

**BUSINESS ASSOCIATIONS**  
Fall 2009 Section 002  
George Mason University School of Law  
Syllabus

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Office Hours: Wednesdays 12-1:30 pm or by appointment

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Texts: ALLEN, KRAAKMAN & SUBRAMANIAN, COMMENTARIES AND CASES ON THE LAW OF BUSINESS ORGANIZATION 3d ed. (2009) and Statutory Supplement 2009-10

Web Page: Course Web page on TWEN

Recommended: The Wall Street Journal

When & Where:

Class Times: Monday and Wednesday, 2 to 3:50 pm.

Class Room: Room 332

How:

Grading: Your grade will be based on your scores for class participation and the final exam. The breakdown is as follows:

Final exam: 80 points

Class participation: 20 points

*Final Exam:* December 11.

*Class participation and attendance:* Your class participation grade will be based on a combination of the quality of your participation, the quantity of your participation, and your class attendance.

Each class, one third of the students will be “on call.” When you are on call, if you know you will be absent or are unable to prepare, you should email me prior to the class. If a student is absent or unprepared on a day he or she is scheduled and fails to notify me beforehand, I reserve the right to lower his or her final

grade one step. This penalty can be avoided by preparing a 5-page analysis of the following day's reading.

Internet policy: Students may *not* access the internet or send emails or IM during class.

**Course Overview:**

Note: AKS = Allen, Kraakman & Subramanian textbook

Handouts will be posted to the TWEN site in advance of indicated assignments

Readings are listed below; the reading averages about 30 pages per class. You are responsible for all restatement and statutory provisions included in the text, as well as those listed on the syllabus. You should consult these provisions as background material to help your understanding of the text, and I will go over some important ones in class. Statutory and Restatement material may be covered on the exam.

Each number below represents one assignment. However, we may go through the material more slowly or quickly than indicated below. I may add or omit material during the semester. I will also occasionally hand out supplemental materials. I will notify you of any changes via the TWEN website, so be sure to check if you receive an email notifying you of changes to the "Syllabus" or "Course Materials" portion of the site.

If we do not finish the material for a particular day, we will start the next class with that material, and the students who were "on call" for that material will still be "on call." However, the reading for that class otherwise will remain the same unless otherwise announced. In the unlikely event that a class is cancelled, we will proceed one day behind, and a makeup will be scheduled.

**Part I: Agency & Partnership: basic forms of enterprise organization -- agency, partnership & LLC**

1. Introductory Concepts and Agency  
AKS 2-13, 15-21  
Restatement (3<sup>rd</sup>) of Agency § 1.01-.02.
  
2. Agency (cont.)  
AKS 22-40  
Restatement of Agency (2d and 3rd) sections cited in text.
  
3. Agency & Partnership (Duties & Formation)  
AKS 41-56  
*Fenwick v. Unemployment Compensation Committee*  
*Martin v. Peyton*  
Skim Uniform Partnership Act (UPA) §§ 6, 7, 8, 9, 12, 13, 14, 15, 16, 18, 25, 26, 27, 36

4. Partnership (cont.)  
AKS 57-63, 65-75  
Skim UPA §§ 29-41  
Optional: Revised Uniform Partnership Act (RUPA) §§ 601-603, 701-705, 801-807

**Part II: The Corporate Form: the basic claims on cash flows under the corporate form, includes valuation and creditors' rights**

5. The Corporate Form  
AKS 75-100  
*Trustees of Dartmouth College v. Woodward* excerpt (handout)  
Delaware General Corporation Law (DGCL) § 141
6. The Corporate Form (cont.) & Basic Concepts of Finance  
AKS 100-13, 115-30
7. Protection of Creditors  
AKS 131-151
8. Protection of Creditors  
AKS 151-168

**Part III: "Normal" Governance: shareholder voting, duty of care/loyalty, and shareholder suits.**

9. Role and Purposes of the Corporation  
*A.P. Smith Mfg. Co. v. Barlow, Dodge v. Ford Motor Co., Shlensky v. Wrigley* excerpts (handout)  
DGCL §§ 121, 122  
Also read Bill Gates, *Creative Capitalism*, TIME (July 31, 2008) available at <http://www.time.com/time/business/article/0,8599,1828069,00.html> and Milton Friedman, *The Social Responsibility of Business Is To Increase Profits*, NEW YORK TIMES, (September 13, 1970) available at <http://www-rohan.sdsu.edu/faculty/dunnweb/rprnts.friedman.html>
10. Shareholder Voting: I  
AKS 169-184  
Delaware General Corporation Law (DGCL) § 211, 212, 220 and sections in text.  
*State Ex. Rel. Pillsbury v. Honeywell Inc.* excerpt (handout)
11. Shareholder Voting: II  
AKS 184-208
12. Shareholder Voting: III  
209-214, 2218-34  
Securities Exchange Act § 14 (15 U.S.C. § 78n)  
SEC Proxy Rules 14a-1, 14a-2, 14a-3, 14a-8

13. Director Duties – Duty of Care: I  
AKS 239-43, 250-58, 243-50  
DGCL §§ 102(b)(7), 145
14. Director Duties – Duty of Care: II  
AKS 261-72, 277-94
15. Director Duties – Duty of Loyalty: I (Directors & Officers, Controlling Shareholders, Ratification)  
AKS 295-99, 301-30
16. Director Duties – Duty of Loyalty: II (Due Care, Compensation, Corporate Opportunity)  
AKS 330-50
17. Shareholder Lawsuits  
AKS 363-381, skim the *Rales* decision on pp. 381-88, with particular attention to pp. 386-87.
18. Shareholder Lawsuits (cont.)  
AKS 388-411

**Part IV: Extraordinary Governance (Ch. 11-13); contests for control, mergers & acquisitions.**

19. Obligations of Control  
AKS 413-423, 428-433
20. Mergers and Acquisitions: I  
AKS 443-462, 474-483
21. Mergers and Acquisitions: II  
AKS 483-510
22. Mergers and Acquisitions: III  
AKS 511-532
23. Mergers and Acquisitions: IV  
AKS 532-541, 544-46  
*Revlon, Inc. v. Macandrews and Forbes Holdings, Inc.* excerpt (handout)
24. Mergers and Acquisitions: V  
AKS 546-75
25. Mergers and Acquisitions: VI  
AKS 575-88, 597-605

**Part V: Federal Regulation of Trading: Rule 10b-5**

- 26. Federal Shareholder Protections: I  
AKS 629-39, 645-662
  
- 27. Federal Shareholder Protections: II  
AKS 667-86