ARTICLES

VOJISLAV MAKSIMOVIC and GORDON PHILLIPS
The Market for Corporate Assets: Who Engages in Mergers and Asset Sales and Are There Efficiency Gains?

FRANCIS A. LONGSTAFF, PEDRO SANTA-CLARA, and EDUARDO S. SCHWARTZ
The Relative Valuation of Caps and Swaptions: Theory and Empirical Evidence

DORON NISSIM and AMIR ZIV
Dividend Changes and Future Profitability

MARK MITCHELL and TODD PULVINO
Characteristics of Risk and Return in Risk Arbitrage

PIERRE COLLIN-DUFRESNE, ROBERT S. GOLDSTEIN, and J. SPENCER MARTIN
The Determinants of Credit Spread Changes

JOHN M. R. CHALMERS, ROGER M. EDELEN, and GREGORY B. KADLEC
On the Perils of Financial Intermediaries Setting Security Prices: The Mutual Fund Wild Card Option

PEGARET PICHLER and WILLIAM WILHELM
A Theory of the Syndicate: Form Follows Function

MARK R. HUSON, ROBERT PARRINO, and LAURA T. STARKS
Internal Monitoring Mechanisms and CEO Turnover: A Long-Term Perspective

SUDIP DATTA, MAI ISKANDAR-DATTA, and KARTIK RAMAN
Executive Compensation and Corporate Acquisition Decisions

FRANCESCA CORNELLl and DAVID GOLDREICH
Bookbuilding and Strategic Allocation

SHORTER PAPERS

MICHAEL J. COOPER, ORLIN DIMITROV, and P. RAGHAVENDRA RAU
A Rose.com by Any Other Name

(Contents continued on back cover)
(Contents continued from front cover)

AVANIDHAR SUBRAHMANYAM and SHERIDAN TITMAN
   Feedback from Stock Prices to Cash Flows

EDWIN J. ELTON, MARTIN J. GRUBER, and CHRISTOPHER R. BLAKE
   A First Look at the Accuracy of the CRSP Mutual Fund Database and a Comparison
   of the CRSP and Morningstar Mutual Fund Databases

LOUIS K. C. CHAN, JOSEF LAKONISHOK, and THEODORE SOUGIANNIS
   The Stock Market Valuation of Research and Development Expenditures
HELP DESK

The Latest Information
Our World Wide Web Site
For the latest information about the journal, about our annual meeting, or about other announcements of interest to our membership, consult our web site at

(http://www.afajof.org).

Subscription Questions or Problems
Address Changes
Blackwell Publishers 800-835-6770 US
350 Main Street 781-388-8260 ROW
Malden, MA 02148 781-388-8232 fax
email: subscrip@blackwellpub.com

Permissions to Reprint Materials from the Journal of Finance
Mail List Rental
Professors at accredited universities around the world have permission to reproduce copies of journal articles for classroom or library use subject to certain constraints. There is a page in the advertising section of this issue that provides details and may be used as our official authorization form.

For all other permissions inquiries, including requests to republish material in another work, please contact the Journals Permissions Manager at the publisher’s Oxford office, 108 Cowley Road, Oxford, OX4 1JP, U.K., tel: +44 1865 791100, fax: +44 1865 791347.

Advertising in the Journal
In North and South America, please contact Publishers Communication Group in the U.S. Phone (617) 395-4055, Fax (617) 354-6875, or e-mail sabine.mourlon@pcgplus.com. Rest of world, please contact Andy Patterson in the U.K. Phone (01359) 242375, Fax (01359) 242837, or e-mail patads@aol.com.

Association Business
Those having business with the American Finance Association, or members wishing to volunteer their service or ideas that the association might develop, should contact the Executive Secretary and Treasurer: Prof. David Pyle, American Finance Association, University of California, Berkeley - Haas School of Business, 545 Student Services Building, Berkeley, CA 94720-1500. email: pyle@haas.berkeley.edu
ANNOUNCEMENTS

AFA Announcements

The AFA Board has approved a new policy on student membership. Starting in 2002, the dues rate will be further reduced to $25.00 (USA), $30.00 (Canada/Mexico), and £20.00 (Rest of World) for full time students who wish to receive the print copy of the *Journal of Finance*. All *bono fide* full time students may elect to receive free on-line access to the *Journal*.

Annual Meeting: The 2002 Annual Meeting of the Association will be held on January 4–6, 2002 in Atlanta, Georgia. The Program Chair is Maureen O’Hara, Johnson Graduate School of Management, Cornell University, Ithaca, NY 14850, mo19@cornell.edu. The program is on www.afajof.org.

Worldwide Directory of Finance Faculty: The AFA and the Department of Finance at Ohio State University have entered into a joint venture to maintain and enhance the finance faculty directory held on the OSU website. At present, information on over 3000 finance professors and professionals is available in the directory. An effort is being made to include all AFA members on this list and members are encouraged to provide information to the directory manager. A link to the directory is available on the homepage of www.afajof.org or you may go direct to http://www.cob.ohio-state.edu/fin/findir/.

Other Announcements

1. Applications for the STATE FARM COMPANIES FOUNDATION DOCTORAL DISSERTATION AWARD are available on December 1. Dissertation awards are given in two categories:
   - Business
   - Insurance and Risk Management

   Annually, up to three awards may be presented in each category. Each winner receives a $10,000 grant and the winner’s school receives a $3,000 grant.

   For more information about the doctoral dissertation awards, please contact:

   **State Farm Companies Foundation**
   One State Farm Plaza, B-4
   Bloomington, IL 61710-0001
   (309) 766-2161 (8 a.m.–4 p.m. CT)
   or e-mail: home.sf-foundation.494b00@statefarm.com

2459
2. The 14TH AUSTRALASIAN FINANCE & BANKING CONFERENCE sponsored by the School of Banking & Finance and The Asia Pacific Financial Research Centre at the University of New South Wales will be held in Sydney on December 17 & 18, 2001. Selected papers presented at this conference will be published in a special issue of the Journal of Banking & Finance and the Journal of Multinational Financial Management. The conference website is at http://afbc.banking.unsw.edu.au. For further details, please contact:

Clarissa Zappia, Conference Administrator
School of Banking and Finance,
The University of New South Wales
Sydney, 2052, Australia
Tel: 612-9385 5858
Fax: 612-9385 6730
clarissa@unsw.edu.au

3. The Department of Finance, National Taiwan University will sponsor the 2002 NTU International Conference of Finance on Financial Crisis and Financial Distress on May 24–25, 2002. The deadline for submission of papers is December 31, 2001. All finance related papers are welcome. There will be 4–6 outstanding paper awards of $1500 US in any related field. All submissions should be a completed paper in English with the author(s), affiliation(s), address(es), and telephone/fax/email address (preferably in Word 7.0) on the first page. Send 3 copies of the paper with a disk to:

Professor Chau-Chen Yang
2002 NTU Conference
Department of Finance
National Taiwan University
50, Lane 144, Sec. 4 Keelung Rd.
Taipei, Taiwan 106
Tel: 886-2-2363-0231 ext. 2832
Fax: 886-2-2366-0764
Email: fin2002@mba.ntu.edu.tw
www.fin.ntu.edu.tw/~conference2002

4. The European Financial Management Association will hold its 11th Annual Meeting in London (England), June 26–29, 2002. Interested parties are encouraged to submit papers in all areas of Finance and especially with European content or implications. All submitted papers must be accompanied by an abstract of at least 250 words, but no more than 400 words. The first page of the paper should contain the title, name of the author(s), abstract, complete address, telephone, fax numbers, and e-mail addresses. The deadline for papers and proposals is January 15, 2002. Authors will be notified by March 14, 2002. Please
send, preferably by courier (i.e., FedEx, DHL, etc.), five (5) copies of your paper along with a disk in MSWord or PDF format to:

Dr. Constantine Thanassoulas, Program Chair, 2002 Meeting
Chief Operating Officer
Sanwa International Plc
City Place House, 55 Basinghall Street
London EC2V 5DJ, UK
Tel: +44 207 330 0302
Fax: +44 207 330 0375
Email: CThanassoulas@sanwaint.com
URL: http://www.efmaefm.org

The **American Risk and Insurance Association** will hold its 2002 Annual Meeting August 11–14 in Montreal, Canada. You are encouraged to submit a proposal to present research findings on any risk or insurance related topic. Specific subject areas include, but are not limited to, insurance law or regulation, public policy, economics, finance, health care, international issues, employee benefits or risk management. Executive summaries (not exceeding three pages) that focus on the purpose, expected results and importance of the research are preferred. The names and affiliations of all co-authors, with telephone and fax numbers and e-mail address of the designated contact person, should be provided on a separate cover page attached to the proposal. Proposals from doctoral students are encouraged. The deadline for submission is February 15, 2002. Proposals may be submitted via regular mail or email. If you decide to submit your proposal via regular mail, mail four copies to the ARIA Vice President and 2002 Program Chair:

Robert E. Hoyt
University of Georgia
Terry College of Business
Brooks Hall 206
Athens, GA 30602-6255
Telephone: (706) 542-4290
Fax: (706) 542-4295
Email: t-aria@terry.uga.edu

Send your meeting dates and other announcements to: Prof. David Pyle American Finance Association, Haas School of Business University of California, Berkeley, CA 94720-1900 email: pyle@haas.berkeley.edu—and a copy of the same to: Mr. Jack Rader, Financial Management Association, 4202 Fowler Avenue, Tampa, Florida 33620. Announcements will also appear on the AFA website www.afajof.org. Copy for the JOF is due by the start of the 2nd month proceeding the publication date (e.g., by February 1 for the April issue). The AFA News pages of the website are updated monthly and new announcements must be received by the 5th of the month to assure inclusion in that month.
ASSOCIATION MEETINGS

AMERICAN FINANCE ASSOCIATION

Dates: January 4–6, 2002  
Place: Atlanta, GA  
Program: Professor Maureen O'Hara
2001 AFA Program Chair
Johnson Graduate School of Management
Cornell University
Ithaca, NY 14853

ACADEMY OF FINANCE

Dates: February 27–March 1, 2002  
Place: Chicago, IL  
Program: Walt Nelson
2002 AF Program Chair
Southwest Missouri State University
Springfield, MO 65804-0094

EUROPEAN FINANCE ASSOCIATION

Dates: August 21–24, 2002  
Place: Berlin, Germany  
Program: Richard Stehle
2002 EFA Program Chair
Institute of Banking, Finance, and Insurance
Humboldt University of Berlin
10178 Berlin
Germany

Abstracts due:  
(http://www.afajof.org)  
9/01/2001  
(wan573f@smsu.edu)

Submission of papers:  
03-01-02 ($20 submission fee)  
Phone: +49 30 2093-5761  
Fax: +49 30 2093-5666
MIDWEST FINANCE ASSOCIATION

Dates: March 14–16, 2002  Abstracts due: 9-28-01
Place: Chicago, IL  The Westin Michigan Avenue

(http://www.Illinois State.edu/business/mfa)

Program: Edgar A. Norton (eanorto@Illinois State.edu)
Program Chair, MFA 2002
College of Business
Campus Box 5500
Illinois State University
Normal, IL 61790 (309) 438-2251

WESTERN FINANCE ASSOCIATION

Dates: June 23–26, 2002  Papers due: 11-15-01 ($20 submission fee)
Place: The Canyons Resort (waived for qualifying PhD students)
Park City, Utah

(http://www.westernfinance.org)
(The website contains full instructions for submission, including required online registration, creation of the required cover page, other vital instructions.)

Program: Prof. Philip H. Dybvig (wfa2002@olin.wustl.edu)
Washington University
in Saint Louis

Information on other Association Meetings may be found on the AFA News pages of our web site (www.afajof.org).
AMERICAN FINANCE ASSOCIATION

Publisher of the Journal of Finance

Call for Papers

Dear Colleague:

Papers presented at the Annual Meeting of the Association traditionally include both submitted papers and papers solicited by the session chairs. This has generally resulted in a very high standard of presentation at the sessions.

The Directors of the Association would like to see the broadest possible participation at the 63rd meeting, which will be held January 3-5, 2003 in Washington, DC. I encourage you to submit a research paper for this meeting. The paper should not have been scheduled for publication by March 15, 2002. Preference will be given to papers that have not already been presented at another major conference. At least one of the authors of a submitted paper must be an American Finance Association member in good standing.

All submitted papers must be accompanied by an abstract of at least 250 words, but no more than 400 words. Authors of accepted papers will be required to submit by June 1, 2002 an abstract in pdf format to be placed on our web site later in the year.

Submissions must be made by March 15, 2002 and will be made via the program website, which may be accessed from a link on the Annual Program page at www.afajof.org. All papers and abstracts must be submitted as pdf files as instructed on the program website. Please follow those instructions carefully. The 2003 Program Chair is

Professor Douglas W. Diamond  
2003 AFA Program Chair  
Graduate School of Business  
University of Chicago  
1101 East 58th Street  
Chicago, IL 60637

e-mail for inquiries  
afa2003@gbs.uchicago.edu

Complete paper drafts will be given first consideration, but abstracts of several pages may also be submitted. Please include in your website submission the addresses and phone numbers for every author, and fax numbers and email addresses for the contact author. You might also indicate in your website profile whether you would be willing to serve as a discussant at the meeting. If you have suggestions for special sessions, please send me a note by the end of January. Authors of selected papers will be notified by May 15th.

Sincerely yours,

Douglas W. Diamond  
Program Chair of the Year 2003 Meeting of the American Finance Association

Visit our website at www.afajof.org
January 2, 2001

To Those Seeking Permissions for Academic Classroom Use:

The American Finance Association has adopted the following policy with regard to requests for permission to reproduce articles from the Journal of Finance for classroom or library use at accredited universities around the world:

1. Permission is granted to reproduce up to 200 copies of any article for an individual faculty member or library of an accredited university. There is no charge. However, if permission is obtained through one of the clearinghouses with which we have arrangements, the stated charges should be paid.

2. Permission is granted for a copy center to bind up to five Journal of Finance articles together for a faculty member using spiral binding or perfect binding or similar binding. No more than 200 copies of such bound collections may be made, and the copies can only be sold at one copy center or university bookstore.

3. Faculty members at an accredited university with a library subscription to the Journal of Finance may distribute Journal of Finance papers to their students within their institution by electronic means so long as no fee is charged and so long as the Journal of Finance is cited as the source of the article.

4. Requests to reprint articles in larger quantities, or for commercial publication, or for executive programs, or non-accredited activities should be referred in writing to: Blackwell Publishers, attn. Journal Permissions Manager, 108 Cowley Road, Oxford, OX4 1JF, U.K.; tel.: +44 1865 791100; fax: +44 1865 791347.

This form is valid through February 1, 2002.

The tax ID for the American Finance Association is: 13-6111495.
The tax ID for Blackwell Publishers is: 13-3197484.
STYLE INSTRUCTIONS

(1)—All submitted manuscripts must be original work that is not under submission at another journal or under consideration for publication in another form, such as a monograph or chapter of a book. Authors of submitted papers are obligated not to submit their paper for publication elsewhere until an editorial decision is rendered on their submission. Further, authors of accepted papers are prohibited from publishing the results in other publications that appear before the paper is published in the Journal unless they receive approval for doing so from the managing editor.

(2)—Authors must submit three copies of their manuscript, with complete contact information (including name, address, telephone and fax number, and e-mail address), and a check for the appropriate fee. Manuscripts must be clearly typed with double spacing. The pitch must not exceed 12 characters per inch, and the character height must be at least 10 points.

(3)—The cover page shall contain the title of the manuscript, the author’s name and affiliation. This page will be removed before the manuscript is sent to a referee. The first page of text should show the title but NOT the author’s name.

(4)—Each manuscript should include an abstract of not more than 100 words.

(5)—The introductory section must have no heading or number. Subsequent headings should be given Roman numerals. Subsection headings should be lettered A, B, C, etc.

(6)—The article should end with a non-technical summary statement of the main conclusions. Lengthy mathematical proofs and very extensive detailed tables should be placed in an appendix or omitted entirely. The author should make every effort to explain the meaning of mathematical proofs.

Final versions of the manuscript should be prepared in accordance with the following additional guidelines:

(7)—Footnotes. The initial footnote, identifying the author by title and affiliation should be marked with an asterisk. Footnotes in the text must be numbered consecutively and typed on a separate page, double-spaced, following the reference section. Footnotes to tables must also be double-spaced and typed on the bottom of the page with the table.

(8)—Tables. Tables must be numbered with Roman numerals. Please check that your text contains a reference to each table. When tables are typed on oversized paper, please submit the oversized paper rather than a photocopied reduction. Indicate in the margin approximately where each table should be placed. Type each table on a separate page at the end of the paper. Tables must be self-contained, in the sense that the reader must be able to understand them without going back to the text of the paper. Each table must have a title followed by a descriptive legend. Authors must check tables to be sure that the title, column headings, captions, etc. are clear and to the point.

(9)—Figures. Figures must be numbered with Arabic numerals. All figure captions must be typed in double space on a separate sheet following the footnotes. A figure’s title should be part of the caption. Figures must be self-contained. Each figure must have a title followed by a descriptive legend. Final figures must be submitted in camera-ready form, i.e., drawn in India ink on drafting paper or good quality white paper, or as glossy, black and white photographs. Final figures must be identified in the margin or on the back by number and author.

(10)—Equations. All but very short mathematical expressions should be displayed on a separate line and centered. Equations must be numbered consecutively on the right margin, using Arabic numerals in parentheses. Use Greek letters only when necessary. To reduce errors in typesetting, please differentiate clearly between the letter l (ell) and the numeral 1 (one), the letter o (oh) and the numeral 0 (zero) with marginal notations. Write out the names of any Greek letters you use in the margin, and unequivocally identify sub- and superscripts as such. Do not use a dot over a variable to denote time derivative; only D operator notations are acceptable.

(11)—References. References must be typed on a separate page, double-spaced, at the end of the paper. References to publications in the text should appear as follows: “Jensen and Meckling (1976) report that . . .”. At the end of the manuscript (before tables and figures), the complete list of references should be listed as follows: For monographs:
Fama, Eugene F., and Merton H. Miller, 1972, The Theory of Finance (Dryden Press, Hinsdale, Ill.).

For contributions to collective works:

For periodicals:
AMERICAN FINANCE ASSOCIATION

Application for Membership

Membership in the American Finance Association is on a calendar year basis. The Journal of Finance is published bimonthly—six times a year beginning in February.

Please Print All Information

NAME: ____________________________
ADDRESS: ____________________________
CITY: ____________________________ STATE: ____________________________ ZIP CODE: __________
COUNTRY: ____________________________
Day Phone Number: ____________________________
Fax Number: ____________________________
Email: ____________________________
FIRM: ____________________________

Paying by: □ check □ American Express □ MasterCard □ Visa

Name on card ____________________________
Card Number ____________________________
Signature ____________________________ Exp. Date __________

2001 Annual Dues / Subscription Rates:

<table>
<thead>
<tr>
<th>Membership Type</th>
<th>North America</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Membership</td>
<td>$80.00</td>
<td>£63.00</td>
</tr>
<tr>
<td>Library and Corporate Subscriptions</td>
<td>$190.00/$215.00</td>
<td>£135.00</td>
</tr>
<tr>
<td>Back Issues If Available (individuals)</td>
<td>$16.00</td>
<td>£13.00</td>
</tr>
<tr>
<td>Back Issues If Available (institution)</td>
<td>$34.00</td>
<td>£24.00</td>
</tr>
</tbody>
</table>

Please make checks payable to Blackwell Publishers. Only individual memberships may be paid by personal check. We also accept American Express, MasterCard, and Visa credit card payments. Print your name, card number, expiration date as they appear on the card and sign. It is the policy of the Association not to refund partial dues or subscription payments. The tax ID number for Blackwell is 13-3197484. You may mail applications to:

Journals Subscription Department
Blackwell Publishers
350 Main Street
Malden, MA 02148 USA

Phone: 800-835-6770 or outside the U.S. 781-388-8200
fax: 781-388-8232 email: subscrip@blackwellpub.com
AMERICAN FINANCE ASSOCIATION

Student Application for Membership

A special 2001 dues rate of $58.00 is available to those enrolled as full-time students and who have a United States mailing address. The rate is renewable for two additional years. Membership in the American Finance Association is on a calendar year basis. Journals are published bimonthly beginning in February. Temporary address changes cannot be accepted.

Please Print All Information

NAME: ____________________________________________
ADDRESS: _______________________________________
CITY: ____________________________________________
STATE: __________________________________________
ZIP CODE: _________________________________

(must be United States address)

Day Phone Number: ________________________________
Email: __________________________________________
UNIVERSITY: ______________________________________

(A xerox of your current student ID must be attached to this application.)

Paying by: □ check □ American Express □ MasterCard □ Visa
Name on card _______________________________________
Card Number ______________________________________
Signature __________________________________________ Exp. Date ________

Please make checks payable to Blackwell Publishers in dollar currency on a U.S. bank or branch. We also accept American Express, MasterCard, and Visa credit card payments. Print your name, card number, expiration date as they appear on the card and sign. It is the policy of the Association not to refund partial dues or subscription payments. The tax ID number for Blackwell is 13-3197484. You may mail applications to:

Journals Subscription Department
Blackwell Publishers
350 Main Street
Malden, MA 02148 USA

Phone: 800-835-6770 or outside the U.S. 781-388-8200
fax: 781-388-8232 email: subcrip@blackwellpub.com