

YE CAI

116-A Shadowood Drive
Chapel Hill, NC 27514
Mobile: (919) 923-0296
Email: ye_cai@unc.edu
Web: <http://www.unc.edu/~caiyl>

Department of Finance
Kenan-Flagler Business School
University of North Carolina
Campus Box 3490, McColl Building
Chapel Hill, NC 27599-3490

AREAS OF INTEREST

RESEARCH: Empirical Corporate Finance with a focus on Mergers and Acquisitions, Corporate Governance, and Executive Compensation

TEACHING: Corporate Finance, Financial Institutions, and Investments

EDUCATION

Ph.D. in Finance, University of North Carolina at Chapel Hill, May 2010 (expected)

Dissertation Title: Essays in Corporate Finance

Dissertation Committee: Paolo Fulghieri (Co-Chair), Merih Sevilir (Co-Chair), Anil Shivdasani, Edward Van Wesep

M.A. in Economics, Vanderbilt University, May 2005

B.A. in Economics (with highest honors), Peking (Beijing) University, July 2002

PUBLICATIONS

On the Alternative Long-Run Variance Ratio Test for a Unit Root, with Mototsugu Shintani, *Econometric Theory* 22(3), June 2006, 347-372.

WORKING PAPERS

Board Connections and M&A Transactions, with Merih Sevilir (Job Market Paper)

Managerial Ownership and Employee Risk Bearing, with Merih Sevilir and Ed Van Wesep

The CEO Signing Bonus, with Chris Parsons and Ed Van Wesep

Firm Locations and Takeover Likelihood, with Xuan Tian

RESEARCH IN PROGRESS

Corporate Governance and Compensation Peer Groups

Board Connections and Bank Lending

PRESENTATIONS

Financial Management Association Annual Meetings, October 2009 (discussant, scheduled)

Kenan-Flagler Business School, UNC-Chapel Hill, Brown Bag Seminar, 2007, 2009

Vanderbilt University, Graduate Student Research Symposium, 2005

HONORS AND AWARDS

Graduate Student Fellowship, Kenan-Flagler Business School, UNC-Chapel Hill, 2005-present
University Fellowship, Department of Economics, Vanderbilt University, 2002-2005
Kirk Dornbush Summer Research Grant, Vanderbilt University, 2004
Outstanding College Graduate Award, Beijing Municipal Commission of Education, 2002
Outstanding Graduate Honor, Peking University, 2002
Sompo Japan Scholarship, Peking University, 1999-2001

TEACHING AND RESEARCH EXPERIENCE

Instructor, UNC-Chapel Hill
Corporate Finance (Undergraduate), Summer 2007
Evaluation: 4.6/5.0

Teaching Assistant, UNC-Chapel Hill
Introduction to Derivatives (MBA), Fall 2008, Fall 2009
Corporate Finance (Undergraduate), Spring 2008
Investments (MBA), Spring 2006, Spring 2007

Teaching Assistant, Vanderbilt University
Statistics (Undergraduate), Spring 2005
Advanced Econometrics (PhD), Fall 2004
Econometrics (PhD), Spring 2004
Macroeconomics (PhD), Fall 2003

Research Assistant, UNC-Chapel Hill, 2005-present
Research Assistant, Peking University, Spring 2002

REFERENCES

Professor Paolo Fulghieri (Co-Chair)

Kenan-Flagler Business School
University of North Carolina at Chapel Hill
Campus Box 3490, McColl Building
Chapel Hill, NC 27599-3490
Tel: (919) 962-3202
Email: Paolo_Fulghieri@unc.edu

Professor Merih Sevilir (Co-Chair)

Kenan-Flagler Business School
University of North Carolina at Chapel Hill
Campus Box 3490, McColl Building
Chapel Hill, NC 27599-3490
Tel: (919) 843-6125
Email: Merih_Sevilir@unc.edu

Professor Anil Shivdasani

Kenan-Flagler Business School
University of North Carolina at Chapel Hill
Campus Box 3490, McColl Building
Chapel Hill, NC 27599-3490
Tel: (919) 962-6124
Email: Anil.Shivdasani@unc.edu

Professor Edward Van Wesep

Kenan-Flagler Business School
University of North Carolina at Chapel Hill
Campus Box 3490, McColl Building
Chapel Hill, NC 27599-3490
Tel: (919) 962-8466
Email: Vanwesep@unc.edu

PAPER ABSTRACTS

Board Connections and M&A Transactions (Job Market Paper)

Current Draft: August 2009, with Merih Sevilir

This paper examines M&A transactions between firms with current board connections and shows that such transactions generate better merger performance. We find that acquirers obtain significantly higher announcement returns in connected acquisitions. This result is striking considering that such deals involve larger acquirers, public targets, and are more likely to be diversifying acquisitions, three factors shown by earlier research to affect acquirer returns negatively. We also find that acquirers pay significantly lower takeover premiums in connected transactions, consistent with the view that board connections help acquirers avoid overpaying for target firms. In addition, financial advisory fees paid to investment banks are lower in connected acquisitions. Board connections are positively related to the operating performance of the new firm after the deal completion and negatively related to the probability of forced CEO turnover, suggesting that connected transactions generate better performance in the long run as well. Finally, we present evidence that the existence of a board connection between two firms has a positive impact on the probability of a subsequent M&A transaction between them. Overall, our results are consistent with the hypotheses that board connections are related to higher quality M&A transactions and they reduce the degree of asymmetric information between the acquirer and the target.

Managerial Ownership and Employee Risk Bearing

Current Draft: June 2009, with Merih Sevilir and Ed Van Wesep

If executives own a stake in the firm they manage they are inherently under-diversified. Management is therefore not the risk neutral actor many corporate finance texts assume and the results from the optimal risk-sharing literature apply: management should be expected to pass some share of firm risk to employees. Managers who own more of the firm are more under-diversified, implying that employee borne risk should be increasing in managerial ownership. We test this proposition and find that when management owns more of the firm employees have greater risk of being fired and greater variability in pay. A ten percent increase in executive ownership translates to a 14% increase in the variability of option grants per employee and a 3% increase in the variability in employment. Our results also suggest that the effect of financing constraints may be felt most by employees not through the mix of compensation elements, but through the risk of job loss.

The CEO Signing Bonus

Current Draft: March 2009, with Chris Parsons and Ed Van Wesep

While the signing bonus has become a common element of a CEO's compensation package it has received no empirical attention. Using a unique data set comprising details of CEO compensation packages at large American firms, we investigate the incidence, size and composition of the CEO signing bonus. We model the executive labor market and show that the signing bonus should be more common when there is less certainty regarding the quality of match between the CEO and firm, and when the economy is growing. Consistent with the theory, we find that the signing bonus is more common when

the new hire CEO is an outside hire, when she has spent less time with the firm (if she is an inside hire), when the economy is strong, and when analyst forecast error is higher. We also provide additional results concerning the composition and size of the bonus.

Firm Locations and Takeover Likelihood

Current Draft: August 2009, with Xuan Tian

We examine the impact of a firm's geographic location on its takeover likelihood with a sample of public firms from 1980 to 2005. We find that firms located at urban areas are 8.3% more likely to receive takeover bids and 10.5% more likely to complete takeover transactions than their non-urban counterparts. Our findings are robust after controlling for various firm characteristics, endogeneity in firm locations, and different subsample periods. We propose three hypotheses to explain this observed difference in takeover exposures between urban and non-urban firms. Our evidences suggest that urban firms have higher takeover likelihood because they are subject to less asymmetric information and their managements are less entrenched relative to non-urban firms. However, locating at urban areas per se does not generate additional acquisition synergies.

Last Update: August 2009