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, and a group 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.
Deals:  
The Economic Structure of Transactions and Contracting  
LAW 720/MGMT 717  
Spring 2008

Class 1 (January 16)  
Introduction  
No Reading

CLASS WILL NOT MEET ON JANUARY 21 DUE TO MARTIN LUTHER KING DAY

Class 2 (January 23)  
Value Creation Through Transactional Structuring and Contracting  
The Merger of Hewlett-Packard and Compaq (B): Deal Design.  
HP – Compaq Merger Agreement, Article I.

Class 3 (January 28)  
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 30)  
The Modigliani-Miller Theorem  
Class 5 (February 4)
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 (February 6)
Informational Asymmetry: Adverse Selection II

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

Class 7 (February 11)
Agency Costs: Moral Hazard I

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

Class 8 (February 13)
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 18)
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. 

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**Class 10 (February 20)** 

*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). 

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**Class 11 (February 25)** 

*Taxation* 


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**Class 12**  

*(February 27)* 

*Inefficient Markets: Accounting* 


Class 13 (March 3)
Contingent Contracts

Problem: Contingent Compensation Problem: Sports Apparel Licensing (Be prepared to answer the questions in class).

Problem to be handed in: Sale of a Regional Brewer.

Class 14 (March 5)
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 10 OR MARCH 12 DUE TO SPRING VACATION

Classes 15-26 (March 17 through April 23)
The Deals