

Corporate Finance — Attack Doc

Question Taxonomy + Per-Problem-Set Issue Spotter

Hooks into transcript.pdf and cases.pdf for every recurring fact pattern

UVA School of Law — Spring 2026

This Attack Doc collates the questions appearing in the four problem sets (PS1 Apple, PS2 Alibaba, PS3 LAE, the Micron Mini-Case) and the 2024 Geis Spring exam, and maps every recurring fact pattern back to the exact lecture-transcript and casebook locations where the doctrine, definitions, and case holdings live. Page numbers refer to the compiled PDFs in Lecture Notes/: transcript.pdf (242 pp.) and cases.pdf (84 pp.). Date / lecture labels are also given so you can search the source .tex files (e.g. Feb12/transcript.tex for the Apple session).

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1 Source Map: Lecture-by-Lecture Page Index

The lecture transcript and casebook are organized identically across twenty sessions. Use this as a one-stop lookup before diving into any specific question.

Lec.	Topic / Headline Cases	transcript.pdf	cases.pdf
1	Course Intro, Three Tensions, Balance Sheet, Arrow Electronics, AIG	p. 16	—
2	Financial Statements, Sec. Fraud: <i>Bolt v. Merrimack</i> , <i>Alayian v. Insightful</i> , <i>Imax</i>	p. 26	p. 7
3	Valuation, CAPM, Bond Valuation, Gordon Growth	p. 37	—
4	M-M, Tax Shields, §163(j); <i>Dell v. Magnetar</i> appraisal	p. 48	p. 12
5	Trade-Off, Pecking Order, Agency Costs, LBO; <i>Quadrant v. Vertin</i>	p. 58	p. 13
6	Recapitalization: <i>Revlon</i> , Icahn/Dell, <i>Hallmark</i> (Crown Media), BBBY	p. 69	p. 15
7	Apple Case Study (PS1) : excess cash, payout policy, iPref	p. 79	p. 20
8	Preemptive Rights; <i>Stokes v. Continental Trust</i>	p. 88	p. 27
9	NVCA Preemptive Rights, Voting/Economic Dilution, Anti-Dilution	p. 98	p. 28
10	Penalty Rounds, Pay-to-Play; <i>Katzowitz v. Sidler</i> , <i>NEA v. Rich</i> (Fugue/Snyk)	p. 110	p. 30
11	Debt Markets, Claim Dilution; <i>Bank of N.Y. Mellon Trust v. Liberty Media</i> , <i>Sharon Steel</i>	p. 123	p. 35
12	Bond Covenants; <i>MetLife v. RJR Nabisco</i> , KKR LBO	p. 134	p. 38
13	Prepayment, Make-Whole; <i>Morgan Stanley v. ADM</i> , Micron	p. 146	p. 40
14	Exchange Offers; <i>Katz v. Oak Industries</i> , <i>Aurelius v. Windstream</i>	p. 156	p. 44
15	TIA, Convertible Debt; <i>Elliott v. Schroder</i>	p. 167	p. 50
16	<i>NACEPF v. Gheewalla</i> , <i>Serta Simmons</i> , <i>Krivo v. National Distillers</i> (<i>Jensen Farms</i> as companion)	p. 180	p. 53
17	Preferred Stock, Charter Drafting; <i>Dueling Constantin</i> cases, Lyft charter	p. 192	p. 63
18	Cumulative Dividends; <i>Moelis</i> , <i>Guttman</i> , <i>Hay v. Hay</i> (a.k.a. <i>Big Bend Land Co.</i>), <i>Dalton v. AIC</i>	p. 206	p. 66
19	DGCL §160, Day-by-Day Accrual; <i>Smith v. Nu-West</i> , <i>ThoughtWorks</i> , <i>TradingScreen</i>	p. 218	p. 73
20	Overhang, NVCA Ratchet; <i>Elliott v. Avatex</i> , <i>Benchmark v. Vague</i> , <i>Orban v. Field</i>	p. 230	p. 77

2 Question Taxonomy: Recurring Fact Patterns Across Homeworks

The homeworks recycle a small number of fact patterns. Identify the pattern first, then run the issue checklist below. Citations point to the controlling case or doctrine.

Pattern — A. Operational / Stock-Price Diagnosis (PS1 Q1–Q2)

Trigger: “What attributes of operational performance account for the stock price moving from \$X to \$Y?” **Move:** Walk the four-driver stack: (i) inventory turnover, (ii) gross-margin expansion, (iii) top-line/revenue growth, (iv) financing behavior (pecking order in action).

Look at:

- Lecture 7 §3 “Apple’s Financial Performance” (*transcript.pdf* p. 81) — Inventory, GM, Top-Line, Pecking Order subsections.
- Lecture 3 §3 “Four Performance Metrics” and §4 Valuation Overview (*transcript.pdf* p. 38–40).
- Lecture 5 §3 Pecking-Order Theory (*transcript.pdf* p. 61).
- Casebook *Apple Inc. Case Study* (*cases.pdf* p. 20–21).

Pattern — B. Excess Cash / Payout Policy / Buyback vs. Dividend (PS1 Q3–Q5; Geis Part II Q6)

Trigger: “How much excess cash can the firm afford to pay out? Should it commit to an annual dividend? What should [Cook/Oppenheimer/the board] do?” **Move:** Run the six-payout-options framework. Net cash for (i) tax haircut on offshore cash, (ii) operational reserve, (iii) sensitivity to a downturn. Then compare special dividend, ongoing dividend, buyback, debt-funded buyback, iPref, status quo. **Look at:**

- Lecture 7 §§4–6 “How Much Excess Cash Does Apple Actually Have?”, “Six Payout Options”, “Einhorn’s iPref” (*transcript.pdf* p. 82–86).
- Lecture 7 §5.3 Tax Treatment: Dividends vs. Buybacks (*transcript.pdf* p. 84).
- Lecture 6 (Recap typology — esp. Recap Type 2: Issue Debt, Pay a Large Dividend) (*transcript.pdf* p. 72–73).
- Lecture 4 M–M with taxes / tax shield, §163(j) limit (*transcript.pdf* p. 48–57).
- Lecture 5 Trade-Off vs. Pecking Order (*transcript.pdf* p. 60–61).
- Casebook *Apple Inc. Case Study* (*cases.pdf* p. 20–26).

Definitions to deploy: M–M with taxes; tax shield; §163(j) 30% adjusted-taxable-income cap; pecking order; trade-off theory; agency costs of free cash flow.

Pattern — C. Should the Issuer Issue Bonds Here / Now / In Which Market? (PS2 Q1, Q4)

Trigger: “Should X issue the bonds in the U.S. or China? Is this a good time to issue?”

Move: Pick the market by (i) investor base / depth, (ii) governing law and enforceability, (iii) covenant package the market will tolerate, (iv) FX risk, (v) tax / withholding. Then time the issuance against rate environment, credit spreads, and the firm’s own use-of-proceeds story.

Look at:

- Lecture 11 §§2–6 “Why Debt Is Interesting”, “Four Ways to Raise Debt”, “Anatomy of the Debt Contract”, “Four Core Risks” (*transcript.pdf* p. 124–127).
- Lecture 3 §5 Bond Valuation (coupon vs. YTM, duration) (*transcript.pdf* p. 41–42).

- Lecture 4 §2 Public Bonds vs. Private Credit (*transcript.pdf* p. 49–50).

Definitions: bond / debenture / note; indenture; trustee; yield to maturity; duration; call risk; default risk; re-investment risk; interest-rate risk.

Pattern — D. Bonds vs. Syndicated Loans: How Do They Differ? (PS2 Q2)

Trigger: “How does financing with bonds differ from prior syndicated-loan financing?” **Move:** Contrast on six axes: (i) lender population (banks vs. public), (ii) covenant intensity (maintenance vs. incurrence), (iii) trustee mediation under TIA, (iv) prepayment flexibility, (v) information rights, (vi) workout dynamics. **Look at:**

- Lecture 11 §3 “The Four Ways to Raise Debt” (*transcript.pdf* p. 124–125).
- Lecture 15 §2 “The Trust Indenture Act of 1939” (*transcript.pdf* p. 168–170).
- Lecture 14 “Modern Covenant Enforcement: Aurelius and Windstream” (*transcript.pdf* p. 164–165); (*cases.pdf* p. 47–48).
- Lecture 4 §2.2 Public Bonds vs. Private Credit (*transcript.pdf* p. 49–50).

Definitions: TIA §316(b); maintenance covenant vs. incurrence covenant; collective-action problem.

Pattern — E. Bondholder Risks + Terms to Insist Upon (PS2 Q3; Geis Part I Q1–Q3, Q6)

Trigger: “What risks does the bondholder face? What terms would you insist upon?” **Move:** Map each of the four core risks to its protective covenant and to the case where the protection failed:

- Claim dilution (LBO / new debt) → funded-debt-to-tangible-net-worth, debt-service-coverage, change-of-control put.
- Asset substitution / drop-down → limitation on liens, transfer of substantially-all-assets clauses, blocking provisions post-Serta.
- Asset stripping / dividends → restricted-payments / dividend basket; aggregation clause post-*Liberty Media*.
- Prepayment / call risk → no-call, nonrefunding, make-whole.
- Conversion / structural risk for converts → reorganization clause (§4.3 in QVC); anti-dilution adjustment to conversion ratio.

Look at:

- Lecture 11 §§7–8 Claim Dilution, *Bank of N.Y. Mellon Trust v. Liberty Media*, *Sharon Steel* (*transcript.pdf* p. 127–131); (*cases.pdf* p. 35–38).
- Lecture 12 §§4–5 *MetLife v. RJR Nabisco*, *KKR LBO*; covenant tools (*transcript.pdf* p. 136–141); (*cases.pdf* p. 38–40).
- Lecture 12 §6 Change-of-Control Put (*transcript.pdf* p. 142).
- Lecture 12 §7 Asset Substitution / Gambling-on-Resurrection (*transcript.pdf* p. 143–144).
- Lecture 13 §4 *Morgan Stanley v. ADM* (*transcript.pdf* p. 149–150); (*cases.pdf* p. 40–43).
- Lecture 13 §5 The Make-Whole Premium (*transcript.pdf* p. 151–152).
- Lecture 14 §5 *Katz v. Oak Industries* (*transcript.pdf* p. 160–163); (*cases.pdf* p. 44–47).
- Lecture 14 §6 *Aurelius v. Windstream* (*transcript.pdf* p. 164–165); (*cases.pdf* p. 47–48).
- Lecture 15 §4 Convertible Debt; §4.5–4.6 Stock Split / Spin-Off Drafting Traps (*transcript.pdf* p. 174–177).

- Lecture 16 §3 *Serta Simmons* (*transcript.pdf* p. 184–188); (*cases.pdf* p. 55–59).

Cases on the implied covenant of good faith: *MetLife v. RJR Nabisco* (rejecting it), *Katz v. Oak Industries* (Chancellor Allen’s “fruits of the bargain” formulation (*transcript.pdf* p. 162–163)), *Aurelius v. Windstream* (objective interpretation of boilerplate (*transcript.pdf* p. 165)).

Pattern — F. Pricing the Bond / What Rate Should the Firm Pay (PS2 Q5)

Trigger: “How should we price the issue / what rate must we pay?” **Move:** Build YTM = risk-free benchmark (Treasury) + credit spread (peer + own credit). Adjust for covenant strength, currency, liquidity, optionality (call/put, convertibility), and demand. **Look at:**

- Lecture 3 §5.2 Coupon Rate vs. Yield to Maturity, §5.3 Duration (*transcript.pdf* p. 41–42).
- Lecture 13 §3 Prepayment Risk Setup, §3.1 Bond Valuation Primer (*transcript.pdf* p. 148).
- Lecture 13 §5 Make-Whole Premium (how the spread is priced into the call) (*transcript.pdf* p. 151–152).

Pattern — G. Make-Whole / Optional Redemption / Refinancing (Micron; Geis Part II Q4)

Trigger: “Calculate the make-whole payout. Does the calculation fairly compensate? Should the issuer call?” **Move:** Identify the formula. Discount remaining coupons + par to the par-call date, not maturity, at Treasury + stated spread. Compare to (i) market price the day before announcement, (ii) coupon on the new debt, (iii) credit-spread tightening since issuance. The issuer’s strategic motive is rarely the rate; it is usually a covenant unlock (e.g. §4.07 Limitation on Liens for the Micron “mega-fab” financing). **Look at:**

- Lecture 13 §5 “The Make-Whole Premium” (core idea, worked example, breakdown conditions) (*transcript.pdf* p. 151–152).
- Lecture 13 §6 “Applied Exercise: Micron Technology Redemption” — exact mirror of the Mini-Case (*transcript.pdf* p. 153–154).
- Lecture 14 §2.3 Residual Risk in a Make-Whole Premium (*transcript.pdf* p. 158).
- Lecture 13 §4 *Morgan Stanley v. ADM* (zero-coupon end-run on no-call) (*transcript.pdf* p. 149–150); (*cases.pdf* p. 40–43).
- Lecture 12 §6 Change-of-Control Put (when it does *not* unlock value for the holder) (*transcript.pdf* p. 142).

Definitions: “Comparable Treasury Price”; “Treasury Rate plus N basis points”; par call date; spread tightening.

Pattern — H. Term-Sheet / VC Deal Review (PS3; Geis Part II Q3, Q5, Q8)

Trigger: “Here is a term sheet — give the founder an overview and flag concerns. Should they take the deal?” **Move:** Run the NVCA term-sheet checklist:

1. **Pre-money valuation, option pool, cap table** — does the option pool come out of the founder’s stake?
2. **Liquidation preference** — 1× vs. 2×; non-participating vs. participating; cap.
3. **Cumulative dividends** (esp. “save-up-and-splurge”).
4. **Anti-dilution** (full ratchet vs. weighted average).

5. **Preemptive / pro-rata rights** (Major Investor + “gobble-up”).
6. **Redemption rights** (and the §160 / *ThoughtWorks* ceiling).
7. **Protective provisions, board seats, drag-along, ROFR, co-sale.**
8. **Vesting / acceleration; founder lock-ups.**

Look at:

- Lecture 8 §3 *Stokes v. Continental Trust* (default rule + workarounds) (*transcript.pdf* p. 89–90); (*cases.pdf* p. 27).
- Lecture 9 §6 NVCA Preemptive Framework, §6.4 Spotting Preemptive Rights, §6.5 Circular-Reference Pricing (*transcript.pdf* p. 103–105).
- Lecture 9 §§7–8 Voting vs. Economic Dilution; Full-Ratchet vs. Weighted-Average Anti-Dilution (*transcript.pdf* p. 105–108).
- Lecture 10 §§3–6 Anti-Dilution Tools, Pay-to-Play, Penalty-Dilution (*transcript.pdf* p. 111–118).
- Lecture 17 §§3–6 Charter Drafting, Lyft Pre-IPO Charter Walk-Through, Protective Provisions (*transcript.pdf* p. 193–199).
- Lecture 17 §8 Convertible Notes and SAFEs (*transcript.pdf* p. 201).
- Lecture 18 §§2–3 *Guttman v. Illinois Central* save-up-and-splurge; default rules for preferred dividends (*transcript.pdf* p. 208–211); (*cases.pdf* p. 67–68).
- Lecture 18 §5 *Hay v. Hay* dividends-in-arrears on liquidation (*transcript.pdf* p. 212–215); (*cases.pdf* p. 69–71).
- Lecture 19 §§2–6 *Smith v. Nu-West*, DGCL §160, *ThoughtWorks*, *TradingScreen*, NVCA Default Interest (*transcript.pdf* p. 219–225); (*cases.pdf* p. 73–76).
- Lecture 19 §§7–8 Liquidation-Preference Worked Hypotheticals; Overhang (*transcript.pdf* p. 226–228).
- Lecture 20 §§2–7 Amendment Voting Waterfall, *Avatex*, *Benchmark v. Vague*, *Orban v. Field* (*transcript.pdf* p. 231–241); (*cases.pdf* p. 77–84).

Definitions: “New Securities”; “Major Investor”; “Fully-Exercising Investor”; “gobble-up”; reserved option pool; pre-money / post-money; conversion price; original-issue price; anti-dilution adjustment formula; “funds legally available.”

Pattern — I. Voting / Economic Dilution Math (PS3; Geis Part II Q5, Q8)

Trigger: “If Francis and Janet exercise their pre-emptive rights, how many shares does each end up with? What about with gobble-up?” Or: “Have you experienced economic or voting dilution?” **Move:** Apply the NVCA two-round mechanic. Step 1: each Major Investor’s pro rata = (Major Investor common) ÷ (total common held by Major Investors) × new shares offered. Step 2: any under-subscribed shares are reallocated proportionally among Fully-Exercising Investors during the 10-day gobble-up window. Then check voting and economic dilution separately:

- Flat round (price = current FMV): voting dilution, no economic dilution.
- Free / below-market issuance: both voting *and* economic dilution.
- Down round: both, magnitude depends on % drop.

Look at:

- Lecture 8 §4 NVCA Model Clause, §4.1 Two-Round Structure, §§4.2–4.3 Worked Examples (*transcript.pdf* p. 91–92).
- Lecture 9 §6.2 Worked Example: Two Major Investors; §6.3 Three-Investor Gobble-Up

(*transcript.pdf* p. 103–104).

- Lecture 9 §§7.1–7.3 Flat / Free / Down-Round Dilution (*transcript.pdf* p. 105–106).
- Lecture 10 §§5–6 Up-Round vs. Down-Round Numerics; Coercive Dilution; Pay-to-Play; Penalty Dilution (*transcript.pdf* p. 115–118).
- Lecture 10 §4 *Katzowitz v. Sidler* (close-corp dilution) (*transcript.pdf* p. 113–115); (*cases.pdf* p. 30–34).

Pattern — J. Preferred Stock Redemption & Capital Impairment (Geis Part II Q2, Q7)

Trigger: “Are there ever circumstances where you would ask the company to redeem your preferred? Can a VC just contract around the §160 ceiling like Thoughtworks?” **Move:** (1) Yes, redemption is rational when the redemption value > conversion value *and* the issuer has surplus available. (2) DGCL §160 forbids repurchase if it would impair capital, and *ThoughtWorks* confirms a board has wide discretion to decide “funds legally available.” *TradingScreen* extends the rule: drafting around the statute does not work. The NVCA response is to toll default interest up to the usury cap, not to demand cash now. **Look at:**

- Lecture 19 §3 DGCL §160 (*transcript.pdf* p. 221–222).
- Lecture 19 §4 *SV Investment Partners v. ThoughtWorks* (*transcript.pdf* p. 222–224); (*cases.pdf* p. 74–76).
- Lecture 19 §5 *TradingScreen* follow-up (*transcript.pdf* p. 225).
- Lecture 19 §6 NVCA Default-Interest Response (*transcript.pdf* p. 225).
- Lecture 2 §3 *Bolt v. Merrimack* (net-worth trigger) (*transcript.pdf* p. 27–29); (*cases.pdf* p. 7–8).
- Lecture 18 §4 DGCL §170 / Surplus (*transcript.pdf* p. 211–212).

Definitions: surplus (DGCL §154); net assets; capital impairment; “funds legally available”; usury cap; cumulative dividend arrearage.

Pattern — K. Trust Indenture Act / Amendment-Threshold Floor (Geis Part II Q1)

Trigger: “Can a 51% bondholder vote delay principal repayment by 2 years?” **Move: No.** TIA §316(b) sets a unanimity floor on any amendment that affects the right to receive principal or interest, or to sue for non-payment. The standard workaround is a consensual exchange offer (with the no-coercion concerns mapped in *Katz v. Oak Industries*) or a Chapter 11 cramdown.

Look at:

- Lecture 15 §2.5 Policy Goal #3 “Floor on Amendment Thresholds” (*transcript.pdf* p. 170).
- Lecture 14 §4.3 Basic Exchange-Offer Mechanics (*transcript.pdf* p. 159–160); §5 *Katz v. Oak* (*transcript.pdf* p. 160–163); (*cases.pdf* p. 44–47).
- Lecture 14 §6 *Aurelius v. Windstream* (*transcript.pdf* p. 164–165); (*cases.pdf* p. 47–48).

Definitions: TIA §316(b); collective-action problem; exit consent; coercion (*Katz* test).

Pattern — L. Convertible Debt: Reorganization & Conversion Adjustment (Geis Part I)

Trigger: “Why would a converter want §4.3 Reorganizations? Why call rights for the issuer? Why §6.1 Conversions? Were the debenture holders economically injured by the merger? What grounds for suit?” **Move:** §4.3 protects the option’s structural integrity — when the underlying common is exchanged in a merger or reorganization, the conversion right gets translated into “what you would have received had you converted first.” *Without* this clause the embedded option can be vaporized. Compare to *Stokes* (no preemptive default) and to anti-dilution adjustments. Call right (§5.1) lets the issuer force conversion when the stock is well above strike — forced conversion / soft call. **Look at:**

- Lecture 15 §4 “A Primer on Convertible Debt” (*transcript.pdf* p. 174–175).
- Lecture 15 §4.5 Drafting Trap #1 The Stock Split; §4.6 Drafting Trap #2 The Asset Spin-Off (*transcript.pdf* p. 176–177).
- Lecture 15 §3 *Elliott Associates v. J. Henry Schroder* — the parallel “forced conversion” fact pattern (*transcript.pdf* p. 171–174); (*cases.pdf* p. 50–53).
- Lecture 12 §§4–5 *MetLife v. RJR Nabisco* for the “no implied protection” baseline (*transcript.pdf* p. 136–141); (*cases.pdf* p. 38–40).
- Lecture 14 §5 *Katz v. Oak* for the implied-covenant “fruits of the bargain” theory (*transcript.pdf* p. 160–163); (*cases.pdf* p. 44–47).

Cause-of-action menu (Geis Q5): (i) breach of §4.3 directly (if the merger fails to deliver the contractual translation); (ii) implied covenant of good faith / *Katz* “fruits of the bargain”; (iii) *Sharon Steel* successor-obligor breach for the “substantially-all-assets” frame; (iv) tortious interference (against Minion); (v) breach of fiduciary duty in the zone-of-insolvency frame (post-*NACEPF v. Gheewalla*, available only as a derivative claim when the issuer is actually insolvent).

Pattern — M. Fiduciary Duties to Common / Preferred / Debt (Geis Part III)

Trigger: “Describe Delaware’s approach to fiduciary duties across common, preferred, and debt; advise a legislator.” **Move:** Three-tier doctrinal map.

- **Common.** Default beneficiaries; full duties of care and loyalty; *Revlon*, *Unocal*, *eBay v. Newmark*.
- **Preferred.** Treated as common for residual matters, but contract governs the specific economic rights; *Trados*, *LC Capital Master Fund*, the *Dueling Constantin* cases (Arizona vs. NJ), *Moelis*, *Guttman v. Illinois Central*, *Dalton v. AIC*, *Orban v. Field*.
- **Debt.** No fiduciary duty in either solvency or insolvency, except creditors of an *insolvent* Delaware corporation may bring *derivative* (not direct) duty-of-loyalty claims — *NACEPF v. Gheewalla*, *Quadrant v. Vertin*.

Look at:

- Lecture 5 §4 *Quadrant Structured Products v. Vertin* (*transcript.pdf* p. 63–65); (*cases.pdf* p. 13–15).
- Lecture 16 §2 *NACEPF v. Gheewalla* (*transcript.pdf* p. 181–184); (*cases.pdf* p. 53–55).
- Lecture 17 §10 “The Dueling Constantin Cases” (AZ vs. NJ) (*transcript.pdf* p. 202–204); (*cases.pdf* p. 63–65).
- Lecture 18 §1.2 *Moelis* legitimacy of contractual governance (*transcript.pdf* p. 208); (*cases.pdf* p. 66).

- Lecture 18 §2 *Guttman v. Illinois Central* (*transcript.pdf* p. 208–210); (*cases.pdf* p. 67–68).
- Lecture 18 §6 *Dalton v. AIC* (*transcript.pdf* p. 215–216); (*cases.pdf* p. 71–72).
- Lecture 20 §7 *Orban v. Field* (*transcript.pdf* p. 239–241); (*cases.pdf* p. 82–84).
- Lecture 16 §2.2 “Zone of Insolvency” from *Credit Lyonnais* (*transcript.pdf* p. 182).

3 Problem Set 1: Apple (Financial Policy at Apple, 2013)

Source: 01. Apple Questions (PS1).doc

Format: brief write-up (1500 words or less); come prepared to defend.

Primary lectures: 7 (Apple Case Study) (*transcript.pdf* p. 79–86); (*cases.pdf* p. 20–26).

Supporting: 3 (Valuation / metrics) (*transcript.pdf* p. 37–47); 4 (M-M, tax shields, §163(j)) (*transcript.pdf* p. 48–57); 5 (Trade-Off, Pecking Order, Agency Costs) (*transcript.pdf* p. 58–68); 6 (Recap typology, esp. debt-funded buyback) (*transcript.pdf* p. 69–78).

Questions:

Question — PS1 Q1: Operational drivers of the 2000–2012 run-up

From the beginning of 2000 until its peak in 2012, Apple’s stock price rose from \$27.97 to \$702.10, an increase of over 25 times. What specific attributes of their operational performance account for this stock performance?

Pattern A. Drive: inventory turns + GM expansion + top-line growth + pecking-order financing. See Lecture 7 §3 (*transcript.pdf* p. 81–82); casebook (*cases.pdf* p. 21–23).

Question — PS1 Q2: Operational drivers of the Sept 2012–Mar 2013 drop

Apple’s stock price decreased by 37% from its peak in September 2012 until the end of March 2013, from \$702.10 to \$442.66. Again, what specific attributes of their operational performance account for this stock performance?

Pattern A reversed. Margin compression, hot-product cycle peaked, share-loss fears, no payout policy. See Lecture 7 §§2–3 (*transcript.pdf* p. 80–82); cases p. 21–23.

Question — PS1 Q3: Why the cash hoard, and how much is really “excess”?

Why does Apple hold so much cash? How much “excess” cash could it really afford to pay out in a one-time special dividend?

Pattern B. Tax-haircut on offshore cash; operational reserve; sensitivity to a downturn. See Lecture 7 §4 (*transcript.pdf* p. 82–83); cases (*cases.pdf* p. 23–24). Don’t forget the M-M with-taxes framework from Lecture 4 (*transcript.pdf* p. 52–57) for why cash is parked rather than distributed.

Question — PS1 Q4: A 5-year committed dividend, 2012–2017

If Apple chose instead to commit to an annual dividend from 2012–2017, how much do you think they could afford to distribute each year?

Pattern B. Build a free-cash-flow projection; net of capex and operational reserve; check sustainability against the worst-case sensitivity. See Lecture 7 §§4.3, 5 (*transcript.pdf* p. 83–84).

Question — PS1 Q5: Recommendation to Cook & Oppenheimer

What should Cook and Oppenheimer do? Why?

Pattern B. Compare the six payout options; flag tax treatment of dividends vs. buybacks; address Einhorn's iPref under the M-M critique. See Lecture 7 §§5–6 (*transcript.pdf* p. 83–86); cases (*cases.pdf* p. 24–26); Lecture 6 Recap Type 2 (debt + buyback) (*transcript.pdf* p. 72–73) for the hybrid case.

4 Problem Set 2: Alibaba's Bonds Dilemma

Source: 03. Alibaba Questions (PS2).doc

Format: brief write-up (1500 words or less); come prepared to defend.

Primary lectures: 11 (Debt Markets, Claim Dilution) (*transcript.pdf* p. 123–132); (*cases.pdf* p. 35–38); 12 (Bond Covenants; *MetLife v. RJR Nabisco*) (*transcript.pdf* p. 134–145); (*cases.pdf* p. 38–40); 13 (Make-Whole) (*transcript.pdf* p. 146–154); (*cases.pdf* p. 40–43); 14 (Exchange Offers; *Katz, Aurelius*) (*transcript.pdf* p. 156–166); (*cases.pdf* p. 44–48); 15 (TIA, Convertible) (*transcript.pdf* p. 167–178); (*cases.pdf* p. 50–53).

Supporting: 3 (bond valuation, YTM, duration) (*transcript.pdf* p. 41–42); 4 (M-M, tax shield) (*transcript.pdf* p. 52–57); 16 (NACEPF, *Serta Simmons, Krivo v. National Distillers*) (*transcript.pdf* p. 180–191); (*cases.pdf* p. 53–62).

Questions:

Question — PS2 Q1: U.S. or China?

Should Alibaba issue the bonds in the United States or China?

Pattern C. Investor base, governing law, covenant package, FX, withholding tax. See Lecture 11 §§2–6 (*transcript.pdf* p. 124–127).

Question — PS2 Q2: Bonds vs. syndicated loans

How does financing with bonds differ from Alibaba's previous forms of debt financing with syndicated loans?

Pattern D. Six-axis comparison; TIA §316(b) collective-action constraint vs. bank flexibility. See Lecture 11 §3 (*transcript.pdf* p. 124–125); Lecture 15 §2 (*transcript.pdf* p. 168–170); Lecture 14 (*Aurelius*) (*transcript.pdf* p. 164–165).

Question — PS2 Q3: Risks + terms to insist on

Discuss the different risks Alibaba is facing? If you were a potential investor in Alibaba's bonds, are there any terms you would insist upon?

Pattern E. Map the four core bondholder risks to covenants and to the cases where the absence of those covenants caused harm: *MetLife v. RJR*, *Liberty Media*, *Sharon Steel*, *Morgan Stanley v. ADM*, *Katz v. Oak*, *Serta Simmons*. See (*transcript.pdf* p. 136–190); (*cases.pdf* p. 35–62).

Question — PS2 Q4: Timing the issuance

Is this a good time to issue bonds?

Pattern C / F. Treasury benchmarks, credit-spread environment, demand window, peer-issuer comparables. Lecture 3 §5 (*transcript.pdf* p. 41–42); Lecture 13 §3.1 (*transcript.pdf* p. 148).

Question — PS2 Q5: Pricing the bond

Suppose you represent Alibaba and Maggie Wu asks you how the firm should price the bond issue (i.e., what rate must / should they pay)? How do you respond?

Pattern F. $\text{YTM} = \text{Treasury benchmark} + \text{credit spread, adjusted for covenant strength, currency, optionality.}$ Lecture 3 §5 (*transcript.pdf p. 41–42*); Lecture 13 §§3, 5 (*transcript.pdf p. 148–152*).

5 Problem Set 3: LAE Enterprises (Term Sheet)

Source: 05. LAE Questions (PS3)(1).doc

Format: brief write-up (1500 words or less); come prepared to defend.

Primary lectures: 8–10 (Common Stock: Preemptive, Voting / Economic Dilution, Penalty Rounds) (*transcript.pdf* p. 88–121); (*cases.pdf* p. 27–34); 17–20 (Preferred Stock: Charter, Cumulative Dividends, Redemption, Overhang) (*transcript.pdf* p. 192–241); (*cases.pdf* p. 63–84).

Supporting: 5 §4 *Quadrant* (creditor analog) (*transcript.pdf* p. 63–65); 6 (Recap mechanics for liquidation-overhang washouts) (*transcript.pdf* p. 69–78).

Questions:

Question — PS3 Q1: Term-sheet overview & concerns to flag for Jay

You are Jay’s lawyer and he sends you the term sheet. He calls back the next day and asks for an overview of the deal and whether there is anything he should be concerned about. What do you say?

Pattern H. Run the NVCA term-sheet checklist. The biggest landmines are usually: (i) whether the option pool is taken from the pre-money (founder dilution); (ii) liquidation preference structure and participation; (iii) cumulative dividend / save-up-and-splurge risk; (iv) anti-dilution flavor (full-ratchet is hostile); (v) preemptive / pro-rata + gobble-up; (vi) redemption ceiling under DGCL §160 / *ThoughtWorks*; (vii) protective provisions & board composition; (viii) drag-along + ROFR + co-sale.

Anchor cases / definitions:

- *Stokes v. Continental Trust* — common-law preemptive default (*transcript.pdf* p. 89–90); (*cases.pdf* p. 27).
- NVCA two-round preemptive mechanic (*transcript.pdf* p. 91–92, 103–105).
- *Katzowitz v. Sidler* — close-corporation dilution (*transcript.pdf* p. 113–115); (*cases.pdf* p. 30–34).
- *NEA v. Rich* litigation — penalty-round (*transcript.pdf* p. 118–121).
- *Dueling Constantin* — ambiguity in dividend commitments (*transcript.pdf* p. 202–204); (*cases.pdf* p. 63–65).
- *Moelis* — when contractual governance terms are enforceable (*transcript.pdf* p. 208); (*cases.pdf* p. 66).
- *Guttman v. Illinois Central* “save up and splurge” (*transcript.pdf* p. 208–210); (*cases.pdf* p. 67–68).
- *Hay v. Hay* — dividends-in-arrears on liquidation (*transcript.pdf* p. 212–215); (*cases.pdf* p. 69–71).
- *Dalton v. AIC* — common-controlled board and preferred fiduciary duties (*transcript.pdf* p. 215–217); (*cases.pdf* p. 71–72).
- *Smith v. Nu-West* — cumulative dividends accruing day-by-day (*transcript.pdf* p. 220–221); (*cases.pdf* p. 73–74).
- DGCL §160 + *ThoughtWorks* + *TradingScreen* — the redemption ceiling (*transcript.pdf* p. 221–225); (*cases.pdf* p. 74–76).
- *Elliott v. Avatex* — “six magic words” for amendment-by-merger (*transcript.pdf* p. 234–236); (*cases.pdf* p. 77–80).
- *Benchmark v. Vague* — protective-provision drafting (*transcript.pdf* p. 236–237); (*cases.pdf* p. 80–81).

- *Orban v. Field* — preferred-controlled board duties (*transcript.pdf* p. 239–241); (*cases.pdf* p. 82–84).

Question — PS3 Q2: Should Jay take the HBS Investors deal?

Should Jay take the HBS Investors deal?

Pattern H. Apply the checklist to the specific term sheet provided in the LAE casebook materials. The recommendation depends on (a) the size and timing of the founder’s expected exit, (b) whether HBS’s protective provisions and board representation will block a later strategic exit, (c) whether the redemption right + cumulative dividend creates an overhang that crowds out a Series-B financing. See Lecture 19 §§7–8 (1× vs. 2×, participating; the “Overhang” problem) (*transcript.pdf* p. 226–228); Lecture 20 §2 amendment voting waterfall (*transcript.pdf* p. 232–233) for what it takes to wash the overhang out later.

6 Micron Mini-Case: Make-Whole Redemption

Source: Micron Mini-Case.docx (questions only — the separate Micron - Answers.docx file is not reproduced here).

Format: ungraded discussion exercise.

Primary lectures: 13 (Prepayment, Make-Whole, Micron applied exercise) (*transcript.pdf* p. 146–154); (*cases.pdf* p. 40–43); 14 (residual make-whole risk, exchange-offer alternative) (*transcript.pdf* p. 156–166); (*cases.pdf* p. 44–48); 12 (covenant package and §4.07 Limitation on Liens) (*transcript.pdf* p. 134–145); (*cases.pdf* p. 38–40).

Questions:

Question — Micron Q1: Make-Whole valuation

The “Make-Whole” Valuation: Using a settlement date of March 12, 2026, and an interpolated 3.67-year Treasury yield of 3.49%, calculate the exact dollar payout for an investor holding \$1,000,000 in par value. (Assume the “Par Call Date” of Nov 15, 2029, for terminal discounting purposes.)

Pattern G. Discount remaining 7 semiannual coupons + \$1,000,000 par to the par-call date at Treasury + 40 bps. See Lecture 13 §5.2 worked example (*transcript.pdf* p. 151–152) and §6.2 “Class Calculation Results” for Micron specifically (*transcript.pdf* p. 153–154).

Question — Micron Q2: Strategic rationale

At the same time as this announcement, Micron announced that it was issuing new debt at roughly 5.40%. The CFO’s press release claims this redemption saves interest and “enhances financial flexibility.” How can this be true when the rate on the prior debt was only 4.663%? What is the real strategic reason that Micron is doing this?

Pattern G. The CFO’s coupon-arithmetic claim is a red herring. The real driver is the negative-pledge-style *Section 4.07 Limitation on Liens*: Micron must clear those notes before granting a first-priority lien to CHIPS-Act lenders for the New York mega-fab. See Lecture 13 §6.3 (*transcript.pdf* p. 153–154); the covenant mechanics in Lecture 12 §5 (*transcript.pdf* p. 139–141).

Question — Micron Q3: Investor response

On Feb 16, 2026, these bonds traded at 103.07 on secondary markets. How does this compare to the actual investor redemption price you calculated above. Will investors be pleased by this decision? Why or why not?

Pattern G. Market price (103.07) exceeds make-whole payout (102.476) because the formula’s stale +40 bps spread is wider than the market’s contemporaneous +25 bps spread. Lecture 13 §5.3 “Conditions Under Which Make-Whole Breaks Down” (*transcript.pdf* p. 152); §6.4 “Why the Make-Whole Did Not Fully Compensate” (*transcript.pdf* p. 154).

7 2024 Geis Spring Exam (Legal Issues in Corporate Finance)

Source: 2024 Geis Corp Fin Exam.pdf.

Total points: 100. Three parts.

7.1 Part I — QVC (40 points)

Common fact pattern: QVC issued convertible debentures with \$1,000 face, 6% coupon, conversion at \$50/share, and three embedded protections: §4.3 Reorganizations (anti-vaporization on M&A); §5.1 Redemption (issuer call at \$1,050); §6.1 Conversion (plus mechanical adjustment for stock splits, etc.). In Dec 2023 QVC trades at \$30; CEO announces a triangular merger into Minion (small, high-risk, leveraged) where QVC stockholders get 2 Minion shares ($\approx$ \$40 total) per QVC share. The merger agreement makes *no* provision for the convertible debentures.

Primary lectures: 11 (Claim Dilution; *In re Liberty Media*) (*transcript.pdf* p. 123–132); (*cases.pdf* p. 35–38); 12 (*MetLife v. RJR Nabisco*) (*transcript.pdf* p. 134–145); (*cases.pdf* p. 38–40); 14 (*Katz v. Oak*, exchange offers) (*transcript.pdf* p. 156–166); (*cases.pdf* p. 44–48); 15 (TIA, *Elliott v. Schroder*, Convertible Debt Primer) (*transcript.pdf* p. 167–178); (*cases.pdf* p. 50–53); 16 (*NACEPF v. Gheewalla*, *Quadrant* from Lecture 5) (*transcript.pdf* p. 180–191); (*cases.pdf* p. 53–62); 5 (*Quadrant v. Vertin*) (*transcript.pdf* p. 63–65); (*cases.pdf* p. 13–15).

Question — Geis I.1 (5 pts) — Why §4.3 Reorganizations?

Please explain why the convertible debt owners might have wanted the term described in Section 4.3 Reorganizations. Under what circumstances would this be valuable to the debt owners?

Pattern L. The clause preserves the embedded option through mergers / reclassifications / asset sales — without it the underlying common can be exchanged for cash or successor stock and the conversion right vaporizes. See Lecture 15 §4.6 “Drafting Trap #2: Asset Spin-Off” (*transcript.pdf* p. 177); *Sharon Steel* “successor-obligor” parallel (*transcript.pdf* p. 130); (*cases.pdf* p. 36–37).

Question — Geis I.2 (5 pts) — Why §5.1 Redemption?

Please explain why QVC might have wanted the term described in Section 5.1 Redemptions. Under what circumstances would this be valuable to the company?

Pattern G / L. Soft-call / forced conversion: when stock trades well above the conversion price, calling the bond pushes holders to convert at the lower-cost path, retiring debt at par-plus. See Lecture 15 §3 *Elliott v. Schroder* (the math: redeem, convert, or delay) (*transcript.pdf* p. 171–174); (*cases.pdf* p. 50–53); Lecture 13 §5 make-whole framing (*transcript.pdf* p. 151–152).

Question — Geis I.3 (5 pts) — Why §6.1 Conversions?

Please explain why the convertible debt owners might have wanted the term described in Section 6.1 Conversions. Under what circumstances would this be valuable to the debt owners?

Pattern L. Adjusts the conversion ratio for stock splits, reverse splits, stock dividends, and the like; without it the embedded option can be diluted by routine corporate housekeeping. See Lecture 15 §4.5 Drafting Trap #1: Stock Split (*transcript.pdf* p. 176).

Question — Geis I.4 (10 pts) — Economic injury from the merger?

Setting aside whatever legal claims the holders of QVC's convertible debentures may have in this case, have the holders of QVC's debentures suffered any economic injury due to this merger transaction? Please explain why or why not.

Pattern E + L. Yes: claim dilution analogous to *MetLife v. RJR Nabisco* (now sitting against a smaller, more leveraged Minion balance sheet); plus loss of optionality (the underlying common disappears, and any conversion translates into 2 Minion shares whose volatility / credit profile is worse). Quantify against the conversion-value pre- and post-merger, plus the increased default probability. See Lecture 12 §4 (*transcript.pdf* p. 136–138); (*cases.pdf* p. 38–40); Lecture 11 §7 “Claim Dilution: The Economic Problem” (*transcript.pdf* p. 127–128).

Question — Geis I.5 (10 pts) — MetLife (largest holder) sues. Grounds, defenses, who wins?

Assume (for purposes of this question only) that the holders of QVC's convertible debentures were injured by the merger and that they have standing to pursue any relevant legal claims. You are counsel to MetLife who is the largest holder of QVC's convertible debentures. MetLife wants to bring a lawsuit against QVC and/or Minion. On what grounds might such a suit be brought? How will the defendants respond, and who is likely to win?

Pattern L + M. Plausible theories:

- **Direct breach of §4.3 Reorganizations** — the merger agreement makes no provision for the converts, but §4.3 *requires* a supplemental indenture; QVC / successor are in breach.
- **Implied covenant of good faith and fair dealing** — *Katz v. Oak* “fruits of the bargain” framing (*transcript.pdf* p. 162–163); (*cases.pdf* p. 45–46). But *MetLife v. RJR* is the cautionary precedent: courts are reluctant to read in protections the contract did not include (*transcript.pdf* p. 136–138).
- **Sharon Steel successor-obligor breach** — if the structure is read as a sale of substantially all assets, QVC must transfer the indenture obligations. (*transcript.pdf* p. 130); (*cases.pdf* p. 36–37).
- **Fiduciary-duty derivative claim** (only if Minion / QVC becomes insolvent) — *NACEPF v. Gheewalla, Quadrant v. Vertin* (*transcript.pdf* p. 181–184, 63–65); (*cases.pdf* p. 53–55, 13–15).
- **Tortious interference / aiding and abetting** against Minion if it knew of and induced the breach.

Likely outcome: the §4.3 contract claim is the strongest; the converts *should* win on it (the indenture's plain text was ignored). The implied-covenant and fiduciary-duty claims are uphill under *MetLife* and *NACEPF*.

Question — Geis I.6 (5 pts) — Term you would have negotiated

If you had represented the convertible debt investors during the initial indenture negotiations, can you think of an additional term or provision that might have helped against this situation?

Pattern E. Add: (i) a *change-of-control put* at par + make-whole (Lecture 12 §6 (*transcript.pdf* p. 142)); (ii) explicit “successor must expressly assume the indenture and the conversion right” clause patterned on *Sharon Steel* drafting; (iii) a “no merger unless §4.3 supplemental indenture is executed” condition; (iv) a ratings-trigger covenant; (v) a price-reset / conversion-floor on deals where the

underlying common is exchanged for stock of a smaller issuer. See Lecture 12 §6 (*transcript.pdf* p. 142); Lecture 11 §9 “Drafting Solutions” (*transcript.pdf* p. 131–132).

7.2 Part II — Short Answer (40 points; 5 each, ≤ 300 words each)

Question — Geis II.1 — TIA: 51% bondholder vote to delay principal?

Will the Trust Indenture Act allow a company to delay the principal repayment date by up to 2 years (e.g., to avoid insolvency) as long as 51% or more of the debt investors (by principal value) vote to approve the delay? If yes, why is this justified? If no, what should a firm try to do instead?

Pattern K. No. TIA §316(b) requires unanimity for any amendment that modifies the right to receive principal or interest. Workaround: *exit-consent exchange offer* (*Katz v. Oak* for the limits) or pre-packaged Chapter 11. Lecture 15 §2.5 (*transcript.pdf* p. 170); Lecture 14 §§4–5 (*transcript.pdf* p. 159–163); (*cases.pdf* p. 44–47).

Question — Geis II.2 — Thoughtworks: best VC redemption response?

Please state whether you agree or disagree with the following statement: The best way that a venture capitalist can respond to redemption limits posed by the Thoughtworks case is to just let the company have redemption rights—instead of the preferred stock investors.

Pattern J. Disagree. The actual NVCA response is to *toll default interest at the usury cap* for as long as the company refuses to redeem despite a triggered redemption right. Granting the issuer redemption defeats the VC’s exit option. See Lecture 19 §§4–6 (*transcript.pdf* p. 222–225); (*cases.pdf* p. 74–76).

Question — Geis II.3 — Reserved option pool in cap table?

Should a reserved employee option pool be included in a capitalization table when planning a VC investment if the options have not yet been given to any employees? Please explain.

Pattern H. Yes — on a fully-diluted basis the reserved pool is included in the pre-money cap table by market convention; this shifts the dilution onto the founders rather than the new investor. Skipping the pool gives the founder a temporary lift but the next- round investor will demand a true-up. See Lecture 17 §§5–6 (*transcript.pdf* p. 196–199); the dilution mechanics in Lecture 9 §§6–7 (*transcript.pdf* p. 103–106).

Question — Geis II.4 — MetLife v. RJR + make-whole

Please state whether you agree or disagree with the following statement: in the case of MetLife v. RJR Nabisco, the plaintiff would have been better off with a make-whole premium. Please explain.

Pattern E + G. Disagree, mostly — the harm in *MetLife v. RJR* was claim dilution from layered LBO debt, not prepayment, so a make-whole would not have triggered. A *change-of-control put* at par+ would have been the responsive covenant. (A make-whole only helps if the issuer *calls*.) See Lecture 12 §§4–6 (*transcript.pdf* p. 136–142); (*cases.pdf* p. 38–40).

Question — Geis II.5 — Francis / Janet / Clyde preemptive math

Francis and Janet own stock in Newco in the following proportions: [per the exam diagram]. A new investor, Clyde, is prepared to invest \$400,000 for 200 shares of common stock. Francis and Janet have negotiated [the standard NVCA] pre-emptive rights and are both considered Major Investors.

- (a) If Francis and Janet both wish to exercise their pre-emptive rights, how many shares will ultimately be owned by Francis, Janet, and Clyde?
- (b) Same question, but Francis does not exercise her rights and Janet fully exercises the “gobble-up” rights described in paragraph (b).

Pattern I. Apply the NVCA two-round mechanic verbatim:

- Step 1 (20-day initial-election window): each Major Investor is offered “up to that portion of New Securities equal to the proportion of Common Stock then held by such Major Investor.” (Note the unusual NVCA pro-rating-by-common construction — not by fully-diluted.)
- Step 2 (10-day gobble-up): unsubscribed shares allocated *pro rata among Fully-Exercising Investors*.

See Lecture 8 §4 (*transcript.pdf p. 91–92*); Lecture 9 §§6.2–6.3 (*transcript.pdf p. 103–104*).

Question — Geis II.6 — Borrow + special dividend if $D/V < 50\%$?

Please state whether you agree or disagree with the following statement: a board of directors can almost always increase their firm’s total value by borrowing money and paying out a special dividend to common stock—but only if the firm’s current debt to value level is less than 50%? Please explain.

Pattern B. Disagree. The trade-off / M-M-with-taxes view says optimal leverage is firm-specific (industry, asset volatility, non-debt tax shields), not a fixed 50% threshold; agency-cost-of-free-cash-flow logic and the pecking order also bear on whether a debt-funded dividend creates value. See Lecture 4 M-M with taxes (*transcript.pdf p. 52–57*); Lecture 5 Trade-Off / Pecking Order / Agency (*transcript.pdf p. 60–62*); Lecture 6 Recap Type 2 (Issue Debt, Pay a Large Dividend) (*transcript.pdf p. 72–73*).

Question — Geis II.7 — When would you redeem? Cumulative-but-no-arrears redemption.

You own preferred stock that allows you to have the company redeem your shares for the face value of your investment. The preferred stock also has cumulative dividends of 5%—but any dividend arrearages are not included in your redemption price. Are there any circumstances where you would ever want to ask the company to redeem your stock? Please explain.

Pattern J. Rationally redeem only when face value > present-value of (future cumulative dividends + future conversion optionality + liquidation-preference upside). The save-up-and-splurge risk in *Guttman v. Illinois Central* cuts against waiting; but if redemption forfeits arrearages, the breakeven moves further out. See Lecture 18 §2 (*transcript.pdf p. 208–210*); Lecture 19 §§4–6 (*transcript.pdf p. 222–225*); cases (*cases.pdf p. 67–68, 74–76*).

Question — Geis II.8 — Dilution at \$500K pre-money

You and your neighbor decide to start a new company. You each invest \$200,000 and receive 400 shares of common stock. Two years later you decide to sell 200 shares of common stock to an outside investor, using a pre-money valuation of \$500,000. Have you experienced any economic or voting dilution? How much money will the investor be putting into your company?

Pattern I. Compute price per share = $\$500,000 / 800 = \625 ; investor pays \$125,000 for 200 shares. Voting dilution: yes ($800 \rightarrow 1,000$ outstanding, founders go from 50% to 40% each). Economic dilution: *no* if the issuance is at FMV (flat / up round). See Lecture 9 §§7.1–7.3 (*transcript.pdf* p. 105–106); Lecture 10 §§5.1–5.3 (*transcript.pdf* p. 115–116).

7.3 Part III — Fixing Fiduciary Duties (20 points)**Question — Geis III: Common / Preferred / Debt fiduciary duties + advice to the legislator**

Describe the overall approach that Delaware law has taken when determining when and whether a corporation's board owes fiduciary duties to the following groups of investors: common stockholders; preferred stockholders; and debt investors. What advice would you give to a Delaware legislator who is considering an amendment to the state corporate law statutes related to the existence and allocation of board fiduciary duties for these investor groups.

Pattern M. Three-tier doctrinal map (above). Then advise the legislator: don't extend duties to debt — contract pricing already internalizes covenant strength, and *NACEPF*'s narrow derivative window adequately polices fraud / asset-stripping. For preferred, preserve the *Trados* / *LC Capital* rule (preferred is treated as common for residual matters; otherwise contract governs). For common, keep *Revlon* / *Unocal* intact. Anchor citations:

- *Quadrant v. Vertin* (*transcript.pdf* p. 63–65); (*cases.pdf* p. 13–15).
- *NACEPF v. Gheewalla* (*transcript.pdf* p. 181–184); (*cases.pdf* p. 53–55).
- *Dueling Constantin* (*transcript.pdf* p. 202–204); (*cases.pdf* p. 63–65).
- *Moelis* (*transcript.pdf* p. 208); (*cases.pdf* p. 66).
- *Guttman v. Illinois Central* (*transcript.pdf* p. 208–210); (*cases.pdf* p. 67–68).
- *Dalton v. AIC* (*transcript.pdf* p. 215–217); (*cases.pdf* p. 71–72).
- *Orban v. Field* (*transcript.pdf* p. 239–241); (*cases.pdf* p. 82–84).
- Zone-of-insolvency from *Credit Lyonnais* (*transcript.pdf* p. 182).

8 Cross-Reference: Cases by Question Pattern

Case	What it stands for	trans. p.	cases p.
<i>Bolt v. Merrimack</i>	“Net worth” triggers in preferred stock redemption; drafting fix	27–29	7–8
<i>Alayian v. Insightful</i>	Revenue recognition + at-will employment / public-policy exception	31–32	9–10
<i>Imax 10b-5 case</i>	Fraud-on-the-market, scienter, loss causation, <i>Halliburton</i>	32–34	10–12
<i>Dell v. Magnetar</i>	Appraisal rights, going-private buyout valuation	48–57	12–13
<i>Quadrant v. Vertin</i>	Creditor standing for derivative duty-of-loyalty claim post-insolvency	63–65	13–15
<i>Revlon</i> (recap context)	Auctioneer duty in change-of-control	70–71	15–16
<i>Icahn / Dell</i> (recap proposal)	Recap Type 2: issue debt, pay large dividend	72–73	16–17
<i>Crown Media / Hallmark</i>	Recap Type 3: equity-for-debt; minority-shareholder dilution suit	74–75	17–19
<i>BBBY</i> (recap example)	Distressed equity issuance to retail; meme-stock recap	76	19–20
<i>Stokes v. Continental Trust</i>	Common-law preemptive default; Blair’s control-premium problem	89–90, 100–102	27–28
<i>Katzowitz v. Sidler</i>	Close-corporation dilution; advice to Catlett	113–115	30–34
<i>NEA v. Rich</i> litigation	Penalty-round recap; direct vs. derivative claim	118–121	33–34
<i>Bank of N.Y. Mellon Trust v. Liberty Media</i>	“Substantially all assets” aggregation question; boilerplate governs	128–131	35–36
<i>Sharon Steel</i>	Aggregation principle for successor-obligor	129–130	36–38
<i>MetLife v. RJR Nabisco</i>	Claim dilution by LBO; failure of implied-covenant theory	136–138	38–40
<i>Morgan Stanley v. ADM</i>	End-run on no-call via lower-rate zero-coupon	149–150	40–43
Micron applied exercise	Make-whole + §4.07 limitation-on-liens unlock	153–154	43
<i>Katz v. Oak Industries</i>	Exchange-offer mechanics; Chancellor Allen on “fruits of the bargain”	160–163	44–47
<i>Aurelius v. Windstream</i>	Activist covenant enforcement; objective interpretation	164–165	47–48
<i>Elliott v. Schroder</i>	Indenture trustees not ordinary trustees; 50-day waiver; redeem-convert-or-delay	171–174	50–53
<i>NACEPF v. Gheewalla</i>	Creditor fiduciary duties only as derivative claim post-insolvency	181–184	53–55
<i>Serta Simmons</i>	Drop-down + up-tier; intra-creditor feud	184–188	55–59
<i>Krivo v. National Distillers</i> (with <i>Jensen Farms</i> as agency-theory companion)	Lender liability via instrumentality / control; safe/risky taxonomy	188–190	61–63
<i>Dueling Constantin</i>	3d Cir. (NJ law) vs. NJ App. Div. on contractual dividend commitments	202–204	63–65
<i>Moelis</i>	Legitimacy of contractual governance terms	208	66
<i>Guttman v. Illinois Central</i>	Save-up-and-splurge; <i>Wabash</i> hoarding-vs-investing	208–210	67–68
<i>Hay v. Hay</i> (Big Bend Land Co.)	Dividends-in-arrears at liquidation	212–215	69–71

<i>Dalton v. AIC</i>	Common-controlled board; preferred fiduciary duties	215–217	71–72
<i>Smith v. Nu-West</i>	Day-by-day cumulative dividend accrual	220–221	73–74
<i>SVIP v. ThoughtWorks</i>	DGCL §160 “funds legally available” deference	222–224	74–76
<i>TradingScreen</i>	Drafting around §160 fails	225	76
<i>Elliott v. Avatex</i>	“Six magic words” for amendment-by-merger	234–236	77–80
<i>Benchmark v. Vague</i>	Protective-provision drafting	236–237	80–81
<i>Orban v. Field</i>	Preferred-controlled board fiduciary duties	239–241	82–84

9 Cross-Reference: Definitions & Terms by Lecture

Term	Where defined / introduced	trans. p.
Three key tensions	Lec. 1 §2.2	18
Authorized / issued / outstanding	Lec. 1 §7.1	24
Par value, additional paid-in capital	Lec. 1 §7.2	24
Accrual vs. cash accounting	Lec. 2 §4.3	31
Rule 10b-5 elements; fraud-on-the-market; scienter	Lec. 2 §6	33
YTM, duration	Lec. 3 §§5.2–5.3	41–42
Gordon Growth Model	Lec. 3 §6.2	43
Beta; CAPM	Lec. 3 §§7.3–7.4	45–46
M-M Propositions; tax shield; §163(j)	Lec. 4 §§5–7	52–57
Trade-off, pecking order, agency-cost theories	Lec. 5 §3	60–62
Recap typology (4 types)	Lec. 6 §§3–7	70–76
Tax treatment dividends vs. buybacks	Lec. 7 §5.3	84
M-M Critique of iPref	Lec. 7 §6.2	86
Preemptive rights (default Delaware rule)	Lec. 8 §3.2 / Lec. 9 §5	90, 102
NVCA preemptive (Major Investor + Gobble-Up)	Lec. 8 §4 / Lec. 9 §6	91, 103
Voting vs. economic dilution; flat / free / down round	Lec. 9 §7	105–106
Full-ratchet vs. weighted-average anti-dilution	Lec. 9 §§8.2, 8.5	107–108
Pay-to-play; penalty-dilution	Lec. 10 §6	118
Bond / debenture / note; indenture; trustee	Lec. 11 §3.1	125
Four core risks of bond investing	Lec. 11 §6	127
Claim dilution	Lec. 11 §7	127–128
Successor-obligor / aggregation covenant	Lec. 12 §5.1.1	139
Funded-debt-to-tangible-net-worth	Lec. 12 §5.2.1	140
Debt-service-coverage covenant	Lec. 12 §5.2.3	141
Change-of-control put	Lec. 12 §6	142
Asset substitution	Lec. 12 §7	143–144
Make-whole premium	Lec. 13 §5	151–152
Comparable Treasury Price; Treasury + bps	Lec. 13 §5.1	151
Implied covenant of good faith & fair dealing	Lec. 12 §4.3 / Lec. 14 §5	138, 162
Exit consent / exchange offer	Lec. 14 §§4–5	159–163
TIA §316(b) unanimity floor	Lec. 15 §2.5	170
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