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## **RICHARD LESTER SMITH**

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### **Education**

Ph.D., Business Economics, University of California, Los Angeles, 1979  
(Award for Outstanding Graduate in Management).

M.A., Economics, University of California, Los Angeles, 1978.

M.B.A., Finance, Washington University, St. Louis, 1973.

B.B.A., Finance, Southern Methodist University, Dallas, 1971.

### **Professional Employment**

Professor of Finance and Philip L. Boyd Chair in Finance, A. Gary Anderson Graduate School of Management, University of California, Riverside, 2008-present (Chair of Department of Finance and Management Science, 2008-present).

Professor and Ralph Leatherby Chair of Entrepreneurship and Private Equity, Argyros School of Business and Economics, Chapman University, 2007-08.

Professor of Financial Management, Peter F. Drucker Graduate School of Management, Claremont Graduate University, Claremont, California, 1995-present (on leave, 2007 – 2009) (Associate Dean for Academic Programs, 2004-2006) (Director, Financial Engineering Management Program, 1998-2007) (Director, Venture Finance Institute, 1997-2007).

Professor of Finance, Arizona State University, Tempe, Arizona, College of Business, 1989-95 (Associate Professor of Finance, 1985-88) (Assistant Professor of Finance, 1981-84) (on leave 1995).

Chair, Department of Finance, Arizona State University, Tempe, Arizona, College of Business, 1986-91.

Visiting Associate Professor of Business Economics, University of California, Los Angeles, Graduate School of Management, 1985-86.

Visiting Assistant Professor of Finance and Business Economics, University of Oregon, Eugene, 1982.

Visiting Assistant Professor of Business Economics, University of California, Los Angeles, Graduate School of Management, 1980-81.

Visiting Assistant Professor of Finance and Business Economics, University of California, Irvine, Graduate School of Management, 1981.

Assistant Professor of Economics, Case Western Reserve University, Cleveland, Ohio, 1979-80.

Research Assistant, Research Program in Competition and Business Policy, Los Angeles, Professor J. Fred Weston, Director, 1976-79.

Manager of Marketing Research, United Bank of Arizona, Phoenix, Arizona, 1973-76.

Financial Analyst, Edward D. Jones & Company, St. Louis, Missouri, 1972-73.

### **Directorship and Advisory Committee Positions**

Investment Committee of the Board of Trustees, Claremont Graduate University, 1997-00, 2004-2006 (directs investment of the CGU endowment).

Chairman, Arizona State Retirement System, Investment Advisory Council, 1995-96 (the IAC directs investment of the Arizona State Retirement Fund - \$14 billion during my tenure there).

Budget Committee of the Board, 1995-96.

Arizona State Retirement System, Investment Advisory Council, 1991-96.

Arizona State University, Investment Committee, 1986-88 (directs investment of the ASU Endowment).

### **Fields of Concentration**

Entrepreneurial Finance, Financial Economics, Financial Management, Industrial Organization, Economics of Contracts

### **Honors and Awards**

Searle-Kaufmann Fellow in Entrepreneurship and the Law, 2009-2010.

Dean's Council of 100, Research Grant, Arizona State University, 1995, "Heterogeneity of Beliefs and Asset Value."

1994 Governor's Spirit of Excellence Award, Business Partners Task Force, member.

Smith Breeden Prize for 1993 (nominee), for best paper published in the *Journal of Finance*, "Market Discounts and Shareholder Gains for Placing Equity Privately."

Dean's Council of 100, Research Grant, Arizona State University, 1992, "Ownership Structure, Monitoring and Corporate Headquarters Relocation."

State of Arizona Department of Insurance Sponsored Project, 1990, "Financial Analysis of Axa's Proposed Acquisition of Farmers Insurance," principal investigator.

Arizona State Legislature Sponsored Project, 1989, "An Investigation of the Funding Status, Investment Practices and Actuarial Assumptions of the Arizona State Retirement Plan," principal investigator.

California Department of Real Estate Sponsored Project, 1986, "Real Estate Specializations: Assessment of the Need for Special Licensing and/or Educational Requirements," principal investigator.

Emory Law and Economics Center, Legal Institute for Economists, at Dartmouth University, 1983.

Faculty Grant-In-Aid, Research Grant, Arizona State University, 1983.

University Research Fund Research Grant, Arizona State University, 1982, "The Impact of the Community Reinvestment Act on Branching Activity of Financial Institutions," co-recipient.

Civitas Foundation Summer Grants, 1981 and 1982, "Efficiency Gains from Strategic Investment."

Foundation for Research in Economics Education Research Grant, 1980-81, "Franchise Regulation: An Economic Analysis of State Restrictions on Automobile Distribution."

Institute for Humane Studies Research Grant, 1980, "State and Local Fiscal Policy: Implications for Property Values and Economic Growth," co-recipient.

P.W.S. Andrews Prize for Essays on Theory of the Firm, 1980, awarded for "Efficiency Gains from Strategic Investment."

UCLA Anderson Graduate School of Management Alumni Association Award for Outstanding Graduate in Management, 1979.

**Teaching:**

**Finance**

Asset Management Practicum – MBA

Corporate Finance - MBA

Financial Entrepreneurship – MBA, Executive MBA

Financial Policy and Strategy – MBA, Executive MBA

Mergers, Acquisitions, and Corporate Control Executive MBA

Risk Management and Derivatives - MBA

Strategic Risk Management – MBA and EMBA

Theory of Finance - Ph.D.

**Economics**

Industrial Organization

Microeconomics

Managerial Economics

**Editorial:**

*Journal of Financial Research*, Executive Editor, 1986-93

*Journal of Financial Research*, Associate Editor, 1981-86

*Journal of Banking and Finance*, Referee

*Journal of Finance*, Referee

*Journal of Financial and Quantitative Analysis*, Referee

*Journal of Industrial Economics*, Referee

*Journal of Law and Economics*, Referee

*Journal of Money, Credit and Banking*, Referee

*Review of Financial Studies*, Referee

*Financial Review*, Referee

*Financial Management*, Referee

*Economic Inquiry*, Referee

*Quarterly Journal of Business and Economics*, Referee

**Professional Affiliations**

American Economics Association

American Finance Association

Financial Management Association

Western Finance Association

## Publications

### *Books and Articles in Books*

*Entrepreneurial Finance: Strategy, Valuation, and Deal Structure*, (2011 forthcoming) Stanford University Press, with Janet K. Smith and Richard T. Bliss.

"The Drucker Vision and Its Foundations: Corporations, Managers, Markets, and Innovation," in *The Drucker Difference*, ed. Maciariello, Pearce, and Yamawaki, McGraw-Hill, 2010: 221-254.

"Required Rates of Return and Financial Contracting for Entrepreneurial Ventures," in *The Handbook of Entrepreneurial Finance*, ed. D. Cumming (2010 forthcoming) Oxford University Press.

"The Drucker Vision: Corporations, Managers, Markets, and Innovation," forthcoming, *Modern Thoughts* (Japanese). English version: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1459512](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1459512).

"On the Foundations of the Drucker Vision," forthcoming, *Modern Thoughts* (Japanese). English version: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1458549](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1458549).

*Entrepreneurial Finance*, 2d ed. (2004), Wiley: New York, NY, with Janet Kiholm Smith.

Japanese (Kanji) translation (2004)

Chinese (simplified) translation (2006)

"Misperceptions About Private Placement Discounts: Why Market Reaction to Rule 144A Has Been Lukewarm," with V. Armstrong, in *Modernizing US Securities Regulation: Economic and Legal Perspectives*, K. Lehn and R. Kamphuis, eds., 1993: 175-191.

"New Issue Underwriting," invited essay for *The New Palgrave Dictionary of Money and Finance*, P. Newman, M. Milgate and J. Eatwell, eds., London: MacMillan Press, 1992: 722-724.

"Product Quality, Nonsalvageable Capital Investment and the Cost of Financial Leverage," with K. Chung, in *Essays in Honor of J. F. Weston*, T. E. Copeland, ed., 1986: 148-167.

### *Research Papers*

"The Paradox of 'Fraud on the Market' Theory," working paper under review, with J. Smith and G. Erenberg. ([http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1138018](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1138018)). Forthcoming, *Journal of Empirical Legal Studies*.

"Public Information, IPO Price Formation, and Long-run Returns: Japanese Evidence," with K. Kutsuna and J. Smith, *The Journal of Finance* 64, 2009, 505-546.

"A Comprehensive Evaluation of the Comparative Cost of Negotiated and Competitive Methods of Municipal Bond Issuance," with E. Fruits, R. Pozdena, and J. Booth, *Municipal Finance Journal*, 28, Winter 2008, 15-41.

"Why Are IPOs Underpriced? Evidence from Japan's Hybrid Auction-Method Offerings," with K. Kutsuna and F. Kerins, *Journal of Financial Economics* 85, September 2007, 637-666.

"What's in Your 403(b)? Academic Retirement Plans and the Costs of Underdiversification," with J. Angus, W. Brown, and J. Smith, *Financial Management* 36, Summer 2007, 87-124.

"Banking Relationships and Access to Equity Capital Markets: Evidence from Japan's Main Bank System," with K. Kutsuna and J. Smith *Journal of Banking and Finance* 31, 2007: 335-360.

"Why Does Book Building Drive Out Auction Methods of IPO Issuance? Evidence from Japan," with K. Kutsuna, *Review of Financial Studies* 17, 2004: 1129-1166.

"Opportunity Cost of Capital for Venture Capital Investors and Entrepreneurs," with F. Kerins and J. Smith, *Journal of Financial and Quantitative Analysis* 39, 2004: 385-405.

"The SEC's 'Fair Value' Standard for Mutual Fund Investment in Restricted Shares and Other Illiquid Securities," with J. Smith and K. Williams, *Fordham Journal of Corporate and Financial Law* 6, 2001: 421-474.

"Competitive Impact of Strategic Restructuring: Evidence from the Telecommunications Industry," with M. Hertzels and J. Smith, *Industrial and Corporate Change* 10, 2001: 207-246.

"Market Reactions to Failed Acquisition Attempts," with S. Chang and D. Suk, *International Journal of Finance* 12, 2000: 1586-1603.

"Evidence on the Determinants of Credit Terms used in Interfirm Trade," with J. Smith and C. Ng, *Journal of Finance* 54 1999: 1109-1129.

Abstracted in *CFO Europe*, July 1999.

"The Unwinding of Venture Capital Investments: Insider Selling During Equity IPOs," with T. Lin, *Journal of Corporate Finance* 4, 1998: 241-263.

"Determinants of Contract Choice: The Use of Warrants to Compensate Underwriters of Seasoned Equity Issues," with C. Ng, *The Journal of Finance* 50, 1996: 363-380.

"Wall Street Journal Reporting Decisions and the Use of Prediction Errors in Cross-sectional Analysis: Evidence on Seasoned Equity Announcements," with F. Griggs and D. M. Kim, *Financial Review* 30, 1995: 139-174.

"The Combined Effects of Free Cash Flow and Financial Slack on Bidder and Target Stock Returns," with J. Kim, *Journal of Business* 67, 1994: 281-310.

"Market Discounts and Shareholder Gains for Placing Equity Privately," with M. Hertzels, *The Journal of Finance*, 48, 1993: 459-485.

"Contract Law, Mutual Mistake, and the Incentives to Produce and Disclose Information," with J. Smith, *Journal of Legal Studies* 19, 1990: 467-488.

"Licensing Requirements, Enforcement Effort and Complaints Against Real Estate Agents," with K. Guntermann, *Journal of Real Estate Research* 3, 1988: 11-20.

"The Choice of Issuance Procedure and the Cost of Competitive and Negotiated Underwriting: An Examination of the Impact of Rule 50," *Journal of Finance* 42, 1987: 703-720.

"Examination of the Small Firm Effect on the Basis of Skewness Preference," with J. R. Booth, *Journal of Financial Research* 10, 1987: 77-86.

"Efficiency of the Market for Residential Real Estate," with K. L. Guntermann, *Land Economics* 63, 1987: 34-45.

"Derivation of Cost of Capital and Equity Rates from Market Data," with K. Guntermann, *Journal of Real Estate Economics (former name AREUEA Journal)* 15, 1987: 98-109.

"Announcement Effects of Withdrawn Security Offerings: Evidence on the Wealth Redistribution Hypothesis," with D. Officer, *Journal of Financial Research*, 9 1986: 229-238.

"Capital Raising, Underwriting and the Certification Hypothesis," with J. Booth, *Journal of Financial Economics* 15, 1986: 261-281.

"The Certification Role of the Investment Banker in New Issue Pricing," with J. Booth *Midland Corporate Finance Journal*, Spring 1986: 56-63.

"The Application of Errors-In-Variables Methodology to Capital Market Research: Evidence on the Small Firm Effect," with J. Booth, *Journal of Financial and Quantitative Analysis* 20 1985: 501-515.

"The Risk Structure of Interest Rates and Interdependent Borrowing Costs: Evidence of the New York Fiscal Crisis," with J. Booth, *Journal of Financial Research* 8, 1985: 83-94.

"A Theory of *Ex Post* Versus *Ex Ante* Price Determination," with J. Smith, *Economic Inquiry* 23, 1985: 57-67.

"Direct Equity Financing--Resolution of a Paradox: A Comment," with M. Dhatt, *Journal of Finance* 39, 1984: 1615-1618.

"On Strategic Behavior as a Basis for Antitrust Action," *The Antitrust Bulletin*, Fall 1984.

"The Impact of the Community Reinvestment Act on Branching Activity of Financial Institutions," with J. Booth, *Journal of Bank Research* 15, 1984: 123-128.

"State and Local Fiscal Policy: Implications for Property Values and Economic Growth," with J. Smith, *Public Finance Quarterly*, 12 1984: 51-76.

"Use of Interest Rate Futures by Financial Institutions," with J. Booth and R. Stolz, *Journal of Bank Research*, 1984.

"Theory Z: A Critical Analysis," *Arizona Business*, Summer 1983: 19-24.

"Franchise Regulation: An Economic Analysis of State Restrictions on Automobile Distribution," *Journal of Law and Economics* 25, 1982: 125-157.

"Efficiency Gains from Strategic Investment," *Journal of Industrial Economics*, P.W.S. Andrews Prize for 1980 30, 1981: 1-23.

"The 1958 Automobile Information Disclosure Act: A Study of the Impact of Regulation," *Journal of Industrial Economics* 28, 1980: 387-403.

"The Appropriateness and Applicability of Image Research to Banking," with S. Brown and G. Zurowski. *Journal of Bank Research* 8, 1977: 94-100.

"Surveying the Image Research Practices of Banks," with S. Brown and G. Zurowski *Bank Marketing*, January 1977: 16-19.

## Work in Progress

"The Paradox of 'Fraud on the Market' Theory," working paper under review, with J. Smith and G. Erenberg. ([http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1138018](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1138018)).

"Venture Capital Exit Choice: IPO v. Merger," working paper under review, with E. Ball and H. Chiu. ([http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1362023](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1362023)).

"Venture Capital: Performance, Persistence, and Reputation," with R. Pedace and V. Sathe. ([http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1432858](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1432858)).

## Dissertation Committees

Eric Ball, 2007, Drucker School, Claremont Graduate University, Chair, "Market Timing by Venture Capital Firms"

Luann Bangsund, 2006, Drucker School, Claremont Graduate School, Chair, "From Textbook to Pitchbook: An Examination of the IPO Price Formation Process"

John Kinsey, in progress, Drucker Center, Claremont Graduate School, Chair, "The Increasing Significance of Public Capital Sources In Financing Development Stage Enterprises"

Jim Hornbuckle, 1999, Drucker School, Claremont Graduate School, Chair, "Competition and Restructuring in the Electrical Utilities Industry"

Frank Kerins, 1997, Arizona State University, Chair  
Calling Nonrefundable Debt

Marcia Selz, 1997, Drucker School, Claremont Graduate School, Member  
Toward a Model of a Gap Analysis Between Investors, Leaders and Intermediaries in the Mutual Fund Industry

Paul Williams, 1997, Drucker School, Claremont Graduate School, Member  
Firms' Reluctance to Issue New Equity

Steve Rundles, 1996, School for Politics and Economics, Claremont Graduate School, Member, Strategic Alliances

Michael Smith, 1994, Arizona State University, Chair  
Shareholder Activism by Institutional Investors: Evidence from CalPERS

Vaughn Armstrong, 1995, Arizona State University, Member  
Insiders, Information Purchasers and the Bid/Ask Spread

Patrick Trachial, 1994, Arizona State University, Member  
Compensation Contracting in the Presence of External Monitors

Timothy Lin, 1993, Arizona State University, Chair  
The Selling Choice of Insiders in an Initial Public Offering: The Case of Venture Capital

Chee Keong Ng, 1992, Arizona State University, Chair

The Use of Warrants in Seasoned Equity Underwritings: An Optimal Contract Choice Explanation

Ibrahim Helou, 1992, Arizona State University, Member  
Underwriter Reputation and the Wealth Effects of Seasoned Equity

Lena Chua, 1991, Arizona State University, Member  
The Cost of Going Public: An Analysis of Firm Commitment and Best Efforts Contracts

Stanley Eakins, 1990, Arizona State University, Chair  
The Role of Institutional Ownership in Reducing Agency Costs

Frank Griggs, 1990, Arizona State University, Member  
Survival Time Model of Coalition Theory of Financial Distress

Dong Man Kim, 1990, Arizona State University, Chair  
Stock Splits and Composition of Shareholders: An Examination of Clientele Effects and Clientele Shifts

Gary Moore, 1989, Arizona State University, Member  
The Role of Resource Utilization in the Stock Market/Inflation Relationship

Joo-Hyun Kim, 1989, Arizona State University, Chair  
Free Cash Flow and Stockholder Returns in Corporate Takeovers

Hsing Fang, 1986, Arizona State University, Member  
International Arbitrage Pricing Model with Market Imperfections: Theory and Empirical Evidence

Kevin Green, 1986, University of California Los Angeles, Member  
An Economic Analysis of Investment Banking Contracts