

Teaching Business Associations from the Perspective of a Businessman

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Overview:

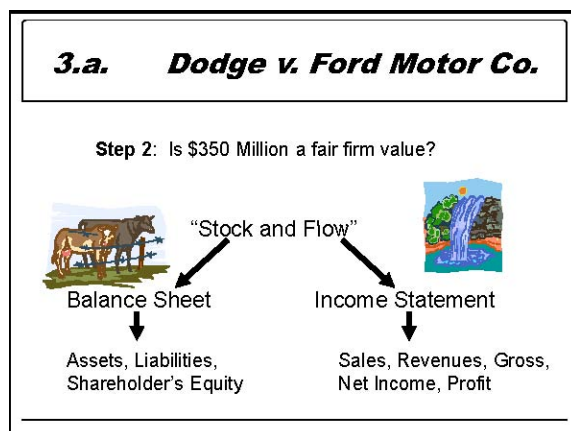
- How the businessman thinks
- Why the businessman's perspective matters when teaching business associations
- 3.3. Applications in specific cases
- Applications in specific cases
- Dodge v. Ford Motor Inc.
- Sharon Steel Corp. v. Chase Manhattan Bank

Why the Businessman's Perspective Matters

- The business perspective shapes the deeper logic of many cases
- • When students are practitioners, it is crucial that they understand the business perspective
- Students and practitioners need to be reminded of basic numeracy
- • Teaches students to pay attention to the numbers when reading a case

Dodge v. Ford Motor Co.

- Dodge sues Ford to force a dividend payment and to enjoin construction of the River Rouge Facility
- Before the suit Dodge brothers offer to sell their shares to Ford for \$35 million
- Was this price a good deal for Ford?!
- Was the Dodge Brothers' \$35 million offer a good deal for Ford?
- Step 1: Translate Dodge offer into implied firm value
- Translate Dodge offer into implied firm value



- Dodge sues Ford to force a payment of dividends and injunction on the construction of the River Rouge Facility
- Before the suit Dodge brothers offer to sell their shares to \$35 million
- Was this price a good deal for Ford? YES.

Sharon Steel Corp. v. Chase Manhattan Bank

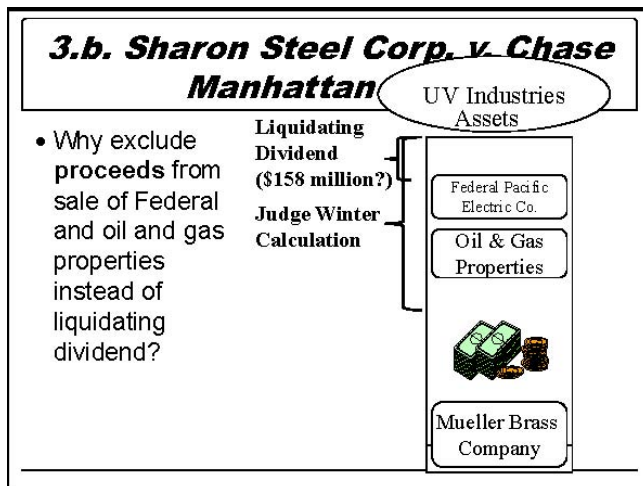
- Court asked to determine which indenture provision applies to transaction between Sharon Steel and UV Industries
- Competing provisions are successor obligor clause and liquidation clause
- Judge Winter applies liquidation clause
- Was Judge Winter’s business analysis sound?

Sharon Steel Corp. v. Chase Manhattan Bank

- What calculation does Judge Winter use?
- “Even when the liquid assets (other than proceeds from the sale of Federal and the oil and gas properties) are aggregated with the
- gg operating properties, the transfer to Sharon accounted for only 51% of the total book value of UV’s assets.”

Sharon Steel Corp. v. Chase Manhattan Bank

- Why rely on book value?



Sharon Steel Corp. v. Chase Manhattan Bank

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- Was Judge Winter’s business analysis sound?

NO.

Conclusion

Introducing the businessman's perspective when teaching business associations rewards students who pay attention to the financial details in the case!