

Jongsub Lee

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Education

2011	<i>Ph.D. in Finance</i> (Expected)
2009	<i>M.Phil. in Finance</i> Leonard N. Stern School of Business, New York University, New York
2004	<i>M.Sc. in Financial Engineering</i> Columbia University, New York, <i>Dean's List</i>
2003	<i>B.Sc. in Mechanical Engineering</i> Seoul National University, Seoul, Korea, <i>Summa Cum Laude</i>

Honors and Awards

2010	<i>Best Ph.D. Paper Award</i> , FMA European Conference
2009	<i>Best Dissertation Proposal Award in International Finance</i> , FMA
2009	The Korea-America Economic Association (KAEA) Travel Grant
2009-2010	C.W. Nichols Foundation Fellowship
2008	<i>Commendation for Teaching Excellence</i> , Debt Instruments in the Stern UG program
2005-2009	NYU Stern School of Business Fellowship
2005-2009	Samsung Lee Kun Hee Scholarship
1998-2003	Scholarship for Academic Excellence, Seoul National University

Research Interests

(International) Corporate Finance, Derivatives, Credit Risk

Working Papers

“*Corporate Finance in Family Business Groups*”, Job Market Paper, November 2009
“*Good Delisting and Bad Delisting: Implication of Selection Biases for Value and Size Effects*”, October 2007

Work in Progress

“*The Dark Side of Universal Banking: Fraudulent Accounting, Cross Subsidization, and Risk-shifting Investment Bankers*” (with Kose John)
“*Contagious Defaults and Out-of-the-Money Index Put Options Premia*” (with Marti Subrahmanyam)

Teaching Experience

2008	<i>Instructor</i> , Debt Instruments Overall Rating: <i>6.2 out of 7.0</i> . Stern Undergraduate College, New York University
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2007-2008	<i>Teaching Assistants</i> in the courses of Futures and Options (EMBA), Advanced Futures and Options (MBA), Financial Management (Masters in Global Finance, joint with HKUST) Stern School of Business, New York University Prof. Marti Subrahmanyam and Prof. Rangarajan Sundaram
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Seminar Presentations

2010	University of Georgia, University of Florida, University of Minnesota, Southern Methodist University, Texas A&M University, Korea University, Barclays Capital, New York, FMA European Conference, EFA Annual Meeting (Scheduled)
2009	FMA Doctoral Students Consortium, Reno, New York University, Stern, New York
2008	London Business School, The 8th Trans-Atlantic Doctoral Conference, London, U.K.
2007	New York University, Stern, New York

Ad-hoc Refereeing

Journal of Banking and Finance
Journal of Business Finance and Accounting

Professional Experiences

2007	<i>Summer Associate</i> Deutsche Bank AG, Global Equities, Hong Kong & Global Rates, Singapore
2004-2005	<i>Credit Product Specialist</i> RiskMetrics Group, Asia-Pacific ex Japan, Singapore
2004	<i>Quantitative Analyst</i> Novindia Fund, New York
1998-2001	<i>Chief Financier</i> Republic of Korea Air Force, Seoul Airport, Korea

Information

DOB:	09/29/1977
Citizenship:	Republic of Korea
Language:	Fluent in English, Native in Korean
Computer skills:	Matlab, Eviews, SAS, STATA, LaTeX, Crystal Ball

Abstracts of Papers

“Corporate Finance in Family Business Groups”, November 2009

I present a theory of the optimal capital structure and dividend policy for expanding family business groups vertically or horizontally. When private control benefits are substantial, takeover threats impose a constraint on external equity financing. Debt can overcome this but introduces the possibility of bankruptcy where control benefits are also lost. Relative to a horizontal structure, a vertical pyramid enhances internal capital financing, but the family has to share more of the profit from the new firm with its existing shareholders, implying that a pyramid is more likely when external financing constraints are more severe, or the new firm is less profitable but capital intensive. In equilibrium, subsidiaries are less leveraged than horizontal entities directly controlled by the family, because the parent firm supports subsidiaries with greater amounts of internal capital. Within a pyramid, the leverage ratio should decrease from top to bottom because the parent firm’s collateralized debt capacity is larger. At the same time, dividend payout should increase from top to bottom since this is how the family transfers wealth out of the subsidiaries without selling control shares to ensure its control over the parent firm against default. Therefore, the theory predicts a decreasing leverage ratio from top to bottom of the pyramid, supported by a dividend policy where the parent firm pays out less to maximize group internal capital, while subsidiaries pay out more to service the parent firm’s debt. I confirm these predictions using a unique data set on Korean business groups. Together, the empirical results and theory suggest that the structure of a business group is strategically designed to maximize control.

“Good Delisting and Bad Delisting: Implication of Selection Biases for Value and Size Effects”, October 2007

CRSP monthly returns for delisted stocks are missing for the month when they become delisted. Small firms are more likely to be delisted than big firms. I find that small value firms and small growth firms show different delisting properties: small value firms are most likely delisted due to poor performance(*Bad Delisting*) and least likely to be acquired(*Good Delisting*), whereas acquisition is favored for small growth. Furthermore, delisted stock returns covary with the two delisting events ex post: firms being acquired earn positive realized returns, whereas firms delisted due to poor performance exhibit negative realized returns. Therefore, when we test the unconditional CAPM with the incomplete CRSP monthly return data, both small value firms and small growth firms should have abnormal positive returns due to their proximity to *Bad Delisting* event(Shumway 1996). But small growth firms show lower abnormal returns than small value firms because small growth firms are more likely to be saved by acquisition upon delisting(*Value effect due to Good Delisting*). Introducing a double-selection Heckit model, I empirically document these findings for CRSP monthly stock returns in post-1963 period.

References

Prof. Marti G. Subrahmanyam (Chair)

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Prof. Rangarajan K. Sundaram

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