

## Securities Regulation

Spring 2012

The Wharton School, University of Pennsylvania

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Welcome.

1. **Overview:** This course surveys the fundamentals of U.S. securities regulation, its evolution and social drivers. The legal responsibilities of corporate managers, accountants, underwriters, and broker-dealers, occasioned by the securities regulatory scheme, will be investigated. The material covered in the course will provide familiarity with the basic legal structure of securities regulation and will assist in understanding the current policy issues in securities law. The course should help students to develop the ability to read and learn further in the field and to improve their effectiveness of communication with attorneys. It will also suggest ways of detecting instances in which an attorney should be consulted. The course is particularly useful for those students pursuing careers in corporate finance, investment banking, mergers and acquisitions, sales and trading, venture capital, private equity, entrepreneurship, accounting, corporate management, law and real estate.

2. **Class Meetings:** Tuesday and Thursday, 1:30-2:50pm

3. **Grading:** 50% Exam; 50% Final Project and participation.

- **Exam:** 25 question multiple choice/short answer exam, covering material in assigned readings and covered in class.
- **Final Project:**
  - o Select a pending or recent proposal from the list of possible proposals on Webcafe and sign up the release number next to your name on the Final Project Spreadsheet on Webcafe.
  - o Using information you have learned in this class as well as outside research, demonstrate your mastery of securities regulation by authoring a joint white paper with detailed commentary regarding the desirability and efficacy of the proposal. The paper should be extensively footnoted and contain a bibliography of sources.
  - o Due at exam time for this period, turned in to each student's folder on Webcafe.
- **Participation:**
  - o Preparation when cold-called in class and in workshop exercises
  - o Participation in project presentations in class

4. **Reading Materials:** textbook (optional purchase – available on reserve) JOHN C. COFFEE, JR. AND HILLARY A. SALE, SECURITIES REGULATION, 11<sup>th</sup> edition (2009) or 12<sup>th</sup> edition (2011) and Supplement to Coffee and Sale (optional)  
Readings linked off Webcafe - If you are not a Wharton student, go to <http://accounts.wharton.upenn.edu> to request a Wharton Computing Account so that you can access the WebCafe.

5. **Office Hours and Location:** By appointment - email to schedule: [amatwysh@wharton.upenn.edu](mailto:amatwysh@wharton.upenn.edu).  
Suite 600 JMHH

4. **Visitors:** Visitors are welcome with prior consent of the instructor upon not less than 24 hours advance notice.

5. **Technology policy:**

- Email will be used for various class communications. Check email daily.
  - All gadgets must be on mute during class. Laptop usage is permitted only for pedagogical purposes.
- Participation points may be deducted in the sole discretion of the instructor for any class disruption.
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**I. Introduction**

Chapter 1 [1-10, 48-70], Chapter 10 [preface 563-571, 593-605, 626-642]  
Chapter 20 [1442-1456, 1458-1460, 1470-1478]  
Chapter 21

**II. Mistake 1: Failure to register securities and abide by pre-offering restrictions**

Chapter 4 [254-259, 300-309, 316-336]  
Chapter 2 [90-139]  
Chapter 3

**III. Mistake 2: Failure to communicate properly**

**IV. Mistake 3: Failure to use an appropriate exemption**

Chapter 5 [342-347, 353-362]  
Chapter 6  
Chapter 8 [463-477]  
Chapter 9 [478-484]

**V. Mistake 4: Failure to solicit proxies correctly**

Chapter 17

**VI. Mistake 5: Failure to disclose information accurately in registration materials and periodic filings**

Chapter 13  
Chapter 15

**VII. Mistake 6: Failure to consider state law**

Chapter 7  
Chapter 19

**VIII. Mistake 7: Failure to avoid the appearance of “market manipulation,” willful conduct, fraud and insider trading**

Chapter 14  
Chapter 16

**IX. Mistake 8: Failure to conduct takeover bids and tender offers properly**

Chapter 12

**X. Mistake 9: Failure to consider the implications of technology**

Chapter 1 [37-38, 48]  
Chapter 10 [572-592]

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**READING ASSIGNMENTS:**

January 12: no readings

January 17: What is a security?  
SEC v. Howey, 328 U.S. 293 (1946).  
Great Lakes Chemical Corp. v. Monsanto, 96 F.Supp.2d 376 (C.D.Del. 2000).  
Reves v. Ernst & Young, 494 U.S. 56 (1990).

- January 19: What remedies are possible?  
SEC v. First Jersey Securities, Inc., 101 F.3d 1450 (2nd 1996).  
SEC v. Patel, 61 F.3d 137 (2nd Cir. 1995).  
U.S. v. Dixon, 546 F. 2d 1388 (2nd Cir.1976).
- January 24: Registration  
SEC v. Manor Nursing, 458 F.2nd 1082 (1972).  
Google, Inc. S-1  
Zynga S-1 and amendment  
Tesla S-1 and amendment
- January 26: Disclosure and materiality  
In re WorldCom, Inc. Securities Litigation(2004)  
Basic v. Levinson, 485 U.S. 224 (1988)  
In re Worlds of Wonder Securities Litigation
- January 31: Sante Fe Industries v. Green  
In re Burlington Coat Factory Securities Litigation  
Semerenko v. Cendant
- February 2: Disclosure liability  
Mastrobuono v. Shearson Lehman Hutton, Inc. (1995)  
In re Cedent Corp. Litigation (2001)  
Telltabs, Inc. v. Makor Issues & Rights, Ltd. (2007)
- February 7: Markets and information security  
[http://mjlst.umn.edu/uploads/j5/s /j5s\\_zraRdkddI8lwlNcO1A/112\\_matwyshyn.pdf](http://mjlst.umn.edu/uploads/j5/s /j5s_zraRdkddI8lwlNcO1A/112_matwyshyn.pdf)  
<http://www.sec.gov/divisions/corpfin/guidance/cfguidance-topic2.htm>  
<http://www.sec.gov/news/press/2011/2011-86.htm>  
<http://www.sec.gov/rules/final/34-42974.htm>
- February 9: guest speaker: Jennifer Hill  
 [readings TBD]
- February 14: Self-scheduled class: Exemptions [audio+ppts on WebCafe]
- February 16: Self-scheduled class: Proxies [audio+ppts on WebCafe]
- February 21: Self-scheduled class: Tender offers [audio+ppts on WebCafe]
- February 23: Disclosure workshop
- February 28: Broker Dealer Communications  
 [readings TBD]
- March 1: BD Communications workshop
- March 13: Market manipulation  
U.S. v. Bilzerian, 926 F.2d 1285 (2nd Cir.1991).  
U.S. v. Mulheren, 938 F.2d 364 (2nd Cir. 1991).

- March 15: Insider trading  
SEC v. Unifund SAL, 910 F.2d 1028 (2nd Cir. 1990).  
Chiarella v. U.S., 445 U.S. 222 (1980)  
Dirks v. SEC, 463 U.S. 646 (1983)
- March 20: U.S. v. O'Hagan  
Kern County Land Co. v. Occidental Petroleum  
Feder v. Martin Marietta Corp.
- March 22: Feder v. Frost  
In the Matter of David E. Zilkha  
SEC v. Cohen and Myers
- March 27: Casestudy: Galleon prosecution  
[readings TBD]
- March 29: Insider trading workshop/Galleon continued
- April 3: State law  
Hall v. Geiger Jones Co., 242 U. S. 539 (1917)
- April 5: Technology  
<http://www.sec.gov/rules/proposed/2009/34-60684fr.pdf>  
Allen v. Lloyd's of London, 94 F.3d 923 (4th Cir. 1996)  
<http://entertainment.blogs.foxnews.com/2011/01/12/50-cent-sec-tweeting-twitter-stock-advice-tips/>  
[http://www.wired.com/magazine/2010/12/ff ai flashtrading/](http://www.wired.com/magazine/2010/12/ff_ai_flashtrading/)  
<http://online.wsj.com/article/SB10001424052748704457604576011564066524404.html>

April 10 – review for exam in class

**APRIL 12 - EXAM in class**

- April 17 Project presentations  
April 19  
April 24

**FINAL PROJECTS DUE in WebCafe folder at scheduled exam time**