absolute-priority rule, 55, 138	bankruptcy, see also Chapter 7, Chapter 11, 1, 8, 15, 20,
accounting-based performance measures, 22, 29, 59,	25-27, 29, 51-54, 77, 79, 87, 92, 103, 113,
118, 123, 180, 299, 306, 338, 340, 344, 353,	132, 141, 167, 190-91, 199, 256, 410-11, 497,
376, 378, 407, 625	544, 551, 564, 586-87
accounting, creative, <i>see</i> creative accounting	behavioral corporate finance, 9
acquisitions, 5, 9, 17, 20, 29, 43, 50–51, 88, 100, 367,	benchmarking, 3, 29, 122–23, 180, 278, 283–87, 310–11,
425, 498-99, 503, 507, 515, 618	324, 573, 602
bootstrap, 433	block shareholder, 4, 37, 40, 53
active monitoring, see monitoring, active	board of directors, 9, 18-20, 25, 29-30, 33, 37, 63, 65, 84,
adverse selection, 2-4, 26, 52, 102, 113-14, 182, 220-21,	239, 254, 258, 334, 395, 425
237-76, 306, 333, 341, 350, 355, 358, 391,	bond covenant, 87
	Brander-Lewis model, 289, 296, 298, 319, 321, 325
405, 427, 459-60, 475, 477, 502, 536, 586, 596, 598	bubble, 8, 9, 95, 102, 123, 177, 529
advisory monitoring models, 364	bubble, 0, 0, 00, 102, 120, 177, 020
affirmative covenants, 80, 104	call option, 21, 23, 46, 77, 342-43, 353, 527, 607
alliances, 64, 92, 393, 536, 551	capital
alternative risk transfer, 216	adequacy, 83, 375, 479, 522, 535
arm's length finance, 333	asset pricing model (CAPM), 219
Arrow-Debreu model, 1, 484	market, internal, see internal capital market
AS model, 333, 335	structure, 76, 82, 102-3, 132, 199, 411
asset substitution, <i>see also</i> gambling, risk taking, 85, 87,	CAPM, see capital asset pricing model
161-63, 165, 314, 323-24, 389, 602	career concerns, 26, 63, 278, 283, 306-7, 310-11, 321,
authority, 65-68, 79, 240, 334, 407	336, 588
formal, 84, 239, 398, 416, 428	carrot and stick, 186, 225, 406-7, 409-10, 559
real, 9, 35, 84, 204, 239, 398, 402-4, 416, 428, 431,	cartelization, 165-66, 194, 509, 522, 590
441	cash-flow rights, 40, 51, 54, 75, 91, 387, 389, 408, 417,
11 1	434, 541, 559-60, 578, 610
1 11	certification, see also monitoring, 91-93, 246, 249-51,
bailouts, 220, 535	358, 375, 471, 479-81, 483
balance sheet, 3-6, 86-87, 99, 100, 117	Chapter 7, 52
and collateral, 169	Chapter 11, 20, 26, 52, 87, 410
and control rights, 390	Coase Theorem, 53, 64, 390, 410, 428, 536
and credit rationing, 117	collateral, 2, 3, 6, 7, 51, 55, 60, 75-77, 80-82, 88, 90, 92,
and debt maturity, 204, 558	99, 102-4, 164, 251
and group lending, 180	collusion, 20, 28, 42, 46, 182, 262, 293, 321, 336, 338,
and liquidity, 174–75	343, 349, 353, 356, 359, 362–64, 414, 537,
and monitoring, 359	555, 594, 606
and takeovers, 428	commercial paper, 81-83, 88-89, 101, 216, 333-34, 471
channel, 5, 471, 478, 482	competition
bank	bank, 535
debt, 47, 52, 55, 88-89, 342, 379, 410	between legal environments, 36
loans, 47, 80-82, 84, 88-91, 93, 96, 101	between monitors, 457, 609–10
runs, 5, 454–55, 457, 463, 465–66	for corporate funding, 414

	d-fl+ 2C 40 7C 00 02 0C 07 00 102 4
competition (continued)	default, 36, 48, 76, 80–83, 86–87, 89, 103–4
for labor, 544	deposit insurance, 99, 527
for savings, 537, 543	Diamond-Dybvig model, 447, 450, 452-53, 455, 457,
in lending, 4	460-61, 466-67, 521, 615, 625
international, 49 product-market, <i>see</i> product-market competition	dilution, 85, 91, 119, 205 disclosure, 31, 66, 89, 92, 105, 181, 241, 246, 249–50,
conglomerates, 9, 36, 47, 414-15 break-up of, 49	333, 345, 402-3, 425, 535-36, 542
• '	dissipative signal, 3, 239, 249, 303 dividend smoothing, 313-14
contracting institutions, 5, 54–56, 536–41, 544, 556–57, 559	
	dividends, see also payout policy, 1, 7, 8, 29, 46, 51, 55,
control rights, 4, 6, 9, 25, 27, 36, 51, 53, 59, 64, 75–76,	64, 76-78, 85, 95, 97-98, 100-1, 119, 141,
80, 84, 91-93	187, 199, 204-5, 225, 238-40, 257-60,
and black shareholders, 403	313-14, 351, 379, 399, 411, 447, 449, 452,
and block shareholders, 403	463, 529, 535, 541
and competition, 286	dual-class shares, 40, 429, 431, 439
and contracting institutions, 559	earnings
and shareholder value, 391	before interest and taxes, 91, 394, 407
and specific investments, 395	manipulation, 283, 299, 304-5, 307
contingent, 388, 393–94, 497	EBIT, <i>see</i> earnings before interest and taxes
multiple, 392	empire building, 9, 163
convertible	Employee Stock Ownership Plan (ESOP), 45
bonds, 77, 248, 351	equity
debt, 77, 95, 137, 316, 351, 378, 404	offering, 3, 8, 97, 100-1, 237, 244-46, 262, 275, 597
corporate social responsibility, 56, 58, 60	
costly	premium, 337, 349, 459–60, 526
collateral pledging, 3, 92, 123, 130, 143, 170-71,	exchange offer, 52, 227, 410
204, 251, 325, 391, 429, 537–38, 542, 630	executive
state verification, 113, 131, 138, 141-43	compensation, 18, 24, 29, 35, 41, 49
covenants, 2, 20, 47, 53, 60, 64, 76-77, 79-80, 82, 84-92,	turnover, 25-26, 171
99, 103-6	exit
negative, 60, 80, 84, 88, 103, 119	and voice, 334
positive, 60, 84–85	strategy, 248, 356, 379, 471, 607
creative accounting, 86, 283, 299–300	fiduciary duty, 37, 58, 62, 433
credit	financial
analysis, 82–83, 87, 102–3, 116, 127, 165, 184, 274,	fragility, 10
497	intermediaries, 5, 79, 83, 166, 357, 447, 471, 480,
crunch, 5, 90, 478, 482-83, 625	535
cycles, 489	muscle, 3, 5, 166, 286, 321-23, 498-99, 506, 508-9,
line, 95, 205	601, 626
creditor rights, 54–55, 535, 551, 554	fire sale, 82, 165-66, 194, 522, 590
cross	foreign exchange, 10, 77, 214
-pledging, 157-59, 163, 180, 192, 609-10, 625	forward markets, 217
-subsidization, 3, 48, 237–38, 242–43, 247, 249–50,	free cash flow, 50–51, 119, 199, 225, 258
254, 414-15, 581	free rider, 436-37
currencies, 203, 214, 216, 305, 343, 393, 463-65, 540,	rice rider, 150 57
565	gambling, 24, 53, 85, 152-53, 214, 217, 307, 309, 315-17
efficient, 203, 294, 305	581-82
deadlock, 29, 59, 64, 400-1, 411	GJ model, 333
debt	going public, 92, 244, 246, 391
demandable, 337-38, 350-53	golden parachute, 19, 45, 304-5, 307, 326, 419, 441,
forgiveness, 114, 126, 140, 146, 205, 227	604-5, 611-12
maturity, 3, 80, 232, 537, 557	greenmail, 46, 425, 441
overhang, 114, 125-26, 179, 205, 224, 297, 626	growth prospects, 93, 96, 199, 206, 225
	O FF,,,,,,, -

herd behavior, 9, 278, 307, 310, 600 holdup, 53, 93, 157, 177, 257, 297, 356, 372, 374, 395, 413, 506	loan commitment, 81, 86, 89, 200, 216, 229, 433, 591 low-information-intensity securities, 3, 5, 248–49, 405, 460
hubris, 9, 50, 428	
ICM, see capital market, internal	M&As, <i>see</i> mergers and acquisitions management buyout (MBO), 43, 47-49
implicit incentives, 15, 20–21, 26, 62–63, 171	managerial myopia, 301, 430
inalienability of human capital, 177, 626 information sharing, 122, 249, 276–77, 599	marked-to-market accounting, 300
initial public offering (IPO), 8, 48, 54, 89–95, 123, 176–77,	market
237, 240, 250-51, 262, 264, 356, 367-69, 375, 378-79, 394, 439, 471	breakdown, 3, 237, 239, 249, 269–70, 273, 477, 596 timing, 9, 94, 101–2, 238, 244 value accounting, 45
initiative, 42, 93, 360-61, 373, 396-98, 403, 413-17	maximal insider incentives, 132-33
inside liquidity, 5, 450, 517–18, 520–21, 528, 531–32, 620, 629	mergers and acquisitions, 5, 28, 43-44, 50-51, 102, 166, 257, 387, 431, 497, 506, 535, 626
insider trading, 17, 21, 44, 341-42, 345	mezzanine finance, 76
intermediation, 166, 480, 483, 626 internal capital market, 9, 20, 33, 52, 78, 95–96, 98,	microfinance, 180
411-15 investment banking, 28, 48, 95, 251	Modigliani-Miller Theorem, 1-3, 8, 77-78, 84, 102, 389, 409
investment-cash-flow sensitivity, see sensitivity of	monitoring
investment to cash flow	active, 4, 27–28, 42, 47, 90, 147, 343, 355, 359–70, 387, 400–1, 404, 537, 574, 627
investor	delegated, 90, 335, 357
activism, 15, 36, 38, 41-42, 356, 362	market, 176, 337-38, 343-45, 349-51, 359, 459-60
protection, 54-56, 94, 333, 359, 487, 493, 544, 616	passive, 4, 333, 337-38, 350, 355, 375
IPO, <i>see</i> initial public offering (IPO) irrelevance result, <i>see</i> Modigliani-Miller Theorem	monotonic reimbursement, 133-34, 271
irrelevance resuit, see modignam-miner Theorem	
Jacklin critique, 452-53, 467	one-share-one-vote, 54, 439-40, 535
Jacklin critique, 452-53, 467 junior debt, 76, 246	option
	option in the money, 24, 308-9
	option in the money, 24, 308-9 out of the money, 23-24, 309
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199,
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454,	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554 firm, 199-200, 405, 448, 450, 521, 554	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418 priority, 52, 54–55, 76–77, 80, 87–88, 91, 103, 114–15,
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554 firm, 199-200, 405, 448, 450, 521, 554 management, 2, 8, 153, 200, 203, 205, 209, 215-16,	option in the money, 24, 308-9 out of the money, 23-24, 309 outside liquidity, 5, 517-18, 523-24, 526-27, 532, 620 overborrowing, 119-21 overconfidence, 428 overmonitoring, 42, 356, 359-61, 365-66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95-98, 100, 141, 187, 199, 257-58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45-46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418 priority, 52, 54-55, 76-77, 80, 87-88, 91, 103, 114-15, 121, 138, 233, 408, 410-11, 594
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554 firm, 199-200, 405, 448, 450, 521, 554	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418 priority, 52, 54–55, 76–77, 80, 87–88, 91, 103, 114–15,
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554 firm, 199-200, 405, 448, 450, 521, 554 management, 2, 8, 153, 200, 203, 205, 209, 215-16, 219, 226-29, 405, 485, 505-6, 515, 557-58,	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418 priority, 52, 54–55, 76–77, 80, 87–88, 91, 103, 114–15, 121, 138, 233, 408, 410–11, 594 privately
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554 firm, 199-200, 405, 448, 450, 521, 554 management, 2, 8, 153, 200, 203, 205, 209, 215-16, 219, 226-29, 405, 485, 505-6, 515, 557-58, 560, 618	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418 priority, 52, 54–55, 76–77, 80, 87–88, 91, 103, 114–15, 121, 138, 233, 408, 410–11, 594 privately held equity, 47, 90
large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554 firm, 199-200, 405, 448, 450, 521, 554 management, 2, 8, 153, 200, 203, 205, 209, 215-16, 219, 226-29, 405, 485, 505-6, 515, 557-58, 560, 618 premium, 231, 522, 525-26, 528, 531, 593, 620 ratio, 212 redispatching, 414, 452, 521	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418 priority, 52, 54–55, 76–77, 80, 87–88, 91, 103, 114–15, 121, 138, 233, 408, 410–11, 594 privately held equity, 47, 90 placed debt, 81, 83–84, 88–89 product-market competition, 3, 15, 20, 28–29, 98, 145–46, 229, 283, 286, 289, 296, 310, 321,
junior debt, 76, 246 large blockholder, 42, 355, 369, 371, 375, 403-4, 419 lemons problem, 81, 237, 244, 249, 502 lender market power, 116, 149, 576-77 lending channel, 5, 471, 478, 482 leveraged buyout (LBO), 31, 40, 43-44, 47, 49, 90, 295 likelihood ratio monotone, 132 liquidity aggregate, 522, 530-31, 619-20 asset pricing model (LAPM), 526 demand, 5, 199-200, 375, 405, 447-48, 450, 454, 521 consumer, 5, 447, 450, 454, 521, 554 firm, 199-200, 405, 448, 450, 521, 554 management, 2, 8, 153, 200, 203, 205, 209, 215-16, 219, 226-29, 405, 485, 505-6, 515, 557-58, 560, 618 premium, 231, 522, 525-26, 528, 531, 593, 620 ratio, 212	option in the money, 24, 308–9 out of the money, 23–24, 309 outside liquidity, 5, 517–18, 523–24, 526–27, 532, 620 overborrowing, 119–21 overconfidence, 428 overmonitoring, 42, 356, 359–61, 365–66, 417, 630 payout policy, 3, 8, 61, 75, 78, 95–98, 100, 141, 187, 199, 257–58, 270, 305, 313, 594 pecking order, 176, 238, 247, 278, 379, 599 poison pill, 4, 45–46, 399, 425, 434, 441 posturing, 307 poverty trap, 5, 484, 486, 625 preferred stock, 76, 91, 177, 199, 342, 394, 418 priority, 52, 54–55, 76–77, 80, 87–88, 91, 103, 114–15, 121, 138, 233, 408, 410–11, 594 privately held equity, 47, 90 placed debt, 81, 83–84, 88–89 product-market competition, 3, 15, 20, 28–29, 98,

property rights institutions, 6, 54, 536, 544-45, 551, 560,	soft budget constraint, 3, 89, 119, 179, 201, 213, 215,
626, 628	220-24, 230-31, 297-98, 325, 361, 409, 414,
provisions for loan losses, 299	566, 592, 604
proxy fights, 17, 20, 25, 37-38, 41-42, 45, 51, 333-34,	specific investment, 164, 177-79, 297, 388, 395, 506, 537
336, 355	speculation, 333, 335, 343, 345, 351, 459, 463-64
	stakeholder society, 15-16, 56-60, 62-64
quest for pledgeable income, 157, 286, 428-29	standard debt contract, 113, 132, 134, 138-40, 248, 271,
	579
rating agency, 19, 27-28, 77, 79, 83, 114, 250, 276, 335	start-up, 36, 47, 90-91, 96, 123, 177, 199, 239, 362, 375,
ratings, 83, 88-89, 251, 257, 276	379, 393, 405, 411, 415, 417, 471, 477, 479,
redeployability, 164-65, 194, 499-500, 503	607
relationship	stock price reaction, negative, 3, 46, 50, 101, 237-38,
banking, 177, 251, 355, 369, 413	245, 262, 275-76, 313, 597
lending, 80, 181, 476	stores of value, 5, 8, 513–15, 517–20, 522–23, 525–26,
relative performance evaluation, see benchmarking, 22,	528, 531-32, 620-21
122, 285, 310	subordinated debt, 76, 333
renegotiation, see soft budget constraint	sufficient statistic, 122-23
reorganization, 6, 25, 45, 52–54, 87, 311, 407–8, 410	takeover
reputation, 20, 22, 37, 57, 79, 83, 88, 91-92, 95, 121-22,	
144, 179, 181, 205, 216, 250, 276, 306, 336,	defenses, 45, 425, 428, 434, 441 managerial resistance, 441
369, 544, 606	takeovers, 3, 4, 15, 17, 20, 25-27, 31-32, 35-36, 41,
reputational capital, 91, 122, 179, 190, 274-75	43-51, 53, 55, 57-58, 60, 90, 93
retained earnings/retentions, 3, 95-98, 102, 128, 143,	tender offer, 17, 29, 37, 43, 45, 366-69, 431-37, 630
148, 167, 185-86, 200, 218-19, 225, 238, 246,	time
255, 258, 290, 313, 399, 513, 515, 541, 558,	consistency, 545, 566
561, 575	inconsistency, 536, 540, 545, 551
risk management, 3, 22, 29, 52, 66, 153, 162, 199-200,	toehold, 45, 371, 432–33, 438, 440–41
213-17, 219, 234, 299, 411, 535, 582	trade credit, 80-82, 88, 95, 99, 101, 299, 355, 411
taking, 17, 61, 77, 85, 119, 283, 299, 307, 314-16,	tradeoff theory, 8
318, 337, 406	Treasury bond, 133, 173, 177, 231, 352, 498, 513, 526,
310, 337, 100	551, 593
Sarbanes-Oxley Act, 16, 19, 28, 32, 34-35, 305	tunneling, 343, 353, 356, 362-63, 433, 535
seasoned	
equity offerings (SEOs), 8, 9, 90, 100, 240, 262	underpricing, 3, 91, 93, 239-40, 262-64, 272
offerings, 219, 235, 237, 239, 264, 275, 366, 506-7,	underwriting, 28, 81, 88, 93-95, 241, 250, 262, 335, 375
515, 541, 558, 561-62	
security design, 2, 3, 240, 290–91, 389, 404–8, 410–11,	venture capital, 26, 68, 79, 90–92, 98, 123, 176–77, 251,
418, 610	375, 378, 380, 414
senior debt, 76, 85, 91, 326, 464, 625-26	vertical integration, 64, 286, 322, 601
sensitivity of investment to cash flow, 2, 3, 100, 124, 128,	warranties, 80, 104
216, 220, 224-25, 291, 294, 414, 625	whistleblowing, 34
SEO, see seasoned equity offerings (SEOs)	window dressing, 300
share repurchases, 8, 78, 85, 97, 100, 204, 257, 314	winner picking, 414
shareholder	winner's curse, 93, 240, 262, 368, 370-72, 440-41
activism, 17, 333	workout, 52-53, 410
rights, 42	,,
value, 4, 16, 20, 23, 25, 46-47, 56-57, 59-62, 64,	yardstick competition, see also benchmarking, 22
102, 391, 425	yield curve, 450-51, 453-54
short-termism, see managerial myopia	technological, 448, 451-52