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

Fall 2011
Tuesdays & Thursdays, 3:00 - 4:20, KMEC 2-60

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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, private equity, takeover defenses, financial distress, executive compensation, institutional investors, boards of directors, corporate governance reform, and shareholder activism. 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 that have recently experienced major organizational transitions.

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).

R. Monks and N. Minow, Corporate Governance (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 midterm exam and a mandatory take-home final exam. The midterm exam will be given Thursday, October 20 during the regular class period and will consist of a series of short essay questions. If you 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 midterm, you may answer six of the 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 midterm.

Academic calendar: We follow the Stern School academic calendar and have 26 class meetings (including the midterm exam date). The first day of class is Tuesday, September 6. There is no assignment to be done in advance of the first class. The final class is Tuesday, December 13. There is no class on Thursday, September 29 nor on Tuesday & Thursday, November 22 & 24. Though our 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
Approximately one topic per class period, except where noted

Course introduction

Case Discussion: acquisition of ITT Corp.

Gaughan, pp 432-433.

Agency costs; Evolution of modern corporations

Gaughan, pp 478-492.

Monks and Minow, pp 5-12 and 102-129.


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.

Downsizing and layoffs


Case Discussion: "Chainsaw" Albert Dunlap.

Voting, ownership, and the value of control


Activism by Institutional Investors and Small Shareholders

Monks and Minow, pp 129-236.

Takeover defenses


Diversification and conglomerates

Malkiel, pp 60-66.


**Deconglomeration:** spinoffs, carve-outs, tracking stock and split-offs (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.


**Executive compensation: Pay for performance?**

Monks and Minow, pp 363-394.