

4 BUSINESS

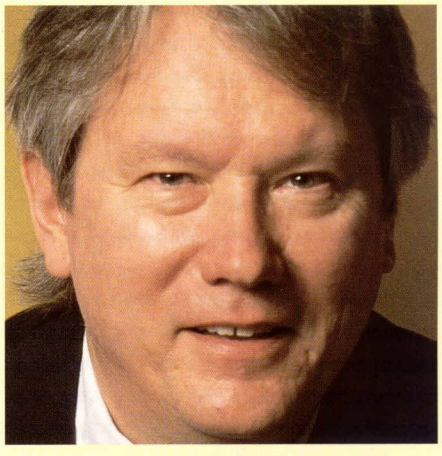
BRAD DWIN

UNIVERSITY BUSINESS LAW PROFESSORS TEACH OUTSIDE OF THE TRADITIONAL CLASSROOM

A **DOUBLE DOSE** OF REALITY



Professor Lisa Fairfax's seminar on corporate transactions took students to Baltimore's Venable, Baetjer & Howard where they put together a "real" deal.



Students in Professor Richard Booth's seminar on business planning and venture capital ventured to Montgomery County to help a faux farmer grow his business.

"Successful lawyers in this day and age need more than just classroom time, they need real-world experience," says business Professor Lisa Fairfax. Fairfax and her colleague, Professor Richard Booth, have given their students exactly that opportunity. Fairfax's seminar on corporate transactions and Booth's seminar on business planning and venture capital provide students with academic components needed to succeed as business lawyers as well as the chance to apply their newly learned skills to real business situations.

Fairfax, a member of the faculty since 2000, is thrilled by the popularity of her seminar and even had to waitlist students during the fall 2001 semester. "The goal of the course was simple," states Fairfax, "to introduce students to real-world corporate transaction experiences. Most law school courses tend to lean toward litigation, but this course is designed to have students go through the corporate transaction process from start to finish."

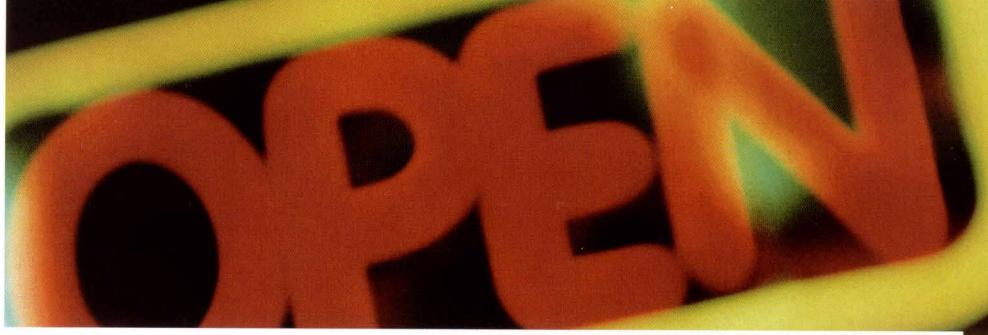
To aid students in that process, a mock corporation was established with the help of attorneys at the Baltimore firm of Venable, Baetjer & Howard. The mock corporation, "Suburban Wear," was designed to be acquired by a fictitious client represented by the class. "The company was created from a conglomeration of research gathered from various clothing companies, such as Gap and Ralph Lauren," explains Fairfax. Students were given specific information about the corporation, such as the number of shareholders, the amount of its assets and the organizational structure. In addition, several legal issues were introduced into the acquisition process, including licensing agreements, whether or not to retain certain employees and a pending discrimination lawsuit.

The acquisition was a five-part process. First came the letter of intent, in which the intention to purchase the company was clearly stated. Next came the due diligence phase, during which the students learned all of the necessary facts about the company. Then, the students drafted an acquisition agreement and reviewed the various provisions of the agreement. Since most students had never seen a closing contract, Neal H. Strum '91, a venture capital financing expert from Venable, spoke about issues such as private equity offerings and the difference between acquisition and equity-type financing—in other words, the difference between purchasing a whole company or acquiring just a piece of it. The fourth part of the process was the review of various legal opinions about the document, including issues particular to the clothing industry.

The final part of the acquisition

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PHOTOS BY ANN GRILLO AND MARSHALL CLARKE



process was closing the deal. For this part, Fairfax's students went to Venable, Baetjer & Howard and participated in a simulated closing in the firm's conference room. Strum gave a lecture on the mechanics of the closing process. The students were each given a packet of documents and went through the process of closing the transaction. To commemorate their experience, students were given T-shirts and paperweights as "deal toys," a common practice in the corporate world.

Fairfax stressed that one of the most important elements of the corporate transaction process is the ability to work as a team. "Corporate law is very group-oriented. All parties need to be pleased with the acquisition agreement, including attorneys on both sides, as well as their clients. Everyone involved needs to take a reasonable position and possess the ability to settle disputes judiciously," she notes.

Booth has taken his seminar on business planning and venture capital to the University's satellite campus in Montgomery County. Unlike Fairfax's seminar, which focuses on larger corporations, Booth's concentrates on start-up companies and small businesses. The ultimate plan is for the seminar to serve as an academic offering in connection with the School of Law's Maryland Intellectual Property Legal Resource Center, located in the Maryland Technology Development Center in Montgomery County, which houses 30 start-up companies. (See related story on page 11.)

The center, which operates like a law school clinic, offers entrepreneurs information about forms of organization, finance, governance, tax, and intellectual property issues. Students will gain a richer understanding of these issues by juxtaposing classroom learning with real-world interaction with entrepreneurs.

Booth's class also uses a model company, "MacDonald Farms, LLC," a supplier of fresh produce to high-end restaurants. The owner of the business is interested in setting up a Web-based ordering and billing system and is considering taking on two partners—the person who designed and developed the necessary software and a venture capitalist who can invest new funds. This problem leads to a myriad of questions for the lawyer advising the parties, ranging from ethical questions to valuation of business, from governance and financial structure to the tax status of the deal.

After setting up the business, the class moves on to two potential future transactions involving the owner's plan to retire and cash out.

"One of the central points of the class," explains Booth, "is that there is no single right answer in doing a deal, there are often many good solutions for the parties." According to Booth, the course further illustrates that it is not usually a good idea to rely on litigation and case law to protect the rights of the various parties. "Although students may get the impression from traditional law school classes that the courts can figure out the rights and obligations of the parties if a dispute arises, it quickly becomes apparent when viewed from the planning end, that many ambiguities need to be addressed," Booth notes.

Like Fairfax, one of Booth's primary focuses is to involve students with the local business community. "By utilizing the Intellectual Property Center, students have firsthand contact with local businesses and the legal issues that affect them," Booth affirms. "The center provides them with information that is equal parts business planning and intellectual property."

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