Restructuring Firms and Industries
NYU Stern School of Business and NYU School of Law
Fall 2020
Mondays & Wednesdays, 2:00 - 3:20

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Office Hours:
by appointment on Zoom

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).


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.

Class meetings: We will meet on the Zoom platform. Everyone should join using links that are available from NYU Classes. Be sure to sign into your NYU Zoom account using SSO so that you do not have trouble joining the sessions. All class meetings will be recorded in the Zoom cloud with recordings available on the NYU Classes site.

Course requirements: The course grade will be based upon a take-home final exam consisting of essay questions. The exam will be distributed by mid-November and will be due on Friday, December 18, at the end of the final 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 session as follows:

- Our first day of class is Wednesday, September 2. There is no assignment to be done in advance of the first class.

- There will be no class on Monday, September 7, Monday, September 28, or Wednesday, November 25. These are Stern or NYU-wide holidays that are not all followed by the Law School.

- The final class is Wednesday, December 9. Though the last two 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, p 434-435.

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

Gaughan, pp 477.


*Case Discussion:* Armand Hammer and Occidental Petroleum.

**Capital market efficiency and managers' behavior**


Stakeholder capitalism (Two lectures)


*Case Discussion:* "Chainsaw" Albert Dunlap.

"Free cash flow" and financial slack


*Case Discussion:* Chrysler Corp. and Kirk Kerkorian.

The controversy over share repurchases

Read recent news coverage, including:


Mergers and acquisitions: Economic rationales and outcomes

Mergers and acquisitions: Issues for negotiation (Three lectures)

Private benefits of control
Family business groups
Corporate voting

Gaughan, pp. 266-308.


Shareholder activism

Gaughan, pp. 477-478, 484-494.


Diversification and conglomerates


Malkiel, pp 60-65.


Spinoffs, split-offs and other equity restructuring

Gaughan, pp 392-435.


Private equity and highly leveraged transactions (time permitting)

Gaughan, pp 221-226, 305-367, 623-624.

Financial distress: Costs, benefits and outcomes (time permitting)

Gaughan, pp 437-476.