Cem Demiroglu

355B Stuzin Hall
PO Box 117168
University of Florida
Gainesville, FL 32611-7168

Mobile Phone: (352) 367-1074
Fax: (352) 392-0301
E-mail: cem.demiroglu@cba.ufl.edu
Webpage: http://bear.cba.ufl.edu/demiroglu/Personal.htm

January 15, 2008

EDUCATION

University of Florida – Warrington College of Business, Gainesville, Florida
Ph.D. in Finance, 2002 – present, Expected graduation in May 2008
Dissertation: Essays on Loan Contracting and Bank Financing
Chair: Christopher James
Committee members: Jay Ritter, Michael Ryngaert

University of Nebraska, Lincoln, Nebraska
M.A. in Finance & Economics, 2001

Bogazici University, Istanbul, Turkey
B.A. in Business Administration, 2000

AREAS OF INTEREST

Research: Financial Contracting, Corporate Financing, Mergers & Acquisitions, Stock Market Analysts

Teaching: Corporate Finance, Financial Institutions & Instruments, Contract Theory, Investments

WORKING PAPERS

"Lender Control and the Role of Private Equity Group Reputation in Buyout Financing," with Christopher James, (Job Market Paper)

Abstract: Using a sample of 181 public-to-private leveraged buyouts (LBOs) completed during the January 1, 1997 to August 15, 2007 period, we examine whether the reputation of the acquiring private equity group (PEG) is related to the financing structure, loan contract terms, and valuation of LBOs. We find that buyouts sponsored by high reputation funds pay narrower loan spreads, have fewer and less restrictive financial loan covenants, use less traditional bank debt, and borrow more and at a lower cost from institutional loan markets. In addition, PEG reputation is positively related to the amount of leverage used to finance the buyout. While we find that reputation is related to the amount of leverage used, and leverage is significantly related to buyout pricing, we do not find any direct effect of reputation on buyout valuations. We also find that deals sponsored by high reputation PEGs are less likely to experience financial distress or bankruptcy ex-post. The evidence is consistent with the hypothesis that deals involving reputable PEGs are perceived as less risky by creditors because reputable PEGs are more skillful in selecting and monitoring investments or because reputation serves to mitigate the agency costs of debt and thus lowers the need for bank monitoring and control. We also find that macroeconomic conditions (e.g. credit risk spread), growth prospects, ex-ante risk, and deal size also impact buyout financing terms and valuations. Overall, our results suggest that the increase in leverage and the decline in both the proportion of bank debt financing and the restrictiveness of covenants in recent deals reflect a combination of "overheating" in the buyout market and greater involvement by experienced PEGs in recent buyouts.

"**The Information Content of Bank Loan Covenants**," with Christopher James, ***Revise and Resubmit, The Review of Financial Studies***

Abstract: We examine whether the restrictiveness of bank loan covenants conveys private information about the borrower's confidence in future operating performance or the expected costs of covenant violations. We use realized operating performance and the outcome of covenant violations as proxies for the borrower's private information concerning credit quality. We find that tighter covenants are associated with *improvements* in performance as measured by changes in the covenant variable. Consistent with lenders encouraging revelation of private information via covenant choice, we find that tighter covenants are associated with lower borrowing costs. In addition, consistent with covenant choice signaling favorable private information, we find a larger stock price reaction to the announcement of loans with tight covenants. Finally, we find that violations of tightly set covenants are less costly to borrowers because these are less likely to lead to bankruptcy or reductions in investment expenditures than violations of loosely set covenants. Overall, our results suggest that one reason borrowers choose restrictive loan covenants is to credibly convey private information about their credit quality.

"**(How) Does Analyst Coverage Add Value? An Empirical Analysis of First Analyst Initiations on Neglected Stocks**," with Michael Ryngaert, ***under review***

Abstract: This paper investigates the channels through which analyst coverage affects firm value by using a sample of 551 analyst coverage initiations during 1997 to 2005 for firms that had been publicly traded for at least a year with no analyst coverage (i.e., neglected firms). We find that initiated firms experience a three-day abnormal return of 4.8 percent and a significant increase in liquidity. The share price increases are primarily related to the information content of the recommendations as opposed to liquidity enhancement. Also, we find modest evidence that recommendations from analysts affiliated with investment banks that have done prior work with the covered firm are received less positively. Finally, consistent with the investor recognition hypothesis of Merton (1987), we find that "strong buy" recommendations cause a demand pressure from new investors, which increases the price of shares with more volatile returns (i.e., less elastic demand curves).

"**Negatively Sloped Demand Curves for Stocks: Evidence from Seasoned Equity Offerings,**" unpublished manuscript

Abstract: The importance of the issue size in determining the stock price reactions to seasoned equity offering announcements has been underestimated in the academic literature. Earlier studies using final proceeds as a size measure suffer from a simultaneous equations bias because when there is an unusually negative stock price reaction to the announcement, the issuing firm may cut back on the amount it offers until the issue is finalized or entirely withdraw the issue. In this study, I show that the appropriate issue size measure that should be used in the announcement effect studies is the planned proceeds of the issue rather than the final proceeds. When I correct for the endogeneity and sample selection problems in the earlier studies, I find that the demand curve for a stock is more negatively sloped than previously estimated.

RESEARCH-IN-PROGRESS

"The Price of Corporate Liquidity: An Analysis of Private Firm Valuations in Sellouts and Public Equity Offerings," with Christopher James and Atay Kizilaslan

Abstract: This paper examines whether financing constraints influence a private firm's choice between going public vs. selling out, the timing of the transaction, and the transaction price relative to fundamentals. We also present evidence on the determinants of the existence and amount of venture capital investments and bank financing for a large sample of private firms. We find that the amount of internally generated funds and the existence of a bank line of credit are unrelated to the firm's exit choice; however, venture capital backed private firms prefer IPOs over sellouts, especially during the pre SOX period. In addition, we find that, using their

abandonment options, financially unconstrained firms seem to better time the IPO and M&A markets. Finally, we show that firms with banking relationships and venture capital backing get significantly higher valuations both in IPOs and sellouts. We present cross-sectional determinants of these valuation premiums and provide a discussion on whether the premiums are due to firm- and market-level liquidity or unobservable quality.

"Limited Attention and Market Response to Analyst Recommendations," with Michael Ryngaert
Abstract: The analyst roundup column of *Barron's* presents weekly summaries of a number of analyst recommendations issued in the prior few weeks without an interpretation. We find that the market responds to such recommendations both at the original coverage date and the date *Barron's* issues analyst roundups, and the share price increases on the latter date are not reversed. The evidence seems to suggest that different investors consult to different sources for financial news and that the choice of news source affects the timing of their responses as well as the speed at which prices reflect publicly available information.

"**The Effects of Mergers on Financing Choices**," with Joel Houston and Richard Rosen
Abstract: Using a sample of domestic public firm mergers in the 1997 to 2004 period, we examine the effects of corporate mergers on the likelihood and the outcome of disruptions in lending relationships. We first document the extent to which pre-merger lenders of acquirers and targets are maintained. Then, we examine the relationship between maintenance of relationship lenders and merger success. We find that mergers are more successful when pre-merger relationship lenders of the target and the acquirer are maintained and the bankers provide funds to finance the merger.

"Testing for Evidence of Adverse Selection in the Debt Markets"

"How Do Commercial Banks Manage Their Loan Portfolios?"

TEACHING EXPERIENCE

University of Florida – Warrington College of Business, Gainesville, Florida
Ph.D. Instructor, August 2004-present

Fall 2004, Summer 2005, Spring 2007 - FIN 4504 Equity and Capital Markets
Instructor Evaluations: 4.8, 4.9, 4.8, respectively, from a scale of 1 to 5, (college mean is 4.1)
Nominated for the Instructor of the Year Award at the University of Florida

RESEARCH EXPERIENCE

Research Assistant to Christopher M. James, November 2004-present

Research Assistant to Jay R. Ritter, July 2002 - August 2002 and September 2004 - November 2004

Research Assistant to Michael Ryngaert, September 2003 - August 2004

Research Assistant to Andy Naranjo, September 2002 - August 2003

PROFESSIONAL EXPERIENCE

Cornerstone Research, Associate, Summer 2006

- Worked on six securities fraud cases related to Arthur Andersen's alleged role in Enron's bankruptcy.
- Worked on a securities fraud case related to alleged market timing transactions at Putnam Investments.
- Worked on a securities fraud case related to market integration of Bridgestone's U.S. ADRs.

SCHOLARSHIPS, AWARDS & ACHIEVEMENTS

Lampros Scholarship, 2007

University of Florida Alumni Fellowship, 2002-present

Outstanding Academic Achievement Award, UFIC, 2002-2007

Bogazici University Fellowship, 1996-2000: Given to top 3 students admitted to each department.

Rankings in the Higher Education Student Placement Test (OYS), June 1996: 3rd in Verbal-Math & Verbal-Social Sciences and 4th in Social Sciences categories among more than 1 million students.

CONFERENCE PARTICIPATION

Presenter, American Finance Association Annual Meeting, New Orleans, January 2008

Co-Presenter, Federal Reserve Bank of San Francisco, October 2007

Co-Presenter, Federal Reserve Bank of Chicago Conference on Bank Structure & Competition, May 2007

Program Committee Member, Financial Management Association, Orlando, FL, October 2007

Presenter, Financial Management Association Doctoral Student Seminar, Salt Lake City, UT, October 2006

Participant, American Finance Association, Boston, MA, January 2006

Discussant, "What's in a nickname? - Price and volume impacts of a pure ticker symbol change."
by Palani-Rajan Kadapakkam and Lalatendu Misra
Financial Management Association Annual Meeting, New Orleans, LA, October 2004

REFERENCES

Christopher M. James (Dissertation Chair)
William H. Dial Sun Bank Eminent Scholar of Finance
Department of Finance, Insurance, and Real Estate
University of Florida
Phone: (352) 392-3486
E-Mail: christopher.james@cba.ufl.edu

Jay R. Ritter
Cordell Eminent Scholar of Finance
Department of Finance, Insurance, and Real Estate
University of Florida
Phone: (352) 846-2837
E-Mail: jay.ritter@cba.ufl.edu

Michael D. Ryngaert
Graham-Buffett Professor of Finance
Department of Finance, Insurance, and Real Estate
University of Florida
Phone: (352) 392-9765
E-Mail: michael.ryngaert@cba.ufl.edu