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Columbia Business School established the Center for Excellence in Accounting and Security Analysis in 2003 under the direction of Trevor Harris and Professor Stephen Penman. The Center (“CEASA”) aims to be a leading voice for independent, practical solutions for financial reporting and security analysis, promoting financial reporting that reflects economic reality and investment advice that communicates sound valuations.

CEASA’s mission is to develop workable solutions to issues in financial reporting and accounting policy; produce a core set of principles for equity analysis; collect and synthesize best thinking and best practices; disseminate ideas to regulators, analysts, investors, accountants and management; and to promote and encourage sound research on relevant issues. Drawing on the wisdom of leading experts in academia, industry and government, the Center produces sound research and identifies best practices on relevant issues. CEASA’s guiding criteria are to serve the public interest by supporting the integrity of financial reporting and the efficiency of capital markets.

Located in a leading university with a mandate for independent research, CEASA is positioned to lead a discussion of issues, with an emphasis on sound conceptual thinking and without obstacles of constituency positions.

The Center is supported by our generous sponsors: General Electric, IBM and Morgan Stanley. We gratefully acknowledge the support of these organizations that recognize the need for this center.

This year has been our second working year, and has been very productive. We have completed research, organized several important round-table discussions, hosted our first panel discussion, and expanded our future research goals. Our forthcoming projects and initiatives are developing on schedule.

This report describes the type of activities in which the Center is involved and our progress in conducting those activities.
Research Output: Product Offerings

Over the past year, CEASA has expanded its outline of research offerings in order to communicate to a wider audience. The Center initially planned to produce and disseminate two in-depth white papers per year. However, after completing its first white paper, the Center determined that, in order to achieve its goals of reaching out to a broad and diverse group, it would have to create different papers aimed at several audiences. CEASA has several corollary products in addition to the white paper projects: a policy brief series, an equity valuation series and an occasional paper series.

White Paper Projects

The best thinking and practices are brought to bear on each significant issue approved by the Center’s Advisory Board. The outcome of a project is, in most cases, a statement of principles in an extensive white paper. The white paper is reviewed by a panel of experts in a round-table meeting, where additional feedback is received and integrated into the research. The “White Paper” project is in-depth and comprehensive, aimed towards those familiar with the topic at hand – standard-setters, regulators, CFO’s and professional accountants. Because of the nature of these projects, they are time-intensive, and can take up to a year to complete.

Policy Brief Series

In order to reach a broader audience, we have established our “Policy Brief” series. Policy Briefs are a shorter, less detailed presentation of a white paper. Policy Briefs may focus on a specific section or the overall content of the white paper. They are no more than ten pages, are readable to the layman, and provide graphs and charts to illustrate solutions. From the policy briefs, we produce a one-page “tear sheet” which outlines the overall points of the paper. This series is aimed at the busy professional who might be interested in the idea, but do not have the time nor interest to read a detailed white paper.

Security Analysis Series

We also develop reports and host roundtables for security analysts in our “Security Analysis” series. This series addresses issues confronting security analysts, applies solutions developed in white paper projects, and links
accounting expertise to equity analysis and equity valuation. By introducing this series, we hope to encourage good practice in the analyst community.

**Occasional Paper Series**

Other projects may not require the in-depth approach of our white paper projects, but warrant analysis. In these cases, an expert in his/her field is commissioned to address the issue, under the eye of the directors, in our “Occasional Paper” series. These projects are shorter than the white paper projects and address narrower issues.

**Round Table Meetings**

In conjunction with the white paper, the Center holds Round Table Meetings. Round Tables are intimate discussions among selected experts and practitioners who are close to the issues, and provide a forum for the exchange of ideas.

**Panel Discussions/Luncheons**

In addition to round table discussions, the Center hosts panel discussions open to a public audience in order to better communicate its ideas.

**The Director Program**

The Center, in conjunction with Executive Education and the accounting faculty at Columbia Business School, is engaged in delivering programs for corporate directors on accounting and financial regulatory issues. This program aims to enhance the integrity of financial reporting across public companies through informed and vigilant oversight by corporate directors.

*Accounting Essentials for Corporate Directors* is a two-and-a-half day program held twice a year in Manhattan. The goal of the program is to strengthen the ability of corporate directors to evaluate the appropriateness of financial reporting and accounting decisions made by management. Through a thought-provoking mixture of lectures, interactive discussions and real-world case studies, participants gain insights and address a spectrum of corporate accounting issues. Led by Professors Stephen Penman, Nahum Melumad and other Columbia Business School faculty, in collaboration with prominent corporate, regulatory and academic experts, this program includes industry-specific small-group discussions, as well as individualized attention and consultation with the faculty.
2005 White Paper Projects

Last year, the Advisory Board approved our first two projects: the first, “Debt vs. Equity” is completed and available online, and the second, “Pensions and other post retirement obligations” will be available in 2006.

In June 2005, the Advisory Board approved a project on “Fair Value Accounting,” which is currently in progress, and is expected in 2006. In addition, our first two occasional papers on the Cash Flow Statement commenced: they are expected in the first and second quarters of 2006. Finally, the Center held various Round Table Discussions during the year.
Debt. Vs. Equity Project:

**Project overview.** This project lays out a comprehensive solution to the problem of accounting for claims based on the performance of a firm's stock price. The accounting covers employee stock options, stock appreciation rights, put and call options, convertible debt and preferred stock, warrants, and other hybrid securities. This issue has vexed the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) who have approached the problem on a piece-meal basis, leading to inconsistent treatments of claims that in substance are very similar.

**White Paper & Two Policy Briefs**

Professor James Ohlson was commissioned as principal project consultant, with Stephen Penman as project director on our first white paper, *Debt vs. Equity: Accounting for Claims Contingent on Firms' Common Stock Performance with Particular Attention to Employee Compensation Options*. On October 29th, 2004, experts, academics and regulators gathered for a roundtable discussion on this topic, where they reviewed CEASA's preliminary draft of the white paper.

The project was completed in February 2005. The Center produced its first white paper. In addition to the white paper, two policy briefs were produced. Policy Brief #1 is entitled, *Timely and True From an Owner's View: Shareholder Value Accounting for Employee Stock Options*, and specifically addresses the issues of employee stock options. Policy Brief #2 is entitled, *Timely and True From an Owner's View: Shareholder Value Accounting for Performance-Contingent Equity Claims*, and provides a readable, practical interpretation of the white paper; it specifically concentrates on other performance contingent claims, with an emphasis on the borrowing incurred with these claims.

In April of 2005, CEASA hosted a panel discussion to present this project to the public, facilitating interaction between practitioners and the authors of the white paper. Arthur Levitt moderated the panel discussion. Professor James Ohlson,
Professor Stephen Penman and Trevor Harris presented the white paper and fielded questions from attendees.

There were approximately one hundred participants from various organizations including:

- Members of standard-setter bodies and trade organizations: Accounting & Auditing Policy Committee (AAPC); AICPA; Association of Chartered Certified Accountants (ACCA); FASB; Journal of Accountancy; New York State Society of Certified Public Accountants; Public Company Accounting Oversight Board (PCAOB); SEC
- Sell-side analysts and practitioners from international banks: Banc of America Securities; Bear, Stearns; Credit Suisse; Goldman Sachs; Merrill Lynch; Morgan Stanley; UBS
- Members of the press: CFO Magazine; CPA Journal; Dow Jones; The Economist; New York Times; Reuters America
- Buy-side analysts and practitioners from various funds: Hawkshaw Capital Management; Lions Gate Capital; Mansion Partners; Sanford C. Bernstein & Co; Tempus Advisors; Maverick Capital; New Constructs, LLC; Pequot Capital
- Others: Ernst & Young LLP; The Carlyle Group; Nikkei (The Nihon Keizai Shimbun); National Economic Research Associates; Towers Perrin

The presentation, video and transcript of the event are available on the CEASA website.

The Debt vs. Equity white paper and policy briefs were mailed to key practitioners, regulators, academics, and standard setters around the world. Our research is also available to the public through our website at www.gsb.columbia.edu/ceasa.

Access this project online at: http://www.gsb.columbia.edu/ceasa/policy/contingent.html
Accounting for Pensions and Other Post-Retirement Obligations Project:

**Project overview.** Defined benefit obligations are a large drain on many corporations for the foreseeable future, as a result of both structural problems and misguided management of existing programs.

The problem relates to both the magnitude of the shortfalls and the risks inherent in the mismatch of related assets and liabilities. There is broad consensus that current accounting does not reflect economic reality but little consensus on an appropriate solution. The existing U.S. rules, made as a compromise in the 1980s, are under review, first, in a specific disclosure project, and later as part of the convergence project. The IASB is reevaluating its rules and looking to the U.K.'s FRS 17 as a possible requirement. The issue is now highlighted, but its complexity and the nature of the existing disclosures limit the ability of investors and analysts to estimate both reported numbers and the risks that companies will face in the future.

Various government agencies and quasi-government groups, as well as labor advocates, are all actively engaged in rethinking what to do about the issues. The FASB expects to issue an Exposure Draft for the initial phase in the first quarter of 2006. They expect the Final Document in the third quarter of 2006.

CEASA’s paper aims to provide a comprehensive solution to pension accounting.

**White Paper in Progress**

Trevor Harris, the project director, convened a group of experts on this issue on January 8, 2004. The following persons joined the meeting:

- Murray Akresh, Senior Partner at PricewaterhouseCoopers
- Peter Fisher, formerly of the US Treasury, now at BlackRock, Inc.
- Neil Gaskell, recently retired Treasurer of Royal Dutch Shell
- Jeremy Gold, pension actuary and consultant
- Robert (Bob) Herz, Chairman of the FASB (observer)
- Greg Jonas Head, Moodys' Accounting Analysis Group
- Steven Kandarian, Chair of PBGC
- Martin Leibowitz, Vice Chair and CIO TIAA-CREF
Robert North, Actuary for New York City
Michael Peskin, Head of Asset Liability Strategy Group at Morgan Stanley
Peter Proestakes, Head of Staff for Pension Projects at FASB
Keith Williams, Senior Actuary at Watson Wyatt

A lively discussion ensued for six hours, structured in a way to identify the key issues. We are very satisfied with the outcome, even a little surprised that we could hammer out solutions from such an intense discussion with differing perspectives.

We have prepared a summary of the discussion, consensus results, and points where there was disagreement or lack of resolution. This has been circulated to the participants for further thinking and analysis. After some iteration and feedback from alternative sources, we have a working draft, which we hope will be completed in the second quarter of 2006.
**Fair Value Accounting Project:**

**White Papers in Progress**

The Center started a project on Fair Value Accounting at the end of 2005. The fair value issue is one that is complex and controversial. Both the FASB and the IASB have produced accounting standards that require fair value accounting, and are considering further application of this accounting. Columbia Business School Professor Doron Nissim was commissioned as principal project consultant, with Stephen Penman as project director.

This is a comprehensive project, with two stages to the endeavor. First, a conceptual framework document that brings structured thinking to the resolution of the issues. Second, a document that is primarily empirical in nature and which guides the application of fair value accounting in the banking industry. Our aim is to develop two separate white papers with well reasoned, practical solutions for the accounting. Both drafts are under-way: we expect the final documents to be available in the middle of 2006.

**Fair Value Accounting – Conceptual Framework**

**What Is the Issue?**

Under what circumstances is fair value accounting appropriate for:

- ✓ evaluating the risk, return and valuation of businesses,
- ✓ asset-liability management,
- ✓ performance reporting?

- Is the shift from the income statement to the balance sheet (that is implied by fair value accounting) desirable? What is gained by abandoning the realization and matching principle in favor of mark-to-market accounting? What is lost?
- How do practical considerations impact fair value accounting and when may implementation problems lead to fair value accounting being less than ideal? Issues might include: illiquid markets, bias and imprecision of valuation models, asset and liability mismatch, and off-balance-sheet financing.
• When are alternative accounting schemes – including historical cost/revenue realization accounting – needed to supplement or complement fair value accounting? How and when would partial fair value accounting – a mixed model for financial reporting – be implemented?
• What additional risk disclosures are needed to complement fair value accounting and what form should these take?
• How can fair value accounting be gamed?
• For what type of firms and instruments is fair value accounting desirable or undesirable?
• How can debt and equity analysts accommodate fair value accounting in their forecasts and valuations?

Why Should It Be Analyzed By CEASA?

The FASB is moving toward more fair value accounting, promoting FASB Concepts Statement No. 7 over Concepts Statement No. 5. Fair value accounting is hindered by practical considerations such as illiquid markets, estimation bias, imprecision of valuation models, and correlations in the values of assets, liabilities and anticipated transactions. The IASB has recently been embroiled in controversy over its proposals for fair value accounting, specifically with IAS 39. The FASB published an Exposure Draft of a proposed Statement in the third quarter of 2005.

The conceptual framework paper will be the first part of the fair value project, and the basis for the second, application paper.

Fair Value Accounting – Impact on the Banking Industry

What Is the Issue?

• Fair Value accounting has a profound impact on the banking industry. Examining the composition and characteristics of the different assets, liabilities and off-balance sheet items of Bank Holding Companies will yield an important dialogue on the implementability and implications of fair value accounting
• What proportion of recognized assets and liabilities are reported at or close to fair value on the balance sheet? What proportion have their fair values disclosed in the footnotes? What proportion have related unrealized gains and losses recognized in income?
• How relevant are credit, interest rate and prepayment risks for the different assets, liabilities and off-balance sheet items?
• How reliable are management-based estimates of fair value for assets, liabilities and off-balance sheet instruments?
• What are the advantages and disadvantages of the current accounting treatment for the various assets, liabilities and off-balance sheet instruments? Specifically, how can banks “manage” the balance sheet and income statement under current GAAP?
• How big are the differences between the fair and book values of recognized assets and liabilities?
• How big are the potential differences between the fair and book values of recognized assets and liabilities?
• What are the average and potential magnitudes of economic assets and liabilities omitted from the balance sheet?
• How high are the fair value correlations of assets, liabilities and off-balance sheet instruments, and what are the sources of these correlations (e.g., natural hedge, asset-liability management, impact of changes in assets value on the credit risk and value of liabilities)?
• What are the implications of implementing different variants of fair value accounting (full fair value accounting, fair value on the balance sheet with unrealized gains and losses excluded from income, fair value disclosures) for different assets, liabilities and off-balance sheet instruments? How would such changes mitigate or alternatively facilitate earnings management activities?
• How can GAAP be improved in the context of fair value accounting for banks?

**Why Should It Be Analyzed By CEASA?**

An empirical analysis of the fair value question will provide a robust understanding of the issues in the context of the banking industry. The concerns mentioned in the Conceptual Framework project will be drawn upon in this project.
In October 2005, Co-Director Trevor Harris and Advisory Board Member Peter Fisher gathered a group of practitioners to discuss the issues. The meeting primarily addressed FAS 133 (fair value for derivatives) application issues. Because the IASB is dealing with issues similar to FAS 133 rules, IAS 32 & 39, CEASA also invited practitioners with International concerns. Attendees from major corporations convened to discuss the situation in a candid, private arena. The following people attended the October 6th event:

Phil Ameen, General Electric  
Steven Belcher, FASB  
Scott Blackley, Fannie Mae  
Terry Cooper, General Electric  
Mitch Danaher, General Electric  
Bruce Domash, CBOT  
Peter Fisher, BlackRock  
Trevor Harris, Morgan Stanley  
Gregory Jonas, Moody’s  
Robert Levin, Fannie Mae  
Jay Matalon, ACE Insurance  
Doron Nissim, Columbia Business School  
Stephen Penman, Columbia Business School  
Russell Picot, HSBC (by phone)  
Robert Royall, Ernst & Young  
Nancy Schroeder, PepsiCo  
Leslie F. Seidman, FASB  
Tom Sell, Williams & Co  
David Sidwell, Morgan Stanley  
Robert J. Swieringa, Cornell University & Former FASB member

Ideas were presented by several practitioners from corporations, followed by a presentation on the views from the audit and boardroom. After a lively two-hour discussion, the FASB's perspectives and responses were addressed, followed by further discussion and a summary of potential next steps. The rating agency, investor and academic perspectives were all considered during the discussion periods.

Concerns from this meeting will be addressed and applied in the white papers.
Last year, we launched our Security Analysis Series with a round table discussion on the role of fundamental analysis.

Round Table Discussion

From Stock Selection to Portfolio Alpha Generation: The Role of Fundamental Analysis

On December 8th 2005, CEASA and Morgan Stanley hosted a Round Table Discussion entitled, “From Stock Selection to Portfolio Alpha Generation: The Role of Fundamental Analysis”. Participants included:

Andrew Alford, Goldman Sachs Asset Management  
Mike Corasaniti, Pequot Capital  
Steve Galbraith, Maverick Capital  
Mitch Julis, Canyon Capital Advisors  
Andrew Lacey, Lazard Asset Management  
Mike Mauboussin, Legg Mason Capital Management  
Henry McVey, Morgan Stanley  
Stephen Penman, Columbia Business School

Moderators:  
Trevor Harris, Morgan Stanley  
Donald Chew, Journal of Applied Corporate Finance (JACF)

The goal of this meeting was to provide a forum for participants who have or are working in different areas of the investment process. Most of the participants have been in different positions in their careers and were able to incorporate these different perspectives into the discussion.

One often hears from many corporate officers and other market participants that investors have short-term investment horizons, care only about next quarter's earnings, use simple summary measures (like P/E's), and do not focus on core fundamentals. This conversation aimed to confirm or dispel these perceptions.

The conversation commenced by asking the buy-side participants (Steve Galbraith, Mike Corasaniti, Andrew Alford and Andrew Lacey) to explain their investment
styles and practices, at least in broad terms. Then the sell-side participants commented on their experience with clients and the investment process, and how they approached these from a benchmark (market or sector perspective).

The conversation then moved on to discuss how the participants evaluate companies and investments from a stock (or security) selection perspective, and eventually relate this to portfolios and their risk.

Finally, Professor Penman shared insights from research in academia about these issues.

Particular issues in the conversation covered included:

- Typical investment horizons
- Key characteristics and metrics focused on or used for stock selection and portfolio construction, including:
  - What one looks to for assessing performance of the companies
  - How metrics are related to price (multiples (absolute and/or relative)
  - Valuation approaches (single vs. multi period)
  - How one measures and considers risk in the business, security or portfolio
  - How much does one consider or worry about cost of capital measures (for specific securities and portfolios)
  - Whether one looks at only price-based risk measures or whether (and how) one incorporates fundamental measures into the risk analysis
  - What are the non-financial considerations
- How much one cares about or believes in precise measures (point estimates) of value (for example, a single and intrinsic value; a price target, a rating)
- The hindrances faced and issues confronted in the investment process

In addition, the conversation addressed the future of fundamental analysis, and posited what changes in how fundamental analysis is used for stock selection/portfolio construction in the not too distant future.

The Round Table will be published in the Journal of Applied Corporate Finance in Volume 18, Number 1, Winter 2006.

For access to the transcript of this Round Table, please go to:
http://www0.gsb.columbia.edu/ceasa/index.html
The presentation and classification of cash flow statement items has been an issue since 1987, when the FASB required businesses to provide a cash flow statement to investors. Reconsideration of several components on the cash flow statement will be addressed and considered in two parts in CEASA’s occasional paper series. Elements of this series could develop into a larger project on Performance Reporting.

Cash Flow Statement Analysis: Part I

This paper demonstrates that current FASB cash flow statement classification rules are simplistic and wrought with internal contradictions. As a result, the reported Net Cash Flow from Operations subtotal is often contaminated by the cash flow effects of certain investing and financing transactions, including the income tax effects of those transactions; and a similar contamination often results in the reported Net Cash Flow from Investing and Net Cash Flow from Financing subtotals. The paper also demonstrates that reporting gross operating inflows and outflows under the direct method with a supplemental reconciliation of net income and cash flow from operations is more informative than reporting cash flow from operations under the indirect method. A three-part solution to these problems is proposed: (1) develop concepts-based classification rules consistent with the economic substance of the cash flows the finance literature and refine them to preclude inconsistent and contaminated classification of cash flows; (2) report income tax cash flows in a separate fourth category; and (3) require the direct method together with a supplemental reconciliation of net income and net cash flow from operations.

Professor Hugo Nurnberg of Baruch College has been commissioned to prepare an Occasional Paper on Accounting for the Cash Flow Statement: Critique of the Cash
Flow Statement Under FASB Statement No. 95. Completion is due in the first quarter of 2006.

Cash Flow Statement Analysis: Part II

Investors have increasingly turned to the analysis of cash flows as a complement to, or even substitute for, the income statement. This occasional paper deals with this issue by addressing two questions. First, under what circumstances does it make sense to evaluate a firm’s performance by focusing on cash flows rather than income/expense flows? Second, given the answer to this question, how can one best conceptualize a schedule of cash flows? This paper argues that the analysis of cash flows works effectively if one focuses on what is often referred to as “modified cash accounting”. This approach is not equivalent to the usual analysis based on the statement of cash flows. The paper then discusses how one applies and implements modified cash accounting, with particular emphasis on the measures that indicate the quality of a firm's reported earnings.

Professor James Ohlson of Arizona State University has been commissioned to prepare this Occasional Paper on The Analysis of Cash Flows: How It Should Be Done. Completion is due in the second quarter of 2006.
The Director Program

Two programs under the title *Accounting Essentials for Corporate Directors: Enhancing Financial Integrity* were offered during 2005 at the Rihga Royal Hotel. The programs drew high caliber directors from boards of many companies. The participants gave the program excellent ratings. The presentations involved a combination of teaching by faculty and talks by regulators.

**Faculty Directors**

Nahum Melumad, James L. Dohr Professor of Accounting; and Chair of the Accounting Division

Stephen Penman, George O. May Professor of Accounting; and Morgan Stanley Dean Witter Research Scholar

**Faculty Team**

George Benston, John H. Harland Professor of Finance, Accounting and Economics, Goizueta Business School, Emory University; Advisor on accounting to the Examiner in Bankruptcy, Enron Corporation

Patricia M. Fairfield, Associate Professor, Georgetown University; former Academic Fellow, US Securities and Exchange Commission

Trevor Harris, Managing Director, Morgan Stanley, and head of the Global Valuation and Accounting Policy Group in the Equity Research Department

Doron Nissim, Associate Professor, Columbia Business School

Katherine Schipper, Member, Financial Accounting Standards Board
Key Note Speakers

James Doty, Partner, Baker Botts LLP and former general counsel, Securities and Exchange Commission
Kayla Gillan, Board Member, Public Company Accounting Oversight Board
Frederick D. Lipman, Partner, Blank Rome LLP; Director, Association of Audit Committee Members Inc
Carol Stacey, Chief Accountant of the Division of Corporation Finance

Topics Discussed

- Navigating the Financial Statements
- Scrutinizing a Company’s Financial Reporting
- Upholding the Principles of Controllership
- Industry-Specific Accounting Analysis: Small group meetings to discuss industry specific accounting issues and analyze individual companies' financial statements
- How Wall Street Reads Financial Reports: Understanding the concerns that analysts have with financial reporting and how they use financial reports in making stock recommendations
- Understanding how earnings can be managed and identify the flash points in reporting earnings
- Earnings Quality
- Identifying Red Flags: Scrutinizing the Disclosures in Financial Statements
- Fair Value Accounting and Balance Sheet Quality
- Revenue Recognition
- Special purpose entities
- Business combinations
- Analyzing Operating Performance: Identifying key measures that diagnose operating performance
- Reviewing accounting principles and highlighting potential trouble spots
- Understanding the business through financial statements
- The role and limitations of financial accounting: Lessons from recent experience
- Dealing with Issues in the Board Room

For more about the Director's Program, please go to: http://www0.gsb.columbia.edu/execed/open/programs/nyse.cfm

The Spring 2006 Program will be held on April 24th – 26th at the Ritz Carlton Hotel, New York.
CEASA and Columbia Business School gratefully acknowledge the support of the following organizations:

General Electric Foundation, IBM and Morgan Stanley recognize the need for this center, and with their generous support, help make it possible.
Other Developments

2005 Advisory Board Meeting

On June 1st, we had a successful Advisory Board meeting chaired by Arthur Levitt. The objective of this meeting was to select two projects for the Center for 2005-2006 and to discuss the Center’s ongoing strategy. The major outcome of the meeting was the research agenda: the Pensions project and project on Fair Value Accounting are the Center’s focus for the remainder of 2005 and the first half of 2006. In addition, we plan to disseminate a body of our work to practitioners via conferences, meetings and/or seminars at the end of 2006.

The following is a list of attendees:

Advisory Board Members:
Arthur Levitt, Chairman of the Board, CEASA
Phil Ameen, Vice President & Controller, General Electric
John Biggs, Former Chairman, President & CEO, TIAA-CREF
Peter Fisher, Managing Director, BlackRock
Carol Junge Loomis, Editor-at-Large, Fortune Magazine
Robert Swieringa, Dean, Johnson Graduate School of Management, Cornell University

CEASA Staff:
Trevor Harris, Co-Director, CEASA
Stephen Penman, Co-Director, CEASA
Rachel Winston, Associate Director, CEASA

Columbia Business School:
Glenn Hubbard, Dean, Columbia Business School
Doron Nissim, Gary Winnick & Martin Granoff Associate Professor of Accounting, Columbia Business School
Marilyn Kohn, Associate Dean, External Relations & Development, Columbia Business School
Marita Altman, Associate Director, External Relations & Development, Columbia Business School
We presented the Board with five project topics: Fair Value Accounting, Performance Reporting, Consolidation and Business Combinations, Revenue Recognition, and Accounting for Executory Contracts, Including Leases.

Of the aforementioned topics, the most time was spend discussing a project on Fair Value accounting, including a paper on an overall framework of the issue and an empirical piece focused on the banking industry. Professor Doron Nissim, who is engaged as the primary Project Consultant, presented his outline and some of his empirical findings thus far.

After discussing some of the difficulties inherent in this broad topic, Peter Fisher suggested that CEASA host a 15-25 people gathering to talk about FAS 133 and the practical issues that they are facing. This meeting would be a brainstorming session where experts could suggest alternative ways of thinking about the issues in a relatively informal but totally neutral and non-public way, under the auspices of CEASA. The meeting took place in October: for complete details, please see page 13 of this report.
CEASA Quarterly Review

In the first quarter of 2006, CEASA plans to launch the CEASA Quarterly Review. The Quarterly Review will enable us to interact with practitioners, academics and professionals on an ongoing basis. The Review is a newsletter that will outline CEASA’s current activities, will provide information on upcoming events, and will serve as a vehicle to respond to recent relevant accounting and security analysis activity.

The Review will have a section called CEASA Comments, where we will comment on
• recent FASB or IASB pronouncements, revisions and staff positions;
• major accounting news;
• new CEASA project abstracts and ideas, and
• any ongoing project updates, additions or amendments.

We anticipate mailing and emailing the Review with new published materials on a quarterly basis.

Accounting Library

In the first quarter of 2005, Professor Richard Brief of New York University donated his collection of over 300 important historical accounting books to CEASA. The collection is available to researchers, students and practitioners via the Center. This unique collection primarily consists of durable reprints of 18th to 20th Century accounting manuscripts and texts. A complete listing of all the books will be available online, via the CEASA website, in the first quarter of 2006.

Ideas Distributed

In order to convey our work to the public, we plan several distribution points: the CEASA website, meetings/sponsored breakfasts, teaching meetings, and conferences. Our website is the primary tool of delivery. We have a fine-tuned distribution list of academics, professionals, standard setters and the like, whom we email with relevant Center activities and updates.
In addition to the web, we intend to hold meetings and/or sponsored breakfasts to an invited, select crowd. These meetings will allow us to explicate the general scope and purpose of our projects, as well as provide a forum for questions. We might have a panel of experts, including those who participated in the crafting of the document. These meetings will be open to the media in order to generate more exposure of the Center and its projects.

**Ideas at Work**

Ideas at Work is Columbia Business School’s web portal of recent, relevant research. Columbia Ideas at Work is a bridge between business research and practice, offering key insights from Columbia Business School’s faculty in a format that is easily accessible to busy executives.

The Ideas at Work site presents practical applications of CEASA’s research, along with other research from Columbia Business School, to help companies and practitioners in various disciplines. The site is organized into three sections:

- Magazine — a quarterly, online magazine showcasing recent research
- Research briefs — one-page digests of the main findings of research papers
- Research archive — a searchable database of faculty publications

Content on the magazine home page is updated on a quarterly basis. One can sign up to receive updates via e-mail or an RSS feed. To view past issues, click Magazine Archive at the top of the home page. The topic pages listed in the left navigation menu aggregate content over time; each topic also has an archive page with a complete list of past features.

One can also search the research archive from any page on the site. The search results list faculty publications with links to related research briefs and magazine content.

Access Ideas at Work online at:  
[http://www.gsb.columbia.edu/ideasatwork](http://www.gsb.columbia.edu/ideasatwork)
White Paper Projects

The following are our 2005 white paper project proposals. Our anticipated output on these projects is as follows: an authoritative “white paper” on the topic, a well-moderated roundtable discussion that brings practitioners (preparers and users), academics and regulators together to bring clarity to the issues, a conference (or series of conferences) that serves as a basis for explaining clarifying best practices focused on the appropriate use and interpretation of each project. From these white papers, we will produce a policy brief, and an equity valuation paper.

Executory Contracts - Leases

What Is the Issue?

Recent events have highlighted the potential for companies to enter into contractual commitments leading to unrecognized obligations. The SEC has now mandated disclosures in the US but they will be difficult for users to interpret. The most common form of executory contract is "leases" for which there is a very detailed set of accounting rules. There are many hundreds of pages of prescriptive rules under US-GAAP related to accounting for leases, yet few people believe there is much economic rationale for what exists. The separation of capital and operating (finance) leases is defined in the rules but is artificial in practice. These "bright-line" rules have also been used to avoid the application of appropriate accounting. The G4+1 group of standard setters articulated some time ago that they needed to tackle the issue and put out a discussion paper. The FASB and IASB have this topic under consideration: in April 2004, the IASB met to discuss an anticipated project that will ultimately lead to the replacement of IAS 17, and the FASB met in April 2005 to discuss FASB Statement 13, Accounting for Leases, to transactions classified as leveraged leases.

Why Should It Be Analyzed By CEASA?

The outcome of any change in standards has broad implications for a wide spectrum of corporations and is expected to be a topic that will be hotly debated. This alone makes it a good candidate, but the issue also resonates because it is an area with inadequate analysis by most users leading to potential inefficiencies in capital allocations for the
markets. The topic might be narrowed to leases, but the findings are likely to have implication for the broader set of similar contracts.

**Performance Reporting**

**What Is the Issue?**

There are two complementary issues: one relevant to financial reporting, the other to security analysis: How should business income be reported in financial statements? Should equity and debt analysts adjust income reported in GAAP financial statements? If so, how? Is one summary number – like earnings per share – meaningful? If so, what characteristics of these earnings and the measure of shares should be used? If this is a notion of core earnings or sustainable earnings, is there a set of principles as to how it should be calculated? Is such a measure feasible? What is the role of comprehensive income reporting and what is the basis for separating items into net income for EPS and other comprehensive income (STRGL in UK)?

For example, how should one-time write-offs and charges be handled, especially when these charges affect income to be reported in the future? Should a measure of operating income be distinguished from net income and can a meaningful distinction be made? How might the income statement be presented to identify various attributes of income? How might answers differ under historical cost accounting and fair value accounting? How is performance reported under a mixed model? Does the issue require a radical rethinking about financial reporting? Is the issue just a formatting problem or is it one of redefining the way that income is measured? To what extent is the issue a financial reporting matter versus a question for equity analysis? If the latter, is there sufficient information for appropriate analysis? If not, what is needed?

**Why Should It Be Analyzed By CEASA?**

There is considerable discontent with GAAP earnings, producing a proliferation of ‘pro forma’ income measures. Many of these are promoted with self interest. Many are subject to challenge on theoretical or practical grounds. Many investors still focus on earnings and earnings growth measures for valuing stocks.

The IASB and FASB are jointly involved in a performance reporting project. They are addressing what makes up a complete set of financial statements, whether to require presentation of comparative financial information and how financial information should be classified aggregated and displayed in financial statements. They are not addressing MD&A, pro-forma earnings and other communications outside financial statements, or current requirements relating to the disclosure of segment information.
The FASB and IASB Boards met in June 2005 at a Joint International Working Group to discuss the project, and again in November and December. The FASB Board decided not to issue and Exposure Draft on certain decisions at that time. Rather, the Board will continue work on a preliminary views document which will incorporate decisions reached in various segments of the project with the IASB. A Preliminary Views document should be out by the fourth quarter of 2006.

**Revenue Recognition**

*What Is the Issue?*

Revenue is usually the largest single measure in determining earnings and is the starting point for most forecasting approaches. Many investors perceive revenue to be easily measured and relatively free of manipulation, yet more than half of all accounting frauds prosecuted in the U.S. have been related to revenue recognition. There is no general accounting standard on revenue, and US-GAAP contains 180 instances of transaction-specific and industry-specific guidance. Despite, or perhaps because of, the volume of guidance similar business arrangements are not necessarily accounted for in a similar way. The complexity of business arrangements and transactions continue to grow, making application of specific rules difficult to apply and potentially misleading. Revenue recognition also impacts cost recognition and can lead to confusing balance sheet measures, via application of a traditional matching concept.

*Why Should It Be Analyzed By CEASA?*

The FASB and IASB have an active joint project on Revenue Recognition and many specific issues are being confronted daily. Some of the ideas being considered by these regulators, in the spirit of logical consistency, will have a dramatic impact on business practice and security analysis. The issues are complex and varied and lends itself to the blending of theory and practice envisioned in CEASA's objectives.

At its next revenue recognition meeting, the FASB intends to discuss principles for revenue recognition using the allocated customer consideration approach and issues related to executory contracts. That meeting tentatively is scheduled for late February 2006. In the third quarter of 2006, the FASB plans to issue a Preliminary Views document covering both concepts- and standards-level revenue recognition guidance.
Consolidation of Business Combinations

What Is the Issue?

After the elimination of “pooling” in 2001, the application of the purchase method and issues concerning consolidation have been high atop the list at the FASB and IASB. The purchase method was developed over thirty years ago, and the relevance, completeness and comparability of financial information needs to be updated for new industry, financial instruments and accounting standards.

Currently, there exist inconsistencies in the guidance for measuring assets acquired and liabilities assumed in a business combination. What assets and liabilities should be recognized in the accounting for a business combination? Should the purchase method be used in a transaction or event other than a purchase of net assets or equity interests that result in a reporting entity obtaining control over a business? In many instances, the classification of minority interests in consolidated statements and the accounting for such transactions between the reporting entity and holders of these interests are difficult to compare and unclear. Should proportioned consolidation be entertained?

Why Should It Be Analyzed By CEASA?

This is currently a joint-project between the FASB and IASB, with the intention of developing a single accounting standard that could be applied to both domestic concerns and cross-border concerns. On June 30, 2005, the FASB and the IASB each published two documents on the topic. The FASB's Exposure Drafts are entitled, Business Combinations and Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries. The IASB completed Proposed Amendment to IFRS 3, Business Combinations, and Proposed Amendments to IAS 27, Consolidated and Separate Financial Statements.

The Boards expect that redeliberations will take approximately one year and that final business combination and noncontrolling interests Statements will be issued in the first half of 2007. The Boards will review the target effective date of those Statements near the end of redeliberations.
Trevor Harris is a Managing Director at Morgan Stanley of Valuation, Accounting and Enterprise Risk. Prior to joining Morgan Stanley full-time, he served three years as a consultant to the firm on global valuation and accounting issues. He is the primary author of the Apples-to-Apples research series focusing on global sector valuations and earnings quality issues, has recently led the development of Morgan Stanley’s ModelWare project and has written extensively on earnings quality, investment and global pension and retiree benefit issues.

Prior to joining the firm, Trevor was the Jerome A. Chazen Professor of International Business and Chair of the Accounting Department at Columbia Business School. He is co-Director of Columbia’s Center for Excellence in Accounting and Security Analysis. He serves on the Standards Advisory Council to the International Accounting Standards Board, the Users’ Advisory Council to the Financial Accounting Standards Board and is a member of the International Capital Markets Advisory Committee at the New York Stock Exchange. Trevor has provided consulting services on international accounting, controllership, and valuation issues to many large, international corporations, as well as Salomon Brothers and its clients, Standard & Poor’s, and TIAA/CREF's investment group. Trevor received his doctorate from the University of Washington in 1983 and has published widely on valuation and accounting issues. He has made presentations at over 200 conferences, institutes and universities around the world. Additionally, he has published widely in the academic accounting literature. Recent publications include:

Stephen H. Penman

George O. May Professor of Accounting; Columbia Business School; Co-Director, CEASA

Stephen H. Penman is the George O. May Professor and the Morgan Stanley Research Scholar in the Graduate School of Business, Columbia University. Prior to his appointment at Columbia in 1999 he was the L.H. Penney Professor in the Walter A. Haas School of Business at the University of California at Berkeley. From 1990-95 he served as Chairman of the Professional Accounting Program and Chairman of the Accounting Faculty at Berkeley where he initiated and chaired the Haas School's Annual Conference on Financial Reporting. He has served as a Visiting Professor at Columbia University and the London Business School, and as the Jan Wallander Visiting Professor at the Stockholm School of Economics.

Professor Penman received a first-class honors degree in Commerce from the University of Queensland, Australia, and M.B.A. and Ph.D. degrees from the University of Chicago. His research is concerned with the valuation of equity and the role of accounting information in security analysis. He has published widely in finance and accounting journals and has conducted seminars on fundamental analysis and equity evaluation for academic and professional audiences. In 1991, he was awarded the notable Contribution to Accounting Literature Award by the American Accounting Association and the American Institute of Certified Public Accountants, and in 2002 was awarded the American Accounting Association and Deloitte & Touche Wildman Medal for his book, Financial Statement Analysis and Security Valuation, published by McGraw-Hill/Irwin. He is managing editor of the Review of Accounting Studies and is on the editorial board of the Schmalenbach Business Review.

Rachel Winston

Associate Director of Research, CEASA

Rachel Winston is our full-time associate director of research. She manages all of CEASA's daily operations as well as aids primary researchers with our projects. Before joining CEASA in 2003, Ms. Winston worked as an associate in business development for a financial advisory firm. Prior to that, she was an investment banking analyst in the Global Media Group at Merrill Lynch. Ms. Winston graduated cum laude from Duke University.
Arthur Levitt joined The Carlyle Group in May 2001 as a Senior Advisor to the firm. He advises Carlyle management on strategic business matters. Prior to joining Carlyle, Mr. Levitt was the 25th Chairman of the United States Securities and Exchange Commission. First appointed by President Clinton in July 1993, the President reappointed Chairman Levitt to a second five-year term in May 1998. In September 1999, he became the longest-serving Chairman of the Commission. He left the Commission in February 2001.

Investor protection was Chairman Levitt's top priority. Throughout his tenure at the Commission, Chairman Levitt has worked to educate, empower, and protect America's investors - now more than 50 million strong. Early in his tenure, Chairman Levitt created the Office of Investor Education and Assistance and established a website (www.sec.gov), which allows the public free and easy access to corporate filings and investor education materials. In the past seven years Chairman Levitt has conducted more than forty investor town meetings throughout the country to listen to the concerns of investors and to give them tips on safe and wise participation in the securities markets.

Other hallmarks of Chairman Levitt's tenure include, improving the quality of the financial reporting process, maintaining the independence of auditors, saving investors billions of dollars by reducing spreads in the Nasdaq market, promoting the use of plain English, requiring that important information be released to all investors simultaneously, fighting Internet fraud, and cleaning up the municipal bond market.

Key policy successes include:

- strengthening the independence of auditors and the profession's self-regulatory functions;
- improving the quality of financial reporting, including strengthening the oversight role of corporate audit committees;
• leveling the information playing field through Regulation Fair Disclosure, which requires companies to release important information to all investors at the same time;

• creating a regulatory framework that embraces new technology and promotes competition through the order handling rules, which dramatically reduced the cost of buying and selling in the Nasdaq market, and Regulation ATS, which provided regulatory flexibility for electronic markets to innovate;

• reforming the municipal debt markets by eliminating pay-to-play and improving price transparency;

• requiring the use of plain English in mutual fund investment literature, public company communications with investors, and SEC communications with the public;

• sanctioning the Nasdaq market for price manipulation and mandated improved self governance;

• preserving the independence of the private sector standard setting process; commencing vigorous Internet fraud detection and prosecution;

• working closely with the criminal authorities to prosecute securities fraud; and

• improving broker sales and pay practices.

Before joining the Commission, Mr. Levitt owned Roll Call, a newspaper that covers Capitol Hill. From 1989 to 1993, he served as the Chairman of the New York City Economic Development Corporation, and from 1978 to 1989 he was the Chairman of the American Stock Exchange. Prior to joining the Amex, Mr. Levitt worked for 16 years on Wall Street He is presently Senior Advisor to The Carlyle Group and on the boards of Neuberger Berman and Bloomberg as well as a member of the American Academy of Arts & Sciences. He graduated Phi Beta Kappa from Williams College in 1952 before serving for two years in the Air Force.

Levitt's best selling book, TAKE ON THE STREET: What Wall Street and Corporate America Don't Want You to Know/What You Can Do to Fight Back was published by Pantheon Books in October, 2002.
Board Members

Philip D. Ameen

Vice President and Comptroller;
General Electric Company

Philip D. Ameen is a native of North Carolina and an alumnus of the University of NC-Chapel Hill. A Certified Public Accountant, Mr. Ameen was Sells medalist in the May 1972 CPA exam, and was a technical audit Partner in the Executive Office of Peat Marwick Mitchell & Co until 1985 when he joined GE Capital in Stamford.

Following three years of increasing responsibility in GECC’s lending, leasing and mergers and acquisitions activities, Mr. Ameen was selected to join GE’s headquarters staff in Fairfield, supporting Mr. Dammerman, then GE’s CFO, during Mr. Dammerman's tenure on FASAC and FAF.

In his present position, Mr. Ameen is responsible for the accounting and financial reporting consequences of the various transactions of the diversified GE businesses, and is responsible for all of GE’s external reporting, including accounting and reporting by GE’s financial services businesses. He leads a distributed GE controllership team comprising approximately 2,000 Chartered or Certified Public Accountants.

Mr. Ameen's experience in accounting standards setting is extensive. He is a trustee of Financial Accounting Foundation, a member of the International Financial Reporting Interpretations Committee of the International Accounting Standards Board, the Chairman of the Financial Executives Institute's Committee on Corporate Reporting, a member of the FASB's Emerging Issues Task Force (11 years, then the longest service period of any EITF member), and a member of the AICPA's Accounting Standards Executive Committee, where he chaired the working group responsible for Statement of Position, "Internal Use Software."
Mark J.P. Anson

Chief Executive Officer, Hermes Pensions Management Ltd.

Mark Anson is the Chief Executive Officer of Hermes Pensions Management Ltd. In London Hermes manages over £60 billion for pension funds and other institutional clients across the asset classes of international equity, emerging markets, global bonds, real estate, private equity, commodities and hedge funds. He is responsible for a staff of 300 and a budget of £60 million.

Mark was formerly the Chief Investment Officer for the California Public Employees' Retirement System (CalPERS) where he oversaw the growth in assets from $127 billion to $201 billion. At CalPERS, Mark had full responsibility for the strategic plan for CalPERS' Investment Office including tactical and strategic asset allocation, risk management, business development, budget authority, new investment programs, trading technology, staffing, and back office operations. His responsibilities included an operating budget of $410 million and the generation of $7 billion in annual benefit payments.

Mark received a scholarship to attend the Northwestern University School of Law in Chicago where he received his law degree and graduated with honors as the Executive/Production Editor of the Northwestern University Law Review. Mark also received a scholarship to attend the Columbia University Graduate School of Business in New York City where he received both his Ph.D. and Masters in Finance, again with honors, as Beta Gamma Sigma. Mark graduated With Distinction from St. Olaf College in Minnesota with a double major in Economics and Chemistry. Mark has also been honored with the Distinguished Scholar Award from the Institute of International Education and Fulbright Foundation as well as the 2004 Best Paper award from the Journal of Portfolio Management.

Mark is a licensed attorney and a member of the New York and Illinois State Bar Associations. He has also earned the Chartered Financial Analyst, Chartered Alternative Investment Analyst, Certified Public Accountant, Certified Management Accountant, and Certified Internal Auditor professional degrees. Last, Mark has received the Series 3, 4, 7, 8, 24, and 63 NASD securities industry licenses.
Mark is the author of the Handbook of Alternative Assets as well as three other financial textbooks and has published over 80 research articles on the topics of corporate governance, hedge funds, real estate, currency overlay, credit risk, private equity, risk management, and asset allocation. Mark is CalPERS’ primary speaker at investment conferences around the world on these topics. Further, Mark sits on editorial and advisory boards for The Journal of Portfolio Management, The Journal of Alternative Investments, The Journal of Private Equity, The Journal of Investment Consulting, and The Journal of Derivatives Accounting.

John H. Biggs
Former Chairman and Chief Executive Officer; TIAA-CREF

John H. Biggs is former Chairman, President and Chief Executive Officer of TIAA-CREF. Mr. Biggs became Chairman and Chief Executive Officer in January 1993. Previously, he served as President and Chief Operating Officer from 1989-1993.

Mr. Biggs began his professional career with the General American Life Insurance Company in 1958. He served in various actuarial management positions for the company and in 1970 was appointed Vice President and Controller. In 1977, Mr. Biggs became Vice Chancellor for Administration and Finance at Washington University in St. Louis. He was named President and CEO of Centerre Trust Company, St. Louis, in 1985.

A native of St. Louis, Mr. Biggs earned an A.B. degree in classics from Harvard University, and a Ph.D. in economics from Washington University, St. Louis. He is a fellow of the Society of Actuaries.

Mr. Biggs is a Director of the Boeing Company, JPMorgan Chase Co., and a Trustee of Washington University, The Danforth Foundation in St. Louis, The Santa Fe Opera, Chairman of the J. Paul Getty Trust and Emeriti, a not-for-profit sponsor of post-retirement medical benefits for higher education. He is also a Director and former Chairman of the United Way of New York City and the National Bureau of Economic Research.

He is a member of the American Academy of Arts and Sciences, and the Council on Foreign Relations. He is Treasurer of the New York City Investment Fund.

Mr. Biggs has published a number of papers on corporate governance, variable annuities, social security, regulation and taxation of pension plans, and demographic effects on pensions.
Richard J. Carroll

*Chief Accountant; IBM*

Richard J. Carroll joined IBM in 1974 from the University of Rhode Island with a BS in Business Administration.

He held various accounting positions in the Field Engineering and Office Products Division until 1979 when he was named the Balance Sheet Manager of OPD. Since that time, Mr. Carroll has held a number of accounting and planning management positions in both marketing and manufacturing divisions. In December 1987, he became Worldwide Income and Expense/Consolidation Manager in Corporate Headquarters and later was Manager of Accounting - Consolidation and Analysis for IBM U.S.

In October 1989, Mr. Carroll became Director of Financial Planning - U.S. for Corporate Finance, responsible for the overall budget operations in the U.S. In February 1991, he was named Director of Financial Data Management as part of the CHQ Reengineering Project whose objective was to restructure the I/T infrastructure and data delivery processes with IBM Finance. In September 1996, he returned to Accounting as the Director of CHQ Accounting Analysis and Operations with prime responsibility for the consolidation of IBM financial results. In May 2002, Mr. Carroll assumed his current assignment as Assistant Controller responsible for accounting. In 1978, while with IBM, Mr. Carroll received his MBA in Accounting from Fairleigh Dickinson University in New Jersey.

J. Michael Cook

*Retired Chairman & CEO; Deloitte & Touche LLP*

J. Michael Cook is the retired Chairman and Chief Executive Officer of Deloitte & Touche LLP, one of the nation's leading professional services firms. He directed the global merger of Deloitte Haskins & Sells and Touche Ross in 1989.

Mr. Cook is a member of the Board of Directors of Comcast Corporation, The Dow Chemical Company, Eli Lilly and Company and International Flavors & Fragrances. He chairs the Audit Committees of Comcast and International Flavors & Fragrances and is a member of the Audit Committees of Dow and Eli Lilly. He also chairs Dow’s Committee on Directors and Governance. In 2002, Mr. Cook was named by Director's Alert as one of the Outstanding Directors in America and he is now President of the Institute of Outstanding Directors.
Mr. Cook is Chairman of the GAO Accountability Advisory Panel, which provides guidance to the Comptroller General of the United States and other GAO executives. He is a member of the Advisory Council of the Public Company Accounting Oversight Board (PCAOB) and is a Trustee of The Scripps Research Institute. He was a member of the National Association of Corporate Directors’ Blue Ribbon Commission on Corporate Governance.

Mr. Cook has received numerous awards for his commitment to the advancement and retention of high-talent women in business, including the CEO Recognition Award from Women in Technology International and Working Mother magazine’s Family Champion of the Year Award. He was the only male member of the President’s Commission on the Celebration of Women in American History. Through his leadership, Deloitte & Touche was ranked No. 8 on Fortune magazine’s “100 Best Companies to Work for in America” and one of Working Mother magazine’s “100 Best Companies for Working Mothers” for five consecutive years. In 1995 Deloitte & Touche was the recipient of the prestigious Catalyst Award.

Mr. Cook served as Chairman of the American Institute of Certified Public Accountants in its centennial year and was a member of its Auditing Standards Board. He is a past Chairman and President of the Board of Trustees of the Financial Accounting Foundation, the overseer of the Financial Accounting and Governmental Accounting Standards Boards. He has chaired the World Congress of Accountants, was a member of the Advisory Council of the International Accounting Standards Committee and is a member of the Advisory Committee of the Securities Regulation Institute. He is an author and spokesman on professional issues, led the profession’s efforts for securities law reform, and has often testified before Congress on professional issues. Mr. Cook was the 62nd inductee into the “Accounting Hall of Fame” in 1999 and the recipient of the Public Oversight Board’s McCloy Award in December 2001.

Mr. Cook has been an active leader of civic organizations. He is Chairman Emeritus of the Board of Catalyst, the nation’s leading organization for the advancement of women in business. Mr. Cook is a past Chairman of the Board of Governors of United Way of America, the nation’s leader in health and human services and community building. Mike was a Director of The STAR Foundation (Society to Advance the Retarded and Handicapped). In New York he has been Chairman of the Board of United Way of Tri-State and a member of the Board of Trustees of the Central Park Conservancy and the New York City Ballet. Under Mr. Cook’s leadership Deloitte & Touche received United Way of America’s “Spirit of America” award in 1993.

Mr. Cook is a former member of the Board of Overseers of the Columbia Business School and a member of the Business Advisory Board of the University of Florida. He has served as a member of the Board of Directors of the Associates of Harvard Business School and the Board of Trustees of the University of Miami. He is the recipient of the Columbia School of Business Botwinick Prize in Business Ethics, Yeshiva University’s
Distinguished Leadership Award and Monmouth College’s Distinguished Business Leader.

Mr. Cook is an honor’s graduate of the University of Florida (BSBA 1964) and was named a Distinguished Alumnus of the University in 1986. Michael and his wife, Mary Anne, live in Greenwich, Connecticut. They have two daughters, Jennifer and Angela; a son, Jeffrey; sons-in-law, Michael and Paul; and grandsons, Matt, Pete, Charlie and Teddy, and granddaughter, Grace.

Leon G. Cooperman
Chairman and Chief Executive Officer; Omega Advisors, Inc.

After 25 years of service, Lee retired from his positions as a General Partner of Goldman, Sachs & Co. and as Chairman and Chief Executive Officer of Goldman Sachs Asset Management at the end of 1991 in order to organize a private investment partnership, under the direction of Omega Advisors, Inc.

At Goldman Sachs, Lee spent 15 years as Partner and from 1990 to 1991, as Of Counsel to the Management Committee. In 1989, he became Chairman and Chief Executive Officer of Goldman Sachs Asset Management and was Chief Investment Officer of the equity product line including managing the GS Capital Growth Fund, an open-end mutual fund, for one and one-half years. Prior to those appointments, Lee spent 22 years in the Investment Research Department as Partner-in-charge, Co-Chairman of the Investment Policy Committee and Chairman of the Stock Selection Committee. For nine consecutive years, Lee was voted the number one portfolio strategist in the Institutional Investor All-America Research Team survey.

As a designated Chartered Financial Analyst, Lee is a senior member and past President of the New York Society of Security Analysts. Lee is a member of the Board of Directors of Automatic Data Processing, Inc., a Trustee of Saint Barnabas Hospital, and Chairman of the Saint Barnabas Development Foundation, a member of the Board of Overseers of the Columbia University Graduate School of Business, a member of the Board of Directors of the Cancer Research Fund of the Damon Runyon-Walter Winchell Foundation, and a member of the Investment Committee of the Museum of Modern Art.

Lee received his MBA from Columbia University and his undergraduate degree from Hunter College. He is a recipient of Roger Williams University’s Honorary Doctor of Finance and was inducted to Hunter College's Hall of Fame. He and his wife Toby have two sons and two granddaughters.
Sir Howard J. Davies

Director; The London School of Economics and Political Science

Sir Howard Davies is the Director of the London School of Economics, a post he took up in Sept. 2003. From 1997-2003 he was Chairman of the Financial Services Authority, the single regulator for the UK financial sector, which was created under his leadership from nine separate regulatory agencies. From 1995-1997 he was Deputy Governor of the Bank of England. Before that, from 1992-95 he was Director-General of the Confederation of British Industry and, from 1987-92, Controller of the Audit Commission. He was also, for six years, a director of GKN plc and a member of the International Advisory Board of Natwest.

In his earlier career he worked in the Foreign and Commonwealth Office and H M Treasury, both as an official and as special adviser to the Chancellor of the Exchequer. And for five years he worked as a management consultant for McKinsey and Co. Inc.

Sir Howard Davies was educated at Manchester Grammar School and Merton College, where he took an MA in History and French. In 1979 he was awarded a Harkness Fellowship and in 1980 gained an MSc in management science at Stanford Graduate School of Business.

Throughout his career he has written widely for publication, reviewing fiction for the Literary Review and The Times, historical and economics books for the Economist, The Times, the TLS and the Times Higher, among other publications. He has lectured extensively at home and overseas and is a regular participant in the World Economic Forum in Davos. In 1993 he was Deputy Chairman of the Rowntree Committee Enquiry into the distribution of income and wealth, working with John Hills of the LSE.

He is Chairman of the Employers Forum on Age, a charity committed to fighting age discrimination in the workplace, and since 2002 he has been a Trustee of the Tate. Aged 52, he is married to Prue Keely, the Editor of the World Tonight on BBC Radio 4. They have two sons and live in London and Dorset.
Peter R. Fisher, Managing Director, is chairman of BlackRock’s business in Asia and is a member of BlackRock’s Management Committee. He is responsible for coordinating development and execution of the firm’s business strategies in Asia. He also serves as a member of the firm’s Investment Strategy Group.

Prior to joining BlackRock, Mr. Fisher served as Under Secretary of the U.S. Treasury for Domestic Finance from August 2001 to October 2003. Mr. Fisher served as the Treasury Board representative to the Pension Benefit Guaranty Corporation (PBGC), as a member of the Board of the Securities Investor Protection Corporation (SIPC) and had responsibility for the offices of Financial Markets, Financial Institutions and Fiscal Services.

Before joining the Treasury, Mr. Fisher spent 15 years at the Federal Reserve Bank of New York, concluding his service there as Executive Vice President and Manager of the System Open Market Account with responsibilities for domestic money market and bond market operations, discount window lending, foreign currency trading, and the investment of foreign currency reserves. Mr. Fisher earned a BA degree in history from Harvard College in 1980 and a JD degree from Harvard Law School in 1985.

As Chief Financial Officer and Head of Strategy for Citigroup Inc., Sallie L. Krawcheck is responsible for Financial Reporting, Treasury, Tax, Investor Relations, Mergers and Acquisitions, and Strategic Planning. Ms. Krawcheck joined Citigroup in October 2002 as Chairman and Chief Executive Officer of Smith Barney, where she oversaw the global management of both its Global Private Client and Global Equity Research businesses. In her two years with Smith Barney, Ms. Krawcheck successfully guided one of the leading private wealth management organizations in the United States. She
also restructured Smith Barney’s Equity Research business to operate independently, while strengthening the quality and transparency of its research. Ms. Krawcheck is a member of the Citigroup Management, Operating, and Business Heads Committees and the Citigroup Foundation Board, as well as the Firm’s Business Practices Committee.

Prior to joining Citigroup, Ms. Krawcheck was Chairman and Chief Executive Officer of Sanford C. Bernstein & Company, where she became one of the most influential voices for research quality and integrity. She was responsible for managing that firm's research, brokerage, and trading operations, as well as its business development and planning. She also served as an Executive Vice President of Bernstein’s parent company, Alliance Capital Management, from 1999 to 2001. Prior to that post, Ms. Krawcheck was Bernstein’s Director of Research, and appreciably grew the firm's profit base by expanding industry-sector coverage. From 1994 to 1999 she was a senior equity research analyst responsible for the coverage of life insurance and securities brokerage companies. For each year Ms. Krawcheck covered the securities brokerage sector, she was ranked the number-one analyst in Institutional Investor magazine's annual poll.

Previously, Ms. Krawcheck had worked as a financial analyst at Salomon Brothers, and later at Donaldson, Lufkin & Jenrette as an associate in the Corporate Finance department.

A native of Charleston, South Carolina, Ms. Krawcheck attended the University of North Carolina at Chapel Hill on the prestigious Morehead Scholarship, and graduated in 1987 with academic honors and a Bachelor of Arts. In 1992, she received a Master of Business from Columbia University.

An active participant in the affairs of her alma maters, Ms. Krawcheck has endowed her former secondary school, The Porter Gaud School, with the Krawcheck Scholarship, a needs-based scholarship awarding full tuition to students of exceptional aptitude. She is a member of the Board of Directors for The University of North Carolina at Chapel Hill Foundations, Inc. and the Board of Overseers for Columbia Business School. She also sits on the Advisory Board for Columbia University’s Center for Excellence in Accounting and Security Analysis. Additionally, Ms. Krawcheck is a member of the Board of Directors for Carnegie Hall.

In 2002, Ms. Krawcheck was recognized as one of Time magazine's “Global Business Influentials” and, in 2003, Fortune magazine named her the “Most Influential Person Under the Age of 40." For three straight years, from 2002 to 2004, Fortune also recognized Ms. Krawcheck as one of the "Most Powerful Women" in business. Forbes magazine in 2005 listed her as #7 in the ranks of the "World’s 100 Most Powerful Women.”
David F. Larcker
*Professor of Accounting; The Graduate School of Business, Stanford University*

David F. Larcker is a Professor of Accounting at the Graduate School of Business, Stanford University. Prior to joining Stanford in 2005, he was the Ernst & Young Professor of Accounting at the Wharton School at the University of Pennsylvania. Before Wharton, he was a Professor of Accounting and Information Systems at the J. L. Kellogg Graduate School of Management at Northwestern University. He received undergraduate and masters degrees in engineering from the University of Missouri - Rolla and a doctorate in business from the University of Kansas.

Dr. Larcker has published many articles and book chapters on topics such as design of executive compensation contracts, corporate governance, measurement of intangible assets, and strategic business models. He is currently a member of the editorial boards of the Journal of Accounting Research, Journal of Accounting and Economics, Journal of Accounting and Public Policy, and Accounting, Organizations and Society. In 2001, Dr. Larcker received the award for notable contribution to managerial accounting research.


He has served as a consultant to numerous organizations such as Compaq Computer, Ernst & Young, General Electric Capital, Guardsmark, Hilton Hotels, and PricewaterhouseCoopers. His consulting focuses on the identification of strategic performance measures and the design of executive compensation contracts.
Mrs. Carol J. Loomis grew up in Cole Camp, Missouri, and attended Drury College in Springfield, Missouri, 1947-49, then the University of Missouri 1949-1951, graduating in 1951 with a Bachelor in Journalism degree.

Mrs. Loomis began her career with the Maytag Co. in Newton, Iowa, as editor of a house organ. Since 1954, she has been with FORTUNE, first as a research associate. She became an associate editor in 1958, a member of the Board of Editors in 1968, and Editor at Large in 2001.

Her writing has covered a wide range of financial and stock market subjects, and she has won a number of awards for business and financial writing. She has received the Gerald M. Loeb Award twice (in 1974 and 1989), and in 1993 she was given the Gerald M. Loeb Lifetime Achievement Award. She has also received two other lifetime achievement awards: One, presented in 2000, came from the Women's Economic Round Table, which was making its first awards for women in financial journalism. The other was the first-ever Henry R. Luce Award for Lifetime Achievement, given to Mrs. Loomis at a Time Inc. presentation in March 2001.

In 1976, Mrs. Loomis wrote an article called "An Annual Report for the Federal Government" that led the U.S. Treasury to begin publication of such a report. After her article appeared she was appointed by the Secretary of the Treasury to an Advisory Committee on Federal Consolidated Financial Statements.

In September 1980, Mrs. Loomis served as one of the six panelists questioning presidential candidates Ronald Reagan and John Anderson on the nationally televised debate sponsored by the League of Women Voters.

Mrs. Loomis has been the editor of Warren Buffet's well-known letter in the Berkshire Hathaway annual report since 1977.

Mrs. Loomis's home is in Larchmont, New York. She is married to John R. Loomis, who is a partner of First Manhattan Co., and has two children, Barbara and Mark.
Robert J. Swieringa
Dean; S.C. Johnson Graduate School of Management, Cornell University

Robert J. Swieringa is the Anne and Elmer Lindseth Dean of Cornell University’s Samuel Curtis Johnson Graduate School of Management. He became the ninth dean of the Johnson School on July 1, 1997.

Dean Swieringa served as a member of the Financial Accounting Standards Board (FASB) from 1986 to 1996. FASB is the key policy-making organization for accounting issues in the United States, and Dean Swieringa gained wide visibility and influence in the corporate community through his work with the group.

He was most recently a professor in the practice of accounting at the Yale School of Management, and was a member of the accounting faculty at the Stanford Graduate School of Business and at the Johnson School before he was appointed to the FASB. An outstanding teacher and lecturer, he won the Justice Foundation Award for Outstanding Teaching at Cornell, and has received numerous awards and honors in recognition of his scholarly and professional work. His research interests are in behavioral accounting and corporate financial reporting.

Dean Swieringa is past Chair of the Board of Directors of the Graduate Management Admission Council that provides the GMAT, the most widely used assessment test in graduate business studies. Dean Swieringa is a member of the Board of Directors of General Electric. He received his Ph.D. in 1969 from the University of Illinois.