

Securities Regulation

Law 550

Fall 2019

Room 102 – M, W, (11 – 12:15)

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Course Overview and Learning Objectives

Business organizations need capital (in other words money) to operate and one way to raise it is by offering securities to investors who then possess an ownership interest in the organization.

This course focuses on the public offering and trading of securities and the legal rules and regulations governing such transactions. In short, this course is about securities, securities markets, and securities market participants.

Learning objectives for this course are to increase student knowledge and sophistication about the following topics: (i) the capital raising opportunities for business organizations; (ii) the definition of a “security” and the legal and regulatory implications which result when an ownership interest is deemed a “security”; (iii) the dual foundations of the securities laws – *disclosure of material* information; (iv) the legal rules and regulations governing the public offering of securities (i.e., the initial public offering or IPO); (v) the legal rules and regulations governing publicly traded companies after an IPO; (vi) the public and private enforcement of the securities laws; and (vii) the role of the Securities and Exchange Commission as the primary government regulator of the securities market, and the roles of other securities market participants.

This course is designed not only to increase knowledge and application of the legal framework of securities, securities transactions, securities markets and securities market participants, but also to provide practical skills needed to counsel clients on risk management associated with securities transactions to best minimize and manage legal risk in the securities markets.

Class Materials

The assigned textbook for this class is **Securities Regulation: Cases and Analysis** (Choi, Pritchard) (Third Ed. 2012).

In addition, to best achieve the learning objectives of this course, you will study various original source corporate documents that will be posted on TWEN relating to actual companies.

Assigned material will also include other supplemental readings posted on TWEN. The goal of the supplemental reading is to provide alternative format readings in furtherance of learning objectives of this course, to stimulate classroom discussion, and to emphasize the current and real-world nature of topics covered in this course. All supplemental reading will be treated the same as text reading for exam and assessment purposes.

Students are encouraged to take ownership of their learning and are highly encouraged to subscribe (using discounted student rates) to the *Wall Street Journal*. The following websites also contain current material on various securities laws topics that can help students accomplish the learning objectives for this course.

- SEC website (<http://www.sec.gov/news>)
- SEC Actions (<http://www.secactions.com/>)
- New York Times Dealbook Page (<http://dealbook.nytimes.com/>)

Attendance

Part of your success in your legal career will be to show up at the right place at the right time. The same is true for this course. Class will start promptly at the assigned times and failure to be in your seat at the start of class will result in a class absence. Likewise, class is not come-and-go as you please. Absent true emergency situations or circumstances discussed in advance with the professor, students are expected to remain in their seats for the duration of class.

As specified in the *Rules of the Southern Illinois University School of Law*, "regular attendance to class meetings in all courses is expected and required of all students in accordance with the rule to be announced by the professor at the beginning of each course. Attendance will be taken in class and attendance records will be kept. Violation of this rule shall subject the student to penalties ...".

It is your responsibility to ensure that you sign the attendance sheet during class. You should also note that the *School of Law Honor Code* states that it is academic misconduct to sign another student's name to an attendance sheet for a class that the other student did not attend.

Students may have no more than a maximum of five absences (partial or total) for any reason (other than jury duty, the student's hospitalization, birth or adoption of the student's child, or a death in the student's immediate family – any of which shall be proven by documentation).

Participation

Being physically present in class is, of course, not your only responsibility. You are also expected to arrive to class poised to learn. Being poised to learn requires preparation for

class and reading the assigned course material, understanding the key concepts, answering any assigned problems or discussion questions, and facilitating learning of the material through active discussion and participation.

In addition, an important and valuable feature of this course every other Wednesday will be "Securities Law in the News" in which students should be prepared to discuss a news topic relevant to the topics covered in this course. Like the assigned supplemental readings, this feature of the course is to emphasize the current and real-world nature of the topics covered.

Workload Expectation

The American Bar Association standards for accrediting law schools contain a formula for calculating the amount of work that constitutes one credit hour. According to ABA Standard 310(b)(1), "a 'credit hour' is an amount of work that reasonably approximates: (1) not less than one hour of classroom or direct faculty instruction and two hours of out-of-class student work per week for fifteen weeks, or the equivalent amount of work over a different amount of time." This is a 3-credit hour class, meaning that we will spend approximately 150 minutes together each week. Applying the ABA standard to the number of credits offered for this class, you should plan on spending a total of approximately 8.5 hours per week (2.5 in class and 6 preparing for class) on course-related work.

Course Logistics

This will be a traditional class in an assigned room on assigned days with the exception that I will "appear" in class via video. You will have the ability to see and interact with me and I will have the ability to see and interact with you. Normal classroom etiquette and professional courtesies apply to class sessions.

Each week during the semester, students will receive an e-mail by 3 p.m. on Wednesday with the reading assignments and discussion questions for the week ahead.

In terms of office hours, should you have a question or concern regarding course topics, I am always available via e-mail and am also available to chat via telephone or video should the need arise.

Grading and Learning Assessment Opportunities

Your final grade will be based on the following:

5% - Attendance, Participation, Professionalism

45% - '33 Act Exam (TBD – October)

5% - Disclosure Skills Exercise (TBD – Late October / Early November)

45% - '34 Act Exam (December 4, 1:15 p.m.)

Professional Courtesies

Be on time. Be respectful of your fellow students, their desire to learn and their learning styles. Cell phones, iPods, and other such devices are not to be used (or heard) in the classroom.

Disability Accommodation

Pursuant to the *Rules of the Southern Illinois University School of Law*, "the Law School will make reasonable accommodations for students with disabilities. A student seeking such accommodation must make application to the Associate Dean in accordance with the Southern Illinois University School of Law Policy Concerning Applicants and Students with Disabilities. A student is required timely to submit appropriate documentation of the disability sufficient to allow the Associate Dean to determine the reasonableness of the accommodation requested. If the requested accommodation concerns examinations, the Associate Dean will decide whether to grant the accommodation after consultation with the appropriate faculty member(s). The Associate Dean and the faculty members involved will treat the identity of the student requesting accommodation as confidential, to the maximum extent practicable."

Emergency Procedures

Southern Illinois University-Carbondale is committed to providing a safe and healthy environment for study and work. Because some health and safety circumstances are beyond our control, we ask that you become familiar with the SIUC emergency Response Plan and Building Emergency Response Team (BERT) program. Emergency response information is available on posters in buildings on campus, available on BERT's website at www.bert.siu.edu, Department of Safety's website www.dps.siu.edu (disaster drop down) and in Emergency Response Guideline pamphlet. Know how to respond to each type of emergency." "Instructors will provide guidance and direction to students in the classroom in the event of an emergency affecting your location. It is important that you follow these instructions and stay with your instructor during an evacuation or sheltering emergency. The Building Emergency Response Team will provide assistance to your instructor in evacuating the building or sheltering within the facility."

Saluki Cares

The purpose of Saluki Cares is to develop, facilitate and coordinate a university-wide program of care and support for students in any type of distress—physical, emotional, financial, or personal. By working closely with faculty, staff, students and their families, SIU will continue to display a culture of care and demonstrate to our students and their families that they are an important part of the community. For Information on Saluki Cares: (618)

453-5714, or siucares@siu.edu, <http://salukicare.siu.edu/index.html>. At the School of Law, Assistant Dean Judi Ray is also available to help students access university resources. Her email is judiray@siu.edu, and her phone number is 618-453-3135.

Course Overview

(Subject to Modification Based on the Flow of the Semester)

(Denotes Reading That Will Be Posted on TWEN)*

<u>Topic</u>	<u>Assigned Reading</u>
The Historical Context for Securities Laws and the Social Functions of the Stock Market	Movie – “The Crash of 1929” The Social Functions of the Stock Market: A Primer*
Corporations 101 Introduction to the Securities Markets and Securities Regulation	Chapter 1 (pgs. 1-17; 36-47)
The Definition of a “Security”	Chapter 3 (pgs. 99-163) Selected Readings Regarding Digital Assets*
A Focus on Materiality	Chapter 2 (pgs. 48-98) SEC Staff Accounting Bulletin: No. 99 – Materiality*
Public Offerings and Legal Liability Under the Securities Act	Chapter 7 (selected portions) Offering Readings and Material Including Registration Statement Analysis* Chapter 8 (pgs. 467-538)
Cutoff for First Exam	*****
Legal Requirements of Being a Public Company Including Disclosure and Legal Liability under the Exchange Act	Chapter 4 (pgs. 168-188; 197-206) Disclosure Readings Including SEC Filings* SEC Report of Investigation – Netflix / Hastings*

	<p>Elon Musk Case Study*</p> <p>Disclosure Skills Exercise</p> <p>Chapter 5 (pgs. 207-226; 259-289)</p> <p>Chapter 6 (pgs. 336-376)</p> <p>Insider Trading Readings*</p>
The Role of Lawyers in Securities Transactions	Chapter 12 (pgs. 717-724)
A Focus On SEC Enforcement	Chapter 13 (selected portions)