

CORPORATE FINANCE

CASES AND MATERIALS

SEVENTH EDITION

WILLIAM W. BRATTON

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SEVENTH EDITION

by

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PREFACE TO THE SEVENTH EDITION

The Preface to this book's Sixth Edition, dated July 2007, closed as follows:

I have one regret. The Depression-era mentality that combined financial conservatism and a belief that responsible regulators could derive right answers in cases of financial conflict is barely evident in this Sixth Edition. *Atlas* is gone; *Consumers Power* is gone along with the Holding Company Act itself. But a casebook editor must accept his universe. I do not doubt that the cycle will turn and that the law of finance will return to these postures at some time in the future. I just hope not to be present to see the precipitating events.

Well, I lived to see some precipitating events, as one the book's users pointed out to me a while back. But it's not at all clear that we have returned to a mentality that combines financial conservatism with a belief that responsible regulators can derive right answers. I hope I am present when we finally return to these postures. In any event, it seemed to me that a new edition was due a year earlier than usual.

This Seventh Edition makes every effort to integrate the financial crisis and subsequent reform into the book's format. I have avoided the more drastic alternative of producing a volume that could serve as a basic text on regulated financial institutions. This is still a book about corporate capital structure. Of course, strictly speaking, a case about a commercial real estate CLO does not fit that mold. Nor does a Note on Basel III. But there are ties that bind. A CLO stuffed with corporate term loans can raise the same issue as a case on a real estate CLO. Basel III is about regulating capital structure, a subject matter ever dear to this book's heart.

The weight of events bears primarily on Part II, where securitization, subordination, and credit derivatives have a much higher profile than heretofore. The materials are challenging. One hears that the innovative products that played a role in the financial crisis were so complicated that nobody understood them. It's a fair point, but a point that makes life difficult for casebook editors and users. This stuff makes a debt covenant or an antidilution clause look like Dick and Jane. I can only urge the instructor to proceed with utmost caution when deciding what to include in the Syllabus.

There are two big changes. I have taken advantage of the post Sarbanes-Oxley proliferation of 8-K filings to expand the Appendix of Forms. So the Model Simplified Indenture and Model Stock Purchase Agreement are gone in favor of recently executed indentures and a very simple real world merger agreement. (I did a spot check on EDGAR and found that the Model Simplified Indenture is not much in use these days in any event.)

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CORPORATE FINANCE

SUMMARY OF CONTENTS

PREFACE TO THE SEVENTH EDITION	iii
ACKNOWLEDGMENTS	v
TABLE OF CASES	xxxi

PART I VALUING THE FIRM AND ITS SECURITIES

Introduction	1
--------------------	---

Section A. Market Value and Fundamental Value	7
--	----------

1. Introduction	7
2. Market Efficiency	16
(A) The Efficient Market Hypothesis	16
(B) Noise Trading, Behaviorism, and Other Alternatives to the Efficient Market Hypothesis	29

Section B. Elements of Fundamental Value	42
---	-----------

1. The Time Value of Money	42
2. Expected Returns	51
(A) The Composition of "Returns"	51
(B) Future Returns and Probability Distributions	62
3. Risk and the Capitalization Rate	67
(A) Risk as Degree of Dispersion	68
(B) Comparable Firms and Market Capitalization Rates: The Price/Earnings Ratio	75
(C) Measures of Risk—The Capital Asset Pricing Model and Beta	87
4. Premiums and Discounts in Mergers and Acquisitions	140
5. Risk Reduction through Hedging	172
(A) Risk Exposure	174
(B) Hedging	175
(C) Option Strategies and Put–Call Parity	185
(D) Call Option Valuation	192
(E) Regulation of Derivatives	198
(F) Regulation of Systemic Risk	225

PART II DEBT FINANCING

Introduction	255
--------------------	-----

Section A. Capital Structure and Leverage	264
--	------------

1. Leverage and Value	265
(A) The Cost of Capital and the Value of the Firm	265

(B) The Modigliani–Miller Position and the Revised Concept of Optimal Capital Structure	271
Section B. Basic Terms and Concepts	291
1. Introduction	291
(A) Bonds, Debentures, and Notes	291
(B) Loans	301
(C) Points of Comparison	305
2. Corporate Trust and the Trust Indenture Act of 1939	306
3. The Bondholder and the Going Concern	311
(A) The Promise to Pay	311
(B) Promises That Protect the Value of the Promise to Pay	326
Section C. Security and Seniority	345
1. Mortgage Bonds	346
2. Leases	348
3. Asset Securitization	349
(A) Overview	351
(B) Transaction Structure	356
(C) Accounting Treatment	358
(D) Bankruptcy Risks	362
(E) Securitized Mortgages and the Financial Crisis of 2008	367
4. Subordination	381
(A) Seniors, Juniors, and Subordinated Lenders	381
(B) Subordination of Unsecured Claims	382
(C) Second Lien Loans and Intercreditor Agreements	383
(D) Asset Securitization	386
Section D. Credit Derivatives	393
1. The Contracts and the Players	393
2. Counterparty Relationships	404
3. Credit Default Swaps and Collateralized Debt Obligations	408
4. Credit Default Swaps and the Financial Crisis of 2008	418
Section E. High Leverage Restructuring	426
1. Leverage and Management Discipline	426
2. The Rise, Decline, and Reappearance of Leveraged Restructuring ...	429
3. Event Risk and Bond Contracts	443
Section F. Debtor Distress	462
1. Altering the Bond Contract—Amendment and Exchange, Coercion and Holding Out	462
2. Creditor Protection in Law	482
(A) Regulation of Capital Structure	482
(B) Corporate Law Legal Capital Rules	495

(C) Fraudulent Conveyance Law	505
(D) Fiduciary Duty	521
Section G. Insolvency Reorganization	527

1. Introduction: The Reorganization Bargain and the Limits of the Parties' Bargaining Freedom	527
(A) Reorganization By Judicial Proceeding	527
(B) The Parameters of the Bankruptcy Bargain	529
2. The Rise and Decline of Absolute Priority	531
(A) Absolute Priority Under the Bankruptcy Act of 1938	531
(B) The Bankruptcy Act of 1978	548
3. Reorganization under the Bankruptcy Code	550
(A) Overview	550
(B) Absolute Priority Under Chapter 11	564
(C) Rethinking Traditional Reorganization	572
4. Creditor Control and Asset Sales	579

PART III FINANCING WITH HYBRID SECURITIES

Introduction	607
--------------------	-----

Section A. Preferred Stock Financing	607
---	------------

1. Rights and Preferences	607
(A) Preferred Stock Defined	607
(B) The Preferred Stock Contract	609
(C) Issuer Motivations and Holder Expectations	618
2. Claims to Dividends	620
(A) Preferred Stock Dividend Provisions	620
(B) Board Discretion to Withhold Payment	621
3. Claims to Principal, Including Arrearages	628
(A) The Liquidation Preference	628
(B) Redemption Rights	629
4. Alteration of Financial Rights	644
(A) By Charter Amendment	644
(B) By Merger	648
5. Judicial Review of Allocations in Mergers	662
(A) <i>De Facto</i> Theories	662
(B) Fairness Scrutiny	666

Section B. Convertible Securities and Warrants	683
---	------------

1. Terms and Valuation	683
(A) The Value of a Call Option	683
(B) Convertible Bond Features and Valuation Variables	684

2. Conflicts of Interest	695
(A) Protective Contract Provisions	695
(B) Duties Implied in Law	717
3. Contingent Convertibles in Bank Capital Structures	736

Section C. Venture Capital Finance 738

1. Overview	738
(A) History and Characteristics	738
(B) Securities and Documentation	741
(C) Control Arrangements	742

**PART IV EQUITY CAPITAL STRUCTURE—PAYOUT
POLICY AND OWNERSHIP STAKES**

Introduction	773
--------------------	-----

**Section A. Payout Policy—Dividends, Repurchases, and Re-
tained Earnings** 774

1. Cash Dividends and Dividend Policy	775
(A) A Theory of Stock Valuation	775
(B) The Role of Dividend Policy	778
2. Applicable Legal Standards	794
3. Stock Dividends	811
4. Restructuring by Dividend—Spin Offs and Tracking Stock	819
(A) Spin Offs	820
(B) Tracking Stock	821
5. Repurchase of Outstanding Shares	823
(A) The Economics of Share Repurchases	823
(B) Repurchases—Fiduciary and Disclosure Obligations	831

Section B. Equity Ownership and the Value of the Firm 856

1. Executive Stock Options	857
(A) Stock Options and Incentive Alignment	858
(B) Policy Debates	870
(C) Fiduciary Duties	881
2. Blockholding	898
(A) Blockholding, Corporate Governance, and Shareholder Value ..	898
(B) Regulation of Blockholders	905

PART V MERGERS AND ACQUISITIONS

Introduction	965
--------------------	-----

Section A. The Move to Merge 967

Section B. Accounting and Taxes 979

1. Accounting for Mergers—Purchase, Pooling, and Accounting for Goodwill 979
 - (A) Purchase Versus Pooling 980
 - (B) Revised Purchase Treatment 981
2. Tax Treatment of Mergers 987

Section C. Formal Aspects of Merger 992

1. The Mechanics of the Process 992
 - (A) Classical Mergers 992
 - (B) Sale of Assets—An Alternative to the Classical Merger 994
 - (C) Share Purchase and Share Exchange 1001
 - (D) Triangular Mergers 1002
 - (E) De Facto Mergers 1003
2. Appraisal 1017

Section D. The Merger Agreement 1022

Section E. Fairness and Disclosure 1060

1. Freeze-Outs and Buyouts: Fair Dealing, Fair Price, and the Appraisal Remedy 1062
 - (A) Freeze-Outs 1062
 - (B) Management Buyouts 1137
2. The Duty of Care 1152
3. Enhanced Scrutiny 1167
4. Disclosure Duties 1219
 - (A) State Fiduciary Law 1219
 - (B) Federal Disclosure Rules: The Materiality of Soft Information 1231

APPENDICES

App.

- A. Financial Contract Forms A-1
- B. State Corporate Codes B-1
- C. The Bankruptcy Code C-1
- D. Provisions of the Federal Securities Laws and Rules Promulgated Thereunder D-1
- E. Sections of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 E-1
- F. Tables F-1

INDEX I-1

TABLE OF CONTENTS

PREFACE TO THE SEVENTH EDITION	iii
ACKNOWLEDGMENTS	v
TABLE OF CASES	xxxi

PART I VALUING THE FIRM AND ITS SECURITIES

Introduction	1
--------------------	---

Section A. Market Value and Fundamental Value	7
--	----------

1. Introduction	7
<i>Tri-Continental Corp. v. Battye</i>	7
Note: Funds	13
Note: Merger Appraisal Rights and the Closed-End Fund Discount	14
2. Market Efficiency	16
(A) The Efficient Market Hypothesis	16
<i>Brealey, Myers, and Allen, Principles of Corporate Finance</i>	16
Note: Speculative Efficiency, Allocative Efficiency, and Incentive Problems	23
Note: Empirical Testing of the EMH	25
(B) Noise Trading, Behaviorism, and Other Alternatives to the Efficient Market Hypothesis	29
<i>Shleifer and Summers, The Noise Trader Approach to Finance</i>	29
Note: Behavioral Theory	34
Note: Bubbles and Crashes	37
Note: Heterogeneous Expectations Models	41

Section B. Elements of Fundamental Value	42
---	-----------

1. The Time Value of Money	42
<i>Alchian and Allen, University Economics</i>	43
Note: The Role of Discounting in Bond Valuation	48
Note: Discounting in Capital Budgeting Decisions	49
2. Expected Returns	51
(A) The Composition of "Returns"	51
<i>Warren Buffett, The Essays of Warren Buffett: Lessons for Corporate America</i>	51
Note: Accounting Earnings, "Owner Earnings," and Net Cash Flows	57
(B) Future Returns and Probability Distributions	62
<i>Grayson, The Use of Statistical Techniques in Capital Budgeting</i>	63
3. Risk and the Capitalization Rate	67
(A) Risk as Degree of Dispersion	68
<i>Lewellen, The Cost of Capital</i>	68
Note: Risk and Return Characteristics of Different Securities	74

(B) Comparable Firms and Market Capitalization Rates: The Price/Earnings Ratio	75
<i>Francis I. duPont & Co. v. Universal City Studios, Inc.</i>	75
<i>Universal City Studios, Inc. v. Francis I. duPont & Co.</i>	81
Note: Inferred Capitalization Rates and Constant Growth Valuation	83
Note: Price/Earnings Ratios and Investment Strategy	86
(C) Measures of Risk—The Capital Asset Pricing Model and Beta	87
(1) Portfolio Theory	87
(a) portfolio selection	87
<i>Sharpe, Portfolio Theory and Capital Markets</i>	87
(b) diversification as a means of reducing risk	95
<i>Brealey, Myers, and Allen, Principles of Corporate Finance</i>	98
(c) choosing a “best portfolio”—the critical ratio and the separation theorem	106
<i>Lintner, A Model of a Perfectly Functioning Securities Market</i>	107
<i>Lorie, Dodd and Kimpton, The Stockmarket: Theories and Evidence</i>	108
(2) The Capital Asset Pricing Model	112
(a) derivation	112
<i>Modigliani and Pogue, An Introduction to Risk and Return: Concepts and Evidence</i>	112
Note: Arbitrage	118
(b) using the CAPM in appraisal	118
<i>Cede & Co. v. Technicolor, Inc.</i>	119
Note: The Judicial Role in Appraisal	122
<i>Global GT LP v. Golden Telecom Inc.</i>	123
(c) using the CAPM in capital budgeting	132
<i>Brealey, Myers, and Allen, Principles of Corporate Finance</i>	132
Note: Shareholder Value, Risk Aversion, and Risk Neutrality	134
(d) empirical testing of the CAPM and multiple factor models	135
4. Premiums and Discounts in Mergers and Acquisitions	140
<i>Kraakman, Taking Discounts Seriously: The Implications of “Discounted” Share Prices as an Acquisition Motive</i>	140
Note: Downward-Sloping Demand	147
<i>Rapid-American Corp. v. Harris</i>	147
Problem	152
Note: Premiums, Discounts, and Merger Gain	153
<i>Le Beau v. M.G. Bancorporation, Inc.</i>	156
Note: Valuation Concepts Introduced in <i>Le Beau</i>	166
Note: The Implicit Minority Discount	169
Note: The Marketability Discount	170
5. Risk Reduction through Hedging	172
(A) Risk Exposure	174
(B) Hedging	175
(1) Forward Contracts	175
(2) Futures Contracts	177

(3) Swaps	179
(4) Options	183
(C) Option Strategies and Put-Call Parity	185
(1) Using Options	185
(2) Put-Call Parity	187
Note: Financial Engineering	191
(D) Call Option Valuation	192
Note: Equity Swaps	194
(E) Regulation of Derivatives	198
(1) Overview	199
<i>The Financial Crisis Inquiry Commission, The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Eco- nomic Crisis in the United States</i>	199
Note: Early Warnings	201
(2) Pre-Crisis Initiatives	203
(3) Dodd-Frank	205
(4) Counterparty Relationships	206
<i>Caiola v. Citibank, N.A.</i>	206
Note: Proceedings Respecting Bankers Trust	214
(2) Hedging and Corporate Law Rights and Duties	215
<i>Brane v. Roth</i>	215
Note: Hedging, Shareholder Value, The CAPM, and the Irrelevance Hypothesis	218
<i>Deephaven Risk Arb Trading Ltd. v. UnitedGlobalCom Inc.</i>	219
Note: Empty Voting	224
(F) Regulation of Systemic Risk	225
(1) The Scope of the Problem	225
<i>Timothy F Geithner, Changes in the Structure of the US Financial System and Implications for Systemic Risk</i>	225
(2) The Financial Crisis of 2008 and Reform	232
<i>UK Financial Services Authority, The Turner Review: A Regulatory Response to the Global Banking Crisis</i>	232
<i>Chairman Ben S. Bernanke, Financial Reform to Address Systemic Risk</i>	241
Note: The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	249

PART II DEBT FINANCING

Introduction	255
<i>Eliassen v. IteL Corporation</i>	255
Note: Priority of Claim	262
Section A. Capital Structure and Leverage	264
1. Leverage and Value	265
(A) The Cost of Capital and the Value of the Firm	265