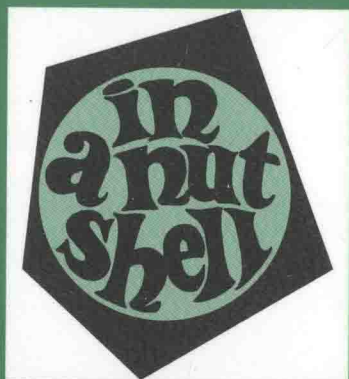


Corporate Finance



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CORPORATE FINANCE IN A NUTSHELL

By

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PREFACE

This book is designed for those interested in learning the fundamentals of corporate finance from both a business and legal point of view. In particular, it is targeted towards lawyers without a finance background who find themselves engaged in transactional work. It is also designed as a study guide for law students who are taking a corporate finance or related course in law school.

Corporate finance is unique in that it is an amalgam of substantive disciplines. Those with even a tangential familiarity with it are likely aware of the crucial role that mathematics and accounting play. Indeed, it is the math and accounting aspects of a corporate finance course that frequently frighten law students away from taking it. Accordingly, Part I makes a serious attempt to explain these concepts in a straight-forward, plain English manner.

Corporate finance, however, is much more than math and accounting, as Parts II through IV make clear. Under the umbrella of corporate finance falls a whole host of other disciplines. Especially important is economics, particularly macroeconomics. Changes in fiscal and monetary policy at the national level directly impact economic growth and the interest rate environment, while indirectly affecting corporate growth and earnings. Corporations attempt to navigate the economic landscape and the concomitant risk it carries by engaging in various risk reduction strategies, especially the use of derivative instruments.

PREFACE

The law also plays a large role in corporate finance. Securities laws, both Federal and state, regulate, influence and guide companies raising capital through the sale of their common stock, preferred stock and debt securities. Corporate law, particularly Delaware corporate law, also affects the ability of companies to raise capital due to its strong influence on internal corporate governance and control. Finally, the law of mergers and acquisitions plays a significant role as companies increase or decrease their size through mergers, acquisitions and divestitures.

While this book is entitled *Corporate Finance*, much of what it contains applies to business entities other than corporations. All businesses, regardless of their form, need capital to survive and grow. While the capital structure of these other entities may differ from that of the corporation, the ways in which they pursue and, ultimately, raise capital are similar.

I endeavor to put the most current and accurate information available in this book. Accordingly, I welcome any suggestions or comments that could improve on its contents. Please feel free to contact me with those suggestions or comments.

Many provided significant assistance in the preparation of this book. I would like to thank my colleagues at New York Law School, in general, and Rick Matasar and Grace Lee, in particular. In addition, a great deal of thanks go to Larry Cunningham, Ron Sarubbi, Brent Friedman, David Dami and Steve Howard for their substantive comments and support. Lastly, I tip my hat to my “cocky and funny” research assistants, Stephen Ginsberg, Sagi Goldberg, Jon Macy, Danny Rehns, Heather Rutman, Rich

PREFACE

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*

ABBREVIATIONS

ALI-PCG	American Law Institute's Principles of Corporate Governance: Analysis and Recommendations (1994)
Bankruptcy Code	Bankruptcy Reform Act of 1978, as amended
CEA	Commodity Exchange Act of 1922, as amended
DCF	Discounted Cash Flow (Valuation) Method
DDM	Dividend Discount (Valuation) Method
DIP	Debtor-in-possession under the Bankruptcy Code
DGCL	Delaware General Corporation Law
ECMH	Efficient Capital Market Hypothesis
Exchange Act	Securities Exchange Act of 1934, as amended
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFTC	Commodity Futures Trading Commission
ERISA	Employee Retirement Income Security Act of 1974
FV	Future value
GAAP	U.S. generally accepted accounting principles
IPO	Initial public offering

ABBREVIATIONS

IRC	Internal Revenue Code of 1986, as amended
LBO	Leveraged buy-out
M&A	Mergers and acquisitions
MBO	Management buy-out
MDIP	Model Debenture Indenture Provisions of the American Bar Foundation (1971)
NYBCL	New York Business Corporation Law
NYSE	New York Stock Exchange
OTC	Over-the-counter (market)
PV	Present value
RMBCA	Revised Model Business Corporation Act
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SOX	Sarbanes-Oxley Act of 2002
TIA	Trust Indenture Act of 1939, as amended
UCC	Uniform Commercial Code

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