

[LAW 4704] [GBUS 8419]
International Deal Making: Legal and Business Aspects

I. COURSE DESCRIPTION

The University of Virginia School of Law offers this special International Business Law course specifically focused on the application of legal and business knowledge to real world transactions in the international context. The course content has been developed in such a way as to be attractive to both the U.Va. law students and the Darden business students who are interested in applying their knowledge to deal structuring, legal and business concerns, negotiations, documentation, and deal closing.

This course is an intensive 11 sessions of 2 hours 10 minutes each (4:30 pm to 6:40 pm Wednesdays and Thursdays), beginning Wednesday October 22, 2003. In the typical session, the first hour will be an overview lecture on the Topic, or a discussion of the assigned Readings. The second hour will be spent on an assigned “caselet” (a short-form case) developed specifically for this course. Each caselet will involve one significant cross-border transaction, and will deal with specific issues (such as deal structuring, negotiating, documenting, etc.) that arose during the course of that deal. Examples of successful and unsuccessful cross-border transactions will be used. Among the deals to be examined will be:

- 1) Negotiating the first U.S. government loan (US\$32 MM) to China since 1949;
- 2) Structuring the then largest direct investment in China (US\$83 MM) by a Taiwan investor;
- 3) Evaluating the first IPO in Hong Kong of a Chinese company (HK\$889 MM);
- 4) Pioneering the first Chinese Dragon bond issue in the Singapore markets (US\$50 MM);
- 5) Arranging a US\$500 MM Philippine government SOE privatization sale to a Norwegian investor;
- 6) Conducting due diligence on a venture capital investment (US\$30 MM) in a leading pan-Asian internet services provider;
- 7) Raising funding (US\$175 MM) for the Burmese government in connection with a US\$1 billion energy project in Burma and Thailand;
- 8) Creating a novel structured finance transaction to help a US company buy the valuable mineral barite from a remote mine in Asia; and
- 9) Negotiating a dispute resolution in an international trade transaction, with a legal solution and a business solution, which made new law in the country affected.

It is anticipated each of these 9 substantive, ground-breaking international transactions will be examined during this 11 session course.

For some sessions, students will be placed into groups, and group presentations will be made.

The course objectives include the following:

- 1) To give the law student a deeper understanding of the legal issues that arise in cross-border transactions, and a broader understanding of the business context in which legal advice is asked for and given.
- 2) To give the business student an appreciation of the importance of reading the legal documents which purport to describe his/her business transaction, and an understanding of the role the legal advisor can and should play in deal structuring, negotiating and documenting aspects.

[LAW 4704] [GBUS 8419]
International Deal Making: Legal and Business Aspects

- 3) For both sets of students, there will be the opportunity to strategize and be the principal negotiator in real world, substantive, international business deals. The actual outcomes and subsequent events will be shared.

II. TEXT, READINGS, AND CASELETS

There is no textbook. There are selected Reading Materials which will be distributed in advance of the course through the bookstore, containing background readings and short-form cases, or “caselets”. The students are strongly encouraged to do all of the assigned reading and prepare the caselets before the relevant class session.

The meat of the course are the short-form cases, or “caselets”. A caselet may only one or two pages, with attachments and sometimes detailed financial statements. The caselets are deceptively short, and the questions may appear deceptively simple. The questions are NOT simple. They are designed to challenge your thinking. Each word of the caselet, and each page of material accompanying the caselet, is there for a specific purpose. **READ CAREFULLY.** Reading and properly preparing the caselets is essential in order to obtain maximum benefit from this course. The class is highly interactive and your participation is strongly encouraged. **Each participant is expected to prepare each caselet, even if another group or participant has been assigned to present that caselet. Each group will have the chance to make at least one presentation. Warning: Expect the unexpected; foresee the unforeseen.**

III. GRADING

The grading will be based on your participation in class (30%), group presentations (30%), and the final examination (40%). Accordingly, it is strongly recommended you attend and participate in all classes. The final exam will be essay and will be designed to test your common sense, your ingenuity and your ability to apply the substance of the course to new fact situations.

IV. CONTACT INFORMATION

[Note: This information will be made available in the first class session.]

Classroom: _____

Darden Email: franklinl@arden.virginia.edu

Office: _____

Home Email: franklins@mailcity.com

Telephone: _____

Facsimile: _____

[LAW 4704] [GBUS 8419]
International Deal Making: Legal and Business Aspects

V. ABOUT THE INSTRUCTOR

Dr. Laurence C. Franklin

Visiting Professor of Law, University of Virginia Law School (Fall, 2003)

Visiting Professor of Business Administration, Darden GSB (Fall, 2003)

Adjunct Professor of Law, Hong Kong University of Science & Technology

Adjunct Professor of Finance, Hong Kong University of Science & Technology

Adjunct Professor of Finance, Chinese University of Hong Kong

Larry Franklin has worked full time for the past 25 years, and taught part time. Hence his Adjunct title. He has been involved in raising more than US\$5 billion in funds for China projects, and more than US\$3 billion for projects in the rest of Asia.

Larry has been living and working in Asia since 1981, as a lawyer, commercial banker, investment banker, China advisor and equity investor. Most recently, he worked for Hutchison Whampoa (China) Ltd., the China subsidiary of Hutchison Whampoa Ltd., as General Manager-Investments for a US\$500 million venture capital fund making direct investments in Greater China, and as Head Legal Counsel. He was responsible for evaluating all investments of Hutchison China, and for supervising the due diligence aspects. Hutchison Whampoa is considered the largest conglomerate in Asia, ex-Japan, and was the most profitable company in the world in 1999, according to Business Week. Its major shareholder is Cheung Kong, owned by Mr. Li Ka Shing, reportedly the richest man in Hong Kong.

From 1989-1998, Larry held the position of Deputy Managing Director for AIA Capital Corp. (AIACC), the flagship investment banking arm in Asia of the American International Group (AIG). Larry was actively involved in investment banking transactions and in structuring investments in the Asia region for AIACC's US\$110 million venture capital Fund, as well as for AIG's US\$1.1 billion Infrastructure Fund. AIG has more than US\$50 billion in investments in Asia Pacific.

From 1976-1989, Larry worked for The First National Bank of Chicago, first as an Attorney in the International Division of the Law Department (1976-1981), then as Asia Pacific Regional Counsel (1981-85) and finally as China Country Head (1985-89).

Larry holds MBA and Juris Doctor degrees from Stanford, and is a Certified Public Accountant. He is qualified to practice law in California, Illinois, Florida and Washington D.C. He is currently Adjunct Professor of Law at Hong Kong University of Science & Technology (HKUST). Concurrently, he holds separate Adjunct Professor of Finance appointments at Hong Kong University of Science and Technology (HKUST) and at Chinese University of Hong Kong (CUHK). He has taught in the MBA programs at Darden, HKUST, Stanford, Chicago, MIT, USC, UCLA, Manchester Business School in England and Tsinghua Business School in Beijing. He has taught in the Executive MBA (EMBA) programs at MIT, Kellogg-HKUST, Kellogg-Recanati in Israel, CUHK and CEIBS (China-Europe International Business School), in Shanghai and in Beijing.

[LAW 4704] [GBUS 8419]
International Deal Making: Legal and Business Aspects

Larry taught in the U.Va. law school in April, 2003, and has guest lectured in the law school programs at Stanford (2001, 2002) and the University of Southern California (1999, 2000).

Larry is honored to have won 27 Teaching Excellence citations for the 27 courses he has taught in the HKUST MBA Program. He won Best Professor honors in the CUHK EMBA program (2001, 2002, 2003), was a Professor of the Year nominee in the Kellogg-HKUST EMBA program (2002), and a Teacher of the Year nominee in the MIT Sloan MBA program (2003).

Larry's publications include *Establishing a Holding Company in China*, a 30-page Chapter in *Obtaining PRC Approvals*, 300 pps., published by Euromoney's Asia Law & Practice, January, 2000.

Larry has acted as a consultant for a number of companies to advise on transactions in China and Asia. A partial client list includes: Amoco, Arco, Bechtel, Conoco, Dow, Firestone, Freeport-McMoran, General Foods, Hewlett-Packard, Hilton, Koppers, McDonald's, Marriott, Midlantic, PPG (U.S.); CNOOC (oil), CNCDC (coal) (PRC); Samsung, Tong Yang Group (Korea); Taiwan Glass (Taiwan); HKR (Hong Kong); the Philippine Government, PLDT, Piltel (Phil.); P.T. Astra, P.T. Samudera, P.T. Modern (Indonesia); Pratt Group (Australia); Zeneca (U.K.); Alcatel, Le Meridien (France); Nedlloyd (Netherlands); Norsk Hydo (Norway); IMPSA (Argentina).

[LAW 4704] [GBUS 8419]
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VI. COURSE OUTLINE

Session 1 Wednesday, October 22, 2003

Topics **International Lending: Structuring, Negotiating
And Documenting**

Readings Selected Reading Materials
Provisions in cross-border loan agreements

Caselets **Bank of China**

Session 2 Thursday, October 23, 2003

Topics **Forms of Business Organizations for Investing in China**

Readings Selected Reading Materials

Caselets **Asian Investor
CCIC Finance Ltd.**

Wednesday October 29. No Class. Law Interview week.

Thursday October 30. No Class. Law Interview week.

Session 3 Wednesday, November 5, 2003

Topics **China's Stockmarkets**

Readings Selected Reading Materials
Excerpt from IPO Prospectus

Caselets **Tsingtao Brewery #1: Questionnaire**

Session 4 Thursday, November 6, 2003

Topics **The first "H" share issue in the Hong Kong Stockmarkets**

Readings Selected Reading Materials

Caselets **Tsingtao Brewery#1 (continued)
Tsingtao Brewery #2: Mandate**

[LAW 4704] [GBUS 8419]
International Deal Making: Legal and Business Aspects

Session 5	Wednesday, November 12, 2003
Topics	International Bond Issues: Structuring, Negotiating And Documenting
Readings	Selected Reading Materials Bond Prospectus
Caselets	Fujian Bond

Session 6	Thursday, November 13, 2003
Topics	Mandate Letters
Readings	Selected Reading Materials Model mandate letter Find-the-flaws Meridien mandate letter
Caselets	Philphos (Norway, Philippines) Le Meridien Lombok (France, Indonesia)

Session 7	Wednesday, November 19, 2003
Topics	Conflicts of Interest
Readings	Selected Reading Materials
Caselets	Singapore Flotation (US, Singapore) Three Gorges (Germany, Hong Kong, China)

Session 8	Thursday, November 20, 2003
Topics	Due Diligence
Readings	Selected Reading Materials
Caselets	Delirium

[LAW 4704] [GBUS 8419]
International Deal Making: Legal and Business Aspects

Session 9 Wednesday, November 26, 2003

Topics **International Project Financing**

Readings Selected Reading Materials

Caselets **Yadana \$1 billion Gas Pipeline**

Thursday, November 27, 2003. No class. Thanksgiving Holiday.

Session 10 Wednesday, December 3, 2003

Topics **International Sale of Goods
Deal Making in Trade Finance
Dispute Resolution**

Readings Selected Reading Materials

Caselets **Compensation Trade (barite)
Singapore Middleman (Germany, Indonesia, Singapore, China)**

Session 11 Thursday, December 4, 2003

Topics **Minority Ownership, Majority Control over Joint Ventures
Course Summary**

Readings Selected Reading Materials

Caselets **Minority Control Caselet
Voting Trust Agreement**

Week of December 7, 2003.

Take Home, Short Essay, Final Examination (3 hours, open book, open notes)

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