

# TEACHING LAW STUDENTS ABOUT BUSINESS AND FINANCE

Barbara Wagner<sup>1</sup>

*Teaching Law Students Who Are Afraid of Numbers About Business Basics: Learn from My Mistakes*

Jonathan Brown<sup>2</sup>

*Teaching Corporate Finance Using Clinical Client Work*

**Barbara Wagner**

Let me set the stage for this presentation. Tina Stark, who most of us know as THE expert on teaching contract drafting, was a partner in a major New York law firm before she started teaching. She once observed: “For a deal lawyer, not knowing about business is akin to a litigator’s not knowing civil procedure and evidence. Business is the discipline-specific substantive knowledge—the professional expertise—that a deal lawyer must have to function effectively.”<sup>3</sup> It is this understanding of business and finance – and how to expose law students to it -- that is the subject of our presentation today.

We are going to start with introductions. I’ll let Jonathan go first.

**Jon Brown**

Hi everyone. I’m Jon Brown. I’m a Clinical Teaching Fellow at Yale Law School. I’ve been doing that for one year, co-teaching in a community and economic development clinic. Prior to that, I was a lawyer at a firm in New York for 8 years doing debt finance work.

***TEACHING LAW STUDENTS WHO ARE AFRAID OF NUMBERS ABOUT BUSINESS BASICS: LEARN FROM MY MISTAKES***

**Barbara Wagner**

I’m Barbara Wagner. I teach at Northern Kentucky University’s Chase College of Law. I practiced corporate law for over 30 years, both in law firms and inhouse before I started teaching. I now run a clinic representing small businesses and nonprofits, but I teach other courses, as well, all of which focus

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<sup>1</sup> Northern Kentucky University, Chase College of Law.

<sup>2</sup> Yale Law School.

<sup>3</sup> Tina L Stark, Thinking Like a Deal Lawyer, 54 J. LEGAL EDUC. 223, 232 (2004).

on transactional skills and business knowledge. My presentation today will be about a program I offer called Business Boot Camp.

As Jonathan and I prepared for this panel, it occurred to us that if you think about Yale Law School and Chase College of Law—we represent two ends of the spectrum of law schools. We thought we would emphasize at the outset that whatever we say in our presentations, you have to tailor it to your school. This includes: who are your students? What are they going to do when they graduate? What comparable courses does your school offer? What do you want them to take away from your course? That is central to how you organize your teaching.

When Katherine made the comment in the presentation yesterday about grit, I started thinking about how we might use that to define our students. I have some outstanding students, including students in the evening program who have fulltime jobs while going to law school. But our students' LSATs don't correspond to the students who go to Yale Law School. The Yale students have achieved great academic success, and I suspect as a result they have a much higher level of confidence in their abilities and potential than my Chase students. Of course, my students don't aspire to work at big firms in New York City or become national policy experts. While some work in larger cities and larger practices, many of them are interested in small practices and staying local. They may go to three-person or twenty-person firms. They may hang their own shingle, and they need the appropriate skills for that. They may need the business skills to run their own practice and they certainly need the related confidence. So in designing your own courses, you really have to think about what your students are going to be doing as you think about what and how to teach them.

### **Jon Brown**

The grit question is interesting. At Yale there are a lot of students who have done interesting things before law school. There are probably more people who haven't gone straight out of college than most law schools, and in the clinic, we get both of those. We get some students who come straight out of college and immediately to law school and some students who had all sorts of careers prior to law school. We have a student who was a community organizer for many years. We have an engineer. A high school teacher. We have a couple of students who were consultants.

So like you said, everyone at Yale Law School has achieved a lot academically to get into the school. But there actually is a big difference in the range of life experiences, and that can make a big difference in confidence level

when students start representing real clients in real-world matters. We try to think of a way to teach both students with professional backgrounds and students who came straight from college who are totally new to this type of work. Also, we get students who are really interested in transactional work and have some sort of business background, and others who have zero experience or interest in transactional work and are involved in the clinic because they want to try some sort of public-interest-related clinic, and that presents a similar challenge.

### **Barbara Wagner**

Trying to figure out which students are actually going to enroll in a business skills course raises the same challenges. You have to decide whether you are going to prohibit some students from taking a basic course because they already have too much familiarity with the subject. This may come from formal study or work experience.

I've had students talk to me about our business skills courses, and many of them do not want to waste tuition money on a course that's going to be too basic if they already have a strong business background. On the other hand, I've had undergraduate business majors who took Business Boot Camp, and at the end said, "I hate to admit it, but this is the first time all the pieces fit together." I'm not really strict about prohibiting people from being in the class, but I do try to give them a good idea of what the class covers and let them self-select. At other schools, it might be more important to enforce a policy not to admit those students who are trying to get a gut course.

My biggest concern teaching business skills is reaching the student who says he or she wants to be a litigator and does not need the business basics. If you are a litigator, you need to know who has the deep pockets, who are you going to go after and where can you enforce a judgment? Or a student who is going to practice family law, might need to be able to understand what assets are; who has the assets; where to find the assets; and whether a balance sheet or list of assets accurately represents the family's wealth? Notwithstanding Tina Stark's comment, I try to get even the non-business lawyers to understand the importance of some business knowledge

### **Jon Brown**

For the clinic I teach, there are students who want to do it because they are interested in business. They think they might want to work at a big firm and do transactional law, so they want to get experience in a clinic. There are also students who like the idea of working with community development.

They are more interested in the policy aspect of it. Both of those are totally legitimate reasons to want to do the clinic, and both are legitimate goals of the clinic. We review statements of interest from students who want to get into the clinic. For some, the interest is solely the transactional, and for others, it is solely the policy. Both reasons are fine, but we have to figure out how to tailor the clinic to that and how to balance that.

This balance comes up in client selection and in the focus of the clinical seminar. We recently had a meeting with a private developer with an idea for a very exciting project; however, there were very little community development aspects to it whatsoever. Arguably, one could say it indirectly furthered some policy goals, but we decided it did not really fit the mission of what we are doing. We do not want to do a project where some students would say we are just helping a private developer who could easily pay for his own counsel but instead is getting it for free. Even though there are probably a lot of other students who would love to work on that because it is a cool transaction. So we are constantly thinking about who the students are, what the students' goals are, and what the students want to get out of the clinic.

### **Barbara Wagner**

My experience teaching Business Boot Camp is that there has to be room to be flexible. I see who shows up the first day, and then I tweak the syllabus. I do not totally change it, but I try to figure out how to engage the students who show up. I ask them about their business backgrounds on the first day: sometimes they have very similar levels of business knowledge, sometimes there is a great variation. As is true with every other course, even if you're teaching exactly the same thing every semester, the class is different each semester based on who is in the room.

### **Jon Brown**

In our clinic, we are trying to balance what students are interested in getting out of the clinic. We asked at the beginning of the semester what they are interested in and what classes they have taken to see if they have a general interest that seems like they would be a good fit for the clinic and to shape the clinic according to their needs.

In the last few years, there have been a lot of students really interested in food issues. There is a student who just graduated and did the clinic for two and a half years. That student started a food law society. We now have several clients that do food-related issues as they relate to community development. We are trying to do more, and this is an exciting component of the clinic for

many students. I think it is great if you can be flexible and figure out what suits the students and what does not suit the students.

### **Barbara Wagner**

In short, Jonathan and I are emphasizing being flexible in what you teach in different semesters, but even more, meeting the needs of the students at your particular law school.

Let me turn to my presentation about teaching Business Boot Camp. I have taught the course for four years and have changed it every year. Why? I set an enrollment cap of twenty-five, and I have never had twenty-five students in the class. So I keep scratching my head asking “what can I do differently to get more students here?” Part of it is marketing: “Am I reaching the right students at the right time? How do I convince them that learning these skills is not going to be boring or too hard?” Another part of it is that some of the students are scared to try. So then the issue is, “How do I convince them to try it and that they are not going to fail?” Business Boot Camp is pass-fail. If they come to class every day and put in a good effort, they aren’t going to fail; they are going to learn something from the course. I want to give them the confidence that they can master these skills and then go on and learn more. So my purpose is to explain how I have modified Business Boot Camp in different ways to make it more accessible to students and what worked and what did not work.

At Chase Law School, we currently have four courses that offer different types of business training. Students can also take courses in the college of business. “Business Boot Camp” is the course I run, and it is a one-credit course. There is an “Essential Quantitative Skills for Lawyers” course, which is targeted to students who are in a selective program. The students in that course are typically the top students and a few other students who get admitted into the course. “Business Basics” is two credits. “Accounting for Lawyers” is two or three credits. I provided as a handout a summary of the topics that are covered in those courses. You will see that the topics overlap somewhat but may be covered in more depth in one course than another. A student cannot take both “Essential Quantitative Skills for Lawyers” and “Business Basics for Lawyers” because they are deemed to be too similar.

### **Question**

Could I ask you one question?

### **Barbara Wager**

Yes.

## Question

How do you cover all of that in a one-hour course?

## Barbara Wagner

Very quickly. We do not teach students how to prepare a balance sheet, or discuss every line item in detail. In Business Boot Camp we cover many topics more like music appreciation, but as I'll point out shortly, we do emphasize some areas. We touch on a lot to try to give students exposure and give them something to think about—we want them to get over their fear and realize there might be something worthwhile about learning more about business and finance. The students do get engaged by asking questions and trying to tie in our material with the things that they know about business. Finally, as it is currently taught, the students spend most of their total learning hours in the classroom—for a one credit course, there is about 30 hours of instruction.

Business Boot Camp has been offered since 2010. I started teaching at Chase in 2012, and have taught it once a year for four years. Let me tell you what the constants are – what has stayed consistent about Business Boot Camp and what distinguishes it from other business skills courses. Then I'll go into more detail about what I have tweaked over the years. The constants are:

- The culmination of the course is for the students, working in teams, to make a presentation to a team of judges of a business case, strictly focusing on business issues.
- The course is always concentrated either before or at the very beginning of the semester so that the work is completed within the first few weeks of the semester.
- As previously noted, most of the class time is actually in-class instruction. There are some exercises done during class time to reinforce the concepts, but most of the work outside class is preparing for the final team presentations.

One other constant, aside from the curriculum in business topics, is having a workshop on teamwork and a workshop on how to make a presentation. We've done the spaghetti and marshmallow tower building exercise (if you're not familiar with it, you can google it), and this year, I worked with a great co-teacher from the NKU college of business who introduced a

tower building exercise that used tinker toys. We have had different speakers about how to make a presentation, but we hope that is a skill which will have broad use for the students. I was surprised that the students have not really learned how to make a standard, objective presentation. They learn how to argue in court.

Now let me turn to how the course has evolved. The first year that I taught, I inherited the materials based on a scenario of a business owner who was retiring, and his long-time employee was going to buy him out. This was not the legal side—not the documents to be drafted. It covered issues like “Where is the employee going to get the money to pay for the business? How much is he going to pay? How do you even start the valuation?” The class had meetings with various outside experts to learn about valuation, borrowing money, key man life insurance and other relevant topics (visiting many local businesses in the process, to give them exposure to business offices). The problem I had that first year was that it seemed like the course was too structured: each presentation was “here is how you answer this part.” Then, students just strung together and regurgitated what they had heard from the experts into a presentation.

I wanted to make them think a little bit harder. I talked to a friend who practices at a large firm in Cincinnati who told me about a training program they had for their first year associates. Luckily, we had some funding available, and we hired the instructor who already had a turn-key program at the law firm. He is a business professor<sup>4</sup> with many years of business experience, which meant he could provide lots of concrete examples. He modified the program slightly for law students, but provided 15 hours of instruction and supervised the team presentations—a Harvard Business School case. I attended all the classes, often asking questions when it looked like students were confused, or adding a few comments about issues that might be important for lawyers. I also made some additional presentations, and brought in several supplemental speakers, on topics he did not cover, as well as some practicing lawyers reinforcing how business skills are useful to them—a total of about ten hours of additional instruction. That year, there were about five hours of group exercises which the students completed onsite (usually during the lunch break).

After two years of that format, we made two main changes: first, we partnered with business professors at our own university; in addition, we gave

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<sup>4</sup> He was teaching at a different university, which raised some political issues that ultimately led to our use of business professors from our university.

instruction on how to create a business plan (or business canvas) and the final presentation which the students would make was a business plan for a small business. One group of students decided to create a law firm, and two groups of students ended up creating different kinds of businesses. They had to make a case for getting funding or investors.

With that background, let me address some of the questions I have dealt with each time I offer Business Boot Camp, namely, who, what, when, where, why and how. I will explain what I have tried over the years.

So let's start with the "who." What students? Initially we taught only the week before classes started in the summer, which automatically excluded the 1L students who were busy doing orientation. So it was just 2L and 3L students. Most recently, I taught the course beginning before the spring semester, and continuing for a couple Saturdays at the beginning of the semester. That made it accessible to 1L's. It has worked well to bring students together from different class years. A couple of times, I have opened up Business Boot Camp to graduate students at the university (other than business students), often because I was looking at enrollments that were lower than I expected. But since they're learning a whole new subject area, I think the cross-fertilization has been helpful. The concept was to let the law students expand their horizons by learning with students who were going on to do other things, in one case start a business. I've had some pressure to bring in undergraduate students, but I think that totally defeats the purpose of trying to tell the law students this is a graduate level class.

The next issue is how many. I have a cap of twenty-five, based on teams. You could have up to 4 teams of 6, but beyond that, your judges are going to get tired. So you will max out at 3 or 4 team presentations. I think you need at least 3-4 members per team, and ideally 3-4 teams, so a class size of 10-15 will work perfectly well.

The next aspect of "who" is the teachers. This is one of the things I find really fascinating. While Business Boot Camp brings in many outside speakers, including business experts, most of our other business skills courses are taught by either regular, full-time faculty or adjunct faculty who are practicing lawyers. My perspective is, yes, I have a masters in business administration, taught an undergraduate corporate finance course and worked in an inhouse capacity for over 20 years, so I'm sure I could teach this class, but I don't think I should be teaching it. I would much rather have business people teach -- someone who has accounting experience or finance experience. I want a corporate treasurer or a banker to come in and talk about finance. This seems to be a minority view; many law faculty take the approach: "just give me the

case book and the teacher's manual, and I can teach anything." I want to bring in the best experts to teach. The students need to hear from the practitioners, who add credibility. I am not going to say one approach is right and one is wrong; there is a tension about this issue in law schools. I believe I should not be teaching accounting even though I could easily teach the basics. I could teach some basics about marketing or HR, but I would rather have students hear from someone who does marketing or human relations.

### **Question**

So the practitioner idea, I think I personally am a strong advocate of bringing people from outside because they bring real world experience. They do it every day. I think in terms of the things that I find challenging is that sometimes the practitioners live and breathe this stuff every day, and they have a certain language that our students have not learned yet. So the big challenge for me is to try to decide whether I bring people in from the outside and will they be sensitive to the fact that these are baby lawyers learning new concepts. I take that extra step to make sure students can process what the speakers are saying. That is kind of a big challenge, but I am a big advocate of bringing in outside because they bring in stuff that is really valuable. So as long as you make sure that your speaker is sensitive, it is really effective I think.

### **Barbara Wagner**

Okay. Yes.

### **Question**

You have got to make sure that they do not talk over students' heads.

### **Barbara Wagner**

I agree. That is part of why I sit in on all of the classes, and I look around. If I think the students are totally puzzled, I start asking questions. I do this because I am trying to bring the speaker down to the level that I hope the students will be able to relate to. Sometimes I can tie in a topic with something I know the students learned in a law class – not because I'm trying to teach law, but to find another way to anchor the information with something they already know.

I will add that by bringing in business faculty, most of whom had business experience before they started teaching, I got the best of all worlds: many of them were star faculty members who had experience teaching and knew how to convey the concepts. Having said that, I will emphasize that the

accounting professor can't teach debits, credits and t-charts the way he might teach accounting majors who will take several semesters of accounting. Law students don't need to know that. The accounting professor we used knew he was trying to teach the students an overview about why is it important to have accounting rules, an audit trail, and understand differences between industries as well as a general understanding what you can learn from a balance sheet or an income statement. So I think it worked out well for us, but there are risks.

While I'm talking about who teaches, I need to bring in some economic issues. Many universities are interested in "trans-disciplinary" cooperation among schools and departments, but universities are still fairly silo-focused. Professors who teach in programs elsewhere in the university may not necessarily get the same credit as they do for teaching in their own schools. We had some interesting budget issues. The business school was willing to provide teachers, but they wanted the law school to pay for them. It was cheaper than bringing in the turn-key program from a professor at another business school, but more expensive than, for example, adjunct professors. (At least in our area, adjunct law professors don't command a very high salary – lower, for example, than adjunct business professors, I learned). That required some negotiation and discussion.

On top of that, every outside speaker I have ever used has offered his or her time for a 1-2 hour presentation for free. So the students had no visibility into the fact that some of the instructors were paid and some were not paid. I think it was a good mix, but the quality of the presentations did not necessarily bear a direct relationship to the price paid for the speaker. One of the best speakers for the students was a litigator who talked about why it was important to understand business issues and his clients' business motivations – and of course he volunteered to speak for free. I've had some serendipity over the years with finding speakers. We placed a short article in our bar association magazine about Business Boot Camp. After reading it, a law firm administrator called me and said he would be happy to talk to the students about the business of running a law firm. So the next year we added a whole panel: He brought a lawyer who ran a solo practice, an administrator from a large firm and he came from a medium-sized firm. They talked about the business aspects of running a law firm: planning; budgeting for new technology or new employees; cash flow; what do lawyers do and what do administrators do. For example, they talked about how law firms traditionally have been terrible at collecting their bills. So, if you look at their balance sheet, you are going to see receivables that are six months old because the firms do not send out the bill, let alone start dunning people to pay the bill. This panel was interesting for the students because many of these students may end up running their own firm or working in a very small

firm, but they're so focused on passing the bar and the type of law they want to practice they haven't thought about the business aspects.

The last component of "who" is the judges. Our panel of judges is three people. They have to be smart about business, but also able to give meaningful feedback to the students. In choosing judges, you have to think about where you want visibility. Who in the university will be a good ally? Do you know a hiring partner at a local law firm who would be impressed with this program? I haven't gone that far yet, but I'm considering it. Each time I've done this, I've invited one former colleague who is the chief financial officer of a company. He has been on the panel of judges every year, partly for consistency, but also for credibility (he has listened to lots of presentations over his career) and because he establishes good rapport and gives good feedback. I always include an alum; I want someone who is knowledgeable about business, but I also want to get some bang for the buck. I try to find an alum who will support the program. Finally, I have included a faculty member – either from the law school or from the business school.

That is pretty much the "who."

The "what" is what topics you cover and a variety of issues about the curriculum. Are you going for breadth or depth? I am trying to do breadth. I am trying to touch on topics and get students thinking about them. In the most recent iteration of Business Boot Camp, the goal was for students to prepare a business plan and present the plan as if they were trying to get funding for their business. So, the very first presentation was how to prepare a business plan. We used a simplified concept called a "business canvas," and it focused on how to present your business: Who are your customers going to be? What is unique about your product or service? How are you going to market it? What assets do you need to conduct your business? How much funding do you need and what do you project for your business in the first three years? This was a great anchor for the remainder of the presentations. Another aspect about the "what," the curriculum, is finding a balance between talking heads, who cover a lot of information, and engaging the students with exercises or problem sets. Based on the most recent offering, we covered a lot of material but I need to get the students more engaged. If they do exercises during the hours they are in class, then you cover less. So you have to figure out what are we not going to cover. Recently, the only work done outside of class has been preparing for the final presentations. In prior years, the students have had some assignments that were done either individually or as a group, but when everyone scatters at the end of the day, it's difficult to get work done in groups.

There is another aspect of the “what.” This is the one course I teach where I assign students to work in groups. I know collaboration is important for law students. I am back in a dichotomy. When I run my clinic, I have tried having two students represent the same client. The students step all over each other’s toes, and I thought it was a colossal waste of time. When I talk to practicing lawyers, they say, “Well, of course. You would not have two first-year associates doing exactly the same thing. You need first-year associates who know how to work with a third-year associate or a lawyer who knows how to work with an accountant and an HR person.” So in my clinic, I do not do “teamwork.” I do not want to spend all of my time refereeing who is doing the most work and who is doing the least work, as important as it may be for them to learn that. But in this group, it has worked very well. We try to encourage the students to take different roles. You always have the same group dynamics of one person who talks the most but may not necessarily have the best ideas. The students learn how to deal with that. So I am trying to work with groups, but it is not perfect.

### **Question**

A suggestion for you. On the groups, I actually require groups of “law firms” in all the classes I teach. But the way you can remove yourself from having to referee anything, they know from the very beginning that at the end of the semester they are going to grade each other in the group. It is done anonymously, and the way it is done is: the firm had a great year and has \$100,000 for each member. Then you are to allocate that money among the team. No two people can get the same amount of money (a concept I stole from business school by the way). It worked beautifully. You will see when you have ten groups, most of them will award each other something very close to the \$100,000. There will always be a couple or three firms where one person is awarded significantly more by most of the team. That is reflected in their grade. The one that I remember most, because it is always at least one or two teams, is when one person is pretty much slammed by the rest, for example when all the team members gave their partner \$10. I thought, “That just encapsulates what this team member did.” That was my basis for giving that person a very low grade. So you do not have to get involved.

### **Barbara Wagner**

Now, does the team as a whole have to agree on the amounts paid to each person?

### **Question**

No, no. Each person does it anonymously so that I am the only one who sees everyone's allocation, but they know from the very beginning that, at the end, the other members of their teams are going to grade them. I think it had a really good impact. For instance, the people whose grades have been dropped because of their participation, I have never had one of those students come by to complain about his or her grade because I think they know why their grade was lower. They do not want to sit there and have me say, "well you know the other six members of your team thought you were an absolute dud." It works.

**Barbara Wagner**

Interesting. So when you say they cannot all get the same amount, can it work with \$100,000 divided among the five?

**Question**

If there are 5 members, they get \$500,000. Each person cannot get \$100,000. But if I am trying to judge my team and I thought everybody did about the same thing, I'm going to give one \$100,000 and one \$101,000 and \$102,000.

**Barbara Wagner**

Okay, I get it. \$99,000, \$98,000.

**Question**

And then they get the point across to me that they all worked well together. If somebody gets a lot higher, it says the rest of the team thought that person was the glue factor.

**Barbara Wagner**

Do they give comments too or just the numbers?

**Question**

Just the numbers.

**Barbara Wagner**

And you do not know who gave who which number?

**Question**

I know exactly who gave which number.

**Barbara Wagner**

Okay. Okay.

**Question**

The other psychologically interesting thing is the person who gets the lowest amount from the rest of the team normally gives themselves \$200,000 or \$300,000 figuring all the professor will do is put it into a spreadsheet and take the mean and that way it will be okay. So the first time you look at that big paper and you've got somebody who gave themselves a huge amount of money, before you even look at the others, you know that everyone else is going to be giving that person a really low amount.

**Barbara Wagner**

Interesting. Okay. So you do not think the person who gave himself the \$300,000 is because he really thought he did the best job?

**Question**

Well, if so, he is deluding himself.

**Barbara Wagner**

That's right. You said they never complain. Interesting. I'll have to figure out how I can make that work for Business Boot Camp or other classes.

Let me turn to the next curriculum issue, namely whether the course is offered for credit or noncredit, and if for credit, whether graded or pass-fail. We have gone back and forth. In the first few years I taught, it was non-credit. This past year it was for credit. I don't think the students worked harder or less hard when it was for credit or non-credit. They liked the bragging rights for winning the competition (or at least didn't want to make fools of themselves). Of course it plays a role in my official teaching load. As I said before, we chose one credit because we had other course offerings that were two and three credits, so I just tried to cram as much as I could into the time. I have only offered Business Boot Camp on a pass/fail basis. We are trying to get students to try a subject area they are uncomfortable with; adding grading will only add to the discomfort. We end up at the end of the competition with a winning team, but we do not differentiate A, B or C.

Another curricular goal is exposing students to business people and lawyers. I want to provide networking opportunities. I had a panel of inhouse counsel and outside counsel, to describe the different roles, since inhouse

counsel often get pushed closer to making business decisions. Outside counsel says, “Well that is a business issue. I am only advising you on the legal issues.” In-house counsel gets much closer to the business issues. So, I bring in in-house counsel to talk about how they deal with business issues. Afterwards, the students had lots of questions for them.

The next topic I want to address is “when.” When is the course offered? I inherited teaching Business Boot Camp my first year when I showed up in July and had to teach in August. The week before the class was scheduled to start, we had about four people send an email saying, “I need an extra week’s income at my summer job,” or “I have to finish up a project at work, so I am not going to take the class.” Especially when it was a non-credit course, the summer schedule was challenging; some students decided they wanted to take a week off and really enjoy the end of their summer before they go back to class. As I noted before, this also made it impossible for 1L students to participate. So then we tried winter. Well, on our calendar, you cannot squeeze a whole week in before the spring semester starts. You would have them starting December 29<sup>th</sup> or January 2<sup>nd</sup>, and very few students would register. So the last couple years we have started three days before the spring semester starts. We have a Wednesday, Thursday, Friday, and Saturday of classes followed by two more Saturdays, and then presentations a week or two later.

My one colossal mistake with timing was the time we had all the classwork squeezed in the week before the first week of classes, and the presentation was supposed to be the next Friday, at the end of the first week of classes. That meant their main teamwork occurred during the first week of classes. The students were just too preoccupied with everything about starting classes. They could not get their teams to meet. So while we try to cover most of the work before the beginning of the semester, arranging for the presentation the second or third week of the semester makes more sense.

There are a couple other scheduling issues I’d like to mention. First, we have evening students, and I would love to get more of them engaged. But most of them are working full-time, and I haven’t ever had anyone say, “okay I’m going to take three days of vacation from work plus those Saturdays.” So, it is what it is. I have not figured out an easier way to accommodate evening students.

Second, we have several students who commute up to 100 miles to law school. So we have to decide whether to schedule four hours a day (plus the commuting time for those commuters) or six or seven hours a day? On the one hand, six or seven hours would give the students a particularly long day, but the

commuter would rather have six hours of instruction and fewer days of commuting. To complicate matters, I had a commuter who had an emergency and she knew she was going to be over 2 hours late, so she just did not come at all that day. So she is missing a big chunk of the instruction. If it applies, this is one more challenge you have to weigh in scheduling.

The next issue is “where:” where do the sessions meet and where is the competition held? Right now I am leaning towards holding all the sessions at the law school (or possibly the business school). Everybody knows how to get there. They don’t get lost. They don’t have to pay for parking. We have tried going elsewhere, and it is almost always much more trouble than it is worth. I have gotten law firms, especially on Saturdays, to make conference rooms available. They have facilities. They take the students on a tour. The students get to see how many lawyers are in the office working on Saturday. We have also tried business offices, but students get lost and arrive late - it seems that it isn’t worth the amount of time people spend getting places. Yes, I guess it’s good for them to learn how to experience building security on a Saturday and learning to call when they’re going to arrive late. But the logistics are definitely more complicated. We have enough of a budget that we pay for meals at least a couple times during the week. It makes sense to do that for the offsite locations, since we don’t want students packing a lunch or getting lost trying to find a place to buy lunch. But trying to work out those food logistics when you are meeting at other locations gets a little bit more complicated, too. But for some students, it’s invaluable to have that exposure to these business locations.

The location for the final presentation has also presented some challenges. We have this great auditorium space that is probably three times bigger than this room and has a screen that covers the whole wall. It would be a great place for a presentation. We have considered it, but never used it. We realized that the students would be intimidated to present there. So Instead, we use a much smaller room with a “normal” size screen. I hope someday I will have a group of teams where I can say, “yes, I think this group of students will be able to do the presentation in the big auditorium.”

The last two topics are “why” and “how.” I’ve touched on them earlier, so I can be brief. So why am I teaching Business Boot Camp? I embrace Tina Stark’s advice. Business lawyers, and frankly all lawyers, need to know more about business. Business Boot Camp is not rigorous, it’s a way to help students test the water, and hopefully have some fun I want them to say, “Gee, this wasn’t so bad.”

I think my biggest problem is still marketing. I will hazard a guess that at most law schools, including mine, the faculty could do a better job of

encouraging students to take other professors' courses. I suspect the doctrinal faculty outside the business/transactional sphere don't necessarily understand the importance of learning business skills. Even among faculty who appreciate the value, in these days of shrinking enrollment, many faculty members are more concerned about making sure their own classes are fully subscribed than encouraging students to take other courses. And, of course, we don't always know what our colleagues are teaching. I do not have any perfect solutions, but the thing I have done most recently is, at the end of the preceding semester, I go visit classes. I ask other professors to give me five minutes to stand in front of their classes to talk about Business Boot Camp and why it is worth participating in.

The "how" piece is the continuous balancing – how to make the content most accessible. We bring in practical examples of buying or leasing a car, what information do you want to know before making an offer on a house? I continue to tinker. We cover a lot in class and, in my opinion, at this point there's too much talking. I need to get the students more engaged in trying to apply what they're learning rather than just listening. This is not a mini-MBA. The students won't master everything, but we want to expose them to concepts and vocabulary, show them where they can find the tools they need.

In sum, each year I have offered Business Boot Camp, I have focused on who I am teaching, what I am teaching, when and where the program is offered, and continually tweaking the why and how. Because I am committed to business training, I am trying to get the most people into the course and hope that they are going to master, or at least gain an appreciation of, the basics. Now I'll turn it over to Jon for his presentation.

*TEACHING CORPORATE FINANCE USING CLINICAL CLIENT WORK*

**Jon Brown**

I am also going to talk about how to teach business concepts to law students but in a much different and more specific context. I am hoping that it applies to what people do here. What I am talking about here is a teaching method that can be adapted and give ideas for teaching corporate finance and other business concepts in different contexts. Particularly what I want to talk about is in a clinical seminar; how do you teach corporate finance and business concepts to students in order to help better prepare them for doing the actual clinical work and better prepare them for being lawyers when you have very limited time for doing that?

First, I am going to give a background on what our clinic does. The Community and Economic Development clinic is a transactional clinic at Yale Law School. It is the only transactional clinic. Everything the clinic does is, in some way, representing clients who are trying to improve economic opportunity or develop community resources in low-income communities. Another way of thinking of this is that we try to build places of opportunity by promoting access to housing; by promoting access to financial products; and by improving food systems. We do that through transactional work, not litigation.

The graphic we have up here is just a map of New Haven which is probably too small to read up on the screen. The point of including this is Yale Law School is right in the middle of downtown, and it is a very small part of New Haven. It is largely the only part that most of the law students get to see. In a way it is its own little world, but it is a much bigger city. It is a very diverse city. It is a city with a lot of interesting stuff going on, and I think one of the coolest parts about having students do this clinic is that they get to work with clients in other neighborhoods. They get to know the other neighborhoods, and they get to know what is going on in the city as a whole and feel more connected to that as a community. Our clients include a lot of non-profits, community groups, neighborhood associations, affordable housing developers, and policy advocates throughout New Haven, and some there are further afield.

So with that kind of work and that kind of client, why does corporate finance matter? I think when you put this in the syllabus, students may see “finance” and that could denote images of Wall Street, huge companies, and multibillion dollar bills. It does not really denote images of the community group in the Dixwell Neighborhood of New Haven that we work with. But to give some examples of the kind of work we have done in the last year, we worked with an affordable housing developer in developing a project that is

going to be commercial space on the first floor and three stories of low income housing. It will be financed by a combination of tax equity investments, loans from non-profits, loans from for-profits, and some grant money. We worked with a non-profit foundation on a loan to a worker-owned cooperative. Actually, at the time that we were working on this, it was not yet a worker-owned cooperative. Part of the project was figuring out how to set up its capital structure to make it into a cooperative structure that worked from the perspective of our client as a lender. Finally, we worked with a group of families who were trying to purchase blighted homes in their neighborhood. They do not have access to traditional mortgages, so we tried to think of creative solutions for forming legal entities by having them pool their money together, buy homes, and live in those homes.

I think the common thread for all of these is that, in some way, they all have something to do with business and corporate finance. To do just the basic level of work on this, a student has to understand something about equity investments and loans to draft a contract or do research on a legal issue. So that is one level of understanding that I want to make sure students in our clinic have, but another level—and I think this is really what I want to focus on—these are all pretty unique, challenging problems that require some creative problem solving and creative thinking. I really want to get to a level where students are drawing up circles and triangles, connecting little lines, sketching out deal structures on paper, and thinking about the big picture—how do we come up with solutions for a client that do not fit some sort of blueprint. There really is not a blue print for most of these matters.

So what are my goals in teaching corporate finance in this clinic? I just went over it a little bit, but I think the idea is that we want students to be ready to do this kind of work in the clinic, but not just so they can do the work for the clinic and help the clinic do better work, but also so that they can get the most out of the work they do in the clinic and become better lawyers.

Thinking about the goals generally in teaching transactional law, we first think about foundational skills. These are things like reading and drafting contracts; researching legal issues; basic financial literacy. That is all really important. If the goal is to make students practice-ready, these are all really important skills, and that is what we try to do with the clinic. Give students a chance to draft a contract, read a contract, and research legal issues. But, I think that is not everything. There is another level of business lawyering skills. I am borrowing some terminology from an article that Praveen Kosuri wrote, and I am simplifying his categories quite a bit. It is called “The Art of Business Lawyering.” I highly recommend it. There is a lot more to it, but he breaks

down what great business lawyers do. There is one level of foundational skills, and then there are transitional skills and optimal skills, and the really best lawyers—people who are at big firms making the biggest bucks possible—are true advisors to their business clients and have optimal skills. These are skills like original, creative problem solving and truly understanding a client's business.

It is critical to teach the foundational skills, but I think, ideally in a clinic, we are also teaching optimal skills. A student may go on to work at a law firm and not really have the chance to develop these optimal skills for the first couple years. Maybe this is a chance, right now in the clinic, to work on a project that is a smaller scale where they get to actually map out the big picture. They get to think of how to structure the deal and creatively solve problems, and maybe down the road as they become more senior as a lawyer, they can revisit that.

Ideally, I would love for students to get all of this from their clinical work. With that in mind, I thought it was important to prepare students for getting this out of their clinical work by first teaching them the basics of corporate finance and also how deal lawyers think about and structure deals. I wanted to do that in a clinical seminar. Most clinics have a clinical component in which students are actually representing real clients and doing real live client work and also a seminar component. We have three hours of seminar a week, and there is a lot to cover. I thought it was important to devote at least one week, which is three hours, towards corporate finance basics where students could work on their deals and get the most out of developing these skills.

One of the biggest challenges of teaching business concepts in a clinical seminar is time. We have three hours a week for one semester, and there is a lot to cover. Part of what we try to cover is skills-based learning. For example, negotiation exercises and assignments, and drafting skills. We also do other types of content. We do professional responsibility and ethical issues. We do some policy-based work. Consequently, there is not a lot of time to cover any one subject. There is a lot you could say about corporate finance. There is a lot you could say about all sorts of business concepts that the students would really benefit from knowing.

And the range of student experience comes into play on this – we talked about this a little bit in the beginning. There are students who come in with some business backgrounds. We occasionally have students who are joint JD/MBAs, but probably most of the students have very little financial or business experience. I also covered range of students' interests at the beginning. There are students who really want to learn transactional law, and there are

students with no interesting in practicing it but who are drawn to the policy of what our clinic does. How do you teach corporate finance in a way that does not sound dry or boring and does not scare away those students?

In thinking about this and about how I was going to teach this class, I thought of a couple different approaches. One is just do not teach it in the seminar—save it for the clinical work. That is kind of the concept of the clinic. The students learn by doing, which is a great way of learning. So that is an option. Second is just to teach the concepts in the class and let the students apply those concepts when they get the chance and the actual work. That could be effective. There is a lot of reading material out there that can teach the basics of corporate finance concepts, and then the students can apply that when it comes up in their client work.

Barbara mentioned the Harvard Business School Case Study. We have used Harvard Business School Case Studies for a couple other seminars in our clinic, and I think case studies are great. I think, for one, they are fun. I think students have more fun reading the case study and applying it in class than reading a chapter of a textbook explaining the basics of corporate finance or something like that. There is a story to them. I enjoy the way of learning that they promote. They tend to be open ended facts and do not necessarily have one correct answer. There is not necessarily one correct in analyzing them, and that matches the real world, real life, and real practice. I think having studies to learn through messy ambiguous facts is a great way to learn.

Finally, the approach I am going to focus on for the rest of the presentation is what I call a “clinical case study.” By that, I mean a case study but, in particular, a case study based on the work the clinic is actually doing. That is what I tried doing. Partly, this was out of necessity. I started looking for case studies out there from Harvard Business School and other sources, but I did not find something that really fit the kind of work our clinic was doing and the kind of lessons I wanted to teach. Another alternative would be to make something up, but I am not that creative. So I thought, why don’t I just take one of the matters we are actually working on and make that a case study?

So why do this? What are the pros and cons? One pro, like I said, are the messy facts. This could go for other types of case studies but definitely if we are taking real client work and turning that into a case study. It is the real world. The real world is not perfect. The real world is ambiguous. The real world has quirky facts. I think that helps students get prepared for doing actual client work.

Also, salient facts, and by this I mean the difference between this approach and a case study someone else has written about a hypothetical

situation or something that happened 10 years ago in a different part of the country. You make a case study about something that your clinic is working on at that time and at that place. That could be a lot more interesting to students in my opinion. In this case, I came up with a case study where all of the students had heard of the client. They were somewhat familiar with what the client does. They probably walked past the building where the client works. So it meant something to them to be talking about this client.

Another pro is the greater investment students have in a situation with an as-of-yet undetermined outcome. By this, I mean I thought it would be cool to have a case study about something that was happening live at that time. That would be better in my mind than a case study of something that happened 10 years ago or a problem that was solved 10 years ago. Students could be recreating it and trying to match the solution that someone else eventually found 10 years ago. Why not instead have something that has not actually been solved yet? The students get really excited about that.

Finally, there is what I call clinic lore. By that, I think it is really important in a clinic for students not to be working in their own silos, closed off from what other students are working on. To know what other students are doing and to learn from each other is how a firm works. When I was at a firm, people knew what others were doing, and people also knew what the group at the firm has done in the past. You could draw from precedents. You could talk about this crazy deal that happened a couple of years ago that everyone knew about. That helps do the work, but it also helps build community. I thought it would be great to have students learn more about what others are doing by making this one project that a couple students in the class were working on a centerpiece of learning about this particular aspect of practice.

There are challenges and disadvantages to this approach as well. For one, the messy facts. I said it is a good thing. I think it is also a bad thing. The facts might not actually work for what you are trying to teach. You might have to tweak them. They might teach the wrong lesson, which could be an issue. Also, narrow facts. There is a lot to teach, and maybe the fact pattern that you've come up with from the real world teaches one interesting lesson, but it does not teach all of the things you want to hit on. Students' prior involvement—if you are in a clinic and you are taking live clinical work and teaching the whole class about it, there are going to be some students in the class who are actively working on that matter. In our case, out of eight students, two of the students were working on the project I ultimately chose. What does that mean? Does that mean those students get nothing out of that seminar class and they have to sit in the back and keep their mouths shut? Do they

dominate the class too much by spilling the beans and giving everything away? That is tricky. And finally, probably the most challenging issue is whether this kind of approach repeatable? I have not quite solved this yet, and I will come back to this, but is the idea that every time you teach this class again, you come up with a new active matter and update the lesson plan and start from scratch? Do you just pick one matter and teach it again and again in which case you have kind of lost the immediacy of an undetermined outcome? I think that is a big challenge that I want to revisit later.

Now I will get into what I actually taught in this seminar and the case study I put together. We had a client that was a for-profit, mission-based enterprise operating in a heavily regulated industry. They had been a client for some time with the clinic. A really interesting quirk about this is they were a for-profit operation that was 100% owned by a non-profit corporation. What we were doing at the time and what became the premise of the case study is this client was seeking to raise capital to expand their operations. So in some way they are going to have an investor or investors provide some money. The premise was what is that investment going to look like? It could be in the form of common equity, it could be in the form of preferred equity, and it could be debt. I wanted the case study to spur discussion about what the relevant considerations are in thinking through this kind of issue. What are the tradeoffs between different types of investments? How would a client come up with that answer? How would a lawyer help the client come up with that answer? It is not just the client. What would the investors think? What are the investors' interests in this?

So to get started on this, I wrote up a brief case study—probably five pages—that was the reading assignment for that week's class. It was a description of the client, the facts, the background, what they were trying to do, what the relevant goals were for both the client and the investors or potential investors, and also a very brief, very simplistic primer of the differences between common equity, preferred equity, and debt. I spent a lot of time on this when we got to class. I wrote this up on the board and with the class's help, we tried to come up with a list of the relevant considerations and the relevant differences between the three types of investments. I think at the beginning of class if I asked everyone if they knew the difference between equity and debt, most people would say yes, and say something like equity is owning something, and debt is a loan. They get that. But beyond that, I do not think most could really say a whole lot more about what are the other issues. What are the legal differences? What are the business differences? How do investors and issuers think about these kinds of issues? So with the students' help and some help from me we made a list on the blackboard, which included

things like investor upside, fixed return, investor exit, investor control, bankruptcy, fiduciary duties, and tax. I wish I took a picture of the blackboard at the time. I did not, and I recreated it later that week when I realized that students actually could use this. So I typed up a chart and sent it around to the students in case it ever came up on other matters. But this on the screen is roughly the list we came up with. We tried to use this as the framework for the rest of the discussion and the rest of that class. We spent a lot of time on bankruptcy. I think that's something totally critical to understand if you are going to understand finance in any way. I drew a very simple chart of the hierarchy of priorities of claims in a bankruptcy proceeding. We put this on one side of a blackboard and used this as the framework to then revisit the case study and the goals of the investor and client.

So then we came up with the client's goals, which were also previewed in the case study reading. First goal was that they want to expand their operations. That is why they are trying to raise money in the first place. They want to maintain as much control as possible while they expand their operations. They want to maintain their mission focus. Like I said, it is a for-profit corporation, but they are very mission focused and in community development. The clinic is working with the client because they did community development work. They want to minimize the cost of raising capital. Maybe that is obvious, but they want this to be as cheap as possible. Finally, they want to minimize the risk of financial failure. They want to raise money without risking too much.

We then went to goals of the investor. They want to maximize return. They want to minimize risk. Pretty simple. What else? Is there any other consideration an investor might have? That is something we explored in the class. A lot of it depends on who the investor is. In this particular case, it may not be your typical investor. Our client wanted to talk to local institutions. They wanted to talk to private, non-profit foundations, and they possibly wanted to talk to impact investors from other areas of the country. They may have considerations that are different than just simply maximizing the return and lowering their risk. They might care about publicity and PR. They might care about mission. They might care about other legal considerations other investors would not have.

So we used the goals of our client, the goals of potential investors, and the structure of our client, and from there solicited ideas from students on what potential legal issues would be. For the client, regulations are an issue. Like I said, they are in a regulated industry. Securities laws are an issue; tax is always an issue. Fiduciary duties are another issue. What happens if they have an equity

investor come in? They used to just have one investor, which was a non-profit. Their mission was to serve that parent. What happens if they have a for-profit investor come in as the equity holder? What are the implications or the duties of the directors of our client? What about other contracts since they already have some debt. Whatever they are going to do, is that allowed under their other contracts? If it is not allowed, what do you do about that? And legal issues from the investors' perspective. Students came up with regulatory issues again. What are the implications for investing the regulated entity? Securities laws again. Tax exemption—if we have a non-profit investor, how do they structure this investment? A lot of the investors might be private foundations looking to do program related investments, and these types of investments are heavily regulated by the IRS in terms of the terms of the investment.

What else? We covered the client. We covered the investors and any other legal issues that we should worry about. What we then got to was what about this parent company? They are tax exempt. Should they care what we do? Should they care if we bring in another investor that would possibly hold a majority of its stock with the client? Could that effect their tax exemption? Does it matter? Who is our client? If our client is just this one box at the bottom, do we care about what happens to this box at the top? Can our client be both? If our client is both, are there any issues? How do you work that through? That led to a pretty good discussion about the rules professional responsibility and how to think through representing multiple clients.

In conclusion, the question was what should this investment look like? Perhaps not surprisingly, the answer was there is no really clear answer. The answer depends on a lot of factors. That was the intention. The facts were tweaked a little bit to make it so there was not an obvious answer. Otherwise, there would not be as interesting a discussion. Students had different ideas, but the conclusion was generally that it depends on a lot of considerations, which was the goal. They did not come up with an answer, but they thought through the questions that lawyers and business people would think through when analyzing this kind of decision. Finally, after talking about what the investment would actually be, we talked about whether you can protect against any of the legal risks we talked about with particular contractual terms. If people are worried about tax exemption and losing their tax exempt status based on the structure of our investment, is there a way you can still do the investment but protect against that with certain contractual restrictions?

After this, I created a homework assignment for the following class. We decided the investment would be in the form of preferred equity. Based on that, the students got a hypothetical term sheet from an investor who wanted to

make a preferred equity investment. The term sheet was loosely based on the National Venture Capital Association Model but was abbreviated and simplified a lot. The project was then to prepare a mark-up for a client. Based on everything we talked about in class, all of the client's goals and interests, how would you mark up that term sheet on the client's behalf?

Revisiting this and thinking about success or failure of this as an approach, I am going back to the slides about what I originally saw as the advantages and disadvantages of the approach. First, messy facts: I think a few quirks about the fact pattern really helped make it interesting. The fact that we had a for-profit corporation that was 100% owned by a non-profit, that they had mission-related goals even though it was a for-profit, and that the investors were likely non-profits with their own mission-related goals provided a lot to unpack and led to a lot of discussion. Salient facts: like I said, this is a client that the students were familiar with. I think they were a little more excited about the project on the basis that they knew who the client was. They could recognize what was going on around them in their neighborhood. As for the notion of students being particularly invested in the case study because it had an undetermined outcome in real life, that did not quite work out the way I planned because. By the time I taught this class, the outcome was already more or less determined. Therefore, the two students in the class that were working with that client knew how it was probably going to turn out. That was somewhat of an issue. I am not sure that had the advantage I originally wanted to have. As for "clinic lore," I think this definitely did help. This fact patten is something I refer back to now when supervising students on other matters. We can talk about that time there was the non-profit that owned the for-profit and all the issues that created.

As for challenges—again, messy facts. I tweaked the facts a little bit. By the time I taught the class, the outcome was mostly determined. But I did not want to tell the whole class that because that would take away from the challenge of the exercise. So, I tweaked the facts a little bit, and the new facts did not quite work for what I wanted to teach. I do not think it was a problem that the facts were too narrow. Even with just a couple data points, there is enough to talk about and enough to expand on to really fill a whole class and teach a lot of different things.

Students' prior involvement—this is a challenge. The way I tried to approach it was to bring the students working on the matter to the teacher's side. Instead of just having them keep their mouths shut, we actually had these students present a lot at the beginning and describe the client. Even though other students had read about the client in the reading, we had the students

who knew the client really well recap the background facts and the client's goals, which gave it a little extra color. I think even with their involvement they still got something out of the discussion because maybe they had not thought of the big picture as holistically before.

Replicable—I do not really have an answer for that yet. I am a new teacher and new clinician. I did this once, and I do not know what I am going to do this upcoming semester. I might see if there is a different client that produces a better case study. More likely, I will just try to tweak this case study and make it work. One thing that I think really did not work was the homework assignment. I would definitely be interested in ideas for this. I thought it would be enough to take the model venture capital preferred equity term sheet and simplify it. I thought students could work with that, but it was way too much. It was way too complicated. They did not have context for a lot of the provisions. I did not think it was a successful assignment. I would love to think about ways to bring in some sort of drafting exercise or contract reading exercise that matches up to the case study. What I wanted to teach them through the assignment was that we had already done contract drafting before, but we had not done what lawyers very often do—read other people's contracts and mark them up, which is a somewhat different skill. It has a lot to do with issue-spotting, and recognizing what are priorities and not priorities for a client. I was thinking this would be a way to teach that, but the actual content of the assignment was a bit too difficult without more background.

So to wrap up, like I said, this approach is still a work in progress. I have tried it once. I'm trying to think of how to do it again. I'm also really interested in how to adapt this for classes that are not clinics, as I know many of you do not teach clinics. Obviously if it is not a clinic, you are not going to be able to take clinical work and teach it, but I think you could use similar kinds of cases to teach corporate finance concepts and business concepts. I am happy to hear any questions or thoughts.

### **Question**

So were there any other essential business concepts that you taught or that are on a wish list for the next time you do it?

### **Jon Brown**

Yes, the first content class we taught was on entity formation. The goal was not to be a duplication of a business orgs class, but to focus on what people think about when they are deciding between a non-profit and a for-profit, and/or other types of organizations. That gets into concepts of

corporate governance. I think a basic understanding of entities and corporate governance is essential. Obviously, we did corporate finance. In previous semesters we have done tax, which we actually did not cover it this semester. There just were not enough classes for it, but I think tax is pretty key. There are probably other concepts that are as valuable too. To me, that is what came to mind. My background is doing debt finance, and we just happened to have all of these matters at the time that involved loans and interesting equity arrangements. I thought the students needed to understand loans and equity and what the differences are.

### **Question**

I teach legal writing. I came here because I wanted to learn something about finance and contract drafting. What you explained is what I do every semester: a case study. For the last several years, I have always used real problems that you can take from the news or wherever. It doesn't have to be your clinic if it's outside of the clinic context. All you have to do is look and they are out there. The replicability cannot be done because you lose the whole point, but it is so much more interesting for the students because they are stories, and stories are how we learn. I applaud you. Keep doing it and just look because you will find them.

### **Jon Brown**

Thanks.

### **Question**

I do not know what I'm doing this fall, but I will find it ?? {laughter}

### **Jon Brown**

But if it is, I would love to hear it. Anyone else?

### **Question**

I have a question, and I do not know if you all have an answer, but I figured I would lob it out there anyway. We do not offer a corporate finance class at our school, but we are considering hiring an adjunct professor to teach it. I came here trying to get some insight on how a three-credit corporate finance class would look in the law school setting. You are coming from a clinical approach and you are coming at it from a boot camp approach, so I am left thinking about what a corporate finance three-credit law school class would look like. What is the subject matter? Corporate finance in my mind is a very broad topic that could cover a lot of things.

**Jon Brown**

Yes.

**Question**

I am just throwing it out there. Others may have a similar question, so I am just interested in hearing your thoughts on that.

**Jon Brown**

Sure. I think what I was trying to do was definitely more limited because it was one class per week. Preparing for this class, I found a case book. There is probably more than one case book, but there is a fairly recent Aspen case book on corporate finance by Stephen Lubben. There are chapters on bankruptcy, common equity, preferred equity, and debt. It is good, and it uses a lot of actual cases. It is teaching a lot of it through traditional methods, but it also uses other sources such as journal articles, case studies, and other articles.

**Question**

You like that book?

**Jon Brown**

Yeah. I did not read it front to back, but it looked like a book designed for a semester-long law school corporate finance class. Just reading that and going through the table of contents would give you somewhat of an idea of what a syllabus might look like for that class.

**Barbara Wagner**

I would say the first question is, are you really trying to teach the basics of corporate finance the way it might be taught in a business school where you are really going through a chart? For instance: here is common equity, preferred equity, and debt; here are the pros and cons; and here is how the waterfalls work in bankruptcy. Or, are you trying to teach it like the law class. Are you going to be reading cases? Are you going to be looking at some interesting opinion about the fiduciary obligations of directors in bankruptcy when suddenly they are supposed to be focusing on the debt-holders and not the equity-holders? You could do both, or you could do a hybrid. But that to me is a really big question because I think you could fill a three-credit course either way by going into all of the details of different kinds of financial instruments or you may not cover the financial instruments in quite as much detail and cover a lot more of the legal analysis. Someone who has actually taught one of those

courses may have some other insight, but I think that is a threshold question. There is no right answer. You just have to decide.

### **Speaker**

Yeah I just want to echo that. I think that is totally right. We had a similar discussion when we were thinking about adopting a corporate finance course. Did we want the B-school version or did we want the law school version? We went with the B-school version which was taught the way that I took it when I was in law school, which was from Brealey and Myers which I will tell you—

### **Question**

Who is that?

### **Speaker**

Brealey and Myers. I think it is in its 9<sup>th</sup> edition now. It gets into concepts of beta, leverage, and risks. You really understand the market, and you understand investment bankers a lot more after taking that class—time, value, and money concepts. However, it is very much the B-school version. Depending on what your students need and want, I think you may decide to go B-school or law school, and those are very different courses.

### **Jon Brown**

The textbook that I mentioned was definitely the other approach. It was law school and had cases. When teaching those kinds of concepts, there has to be business in it, but it had some quirky legal issues that come up with finance deals. Through the cases, it tries to explain the concepts. So that is a totally different approach.

### **Speaker**

One other quick recommendation that I had. I had a recommendation on the term sheet assignment. Ree, I think it's Robert Ree and Associates Essential Business Concepts for Lawyers is also ours. It's a different professor who teaches corporate finance as well, and it's more of a law school approach minus some cases. But that is a great book, and it is not that thick. I think it is very accessible.

### **Question**

Essential Business Concepts?

**Speaker**

For Lawyers.

**Speaker2**

Is that the green one?

**Speaker**

In our business planning class at Loyola, we do a very initial assignment. I think you would want to do this towards the end of your class, which is maybe when you would introduce it anyway. Just so students understand what is a term sheet and what you are trying to accomplish in a term sheet. But it is our first assignment, so they really do not have any background. Our class deals with startup companies and financing. We have them do a term sheet on a concept that they can relate to which is a committed relationship. Whether it is a marriage or a union, we tell them to just come up with a term sheet so that they understand what terms are material and what that means. It is a really fun exercise because we tell the students they can be creative, but ultimately, most of them make it personal. Then we get into groups and talk about what was important in your relationship. But in your situation, I was thinking that if you are further along in the semester that you could sort of agree on some basic parameters and then have the students draft a term sheet that they would propose to the client or to the investors. That might help them think through the overall structure of the transaction and bring it all together but not have to do a full-fledged agreement necessarily.

**Question**

Yeah. That is a good idea. Yeah. Do you have something else?

**Speaker2**

It was related to that because I thought about trying to incorporate term sheets into my contract drafting course but was scared that students would just get lost. So I just was interested in what points in your experience were they able to take away from and where it seemed to go awry?

**Jon Brown**

Well, I think I was way too ambitious. I encouraged them to look at precedents. But there were provisions and concepts that I had not really covered at all. The idea was for them to do what lawyers would do which is to do research, from precedents or otherwise, and we had the research librarian we worked with on call to help with the research. The idea was they would learn on their own because I really wanted them to have the experience of marking up a contract that they had not seen before and figure out what is important. How do you figure out what is market and how do you figure out

what the borrower favorable provision is or the lender favorable provision? But, some of the concepts I did not cover in class were a problem, as it was actually a fairly complex term sheet. The provisions that we focused on in class that I talked through and said, "you really need to focus on this and figure out how to make the voting work," etc. -- well they could do that. But for everything else, it was a little too much. Alright. Thanks everyone.

**Barbara Wagner**

Thank you all for coming. [applause]