

# DEPARTMENT OF FINANCE



The Finance Family

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**B**eginning this semester, we are inviting alumni back to campus. The visits include talking to students in both formal class settings and informal settings, as well as talking with faculty and administrators. Please see page 6 for more information.



## Faculty & Staff

Name	Office (Pamplin)	Telephone	Email (@vt.edu)
<b>Full-time Finance Faculty</b>			
Randall S. Billingsley	2112	540-231-7374	randall
Vittorio A. Bonomo	2122	540-231-5031	bonomo
Michael T. Cliff	2114	540-231-5061	mcliff
John C. Easterwood	3056	540-231-5550	jceast
Huseyin Gulen	3060	540-231-4377	hgulen
Gregory B. Kadlec	3062	540-231-4316	kadlec
Arthur J. Keown	1027	540-231-8647	emily
Raman Kumar	2124	540-231-5700	rkumar
Sattar A. Mansi	NoVA	703-538-8406	smansi
Abon Mozumdar	NoVA	703-538-8414	abon
George E. Morgan	1023	540-231-7380	gmorgan
Douglas M. Patterson	1021	540-231-5737	amex
John M. Pinkerton	2128	540-231-5002	JohnPinkerton
Barbara Remmers	3066	540-231-4419	bremmers
Meir I. Schneller	2110	540-231-7701	mschnell
Dilip K. Shome	1019	540-231-3607	dilip
Vijay Singal	1016a	540-231-5904	singal
G. Rodney Thompson	1025	540-231-6523	grod

### Business Law Faculty

Janine S. Hiller 2120 540-231-7346 jhiller

### Business Law Instructors

Christopher Giles 2115 540-231-4144 haga  
D. Stephen Haga 3068 540-231-4014 gilesc  
Joseph M. Kuznicki 3058 540-231-8143 jkuznick  
Steve Smith 3068 540-231-2523 sdsmith

### Staff (Pamplin 1016)

Julia S. Acton 540-231-4551 jacton  
Dianne M. Blankenship 540-231-7251 dblank  
Leanne Brownlee-Bowen 540-231-5886 lbrownle

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## Faculty Advisors

Finance Club: Arthur Keown  
MBA Career/Placement: Raman Kumar  
Pre-Law Advisor: Janine Hiller  
SEED: Randy Billingsley, Arthur Keown  
UG Academic Advisor: Raman Kumar  
UG Career/Placement: Randy Billingsley

## Doctoral Students

**Vivek Sharma** (Doctoral Candidate),  
vsharma@vt.edu  
MBA, Indian Institute of Management,  
Lucknow (1992), B.Tech (Hons.), Indian  
Institute of Technology, Kharagpur (1989).

**Don Autore** (Doctoral Candidate),  
dautore@vt.edu  
MBA, University of Central Florida (2000),  
B.S. in Mechanical Engineering, University  
of Central Florida (1998).

**Tunde Kovacs** (Doctoral Candidate),  
tkovacs@vt.edu  
MS in Finance, Budapest University of  
Economics (1999).

**Jeff Hobbs** (Doctoral Candidate),  
jhobbs@vt.edu  
B.S. in Business Administration, West Vir-  
ginia University (1999).

**Zhaojin (Lily) Xu** (2nd year), lilyxu@vt.edu  
MBA in Finance, State University of New  
York at Binghamton (2002).

**Marius Popescu** (2nd year),  
mpopescu@vt.edu  
MBA in Finance, Texas Christian University  
(2002).

**Jungshik (Jason) Hur** (2nd year),  
jhur@vt.edu  
MA in Economics, Yonsei University Seoul,  
Korea (1991), MS in Statistics, Texas A&M  
(2001).

**Ajay Bhootra** (1st year), abhootra@vt.edu  
M.S. in Operations Research, M.S. in Fi-  
nance, Virginia Tech (2003).

**Kiro Kirov** (1st year), kirov@vt.edu  
MBA in Finance, Texas A&M University  
(2002)

**Justin Pugh** (1st year), jdpugh@vt.edu  
B.S. in Finance, Louisiana Tech University  
(2003).

(For more information, please visit  
[www.cob.vt.edu/finance/academic/phd/  
students.htm](http://www.cob.vt.edu/finance/academic/phd/students.htm))

## MBA Finance Students

Please feel free to invite our students to apply for suitable positions in your organization. They will complete their MBA in early May 2004.

**Ryan Baird** (rbaird@vt.edu)

Interested in obtaining a position with a company that offers a rotational financial management program.

**Priya Bellubbi** (priyab@vt.edu)

Aspires to work as a financial analyst in corporate finance. Interested primarily in the areas of cash management, real options and business development.

**Sandrine Calvet** (scalvet@vt.edu)

Interested in corporate finance and investment and financial services management.

**Steven Du** (zdu@vt.edu)

Co-Founder of Timesoft, an investment consulting and portfolio management startup.

**Tim Graf** (tgraf@vt.edu)

Seeking a position in investment banking analysis. Had a summer internship with GMAC Residential Funding. Has Prior experience with Sprint.

**Stephen Kitterman** (skitterman@vt.edu)

Eight years experience as a structural engineer. Seeking a fast-track leadership development program with a Fortune 500 company with an emphasis on corporate finance, corporate strategic planning, and mergers and acquisitions.

**Onur Kuzeyman** (onurk@vt.edu)

Pursuing a concentration in corporate finance. Coupled with an engineering background, is looking for an entry level position in financial analysis.

**Patrick Leonard** (pleonard@vt.edu)

Interested in finance as it applies to sports organizations. Helping to streamline stadium operations and payroll in order to maximize attainable profits. Also highly interested in arbitration of players' salaries as well as players' initial contracts and signing bonuses.

**Mark McCandlish** (mccandl@vt.edu)

Has over 6 years of management experience. Looking for a challenging position in corporate finance that will utilize his problem solving and analytical skills from an engineering background. Serving as president of the MBA Association at VT.

**Ebrahim Poonawala** (epoonawa@vt.edu)

Interested in a position in corporate finance or strategic financial planning. Has four years experience in real estate leasing and lending to small businesses.

**Yan Shen** (yshen@vt.edu)

Looking to work as a consultant to help formulate business strategies, identify and analyze problems or provide decision support information.

**Laura Taylor** (lataylor@vt.edu)

Plans to incorporate the financial, entrepreneurial, and managerial expertise she has gained from the Pamplin MBA program with her previous experience in biomedical research to become an early-stage biomedical/biotechnology-focused venture capitalist.

**Ross Verbrugge** (rossv@vt.edu)

Looking for a position in Finance and/or Real Estate Construction and Development. Has 10 years experience in the banking industry.

**Vimal Udupa** (vudupa@vt.edu)

Interested in consulting. Has worked as a journalist for 4 years.

**Franck Kouame** (fkouamen@vt.edu)

Corporate Finance

**Gowri Santhanam** (gowri@vt.edu)

Corporate Finance

**Sonia Mudbhatkal** (sonia1@vt.edu)

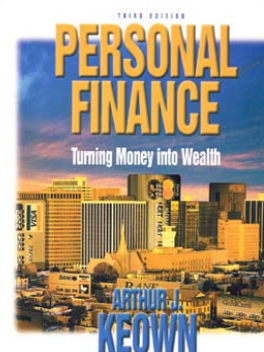
Corporate Finance

**Bijoy J. Verghese** (bverghes@vt.edu)

Corporate Finance

Personal Finance: Turning Money into Wealth

Arthur J. Keown





## Program Updates

■ **Undergraduate Program:** The UG program is undergoing a major curriculum review during this academic year. Be sure to share your views by writing to Dr. John Pinkerton, chair of the committee at [JohnPinkerton@vt.edu](mailto:JohnPinkerton@vt.edu).

■ **MBA Program:** For the first time this semester, we are offering a second core course for MBA students. The new course, "Analytical Framework for Decision Managers," is designed to allow MBA students develop a broad understanding of how markets work and to explore the challenges and opportunities that markets pose for business managers and firms. We offer two concentrations in the MBA program: Investment Management and Financial Services and Corporate Financial Management. Finance concentrations are the most popular among all concentrations in the MBA program. (Please visit [www.mba.vt.edu](http://www.mba.vt.edu))

■ **Finance Club** is the only student club for Finance majors. It organizes visits to bring together Finance students and alumni. It invites companies to help educate and recruit students. They also do fun things like bowling, and field trips. Dr. Keown is the faculty advisor. (Please visit (<http://filebox.vt.edu/org/finance>))

■ **SEED** (Student-managed Endowment for Educational Development) manages about \$3 million for the Virginia Tech Foundation that was started in 1993. It is the nation's largest student managed fund whose members receive no class credit or compensation. SEED members are selected competitively from the entire university and generally consist of business and engineering students. The group is fully responsible for researching and selecting stocks that they feel have the greatest potential for growth. They decide which stocks to purchase and sell for achieving the objectives set by the Foundation. Dr. Billingsley and Dr. Keown provide faculty input and advice.

## Study Abroad Programs

The ongoing tradition of our study abroad programs is currently in its 10<sup>th</sup> year. This semester students are traveling to Riva San Vitale, Switzerland. While in Riva, they have opportunities to see much of the surrounding sites with trips to Paris, Munich, Prague, Budapest and several cities in Italy.

During the first summer semester our students have an opportunity to tour Asia, with a chance to view China and her markets, as well as travel to Vietnam and Cambodia.



Hong Kong

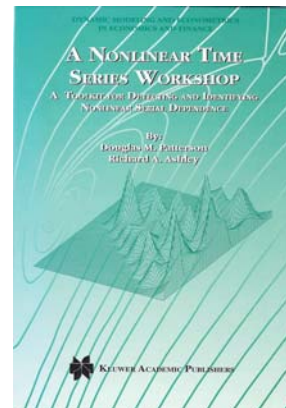
Our South Africa trip is held during the second summer session with trips to a very modern stock exchange where investors from around the world invest, a diamond mine, and Cape Town, South Africa's busiest center of international trade.



DeBeers Diamond Mine, Kimberly, South Africa

Dr. G. Rodney Thompson is the faculty leader for these study abroad programs.

A Nonlinear Time Series Workshop  
Douglas M. Patterson (with Richard A. Ashley)



# Research Update

## Informed Trading in Stock and Option Markets

(Forthcoming, the Journal of Finance)  
Huseyin Gulen (with Sugato Chakravarty and Stewart Mayhew)

Investors who have access to private information or high quality information can choose to trade in the stock market or in the options market. Given the high leverage achievable with options and the built-in downside protection, one might think the options market would be an ideal venue for informed trading. If informed traders do trade in the options market, they would expect to see *price discovery* in the options market. That is, they would expect at least some new information about the stock price to be reflected in option prices first.

Gulen and his co-authors demonstrate that a significant amount of new information about stock's true value is revealed in option prices before being reflected in the underlying stock price. They find evidence that the proportion of information revealed first in the option market varies across stocks. Option markets tend to be more informative on average when option trading volume is high and when stock volume is low, when option trading costs are low, and when stock trading costs are high. They document that the informed traders prefer both the leverage and liquidity in choosing the type of option contracts to trade. These findings contribute to the understanding of why options are relevant in actual markets.

The findings of the paper have important practical implications. Knowing where informed traders trade is important for the market makers in stock and option markets in managing risks involved in trading. The existence of informed trading in the option market also has implications for traders watching for signals about future price movements, and for those engaged in surveillance for illegal insider trading.

## The Price Response to S&P 500 Index Additions and Deletions: Evidence of Asymmetry and a New Explanation

(Forthcoming, the Journal of Finance)  
Vijay Singal (with Honghui Chen And Gregory Noronha)

An important assumption in modern finance theory is that stocks have perfect substitutes, meaning that any supply or demand shocks that are devoid of information should have no effect on the prevailing price. Since there is no obvious reason to believe, *ex ante*, that index changes contain new information, they constitute a natural experiment to test this assumption. Singal and his co-authors study changes to the S&P 500 index, the most widely followed index in the world.

Prior research on index changes has found that stocks added to the index experience a positive abnormal return which is inconsistent with the perfect substitutes assumption. In this paper, Singal and his co-authors find that while there is a permanent price increase for additions, there is no similar price effect for deletions. This suggests that at least for deletions there is no violation of the perfect substitutes assumption. Moreover, the authors suggest that the price increase for additions can be explained without compromising the assumption relating to substitutability.

Singal and his co-authors show that the asymmetric price reaction occurs because more investors become aware of a stock upon its addition to the index whereas investors cannot become unaware of a stock upon its deletion. They provide evidence that the increased awareness following additions causes enhanced monitoring by investors, a reduction in information asymmetry component of the bid-ask spread, improved access to capital markets, and a reduction in Merton's cost of underdiversification. The negative effect of deletions is much smaller or nonexistent.

## Conference Presentations

Huseyin Gulen presented his paper "Changing Names with Style: Mutual Fund Name Changes and their Effects on Fund Flows" (with Michael J. Cooper and Raghavendra Rau) at the Frank Batten Young Scholars Conference at the College of William and Mary in June. He will also present this paper at the FMA (Financial Management Association) Annual Meeting in October.

Sattar A. Mansi is also presenting at the FMA. He will be presenting his paper "CEO Ownership and Managerial Incentives: Evidence from the Bond Market" (with Ronald C. Anderson and David M. Reeb).

Gregory B. Kadlec will be presenting his paper "Issuer Surplus and the Partial Adjustment of IPO Prices to Public Information," (with Roger Edelen) at The American Finance Association Annual Meeting, in January 2004.

Janine Hiller presented her paper "Internet Place and Property: An Update" (with Ronnie Cohen) in August at the National Conference of the Academy of Legal Studies in Business.

## Alumni Visitors

The department has started a new program to invite alumni and other prominent people to visit campus for a day. Students welcome the opportunity to talk with and learn from alumni. Alumni are also interested in visiting and providing input to their alma mater. Your visit can make a big difference. If you are interested, please contact Dr. Vijay Singal at [singal@vt.edu](mailto:singal@vt.edu).

### Visitors for Fall 2003

**Samuel P. McNeil, Jr.**, Managing Director, River Capital Advisors visited us on September 9, 2003 from Charlotte, NC. Mr. McNeil graduated from Virginia Tech with a undergraduate degree in 1980, and an MBA in Finance in 1981. Prior to River Capital Advisors, Mr. McNeil worked with Banc of America Securities LLC and was one of the founding members of the Global Special Situations Trading Group.

**Mark D. Moore**, Principal, Longstreet Partners visited us on September 18, 2003 from Vienna, VA. Mr. Moore received his undergraduate degree in Finance from Virginia Tech in 1985. He was a partner in the McLean Group and is currently serving on the board of directors for the Fairfax County Chamber of Commerce.

**Mark A. Heberle**, Vice President, Taxable Fixed Income Research, Wachovia Securities, Inc. will visit us on October 7, 2003 from Charlotte, NC. Mr. Heberle graduated in 1984 with a B.S. in Finance from Virginia Tech and in 1994 with an MBA from the University of Richmond. Prior to Wachovia Securities, Inc. Mr. Heberle worked as a senior strategist with the Financial Strategies Group of First Union.

**John B. Williamson, III**, Chairman of the Board, President and CEO and **Dale P. Moore**, Vice President and Secretary of RGC Resources, Inc. will visit us on October 16, 2003. RGC Resources is the holding company for Roanoke Gas, Bluefield Gas, Highland Propane, and Highland Energy.

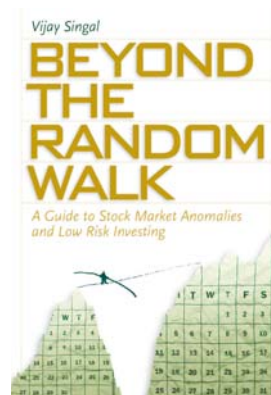
**Russell J. Herakovich**, Vice President, GE Healthcare Financial Services will visit us on October 21, 2003 from Atlanta, GA. Mr. Herakovich graduated from Virginia Tech in 1990 with a degree in Finance, and from Darden School of Business in 1994. He worked for Andersen Consulting, First Union Capital Markets, First Union's Healthcare Finance Group and for SunTrust's Loan Syndications Group in Atlanta, before joining GE Healthcare Financial Services.

**Matthew A. Jones**, Associate Asset Manager, Harbor Group International will visit us on October 28, 2003 from Norfolk, VA. Mr. Jones graduated from Virginia Tech with a B.S. in Finance in 2001. Before working for Harbor Group International, Mr. Jones worked with Legg Mason Wood Walker as an Investment Banking Analyst.

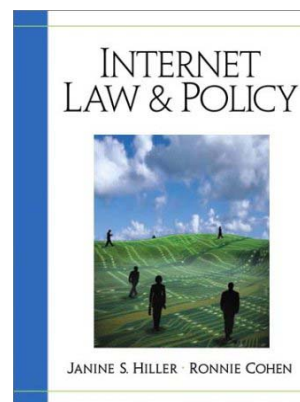
**Peter Zippelius**, Research Analyst, Framework Investment Group will visit us on October 28, 2003 from New York. Mr. Zippelius graduated from Virginia Tech in 2001 with a B.S. in Finance. Prior to Framework Investment Group, Mr. Zippelius worked with Salomon Smith Barney in the Mergers and Acquisitions and the Electronic Financial Services Groups.

**Anuj Goel**, Associate, Fixed Income Structured Products, of Salomon Smith Barney will visit us on November 4, 2003 from New York. Mr. Goel graduated from Virginia Tech with an MBA in Finance in 2000. He is actively involved in the development, execution, and marketing of cash and synthetic Collateralized Debt Obligations.

### Beyond The Random Walk Vijay Singal



### Internet Law & Policy Janine S. Hiller (with Ronnie Cohen)





# Partnering for a Mutually Beneficial Relationship

Because your relationship with the department shouldn't end at graduation.

## ► Placement

Placement is the most important concern of all students beginning with their freshman year. Many students choose their majors based on placement prospects. Fortunately, this is the area in which alumni can be the most effective without expending much effort. One word from you can open a host of opportunities for a VT student looking for an internship, a co-op, or a full-time job. Some opportunities for you to assist are listed below.

1. Ask for resumes of qualified MBA students (see page 3) and undergraduate students from the Finance department (yes, we have those available). Once you receive the resumes, circulate those to your division and human resources personnel.
2. We have experts in the Finance department (Randy Billingsley, randall@vt.edu), in the college (Gary Kinder, gkinder@vt.edu), and in the university (Laura Hickerson, laurahickerson@vt.edu) especially designated to help Finance students. They can always provide you with more information.
3. You can have your company recruit at Virginia Tech by participating in Career Nights which begins October 2003, and the Connection Job Fair for internships and co-op positions in February 2004 (tentatively February 18<sup>th</sup>).
4. Register at VT Career Link. This is our alumni database where alumni can volunteer to help out students. It is free for alumni volunteers and a great way to help current students. The form is a bit long but worth it.  
<http://www.career.vt.edu/vtcl99/asp/default.asp>
5. Do you have an opening? Go to Career Services and post the opening at <http://www.career.vt.edu/employer/employer1.htm>. In addition, send a copy by e-mail to all individuals mentioned in #2 above.

## ► Advice on Curriculum Issues

We are always looking for ways to improve the curriculum so that students are ready to be productive in the work place upon graduation. We need your help in introducing new courses and revising course content based on the changes in the business environment. You know what worked for you and what didn't. Why don't you share that with us? Once again, different forums are available: in meetings with the Departmental MBA Curriculum Committee, Departmental Undergraduate Curriculum Committee, individual faculty members, and the department head. We intend to review all undergraduate courses in Fall 2003 semester, so we particularly welcome changes related to the undergraduate curriculum.

## ► Support The Department

There are many ways in which you can assist the department offer high-quality education, attract and retain outstanding faculty, and allow the department to provide many other services for students.

1. Share your databases with individual members of the faculty or with students. Faculty are always looking for unique data sets that can be used to answer interesting questions, perhaps, one that is important to your company. These databases help the faculty conduct and publish high quality research.
2. If you require expert advice or require someone to research a particular topic, faculty members are always ready to take on those special projects. Whether it is a consulting project, a research project, or a teaching assignment (Management Development Program), you will almost always find a faculty member who is an expert in your field of interest. Feel free to contact us at [fin@vt.edu](mailto:fin@vt.edu).
3. Financial contributions are welcome. Remember that no contribution is too small. Send your gifts or pledges to R. Daniel Shephard, Director of Development, Pamplin College of Business(0209), Virginia Tech, Blacksburg, VA 24061. Please mention that the funds are for the Finance department, and send a copy to us.

## Special Thanks to...

### Gifts and Pledges 2003

David Delozier  
Chor-Ching Fan  
GE Foundation  
Thomas Gosnell  
Sylvia Hudgins  
Brian Silverman  
Heather Topich  
Wachovia Foundation

## Academic Speakers 2003-2004

Visiting us this semester are:

Kent Daniel from Northwestern University (Kellogg) on October 31, Jonathan Lewellen from Massachusetts Institute of Technology (Sloan) on November 7, and Eitan Goldman from UNC-Chapel Hill (Kenan-Flagler) on November 14.

Next semester's speakers are:

Tobias Moskowitz from the University of Chicago on March 19, Diane Denis from Purdue University (Krannert) on March 26, and David Musto from the University of Pennsylvania (Wharton) on April 30.

## Interesting Statistics

Full-time students in the Pamplin College of Business:  
Undergrads: 3,641  
MBAs: 100

Full-time students in Finance  
Undergrads: 565  
2nd Year MBAs: 18  
PhD: 10

Number of faculty: 19 full-time faculty all with terminal degrees, and 4 part-time instructors.

More than 95% of finance courses in a regular semester are taught by full-time faculty.

## Contact

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