

EXAM # _____

Final Examination
Securities Regulations
Professor Simon
Spring 2008

1. You have **three (3) hours** to complete this exam.
2. This is an **open book** and **open notes** exam.
3. This exam consists of **two (2) essay questions**. Each question is worth **100 points**.
4. Please write your response in the blue books provided. Please write clearly. Write on every other line and every other page to permit instructor comments. Write only on the right side of the blue books.
5. Write your exam number on your exam envelope. Put your student exam # at the top of this page, on each page of questions, and on each blue book. **Do not** use your name, student ID number or Social Security Number on any exam materials.
6. At the conclusion of the exam, return all test materials, all blue books, all scratch paper, and this exam packet to the envelope and submit it to the proctor. **DO NOT** seal the envelope. Students who do not return all exam materials at the end of the exam may not be graded.

GOOD LUCK!

Question One (100 points)

Lil' Wayne (LW) is a successful recording artist, entrepreneur and former member of the Cash Money Boys; he lives in New Orleans, Louisiana, his place of birth. Since the aftermath of Hurricane Katrina, LW has developed a passion for preserving the culture and history of New Orleans. His first step is the creation of Satchmo, LLC, a Delaware,

Limited Liability Company with a principal place of business in New Orleans, LA, dedicated to the image marketing of New Orleans native, His Majesty Louis “Satchmo” Armstrong, the most popular musical artist in American History. After completing the filing of Satchmo, LW telephones Wynton Marsalis, a New Orleans native who spends most of his time in New York, New York as Director of Jazz at Lincoln Center. Thrilled at the importance of promoting Armstrong, Marsalis agrees to invest one million dollars and immediately sends an electronic mail with a letter attachment to the following recipients: Juvenile, member of the Cash Money Boys, New Orleans native and resident on pilgrimage in Tibet as a disciple of the Dalai Lama.; Harry Connick, Jr., a New Orleans native, actor, singer and composer now spending most of his time in Hollywood, California. Terrence Blanchard, a New Orleans trumpeter and composer who spends his time in San Paulo, Brazil and Turk, a Cash Money member and New Orleans native developing an Atlanta, Georgia multi-media entertainment project. At Marsalis’s request, each party contacted wires one million dollars to Slurricane Savings and Loan, a New Orleans, Louisiana, state regulated savings and loan association in an account under Marsalis’s name. LW wires his one million dollars from off-shore Grand Cayman Island account in the name of Duffle Bag Boy Enterprises, Inc., (DBBE) a Grand Cayman Island closely held corporation with it’s principal place of business in Baton Rouge, LA. DBBE manufactures environmentally friendly compost based duffle bags. Marsalis issues certificates of participations with a face value of one million dollars to each participant. Marsalis invests the proceeds in collateralized mortgage obligations (CMO’s) issued by Slurricane. The investment is made through Slurricane Investment, Inc., a subsidiary broker dealer and member of FINRA. Sixty days later a mortgage meltdown occurs, Marsalis receives an account statement from Slurricane Investments showing a decline in value of fifty percent.

1. Marsalis has scheduled a meeting with your office to discuss his rights and liabilities? Please discuss.
2. Marsalis receives a credit line from Slurricane Savings and Loan. His credit line fluctuates based upon the value of the CMO’s. Please describe the name of this financial product and the regulation that governs it?
3. Please advise Lil’ Wayne’s on his rights and liabilities.

Question Two (100 points)

Love You Madly, Inc. (LYM) is a Delaware Corporation traded on the NASDAQ; its founders are Duke Ellington and Billy Strayhorn, two songwriter composers dedicated to the Great American Songbook. LYM is an online match making service targeted to swing music lovers. It operates out of www.lym.com website. Ellington and Strayhorn are frequent guests on the Dr. Phil Show, a syndicated television program that provides psychological counseling to its viewers. In the initial LYM private placement, Dr. Phil was issued one hundred thousand shares of LYM at one dollar per share. Dr. Phil received the shares in exchange for giving favorable comments and television time towards LYM. Impressed with Ellington and Strayhorn's management prowess, Dr. Phil purchases an additional one hundred thousand shares through his online brokerage account. In a recent Dr. Phil Show, Dr. Phil counsels Flava Flav, a successful time piece wearing artist and entrepreneur and thirty five of his potential female long-term companions on the value of trust and commitment in multiple partner reality television relationships. As part of his therapy, Dr. Phil solicits advice from Ellington and Strayhorn who are guests in the studio audience. Charles Mingus is a frequent viewer of Dr. Phil and registered member of lym.com. Mingus is brought to tears by Flav, in a Viking Helmet expressing his relationship challenges to Dr. Phil and thirty-five Flava of Love participants. Mingus immediately contacts his broker Stan Getz, instructing him to purchase one thousand shares of LYM. Kenny G is an investigative reporter with Smooth Jazz, a gossip tabloid. He publishes a story that alleges that the Flava of Love contestants are paid actresses and not truly feeling Flav. The article also reveals that Dr. Phil is a controlling shareholder in LYM. LYM shares fall thirty per cent in market value and trading of LYM is halted by NASDAQ officials. Concerned, Dr. Phil sells his founding shares to Flava Flav in exchange for an equity interest in Flava Flav's clothing company.

1. Mingus has retained your law firm and scheduled an appointment to discuss his legal options. Please discuss.
2. Dr. Phil has hired T-Pain, a law professor and noted television legal analyst to evaluate his liability, if any. Please discuss.
3. In an effort to stabilize falling LYM prices, Ellington and Strayhorn publish a joint statement on lym.com apologizing for not disclosing Dr. Phil's interest in LYM, but assuring its subscribers that Flav is feeling them. Will this protect

LYM from private, state and/or U.S. Securities and Exchange Commission enforcement? Why?

4. Under what Regulation would LYM disclose Dr. Phil's interest? Short answer.
5. What is Stan Getz liability if any? Name the relevant theory? Short answers.

END OF EXAM

Have a Blessed Summer!