

FINANCIAL MATTERS

DEPARTMENT OF FINANCE ... *Adding Value*

Summer 2006 • ISSUE 3



From the Department Head

Dear Alumni,

In April, I met with the group of sophomores who will start as finance majors this fall. This happens twice a year and is one of the parts of my job that I enjoy the most. In each of these orientations I tell these young and eager students that this is the first phase of a relationship that will endure forever. As students you will learn from the faculty, and the faculty and staff will help guide you as you start your careers. As alumni, you will stay in touch—to provide moral and financial support, and to help the current crop of students launch their own careers. The department provides a nurturing environment to learn and study how financial markets work and how corporations should optimally manage their finances. Beyond this, the finance department has evolved into an intermediary of incredible talent—bringing together many successive generations of students from all of our programs.

Another job I revel in, at the other end of the spectrum, is thanking our alums for their support and guidance. It is in this vein that I conclude this year's letter with heartfelt gratitude to all of our alumni and friends.

Thank you,

Christopher Lamoureux
Professor

VCIC Wild Card Tournament Winners

The Eller College team outperformed five other university teams to win the Venture Capital Investment Competition (VCIC), Wild Card tournament at the University of California, Irvine, on Jan. 20, 2006. Representing the Eller College were graduate students Adam Smith (Dual MBA-MMF), Sunnie Kwong (MBA), Vimal Bhakta (MMF), Donghwa Lee (MBA) and Johannes Sarx (MBA).

At the competition, two entrepreneurs presented their business plans for consideration. The team had an opportunity to question the entrepreneurs for 15 minutes and less than three hours to develop a complete venture capital investment analysis of one of the businesses. The Eller team members were able to work quickly because during winter break, with three members working remotely from their home countries, they had developed a template that could be tailored for the companies to be analyzed at the competition.

The Eller students had spent the fall semester learning the techniques of venture capital investment analysis under the direction of finance lecturer Chip Ruscher. Based on their analysis, they offered a plan of syndicating the investment between two venture capitalists and staging the funding (based on meeting certain requirements, such as first year revenues) — both important methods of mitigating risk in this investment.



The winning team, from left to right, Sunnie Kwong, Johannes Sarx, Vimal Bhakta, and Donghwa Lee.

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DID YOU KNOW?

58 students, including five Dual MBA/MMF students, have received master's degrees since the program started in fall 2001.

Professor Chip Ruscher's investments students (FIN421) attained the highest average portfolio value in the spring 2005 U.S. Collegiate Investment Challenge.

Department News and Numbers

Undergraduate Programs

Approximately **76 juniors** and **221 seniors** are declared finance majors. Twenty-five students received bachelor's degrees in August 2005, with another 32 earning their degrees in December 2005. More than 100 students graduated on May 13, 2006.

Master's in Finance (MMF)

There are currently **21 active students** in the master's program; twelve are studying in the Fixed Income track, where the department has introduced three new courses: *Credit Risk Models*, *Dynamic Interest Rate Models*, and *High-Yield Debt and Corporate Distress*. Nine other students are completing the Corporate Finance track. One recent master's project on a fixed income topic, completed under the supervision of associate professor Jean Helwege, addressed the question of the "Valuation of Embedded Call Options in Corporate Bonds."

Ph.D. Program

With six new students having begun the program last fall, the department has 14 doctoral students. **Emmanuel Morales-Camargo**, **George Theocharides**, and **Jane Zhao** will complete requirements for their degrees in summer 2006. Associate professor Jean Helwege is



Left to right, doctoral students Emmanuel Morales-Camargo, George Theocharides, and Jane Zhao

supervising two of their dissertations: Emmanuel's "Restrictions on Allocation Discretion: Evidence from Clawbacks in Hong Kong IPOs," and George's "Contagion: Evidence from the Bond Market." Department head Chris Lamoureux is supervising Jane's dissertation, "Quant Jocks and Tire Kickers: Does the Stock Selection Process Matter?"

Jane joins PanAgora Asset Management in June as a Quantitative Research Analyst developing and researching stock selection and asset allocation models. Starting fall 2006, Emmanuel will join the University of New Mexico in Albuquerque as an assistant professor of finance. At the same time, George will join the SKK Graduate School of Business at Sungkyunkwan University in Seoul, Korea, also as an assistant professor of finance.

Research Awards



Assistant professor George Jiang received a grant of \$7,960 from The University of Arizona Foundation under the Spring 2005 Faculty Small Grants Program for his research proposal titled, "Idiosyncratic Volatility and Stock Returns."

Associate professor Jean Helwege and doctoral candidate George Theocharides were awarded \$12,500 by the National Science Foundation to support George's doctoral dissertation research, "Contagion: Evidence from the Bond Market." George also won \$5,000 and the award for best dissertation in the first Bond Market Association / Financial Management Association competition for fixed-income research.





Focus on _____
Associate Professor William F. Maxwell

Associate professor William F. Maxwell received his Ph.D. in finance from The George Washington University in 1998. He joined The University of Arizona in 2002, leaving Texas Tech University, where he had been awarded the 2002 Alumni Association New Faculty Award for teaching and research. In 2005, Maxwell received tenure and appointment as an associate professor of finance at the Eller College.

Maxwell's research focuses on the corporate bond market and corporate finance. His work on the corporate bond market includes the examination of the agency conflict between stockholders and bondholders as it relates to common corporate events, including spin-offs, repurchases, and R&D investments, as well as bondholders' perspective on corporate governance. In a recent paper, Maxwell investigates the impact of post-trade price reporting on transaction costs in the bond market. His most recent work has focused on corporate governance and the role of industry competition on firms' decision-making.

Maxwell's papers have been published in the *Journal of Finance*, *Journal of Financial Economics*, *Journal of Accounting Research*, and *Journal of Financial and Quantitative Analysis* and presented at the National Bureau of Economic Research (NBER) and the American Finance Association (AFA) conferences. His work has also been cited in *Forbes* and *SmartMoney* magazines. The GAO cites one of his papers as one of nine primary articles in determining the impact of auditor rotation on the financial markets, and the SEC cites his work in discussing the role of financial transparency in the corporate bond markets. Maxwell has also served as an editor of the book *High Yield Bonds: Market Structure, Portfolio Management, and Credit Risk Modeling*.

Student Awards

The department recognized **Mark Stinner** with the **Outstanding Finance Senior Award** for spring 2006. Mark has accomplished many things as a finance major at the Eller College, including serving as a teaching assistant and head preceptor for first-semester core finance courses, earning the Henry Dahlberg Scholarship, and actively participating in the Student FMA chapter. Mark was a student leader in the *Applied Portfolio* class and represented the Eller College and the Department of Finance at the Redefining Investment Strategy Education (R.I.S.E.) 2005 symposium in Dayton, Ohio, last spring. Mark will represent the finance department and the Eller College well as he begins his career with Houlihan Investment in Los Angeles, California, and pursues CFA designation.



Mark Stinner

The department recognized **Lauren Foote** and **Alexander Masog** with the **Finance Department Head's Award for Academic Distinction** for spring 2006. Lauren completed a dual degree in finance and French and was the top student in her sections of the two 400-level core finance courses. Lauren was an Honors student and enjoyed tutoring the accounting course for finance majors. After working in the finance industry, she plans to obtain an MBA degree. Alexander was also the top student in his sections of the two 400-level core finance courses. Alexander was a first level honors recipient and plans to work toward a senior management position in corporate finance.



Lauren Foote

The department honored junior, **Ngoc Can**, dual finance and accounting major with the **Financial Executives International-Arizona Chapter's Scholarship Award** of \$2,000. Ngoc is particularly pleased with the department's use of integrated case studies in coursework. She is an avid traveler and plans to build a career in the investment banking industry.



Alexander Masog

The department recognized **David Hopkins** (photo unavailable) with the **Outstanding Finance Senior Award** for fall 2005. David achieved a 3.94 cumulative GPA and held financial internships with Honeywell and The University of Arizona Financial Services Office while in the finance undergraduate program. David has contributed significantly to the College as an active member of the Eller Board of Honor and Integrity, working to promote ethics and integrity throughout the College. He has also been active in several leadership roles: as vice president of finance for the Delta Sigma Pi professional business fraternity and as a participating member of both the Eller Student Council and the Arizona Blue Chip leadership development initiative.



Ngoc Can

Faculty Award



Kathy Kahle



Chip Ruscher

Associate professor Kathy Kahle and lecturer Chip Ruscher were honored with the Eller College *Dean's Award for Undergraduate Teaching Excellence 2006* for their work with students in two finance core courses: *Corporate Financial Problems* and *Investments*. Students addressed key concepts and elements of both courses through an integrative case study: "Preparing for the Google IPO: A Revolution in the Making?" The case study required students to evaluate the IPO process of a public offering that challenged the traditional role of investment banks. In doing so, they examined the market for new issues at the time, scrutinized the business model of investment banks, considered the corporate governance and valuation issues arising from a dual-class stock structure, and undertook a valuation analysis of Google. Students presented the results of their analysis at the end of the semester.

Advisory Board Members and Activities

The Finance Advisory Board continued to meet and provide guidance to the department on fundraising, the undergraduate core curriculum, and other initiatives. **Mike Ellerson, MBA '99**, vice president and chief financial officer of Golden Eagle Distributors, Inc. in Tucson, Ariz., joined the Board last fall. **Augusto Sasso, MBA '98**, managing partner of Preservation Partners Development L.P. in Manhattan Beach, Calif., will assume the chair of the Finance Advisory Board and will represent the department on the Eller College National Board of Advisors.

Department Seven-Year Academic Program Review

The department has completed its seven-year academic program review (APR), which included the development of a self-study report by the faculty and a site visit by an external review team. The APR process was designed to assess the quality of the department and its programs and to strengthen programs where appropriate. The review team consisted of three finance faculty members from peer institutions, two faculty members from the UA campus, and two friends of the department from Tucson's business community. Review team members were on campus on Monday, April 10, and Tuesday, April 11, to talk with department members and its constituents. Results of the review will be forthcoming.

Benefactors

Thank you to all of the alumni and friends who have provided generous financial support to the Department of Finance, the Eller College, and The University of Arizona. The Department has directly raised more than \$43,000 to date in fiscal year 2005-06 to support students and faculty.

We especially wish to thank the following individuals for their contributions:

PLATINUM

(\$5,000 or more)

James and Gail Peyton
Kevin Kneafsey
Hal Lindquist
Rich and Tricia Calta

GOLD

(\$1,000-\$5,000)

Don and Hope Seeley
Arvind and Cynthia Singh
Tegeler Foundation

SILVER

(\$500-\$1,000)

Tucson Society of CFA Institute

BRONZE

(\$250-\$500)

David Cowen
John Holliman
William Lomicka
Loretta Peto

BRASS

(up to \$250)

Larry Aldrich
Mark Evers
Mike Hanson
Gary McCulley
Patrick McNamara
Chip Ruscher
Lex Sears
Christina Slater
Robert Wilson

Yes!

I/we would like to support the Department of Finance as follows:

Name(s) _____ Class Year(s) _____
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Contribution

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Eller COLLEGE OF MANAGEMENT
 THE UNIVERSITY OF ARIZONA.

Where are you?

A L U M N I U P D A T E F O R M

Please share news of your work, family, and adventures with us. We will include your news on our Alumni Notes page of the department's new website at www.finance.eller.arizona.edu/alumni/notes.aspx. You can bring us up to date on your activities by filling out the form at www.finance.eller.arizona.edu/alumni/updates.aspx, emailing the information to us at financeinfo@eller.arizona.edu, or mailing the department.

Form with 12 horizontal lines for writing.



Department Website & Alumni News

Students in both the Applied Investment Management Program and the Financial Markets and Institutions class have developed websites to keep you current with their activities. You'll find links to both student-run sites at the department's Additional Programs page: www.finance.eller.arizona.edu/programs.

Please visit us regularly at www.finance.eller.arizona.edu to read our latest news. Comments and suggestions are welcome.



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