

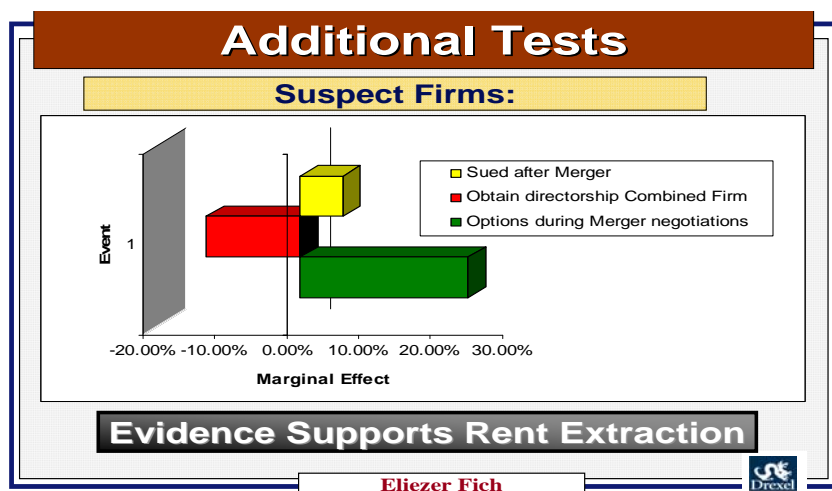
## Presentation of: “Option Grants to CEOs of Target Firms: Rent Extraction or Incentive Alignment?”

By: Eliezer Fich – Assistant Professor of Finance, LeBow College of Business, Drexel University  
At the Norwegian School of Management, Center for Research in Corporate Governance Conference  
Oslo, Norway  
May 23-24, 2008

The experience of traveling to Norway and presenting my research at the Norwegian School of Management was priceless. The school operates in a brand new state of the art facility (see picture below) in Nydalen, a suburb of Oslo. The fact that my paper was one of ten selected out of hundreds of submissions to be presented in the conference illustrates the quality of research we are doing at Drexel University. The conference was very well attended. Participants included faculty members from several European Business Schools and the papers that were included in the program included authors from the University of Florida, University of Kansas, University of Texas (Austin), Massachusetts Institute of Technology, Michigan State University, and Dartmouth.<sup>1</sup>



Presenters were allotted 20 minutes to deliver their papers, which was followed by a 10 minute discussion prepared by a colleague from a different school. Each section ended with a 5-minute Q&A session which encouraged audience participation. I noticed that in all the power point slides displayed by the different presenters and discussants of the conference papers, everyone proudly displayed their own University affiliation. Below, is one of the power point slides I prepared and used in Norway. My entire presentation clearly bears the Drexel University emblem.



<sup>1</sup> For reference, the Conference Program is included at the end of this document.

The discussant assigned to my paper was Erik Lie of the University of Iowa. Erik achieved international recognition last year for his research documenting the pervasive pattern of option backdating by many prominent American companies. His research and the scandal that ensued following the dissemination of his results earned him a place among “one of the world’s most influential people” by Time magazine in 2007. During his discussion of my paper, Erik provided many valuable suggestions that will be useful to me and my co-authors in enhancing our work. I also received very helpful comments from the conference participants during the Q&A session of my paper. The audience’s comments will also help improve our paper.

After the conference ended, I was approached by many attendees who wanted to find out more about both my research and about Drexel. A few colleagues, particularly those in Europe, had never heard of Drexel or did not know where our University was. I was happy to inform them about Drexel and about the scholarly activities undertaken at the LeBow College of Business as well as at Drexel’s other colleges. I was approached by a faculty member from Universidad Carlos III in Madrid, who invited me to give an academic seminar at his school in the Fall. I should also mention that one of the presenters gave a detailed account of the exchange listing requirements in Switzerland. The listing requirements are quite different from those in US exchanges. I think this information will be useful to me when I discuss this topic with my MBA students.

I am very grateful to the Office of International Programs at Drexel for awarding me an International Travel Award and supporting my trip to Oslo. I sincerely believe that faculty participation at international venues, such as the academic conference I attended in Norway, will help create global awareness about the excellent research and scholarly activities taking place at Drexel University. Moreover, I am sure that an important byproduct of participating at global academic venues will be research collaboration between Drexel faculty and scholars at prestigious international schools.



## Conference on the Corporate Finance and Governance of Privately Held Firms

May 23-24, 2008

BI Norwegian School of Management

Oslo, Norway

### Conference Goal

Privately held firms probably account for the largest portion of value creation and employment in virtually any country around the world. These firms are likely to evolve and utilize governance structures and to face specific financing challenges that are very different from those of publicly traded corporations. The objective of the conference is to take some initial steps toward a better understanding of how privately held firms are governed and financed.

### Organizing Committee

Oyvind Norli, Norwegian School of Management (Chair).

Morten Bennedsen, Copenhagen Business School

Erik Lie, University of Iowa - Henry B. Tippie College of Business

David C. Smith, University of Virginia - McIntire School of Commerce

### Conference Program

#### Friday, May 23rd

**08:00 - 10:15** Welcome and research presentations

Welcome. Øyvind Norli (Norwegian School of Management).

"Private firms: Why care?" Øyvind Bøhren (Head of the Centre for Corporate Governance Research at the Norwegian School of Management).

"Lender control and the role of private equity group reputation in buyout financing," Cem Demirogly (University of Florida) and Christopher James (University of Florida).

*Presented by Cem Demirogly. Discussed by Tereza Tykvová (ZEW Mannheim).*

"The effect of litigation on venture capitalist reputation," Vladimir Atanasov (College of William and Mary), Vladimir Ivanov (University of Kansas), and Kate Litvak (University of Texas Law School).

*Presented by Vladimir Atanasov. Discussed by Charlotte Ostergaard (Norwegian School of Management).*

**10:45 - 12:15** Research presentations

"Syndication to overcome transaction costs of cross-border investments? Evidence from a worldwide private equity deals' dataset," Tereza Tykvová (ZEW Mannheim) and Andrea Schertler (Kiel University).

*Presented by Tereza Tykvová. Discussed by Per Östberg (Norwegian School of Economics and Business Administration).*

"Venture capital contracting: Stage financing and syndication of later-stage investments," Zsuzsanna Fluck (Michigan State University), Kedran Garrison (MIT), and Stewart C. Myers (MIT and NBER).

*Presented by Zsuzsanna Fluck. Discussed by Paul Ehling (Norwegian School of Management).*

**13:45 - 14:30** Keynote speaker: Per Strömberg

Professor Strömberg will speak on "Leveraged Buyouts and Private Equity".

Per Strömberg is a Professor of Finance at the Stockholm School of Economics, a Senior Research Fellow at the Swedish Institute of Financial Research (SIFR), and an Adjunct Associate Professor of Finance at the University of Chicago Graduate School of Business. He received his Ph.D. in Financial Economics from Carnegie Mellon University.

Strömberg's research has primarily focused on the two areas of bankruptcy and private equity finance. His work has been published in the Journal of Finance, the American Economic Review, the Review of Economic Studies, and the Journal of Financial Intermediation. His research was awarded with the 2001 Brattle Prize for best corporate finance paper published in the Journal of Finance and the 2007 Stuart Greenbaum Award for the best paper published in the Journal of Financial Intermediation.

**15:00 - 16:30** Research presentations

"Protecting minority shareholders: Listed versus unlisted firms," Claudio Loderer (Universität Bern) and Urs Waelchli (Universität Bern).

*Presented by Claudio Loderer. Discussed by Richard Priestley (Norwegian School of Management).*

"Ownership structure and minority expropriation in non-listed firms: The case for multiple large shareholders," María Gutiérrez (Universidad Carlos III) and Josep A. Tribó (Universidad Carlos III).

*Presented by Josep A. Tribó. Discussed by Urs Waelchli (Universität Bern).*

### **Saturday, May 24th**

**08:00 - 10:15** Research presentations

"Venture capital exit rights," Carsten Bienz (Norwegian School of Economics and Business Administration) and Uwe Walz (Goethe University Frankfurt).

*Presented by Carsten Bienz. Discussed by Zsuzsanna Fluck (Michigan State University).*

"Corporate risk management with insurance in non-listed firms," Paul Ehling (Norwegian School of Management). *Presented by Paul Ehling. Discussed by Carsten Bienz (Norwegian School of Economics and Business Administration).*

"Managerial turnover and performance in outside boards: Ownership makes the difference," Esteban Lafuente (Universitat Autònoma de Barcelona) and Miguel García-Cestona (Universitat Autònoma de Barcelona).

*Presented by Miguel García-Cestona. Discussed by Josep A. Tribó (Universidad Carlos III).*

**10:45 - 12:15** Research presentations

"Creditor pre-filing actions, asset dispositions and CEO wealth effects of bankruptcy," B. Espen Eckbo (Dartmouth College) and Karin S. Thorburn (Dartmouth College).

*Presented by Karin S. Thorburn. Discussed by Janis Berzins (Norwegian School of Management).*

"Option grants to CEOs of target firms: Rent extraction or incentive alignment?" Jie Cai (Drexel University), Eliezer M. Fich (Drexel University), and Anh L. Tran (Drexel University).

*Presented by Eliezer M. Fich. Discussed by Erik Lie (University of Iowa).*