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, group paper

You may work alone or in pairs on all homework problems.

REGULAR ATTENDANCE IS EXPECTED
Deals:
The Economic Structure of Transactions and Contracting

LAW 720/MGMT 717
Spring 2010

Class 1 (January 13)
Introduction

No Reading

CLASS WILL NOT MEET ON JANUARY 18 DUE TO MARTIN LUTHER KING DAY

Class 2 (January 20)
Value Creation Through Transactional Structuring and Contracting

HP - Compaq Summary Term Sheet
HP - Compaq Merger Agreement, Article I.

Class 3 (January 25)
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 27)
The Modigliani-Miller Theorem

"Schools Brief - Unlocking Corporate Finance", The Economist 81-82 (December 8, 1990).
Josh Levin, “Bullpen Market” (A minor-league pitcher named Randy Newsom is selling shares of his future earnings. Should I invest?)

OPTIONAL
Ross, Westerfield, and Jaffe, Corporate Finance, “Capital Structure”, pages 402-09
Class 5 (February 1)
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 3)
Informational Asymmetry: Adverse Selection II

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

Class 7 (February 8)
Agency Costs: Moral Hazard I

HP - Compaq Merger Agreement, Articles IV, VI, VII and VIII.
Illinois Lottery Sale

Class 8 (February 10)
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 15)
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 17)
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 22)
Taxation

"Explanation of Calculations in PAI Leasing Example."

Class 12 (February 24)
Inefficient Markets: Accounting

Class 13 (March 1)
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 3)
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 8 OR MARCH 10 DUE TO SPRING VACATION

Classes 15-26 (March 15 through April 21)
The Deals