Michael C. Ehrhardt

BUSINESS ADDRESS

Finance Department, SMC-432
University of Tennessee
Knoxville, TN 37996-0540
Phone: 865-974-1717
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HOME ADDRESS

3350 Lake View Drive
Knoxville, TN 37919
(865) 247-6905

PERSONAL

Born on 4/9/55.

Married, one child.

EDUCATION

Georgia Institute of Technology, Atlanta, GA

Ph.D. Finance	June 1984
M.S. Operations Research	June 1984
M.S. Industrial Management	September 1978

Swarthmore College, Swarthmore, PA

B.S. Engineering	May 1977
B.A. Economics	May 1977

CURRENT POSITION

January 2001 to present: The University of Tennessee, Finance Department, Knoxville, TN.
The Paul and Beverly Castagna Professor of Investments.
Currently teaching MBA and doctoral courses.

EXPERIENCE

The University of Tennessee, Knoxville, TN.
August 1995 to present: Professor of Finance.
June 1990 to July 1995: Associate Professor of Finance.
September 1984 to June 1990: Assistant Professor of Finance.

May 1980 to September 1981: Georgia Institute of Technology, Atlanta, GA.
Research Engineer, Engineering Experiment Station.
Prepared project feasibility studies; performed statistical analyses and evaluations of energy conservation programs. Conducted seminars and workshops for energy conservation and alternative energy systems.

September 1978 to May 1980: Southern Bell, Carrollton, GA.
Outside Plant Engineer.
Identified projects, conducted capital budgeting studies, presented budget requests, and prepared long-range planning studies.

REFEREED ARTICLES

“Creating a Synthetic After-Tax Zero-Coupon Bond Using U.S. Treasury STRIP Bonds: Implications for the True After-Tax Spot Rate,” with P. Daves, *Applied Financial Economics,* forthcoming, 2011.

“Convertible Securities, Employee Stock Options, and the Cost of Equity,” with P. Daves, *The Financial Review*, 42 (2007), 267-288.

“Form Follows Function: The Appropriate Definition of Free Cash Flow,” with J. Wachowicz, *The Journal of Economic and Financial Practice*, Spring, 2007, 18-37.

“Capital Budgeting and Initial Cash Outlay (ICO) Uncertainty,” with J. Wachowicz, *Financial Decisions,* Vol. 18, No. 1, Summer 2006, 1-16.

“Corporate Valuation: Incorporating the Impact of Competition into the Adjusted Present Value Technique”, *Journal of Applied Corporate Finance*, Vol. 17, No. 1, Winter 2005, 2-10.

“The Combined Impact of Growth and the Tax Shield of Debt on the Cost of Capital and Systematic Risk,” with P. Daves, *Journal of Applied Finance*, Vol. 12, No. 2, Fall/Winter 2002, 31-38.

“Capital Budgeting: The Valuation of Unusual, Irregular, or Extraordinary Cash Flows”, with P. Daves, *Financial Practice and Education*, Vol. 10, No. 2, Fall/Winter 2000, 106-114.

“Increases in the Systematic Risk of Large Firms,” with P. Daves, R. Kunkel and G. Kuhlemeyer, *American Business Review*, Vol. 18, No. 2, June 2000, 62-74.

“Estimating Systematic Risk: The Choice of Return Interval and Estimation Period”, with P. Daves and R. Kunkel, *Journal of Financial and Strategic Decisions,* Vol. 13, No. 1, Spring 2000, 7-13.

“Dividends and Market Efficiency: A Multi-Index Arbitrage Investment Strategy,” with R. Kunkel and G. Kuhlemeyer, *Managerial Finance*, Vol. 25, No. 6, 1999, 21-34.

"The Impact of Warrants and Convertible Securities on the Systematic Risk of Common Equity", with R. Shrieves, *Financial Review*, Vol. 30, No. 4, 1995, 843-856.

"Tests of Tax-Clientele and Tax-Option Effects in U.S. Treasury Bonds", with J. Jordan and E. Prisman, *Journal of Banking and Finance*, Vol. 19, No. 6, 1995, 1055-1072.

"An Integrative Curriculum: The University of Tennessee MBA Experience", *Financial Practice and Education*, Vol. 14, No. 2, Fall/Winter, 1994, 25-34.

"Reverse Mortgages and Interest Rate Risk", with T. Boehm, *Journal of the American Real Estate and Urban Economics Association*, Vol. 22, No. 2, 1994, 387-408.

"A Guide to Investing in U.S. Treasury STRIPs", with P. Daves and J. Wachowicz, *AAII Journal*, Vol. 15, No. 1, January, 1993, 6-10. (Reprinted in *Survey of Business*, Summer, 1993, 17-21; Reprinted in *The Investment Reader,* Ed. R. Kolb, 2nd Edition, 1995, Kolb Publishing, Boulder, Co.)

"Joint Time-Series/Cross-Section Maximum Likelihood Estimation of the Parameters of the Cox-Ingersoll-Ross Bond Pricing Model", with P. Daves, *Financial Review*. Vol. 28, No. 2, May, 1993, 203-237.

"Liquidity, Reconstitution, and the Value of U.S. Treasury STRIPs", with P. Daves, *Journal of Finance*, March, 1993, 315-330.

"Are Reverse Mortgages Suitable Bank Investments?", with T. Boehm, *Real Estate Review*, Vol. 22, No. 3, Fall, 1992, 40-45.

"A Full-Information Approach for Estimating Divisional Betas", with Y. Bhagwat, and *Financial Management*, Vol. 20, No. 2, Summer, 1991, 60-69.

"Creating Value: The Appropriate Use of Capital Budgeting", with J. Reeve, *Managerial Finance*, Vol. 17, No. 5, Summer, 1991, 3-11.

"The Two-State Interest Rate Model for Pricing Bonds: An Empirical Analysis", with Y. Bhagwat and D. Johnson, *Journal of Financial Research*, Vol. 14, No. 2, Summer, 1991, 105-115.

"Tactical Asset Allocation (TAA): A Tool for the Individual Investor", with J. Wachowicz, *Review of Business*, Vol. 12, No. 3, Winter, 1990, 9-14.

"Diversification and Interest Rate Risk", *Journal of Business Finance and Accounting*, Vol. 18, No. 1, Winter, 1991, 43-59.

"Pricing CRB Futures Contracts", Journal *of Financial Research*, Vol. 13, No. 1, (Spring 1990), 7-13, with A. Tucker.

"The Predictive Accuracy Required When Investing Through Tactical Asset Allocation", *American Business Review*, 8 (January 1990), 8-15.

"A Note on January Returns in the Government Bond Market: The Term Effect," *Journal of Financial Services Research*, 2 (1989), 307-318, with R. Clayton and J. Delozier.

"A New Linear Programming Approach to Bond Portfolio Management: A Comment", *Journal of Financial and Quantitative Analysis*, 24 (December 1989), 533-537.

"An Equilibrium Characterization of Initial Bond Offerings: Implications for Empirical Research," *Journal of Business Research*, 18 (May 1989), 219-228, with J. Trimble.

"An Application of Arbitrage Pricing Theory to Futures Markets: Tests of Normal Backwardation," *The Journal of Futures Markets*, 7 (February 1987), 21-34, with R.A. Walkling and J.V. Jordan.

"Arbitrage Pricing Models: The Sufficient Number of Factors and Equilibrium Conditions," *Journal of Financial Research*, 10 (Summer 1987), 111-120.

"A Mean-Variance Derivation of a Multi-Factor Equilibrium Model," Journal *of Financial and Quantitative Analysis*, 22 (June 1987), 227-236.

INVITED ARTICLES

"What Does it Take to Create Corporate Value?" MDC Update, Winter 1997, Vol. 6, No. 15, 1,3,5.

"A Guide to Investing in U.S. Treasury STRIPs", with P. Daves and J. Wachowicz, Reprinted in *The Investment Reader*, Ed. R. Kolb, 2nd Edition, 1995, Kolb Publishing, Boulder, Co.

"A Guide to Investing in U.S. Treasury STRIPs", with P. Daves and J. Wachowicz, Reprinted in *Survey of Business*, Summer, 1993, 17-21.

"Managerial Education: A Guide to Curriculum and Content", *Survey of Business*, 28 (Summer 1992), 13-17.

"The Integration of Technology in the Classroom: Experiences From Finance 501", *Survey of Business*, 24 (Fall 1988), 15-18.

BOOKS AND OTHER PUBLICATIONS

Financial Management: Theory and Practice, 13th edition, with E. Brigham, South-Western Publishers, Mason, Ohio, 2011. Note: I have been a coauthor since the 9th edition in 1999.

Corporate Finance: A Focused Approach, 4th edition, with E. Brigham, South-Western Publishers, Cincinnati, 2011. Note: I have been a coauthor since the 1st edition in 2002.

Corporate Valuation: A Guide for Managers and Investors, with P. Daves and R. Shrieves. South-Western Publishers, Cincinnati, 2004.

The Search for Value: The Japanese Translation, The Asano Agency, Inc., Tokyo, 2001.

Administração Financeira: Teoria e Práctica, with E. Brigham and L. Gapenski, Editora Atlas, Sao Paolo, 2001.

The Search for Value: Measuring the Company's Cost of Capital, Financial Management Survey and Synthesis Series, Harvard Business School Press, Boston, 1994.

"Modeling Reverse Mortgages," with T. Boehm, Ch. 10 in *Interest-Rate Risk Models: Theory and Practice,* edited by A. G. Cornyn and E. Mays, Office of Thrift Supervision, 1997, 201-218.

"Finance and the Creation of Value", Ch. 16 in *Competing Globally Through Customer Value*, edited by M. Stahl and G. Bounds, Quorum Press, New York, 1991.

"Total Quality Management and the Integrative Curriculum of the University of Tennessee MBA Program", in *Total Quality in Higher Education: Academic Applications*," edited by Harry Roberts, ASQC Quality Press, Milwaukee, forthcoming 1995.

REFEREED PRESENTATIONS

Financial Management Association

2010: "The Impact of Sarbanes-Oxely on Bank CEO and Director Compensation", New York City, with V. Javine and H. Black.
2006: "Corporate Valuation and Asset Allocation for Defined Benefit Pension Funds", Salt Lake City, with P. Daves.
2004: "Employee Stock Options: To Be Expensed or not to Be, That is Not the Question", New Orleans.
2004: "Convertible Securities and the Cost of Capital: Much Ado about Nothing, or Something?" with P. Daves, New Orleans.
2003: "Corporate Valuation: Incorporating the Impact of Competition into the Adjusted Present Value Technique", Denver.
2002: "U.S. Treasury STRIPs: The Value of the Eligibility to Strip", with Y. Bhagwat, S. Strother, and S. Tibbs. San Antonio.
2000: "Capital Budgeting: The Valuation of Extraordinary or Unusual Cash Flows", with P. Daves. Seattle.
1993, 1992, 1990, 1989 (3 papers), 1988 (2 papers), 1984.
1983: "The Arbitrage Pricing Theory and the Term Structure of Interest Rates," Doctoral Student Seminar.

Financial Management Association-- Europe

2005: "The Impact of Corporate and Personal Taxes on the Valuation of Employee Stock Options", with P. Daves, Sienna, Italy.

Eastern Finance Association

2004: "Convertible Securities and the Cost of Capital: Much Ado about Nothing, or Something?" with P. Daves, Mystic, Conn.
2002: "The Earnings Management Relationship with Underwriter Reputation, Grandstanding in the Venture Capital Industry, and the Long-Run Performance of Initial Public Offerings," with S. Tibbs and S. Strother. Baltimore.
2001: "Corporate Valuation: The Combined Impact of Growth and the Tax Shield of Debt on the Cost of Capital and Systematic Risk", with P. Daves. Charleston.
1993, 1989, 1987.

Midwest Finance Association

1993.

Southern Finance Association

2010: "The Impact of Sarbanes-Oxely on Bank CEO and Director Compensation", New York City, with V. Javine and H. Black.
2003: "The Relationship Between Organizational Architecture and Firm Performance," with J. Gallagher, T. Flautt, and P. Daves. Charleston.

1992, 1991, 1987, 1986 (2 papers), 1984, 1983.

American Finance Association
1989: “Tests of Tax Clientele and Tax Option Effects in U.S. Treasury Bonds,” with J. Jordan and E. Prisman.

AREUEA
1989: “Reverse Mortgages and Interest Rate Risk,” with T. Boehm.

TIMS/ORSA
1988.

INVITED PRESENTATIONS

Financial Management Association
2004, New Orleans: Panel member for “The impact of new accounting regulations on executive and employee compensation”

University of North Carolina
1992: "Reverse Mortgages and Interest Rate Risk", with T. Boehm.

University of Florida
1991: "Reverse Mortgages and Interest Rate Risk", with T. Boehm.

WORKING PAPERS

“Creating a Synthetic After-Tax Zero-Coupon Bond Using U.S. Treasury STRIP Bonds: Implications for the True After-Tax Spot Rate,” with P. Daves, invited revision at *Applied Financial Economics*. 2010.

AWARDS AND HONORS

“The Paul and Beverly Castagna Professorship in Investments”, 2001-present.

“Outstanding Research & Teaching Award”, UT College of Business Administration, 1998.

“Voigt Scholar in Finance”, 1997-2001.

"Tennessee Bankers’ Association Scholar”, 1995-1996

"William B. Stokely Scholar" in the UT College of Business, 1991-1993.

Chancellor's Award for Excellence in Curriculum Development and Team Teaching, 1994.

TEACHING AWARDS

“Outstanding MBA First-Year Faculty Award”, Tennessee Organization of MBAs, 2007.

“Outstanding MBA First-Year Faculty Award”, Tennessee Organization of MBAs, 2006.

"Outstanding MBA First-Year Faculty Award", Tennessee Organization of MBAs, 2003.

John B. Ross Outstanding Teaching Award, College of Business, 2003.

"Outstanding MBA Core Faculty Award", Tennessee Organization of MBAs, 1998.

Allen G. Keally Outstanding Teacher Award in the College of Business, 1989.

Finalist (10 finalists out of 1100 University faculty members) for the National Alumni Association Outstanding Teacher Award, 1990.

EXECUTIVE EDUCATION

"Resource Management in the Supply Chain", 2002-2003, The University of Tennessee.

"Professional MBA Program," 1999-2001.

"Corporate Financial Strategy", University of California--Berkeley Extension Service (courses taught in Brazil, 1995).

"Cost Management Institute", The University of Tennessee, 1990-1993.

"Management Development Program", The University of Tennessee, 1990-1994.

"Forest Industries Management Development Program", The University of Tennessee, 1991.

PROFESSIONAL SERVICE

Educational Testing Service (ETS)

Board of Examiners (1989-1994): Major Field Achievement Test (MFAT), Business. Helped develop a test for business schools to use in assessing the effectiveness of their undergraduate business programs.

Editorship

Finance Editor, *Journal of Business Research* (1994-1995)

Editorial Boards

FMA Survey & Synthesis Editorial Board, 1995-Present.

Journal of Business Research Editorial Board (1993-94)

Ad Hoc Reviewer

Journal of Finance:1993, 1999.
Journal of Financial and Quantitative Analysis:1993, 1994.

Journal of Banking and Finance:1994.
Journal of Financial Research: 1992, 1993, 1993,1995, 1997, 1998, 2004.
Financial Review:1992, 1992, 1993, 1994, 1994, 2001, 2005, 2009.
Journal of Financial Services Research:1992.
Financial Management:1991, 2003, 2005, 2006.
Journal of Applied Finance: 2002, 2003, 2005, 2006.
Journal of Derivatives Accounting: 2003.
Financial Practice and Education:1995, 1996, 1998.
The Journal of Futures Market:1990.
Journal of Business and Economics:1989.
Quarterly Journal of Business and Economics: 1998.
International Review of Economics and Finance:1994.
Review of Regional Studies: 1995.
Journal of Business Research: 1994.
Canadian Social Sciences Grant: 1998.
Journal of Risk: 2000.
Multinational Finance Journal: 2001.
Financial Decisions: 2008.

Professional Committee Service

Financial Management Association, member of the program committee for the 1989, 1990, 1995, and 1997 meetings. AAII Completed Dissertation Award committee, 1995**.**
Southern Finance Association, Track Chairman for Corporate Finance for the 2003 meetings; member of the program committee for the 1988, 1991, 1993, and 1996 meetings.
Eastern Finance Association, member of the program committee for the 1990 and 1993 meetings.

Discussant/Panelist at Professional Meetings

Financial Management Association:
Discussant: 2000, 2001, 2003, 2004.

Financial Management Association: Europe:
Discussant: 2005.
Session chair: 2005
Eastern Finance Association:
Discussant: 2001.

Southern Finance Association:
Discussant: 2003.

Public Service Presentations

First American Center for Closely Held Businesses:
1999: Presentation on corporate valuation.

SELECTED CONSULTING AND BUSINESS ACTIVITIES

Pension Fund Trustee

Pension fund trustee for Bush Brothers (2004-2009).

Cost of Capital Estimation

Canadian Association of Petroleum Producers (1994): Estimated divisional betas and divisional capital structures for multi-divisional firms with petroleum pipelines.

Bush Brothers (1996-1999): Estimated cost of capital for Bush Brothers and updates.

Business Valuation, Performance Measurement and Compensation Plans

Clayton Manufactured Homes (1997): Built valuation models for the entire company and for each division.

Kwik Oil (1998-1999): Built valuation model and provided advice on management compensation plans.

MachineXpert (1996): Helped high tech new venture develop plans for a compensation system that is linked to the creation of corporate value.

Bush Brothers (1998): Built a valuation model and provided consultation and advice on the appropriate financial measures for use in a compensation system.

Mergers and Acquisitions

Kel-San Products (1997): Provided valuation and advice regarding acquisitions.

Business Strategy

Philips Consumer Electronics Company (1996). Provided consultation and advice on strategic choice for Color TV and Projection TV business units.

Corporate Education

Sony (2003). Developed and delivered module on financial analysis of supply chain decisions.

ING American Life Insurance Company (1997). Developed exercise on valuation/financial analysis to be used in corporate training program.

Bush Brothers (1998): Developed corporate education module for compensation system.

TEACHING RESPONSIBILITIES

Ph.D. Program

FIN 641, Seminar in Finance I (1988-1993, 2004, 2006-present).

FIN 6410, Seminar in the Theory of Finance (1984-1987).

Dissertation Committees:

Chair, Victoria Javine, (2009) "Sarbanes Oxley and Compensation at Bank Holding Companies".

Chair, Mark Pate, (2008) "Determinants of CEO Compensation".

Chair, Greg Kuhelemeyer, (1995) "Pricing Embedded Options in New Product Markets".

Chair, Robert Kunkel, (1994) "The Relevance of Dividends: A Test Using an Arbitrage Investment Strategy".

Chair, Yatin Bhagwat, (1992) "U.S. Treasury Stippable and Non-Strippable Bonds: An Investigation of Relative Pricing Differences."

Chair, Larry Shao, (1989) "Mortgage Backed Securities, Implied Duration, and Prepayments".

Member, Trey Flaut (2006-?), "The Equity Risk Premium."

Member, Seung-Chan (Jake) Park (2005), "Two Essays in Momentum."

Member, Samuel Tibbs (2003), "The Predictive Ability of Earnings Management Models to Detect Accounting Fraud."

Member, John Gallagher (1998), "The Relationship Between R&D and Shareholder Value Performance Measurement Plans."

Member, David Stewart (1997) "As Asset Pricing Model that Corrects for Variance Expectation Bias."

Member (External Examiner), Andrew Aziz, (1995) "Essays on Index Linked Gilts." York University, Canada.

Member, Atul Saxena, (1993) "Cost Complementarities Among Banking and Nonbanking Activities of Bank Holding Companies and the Cost of Regulation."

Member, Paul Cardwell, (1990) "The Effect of Tax Reform on the Ex-Ante Variance of Security Prices".

Member, David Johnson, (1989) "Pricing Mortgage Backed Securities: An Options Approach".

Member, Rick Walter, (1988) "Using Current Cost and Constant Cost Dollar Information to Identify Takeover Targets: An Application of the Predictive Ability Criterion".

Other Ph.D. Activities:

Principal Advisor to Doctoral Students, 1991.

MBA Program

Member of MBA Core Faculty; helped develop MBA curriculum.

Courses taught:

BA 511, 512, and 513, Integrative MBA Curriculum (2001-Present).

BA 504 & 505, Integrative MBA Curriculum (1991-2000)

FIN 551, New Venture Finance, (1996-2000)

FIN 501, Financial Management (1989)

FIN 5010, Financial Management I (1986-1988)

FIN 5020, Financial Management II (1985-1986)

FIN 5420, Investment Analysis (1984-1986)

Undergraduate Program

Courses taught:

FIN 421, Investment Analysis (1994-1995).

FIN 430, Financial Markets (1990-1991)

FIN 460, Advanced Topics in Financial Management (1989)

FIN 4110, Investment Analysis (1986-1987)

FIN 4660, Case Analysis in Financial Management (1988)

Honors Theses Directed

2007, Christen Vavalides.

COMMITTEE SERVICE

University

Graduate Council, proxy 2008.
Department Leader for Family Giving Campaign, 2007.
Academic Review Board, ad hoc member, 1988 and 2001.
Library Acquisitions Campaign, campus representative, 1988.

College of Business Administration

College Promotion & Tenure Review Committee, 2008-Present.
MBA Strategic Planning Committee, 2006-Present.
Graduate Policies Committee, Chair, 2000-2003.
Graduate Policies Committee: Member, 1991-1994, 2006-Present.
Director of Development Search Committee, 2005.
MBA Curriculum Revision Committee, 2000-2001.
MBA Core Faculty (Developed an integrative MBA curriculum), 1990-Present.
MBA Policies Committee, Chair, 1996-1999, Chair 1997-1999.
MDC Strategy Task Force, 1996-1997.
Search Committee for Director of Corporate Relations, 1994.
Ad Hoc Strategic Planning Committee, 1992.
Management Development Center Advisory Committee, 1992-1993.
Graduate Programs Director Search Committee, 1991.
Total Quality Management MBA Task Force, 1990.
MBA Program Committee, 1988-1990, 1992, 1994-Present.
Computer Resources Advisory Committee, 1986-88.
Center of Excellence in Entrepreneurship and New Venture Analysis, Ad Hoc committee member, 1985-1986.

Finance Department

MBA Program Committee, Chair, 1986-Present.
MBA Strategic Planning Committee, 2007-present.
Peer Teaching Review Committee, Chair 2008.
Peer Research Review Committee, Chair 2006, Member 2007.
Post Tenure Review Committee, Chair 1999, Member 2000.
Ph.D. Program Committee, 1986-Present.
Doctoral Student Advisory Committee, 1987-1990.
Principal Advisor for Doctoral Students, 1989-90.
Ph.D. Exam Committee, 1987-Present.
Search Committees, 1985-Present.
Graduate Programs Committee, 1984-1985.
Telecommunications/Computer Resources, 1997-Present.

Student Organizations

TOMBA/Habitat for Humanity Liaison, 2003-present.
MBA Investment Club, Faculty Advisor, 1986-1988.