

# UNIVERSITY OF ROCHESTER

William E. Simon Graduate School of Business Administration

## Finance 423

Corporate Financial Policy & Control  
Spring 1997  
CS 107, W 17:50-20:50

## Professor G. William Schwert

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This course will cover the theory and evidence concerning major corporate financial policy decisions. FIN 423 discusses alternative methods of issuing and retiring securities, mergers and acquisitions, and the market for corporate control.

Some of the required and supplemental articles are contained in the readings book edited by Donald Chew,

*The New Corporate Finance: Where Theory Meets Practice*, McGraw-Hill, 1993.

If you do not already own this book (which has been required for FIN 413 in recent years), you should try to purchase a copy in the bookstore [it was back ordered when I last checked]. Articles in the Chew book are indicated by “(DC)” in the list below. Required readings are indicated by an asterisk “\*”. You will be provided with copies of those required readings that are not included in *DC*. In addition, the relevant sections from the book,

R. Brealey and S. Myers, *Principles of Corporate Finance*, (5<sup>th</sup> ed.), McGraw-Hill, New York, 1996,

are listed as supplemental readings. This book has been used in most recent offerings of FIN 402, Capital Budgeting and Corporate Objectives, which is a prerequisite for FIN 423. Finally, and perhaps most important, I would like all of the students in the class to read the *Wall Street Journal* on a regular basis since the topics covered in this course are discussed regularly in this newspaper. The discussion of “current events” will be a major part of some lectures.

### **Relation to Other Finance Courses**

In addition to FIN 402, FIN 411 (Investments) is a prerequisite for this course. FIN 411 teaches students how to evaluate the response of security prices to information (“event studies”). Since much of the evidence in FIN 423 depends on understanding event study methods, it is important that you have satisfied the FIN 411 prerequisite. FIN 413 (Corporate Finance) is a corequisite for FIN 423. FIN 413

covers topics such as bankruptcy costs and agency costs that relate to capital structure and dividend policy. If you have not already taken FIN 402, 411 and 413 (or you are not simultaneously taking 413), **you** are responsible for making up these deficiencies in your background.

Many of you will have already taken FIN 430 (Financial Intermediation) with Cliff Smith last Fall and/or FIN 433 (Issues in Corporate Control) with Gregg Jarrell last quarter. Fin 430 spends some time talking about initial public offers (IPOs) and FIN 433 spends quite a bit of time talking about mergers and acquisitions (M&A). In the past I have found that about a third of the students who have had **both** FIN 430 and Fin 433 felt that there was too much overlap between FIN 423 and their earlier course work. On the other hand, about a third felt that the somewhat different perspective offered in FIN 423 was very valuable to them (the remaining third did not express strong feelings either way). Unfortunately, I have been unable to find any measurable variable that would help me give advice to students about whether to bypass FIN 423. If you are concerned about this question, I encourage you to look carefully at the course outline and consider taking a different course. For those of you who choose to take FIN 423 after previously taking FIN 430 and FIN 433, I have constructed a grading option that will let you take advantage of your extensive background (see below).

### **Expectations of Student Performance**

My expectations are that students will come to class prepared by having read the necessary material. The lectures will not rehash the readings. Rather, we will discuss different perspectives on the arguments presented in the readings. Active, high quality class participation will enhance the grades of students who are near margins in the final grade distribution.

I will hand out notes to accompany many of the lectures. I will also hand out sets of stories reproduced from the popular business press (e.g., the *Wall Street Journal*). Class attendance is very important to successful completion of this course. If you know that you will be unable to attend more than one or two of the classes, you should probably not register for this course (see the description of grading policies below). If you know that you have to be late for class, or leave early, please show courtesy to me and the rest of the class by entering and leaving the room as discretely as possible. If you miss a class, or are late in arriving, it is your responsibility to obtain copies of any handouts that were distributed in class [***do not rummage around on the teaching desk looking for handouts if you arrive late!***] I suggest that you form study teams and help each other out -- get extra copies of handouts for missing team-mates. I will not provide a long-term inventory of class hand-outs for people who miss class, but most of the handouts will be available on the class web page (see below).

## **Grading**

The grading for this course will be based on a flexible system. There are several options:

### **Option A**

There will be a short 10 point quiz at the start of every class (which should provide incentive to arrive at class on time). The first quiz will be on Wednesday April 9 and the last quiz will be on Wednesday June 4. They will include one to three questions that are related to the most recent lectures, and/or the reading that was required for that day, and/or current events that relate to the material that is being discussed in class. Some weeks I may substitute a take-home assignment that will be due the next week. Every student will be able to “throw away” their two worst quiz grades, so the maximum score available from quizzes is **60 points**.

There will be two case problems that will be done in groups of between 3 and 5 people. The case problems will involve an analysis of: (1) a security offering (e.g., an IPO), and (2) a merger/acquisition (M&A) problem. Either case could involve negotiation with an opposing team. The total group score for the cases equals the average case score times the number of students in the group. On the last day of class (June 4), each group will turn in their grade-allocation sheet containing:

- (a) the percentage (summing to 100%) of the total group score that each member by name is to receive towards his/her final grade, and
- (b) the signature of each group member.

If one group member’s signature is missing, the grade allocation sheet is valid and binding on all members. If two or more signatures are missing, the allocation sheet is invalid and the group’s score will be allocated equally among the members. I will not arbitrate disputes among group members. Each case will be worth 20 points, so the maximum average score available from cases is **40 points**.

### **Option B**

In addition, M.B.A. students have the option of writing a paper that can count for up to **40%** of their grade (you must specify the fraction when you hand in the paper). The weight given to the quizzes and the case problems will be reduced proportionately. The paper should be between 5 and 15 typed pages and it is due on Wednesday, June 4 in class. The topic of the paper can be anything related to the

course. I will approve paper topics that are unconventional, but you do not need to ask permission to write a paper on a topic similar to those listed below. In general, these papers should simulate a business research report to your boss. For example, if you are analyzing a potential merger, you might pretend that you are a junior staff member of an investment banking firm (or one of the companies involved in the transaction), and I (your boss) have asked you to report your analysis and recommendations concerning the merger (for example, Is the price a 'good' one? Why? What are the purported gains from this merger? Does the stock market think it is a wise transaction for our company or the other company? Are there likely to be regulatory problems or litigation? etc.) You may ask for general guidance as you might ask your boss, but don't come and ask me what you should write because I (your boss) expect you to be able to do this analysis yourself. Examples would be:

- (1) an event study on price performance of new issues in 1991, 1992, 1993, 1994, 1995, or 1996;
- (2) a case study (similar to Ruback's papers on Conoco or Cities Service) on a major acquisition, spin-off, or proxy fight. Students in past years have studied Chase-Lincoln, Norstar-Security, Xerox-Crum & Forster, Computer Consoles-N.B.I., and Kodak-Sterling Drug;
- (3) a case study of the performance of a successful merger or tender offer from 1 to 5 years after it was completed;
- (4) or any other topic that I approve.

### **Option C**

If you took FIN 433 (and therefore did a lot of case work), you have the option of substituting your paper for the case work in the course, but you must receive prior approval from me for this option (and approval of your paper topic).

### **Option Ph.D.**

Ph.D. students *must* write a paper and will not participate in the case problems.

### **Course Information on the Wide World Web (WWW)**

Most of the materials for this course will be posted on the home page for this course [<http://www.ssb.rochester.edu/fac/schwert/f423.htm>]. For example, I plan to post copies of the slides used in the classroom presentations as Adobe Acrobat files (so they can be viewed and printed from a microcomputer attached to the WWW). In addition, I have collected lists of sites that students can use to collect information on security prices (if you want to do an event study), on financial news, on securities filings with the S.E.C. (if you want to study a particular IPO prospectus, for example), and so forth. I want to encourage all students to use this resource throughout the course. I would particularly welcome student projects that gather information off the WWW to construct a new “case” for the course. If you are interested in pursuing that option, please see me early in the quarter.

### **Topics and Readings**

Additional journal articles, *which are not required*, are included for students who want more information on particular topics. These are not on reserve in the library, although copies of the *Journal of Financial Economics* and the *Journal of Finance* are available in the Management Library.

#### **I. Introduction to the Course**

\*Smith, Clifford W., “Raising Capital: Theory and Evidence,” (*DC*, 178-194).  
*Brealey and Myers*, Ch. 14 and 15.

#### **II. Venture Capital and Initial Public Offerings of Common Stock**

\*Sahlman, William A., “Aspects of Financial Contracting in Venture Capital,” (*DC*, 229-242).  
\*Ibbotson, Roger, Jody Sindelar, and Jay Ritter, “Initial Public Offerings,” (*DC*, 253-261) --  
also, by the same authors, “The Market’s Problem with the Pricing of Initial Public Offerings,” *Journal of Applied Corporate Finance*, 7 (Spring 1994) 66-74.  
\*Brav, Alon and Paul A. Gompers, “Myth or Reality? The Long-run Underperformance of Initial Public Offerings: Evidence from Venture and Non-venture Capital-backed Companies,” manuscript, Graduate School of Business Administration, Harvard University, 1995.

## II. Venture Capital and Initial Public Offerings of Common Stock

- Barry, Christopher B., Chris J. Muscarella, John W. Peavy III, and Michael R. Vetsuypens, "The Role of Venture Capital in the Creation of Public Companies: Evidence from the Going-Public Process," *Journal of Financial Economics*, 27 (September 1990) 447-471.
- Beatty, Randolph P. and Jay R. Ritter, "Investment Banking, Reputation, and the Underpricing of Initial Public Offerings," *Journal of Financial Economics*, 15 (1986) 213-232.
- Dunbar, Craig G., "The Use of Warrants as Underwriter Compensation in Initial Public Offerings," *Journal of Financial Economics*, 38 (May 1995) 59-78.
- Gompers, Paul A., "Optimal Investment, Monitoring, and the Staging of Venture Capital," *Journal of Finance*, 50 (December 1995) 1461-1489.
- Hanley, Kathleen Weiss and William J. Wilhelm, "Evidence on the Strategic Allocation of Initial Public Offerings," *Journal of Financial Economics*, 37 (February 1995) 239-257.
- Ibbotson, Roger, "Price Performance of Common Stock New Issues," *Journal of Financial Economics*, 2 (September 1975) 235-272.
- Jain, Bharat A. and Omesh Kini, "The Post-issue Operating Performance of IPO Firms," *Journal of Finance*, 49 (December 1994) 1699-1726.
- James, Christopher and Peggy Wier, "Borrowing Relationships, Intermediation, and the Cost of Issuing Public Securities," *Journal of Financial Economics*, 28 (November 1990) 149-171.
- Koh, Francis and Terry Walter, "A Direct Test of Rock's Model of the Pricing of Unseasoned Issues," *Journal of Financial Economics*, 23 (August 1989) 251-272.
- Lerner, Joshua, "Venture Capitalists and the Decision to Go Public," *Journal of Financial Economics*, 35 (June 1994) 293-316.
- Loughran, Tim and Jay R. Ritter, "The New Issues Puzzle," *Journal of Finance*, 50 (March 1995) 23-51.
- Meggison, William L. and Kathleen A. Weiss, "Venture Capitalist Certification in Initial Public Offerings," *Journal of Finance*, 46 (July 1991) 879-903.
- Muscarella, Chris J. and Michael R. Vetsuypens, "A Simple Test of Baron's Model of IPO Underpricing," *Journal of Financial Economics*, 24 (September 1989) 125-135.
- Ritter, Jay R., "The 'Hot Issue' Market of 1980," *Journal of Business*, 57 (April 1984) 215-240.

## II. Venture Capital and Initial Public Offerings of Common Stock

Ritter, Jay R., "The Long-Run Performance of Initial Public Offerings," *Journal of Finance*, 46 (March 1991) 3-27.

Tinic, Seha M., "Anatomy of Initial Public Offerings of Common Stock," *Journal of Finance*, 43 (September 1988) 789-822.

## III. Primary Distributions of Seasoned Stock, Underwriting, Rights and Private Placements

\*Asquith, Paul and David W. Mullins, Jr., "Equity Issues and Offering Dilution," *Journal of Financial Economics*, 15 (January 1986) 61-89.

\*Wruck, Karen H., "Equity Ownership Concentration and Firm Value: Evidence from Private Equity Financings," *Journal of Financial Economics*, 23 (June 1989) 3-28.

Choe, Hyuk, Ronald W. Masulis, and Vikram Nanda, "Common Stock Offerings Across the Business Cycle," *Journal of Empirical Finance*, 1 (June 1993) 3-31.

Bhagat, Sanjai, "The Evidence on Shelf Registration," *Midland Corporate Finance Journal*, 2 (Spring 1984) 6-12.

Hansen, R. S. and J. M. Pinkerton, "Direct Equity Financing: A Resolution of a Paradox," *Journal of Finance*, 37 (June 1982) 651-665.

Myers, Stewart and N. Majluf, "Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have," *Journal of Financial Economics*, 13 (June 1984) 187-221.

Parsons, John E. and Artur Raviv, "Underpricing of Seasoned New Issues," *Journal of Financial Economics*, 14 (September 1985) 187-221.

Scholes, Myron S. and Mark A. Wolfson, "Decentralized Investment Banking: The Case of Discount Dividend-Reinvestment and Stock-Purchase Plans," *Journal of Financial Economics*, 24 (September 1989) 7-35.

Spiess, D. Katherine and John Affleck-Graves, "Underperformance in Long-run Stock Returns Following Seasoned Equity Offerings," *Journal of Financial Economics*, 38 (July 1995) 243-267.

Smith, Clifford W., "Alternative Methods for Raising Capital: Rights versus Underwritten Offerings," *Journal of Financial Economics*, 5 (December 1977) 273-307.

#### IV. Corporate Bond Financing

\*Brealey and Myers, Ch. 23-24.

\*Kraus, Alan, "An Analysis of Call Provisions and the Corporate Refunding Decision," (*DC*, 161-173).

\*Fridson, Martin S., "The State of the High Yield Bond Market: Overshooting or Return to Normalcy?" *Journal of Applied Corporate Finance*, 7 (Spring 1994) 85-97.

Blume, Marshall E., Donald B. Keim and Sandeep A. Patel, "Returns and Volatility of Low-grade Bonds, 1977-1989," *Journal of Finance*, 46 (March 1991) 49-74.

Cornell, Bradford and Kevin Green, "The Investment Performance of Low-grade Bond Funds," *Journal of Finance*, 46 (March 1991) 29-48.

Eckbo, B. Espen, "Valuation Effects of Corporate Debt Offerings," *Journal of Financial Economics*, 15 (January 1986) 119-151.

Linn, Scott C. and J. Michael Pinegar, "The Effect of Issuing Preferred Stock on Common and Preferred Stockholder Wealth," *Journal of Financial Economics*, 22 (October 1988) 155-184.

Vu, Joseph, "An Empirical Investigation of Calls of Non-convertible Bonds," *Journal of Financial Economics*, 16 (June 1986) 235-265.

#### V. Intra-Firm Exchange Offers and Recapitalizations

\*Hand, John and Patricia Hughes, "The Motives and Consequences of Debt-Equity Swaps and Defeasances: More Evidence That It Does Not Pay to Manipulate Earnings," (*DC*, 62-66).

\*Masulis, Ronald W., "The Effects of Capital Structure Change on Security Prices: A Study of Exchange Offers," *Journal of Financial Economics*, 8 (June 1980) 139-177.

\*Chatterjee, Sris, Upinder S. Dhillon, and Gabriel G. Ramirez, "Coercive Tender and Exchange Offers in Distressed High-yield Debt Restructurings: An Empirical Analysis," *Journal of Financial Economics*, 38 (July 1995) 333-360.

Israel, Ronen, Aharon R. Ofer, and Daniel R. Siegel, "The Information Content of Equity-for-Debt Swaps: An Investigation of Analyst Forecasts of Firm Cash Flows," *Journal of Financial Economics* 25 (December 1989) 349-370.

## V. Intra-Firm Exchange Offers and Recapitalizations

McConnell, John J. and Gary G. Schlarbaum, "Evidence on the Impact of Exchange Offers on Security Prices: The Case of Income Bonds," *Journal of Business*, 54 (1981) 65-85.

Shah, Kshitij, "The Nature of Information Conveyed by Pure Capital Structure Changes," *Journal of Financial Economics*, 36 (August 1994) 89-126.

## VI. Convertible Debt

\*Brealey and Myers, Ch. 22.

\*Brennan, Michael J. and Eduardo Schwartz, "The Case for Convertibles," (*DC*, 288-297).

Asquith, Paul and David W. Mullins, Jr., "Convertible Debt: Corporate Call Policy and Voluntary Conversion," *Journal of Finance*, 46 (September 1991) 1273-1289.

Byrd, Anthony and William T. Moore, "On the Information Content of Calls of Convertible Securities," *Journal of Business*, 69 (January 1996) 89-101.

Campbell, C. J., Louis Ederington, and P. Vankudre, "Tax Shields, Sample Selection Bias, and the Information Content of Convertible Bond Calls," *Journal of Finance*, 46 (September 1991) 1291-1324.

Dunn, Kenneth B. and Kenneth M. Eades, "Voluntary Conversion of Convertible Securities and the Optimal Call Strategy," *Journal of Financial Economics*, 23 (August 1989) 273-301.

Mikkelsen, Wayne H., "Convertible Calls and Security Returns," *Journal of Financial Economics*, 9 (September 1981) 237-264.

Ofer, A., and A. Natarajan, "Convertible Call Policies: An Empirical Analysis of Information Signaling Hypothesis," *Journal of Financial Economics*, 19 (September 1987) 91-108.

Singh, Ajay K., Arnold R. Cowan, and Nandkumar Nayar, "Underwritten Calls of Convertible Bonds," *Journal of Financial Economics*, 29 (March 1991) 173-196.

## VII. Repurchase Tender Offers

\*Dann, Larry Y., "Common Stock Repurchases: An Analysis of Returns to Bondholders and Stockholders," *Journal of Financial Economics*, 9 (June 1981) 113-138.

Comment, Robert and Gregg A. Jarrell, "The Relative Signaling Power of Dutch-Auction and Fixed Price Self-Tender Offers and Open-Market Share Repurchases," *Journal of Finance*, 46 (September 1991) 1243-1271.

## VII. Repurchase Tender Offers

Ikenberry, David, Josef Lakonishok, and Theo Vermaelen, "Market Underreaction to Open Market Share Repurchases," *Journal of Financial Economics*, 39 (October 1995) 181-208.

Masulis, Ronald W., "Stock Repurchase by Tender Offer: An Analysis of the Causes of Common Stock Price Changes," *Journal of Finance*, 35 (May 1980) 305-319.

Vermaelen, T., "Common Stock Repurchases and Market Signaling," *Journal of Financial Economics*, 9 (June 1981) 139-183.

## VIII. Interfirm Tender Offers, Mergers and Corporate Control

\**Brealey and Myers*, Ch. 33.

\*Jensen, Michael C., "The Takeover Controversy: Analysis and Evidence," (*DC*, 465-491).

\*Schwert, G. William, "Markup Pricing in Mergers and Acquisitions," *Journal of Financial Economics* 41 (June 1996) 153-192.

\*Ruback, Richard S., "The Conoco Takeover and Stockholder Returns," *Sloan Management Review*, 23 (Winter 1982) 13-32.

Asquith, Paul and E. Han Kim, "The Impact of Merger Bids on the Participating Firm's Security Holders," *Journal of Finance*, 37 (December 1982) 1209-1228.

Bhagat, Sanjai, James Brickley, and U. Loewenstein, "The Pricing Effects of Interfirm Cash Tender Offers," *Journal of Finance*, 42 (September 1987) 965-986.

Bhide, Amar, "The Causes and Consequences of Hostile Takeovers," (*DC*, 502-525).

Bradley, Michael, A. Desai, and E. Han Kim, "The Rationale Behind Interfirm Tender Offers: Information or Synergy?," *Journal of Financial Economics*, 11 (April 1983) 183-206.

Bradley, Michael, A. Desai, and E. Han Kim, "Synergistic Gains from Corporate Acquisitions and Their Division Between the Stockholders of Target and Acquiring Firms," *Journal of Financial Economics*, 21 (May 1988) 3-40.

Brown, David T. and Michael D. Ryngaert, "The Mode of Acquisition in Takeovers: Taxes and Asymmetric Information," *Journal of Finance*, 46 (June 1991) 653-669.

Crabbe, Leland, "Event Risk: An Analysis of Losses to Bondholders and "Super Poison Put" Bond Covenants," *Journal of Finance*, 46 (June 1991) 689-706.

## VIII. Interfirm Tender Offers, Mergers and Corporate Control

- Dennis, David J. and Jan M. Serrano, "Active Investors and Management Turnover Following Unsuccessful Control Contests," *Journal of Financial Economics*, 40 (February 1996) 239-266.
- Dodd, Peter, "Merger Proposals, Management Discretion, and Stockholder Wealth," *Journal of Financial Economics*, 8 (June 1980) 105-137.
- Fallick, Bruce C. and Kevin A. Hassett, "Unionization and Acquisitions," *Journal of Business*, 69 (January 1996) 51-73.
- Franks, Julian, Robert Harris, and Sheridan Titman, "The Postmerger Share-Price Performance of Acquiring Firms," *Journal of Financial Economics*, 29 (March 1991) 81-96.
- Hayn, Carla, "Tax Attributes as Determinants of Shareholder Gains in Corporate Acquisitions," *Journal of Financial Economics*, 23 (June 1989) 121-153.
- Jarrell, Gregg A., James A. Brickley, and Jeffrey M. Netter, "The Market for Corporate Control: The Empirical Evidence Since 1980," *Journal of Economic Perspectives*, 2 (1988) 49-68.
- Jensen, Michael C., "Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers," *American Economic Review*, 76 (May 1986) 323-329.
- Jensen, Michael C. and Richard S. Ruback, "The Market for Corporate Control: The Scientific Evidence," *Journal of Financial Economics*, 11 (April 1983) 5-50.
- Jensen, Michael C. and Jerold W. Warner, "The Distribution of Power Among Corporate Managers, Shareholders, and Directors," *Journal of Financial Economics*, 20 (January 1988) 3-24.
- Lang, Larry H. P., RenJ M. Stulz and Ralph A. Walkling, "Managerial Performance, Tobin's  $q$ , and the Gains from Successful Tender Offers," *Journal of Financial Economics*, 24 (September 1989) 137-154.
- Lang, Larry H. P., RenJ M. Stulz, and Ralph A. Walkling, "A Test of the Free Cash Flow Hypothesis: The Case of Bidder Returns," *Journal of Financial Economics*, 29 (October 1991) 315-335.
- Lys, Thomas and Linda Vincent, "An Analysis of Value Destruction in AT&T's Acquisition of NCR," *Journal of Financial Economics*, 39 (October 1995) 353-378.
- McLaughlin, Robyn M., "Investment-Banking Contracts in Tender Offers," *Journal of Financial Economics*, 28 (November 1990) 209-232.

## VIII. Interfirm Tender Offers, Mergers and Corporate Control

Ruback, Richard S., "The Cities Service Takeover: A Case Study," *Journal of Finance*, 38 (May 1983) 319-330.

## IX. Going Private/Leveraged Buyouts

\*Jensen, Michael C., "Corporate Control and the Politics of Finance," (*DC*, 620-640).

\*Baker, George P. and Karen H. Wruck, "Lessons from a Middle Market LBO: The Case of the O. M. Scott," (*DC*, 538-550).

\*Muscarella, Chris J. and Michael R. Vetsuypens, "Efficiency and Organizational Structure: A Study of Reverse LBOs," *Journal of Finance*, 45 (December 1990) 1389-1413.

Asquith, Paul and Thierry W. Wizman, "Event Risk, Covenants, and Bondholder Returns in Leveraged Buyouts," *Journal of Financial Economics*, 27 (September 1990) 195-213.

DeAngelo, Harry, Linda DeAngelo, and Edward M. Rice, "Going Private: Minority Freezeouts and Stockholder Wealth," *Journal of Law and Economics*, 27 (October 1984) 367-401.

DeAngelo, Harry, Linda DeAngelo and Stuart C. Gilson, "The Collapse of First Executive Corporation: Junk Bonds, Adverse Publicity, and the "Run on the Bank" Phenomenon," *Journal of Financial Economics*, 36 (December 1994) 287-336.

Denis, David J. and Diane K. Denis, "Causes of Financial Distress Following Leveraged Recapitalizations," *Journal of Financial Economics*, 27 (February 1995) 129-157.

Healy, Paul M. and Krishna G. Palepu, "The Challenges of Investor Communication: The Case of CUC International, Inc.," *Journal of Financial Economics*, 38 (June 1995) 111-140.

Jensen, Michael C., "Eclipse of the Public Corporation," *Harvard Business Review*, (September-October 1989) 61-74.

Kaplan, Steven N., "The Effects of Management Buyouts on Operating Performance and Value," *Journal of Financial Economics*, 24 (October 1989) 217-254.

Kaplan, Steven N., "The Staying Power of Leveraged Buyouts," *Journal of Financial Economics*, 29 (October 1991) 287-313.

Kaplan, Steven N. and Richard S. Ruback, "The Valuation of Cash Flow Forecasts: An Empirical Analysis," *Journal of Finance*, 50 (September 1995) 1059-1093 .

## IX. Going Private/Leveraged Buyouts

Lehn, Kenneth, Jeffrey Netter and Annette B. Poulsen, "Consolidating Corporate Control: Dual-Class Recapitalizations versus Leveraged Buyouts," *Journal of Financial Economics*, 27 (September 1990) 557-580.

Lichtenberg, Frank R. and Donald Siegel, "The Effects of Leveraged Buyouts on Productivity and Related Aspects of Firm Behavior," *Journal of Financial Economics*, 27 (September 1990) 165-194.

Marais, Laurentius, Katherine Schipper, and Abbie Smith, "Wealth Effects of Going Private for Senior Securities," *Journal of Financial Economics*, 23 (June 1989) 155-191.

## X. Antitrust Law and Regulation of the Market for Corporate Control

\*Meulbroek, Lisa K., "An Empirical Analysis of Illegal Insider Trading," *Journal of Finance*, 47 (December 1992) 1661-1699.

Eckbo, B. Espen, "Horizontal Mergers, Collusion, and Stockholder Wealth," *Journal of Financial Economics*, 11 (April 1983) 241-273.

Eckbo, B. Espen and Herwig Langohr, "Information Disclosure, Method of Payment, and Takeover Premiums: Public and Private Tender Offers in France," *Journal of Financial Economics*, 24 (October 1989) 363-403.

Franks, Julian R. and Robert S. Harris, "Shareholder Wealth Effects of Corporate Takeovers: The U. K. Experience 1955-1985," *Journal of Financial Economics*, 23 (August 1989) 225-249.

Jarrell, Gregg A. and Michael Bradley, "The Economic Effects of Federal and State Regulation of Cash Tender Offers," *Journal of Law and Economics*, 23 (October 1980) 371-407.

Mitchell, Mark L. and Jeffrey M. Netter, "Triggering the 1987 Stock Market Crash: Antitakeover Provisions in the Proposed House Ways and Means Tax Bill," *Journal of Financial Economics*, 24 (September 1989) 37-68.

Stillman, Robert, "Examining Antitrust Policy Towards Horizontal Mergers," *Journal of Financial Economics*, 11 (April 1983) 224-240.

## XI. Defensive Tactics

- \*Comment, Robert and G. William Schwert, "Poison or Placebo? Evidence on the Deterrence and Wealth Effects of Modern Antitakeover Measures," *Journal of Financial Economics*, 39 (September 1995) 3-43.
- \*Bradley, Michael and Lee M. Wakeman, "The Wealth Effects of Targeted Share Repurchases," *Journal of Financial Economics*, 11 (April 1983) 301-328.
- Bhagat, Sanjai and R. H. Jefferis, "Voting Power in the Proxy Process: The Case of Antitakeover Charter Amendments," *Journal of Financial Economics*, 30 (November 1991) 193-225.
- Brickley, James A., Jeffrey L. Coles, and Rory L. Terry, "Outside Directors and the Adoption of Poison Pills," *Journal of Financial Economics*, 35 (June 1994) 371-390.
- Brickley, James A., Ronald C. Lease, and Clifford W. Smith, "Corporate Voting: Evidence from Charter Amendment Proposals," *Journal of Corporate Finance*, 1 (March 1994) 5-31.
- Cook, Douglas O. and John C. Easterwood, "Poison Put Bonds: An Analysis of Their Economic Role," *Journal of Finance*, 49 (December 1994) 1905-1920.
- Cotter, James F. and Marc Zenner, "How Managerial Wealth Affects the Tender Offer Process," *Journal of Financial Economics*, 35 (February 1994) 63-97.
- Dann, Larry and Harry DeAngelo, "Corporate Financial Policy and Corporate Control: A Study of Defensive Adjustments in Asset and Ownership Structure," *Journal of Financial Economics*, 20 (January 1988) 87-127.
- DeAngelo, Harry and Edward M. Rice, "Antitakeover Charter Amendments and Stockholder Wealth," *Journal of Financial Economics*, 11 (April 1983) 329-359.
- Denis, David J., "Defensive Changes in Corporate Payout Policy: Share Repurchases and Special Dividends," *Journal of Finance*, 45 (December 1990) 1433-1456.
- Gordon, Lilli A. and John Pound, "ESOPs and Corporate Control," *Journal of Financial Economics*, 27 (September 1990) 525-555.
- Jarrell, Gregg A. and Annette B. Poulsen, "Shark Repellents and Stock Prices: The Effects of Antitakeover Amendments Since 1980," *Journal of Financial Economics*, 19 (September 1987) 127-168.
- Kamma, S., J. Weintrop, and Peggy Weir, "Investors' Perceptions of the Delaware Supreme Court Decision in UNOCAL v. Mesa," *Journal of Financial Economics*, 20 (January 1988) 419-430.

## XI. Defensive Tactics

- Karpoff, Jonathan M. and Paul H. Malatesta, "The Wealth Effects of Second-generation State Takeover Legislation," *Journal of Financial Economics*, 25 (December 1989) 291-322.
- Linn, Scott and John J. McConnell, "An Empirical Investigation of the Impact of 'Antitakeover' Amendments on Common Stock Prices," *Journal of Financial Economics*, 11 (April 1983) 361-399.
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