

# FINANCIAL MATTERS

Department of Finance ... Adding Value

THE UNIVERSITY OF ARIZONA®

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## Did you know?

- *The Department has received 22 Ph.D. applications and over 50 Master's in Finance applications for the Fall 2005 graduate programs.*
- *Over 165 students successfully completing the Eller College Professional Admission Process in September, 2004 and February, 2005 elected Finance as their major.*

## From the Department Head...

Dear *Alumni*,

It is hard to believe that another year has passed since our inaugural newsletter. Thank you once again for all of your support and encouragement. Much of the excitement in our department over the past twelve months has centered on our new emphasis on creating distinction in our unique Fixed Income curriculum. This will have the most direct impact on our Master's students—both MBA and Master's in Finance—who may now choose to concentrate in Fixed Income. We believe that our students and faculty are uniquely well suited to this field, and that distinction is best achieved by a carefully planned and focused initiative. I thank my board of advisors and all of you for continuing to impress on me the importance of aspiring for distinction. As our university provost frequently says, "Good is the enemy of excellence." Your excellence always places us in a favorable light, and reminds me of the importance of keeping our ambitions a little bit beyond our current realities.

Thank you,



Christopher Lamoureux  
Professor

## Department News and Numbers

### Undergraduate Programs

Approximately 185 juniors and 162 seniors are declared finance majors. Twenty-eight seniors graduated in August 2004 and 39 on December 18, 2004, receiving bachelor's degrees. Another 90 are expected to graduate on May 14, 2005.

### Master's in Finance (MMF)

There are currently 17 active students in the master's program, now in its fourth year. Students are now preparing for their

master's project report and presentation, completed in the summer following the master's coursework and under the supervision of a finance faculty member. The 42 graduates of the program, including four Dual MBA/MMF degrees, have completed projects on questions such as "Industry profile of the top 50+ Arizona companies," "How highways affect (residential) real estate value," and "Forecasting foreign exchange rates."

### Ph.D. Program

Five new students began the doctoral program last fall, bringing the total students in the program to 14. **Danielle Xu** completed requirements in Spring 2005 with the successful defense of her dissertation, "What explains the performance persistence of corporate bond mutual funds?" **Professor Bill Maxwell** supervised Danielle's thesis research. Danielle is joining Gonzaga University in Spokane, Washington as an Assistant Professor of Finance, starting Fall 2005.

## Fixed Income Initiative

As part of the **Fixed Income Initiative** announced last fall, the Department will offer a new **Fixed Income track** for the Master's in Finance and MBA-Finance programs and three new courses in the fixed income field. These tracks are uniquely designed to build on the faculty's expertise in the area of fixed income. The requirements of each track allow students to plan their curriculum around courses in fixed income or corporate finance, thus enhancing their job opportunities in their chosen field of expertise.

Plans are also underway for the first annual **Fixed Income Conference** to be held in Tucson in March, 2006. Distinguished researchers and practitioners in the industry will be joining to discuss the latest research and newest tools available in the field.

## Faculty and Research News

**Dr. Thomas Bates** will be joining the Department as an Assistant Professor, Fall 2005. Professor Bates obtained his Ph.D. from The University of Pittsburgh (Finance, 2000) and joins the faculty from the University of Delaware. Dr. Bates' research interests include corporate restructuring decisions, the role of contracting arrangements in merger and acquisition

bids, and the relation between corporate governance and firm performance. His recent work examines the wealth effects of bids proffered by controlling shareholders seeking to acquire the remaining minority equity stake in a firm – deals commonly referred to as minority freeze-out bids. Professor Bates has presented his work at numerous academic institutions

and conferences, and his research has been published in leading academic journals including the *Journal of Finance*, the *Journal of Financial Economics*.

**Professor William Maxwell** received a \$25,000 grant from Moody's Credit Research Fund last fall funding his research to determine the factors that influence a firm's bond

rating and cost of debt financing. The goal of the project is to first identify and separate the role of financial, ownership, and governance variables on a firm's bond rating and cost of debt. After identifying pricing factors, the project will examine the relative weighting investors and bond rating agencies place on these various factors.

## Focus on Professor Edward A. Dyl

**Professor Ed Dyl** received his Ph.D. in Finance from Stanford University, 1973. He joined the University of Arizona from the University of Wyoming, where he was Dean of the College of Business. Professor Dyl was Department Head of the Finance Department from Fall 1987 to Spring 1998. Dr. Dyl has published articles in the leading finance journals every decade since receiving his Ph.D.

Professor Dyl's most recent article, "The Share Price

Puzzle," was recently accepted for publication in the *Journal of Business* (forthcoming in 2006). The puzzle arises because stock prices *per se* depend on how many shares the firm has issued, yet some stocks sell for high prices and others for low prices. Is there some underlying rationale for the prices seen in the market, or do they just happen? He finds evidence that the world is surprisingly rational. It appears that firms select target trading ranges for their shares to attract particular

clienteles of owners, thereby increasing the market value of the firm.

Professor Dyl's current research is the result of a consulting project for the New York Stock Exchange (NYSE). Numerous studies suggest that firms benefit from being listed on the NYSE. Nevertheless, of 760 firms eligible for NYSE listing that went public from 1993 through 2000, 247 chose instead to list their stock on Nasdaq. His investigation finds evidence that investors

holding the firm's stock before an IPO frequently select Nasdaq instead of the NYSE to minimize the effect of the post-IPO selling restrictions of the Securities and Exchange Commission (SEC). His research also finds that restricted shares are sold more frequently when a stock is listed on the Nasdaq. These findings raise questions about the dissimilar way the SEC's Rule 144 limiting the sale of restricted securities is applied to firms that trade in different markets.

## Student Awards

*Congratulations to our Finance Department Senior award winners for Fall 2004 and Spring 2005!*

**Elaine Bilby** was awarded the *Arizona Foundation Outstanding Senior for the Eller College* and the *Outstanding Finance Senior Award* for Spring 2005. She will be representing Eller College in the university-wide award process. In addition to building a strong academic career, Elaine is a big sister for a young woman through Big Brothers/Big Sisters. She is also a coordinator for the Eller College Early Outreach program working with 8<sup>th</sup> graders in an Amphi School District class. She and Eller College student mentors introduce students to business concepts and help to instill the interest and drive to finish high school and pursue a college degree. Elaine is beginning her career with Honeywell Engines & Systems Corporate Headquarters in Phoenix.

The *Finance Department Head's Award for Academic Distinction* for Spring 2005 was awarded to dual recipients, **Kyle O'Malley** and **Daniel Suh**. Kyle O'Malley majored in Finance and Entrepreneurship, with a minor in international business, and has been active in many Eller Student Organizations. Kyle will be starting his career with IBM Global Services based out of San Francisco, California. Daniel Suh majored in Finance and Entrepreneurship, with a minor in Biochemistry, and has been a UA student senator and active in campus service honorary clubs. Daniel will be working for J.P. Morgan as an Equity Research Associate in Manhattan.

**Eric Desai** was awarded the *Outstanding Finance Senior* for

Fall 2004. Eric received his degree in Finance and Accounting and accepted a position with Price-waterhouseCoopers in Chicago focusing on financial services clients. During his studies at the Eller College, Eric also received the Eller College Highest Academic Distinction, Phi Kappa Phi Certificate of Merit, and the Virginia and Mark Klafter Scholarship.

The *Finance Department Head's Award for Academic Distinction* for Fall 2004 was awarded to **Eduardo A. Silva-Ruiz**. He majored in Finance, with a minor in pre-law, and plans to attend law school. While at the Eller College, Eduardo was active in the Eller College Student Council, Beta Gamma Sigma Business Honorary, and Phi Alpha Delta Pre-Law Fraternity.

## Benefactors

Thank you to all of our alumni and friends who have supported the Finance Department, Eller College and The University of Arizona with donations. The Department directly raised almost \$33,000 so far in Fiscal Year 2004/5 to support students and faculty.

To honor the generosity of **Jim Peyton** ('65) and **Gail Peyton** ('67), the Finance Department Seminar Series is named the Jim and Gail Peyton Seminar Series.

**Hal Lindquist**, Chief Investment Strategist for The Blackstone Group, generously donated a library of the 11 recommended CFA Level I Examination textbooks and supporting material for students' use in preparation for the exam.

We wish to thank the following individuals for their contributions:

<b>Platinum</b> (\$5,000 or more)	James and Gail Peyton Hal Lindquist	<b>Brass</b> (up to \$250)	Larry Aldrich Martin Fox Tom and Christine Harvey John Holliman Kathleen King
<b>Gold</b> (\$1,000-\$5,000)	Tegeler Foundation		
<b>Silver</b> (\$500-\$1,000)	Don and Hope Seeley		
<b>Bronze</b> (\$250-\$500)	Michael Arko Loretta Peto		

## Classroom News and Activities

The introduction of a joint project requirement to the two core finance courses for undergraduate juniors by **Professors Tong Yao and George Jiang** proved very successful. The joint project gave students an opportunity working on a real-world event, such as the Google IPO, the Enron bankruptcy and the HP/Compaq merger, from both corporate finance and investment perspectives. Teams of students analyzed the companies' financial situation and the affect of corporate strategic decisions on firm and shareholder value.

**Don Seeley**, Director of the Finance Department's Applied Portfolio Management Program, and **Dr. Sharon Garrison**, Senior Lecturer for the Finance Department, assisted the Applied Investment Management class through the completion of its fifth year this spring. Students from

three degree programs (MBA, MS Finance, and undergraduate) are benefiting from the experience of managing a significant fund provided by the University of Arizona Foundation. In addition to learning from the hands-on portfolio management, the students are exposed to a wide range of institutional investment management approaches through guest speakers from the investment industry including a number of UA Finance alumni. Importantly, the investment results have been consistently impressive, with the portfolio returns exceeding the market benchmarks by almost 400 basis points per year since the inception in November, 2000.

**Professors Chip Ruscher and Deborah Gregory** and undergraduate and master's students in International Markets and Institutions, which focuses

on banking, investments, and trade, will be visiting London from May 22 to June 3. The tours will include visits to Lloyd's of London and the Prince's Foundation, as well as an opportunity to hear Ruggiero Lomonaco speak at HBS on Islamic Banking.

In Fall, 2004, a new one-credit course on "Theory and Practice in Mortgage Markets" was offered by **Harold Barnett, Ph.D.**, Professor Emeritus, Department of Economics, University of Rhode Island and loan consultant with Meridian Mortgage LLC in Tucson. Group projects at the culmination of the class reviewed borrowers' profiles, established underwriting guidelines and evaluated lender's potential risk and return.

**James Wertheimer**, retired Vice President and Corporate Actuary for

Unum Corporation offered a new one-credit class, Introduction to Risk and Insurance. Five prominent guest speakers were featured, including **Christina Urias**, Director of the Arizona Department of Insurance.

A Finance team of five graduate students who completed Professor Chip Ruscher's new venture capital course represented the Eller College at the **Venture Capital Investment Competition**, Wild Card Tournament at the University of California at Irvine on Friday, January 14, 2005.

The **Finance Premier Internship Program** (FPIP) was implemented in August, 2004 to allow top undergraduate Finance students to pair academic credit with practical in-depth financial work experience and exposure to on-the-job technical financial

## Advisory Board Members and Activities

The Advisory Board continued to meet and provide guidance to the department on fundraising and other initiatives. **Kristin Beatty**, a consulting associate with M ONE, Inc. in Scottsdale, and **Hal Lindquist**, Chief Investment Strategist with The Blackstone Group in New York City, joined the Board this spring. With the assistance of the Advisory Board, plans are underway to invite specific companies to meet the department, finance undergraduate and master's students this coming fall.

### Dr. Thomas C. (Tom) Moses Memorial Scholarship Endowment

The Finance Department lost a beloved colleague with the passing of Assistant Department Head and long-time instructor, **Thomas C. Moses**, on June 20, 2004. Many of the thousands of students he worked with over the years think of Tom as a mentor and major influence in their lives. Tom is survived by his loving wife, Dorothy (Dotty). A scholarship fund in support of finance undergraduates has been established in his name. Gifts may be made to the *Dr. Tom Moses Memorial Scholarship Endowment, University of Arizona Foundation, c/o Scholarship Development Office, P.O. Box 210109, Tucson, AZ 85721.*

### Yes! I/we would like to support the Finance Department

Name(s) \_\_\_\_\_ Class Year(s) \_\_\_\_\_

Business Address \_\_\_\_\_ Business Phone \_\_\_\_\_

\_\_\_\_\_ Business Fax \_\_\_\_\_

Business Email \_\_\_\_\_

Home Address #1 \_\_\_\_\_

Home Address #2 \_\_\_\_\_

Home Phone \_\_\_\_\_ Home Email \_\_\_\_\_

#### Contribution

I/we wish to make a gift of \$ \_\_\_\_\_ to The UA FINANCE DEPARTMENT

- \_\_\_\_\_ (check enclosed)
- Charged to my/our credit card (authorization signature required at the end of this form) for the
  - MasterCard  Visa  Discover Card # \_\_\_\_\_ Expiration \_\_\_/\_\_\_

#### Corporate Matching Gift

My/our gift above will be enhanced with corporate matching funds from \_\_\_\_\_

#### Special Instructions

I/we would like my/our commitment to be confidential.

SIGNATURE \_\_\_\_\_ Date \_\_\_\_\_

SIGNATURE \_\_\_\_\_ Date \_\_\_\_\_



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## Where are you? Alumni Update Form

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. You can bring us up to date on your activities by filling out the form at

<http://finance.eller.arizona.edu/alumni/updates.aspx>,

emailing the information to us at

[financeinfo@eller.arizona.edu](mailto:financeinfo@eller.arizona.edu) or mailing the Department.

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## New Department Website

### & Alumni News

The Finance Department announced the launch of the new department website at

<http://finance.eller.arizona.edu/>

on December 13, 2004, part of the first-ever fully integrated

Eller College of Management website at

[www.eller.arizona.edu](http://www.eller.arizona.edu).

We hope you'll visit our website and view the results, including updates and current news from many of you, our alumni, at the Alumni Notes page, <http://finance.eller.arizona.edu/alumni/notes.aspx>.

Please share your comments and observations. We hope you'll enjoy the new site and find the information useful.

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