33rd Annual Conference of the Western Finance Association

DoubleTree Hotel
Monterey, California

June 17-20, 1998
WESTERN FINANCE ASSOCIATION

...a professional society administered in the United States and Canada for academicians and practitioners with a scholarly interest in the development and application of theory in finance.

Its purposes are (1) to serve as a focal point for communication among members, (2) to improve teaching and scholarship, and (3) to provide for the dissemination of information, including the holding of meetings and the support of publications.

The Association is an international organization with membership open to individuals from both the academic and professional community, and to institutions. Membership includes subscriptions to any occasional and regular publications sponsored or co-sponsored by the Association. Two classes of membership are available: lifetime membership ($100.00) and three year membership ($30.00). Members of the Association are entitled to receive (a) notice of the annual meetings and a copy of the annual program, and (b) a reduction in the registration fee at the annual meetings.

Information on the Association and membership application is available on our web site (at http://www.gsm.cornell.edu/wfa).

Correspondence regarding membership and other business aspects of the Association should be addressed to:

Professor Stephen Brown
Secretary-Treasurer, WFA
Department of Finance
New York University
Stern School of Business
44 West 4th Street, Suite 9-190
New York, NY 10012-1126
Email: sbrown@stern.nyu.edu
Telephone: (212) 998-0306

A call for papers and participants for the 1999 Conference of the Western Finance Association appears on page 32 of this program.
REGISTRATION AND HOTEL INFORMATION

All sessions and conference functions will be held at The DoubleTree Hotel. The Western Finance Association has reserved limited blocks of rooms for the conference at The DoubleTree Hotel. Please contact the facility as soon as possible to make reservations. The special WFA rate at The DoubleTree Hotel is $140 a night. There is also a special self-parking rate of $5 a night. For reservations call The DoubleTree Hotel, Monterey: (408) 649-4511 or The DoubleTree Hotels: (800) 222-TREE. You can also visit DoubleTree Hotels’ web site at http://www.doublerethehotels.com/.

On-site registration will be located in the De Anza Foyer at The DoubleTree Hotel beginning at 4:00pm, Wednesday, June 17, 1998.

PRE-REGISTRATION

Pre-registration is being handled this year via our web site, which can be found at http://www.gsm.cornell.edu/wfa. Those who pre-register are entitled to a discount on registration fees, and students who pre-register can do so without charge. To qualify for these discounted rates you must pre-register before May 15. You will be billed for all charges at the Meetings, and you can pay this bill by a check in US funds payable through a US bank, by cash or by Visa/Mastercard.

FEE SCHEDULE:

<table>
<thead>
<tr>
<th></th>
<th>Pre-Registration</th>
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<tbody>
<tr>
<td>WFA member/Program participant</td>
<td>$50</td>
<td>$85</td>
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<tr>
<td>Non-member</td>
<td>$80</td>
<td>$125</td>
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<tr>
<td>Annual meeting, Luncheon and featured speaker</td>
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</table>

ON-SITE REGISTRATION

Wednesday, June 17, 4:00-8:00pm
Thursday, June 18, 8:00am-4:00pm
Friday, June 19, 8:00am-12 noon

Registration for the NASDAQ Breakfast and the New York Stock Exchange Luncheon will take place on-site in the meeting registration area.

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SOCIETY FOR FINANCIAL STUDIES MEMBERSHIP MEETING

All members of the SFS are invited to attend the Annual Meeting to be held on Friday, June 19 from 4:45-5:30pm in Benzel 1. All subscribers to the Review of Financial Studies are members of the SFS.

WESTERN FINANCE ASSOCIATION

Officers and Executive Committee - 1997-98

President: Maureen O'Hara, Cornell University
President-Elect: Franklin Allen, University of Pennsylvania
Vice President: Richard Green, Carnegie-Mellon University
Secretary-Treasurer: Stephen Brown, New York University
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Ravi Jagannathan, Northwestern University
Bruce Lehmann, University of California, San Diego
Paul Pfeifer, Stanford University
Artur Raviv, Northwestern University
Sheridan Titman, University of Texas at Austin

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1966-67 Edward Reed
1967-68 Robert Carr
1968-69 Burrow Roff
1969-70 Lester Sticker
1970-71 Harold Stevenson
1971-72 W. Scott Bauman
1972-73 David Eiteman
1973-74 James Wert
1974-75 George Kaufman
1975-76 John Herzog
1976-77 A. Blaine Huntsman
1977-78 David Pyle
1978-79 Guilford Babcock
1979-80 Donald Farrar
1980-81 Charles D'Ambrosio
1981-82 James Van Horne
1982-83 Edward Dyl
1983-84 Nils Hakansson
1984-85 Seha Tinic
1985-86 Alan Kraus
1986-87 Gerald Bierwag
1987-88 Robert Litzenberger
1988-89 Alan Hess
1989-90 Lemma Senbet

University of Southern California
University of Oregon
Fresno State College
University of Colorado
Oregon State University
Arizona State University
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Simon Fraser University
University of Utah
University of California at Berkeley
University of Southern California
University of Utah
University of Washington
Stanford University
University of Wyoming
University of California at Berkeley
University of Texas at Austin
University of British Columbia
University of Arizona
University of Pennsylvania
University of Washington
University of Maryland
1990-91 Eduardo Schwartz
1991-92 Stephen Brown
1992-93 Hans Noll
1993-94 Kenneth Singleton
1994-95 Milton Harris
1995-96 Chester Spatt
1996-97 Michael Brennan

UCLA
New York University
Vanderbilt University
Stanford University
University of Chicago
Carnegie Mellon University
UCLA

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Yacine Alt-Sahalia, University of Chicago
Kaushik Amin, Lehman Brothers
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Christopher James, University of Florida
Robert Jarrow, Cornell University
Kose John, New York University
Philippe Jorion, University of California at Irvine
Kyosho Kato, Nanzan University
Gautam Kaul, University of Michigan
Alan Kraus, University of British Columbia
Josef Lakonishok, University of Illinois at Urbana-Champaign
Charles Lee, Cornell University
Bruce Lehmann, University of California at San Diego
Andrew Lo, MIT
Deborah Lucas, Northwestern University
Erzo Luttmer, London School of Economics
Richard Lyons, University of California at Berkeley
Craig MacKinlay, University of Pennsylvania
Dilip Madan, University of Maryland
Ananth Madhavan, University of Southern California
Vojislav Makimov, University of Maryland
Ernst Maug, Duke University
Ron Michael, Tel Aviv University
Wayne Mikelson, University of Oregon
Harayana Nair, London Business School
Vasant Naik, University of British Columbia
Vikram Naik, University of Michigan
Thomas Noh, Tulane University
Marco Pagano, Università L. Bocconi
Mitchell Petersen, Northwestern University
Paul Pfleiderer, Stanford University
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<tr>
<th>Year</th>
<th>Location</th>
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<tr>
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<td>Monterey</td>
<td>Milton Harris</td>
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<td>Richard Thaler</td>
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<td>1996</td>
<td>Sunriver</td>
<td>Joseph Williams</td>
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<td>Jackson Lake</td>
<td>Fischer Black</td>
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<td>Santa Barbara</td>
<td>Michael Brennan</td>
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<td>1989</td>
<td>Seattle</td>
<td>William Sharpe</td>
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<td>Edward Kane</td>
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<td>Robert Litzenberger</td>
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<td>Richard Roll</td>
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<td>1979</td>
<td>San Francisco</td>
<td>Nils Hakansson</td>
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</table>
1998 WFA PROGRAM SUMMARY

Wednesday, June 17

4:00-8:00pm
REGISTRATION - De Anza Foyer

5:30-7:30pm
MIT PRESS RECEPTION
- Memory Garden - see p.37 - (De Anza I if weather bad)
Open to all attendees and guests

Thursday, June 18

7:00-8:15am
NASDAQ BREAKFAST - De Anza III

8:00am-4:00pm
REGISTRATION - De Anza Foyer

8:30-10:15am
1. Limit Orders - De Anza I
2. Risk Management - De Anza II
   - Bonzai I
4. Valuing Stocks - Bonzai II
5. Investment - Bonzai III

10:15-10:30am
COFFEE BREAK - De Anza Foyer

10:30am-12:15pm
1. Managing Money - De Anza I
2. Analyzing Anomalies - De Anza II
3. Venture Capital - Bonzai I
4. Empirical Market Microstructure - Bonzai II
5. Factor-Based Asset Pricing Models - Bonzai III

12:30-2:00pm
NEW YORK STOCK EXCHANGE LUNCHEON
- Memory Garden (Lower Atrium if weather bad)

2:15-4:30pm
1. Bankruptcy - De Anza I
2. International Finance - De Anza II
3. Lending - Bonzai I
4. Executive Compensation - Bonzai II
5. Financial Econometrics - Bonzai III

Friday, June 19

4:45-6:15pm
WFA Executive Committee and Board of Directors
Meeting - Cottonwood I Conference Room (on Level 3)

5:30-7:30pm
CORNERSTONE RECEPTION - Memory Garden
(Lower Atrium if weather bad)
Open to all attendees and guests

8:00am-12:00noon
REGISTRATION - De Anza Foyer

4:30-10:15am
1. Behavioral Finance - De Anza I
2. Seasoned Equity Offerings - De Anza II
4. Cost of Trading - Bonzai II
5. Estimating Continuous Time Models - Bonzai III

10:15-10:30am
COFFEE BREAK - De Anza Foyer

10:30am-12:15pm
1. Corporate Downsizing and Restructuring - De Anza I
2. Price Discovery and Disclosure - De Anza II
3. Banking - Bonzai I
   II - Bonzai II
5. Options Theory - Bonzai III

12:30-2:00pm
WFA ANNUAL MEETING AND LUNCHEON - De
Anza III - Distinguished Speaker: Milton Harris, University
of Chicago

2:15-4:30pm
1. Liquidity Constraints and Internal Capital Markets -
   De Anza I
2. Capital Structure - De Anza II
3. Mutual Funds - Bonzai I
4. Asset Pricing and Frictions - Bonzai II
5. Empirical Options - Bonzai III

8
Society for Financial Studies Annual Meeting - Bonzai I

5:30-7:30pm
SFS/RFS RECEPTION - Memory Garden
(Lower Lobby if weather bad)
Open to all attendees and guests

Saturday, June 20

8:30-10:15am
Asset Pricing and Learning - De Anza I
Corporate Control - De Anza II
Exchanges - Bonzai I
Term Structure Models - Bonzai II
The Legal System and Finance - Bonzai III

10:15-10:30am
COFFEE BREAK - De Anza Foyer

10:30am-12:15pm
IPO's - De Anza I
Payout Policy - De Anza II
Default and Asset Pricing - Bonzai I
Real Estate - Bonzai II
Ownership - Bonzai III

33rd ANNUAL CONFERENCE
WESTERN FINANCE ASSOCIATION
MONTEREY, CALIFORNIA
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PRESIDENT: MAUREEN O'HARA, CORNELL UNIVERSITY
PRESIDENT-ELECT AND PROGRAM CHAIR:
FRANKLIN ALLEN, UNIVERSITY OF PENNSYLVANIA

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NASDAQ BREAKFAST - De Anza III

Thursday, June 18
8:00am-4:00pm
REGISTRATION - De Anza Foyer

Thursday, June 18
8:30-10:15 am
LIMIT ORDERS - De Anza I
Ananth Madhavan, University of Southern California
Econometric Models of Limit-Order Executions - Andrew Lo, MIT, A. Craig MacKinlay, University of Pennsylvania, and Jue Zheng, ITG
Tick Size and Limit Order Execution: An Examination of Stock Splits - Tom M. Arnold, University of Indiana and Marc Lipson, University of Georgia

Discussants:
Lawrence Harris, University of Southern California
Duane Sepp, Carnegie Mellon University
Jennifer Lynch Koski, University of Washington
RISK MANAGEMENT - De Anza II
Ramu Thiagarajan, Northwestern University

Compensation, Convexity, and the Incentives to Manage Risk: An Empirical Analysis - Wayne Guay, University of Pennsylvania

A Model of Risk Management and Investment Efficiency - Clara Raposo, London Business School

Asymmetric Information, Credit Quality and the Use of Interest Rate Derivatives - Betty Sinkina, Oklahoma State University

Discussants:
Tim Adam, Hong Kong University of Science & Technology
Neal Stoughton, University of California at Irvine
Catherine Schrand, University of Pennsylvania

SYMPOSIUM: FINANCIAL AND PRODUCT MARKET INTERACTIONS I - Bonzai I
Sheridan Tisman, University of Texas at Austin

Strategic Responses of Incumbents to New Entry: The Effect of Ownership Structure, Capital Structure and Focus - Naveen Khanna and Sheri Tice, Michigan State University

Exchange-Rate Exposure and Industry Structure - George Alleyanis and Jane Ihrig, University of Virginia

The Interaction Between Product Market and Financing Strategy: The Role of Venture Capital - Thomas Hellman and Manju Puri, Stanford University

Discussants:
Simi Kedia, Harvard University
Bruno Gerard, University of Southern California
Paul Gompers, Harvard University

VALUING STOCKS - Bonzai II
Kerry Back, Washington University, St. Louis

Stock Valuation in Dynamic Economies - Gurip Bakshi, University of Maryland and Zhiwu Chen, Ohio State University

Asset Prices in a Continuous-Time Liquidity Model of Monetary Economics - Tan Wang, University of British Columbia

Forecasting Fundamental Stock Price Distributions - R. Glen Donaldson, University of British Columbia and University of Rochester, and Mark Kamstra, Simon Fraser University

Discussants:
Bhaskaran Swaminathan, Cornell University
Hong Liu, University of Pennsylvania
Jeremy Berkowitz, Board of Governors of the Federal Reserve

INVESTMENT - Bonzai III
Deborah Lucas, Northwestern University

Option Value, Investment Decisions, and Tobin's q - Eugene Kandel, University of Rochester and Neil D. Pearson, University of Illinois at Urbana-Champaign

Killing the Messenger: Delegation and Hard Core Rates in Capital Budgeting - Arnold Boot, University of Amsterdam, Todd Milbourn, London Business School and Anjan Thakor, University of Michigan

The Cost of Diversity: The Diversification Discount and Inefficient Investment - Raghuram Rajan, Luigi Zingales, University of Chicago and Henri Servaes, University of North Carolina at Chapel Hill

Discussants:
Janice Eberly, Northwestern University
Bryan Routledge, Carnegie Mellon University
Vikram Nanda, University of Michigan

COFFEE BREAK: 10:15-10:30am - De Anza Foyer
Thursday, June 18 10:30-12:15am

MANAGING MONEY - De Anza I
Laura Starks, University of Texas at Austin

Are the Hundred-Million-Dollar Managers Just Like Everyone Else? An Analysis of the Stock Ownership of Large Institutions - Paul Gompers, Harvard University and NBER, and Andrew Metrick, Harvard University

High Water Marks - William Goetzmann, Jonathan Ingersoll Jr., and Stephen A. Ross, Yale University

Asset Pricing Specification Errors and Performance Evaluation - Jia He, Chinese University of Hong Kong and University of Houston, Lilian Ng, Hong Kong University of Science & Technology and University of Southern California, and Chu Zhang, University of Alberta and Hong Kong University of Science & Technology

Discussants:
Deon Strickland, Ohio State University
Judy Chevalier, University of Chicago
Bruce Lehman, University of California at San Diego

VENTURE CAPITAL - Bonzai I
Gary Gorton, University of Pennsylvania

Does Venture Capital Spur Innovation? - Samuel Kortum, Boston University and NBER, and Josh Lerner, Harvard University and NBER

Venture Capital Financing, Moral Hazard, and Learning - Dirk Bergemann, Yale University and Ulrich Hege, Center, Tilburg University


Discussants:
James Linck, Arizona State University
Paul Pfefferer, Stanford University
N. R. Prabhala, Yale University

EMPIRICAL MARKET MICROSTRUCTURE - Bonzai II
Hendrik Bessembinder, Arizona State University

Security Bid/Ask Dynamics with Discreteness and Clustering: Simple Strategies for Modeling and Estimation - Joel Hasbrouck, New York University

Information Flows and Open Outcry: Evidence of Imitation Trading - Mark Griffiths, The American Graduate School of International Management, Brian F. Smith, Williard Laurier University, D. Alasdair S. Turnbull, Memorial University of Newfoundland and Robert W. White, University of Western Ontario


Discussants:
Tarun Chordia, Vanderbilt University
Elizabeth Odders-White, University of Wisconsin at Madison
Erik Sirri, Securities and Exchange Commission

Analyzing Anomalies - De Anza II
Josef Lakonishok, University of Illinois at Urbana-Champaign

Momentum Investing and Performance Using Finland's Unique Data Set - Mark Grinblatt, UCLA and Matti Keloharju, Helsinki School of Economics and Business Administration

Industry Factors as an Explanation for Momentum in Stock Returns - Tobias Moskowitz, UCLA

The Determinants of Asymmetric Volatility - Guojun Wu, Stanford University

Discussants:
Matti Suominen, INSEAD
Kent Daniel, Northwestern University
Sanjiv Das, Harvard University
FACTOR-BASED ASSET PRICING MODELS - Bonzai III
Ravi Jagannathan, Northwestern University

Costs of Equity Capital and Model Mispriev - Lubos Pastor and Robert Stambaugh, University of Pennsylvania

The Alpha Factor Asset Pricing Model: A Parable - Wayne Ferson, Sergii Sarkissian and Timothy Simin, University of Washington


Discussants:
Nick Barberis, University of Chicago
Guofu Zhou, Washington University, St. Louis
Jun Qian, University of Pennsylvania

LUNCH BREAK  12:30-2:00pm
NEW YORK STOCK EXCHANGE LUNCHEON - Memory Garden (Lower Atrium if weather bad)

Thursday, June 18  2:15-4:30pm

BANKRUPTCY - De Anza I
Lenno Benet, University of Maryland

Cash Auction Bankruptcy: Costs, Recovery Rates and Auction Premiums - Karin Thorburn, Stockholm School of Economics

Economic Distress, Financial Distress, and Dynamic Liquidation - Matthias Kahl, UCLA

Conflicts of Interest and Market Illiquidity in Bankruptcy Auctions: Theory and Tests - Per Stromberg, University of Chicago

Do BondPrices Reflect Absolute Priority Violations? Evidence from U.S. Airline Secured Bonds - Todd Pulvino, Northwestern University and Whitney Pidto, Harvard University

Discussants:
Ronald Giannarino, University of British Columbia
Raj Singh, Washington University, St. Louis
Edith Hotchkiss, Boston College
Tyler Shumway, University of Michigan

INTERNATIONAL FINANCE - De Anza II
Richard Lyons, University of California at Berkeley

Have the Gains from International Diversification Disappeared? - Vihang Errunza, McGill University, Ned Hogan, Barclays Global Investors, San Francisco and Mao-Wei Hung, National Taiwan University

Both Sides of Corporate Diversification: The Value Impacts of Geographic and Industrial Diversification - Gordon Bodnar, University of Pennsylvania, Charles Tang, Pace University and Joseph Wentrop, Baruch College, CUNY

The Exchange Rate and Purchasing Power Parity in Arbitrage-Free Models of Asset Pricing - Prakash Apte, IIM, India, Piet Sercu, Katholieke Universiteit Leuven, and Ranar Upali, University of British Columbia

Around-the-Clock Market Efficiency and Home Bias: Evidence from the International JGB Futures Markets - Yiu Man Tse, Binghamton University

Discussants:
Geert Rekaert, Stanford University
Milind Shrikhande, Georgia Institute of Technology
Silverio Foresi, Salomon Brothers
Ingrid Werner, Stanford University

LENDING - Bonzai I
John Boyd, University of Minnesota

Adverse Selection in Credit Card Solicitations: Evidence from Market Experiments - Lawrence Ausubel, University of Maryland

Competition in Loan Contracts - Christine Parlour and Uday Rajan, Carnegie-Mellon University

Relationship Lending within a Bank-Based System: Evidence from European Small Business Data - Hans Degryse, CentER, Tilburg University and Patrick van Cuycke, Katholieke Universiteit Leuven

Short-Term Collateralization: Theory and Evidence - Leora Klapper, New York University

Discussants:
Thomas Noe, Tulane University
Gilles Cheval, University of British Columbia
Gary Gorton, University of Pennsylvania
Richard Rosen, Indiana University
SECURITY DESIGN AND FINANCIAL INNOVATION - Bonzai I
Arnoud Boot, University of Amsterdam

The Pooling and Tranching of Securities - Pete DeMarzo, University of California at Berkeley

Information Production, Dilution Costs, and Optimal Security Design - Paolo Fulghieri and Dmitry Lukin, INSEAD

Diversification Discount and Targeted Stock: Theory and Empirical Evidence - Shlomo Z. Zula, New York University

Discussants:
Jose Marín, Universitat Pompeu Fabra
Jaime Zender, University of Utah
Dennis Logue, Dartmouth College

COST OF TRADING - Bonzai II
Maureen O'Hara, Cornell University

Order Flow Composition and Trading Costs in a Dynamic Limit Order Market - Thierry Foucault, Carnegie Mellon University

Institutional Trading and Soft Dollars - Jennifer S. Conrad, University of North Carolina at Chapel Hill, Kevin Johnson, Aronson & Partners, and Sunil Wahl, Emory University

Why Doesn't Decimal Trading Eliminate Payment For Order Flow and Internalization? - Robert Battalio, University of Notre Dame and NASD, and Craig Helden, Indiana University

Discussants:
James Angel, Georgetown University
Kenneth Kavajecz, University of Pennsylvania
Hendrik Bessembinder, Arizona State University

ESTIMATING CONTINUOUS TIME MODELS - Bonzai III
Robert Stambaugh, University of Pennsylvania

Maximum-Likelihood Estimation of Discretely Sampled Diffusions: A Closed-Form Approach - Yacine Ait-Sahalia, University of Chicago

A Semi-Parametric Factor Model of Interest Rates and Tests of the Affine Term Structure - Eric Ghysels, Penn State University and CIRANO, and Serena Ng, Boston College

Bayesian Analysis of the Short-Term Interest Rate: Discretization, Stationarity, and Microstructure - Chris Jones, University of Pennsylvania

Discussants:
Robert Whitelaw, New York University
Qiang Dai, Stanford University
Eric Jacquier, Boston College

COFFEE BREAK:
10:15-10:30am - De Anza Foyer

Friday, June 19
10:30am-12:15pm

CORPORATE DOWNSIZING AND RESTRUCTURING - De Anza I
Henri Servaes, University of North Carolina at Chapel Hill

An Empirical Investigation of Corporate Asset Downsizing - Diane Denis, Purdue University and Dilip K. Shome, Virginia Polytechnic Institute and State University


Efficiency and Distribution in Financial Restructuring: The Case of the Ferruzzi Group - Luigi Zingales, University of Chicago, NBER and CEPR, and Alessandro Penati, University of Padova

Discussants:
Philip Berger, University of Pennsylvania
Wayne Mikkelsen, University of Oregon
Francesca Cornell, University of Pennsylvania
PRICE DISCOVERY AND DISCLOSURE - De Anza II
Avanidhar Subrahmanyam, UCLA

Strategic Behavior and Price Discovery - Luis A. Medrano, Universitat Pompeu Fabra and Xavier Vives, CSIC and Harvard University

Price Discovery in Auction Markets: A Look Inside the Black Box - Ananth Madhavan and Venkatesh Panangappan, University of Southern California

Disclosure Requirements and Stock Exchange Listing Choice in an International Context - Steven Huddart, John S. Hughes, Duke University and Markus Brunnermeier, London School of Economics

Discussants:
Craig Holden, Indiana University
Patrik Sandas, University of Pennsylvania
Michael Fishman, Northwestern University

BANKING - Bonzai I
Arjun Thakor, University of Michigan

Bank Equity Ownership and Firm Value in Japan - Randall Morck, University of Alberta, Masao Nakamura, University of British Columbia and Anil Shrivastani, University of North Carolina at Chapel Hill

 Liquidity Provision and the Social Cost of Bank Capital - Gary Gorton, University of Pennsylvania and NBER, and Andrew Winton, Northwestern University

Why Do Markets React to Bank Loans?: A Theory of Managerial Choice between Public and Private Financing - Andres Almazan, University of Illinois and Javier Suarez, CEMFI and CEPR

Discussants:
Randall Kroszner, University of Chicago
Janping Qi, Washington University, St. Louis
Douglas Diamond, University of Chicago

SYMPOSIUM: FINANCIAL AND PRODUCT MARKET INTERACTION II - Bonzai II
Gordon Phillips, University of Maryland

Strategic Uncertainty, Learning, and Dynamic Financial and Investment Policy - Praveen Kumar, University of Houston

Global Diversification, Growth and Welfare with Imperfect Markets for Goods - Bernard Dorasz, HEC and Raman Uppal, University of British Columbia

Investment with Financing Frictions - Nathalie Moyen, University of British Columbia

Discussants:
Jonathan Berk, University of Washington
Angel Serat, University of Chicago
Vojislav Maksimovic, University of Maryland

OPTIONS THEORY - Bonzai III
Vasant Naik, University of British Columbia

A Stochastic Mesh Method for Pricing High-Dimensional American Options - Mark Broadie and Paul Glasserman, Columbia University

Information Revelation Through Option Exercise - Steven Grenadier, Stanford University

Analytical Valuation of American - Style Asian Options - Asbjorn T. Hansen and Peter Jorgensen, University of Aarhus

Discussants:
Jennifer Carpenter, New York University
Kerry Back, Washington University, St. Louis
Jerome Detemple, McGill University

LUNCH BREAK
12:30-2:00pm WFA ANNUAL MEETING AND LUNCHEON - De Anza III
Distinguished Speaker: Milton Harris, University of Chicago

Friday, June 19 2:15-4:30pm
LIQUIDITY CONSTRAINTS AND INTERNAL CAPITAL MARKETS - De Anza I
Thomas Noe, Tulane University

Liquidity Constraints, Production Costs and Output Decisions - Paul Povel, University of Mannheim and LSE, and Michael Raith, University of Chicago

Internal Capital Markets, Growth Opportunities, and the Valuation Effects of Corporate Diversification - David J. Denis and Bharathram Thothadri, Purdue University

Financing Constraints and Internal Capital Market: Evidence from Korean Chaebols - Hyun-Han Shin, California Polytechnic State University and Young S. Park, Dongguk University

A Multinational Perspective on Capital Structure Choice and Internal Capital Markets - Mihir Desai, Harvard University

Discussants:
Ari Ravid, Rutgers University
Henri Servaes, University of North Carolina at Chapel Hill
Toni Whited, University of Maryland
Lemma Senbet, University of Maryland

CAPITAL STRUCTURE - De Anza II
Milton Harris, University of Chicago

Marginal Benefit Curves Associated with Interest Deductibility - John Graham, Duke University

Debt and Outside Equity as Information Revelation Mechanisms - Michel A. Habib, London Business School, D. Bruce Johnsen, George Mason University

Endogenous Bankruptcy, Endogenous Restructuring and Dynamic Capital Structure - Robert Goldstein, Ohio State University, Nengjiu Ju and Hayne Leland, University of California at Berkeley

Debt Valuation, Strategic Debt Service and Optimal Dividend Policy - Hua Fan and Suresh Sundaresan, Columbia University

Discussants:
Walter Novas, University of Washington
Zaussanna Fluck, New York University
Alex Triantis, University of Maryland
Suleyman Basak, University of Pennsylvania

MUTUAL FUNDS - Bonzai I
Louis Ederington, University of Oklahoma

Volatility Timing in Mutual Funds: Evidence from Daily Returns - Jeffrey Busse, Emory University

The Impact of Regulatory Restrictions of Fund Performance: A Comparative Study of Hedge Funds and Mutual Funds - Carl Ackermann, University of North Carolina at Chapel Hill

The Determinants of the Flow of Funds of Managed Portfolios: Mutual Funds versus Pension Funds - Diane Del Guercio, University of Oregon and Paula Tkac, University of Notre Dame

The Japanese Open-End Fund Puzzle - Stephen Brown, NYU, William Goetzmann, Yale University, Takato Hiraki, Toshiyuki Otaki, International University of Japan, and Noriyoshi Shiraiishi, Rikkyo University

Discussants:
David Musto, University of Pennsylvania
Louis Chan, University of Illinois at Urbana-Champaign
Laura Starks, University of Texas at Austin
Kiyoshi Kato, Nanzan University

ASSET PRICING AND FRICTIONS - Bonzai II
Richard Green, Carnegie Mellon University

Dynamic Volume Return Relation of Individual Stocks - Guillermo Llorente, University of Madrid, Roni Michaely, Gideon Saar, Cornell University and Jiang Wang, MIT

The Impact of Predictability and Transaction Costs - Anthony Lynch, New York University and Pierwigi Baldazzi, Boston College

Capital Market Equilibrium with Differential Taxation - Suleyman Basak and Mike Gilmeyer, University of Pennsylvania

The Investor Recognition Hypothesis in a Dynamic General Equilibrium: Theory and Evidence - Alex Shapiro, University of Pennsylvania

Discussants:
M. Nimalendran, University of Florida
John Heaton, Northwestern University
David Mauer, University of Miami
Burton Hollifield, University of British Columbia

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EMPirical OPTIONS - Bonzai III
Kaushik Amin, Lehman Brothers

Can Markovian Models Explain Option Price Dynamics? Lessons From
High-Frequency Option Data - Gurdeep Bakshi, University of Maryland,
Charles Cao, Pennsylvania State University, and Zhijun Chen, Ohio State
University

Do Equity Options Price Volatility Risk? Empirical Evidence - Nikunj
Kapadia, University of Massachusetts

An Empirical Comparison of Forward and Spot Rate Models for Valuing
Interest Rate Options - Wolfgang Bühlert and Marliese Uhrig-Homburg,
University of Mannheim, Ulrich Walter, DG Bank and Thomas Weber,
Infinity Financial Technology

Is Implied Correlation Worth Calculating? Evidence from Foreign Exchange
Options and Historical Data - Christian Walter, Swiss National Bank
and Jose A. Lopez, Federal Reserve Bank of New York

Discusants:
David Bates, University of Iowa
Jeff Fleming, Rice University
Barbara Ostfeld, Rice University
Jose Campa, New York University

Saturday, June 20  8:30-10:15am

ASSET PRICING AND LEARNING - De Anza I
John Heaton, Northwestern University

Stock Price Volatility, Learning, and the Equity Premium Puzzle - Michael J.
Brennan and Y. Xiu, University of California, Los Angeles

How Does Information Quality Affect Stock Returns? Results from a
Dynamic Model of Learning - Pietro Veronesi, University of Chicago

Defining Bad News: Changes in Return Distributions that Induce a Decrease
in Asset Demand - Burton Hollifield and Alan Kraus, University of
British Columbia

Discussants:
Raj Mehra, University of California at Santa Barbara
Vasant Naik, University of British Columbia
Richard Kihlstrom, University of Pennsylvania

CORPORATE CONTROL - De Anza II
Artur Raviv, Northwestern University

When do Bidders Purchase a Toehold? Theory and Tests - Arturo Bris,
INSEAD

Financial Advisor Reputation and the Sizing of the Gains from Corporate
Acquisitions - Jayant R. Kale, Georgia State University, Omesh Kini,
Emory University and Harley E. Ryan, Jr., Louisiana State University

Strategic Voting and Proxy Contests - Bilge Yilmaz, University of
Pennsylvania

Discussants:
Esper Eckbo, Stockholm School of Economics
Mark Zemer, University of North Carolina at Chapel Hill
Ernst Maug, Duke University

Friday, June 19  4:45-5:30pm
SOCIETY FOR FINANCIAL STUDIES ANNUAL MEETING - Bonzai I
(Open to all subscribers to the Review of Financial Studies)

Friday, June 19  5:30pm - 7:30pm
SFS/RFS RECEPTION - Memory Garden (Lower Lobby if weather bad)
Open to all attendees and guests
EXCHANGES - Bonzai I
S. Viswanathan, Cornell University

Competition Among Exchanges - Tano Santos and Jose A. Scheinkman, University of Chicago

Competing Mechanisms in a Common Value Environment - Bruno Blais, IDEI and University of Toulouse, David Martinmont, IDEI and Jean-Charles Rochet, IDEI and University of Toulouse

Trading Halts in a Principal-Agent Model of an Exchange - Roger Edelen and Simon Gervais, University of Pennsylvania

Discussants:
Gideon Saar, Cornell University
Eric Hughes, University of Utah
Paul Wolter, University of Iowa

TERM STRUCTURE MODELS - Bonzai II
Ravi Jagannathan, Northwestern University

On the Term Structure of Interest Rates in the Presence of Reflecting and Absorbing Boundaries - Robert Goldstein, Ohio State University and William P. Keirstead, Goldman Sachs

The Dynamics of the Forward Interest Rate Curve - Pedro Santa-Clara and Didier Sornette, UCLA

A Parametric Nonlinear Model of Term Structure Dynamics - Dong-Hyun Ahn and Bin Gao, University of North Carolina at Chapel Hill

Discussants:
Kaushik Amin, Lehman Brothers
Steven Heston, Washington University, St. Louis
Greg Duffee, Board of Governors of the Federal Reserve

THE LEGAL SYSTEM AND FINANCE - Bonzai III
Mark Weinstein, University of Southern California

Optimal Disclosure and Litigation Rules Around New Equity Issues - Thomas Chemmanur, Boston College and Paolo Pulghieri, INSEAD

Insider trading and CEO Turnover in Firms Subject to Securities Class Actions - Greg Niehaus, University of South Carolina and Greg Roth, St. Mary's University

Debt-in-Possession Financing: Management Entrenchment or Certification and Monitoring? - Sris Chatterjee, Fordham University, Upinder Dhillon, Binghamton University and Gabriel Ramirez, Virginia Commonwealth University

Discussants:
Patricia Hughes, UCLA
Sanjay Bhagat, University of Colorado at Boulder
Venkat Subrahmanian, Tulane University

COFFEE BREAK: 10:15-10:30am - De Anza Foyer

Saturday, June 20
10:40am-12:15pm

IPO's - De Anza I
Ivo Welch, UCLA

IPO Post-Issue Markets: Questionable Predictions But Diligent Learners? - Peter Bossaerts, California Institute of Technology and Pierre Hillion, INSEAD

The Performance of Long-run Stock Returns Following Issues of Public and Private Debt - Ilia Dichev and Joseph Piotroski, University of Michigan

The IPO as the First State in the Sale of the Firm - Laura Field, Penn State University

Discussants:
Kacheam Dewenter, University of Washington
Inzoo Lee, Case Western Reserve University
Craig Dunbar, University of Western Ontario
PAYOUT POLICY - De Anza II
Roni Michaely, Tel Aviv University


The Impact of Informed Trading on Dividend Signaling: A Theoretical and Empirical Examination - Kathleen Perrie, INSEAD

Do Firms Use Dividends to Signal Large Future Cash Flow Increases? - Yaron Brook, Robert Hendershot, Santa Clara University and Billy Charlton, University of Richmond

Discussants:
Peter Högfeldt, Stockholm School of Economics
Uri Loewenstein, University of Utah
Raghu Rau, Purdue University

DEFAULT AND ASSET PRICING - Bonzai I
Jiang Wang, MIT

Unknowingly Avoiding Default When the Completely Unforeseen Happens: Equilibrium in a Production Economy - Mark Loewenstein, Washington University, St. Louis and Gregory Willard, MIT

A Model of Pricing Defaultable Bonds and Credit Ratings - Tao Li, Washington University, St. Louis

Term Structures of Credit Spreads with Incomplete Accounting Information - Darrell Duffie, Stanford University and David Lando, University of Copenhagen

Discussants:
Domenico Cuoco, University of Pennsylvania
Mina Huang, University of Chicago
Klaus Toft, University of Texas at Austin

REAL ESTATE - Bonzai II
Chester Spatt, Carnegie Mellon University

Organizational Form Changes: Increasing Stockholder Wealth or Serving Managerial Interests? - Aswath Damodaran, Kose John and Crocker H. Liu, New York University

Fundamental News and Price Adjustment in the Real Estate and Stock Markets: Evidence from the Hong Kong Market - Lilian Ng, University of Southern California and Hong Kong University of Science & Technology, and Yuming Fu, City University of Hong Kong

Housing Market Fluctuations in a Life-Cycle Economy - Francois Ortalo-Magne, London School of Economics and Sven Rady, Stanford University

Discussants:
Chester Spatt, Carnegie Mellon University
Andrey Pavlov, UCLA
Antonio Bernardo, UCLA

OWNERSHIP - Bonzai III
Randall Krosnow, University of Chicago

Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance - Charles Himmelberg, R. Glen Hubbard, and Darius Pala, Columbia University

Transfer Taxes and Survival of Family Firms: Evidence Across Countries - Philippe Wells, Harvard University

Corporate Equity Ownership in the US: Product Market Alliances, Investment and Contracting Costs - Jeffrey W. Allen, Southern Methodist University and Gordon Phillips, University of Maryland

Discussants:
Anup Agrawal, North Carolina State University
Utpal Bhattacharya, Indiana University
Matthew Clayton, New York University
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