Dear Madam/Sir,

Please find my application to attend the NBER Entrepreneurship Research Boot Camp attached. Included is a recent CV, a list of Ph.D. courses I have completed and a two-page essay. My Ph.D. advisor, Professor Alexander Dyck, has written a letter of recommendation for me which he has sent via email. My contact details are below.

Aazam Virani
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Sincerely,

Aazam Virani

Rotman School of Management
UNIVERSITY OF TORONTO

Rotman

Friday, March 30, 2012

Dear Thomas,

I would like to recommend my student **Aazam Virani** to participate in the Entrepreneurship Bootcamp this summer. I think Aazam is an excellent candidate for four reasons.

First, the coursework he has already completed provides him the ability to approach and digest the material and contribute to the discussion in the bootcamp. He joined us straight out of undergrad and by this summer will have completed his fourth year in the program (he expects to go on the market in his 6th year) In this time he has completed his Finance PhD course work, as well as elective classes in contract theory and IO through our economics department. He has done well in his coursework, developing a keen interest in corporate finance with a focus on empirical applications motivated by theory. I am pleased with his progress and we are working jointly on a few projects.

Second, and more importantly, he is very motivated to take the class as he is seeking to apply the frameworks and concepts in at least two research projects he already has underway. One project that he is working on with fellow PhD students (including another student of mine who also benefited from the bootcamp, Hamed Mahmudi) examines the incentives for LBO investors to include an option to backout of the buyout with reverse termination fees. This work, with a theoretical component to identify the motivations underlying this growing tendency, and an empirical component that tests the model predictions is developing nicely. A second project he is working on with me titled "A New Model for Pension Plan Investing in Infrastructure: Disintermediating of GPs?". At this moment, the project objective is to develop a case study to be taught at a forum of major institutional investors. The case study will revolve around alternative models to using PE partnerships to fund infrastructure investing that are being pursued by long-horizon investors, most notably large pension plans. In particular the case will focus on whether a new protocol developed by two large Canadian pension plans will be a true gamechanger, and will significantly reduce the attractiveness of using the PE model to access infrastructure investments. Aazam is hoping that he will be able to build a research article that explores these issues more systematically and exploits the information he is developing as part of the case study.

Third, this course provides a structured graduate level approach to these issues that we simply can't offer at the Rotman School at the University of Toronto. Aazam is interested in these issues and has sat in this semester on my Entrepreneurial Finance and Private Equity class for the MBA program. (This class builds on the course structure Steve Kaplan developed for his class at Chicago, and the materials from Josh Lerner at HBS.) Unfortunately we don't have enough students to support a PhD class on these topics.

Professor of Finance and Business Economics ICPM Professor in Pension Management
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Fourth, he will be a pleasure to have around. He is hard working, resourceful, smart and a very pleasant person. He will definitely be prepared, will participate, and will work well with others. Please let me know if you have need of any further information. I know you have lots of applicants. Aazam is an excellent bet.

Sincerely,



Alexander Dyck

Aazam Virani

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Education

Ph.D., Finance, Rotman School of Management, University of Toronto, 2008-present

B.Sc.(Hons), Mathematics & Statistics, Economics Minor, University of Toronto, 2004-08

Research

Research interest in corporate governance: takeovers and institutional investors

Working Papers

When Acquirers Get Cold Feet: What Is The Value Of The Reverse Termination Fee?, 2012
with Hamed Mahmudi and Xiaofei Zhao

Work in progress

Institutional Investors and Corporate Governance Practices: Does Collective Action Resolve Agency Problems?, 2012
with Craig Doidge, Alexander Dyck and Hamed Mahmudi

Social Considerations In Corporate Takeovers: What Are Empty Promises Worth?, 2012

Do Diverse Boards Hire Better CEO's?, 2011
with Hamed Mahmudi

Case study: A New Model For Pension Plans Investing In Infrastructure: Disintermediation Of G.P.'s?, 2012
with Alexander Dyck

Work Experience

Teaching Assistant

Introduction to Corporate Finance, Winter 2010, Lead T.A Winter 2011 & Winter 2012
Advanced Corporate Finance, Winter 2010
Capital Market Theory, Fall 2009
Calculus for Management Students, Winter 2008
Introduction to Statistics, Fall 2007, Winter 2008
Economics of the Public Sector, Winter 2008
Intermediate Microeconomics, Fall 2006, Fall 2007

Non-Academic

Associate, Retail Risk Management, CIBC, Toronto, ON, Summer 2007

Associate, Interest Rate Derivatives, TD Securities, Toronto, ON, Summer 2006

Awards and Honours

Graduate

Canadian Credit Management Foundation Ph.D. Fellowship, 2011-2012

Harvey Rorke Financial Foundation of Canada Ph.D. Fellowship, 2009-2011

Rotman Ph.D. Fellowship, 2008-2009

Rotman Ph.D. Tuition Scholarship, 2008-present

Undergraduate

University of Toronto In-course Scholarships 2004-08

Dean's List, 2004-05, 2005-06, 2006-07, 2007-08

University of Toronto Scholar, 2004-06

Frank Urquhart and University of Toronto Entrance Scholarships, 2004-05

Personal Background

Date and Place of Birth: September 18, 1986, Mombasa, Kenya

Citizenship: Kenyan (Canadian Permanent Resident)

Languages: English, Swahili, and very limited French

References

Alexander Dyck (Committee Chair)
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Aazam Virani

List of Ph.D. Courses Completed

- Microeconomics 1 & 2
- Econometrics 1 & 2
- Macroeconomics 1
- Financial Theory 1 & 2
- Corporate Finance
- Empirical Methods in Finance
- Topics in Empirical Finance
- Special Topics in Finance
- Contract Theory
- Industrial Organization
- Financial Accounting: Theory and Empirical Research

Aazam Virani

Essay

I would like to apply for admission to the NBER Entrepreneurship Research Boot Camp. I am interested in incentives in private equity and venture capital partnerships, incentives created by private equity and venture capital investments in portfolio companies, and incentive alignment to maximize the value of intellectual property.

I am a fourth-year Ph.D. student in Finance at the Rotman School of Management at the University of Toronto. I have completed a sequence of Ph.D. courses in Finance and Economics, a list of which is attached. My choice of courses reflects my interest in incentives. In addition to required core courses, I have also taken courses in contract theory and industrial organization. My interest in entrepreneurial finance led me to audit an MBA class on private equity and entrepreneurial finance taught by Professor Alexander Dyck, which was based on material and case studies from the Harvard Business School and the University of Chicago. Unfortunately, because our department does not offer Ph.D. courses in entrepreneurial finance, I do not have any Ph.D.-level training in this field. I am applying to attend the NBER ERBC with the hope of filling this void. Let me briefly describe two projects that I am working on which are reflective of my interests and where I hope this course may be helpful for me.

Together with fellow Ph.D. students Hamed Mahmudi and Xiaofei Zhao, I have written a paper titled "When Acquirers Get Cold Feet: What Is The Value Of The Reverse Termination Fee?". This study explores how incentives shape a contractual agreement, the acquirer termination clause, in acquisitions such as leveraged buyouts. In an optimal contract framework, we model the reverse termination fee as the price of a real option on the assets of the target firm that allows the acquirer to abandon the takeover when it is optimal to do so. Using a sample of takeovers in the United States, we demonstrate that, as our model predicts, a reverse termination clause is more likely to be included in a merger agreement when the value of target's assets under the acquirer's control is more likely to diverge from their value under existing control. That is, when the acquirer's asset volatility is high, and when the covariance between the target and acquirer's asset values is low. We also find that, like the price of a call option, the size of the reverse termination fee is increasing in the acquirer's asset volatility, the expected time to completion of the takeover and the value of target's assets under the acquirer's control (the underlying asset).

In a project titled "A New Model For Pension Plans Investing In Infrastructure: Disintermediation of G.P.'s?", I explore a recent trend among large institutional investors to seek better returns on infrastructure investments by avoiding investments in G.P.'s funds. At the moment, this is a case study of a new syndication protocol developed by two leading Canadian pension plans, for a forum in June that is targeted towards long-horizon investors. I am hoping to develop this into a research paper and I think that this course will put me in a better position to be able do so.

In addition to these projects, I am broadly interested in institutional investors. I am working on a paper with Professors Craig Doidge and Alexander Dyck, and colleague Hamed Mahmudi, where we investigate how collective action among institutional investors can resolve agency conflicts in the firms they invest in. I also have a broad interest in takeovers. I am working on a project where I investigate the value implications of "social promises" made by acquiring firms in merger negotiations. Lastly, I am interested in potential research on the topics of innovation-driven mergers and patent synergies.

The opportunity to learn about entrepreneurial finance from renowned researchers in a rigorous academic way would put me in an ideal position to conduct research in this area which I am increasingly passionate about. I hope to benefit from this course in the same way as Hamed Mahmudi, a colleague and co-author who previously attended the ERBC. I am highly self-motivated and I am committed to putting maximum effort into participating in this program. This, together with my background and academic foundation will enable me, if accepted, to make a valuable contribution to the program as a participant.