process**
Grinblatt and Titman, Chapter 3
A Note on the Initial Public Offering Process, Technical Note, HBS-9-200-018
- Mar. 17th** **The Going Public Process**
Case: Netscape's Initial Public Offering, HBS 9-296-088
- Mar. 22th** **Follow-up Financing**
Grinblatt and Titman, Chapter 14

Stewart Myers, "Capital Structure," *Journal of Economic Perspectives*, V. 15, Spring 2001, pages 81-102, v 10, 269-288.
- Mar. 24th** **Follow-up Financing**
Grinblatt and Titman, Chapter 2, pages 29 - 49
Case: Debt Policy at UST Inc., HBS 9-200-069
- Mar. 29th** **Mergers & Acquisitions: Finance Issues**
Grinblatt and Titman, Chapter 20
- Mar. 31th** **Mergers & Acquisitions: Legal Issues**
- Apr. 5th** **Mergers & Acquisitions**
The Acquisition of Consolidated Rail Corporation (A), HBS 9-298-006
- Apr. 7th** **Corporate Restructuring**
Valuing Companies in Corporate Restructurings, Technical Note, HBS 9-201-073
Technical Note on LBO Valuation (A), Technical Note, HBS 9-902-004

Cusatis, P.J., J.A. Miles, and J. R. Woolridge, "Restructuring Through Spinoffs: The Stock Market Evidence," *Journal of Financial Economics* 33, 1993, 293-311.

Miles, J.A., and J Rosenfeld, “The Effect of Voluntary Spin-off Announcements on Shareholder Wealth,” *Journal of Finance* 38, 1597-1606.

Hulbert, H.M., J.A. Miles, and J.R. Woolridge, “Value Creation from Equity Carve-Outs,” *Financial Management* 31, No.1, Spring 2002.

Apr. 12th

Corporate Restructuring

Case: FAG Kugelfischer – A German Restructuring, HBS 9-298-046

Apr. 14th

Corporate Restructuring

Guest Speaker: David Kloeppe, CFO, Gaylord Entertainment

Apr. 19th

Financial Distress

Douglas G. Baird, *The Elements of Bankruptcy Law* (Foundation Press, 2000)

Apr. 21th

Financial Distress

When A Strategic Plan Includes Bankruptcy, HBS BHO 14

T.B.A.

Final Exam