

Syllabus

**The Law of Corporate Management and Finance
LGST 202/802 and MGMT 808**

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Required texts:

William A. Klein, J. Mark Ramseyer & Stephen M. Bainbridge, *Business Associations: Cases and Materials on Agency, Partnerships, and Corporations* (Foundation Press, 6th ed. 2006).

2008 Supplement to the above (Foundation Press 2008).

Jonathan Charkham, *Keeping Better Company: Corporate Governance Ten Years On* (Oxford University Press 2006).

John Micklethwait and Adrian Wooldridge, *The Company: A Short History of a Revolutionary Idea* (Phoenix Press paperback ed. 2005)

Optional but recommended text:

William A. Klein & John C. Coffee, Jr., *Business Organization and Finance: Legal and Economic Principles* (10th ed. 2007).

Handouts: Any handouts provided in class are also considered required course materials.

Course description: This course provides an introduction to the law of corporate management and finance. It covers the basic law of business organization, including agency, partnerships, and corporations, with an emphasis on the governance of large publicly held corporations. The course covers the basic obligations of corporate directors and managers under state corporate law and the federal securities laws in the United States, including the substantive areas of fiduciary duties, insider trading, shareholder voting, and mergers and acquisitions. The rights and responsibilities of major players in corporate governance, including managers, shareholders, bondholders, and employees are considered, as well as the roles of investment bankers, corporate lawyers, and accountants. A comparative perspective includes a discussion of the law of

corporate governance in other leading countries, though the focus in terms of details remains on U.S. law. Issues of social policy concerning large business corporations are also discussed.

Note for future accountants and law students: This course, in addition to being required in some states, covers a number of areas on the CPA exam. This course covers many of the topics that would also be covered in a basic corporate law course in law school, though with an emphasis on a business rather than legal lessons for practice.

Office hours: To be announced and by appointment.

Quality circle: A small quality circle of student representatives may be used to provide mutual feedback on teaching, classroom issues, and class performance. No extra credit in terms of grading will be given for representatives in the quality circle (though a “free lunch” may be provided).

Class format and student participation: Classes will combine lecture, Socratic dialogue, and group discussion. Students will be expected to have read material assigned for class and to be prepared to discuss it.

Exams and grading: There will be one required in-class exam covering materials assigned on the law of U.S. corporate management and finance. In addition, there will be a required student presentation (individual or team) on a selected topic in comparative corporate governance. Final grades for the course will be based primarily on performance on the in-class law exam (two-thirds) and final presentations (one-third).

Class participation: Students are expected to come to class prepared to discuss the assigned material. Class participation will be considered in determining an adjustment of the final grade in borderline cases. In addition, excellent class participation and attendance may increase a student’s final grade by one step (e.g., B+ to A-). Poor attendance, unpreparedness, or failure to participate in class discussion may reduce a student’s final grade by one step.

Course outline

Specific assignments will in general follow the outline provided below. Any changes will be announced in class. Revised versions of the syllabus will reflect changes. Required assignments in bold without attribution are to the hardcover Klein, Ramseyer, and Bainbridge text or its supplement.

1. Introduction to the course and overall review of coverage, requirement, and mutual expectations; notes on reading legal cases; introduction to the basic players in business organization (including owners, managers, creditors, and employees) [*Jan. 15*]

Optional/recommended: Klein & Coffee, pp. 1-12.

I. AGENCY LAW

2. Agency Costs versus Agency Law: Who or what is an Agent? [*Jan. 20*]

Ch. 1, pp. 1-13.

Optional: Klein & Coffee, pp. 12-16, 19-26.

3. Liabilities of Principals to Third Parties in Contract: Actual and Apparent Authority (and Ratification) [*Jan. 22*]

Ch. 1, pp. 14-25 [omit *Watteau*], pp. 28-35 [omit problems], pp. 36-40.

Optional: Klein & Coffee, pp. 16-19.

4. Liabilities of Principals to Third Parties in Tort: Employees, Independent Contractors, and Franchises [*Jan. 27*]

Ch. 1, pp. 47-62, 75-79.

2008 Supp., pp. 1-2.

Optional: Klein & Coffee, pp. 19, 27-32.

5. The Fiduciary Duties of Agents: Introduction to Corporate Fiduciary Obligations [*Jan. 29*]

Ch. 1, pp. 80-90.

Optional: Klein & Coffee, pp. 32-45.

II. PARTNERSHIPS (AND VARIATIONS)

6. What is a Partnership and Who is a Partner? Partners Compared with Employees and Creditors; Partnership by Estoppel [*Feb. 3*]

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Ch. 2, pp. 91-108.

Optional: Klein & Coffee, pp. 51-63, 89-90.

7. Fiduciary Obligations of Partners [*Feb. 5*]

Ch. 2, pp. 109-17, 125-31.

Optional: Klein & Coffee, pp. 71-79.

8. Partnership Property and Management (and Note on Dissolution/Dissociation) [Feb. 10]

Ch. 2, pp. 132-35, 140-51.

Optional: Klein & Coffee, pp. 79-89, 90-100.

9. Limited Partnerships and Limited Liability Companies [Feb. 12]

Ch. 2, pp. 197-99; Ch. 4, pp. 299-311, 317-22.

Optional: Klein & Coffee, pp. 100-05.

III. CORPORATIONS

10. Historical Background on the Corporation as a Business Organization [Feb. 17]

***The Company: A Short History of a Revolutionary Idea* [entire book].**

Optional: Klein & Coffee, pp. 106-17.

11. The Structure, Role, and Purposes of Corporations [Feb. 19]

Ch. 3, pp. 282-98.

Optional: Klein & Coffee, pp. 122-46, 150-56, 177-85.

12. The Corporate Form and Limited Liability: “Piercing the Corporate Veil” [Feb. 24]

Ch. 3, pp. 207-18, 222-29; Ch. 4, pp. 312-16.

Optional: Klein & Coffee, pp. 146-50.

13. Shareholder Direct and Derivative Litigation [Feb. 26]

Ch. 3, pp. 232-55 [omit problems at end]; pp. 269-81.

Optional: Klein & Coffee, pp. 207-13.

IV. FIDUCIARY AND OTHER DUTIES OF CORPORATE DIRECTORS, OFFICERS, AND MANAGERS

14. The Duty of Care [*Mar. 3*]

Ch. 5, pp. 332-62

Optional: Klein & Coffee, pp. 156-62.

15. The Duty of Loyalty (including Corporate Opportunities) [*Mar. 5*]

Ch. 5, pp. 374-79, 384-94.

2008 Supp., pp. 11-16.

Optional: Klein & Coffee, pp. 162-70.

- Spring Break -

16. Emerging Duties: Good Faith and Oversight [*Mar. 17*]

2008 Supp., pp. 17-67.

17. Duties of Disclosure and Fairness: Introduction to Federal Securities Law [*Mar. 19*]

Ch. 5, pp. 413-22 [omit *Doran*], pp. 447-68.

Optional: Klein & Coffee, pp. 170-73, 402-33.

18. Insider Trading (and Indemnification/Insurance Notes) [*Mar. 24*]

Ch. 5, pp. 478-510; pp. 520-21 & 532 [notes only].

Optional: Klein & Coffee, pp. 174-77.

V. CORPORATE CONTROL

19. Proxy Fights and Shareholder Proposals [*Mar. 26*]

Ch. 6, pp. 533-47, 555-59, 559-63.

2008 Supp., pp. 71-77.

Optional: Klein & Coffee, pp. 124-29, 185-89.

20. Takeovers I: Enhanced Duty of Care and Duty to Auction [*Mar. 31*]

Ch. 7, pp. 770-802.

Optional: Klein & Coffee, pp. 189-207.

21. Takeovers II [*Apr. 2*]

Ch. 7, pp. 802-37.

22. Corporate Federalism and State Antitakeover Statutes (Notes on Corporate Debt);
Course Review [*Apr. 7*]

Ch. 7, pp. 849-62; Ch. 8, pp. 863-64, 886 (notes only).

In-class EXAM: Thursday, April 9.

VI. Comparative Corporate Law and Governance

[Note – readings for general background only; other countries, regions, or comparative topics may be selected. Students are expected to attend all sessions even when not participating directly in presentations.]

23. Introduction: Comparative and “Convergence” Governance Themes [*Apr. 14*]

Charkham, chs. 1 & 5, pp. 1 -27, 227-90.

*** Student Presentations to be scheduled on following class days. ***

25. [*Apr. 16*]

26. [*Apr. 21*]

27. [*Apr. 23*]

28. [*Apr. 28*]