



NYU  POLLACK CENTER FOR LAW & BUSINESS
NYU SCHOOL OF LAW AND LEONARD N. STERN SCHOOL OF BUSINESS

REPORT OF ACTIVITIES 2007-2008

Letter from the Director



Dear Friends,

We hope this report will allow alumni of the Stern School of Business and the NYU School of Law and our other friends to capture a taste of the NYU Pollack Center's activities during the recent period.

During the 2007-08 academic year, the Center continued actively to enrich the academic and scholarly environment for both students and faculty who have an interest in the myriad ways in which our legal system and our economy interconnect.

Our student-centered activities included organized student lectures, seminars, and courses. We fostered scholarship through the Center's working paper series, seminars, its Wagner Fellowship in Law & Business, and its conferences, including its ongoing partnership with the University of Pennsylvania to produce the leading annual academic conference on Law & Finance. This year, as in the past, the Center also organized practitioner conferences, such as the NYU Directors' Institute at Washington Square in May and the Conference on Cross-Border M&A held in June 2008 in Beijing (which was jointly sponsored by Peking University's Guanghua School of Management).

Much of what the Pollack Center does, whether teaching in the classroom, supervising student writing outside of it, or informally advising the student editors of the NYU Journal of Law & Business, cannot be captured in the photos and short text we include here. But it is the combination of all of these activities engaged in by a large array of dedicated scholar-teachers in the Law School and in the Stern School that allows the Center to continue to make an important contribution to keeping NYU the leader in the training of the next generation of effective, ethical leaders in law & business in the U.S. and across the globe.

Members of our Academic Board and of our Professional Board of Advisors continue to prove invaluable, and the staff of the Center, notably our Associate Director Hilary Peck, NYU Law 2003, and Harold Jennings, the Program Coordinator, continue to make an essential contribution. As in past years, we welcome your comments and are grateful for your support.

Sincerely yours,

A handwritten signature in black ink, which appears to read "William T. Allen". The signature is fluid and cursive, written over a light-colored background.

William T. Allen

JD and MBA students at the NYU Journal of Law and Business conference in February 2008



(Left to right) William T. Allen, Pollack Center Director; Lester Pollack, Founder-Chairman, Centre Partners; Larry Silverstein, President and CEO, Silverstein Properties, Inc.; and Thomas Cooley, Dean, NYU Stern at Mr. Silverstein's October 2007 student luncheon presentation



Center Programs for Students

“The Advanced Professional Certificate in Law & Business seems already to be opening doors for me. During the recent on-campus interviews for my 2L summer position, I received very positive comments about the helpfulness of these business courses from attorneys in both the litigation and transactional areas. I would recommend this program to anyone who wants to be in business litigation and, even more so, for students planning to work in corporate/transactional areas. The teachers were phenomenal, and the mix of local and international students made for lively and interesting discussions.”

Stephen N. Ilg, J.D. 2010, APCLB student

(Below) JD/MBA Association Fall 2007 Event
Back row: Richard Wernick, Vinay Ganti,
Michael Reczek, Alex Amirsaleh, Jon King,
Sasha Yagudayeva, Elena Kravtsoff, Rich Powell

Front row: Dunia Dickey, Janisha Sabnani,
Vinay Patel, Seth Berkowitz



Certificate Program Grows

The Advanced Professional Certificate in Law & Business (APCLB) has been created specifically for business lawyers. The program provides undergraduate and graduate law students with graduate-level business school training in conjunction with their legal education. Over the summer, students who elect this program take three Stern classes specially designed for them: Financial Accounting and Reporting; Statistics and Data Analysis; and Foundations of Corporate Finance. The professors for these courses are drawn from senior members of the faculty of the Stern School. Students complete additional electives during the Fall

and Spring semesters, and when they graduate with their law degree, they are also awarded the Advanced Professional Certificate in Law & Business from the Stern School of Business.

In the summer of 2008, a record seventeen students participated in the program, from countries including Belgium, Brazil, China, Mexico, Spain, Switzerland, and the U.S. In the summer of 2009, the Center looks forward to welcoming students who studied in Singapore through the NYU@NUS program to the APCLB.



(Above) The 2008 John L. Vogelstein Scholars
(Left to right) Natalia Stetsenko, Tamir Livschitz,
Jing Chen, Matthew Wolf, Francisco Soni
Rodriguez, (Not pictured) Andrea Ruettimann



The John L. Vogelstein Scholars Program

Grants that make this program possible are furnished by an endowment created by John L. Vogelstein, Vice Chairman of Warburg Pincus LLC, a member of the Stern School Board of Overseers and of the Board of Advisors of the Center. The Scholars program is designed for highly talented individuals from around the world who might not otherwise be able to do so, to participate in the Certificate Program. This year's recipients of the Vogelstein scholar designation came from the Ukraine, Israel, Switzerland, China, South America, and the U.S. We are pleased to congratulate the summer 2008 Vogelstein scholars: Jing Chen, Tamir Livschitz, Francisco Soni Rodriguez, Andrea Ruettimann, Natalia Stetsenko, and Matthew Wolf.

NYU Journal of Law & Business Private Equity Conference

In February 2008, the NYU Journal of Law & Business, a student-edited journal now in its fourth year, sponsored a conference entitled "Contemporary Issues in Private Equity after the Credit Crunch." Panelists examined the economic and political forces at work behind the credit crunch, the challenges the current credit environment has created for private equity, and the legal and regulatory issues private equity players are facing today. The event, held in the Law School's Greenberg Lounge, featured numerous speakers, including Larry Graev of The GlenRock Group, Rick Press of Apollo Management, Michell Presser of Paine & Partners, and Geoffrey Levin of Kirkland & Ellis.

(Below) Gerald Rosenfeld, CEO of Rothschild North America, teaches a course on the Law & Business of Investment Banking each Spring to JD and MBA students



Course offerings in Law & Business

Members of the Center's academic board continue to offer courses in the Fall and Spring semesters to enhance the law and business education of NYU graduate students. Among these is our "Transition to Practice" course. This course is designed to allow graduating students of law and business to transition more rapidly and more effectively from the University environment to the world of practice. The course is taught by Professor Gerald Rosenfeld, CEO of Rothschild North America, and Professor William T. Allen. The course is built around a detailed analysis of several recent large corporate transactions, based upon the documents of each such transaction. The

lawyers and bankers who completed the deal act as consultants to the student teams that analyze their transaction. The course will be offered again in Spring 2009.

Cross-Registration Offerings a Continuing Success

The Center continues to expand the list of cross-registration courses available to students of the Stern School and the NYU School of Law. This initiative is the most direct way to achieve the Center's goal of enriching the professional education of NYU law and business students. Law School students choose from a list of classes including Entrepreneurial Finance, Global Banking & Capital Markets, Venture Capital



(Left) Larry Silverstein, President and CEO, Silverstein Properties, Inc., discussed the Law & Finance of the World Trade Center Reconstruction Project at a Fall 2007 student luncheon

Financing, and Monetary Policy Banks & Center Banks, among many others. Stern students can register for classes in Corporations, Mergers & Acquisitions, Securities Regulation, and Corporate Finance.

Center Brings Larry Silverstein to Campus; Students Hear about the Law & Finance of his Historic World Trade Center Reconstruction Project

Mr. Silverstein, whose company completed the largest real estate transaction in New York history by acquiring the World Trade Center in July 2001, only to see it destroyed by terrorist attacks six weeks later on September 11th, discussed his company's role in the rebuilding of downtown New York City. The first

step was the opening in May 2006 of 7 World Trade Center, a 52-story, 1.7 million-square-foot office tower. Proposals for additional construction at the World Trade Center site are ongoing. Mr. Silverstein commented that "The World Trade Center experience has been transformational in my life."

The student luncheon lecture series is designed to provide students with direct exposure to distinguished practitioners in corporate law and business. The series will continue in the Fall 2008 with a focus on Corporate Reorganization.



(Above) Donald Clarke, visiting professor at NYU Law School and a leading academic on the topic of Chinese securities and company law, discussed the Ecology of Chinese Corporate Governance in November 2007



XBMA is a new cooperative venture among leading business schools in China, the US, and Europe dedicated to the study of cross-border M&A

(Left to right) Martin Lipton, Senior Partner, Wachtell, Lipton, Rosen & Katz; Qiu Hong, Deputy Minister of Commerce, People's Republic of China at the first annual Cross-Border M&A symposium in Beijing, June 2008

Former Secretary of the Treasury John Snow, Chairman, Cerberus Capital Management, LP; Franny Yao, Ernst & Young; William T. Allen, Pollack Center Director



Center Focuses on International Issues

“While cross-border investments into and from China continued in 2007 to grow at a rapid rate, and are undoubtedly important for continued global growth, participation in the Institute underlined the impression that political dimensions of these cross-border transactions at present are seen as forming a formidable barrier to large-scale M&A transactions between PRC firms and Western firms. These perceptions on the part of both Chinese and U.S. parties will probably erode in time – the benefits of foreign capital, technology, and know-how will be a constant attraction. Yet the time required to achieve better understanding and trust, and thus to achieve substantial transactions, may not be as short as some of us would like.”

Martin Lipton, Chairman, NYU Board of Trustees and Panel Chair
at the Center’s XBMA Beijing Conference, June 2008

International Institute for the Study of Cross-Border M&A

In June 2008, the International Institute for the Study of Cross-Border M&A, a new cooperative venture among leading business schools in China, the United States, and Europe, held its first annual symposium in Beijing on legal and business issues arising from cross-border mergers,

(Right) Bernard Yeung, Professor, NYU Stern School of Business and Wang Junfeng, Chairman, King and Wood

(Below) Zhang Weiying, Dean, Guanghua School of Management, Peking University



acquisitions, and strategic investments. NYU's Stern School of Business, the Judge School of Management at Cambridge University in England, and the Guanghua School of Management at Peking University were the sponsoring academic institutions.

The symposium brought together leading business figures in China and the West, senior government officials, and academics to discuss ways to facilitate and accomplish cross-border investment by Chinese firms as well as by U.S. and E.U. firms. "The theory underlying the Institute is simple," said Professor William T. Allen, the Pollack Center's Director and one of the Institute's organizers. "Cross-border investment flows, whether in the form of direct

investment, mergers, or acquisitions of interests in existing firms, provide an important element in making the world economy more efficient. The Institute is our cross-border cooperative effort to provide an important platform for such conversations."

Speakers agreeing to participate in the 2008 Institute included: Chen Deming, Minister of Commerce of China; John Snow, Former U.S. Treasury Secretary and Chairman of Cerberus Capital Management, L.P.; Clay Lowery, Assistant U.S. Treasury Secretary for International Affairs; Fu Chengyu, Chairman and CEO, Chinese Overseas Oil Co., Ltd.; Gao Xiqing, President and Vice Chairman, China Investment Corporation, China's new sovereign wealth investment fund; Dr. Jiang

Members of the Beijing Conference Organizing Committee: Jack Rodman, King & Wood; Shao Ning, State-owned Assets Supervision and Administration Commission (SASAC); Franny Yao, Ernst & Young; Martin Lipton, Wachtell, Lipton, Rosen & Katz; Robin Panovka, Wachtell, Lipton, Rosen & Katz

(Below left) Zhu Min, Group Executive Vice President, Bank of China



Jianqing, Chairman, Industrial and Commercial Bank of China; Martin Lipton, Founding Partner, Wachtell, Lipton, Rosen & Katz; and Robert C.A. Hingley, Director General, The U.K. Panel on Takeovers and Mergers.

**What is Inside that Large Black Box?:
The Ecology of Chinese Corporate Governance**

In November 2007, the Pollack Center, together with the NYU China House, brought together a University audience interested in the law and business of the internal regulation of Chinese business corporations. Leading the inquiry was Donald Clarke, a visiting professor at NYU Law School during the 2007-08 academic year, and an academic leader on the topic of Chinese securities and company law.

Professor Clarke maintained that while there has been a proliferation of corporate governance rules in China in recent years, these rules have had limited impact because state and non-state enforcement mechanisms are weak or lacking altogether. Professor Clarke offered that the deep reason for this phenomenon is political: the leaders of the State, that is the leaders of the Chinese Communist Party, do not yet accept the existence of institutions that are both powerful and independent of the state. The concept of “balance of power” that undergirds the structural aspects of U.S. legal institutions is foreign to the long traditions of China. The event evoked lively discussion.



Professor Krishna Palepu, Harvard Business School, urged that board members focus on a few simple questions to determine the firm's strategic drivers:

- 1) What is the need our customer seeks to satisfy?
- 2) What is the market place competition for satisfying it?
- 3) How do we seek to create a competitive advantage?
- 4) Do we have the right capabilities and processes to execute our strategy profitably?
- 5) Are there evolving potential threats to our competitive advantage? How do we plan to deal with them?



The following is the list of the 2008 NYU Directors' Institute panelists:

Douglas R. Conant

CEO, Campbell Soup Co.; Board Member, Applebee's Int'l, Inc.

Robert Fish

Former Chairman & CEO, Genesis Healthcare, Inc.; Lead Director, NeighborCare, Inc.

Mark Gordon

Adjunct Professor of Law, NYU School of Law; Partner, Wachtell, Lipton, Rosen & Katz

Richard J. Kogan

Retired President & CEO, Schering-Plough Co.; Board Member, Colgate-Palmolive Co. and The Bank of New York Mellon

Martin Lipton

Senior Partner, Wachtell, Lipton, Rosen & Katz

Reuben Mark

Chairman, Colgate-Palmolive Co.; Board Member, Time Warner, Inc. and Cabela's Inc.

**"Terrific - Highly qualified individuals,
extremely hot topic, very valuable!"**

Lead Director, 2008 Directors' Institute attendee

Center Programs for Practitioners

Directors' Institute Continues to Present Well-Received Expert Program

Each year, the Center hosts the Directors' Institute, a director education program designed to strengthen the corporate governance practices of boards of directors. The Center focuses on both the business aspects of corporate directors' duties as well as the legal regulatory aspects of corporate board service.

The 2008 Institute opened with a report from Joseph Tracy, Executive Vice President and Director of Research at the Federal Reserve Bank of New York, on the current state of the regional and national economy.

Harvard Business School's Krishna Palepu, Ross Graham Walker Professor of Business Administration at Harvard Business School, then gave a tutorial on the relationship between strategy and governance in a highly effective board. The fundamental message of Professor Palepu's talk was that a well-understood strategy is the foundation of all effective governance, from succession planning and CEO compensation to monitoring of financial statements. But he asserted that in many firms the Board is seldom provided with the information needed to engage in strategic activity.

Theodore N. Mirvis

Partner, Wachtell, Lipton,
Rosen & Katz

Krishna G. Palepu

Ross Graham Walker Professor
of Business Administration,
Harvard Business School

Dusty Philip

Partner, Mergers & Acquisitions,
Goldman Sachs Group, Inc.

Mark Schonfeld

Director, New York Regional
Office, U.S. Securities and
Exchange Commission

Honorable Leo E. Strine, Jr.

Vice Chancellor, Delaware Court
of Chancery

Joseph S. Tracy

Executive Vice President and
Director of Research, Federal
Reserve Bank of New York



Reuben Mark, Chairman of Colgate-Palmolive Company, delivered the keynote address at the May 2008 Directors' Institute

The Institute Keynote Address – The Culture of a Firm: A Great Source of Long-Term Advantage When Done Right

The keynote at the Directors' Institute was delivered by one of America's most successful long-term CEOs, Reuben Mark, Chairman of Colgate-Palmolive Company. Mr. Mark traced his more than forty years at the company, and outlined its great financial success during that period. He discussed his efforts to focus the company on its core businesses of oral and personal care and shed its excess. In talking about how a firm culture must pervade the firm and its agents, he highlighted many seemingly small initiatives at Colgate, such as requiring all employees at every level to wear nametags with the first name in larger

font than the last, which, he argued, while extremely simple, contributed in an important way to a feeling of unity and democracy. As he concluded: "Love is a greater motivator than fear."

As in past years, the Center's 2008 Directors' Institute had an unsurpassed faculty of experts. Robert Fish, Former Chairman & CEO, Genesis Healthcare; Dusty Philip, Partner, Goldman Sachs; and Mark Gordon, Partner, Wachtell, Lipton, Rosen & Katz discussed the Board's role in M&A transactions. Douglas Conant, CEO, Campbell Soup; Richard Kogan, Retired President & CEO, Schering-Plough; and Martin Lipton, Senior Partner, Wachtell, Lipton, Rosen & Katz discussed the relationship between the CEO and the Board. Vice

“A scintillating presentation by a leading authority. Marvelous, and very insightful!”

Corporate Director, 2008 Directors’ Institute attendee



(Above) Joseph Tracy, Executive Vice President and Director of Research of the Federal Reserve Bank of New York, gave a report on the regional and national economy at the May 2008 Directors’ Institute

Chancellor Leo Strine of The Court of Chancery of Delaware; Theodore Mirvis, Partner, Wachtell, Lipton, Rosen & Katz; and the SEC’s Mark Schonfeld, Director, New York Regional Office discussed director fiduciary duties.

The next NYU Directors’ Institute will take place on May 1, 2009 on the NYU campus.

Bankruptcy and Business Reorganization Workshop

Each year the Center, in association with the NYU School of Law, sponsors the Lawrence P. King and Charles Seligson Workshop on Bankruptcy and Business Reorganization. Professor Barry Adler of

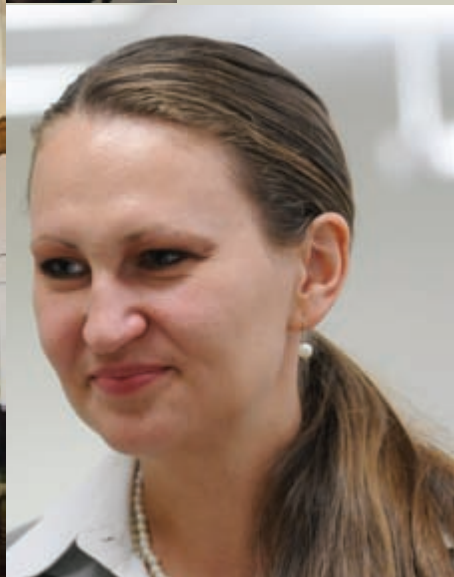
the School of Law is responsible for organizing this practice-oriented event. The workshop is the leading national program in bankruptcy practice. It comprises two simultaneous programs: a basic program for general practitioners and business professional who desire a grounding in the fundamentals of bankruptcy law and practice; and an advanced program for practitioners and financial professionals who are experienced in the business reorganization process. Participating faculty have written and lectured extensively on the Code, and many are members of the National Bankruptcy Conference. Attorneys who are admitted to practice in New York are eligible to receive Continuing Legal Education (CLE) credit.



(Top) Heather Tookes, Yale School of Management, at the 2008 NYU/Penn Conference on Law & Finance

(Middle left) Stazros Thomadakis, University of Athens, with Center Director William T. Allen and Joseph Tracy of the Federal Reserve of New York

(Bottom right) Katsiaryna Salavei, Visiting Professor at NYU Stern



Center Programs for Faculty

Law & Finance Seminar Series

Each Spring, the Center invites professors from leading universities to discuss their recent academic works relating to the fields of law and business. The following is a list of our Spring 2008 papers and presenters:

“Deductio Ad Absurdum” **David Yermack**, NYU Stern School of Business

“Did Securitization Lead to Lax Screening? Evidence from Subprime Loans 2001-2006” **Vikrant Vig**, London Business School; Co-authors: **Benjamin J. Keys**, University of Michigan; **Tanmoy Mukherjee**, Sorin Capital Management; **Amit Seru**, University of Chicago

“Equity and Debt Decoupling and Empty Voting II: Importance and Extensions” **Henry Hu**, University of Texas Law School; Co-author: **Bernard Black**, University of Texas Law School

All papers can be downloaded from our website: www.stern.nyu.edu/clb

(Clockwise from top left) Andrew Metrick,
Yale School of Management at the NYU/
Penn Conference

Rohan Williamson, Georgetown University
McDonough School of Business

Wei Jang, Columbia Business School



NYU/Penn Conference on Law & Finance

In February 2008, the Center sponsored jointly with the University of Pennsylvania's Institute for Law and Economics the Fourth Annual Law & Finance Conference. Featuring sessions on topics such as commercial governance ratings, creditor rights and corporate risk-taking, and value destruction in the new era of Chapter 11, the conference included experts from the host schools, as well as from Boston University, Columbia University, Fordham University, MIT, Stanford University, The University of Chicago, The University of Michigan, Washington University in St. Louis, and Yale University. On the next page is a list of the law and finance papers presented at the conference:



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Rating the Ratings: How Good are Commercial Governance Ratings?

Authors: **Robert M. Daines**, Stanford Law School; **Ian Gow**, Stanford University Graduate School of Business; **David F. Larcker**, Stanford University Graduate School of Business

Commentator: **David Yermack**, NYU Stern School of Business

Moderator: **Hon. Leo E. Strine, Jr.**, Delaware Court of Chancery

Creditor Rights and Corporate Risk-Taking

Authors: **Viral Acharya**, London Business School; **Yakov Amihud**, NYU Stern School of Business; **Lubomir Litov**, Olin School of Business, Washington University in St. Louis

Commentator: **Katharina Pistor**, Columbia Law School

Moderator: **Hon. Leo E. Strine, Jr.**, Delaware Court of Chancery

Attorneys as Arbitrators

Authors: **Stephen Choi**, New York University School of Law; **Jill Fisch**, Fordham University School of Law; **Adam Pritchard**, The University of Michigan Law School

Commentator: **Antoinette Schoar**, Sloan School of Management, Massachusetts Institute of Technology

Moderator: **Hon. Stephen P. Lamb**, Delaware Court of Chancery

Blockholders, Market Efficiency, and Managerial Myopia

Author: **Alex Edmans**, The Wharton School, University of Pennsylvania

Commentator: **Alan Schwartz**, Yale Law School

Moderator: **Hon. Stephen P. Lamb**, Delaware Court of Chancery

Hedge Fund Activism in the Enforcement of Bondholder Rights

Authors: **Marcel Kahan**, New York University School of Law; **Edward B. Rock**, University of Pennsylvania Law School

Commentator: **Wei Jiang**, Columbia Business School

Moderator: **Hon. Stephen P. Lamb**, Delaware Court of Chancery

Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes?

Authors: **Steven N. Kaplan**, The University of Chicago Graduate School of Business; **Joshua Rauh**, The University of Chicago Graduate School of Business

Commentator: **David I. Walker**, Boston University School of Law

Moderator: **Richard E. Kihlstrom**, The Wharton School, University of Pennsylvania

Value Destruction in the New Era of Chapter 11

Authors: **Barry E. Adler**, New York University School of Law; **Vedran Capkun**, HEC School of Management; **Lawrence A. Weiss**, McDonough School of Business, Georgetown University

Commentator: **Julian Franks**, London Business School

Moderator: **Richard E. Kihlstrom**, The Wharton School, University of Pennsylvania

Differences in Governance Practices between U.S. and Foreign Firms: Measurements, Causes, and Consequences

Authors: **Reena Aggarwal**, McDonough School of Business, Georgetown University; **Isil Erel**, Fisher College of Business, The Ohio State University; **René Stulz**, Fisher College of Business, The Ohio State University; **Rohan Williamson**, McDonough School of Business, Georgetown University

Commentator: **Edward M. Iacobucci**, Faculty of Law, University of Toronto

The next NYU/Penn conference will be held on the NYU campus in February 2009.



Academic Issues in Executive Compensation

Under the direction of NYU Stern Professors Kose John, David Yermack, and William Allen, the Center hosted a May 2008 academic conference on the politically sensitive topic of Executive Compensation. The conference brought together scholars from Law, Finance, Economics, Accounting, and Management Strategy to discuss central issues in executive compensation. The following research papers were presented, with ample opportunity for discussion and active audience participation:

“Detail-Independent Optimal Contracts, with an Application to CEO Incentives”

Chair: Kose John, New York University
Alex Edman, University of Pennsylvania, and
Xavier Gabaix, New York University

Discussant: Heski Bar-Isaac, New York University

“Total Executive Compensation”

Chair: Daniel Wolfenzon, New York University
Gian Luca Clementi, New York University,
Thomas Cooley, New York University, and
Sonia Di Giannatale, Centro de Investigacion
y Docencia Economicas

Discussant: Philip Bond, University
of Pennsylvania

“Executive Promotions: Compensation, CEO Influence, and Firm Valuation”

Chair: Robert Whitelaw, New York University
H. Shawn Mobbs, Vanderbilt University and
Charu G. Raheja, Wake Forest University

Discussant: Lalitha Naveen, Temple University

“Shareholders’ Say on Pay: Does it Create Value?”

Chair: William Allen, New York University
Jie Cai and Ralph A. Walking, Drexel University

Discussant: Simi Kedia, Rutgers University

“CEO Compensation in Private Venture-Backed Firms”

Chair: Joshua Ronen, New York University
Ola Bengtsson, Cornell University, and John R.M.
Hand, University of North Carolina at Chapel Hill

Discussant: Hamid Mehran, New York Federal
Reserve

“Optimal CEO Incentives and Industry Dynamics”

Chair: Yakov Amihud, New York University
Dalida Kadyrzhanova, University of Maryland,
and Antonio Falato, Federal Reserve Board

Discussant: Lin Peng, Baruch College



(Left page) Top: Eliezer Fich, Drexel University, LeBow School of Business
Bottom: Philip Bond, The Wharton School, University of Pennsylvania

(Above) Charu Raheja, Wake Forest University and former Graduate Fellow at the NYU Pollack Center, at the May 2008 Executive Compensation Conference

Corporate Governance Luncheons

The Center and Professor David Yermack of NYU Stern's Finance Department collaborate each year to bring together leading academics in the field of corporate governance. These professors present their research to a group of approximately 25 faculty and students from nearly every department at Stern, as well as from the Law School and from other institutions in the New York area including Columbia, Rutgers, and the Federal Reserve Bank of New York. Each presentation is followed by informal discussion and Q&A. Recent speakers include: Yakov Amihud, Xavier Gabaix, Anzhela Knyazava, Diana

Knyazeva, Kose John, Holger Mueller, Thomas Philippon, Enrichetta Ravina, Orly Sade, Jason Wei, Daniel Wolfenzon, David Yermack, Bernard Yeung, and Emanuel Zur.

This luncheon series, together with a new PhD course in corporate governance taught by Professor David Yermack as well as the Law & Finance Luncheon series and the NYU/Penn Conference (mentioned previously in this report), contributes to the great range of programming NYU offers in the field of corporate governance.

Research

“The Center for Law and Business is an ideal place for a young academic to start a career. As a Wagner Fellow, I have participated in colloquia with preeminent faculty in the fields of law, business, and finance, and interacted with leaders from government, law firms, and investment banks. This exposure to the apex of law and business within the context of a reflective academic atmosphere makes the Center an extraordinary place to hone and perfect a scholarly agenda. ”

David Webber

2008-09 Wagner Fellow

Fellowships

The Center awards research support each year to graduate students and professionals in finance and corporate law. Past fellows have gone on to pursue careers in academia, professional practice, and government service. For the 2007-08 academic year, we were pleased to support the following fellows:

Graduate Fellow

Rosa Comella holds her doctoral degree (S.J.D. 2004) and her masters degree (LL.M 1996) from Harvard University, as well as a doctoral degree and law degree from the University of Zaragoza in Spain. She was formerly an associate professor of law at the University of Zaragoza. Ms. Comella’s work focuses on comparative studies between the U.S. and E.U. with a special focus on environmental regulation.

Wagner Fellow

Thanks to a generous grant of the Leonard Wagner Testamentary Trust, the Center offers a research fellowship to help develop future academics with an interest in the social control of business institutions and the social responsibility of business. Our Wagner Fellow for the 2007-08 academic year, William Bunting, graduated magna cum laude with a B.A. in mathematics and economics from Carleton College in 2000. In 2006, he received his J.D. from NYU Law School. He is a member of the New York State Bar and is currently pursuing a Ph.D. in economics from Yale University. His primary research interests are

in industrial organization (antitrust and regulatory policy), political economy, and contract law (psychology and economics). His recent work includes an examination of the behavioral underpinnings of the necessity defense in tort law and election-by-lot as a judicial selection mechanism.

The Center is pleased to welcome David Webber, our Wagner Fellow for the 2008-09 academic year. Mr. Webber’s research focuses on the role of public pension funds in securities class action litigation.

Professional Fellow

Vinay B. Nair, who holds a PhD from the Finance Department of the Stern School and served as Associate Professor of Finance at the Wharton School, is now Research Director at Old Lane (Citi Alternative Investments) and co-manages a portfolio based on research developments in corporate finance and asset pricing. Dr. Nair has published in leading finance journals on topics related to Corporate Governance and Corporate Finance. His current research interests are in the areas of Investment Management and Social responsibility. Prior to becoming a portfolio manager, Dr. Nair was an Assistant Professor of Finance at The Wharton School where he developed a course on private equity for MBA students. He continues to teach Private Equity as a visiting professor at the Indian School of Business. His undergraduate studies were at the Indian Institute of Technology, where he was awarded the Governor’s Gold Medal.

Recent NYU Corporate Governance Research

Professors at NYU Stern School of Business and the NYU School of Law have published a number of papers recently on the topic of corporate governance, many of which have received substantial coverage in the national media. Below is a summary of four such papers:

“Deductio Ad Absurdum: CEOs Donating Their Own Stock to Their Own Family Foundations” David Yermack, NYU Stern, September 2008



Professor Yermack studies large charitable gifts by Chairmen and CEOs of public companies using their own company stock as the donation currency. Unlike open market sales, gifts of stock are not subject to insider trading law and have very lenient disclosure requirements. Consistent with their exemption from insider trading law, CEOs' stock gifts often occur just prior

to significant drops in their firms' stock prices, a pattern that enables the donors to obtain increased personal income tax benefits. Stock gifts are also strategically timed to occur prior to unfavorable quarterly earnings announcements and after positive earnings announcements.

Evidence related to reporting delays and seasonal patterns suggests that some CEOs backdate stock gifts to their own family foundations in order to increase personal tax benefits.

CEOs' family foundations hold donated stock for long periods rather than diversifying, permitting CEOs to continue voting the shares but violating standard prudent investor principles of risk reduction through diversification.

These results highlight an odd juxtaposition of motives, suggesting that while making charitable contributions to support good works in society, CEOs use aggressive and perhaps fraudulent tax evasion strategies.

“Relative Governance” Kose John, NYU Stern and Dalida Kadyrzhanova, University of Maryland, May 2008



Using data on anti-takeover provisions and headquarters location for a large sample of U.S. public corporations, this paper documents robust evidence of peer effects in corporate governance. In particular, Professors John and Kadyrzhanova have two sets of findings: 1) Good governance breeds good governance - i.e., firms are less likely to adopt anti-takeover provisions

if fewer of their peers adopt them; 2) Good governance matters the most when peers have good governance - i.e., the negative effect of anti-takeover provisions on corporate performance and investment, financial, organizations, and CEO compensation policies is concentrated in areas with low incidence of anti-takeover provisions.

A further contribution of the paper is to develop a novel triple-difference estimator that addresses causality by exploiting exogenous variation in peer governance generated by state adoption of anti-takeover laws. The results suggest that to understand the governance/performance relationship, the literature needs to go beyond the standard single-firm assumption.

“Corporate Governance and Commitment” Kose John, NYU Stern and Anzhela Knyazeva, University of Rochester, May 2008

This paper examines corporate payout and debt policies from an agency perspective. The authors find that corporate governance and precommitment to cash outflows are alternative methods of addressing managerial agency conflicts. Precommitment increases the manager's exposure to external financing markets and limits suboptimal investment. Due to its cost, the level of precommitment to shareholders and debtholders is decreasing in corporate governance. Monitoring also affects payout and debt type. Irregular payouts such as repurchases or special dividends have the weakest precommitment effect whereas quarterly cash dividends have the strongest effect. Internal monitoring lowers repurchases; however, managers vulnerable to the corporate control market increase discretionary distributions. Firms with severe monitoring problems combine debt and dividend precommitment, set high debt and dividend payments, and prefer short-term debt. The monitoring-precommitment tradeoff is strongest for high free cash flow firms and is affected by firm and industry variation in the costs and benefits of precommitment.

“Why Has CEO Pay Increased So Much?” Xavier Gabaix and Augustin Landier, NYU Stern, February 2008



This paper develops a simple equilibrium model of CEO pay. CEOs have different talents and are matched to firms in a competitive assignment model. In market equilibrium, a CEO's pay depends on both the size of his firm and the aggregate firm size. The model determines the level of CEO pay across firms and over time, offering a benchmark for calibratable corporate finance. The authors find a very small dispersion in CEO talent, which nonetheless justifies large pay differences. In recent decades at least, the size of large firms explains many of the patterns in CEO pay, across firms, over time, and between countries. In particular, in the baseline specification of the model's parameters, the six-fold increase of U.S. CEO pay between 1980 and 2003 can be fully attributed to the six-fold increase in market capitalization of large companies during that period.

The Center compiles academic working papers on a variety of topics related to law, business, finance and economics, with a special focus on corporate governance. All papers can be downloaded from our website: www.stern.nyu.edu/clb.

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