

Securities Regulation

Fall 2013

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: Mon-Wed 12-1:30

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 the SEC website and sign up the release number next to your name on the Final Project collaboration spreadsheet
 - 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, emailed to through Canvas
- 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, 11th edition (2009) or 12th edition (2011) and Supplement to Coffee and Sale (optional)
- Readings linked off this syllabus or Canvas- 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 Canvas.
- This syllabus is subject to change. The most recent version is the version posted on Canvas.

5. Office Hours and Location: By appointment - email to schedule: 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:

Intro: no readings

Week 1: 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 \(1990\).](#)

Week 2: 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 \(2nd Cir.1976\).](#)

Registration
[SEC v. Manor Nursing, 458 F.2nd 1082 \(1972\).](#)
[Google, Inc. S-1](#)
[Zynga S-1 and amendment](#)
[Tesla S-1 and amendment](#)

Registration workshop

Exemptions audio+ppts on Canvas

Week 3: 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](#)
[Sante Fe Industries v. Green](#)
[In re Burlington Coat Factory Securities Litigation](#)
[Semerenko v. Cendant](#)

Week 4: Disclosure liability
[Mastrobuono v. Shearson Lehman Hutton, Inc. \(1995\)](#)
[In re Cedent Corp. Litigation \(2001\)](#)
[Telltabs, Inc. v. Makor Issues & Rights, Ltd. \(2007\)](#)

Disclosure workshop

Proxies audio+ppts on Canvas

Week 5: Crowdfunding
[http://venturebeat.com/2013/07/10/sec-startups-can-now-advertise-the-fact-that-they-are-fundraising-but-crowdfunding-will-have-to-wait/](#)
[http://www.forbes.com/sites/chancebarnett/2013/07/19/sec-finally-moves-on-equity-crowdfunding-phase-1/](#)
[http://www.crowdfundingofferings.com/wp-content/uploads/2012/03/CROWDFUND-Text.pdf](#)
[http://www.sec.gov/divisions/marketreg/tmjjobsact-crowdfundingintermediariesfaq.htm](#)
[http://www.forbes.com/sites/devinthorpe/2012/10/15/get-ready-here-it-comes-crowdfunding-will-explode-in-2013/](#)
[http://www.forbes.com/sites/tanyaprive/2012/11/06/inside-the-jobs-act-equity-crowdfunding-2/](#)
[http://www.sfgate.com/business/article/Crowdfunding-advertising-an-SEC-concern-3976053.php](#)
[http://www.forbes.com/sites/devinthorpe/2012/09/10/eight-crowdfunding-sites-for-social-entrepreneurs/](#)

guest speaker: Jennifer Hill
[http://dealbook.nytimes.com/2011/01/10/the-legal-issues-in-the-goldman-facebook-deal/?scp=7&sq=SEC%20Private%20Placement&st=cse](#)

http://www.nytimes.com/2011/01/15/your-money/stocks-and-bonds/15wealth.html?_r=1&scp=14&sq=SEC%20Private%20Placement&st=cse
<http://www.nytimes.com/2011/03/07/technology/start-ups/07angel.html?scp=1&sq=Venture%20Capital%20Investments&st=cse>

Week 6: Markets and information security

http://mjlst.umn.edu/uploads/j5/s_j5s_zraRdkddI8IwINcO1A/112_matwyshyn.pdf
<http://www.sec.gov/divisions/corpfin/guidance/cfguidance-topic2.htm>
<http://www.sec.gov/news/press/2011/2011-86.htm>

Week 7: Tender offers audio+ppts on

Broker Dealer Regulation

<http://www.sec.gov/divisions/marketreg/regpsam.htm>

Week 8: Broker Dealer Communications

<http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p120779.pdf>
<http://www.finra.org/industry/issues/advertising/p006118>
<http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p124186.pdf>

BD Communications workshop

Week 9: Market manipulation

[U.S. v. Bilzerian, 926 F.2d 1285 \(2nd Cir.1991\).](#)
[U.S. v. Mulheren, 938 F.2d 364 \(2nd Cir. 1991\).](#)

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 \(1983\)](#)

[U.S. v. O'Hagan](#)

[Kern County Land Co. v. Occidental Petroleum](#)

[Feder v. Martin Marietta Corp.](#)

[Feder v. Frost](#)

[In the Matter of David E. Zilkha](#)

[SEC v. Cohen and Myers](#)

Week 10: Casestudy: Galleon prosecution

<http://www.sec.gov/litigation/complaints/2010/comp21397.pdf>

<http://www.foxbusiness.com/markets/2011/10/24/rajaratnam-us-pushed-to-turn-on-friend-report/>

http://www.cnbc.com/id/44888045/Hedge_Fund_Chief_Rajaratnam_Receive_11_Years_in_Prison

<http://www.leagle.com/xmlResult.aspx?xmlDoc=in%20fco%2020100929000t.xml&docbase=csllwar3-2007-curr>

<http://dealbook.nytimes.com/2011/10/14/the-road-ahead-for-raj-rajaratnam/>

<http://www.scribd.com/doc/64712849/Rajaratnam-s-Sentencing-Memo>

<http://online.wsj.com/article/SB10001424052970203687504576654872764778968.html>

<http://dealbook.nytimes.com/2012/01/31/gupta-faces-new-charges-in-insider-trading-case/>

<http://dealbook.nytimes.com/2012/01/31/gupta-faces-new-charges-in-insider-trading-case/#indictment>

State law

[Hall v. Geiger Jones Co., 242 U. S. 539 \(1917\)](#)

Week 11

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://online.wsj.com/article/SB10001424052748704457604576011564066524404.html>

<http://www.sec.gov/rules/final/34-42974.htm>

Casestudy: High frequency trading

Week 12:

Review

Wed November 20: EXAM in class

Project presentations

FINAL PROJECTS DUE emailed through Canvas no later than scheduled exam time