

PROMOTION RECOMMENDATION  
The University of Michigan  
Stephen M. Ross School of Business

David J. Brophy, associate professor of finance, with tenure, Stephen M. Ross School of Business, is recommended for promotion to professor of finance, with tenure, Stephen M. Ross School of Business.

Academic Degrees

PhD	1965	The Ohio State University
MBA	1959	University of Detroit
B.Commerce	1957	St. Francis Xavier University, Nova Scotia, Canada
B.Arts	1956	St. Francis Xavier University, Nova Scotia, Canada

Professional Record:

1971-Present Associate Professor of Finance, with tenure, University of Michigan,  
Stephen M. Ross School of Business

Summary of Evaluation:

Teaching: Professor Brophy has had a tremendous impact on the Ross School with his teaching activities. He has started at least five different courses over the years, all of which have had consistently large enrollments. One of the courses he started (Finance 625) was the first course on venture capital ever taught in a business school. He has a large number of former students that can attest to the importance of his courses in their subsequent careers. His students have worked with many start-up firms on class projects. Without Professor Brophy's intellectual leadership at the school, most or all of the courses that he has introduced would not be taught at the University of Michigan. It would have been much more difficult for the university to develop the Masters of Entrepreneurship program now being offered by the Engineering and Ross Schools.

Research: Professor Brophy has been a tenured associate professor at the Ross School for decades. During his long years of service, he has dedicated most of his career to studying the financing of new, entrepreneurial companies and the use of private equity financing. Professor Brophy was a real pioneer in studying the financing of start-ups. When he started his research on venture capital and small business finance, there was almost no other academic work in this area. He was ahead of his time, as now there is a great deal of research on entrepreneurial finance. Over the years he has become a true leader in the practice of entrepreneurial finance. Much of his impact beyond the university has been on the venture capital and private equity industries. He has been given a lifetime achievement award by the Michigan Venture Capital Association, has twice received an award from the National Association of Small Business Investment Companies for the best research on venture capital investments, and has served as a principal research investigator for the 1995 White House Conference on Small Business.

Professor Brophy has made notable research contributions to the study of entrepreneurial finance. For example, his 2009 paper with Paige Ouimet and Clemens Sialm ("Hedge Funds: Investors of Last Resort," *Review of Financial Studies*), which is his most heavily cited paper, has been well received. In this paper, Professor Brophy and his co-authors use a unique dataset on hedge fund investments in PIPEs to show that hedge funds often receive substantial discounts in their PIPE

investments and firms with hedge fund PIPE investors tend to perform very poorly in the year after the PIPE investment. This is consistent with the hypothesis that hedge funds profitably act as investors of last resort, demanding an expected return premium for taking on the risk of lending to firms that otherwise might fail. The paper's findings suggest that hedge funds play at least one positive role in the economy. This paper is an impressive contribution for a researcher who received his PhD almost five decades ago. Professor Brophy continues to work on several research projects, including a book that is co-authored with a recent PhD graduate from the Engineering School.

Recent and Significant Publications:

Brophy, DJ, Ouimet, PP and Sialm, C. "Hedge Funds as Investors of Last Resort?" *The Review of Financial Studies*, Vol. 22, No. 2, Feb. 2009, pp. 541-574.

Brophy, DJ and Haessler, MR. "Evaluating the Venture Capital Fund Agreement," *Managerial Finance*, Vol. 20, No. 1, 1994, pp. 53-64.

Brophy, DJ and Guthner, MW. "Characteristics of Publicly Traded Venture Capital Funds: Implications for Institutional 'Fund of Funds' Investors," *Journal of Business Venturing*, Vol. 3, No. 3, Summer 1988, pp. 187-206.

Brian Chow and David Brophy, "The U.S. Treasury Bill Futures Market and Hypotheses Regarding the Term Structure of Interest Rates," *The Financial Review*, Vol.13, (Fall, 1978), pp.36-50. Reprinted in Gay and Kolb, Interest Rate Futures: Concepts and Issues, Richmond, VA, Robert Dame, Inc., pp159-174.

David Brophy, Finance, Entrepreneurship and Economic Development, University of Michigan Institute of Science and Technology, 1974, 200 pages.

Service: Professor Brophy's impact on the practice of entrepreneurial finance has been profound. He founded and continues to direct a very successful annual conference called the University of Michigan Growth Capital Symposium. He has run this conference every year since 1980, and in recent years it has had around 400 participants per year. The Symposium draws an interesting mix of focused academic researchers, top investors and serious entrepreneurs. It is likely to have contributed to a great deal of business activity in Michigan and the rest of the Midwest. More recently Professor Brophy founded the equally successful University of Michigan Private Equity Conference, which he has run annually since 2004. All of these accomplishments and accolades illustrate Professor Brophy's substantial impact beyond the Ross School, particularly on the practice of entrepreneurial finance.

He also is an active member of the finance area at the Ross School, always willing to perform the service requests made of him and contributing to senior faculty meetings. He was a member of the committee that organized the new Master of Entrepreneurship program that is joint with the College of Engineering, and he has served in the University Senate as well as on many other school committees. In short, Professor Brophy has performed the kind of service to the school that we expect of senior faculty.

External Reviewers:

Reviewer A: "Because Dave was in the vanguard of this movement [venture capital] he has been able to leverage his interests and capabilities in teaching, service, and research to help build the school's reputation in this increasingly vital area. He was a founding member of the editorial board

of the *Journal of Business Venturing*, which is the leading journal in the field of entrepreneurship. Dave's record reflects a high level of contribution in teaching and service and a body of scholarship that complements those activities and contributions. It is appropriate...to recognize his years of outstanding service in a broad range of areas of importance to the school and University and reward it with the promotion to full professor."

Reviewer B: "I view Professor Brophy as perhaps the single most important University of Michigan faculty member on the topic of venture capital, and more specifically, on connecting the Ross School of Business to the world of venture capital, private equity and emerging growth companies. Professor Brophy is an innovator and an academic entrepreneur. He is also a leader and champion of effort to increase the amount of venture capital resident in the State of Michigan. He has demonstrated passion for and the ability to bring entrepreneurial activity to the University of Michigan and its surrounding region. As a result, in my view, Professor Brophy deserves to be promoted to Professor with tenure."

Reviewer C: "I have also encouraged some of my doctoral students who are interested in private equity to contact David, as he is widely recognized as a leading finance academic in this area. ...it is quite notable that he was able to publish a paper in the elite *Review of Financial Studies* relatively late in his career. ...David Brophy is a respected scholar who serves as the academic point person for private equity and venture capital activities in the state of Michigan and nationally. He is one of the first academics to articulate the important role that private equity financing can have for firms that cannot access more traditional forms of finance. He is widely recognized within the field as a leader in terms of his institutional knowledge and ability to bridge academia with practice. He has built up an impressive program in private equity and venture capital at the University of Michigan, a program that many schools have tried to emulate. Given his lengthy service and unique contributions, I enthusiastically support his promotion case..."

Reviewer D: "I am a very strong supporter of Professor Brophy and can think of no one more deserving. He was the individual who first got me interested in investments, for which I will be eternally grateful. Had Professor Brophy not ignited my interest in investments, I honestly am not sure what I would currently be doing. I have the utmost respect for Dave Brophy, owe him a big debt of gratitude for his leadership and teaching, and hope he will receive this promotion."

Reviewer E: "Professor Brophy has been extremely successful in teaching and service. He has contributed greatly to a vibrant venture capital, private equity and entrepreneurship curriculum and ecosystem at Ross and the University of Michigan. At the same time, has produced useful and interesting research in corporate finance. I imagine it would be very difficult to replace Professor Brophy's service and teaching with someone who has a comparable or better research record. According, I would be supportive of Professor Brophy's promotion."

Reviewer F: "For the subject of venture finance David Brophy was one of the two people whose names were at the top for that field. This identified him in my view as a pioneer early in the development of entrepreneurship as a new academic field that has gone on to spread among business schools not only in the U.S. but in universities throughout the rest of the world as well. ...his standing out as a leading scholar at that time should have qualified him for strong consideration in support of a full professorship many years ago. And I remember clearly thinking so at that time. So I would have been gratified to say to then and am even more grateful to be able to say so now. I certainly think David Brophy should be recognized as a full professor if he were at..., and I think it would speak well for any other university to give him that richly deserved recognition. David

Brophy was a real pioneer in a field that most schools took what I would consider unduly long to recognize, although all top-tier business schools now do.”

Reviewer G: “I have heard rumors that he is very well-liked in the VC community in Michigan, and that because of Professor Brophy’s efforts, they have a closer relationship with the Ross School... ..building such relationships is a valuable contribution to a business school, and it is appropriate that we reward the individuals making them considering these contributions when evaluating them for promotions. Overall, I think Professor Brophy has made important contributions to the Ross School and to his profession, both in terms of his research and through his service. On the basis of these contributions, he has a good case for promotion to full professor.”

Reviewer H: “...it does appear that Professor Brophy made significant contributions...within the School and University. From my own experience, I can attest that planning a conference or symposium is a major undertaking. ...the longevity of the Growth Capital Symposium along with the Private Equity Conference suggests impressive effort and success that, I presume, has served the School and University well. Professor Brophy’s service to the discipline is consistent with his claim to having been a pioneer in his field of research in the sense that he served as a member of the founding editorial board of three journals in the field.”

Summary of Recommendation:

We believe that Professor Brophy meets the criteria for promotion set by the university of displaying intellectual leadership with impact beyond the school. He has had a significant impact on the practice of entrepreneurial finance, he has trained thousands of Ross School students, he has published important research recently, and he has provided a significant amount of service to the school.

Given his long years of service, promoting Professor Brophy at this stage of his career seems like the right thing to do. With this in mind, the Executive Committee and I strongly recommend David J. Brophy for promotion to professor of finance, with tenure, Stephen M. Ross School of Business.



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Alison Davis-Blake  
Edward J. Frey Dean of Business  
Stephen M. Ross School of Business

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