UNIVERSITY OF PENNSYLVANIA LAW SCHOOL

Deals:
The Economic Structure of Transactions and Contracting

LAW 720
Spring 2007

Provisional Syllabus

Mondays and Wednesdays   3:00 to 4:20 PM
Gittis 214

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This course will focus on the creation of value through transaction and contract design. The goal of the course is to explain both how private parties actually order their commercial interactions and to develop a systematic theory of how they ought to do so.

The first fifteen or so classes will be devoted to barriers to transacting—including information problems and strategic behavior—and a range of responses. In the final ten classes, student teams will apply the tools developed in the first part of the course to a series of real transactions. This syllabus covers the first of these parts in detail. The second part will be described in a separate memorandum.

Required reading: Course packet and handouts

Grading bases: Class participation, assigned problems, a group presentation, a group paper, and a short individual paper

REGULAR ATTENDANCE IS EXPECTED

YOU MAY WORK ALONE OR IN PAIRS ON ALL HOMEWORK PROBLEMS; HOWEVER, EACH STUDENT WILL WRITE HIS OR HER OWN SHORT PAPER.
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Class 1 (January 8)
Introduction

No Reading

Class 2 (January 10)
Value Creation Through Transactional Structuring and Contracting

The Merger of Hewlett-Packard and Compaq (B): Deal Design.
Richard Climan, “Pricing Formulation in ‘Stock-for-Stock’ Mergers.
HP – Compaq Merger Agreement, Article I.

CLASS WILL NOT MEET ON JANUARY 15 DUE TO MARTIN LUTHER KING DAY

Class 3 (January 17)
Negotiation: Creating Gains versus Dividing Them Up

Robert Mnookin, Scott Peppet, and Andrew Tulumello, The Lawyer as Negotiator
Chapter 1.
Negotiation Case to be handed out in Class

Class 4 (January 22)
The Modigliani-Miller Theorem

Stephen Ross, Randolph Westerfield & Jeffrey Jaffe, Corporate Finance 417 (7th ed.
2005).
Peter Huang and Michael Knoll, “Corporate Finance, Corporate Law, and Finance
Class 5 (January 24)
Informational Asymmetry: Adverse Selection I

HP – Compaq Merger Agreement, Articles II and III.


Problem to be handed in: Real Estate Deal with Free Look Clause

Class 6 (January 26)
Informational Asymmetry: Adverse Selection II

*Grumman v. Rohr*, 748 F.2d 729 (2d Cir. 1984).

Class 7 (January 31)
Agency Costs: Moral Hazard I

HP — Compaq Merger Agreement, Articles IV, VI, VII and VIII.

Class 8 (February 5)
Agency Costs: Moral Hazard II

Ronald Gilson, “Value Creation”, pages 280-293.
Hotel Management and Ownership.

Problem to be handed in: *San Francisco Luxury Hotel Development*. 
Class 9 (February 7)
Asset Specificity I

A Quick Introduction to Transaction Costs and Asset Specificity.

Levi’s-Designs Joint Venture Part I.

Problem to be handed in: Pay or Play, Take or Pay.

Class 10 (February 12)
Asset Specificity II

Levi’s-Designs Joint Venture Part II: Rights of First Refusal (Be prepared to answer questions at end of the case—do not hand in).

Problem to be handed in: Miami Dolphins Case Study: Right of First Refusal (Again, you may work alone or in pairs).

Class 11 (February 14)
Taxation I


Class 12 (February 19)
Taxation II and Other Laws

Continue with material from Class 11
Class 13 (February 21)
Inefficient Markets: Accounting


Class 14 (February 26)
Contingent Contracts

Problem: Sale of a Regional Brewer (Be prepared to answer the questions at the end in class).

Problem to be handed in: Contingent Compensation Problem: Sports Apparel Licensing

Class 15 (February 28)
Capital Structure

Marriott Spinoff (A) (For this case, please be prepared to answer the following questions in class: (a) If you were on the board of Marriott would you have approved this transaction? (b) why or why not?).

Problem to be handed in: Goodyear Tire & Rubber.
CLASS WILL NOT MEET ON MARCH 5 OR MARCH 7 DUE TO SPRING VACATION

Classes 16-27 (March 12 through April 18)
The Deals