Hamed Mahmudi

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Employment

Assistant Professor, Finance Division, Price College of Business, University of Oklahoma, 2012-

Education

Ph.D. Finance, Rotman School of Management, University of Toronto, 2012.

Committee: Alexander Dyck (Chair), Jan Mahrt-Smith , Craig Doidge

M.Sc.B. Finance, Sauder School of Business, University of British Columbia, 2007.

M.Sc. Mechanical Engineering, University of Alberta, 2005.

B.Sc. Mechanical Engineering, Sharif University of Technology, 2003.

Fields of Interest

Corporate Finance, Applied Contract Theory, Executive Compensation, Corporate Governance

Publications

Corporate Payout Policy, Cash Savings, and The Cost of Consistency: Evidence from a Structural Estimation, with Michael Pavlin
Forthcoming at ***Financial Management***,
Presented at: Financial Management Association (FMA, 2010),
European Financial Management Association (EFMA, 2010), Winner of the best doctoral paper award,
Northern Finance Association (NFA, 2010).

Working Papers

Does Independent Advice to The Board Affect CEO Compensation? (*Job market paper*)
Presented at: Western Finance Association Meetings (WFA, 2013),
Sixth Annual Academic Conference on Corporate Governance at Drexel University (2013),
The FMA Doctoral Student Consortium 2011,
Northern Finance Association (NFA, 2012), Winner of the best paper award sponsored by Bank of Canada.

The Causal Effect of Option Pay on Corporate Risk Management: Evidence from the Oil and Gas Industry, with Tor-Erik Bakke, Chitru Fernando and Jesus Salas.

Backdating Executive Stock Option Grants: Is It All Agency?, with Huasheng Gao
3^{rd} Round Review at *Critical Finance Review*,
Presented at: Western Finance Association Meetings (WFA, 2008),
European Finance Association (EFA, 2008),
Financial Management Association (FMA, 2008).

Allocation of Authority, Firm Value, and Optimal Compensation Contracts: When CEO Power Creates Value.
Presented at: The LBS Trans-Atlantic Doctoral Conference, London Business School (2011),
Financial Management Association (FMA, 2011),
Northern Finance Association (NFA, 2011).

Work in Progress

Institutional Investor Activism and Corporate Governance , with Craig Doidge, Alexander Dyck and Aazam Virani.

When Bidders Get Cold Feet: What Is The Value Of The Reverse Termination Fee?, with Aazam Virani and Xiaofei Zhao.

Academic Experience

University of Oklahoma, Price College of Business

Teaching, Advanced Business Finance (FIN 4303), Fall 2012 and Spring 2013.

Instructor rating: 4.30 out of 5.00

University of Toronto, Rotman School of Management

Teaching, Introduction to Corporate Finance (RSM 333), Summer 2011.

Third year undergraduate finance course. Class size: 57 students (one section).

Instructor rating: 6.20 out of 7.00

Research Assistant, Alexander Dyck, January–August 2009.

Teaching Assistant, MBA. Finance Core, David Goldreich, Spring 2009 and 2010.

Teaching Assistant, BComm. Advanced Corporate Finance, Sergei Davydenko, Spring 2009 and 2010.

Teaching Assistant, MFin. Finance Theory, Jan Mahrt-Smith, Fall 2008.

Conferences

London Business School Trans-Atlantic Doctoral Conference (2011) [P], Western Finance Association (WFA, 2008, 2013) [P], NBER Entrepreneurship Research Boot Camp (2010) [A], European Finance Association (EFA, 2008) [P,D], Financial Management Association (FMA, 2008, 2010, 2011) [P,D], Northern Finance Association (NFA, 2008, 2009, 2010, 2011, 2012) [P,D].

P = Presenter, D = Discussant, A = Was selected to attend

Honors, Awards, & Fellowships

NBER Entrepreneurship Research Boot Camp, Student Fellow, NBER-Kauffman Foundation, 2010.

Robert Bertram Doctoral Research Award, Canadian Foundation for Governance Research, $15,000, 2011.

NYSE Doctoral Student Travel Grant, Western Finance Association, 2008.

SSHRC Doctoral Scholarship, Social Science and Humanities Research Council (SSHRC), $20,000/year, 2009-2011.

John Doukas Best Doctoral Paper Award, EFMA, $1,500, 2010.

Ontario Graduate Scholarship, Government of Ontario, $15,000, 2009.

Canadian Credit Management Foundation Fellowship, University of Toronto, $15,000, 2008.

PhD Fellowship, University of Toronto, $24,000/year, 2007-2008.

International Tuition Scholarship, University of British Columbia, $3388/year, 2005-2006.

EF Pearson Chemical/Business Graduate Scholarship, University of Alberta, First among all M.Sc. students in Engineering Management and MBA students at the University of Alberta, $6,500, 2004.

Mary Louise Imrie Graduate Student Award, Faculty of Graduate Studies and Research, University of Alberta, $1,600, 2004.

GSA Professional Development Grant, University of Alberta, $1,000, 2005.

Fellowship, Free Undergraduate Education at Sharif University of Technology, 1998.

Professional Activities

Member, American Finance Association, 2011–Present.

Member, European Finance Association, 2008–Present.

Member, Financial Management Association, 2010–Present.

Publications From My Previous Existence As An Engineer

Mahmudi, H. and P.C. Flynn (2010). The Economics of Biomass Transportation for Power Generation, LAP LAMBERT Academic Publishing, Germany (ISBN 978-3843351089).

Mahmudi, H. and P.C. Flynn (2006). Rail versus Truck Transport of Biomass. *Applied Biochemistry and Biotechnology* 129-132, 88–103.

B. Dehghan-Manshadi, H. Mahmudi, A. Abedian and R. Mahmudi (2007). A Novel Method for Materials Selection in Mechanical Design: Combination of Non-linear Normalization and A Modified Digital Logic Method. *Materials & Design* 28, 8–15.

H. Mahmudi, P.C. Flynn and M. David Checkel (2005). Life Cycle Analysis for Biomass Transportation: Trucks vs. Trains. *Society of Automotive Engineers, SAE Technical Paper* No. 2005-01-1551.

References

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PAPER ABSTRACTS

Does Independent Advice to The Board Affect CEO Compensation? [Job Market Paper]

This paper explores the role external advice plays in the board's determination of CEO incentives. I examine empirically whether the Pay-Performance Sensitivity and the Relative Performance Evaluation component of a CEO's contract increase with the degree of compensation consultant independence. I use a unique sample of Canadian firms which allows me to directly measure the impact of non-compensation related consulting fees on compensation advice. For identification, I exploit a "quasi-natural experiment" provided by the creation of an independent consultant as a spin-off from an affiliated consultant. I show that switching to an independent consultant is associated with relative increases of 22% in Pay-Performance Sensitivity and 28% in Relative Performance Evaluation of CEO contracts. I also show that, despite the benefits of independent advice, independent consultants may not be hired due to higher fees, the influence of powerful CEOs, and boards already possessing adequate expertise. I also construct a simple optimal contracting model that provides an explanation consistent with my empirical findings.

Backdating Executive Stock Option Grants: Is It All Agency? (with Huasheng Gao)

It is widely documented that managers tend to backdate their stock option grants so that a past date on which the stock price was particularly low is picked to be the grant date. Using a simple model of incentive contracting as a guide, we examine empirically whether some aspects of this practice may be an optimal response of firms to distortions in the institutional environment, in particular tax law and accounting rules. Some of our findings suggest, in fact, that firms may be attempting to efficiently lower the exercise price of the executive options in order to enhance managerial incentives for risk averse and poorly diversified executives. In the presence of restrictive accounting and tax rules, backdating may be a mechanism by which to achieve this objective of better incentives. Using data on corporate governance and executive compensation, we find the following evidence consistent with our theory of efficient contracting: (i) backdating is often associated with good corporate governance; (ii) backdating is often associated with lower overall managerial compensation; (iii) backdating is often associated with better ex-post incentive structures. These empirical results enhance our understanding of backdating and suggest that the managerial agency problems previously cited as an explanation for option backdating may be only part of the story underlying this complex and wide-spread practice.

Corporate Payout Policy, Cash Savings, and The Cost of Consistency: Evidence from a Structural Estimation (with Michael Pavlin)

We develop a dynamic model in which firms choose their optimal financing, investment, dividends, and cash holdings while facing costly equity issuance, debt and capital adjustments costs, and taxed interest on cash balances. We solve the model numerically to estimate the volatility of payout and optimal level of cash holdings. Comparing these results with a large sample of U.S. firms from 1988 to 2006, we show that on average firms excessively smooth their payout while maintaining larger than optimal levels of cash (excess cash) on their balance sheets. We then extend the base-case model to capture the effect of a manager, who perceives a cost to cutting payout. Applying simulated method of moments (SMM) to the dynamic model we infer the magnitude of this downward adjustment cost. In particular, we find that a managerial preference for consistent payout leads to increased accumulation of excess cash. Estimated payout consistency cost is larger for firms which are larger, have more dispersed analyst forecasts, compensate their CEOs with low powered incentive packages, have larger institutional holdings, and pay larger fractions of their payout as dividends. Applying SMM to a recent subsample of the data (2002-2006), we show that the managerial payout consistency cost parameter continues to account for a similar equity value loss of approximately 7%.