

The Securities Exchange Act of 1934

1. Be prepared to define, explain, give examples of, and distinguish between the following terms:
 - a. insider
 - b. insider trading
 - c. tipper/tippee theory
 - d. misappropriation
 - e. SEC Rule 10(b)(5)
 - f. Sarbannes-Oxley Act
 - g. Blue Sky laws

2. Read and be prepared to orally brief the case:
 - *SEC v. Texas Gulf Sulphur Co.*

Be prepared to discuss and answer the following questions:

- a. What does Section 10(b) of the Securities Exchange Act of 1934 prohibit?
- b. On what information did the officers and employees of Texas Gulf Sulphur trade?
- c. How did the court determine that this information was material for purposes of Section 10(b)?
- d. What did the Court rule, and on which grounds?

3. Read and be prepared to orally brief the case:
 - *United States v. O'Hagan* [on-line]

Be prepared to discuss and answer the following questions:

- a. Identify and briefly describe the two theories that have been developed to hold outsiders liable for insider trading.
- b. In *U.S. v. O'Hagan*, how did Mr. O'Hagan obtain the information on which he traded? Which of the two theories mentioned above applies to this case?
- c. Was Mr. O'Hagan an insider or an outsider? What was his relationship with the company in which he purchased stock? Explain how the Court determined that he could be convicted of violating Section 10(b).

4. Read and be prepared to orally brief the case:
 - *U.S. v. Stewart* [on-line]

- a. Like *O'Hagan*, this is a criminal case. What are the criminal charges that have been brought against Martha Stewart?
- b. What is the issue before the Court?
3. What was the Court's ruling?
4. What was the Court's reasoning?
5. If "intent" is an element that must be proven in any criminal case, what is the burden of proof for the prosecution in proving to the jury that the defendant intended to commit his crime? Did the prosecution carry its burden in this case?