Restructuring Firms and Industries
NYU Stern School of Business and School of Law

Fall 2012
Tuesdays & Thursdays, 3:00 - 4:20, Paulson Auditorium

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Description: This course examines issues in corporate finance and corporate governance. Topics include choices of organizational form, mergers and acquisitions, spinoffs and other equity restructuring, private equity, takeover defenses, financial distress, institutional investors, shareholder activism, the value of corporate voting and control, and executive compensation. Many topics will be approached within an agency cost framework, focusing upon conflicts between stockholders, managers, and other constituencies. Readings will be drawn from textbooks, academic journals and the popular media, 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: P. Gaughan, Mergers, Acquisitions and Corporate Restructurings (5th ed., 2011)

Additional readings: Along with readings assigned from the textbooks, I will assign articles from academic journals on corporate law and corporate finance issues relevant to the course. These readings may be downloaded from the course Blackboard website.

Lectures: I do not record class sessions for later on-line viewing.

Course requirements: The course will have an optional in-class exam and a mandatory take-home final exam. The in-class exam will be given Thursday, November 15 during the regular class period and will consist of a series of short essay questions. If you decide to take this exam, it will count as 50% of your grade. The take-home exam will be distributed by mid-November and will be due at the end of the December exam period. The exam will have eight essay questions of 500 words length. You may answer three of the eight essay questions and have the take-home count as 50% of your grade, or if you choose not to take the in-class exam, you would answer six of the eight questions and have the take-home count as 100% of your grade.
However, students will not be permitted to do extra take-home exam questions to nullify scores received on the in-class exam.

**Academic calendar:** We follow the Stern School academic calendar and have 26 class meetings (including the in-class exam date). The first day of class is Thursday, September 6. There is no assignment to be done in advance of the first class. The final class is Tuesday, December 11. There is no class on Tuesday, September 18 (Rosh Hashanah), nor on Thursday, November 22 (Thanksgiving). Though our last classes take 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, pp 432-433.

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

Gaughan, pp 478-492.

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


*Case Discussion:* Armand Hammer and Occidental Petroleum.

**Capital market efficiency and managers' behavior**


"Free cash flow" and financial slack


Case Discussion: Chrysler Corp. and Kirk Kerkorian.

Mergers and acquisitions: Motives and distribution of gains (2 classes)

Gaughan, pp 1-34, 125-145, 156-180, 243-271.

Private benefits of control; Family business groups


Corporate voting; Shareholder activism

Monks and Minow, pp 129-237.

Takeover defenses


Diversification and conglomerates


Malkiel, pp 60-66.

Spinoffs and other equity restructuring (2 classes)

Gaughan, pp 389-434.


Private equity and highly leveraged transactions

Gaughan, pp 20-21, 222-236, 293-365.


Financial distress: Costs, benefits and outcomes

Gaughan, pp 435-472.


Labor issues in corporate restructuring


Case Discussion: "Chainsaw" Albert Dunlap, Scott Paper, and Sunbeam

Executive compensation and shareholder value

Monks and Minow, pp 363-394.