Restructuring Firms and Industries
NYU Stern School of Business and NYU School of Law
Fall 2017
Mondays & Wednesdays, 1:30 - 2:50
KMEC 2-60

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Office Hours:
Monday through Thursday (most weeks)
10:00 - 12:00
and by appointment or drop-in

Description: This course examines business problems that arise from conflicts between shareholders, managers, and occasionally other groups such as bondholders, labor, and government regulators. Most of these conflicts lead to either a market-based or regulation-based response that changes the shape of the company involved. Topics include choices of organizational form, mergers and acquisitions, spinoffs and other equity restructuring, private equity, takeover defenses, liability restructuring under financial distress, institutional investors, shareholder activism, and the value of corporate voting and control. Many topics are studied within an agency cost framework, which has become the standard paradigm for analyzing financial contracting and regulation. Readings will be drawn from textbooks and academic journals, and many classes will involve case studies of prominent companies challenged by financial and governance problems.

Prerequisites: This is an advanced course that assumes students are familiar with the concepts of corporate law and/or corporate finance. Law students should have completed at least one semester of the basic Corporations course and done well. Stern students should have already taken Corporate Finance and done well. Further knowledge about capital markets would be helpful for all students, whether through work experience or courses such as Securities Regulation (Law School), Investment Banking, or Mergers and Acquisitions (Stern School).

Textbooks:

Additional readings: Along with readings assigned from the textbooks, I will assign articles from academic journals and the news media, which may be downloaded from NYU Classes.

Lectures: I do not record class sessions for later on-line viewing, except for special cases such as religious holidays or calendar conflicts between the two schools when large numbers of students may be absent (see further information below about the Academic Calendar).

Course requirements: The course grade will be based upon a take-home final exam consisting of essay questions. The exam will be distributed by November and will be due at the end of the December exam period. The exam will have eight essay questions of 500 words length, and you
will answer six of the eight questions and have the take-home count as 100% of your grade.

**Academic calendar:**
The Stern School and Law School have different academic calendars. We will have 26 class sessions as follows:

- Our first day of class is Wednesday, September 6. There is no assignment to be done in advance of the first class.
- During the week of the Columbus Day holiday, we will have no class on Monday, October 9, and also no class on Wednesday, October 11.
- We will hold class on the day prior to Thanksgiving, Wednesday, November 22. This is a regular class day for the Law School but is a holiday for Stern.
- The final class is Monday, December 11. Though this last class takes place during the Law School exam period, past experience indicates that the inconvenience to most Law School students should be minimal.

**Lecture Topics and Readings**
Each lecture topic will take 1 to 2 classes to cover

**Course introduction**

*Case Discussion:* Restructuring and hostile takeover of ITT Corp.

Gaughan, p 432.

**Agency costs; Corporations and other business organizations**

Gaughan, pp 477-479.

Monks and Minow, pp 6-11 and 101-129.


*Case Discussion:* Armand Hammer and Occidental Petroleum.

**Capital market efficiency and managers' behavior**

*Case Discussion:* T. Lys and L. Vincent, "An Analysis of Value Destruction in AT&T's


"Free cash flow" and financial slack


Case Discussion: Chrysler Corp. and Kirk Kerkorian.

Mergers and acquisitions: Economic rationales and outcomes
Mergers and acquisitions: Issues for negotiation (Two lectures)


Labor issues in corporate restructuring


Case Discussion: "Chainsaw" Albert Dunlap.

Private benefits of control
Family business groups
Corporate voting
Shareholder activism (Four lectures)

Gaughan, pp. 279-308, 479-480.

Monks and Minow, pp 129-237.


Takeover defenses


Cross-border mergers and acquisitions (Prof. Ingo Walter)

Case discussion: The Acquisition of Martell
Case discussion: The Steel War: Mittal vs. Arcelor

Diversification and conglomerates


Malkiel, pp 60-65.


Spinoffs, split-offs and other equity restructuring

Gaughan, pp 391-432.


Private equity and highly leveraged transactions
