

**FINAL EXAMINATION  
SECURITIES REGULATION  
PROFESSOR G. FLINT**

**ESSAY  
PLEASE READ CAREFULLY**

**ALL ANSWERS ARE TO BE WRITTEN ON THE BLUE BOOKS PROVIDED WITH THIS EXAMINATION.**

There are four questions of equal value (time and percent indicated). The time for completing the examination is three hours.

1. This examination is "open book." You may use your casebook, statutory supplement, and classnotes. Use of calculators is permitted.
2. Be sure to answer the specific question that is asked. Information supplied relating to some unasked question will not increase your score and consumes your time needed to answer the asked questions.
3. If additional facts are necessary to resolve an issue, specify what additional facts you believe to be necessary and why they are significant. You may not make an assumption that changes or contradicts the stated facts.
4. Quality, not quantity, is desired. Think through and briefly outline your answer before you begin to write.
5. Write legibly. Be sure to formulate your answers in complete sentences and paragraphs with proper grammar. Failure to do so will result in an appropriately lower score.
6. Do not seek an interpretation of language in the questions from anyone. If you sense ambiguity or typographical error, correct the shortcoming by shaping the question in a reasonable way and by recording your editorial corrections in your answer.

**Under the Honor Code, when you turn in this examination, you affirm that you have neither given, received, nor obtained aid in connection with this examination, nor have you known of any one so doing. If you cannot make this affirmation, you shall note such fact on your examination and must immediately advise the Dean of the reason therefor.**

III.  
(25% — 45 minutes)

Your advice has proven to be so expert that Davis Flint now wants to issue and sell \$10,000,000 worth of common stock of Arunah Hubbell, Inc., to the public to provide for plant expansion and working capital. Again Davis Flint has hired you, still an associate in the Bluestocking Law Firm struggling for recognition by the partners, to handle the matter. You begin working on Arunah Hubbell, Inc.'s registration statement on Form S-1 covering the proposed issue of common stock. You have sent out a questionnaire to the officers for information. One item refers to a description of contractual relations between Arunah Hubbell, Inc., and members of the officer's immediate family.

This item has upset Davis Flint. He does not want to disclose the following matter. The last several years, Rachel Maria Flint, Davis's wife, has worked for the San Antonio Advertising Agency managing its account with Arunah Hubbell, Inc. Rachel Maria Flint now has the expertise to handle the advertising herself and so this year established the Flint Advertising Agency. Flint Advertising Agency's main client is Arunah Hubbell, Inc., and Arunah Hubbell, Inc., pays generally \$200,000 in advertising fees each year.

Joseph Irwin has marched into your office to determine whether this tidbit needs to be disclosed and what are the consequences of not disclosing it. What is your advice and its reasoning?

IV.  
(25% — 45 minutes)

The initial public offering of Arunah Hubbell, Inc., has proved to be successful. Davis Flint has not kept notes of the various times that you have advised him as to the consequences of going public under the securities laws. So he has decided to have you attend the next board meeting to explain to the board the securities law consequences of going public. Explain the substance of your talk.