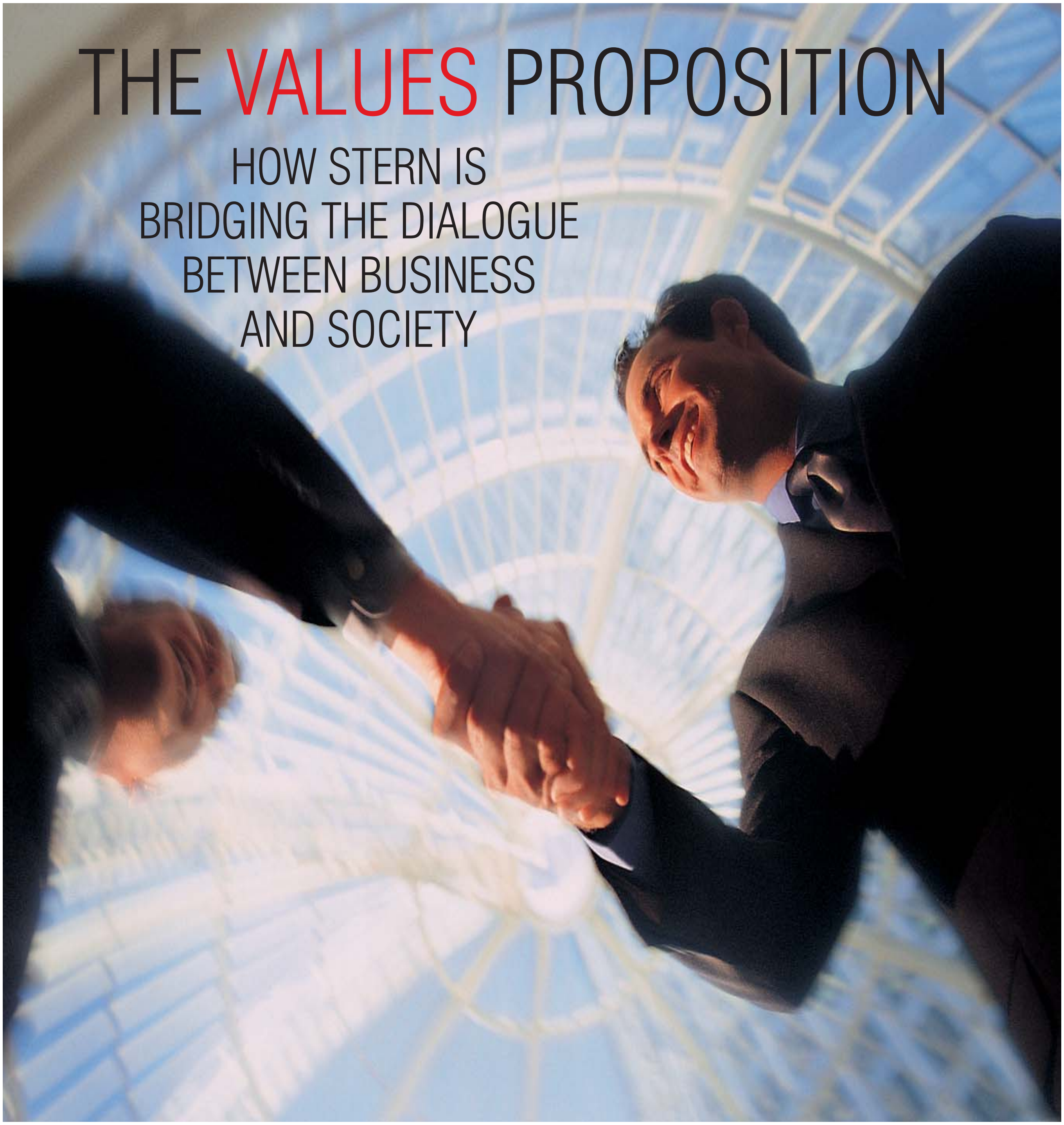
SPRING/SUMMER 2008

the Alumni Magazine of NYU Stern

STERNbusiness

THE VALUES PROPOSITION

HOW STERN IS BRIDGING THE DIALOGUE BETWEEN BUSINESS AND SOCIETY



The Concourse Project ■ Issues in the '08 Campaign ■ Warning Signs of the Subprime Crisis ■ Analyzing the Credit Crunch ■ Global Trends in Finance ■ Is Privacy Passé?

a letter from the dean

NYU Stern has clearly become one of the top-tier centers of business education in the country, attracting not only the brightest students but the most accomplished and respected faculty. We have achieved this stature by dint of our strong belief that the best learning takes place where both knowledge creation – in the form of faculty research – and knowledge dissemination have been optimized. An urban campus such as ours brings with it a special blend of many advantages, in the form of great intellectual and professional stimulus, and the occasional challenge, most specifically relating to physical space. On this latter point, it is with great excitement that I can report to you the launch of the Concourse Project, a historic, $35 million building initiative here at Stern that will transform our New York campus, and our educational environment, in fundamental and momentous ways (page 16).

The project has already started, with the retrofitting and expansion of the usable space in the Shimkin basement, and it will proceed, with meticulously plotted logistics, through the winter of 2009. When it is complete, the formerly cramped, dim lobbies of Tisch Hall and the Kaufman Management Center will be bright and spacious, with sunlight streaming in through soaring glass façades. Significantly, these lobbies and the Shimkin Lobby will finally be directly connected. Natural light will be brought below-grade to the redesigned Lower Concourse. Renovated, flexible classrooms will provide students and professors with the latest learning aids, such as high-speed Internet connectivity and flat-screen displays to facilitate the real-time global seminars that are a requirement of a meaningful 21st-century business education.

Providing the best business education has always been the goal of all our initiatives at Stern. Changes in the global political economy have pushed all the top schools to look beyond a narrow focus on training business leaders in the art of maximizing shareholder value and to think about the variety of ways in which businesses influence the world. The business-society dialogue is a subject that greatly interests us at Stern, and Professor Doug Guthrie and I have set out our views on it herein (page 12). We see this dialogue playing out in the thoughts and actions of our business leaders, as evident in the interviews with Morgan Stanley CEO John Mack (page 24) and Campbell Soup CEO Doug Conant (page 22). In a similar vein, Nobel Laureate Muhammad Yunus spoke at Stern in the fall about microfinance as a way to eradicate poverty (page 41). And student leader R. J. Panda (MBA '08) formed the Stern Campus Greening Initiative as a way to make the dialogue real here at Washington Square (page 41).

The subprime mortgage crisis of the past 18 months is another common theme in this issue. John Paulson (BS '78), whose insight into the subprime crisis netted his hedge fund a multibillion-dollar profit, answers questions about his coup (page 11). Professor Otto Van Hemert crunches the numbers to reveal early warning signs of the subprime crisis (page 28). A panel comprising Stern faculty and industry professionals focused solely on the subprime credit situation, with 550 in the audience (page 3), and quant Jim Simons also touched on it during Stern's new Chats with Financiers series of events (page 4).

In other faculty research, Vasant Dhar identifies a relationship between Internet chatter and online music sales (page 32), and Zur Shapira explores the psychology of consumers faced with insurance purchase decisions (page 36).

Being a leader means doing what it takes to remain ahead of the pack. With the achievement of the Concourse Project, I think you will be proud of what we have wrought at your alma mater: the finest business education available in a state-of-the-art facility in one of the world's most vital cities. With your continued interest, participation, and support, we will continue to lead.

Thomas F. Cooley
Dean

contents SPRING/SUMMER 2008

2 Public Offerings
NYU Stern, *The Economist*, and CFR.org talk global issues in the '08 campaign; scholars and industry chiefs take the pulse of the credit crunch; how managers of hedge funds and quant funds find value; After Market Hours speakers reflect two sides of the entertainment industry; Marc Rotenberg sounds off on privacy in the Google era; and former UN Special Envoy Stephen Lewis rails at poverty and disease in Africa

7 Stern in the City
7 Developer Joe Sitt's bold vision for Coney Island, *By Jenny Owen*
9 Ros Stephenson leads at Lehman Brothers Corporate Finance, *By Rika Nazem*

11 Going Short and Winning Big
8 questions for John Paulson

12 Cover Story – The Values Proposition
NYU Stern prizes a well-rounded education that teaches about business and its role in society, not just how to maximize shareholder value, *By Thomas F. Cooley and Doug Guthrie*

16 Special Feature – Building Connections
A dramatic facilities renovation brings the campus up to par with its growing reputation, *By Marilyn Harris*

22 Leading Indicators
Stern's CEO Series: Doug Conant of Campbell Soup talks about reviving the iconic consumer food giant, and John Mack of Morgan Stanley reports on global trends in the finance industry

26 Prospectus
New faculty appointments, noteworthy papers, awards, and honors

Office Hours – Faculty Research

28 The Subprime Mortgage Crisis
Early signs of a credit crunch were hidden, but discoverable, *By Yuliya Demyanyk and Otto Van Hemert*

32 Does Chatter Matter?
Record industry marketers may want to tune in to the Web to spark album sales, *By Vasant Dhar and Elaine Chang*

36 Paying a Premium
The faulty assumptions consumers make that lead them to overspend on insurance, *By Zur Shapira and Itzhak Venezia*

40 Peer to Peer
Student Life in Washington Square and Beyond: Doing good in Costa Rica, creating an interactive résumé, going green in Washington Square, and lending "social dollars"

42 Alumni Affairs
Alumni News and Events: Community-building initiatives, professional resources for alumni, the first Alumni Business Conference, and alumni in Los Angeles

45 Class Notes

52 Past Performance
Charles Waldo Haskins, accounting evangelist and Stern founder, *By Marilyn Harris*

STERN*business*

A publication of New York University Stern School of Business

President, New York University
John E. Sexton

Dean, Stern School of Business
Thomas F. Cooley

Vice Dean and Dean of the Undergraduate College
Sally Blount-Lyon

Chairman, Board of Overseers
William R. Berkley

Chairman Emeritus, Board of Overseers
Henry Kaufman

Associate Dean, Marketing and External Relations
Joanne Hvala

Editor, STERN*business*
Marilyn Harris

Managing Editors, STERN*business*
Rika Nazem and Jenny Owen

Contributing Writers
Shana Carroll, Randy Cohen, Lisette Coviello, Lauren Furgione, Jessica Neville, Angela Parks, Carolyn Ritter

Contributing Photographers
Annemarie Poyo Furlong
Phil Gallo
Don Pollard

Illustrations
Michael Caswell
Steve Dininno
Bryan Leister
Robert O'Hair
Gordon Studer

Design
Anne Sliwinski

Letters to the Editor may be sent to:
NYU Stern School of Business
Office of Public Affairs
44 West Fourth Street, Suite 10-160
New York, NY 10012
www.stern.nyu.edu
sternbiz@stern.nyu.edu

PUBLIC *Offerings*

GLOBAL ISSUES IN CAMPAIGN '08: NYU STERN, *THE ECONOMIST*, AND CFR.ORG DISCUSS TRADE, ENERGY, IMMIGRATION, AND AMERICA'S IMAGE

Last November, NYU Stern inaugurated a series of panel discussions about major issues in the 2008 US presidential campaign. The debut panel, moderated by Robert McMahon, deputy editor of CFR.org, the outreach arm of the Council on Foreign Relations, consisted of Stern Dean Thomas F. Cooley; Amity Shlaes, senior fellow for economic history at the Council; and Matthew Bishop, editor and New York bureau chief for *The Economist*. Global trade was the subject, with nearly 400 business people, Stern students and alumni, and members of the greater NYU community in attendance.

The panelists agreed that global trade benefits the US economy, while addressing why the general population continues to be pessimistic about globalization and why the candidates have not made the issue a priority in their campaigns. "We are seeing some of the dark side of globalization and trade in a very real way with regard to poison-tainted Chinese toys," observed Dean Cooley. "Why is it politically popular to jump on this issue rather than stand up and talk about the incredible benefits of free trade? Because it's very easy to concentrate on who loses from trade, such as those who have lost jobs because of NAFTA, and it is very difficult to pinpoint who the many beneficiaries are."

The relative absence of discussion on the trade issue by candidates and corporate thought leaders alike was noted by both Shlaes and Dean Cooley. Bishop questioned whether if Hillary Clinton were elected she would adopt the "remarkably positive" free-trade policy of her husband's administration. "I think most people believe she understands the economics of free trade and may find reason to embrace it more aggressively in office" than she has done in the campaign, he said.

Bishop explained his position that free trade should be a mantra for the US. "America is playing globalization better than any other country in the world," he said. "Its companies are the most innovative in the world, leading the profit-making from manufacturing outsourcing in China, as well as the business process outsourcing in India."

In December, the second panel in the series discussed energy and the environment. The panelists were Mark Tercek, managing director at Goldman Sachs and adjunct professor at Stern; Vijay Vaitheeswaran, a reporter for *The Economist* who teaches at Stern; and Elizabeth Economy of the Council on Foreign Relations. Mike Moran, executive editor of CFR.org, moderated. Issues included climate change, the role of business in effecting change, and China's role in global energy investment and security.

Moran launched the discussion by announcing that Australia had received a standing ovation that week at the UN climate change meeting in Bali when it agreed to ratify the Kyoto Protocol. What can the next president do, he asked, to propel the US – now the sole wealthy nation not in

Top: (From left to right) Robert McMahon, Dean Thomas Cooley, Amity Shlaes, and Matthew Bishop discussed global trade.
Bottom: Mike Moran (left) moderated the second panel discussion on energy and the environment with (from left to right) Vijay Vaitheeswaran, Mark Tercek, and Elizabeth Economy.

the pact – into a leadership role in the movement to reduce global warming? Tercek stated that since the US is the largest emitter of greenhouse gases, presidential candidates should take a stand. However, although regulation would give industry the guidance to make smarter, long-term investments in alternative energy, he admitted it would be political suicide for a candidate to propose caps or taxes on carbon emissions that impose a significant short-term cost. Vaitheeswaran pointed out that Republican governors in California, New York, and Massachusetts have already enacted environmental policy, but affirmed that a broad national policy is needed.

On the topic of energy security and independence, Economy observed that China and the US both subsidize gasoline, though Chinese subsidies are larger. The urbanization of China will increase demand 350 percent by 2030 as 400 million people move from rural areas, she said. China has suggested the US and other developed nations share renewable-energy technology with poorer nations for free, an idea the US is resisting.

With millions of legal and illegal immigrants in the country, immigration is a hot-button topic in the current US presidential campaign, and it generated a free-wheeling discussion at the third panel discussion, which was moderated by Dean Cooley, and held, appropriately, on February 5 – "Super Tuesday." "The Immigration Balancing Act: Border Security, Cheap Labor, and US Jobs" was the title of the event, with panelists Edward Alden of the Council on Foreign Relations; Adam Roberts, news editor for Economist.com; and Cristina Rodríguez, associate professor of law at NYU Law School.

Alden posited that the events of September 11, 2001, had raised the issue of border security and naturalization policies to an inflammatory level. Rodríguez, calling the immigration issue a manufactured crisis, nevertheless acknowledged the economic burden on state and local governments imposed by illegal immigrants who access educational and healthcare resources.

Roberts described how immigrants from south of the border used to spend six months in the US and six in their home countries but that now, with hardened borders, they are more inclined to bring their families and remain in the US. When asked about the value of erecting walls or fences to prevent illegal immigrants from crossing US borders, Roberts asserted no wall would be effective. Instead, he suggested, the solution to deterring illegal immigrants is to crack down on the employers who hire them. Alden added that about 40 percent of illegal aliens enter this country legally, coming in by air and staying with lapsed visas.

Cooley asked the panelists to depict the different policies the presidential candidates might adopt if elected. The consensus was that a McCain administration would likely address the immigration issue, while a Clinton or Obama presidency would focus more on health care than immigration. The panelists agreed the next president should focus on creating a new immigration system, open the dialogue with Mexico and the international community, invest in neighboring countries, and separate the issue of immigration from that of security.

The fourth panel discussion in the series, entitled "Brand America: Can the New President Rescue America's Image?," was held in March. The panelists were Peter David, foreign editor of *The Economist*; Walter Russell Mead, the Henry A. Kissinger Senior Fellow for US Foreign Policy of the Council on Foreign Relations; and Craig Calhoun, University Professor of the Social Sciences and director of the Institute for Public Knowledge at NYU. CFR.org's McMahon moderated the discussion.

The entire panel agreed that the Bush administration leaving office will no doubt improve America's brand, but each panelist offered different ideas on what steps the next president should take to undo the damage.

Mead thinks the next president has a very difficult task ahead of him/her because "what is in the interests of the US isn't always what is in the interests of the rest of the world, and unless there is a dramatic shift in US foreign policy, not much will change to improve America's image."

Calhoun's advice to the next president is to not act as a rogue superpower, but to use diplomacy all over the world. He stressed that public relations alone will not save the US image, but action in a variety of areas, from the Kyoto Protocol to the International Criminal Courts, is necessary.

What is at stake if America cannot change its image? David believes America's ability to mobilize other countries to cooperate in US foreign policy interests such as Iraq and the rest of the Middle East relies on gaining support from foreign governments. While it appears as if pro-American governments are coming back (e.g., Sarkozy in France, Merkel in Germany), they still have to "sell" their policy positions to their electorates, who are not pro-American. According to David, immediate wins for the next US president would be to dismantle Guantanamo Bay, extend the ban on torture to the CIA, and sign on to the Kyoto Protocol or develop a comparable global warming initiative.

MARKET PULSE EVENT CENTERS ON THE CREDIT CRUNCH AND SUBPRIME CRISIS

(From left to right) Panelists Robert Engle, Mark Patterson, Dean Thomas Cooley, Edward Altman, Mickey Levy, Paolo Pelligrini, and Matthew Richardson.

NYU Stern's Office of Alumni Relations & Development, the NYU Stern Alumni Council Finance Committee, and the Stern Salomon Center for Research in Financial Institutions and Markets co-hosted a Market Pulse panel discussion in the fall on the subprime credit crisis. More than 550 NYU Stern alumni, students, and industry leaders gathered to hear from expert researchers and practitioners on the topic, including the role of the Federal Reserve, the impact of subprime defaults on the real economy, financial market volatility, and the credit crunch. The Market Pulse series was developed by NYU Stern to pair scholars and industry chiefs in leading a timely dialogue on current market issues.

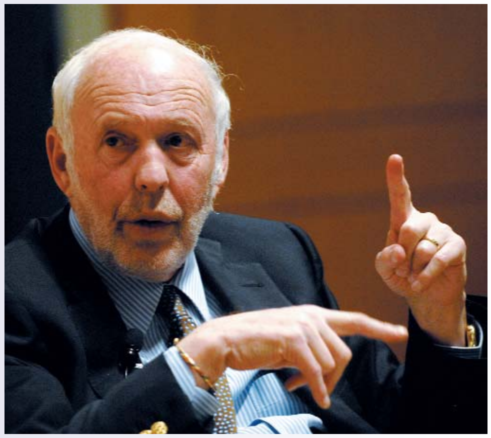
"We consider business the most important driver of social change, and it is our responsibility as educators to be leading the dialogue on how business affects society," said Dean Thomas F. Cooley. Panelists included: Edward Altman, Max L. Heine Professor of Finance; Dean Cooley; Robert Engle, Michael Armellino Professor of Finance and 2003 Nobel laureate; Mickey Levy, chief economist, Bank of America Corporation; Mark Patterson (MBA '86), chairman and co-founder of MatlinPatterson Global Advisers; and Paolo Pellegrini, managing director, Paulson & Co., Inc. The moderator was Matthew Richardson, Charles Simon Professor of Applied Financial Economics and Sidney Homer Director, Salomon Center at NYU Stern.

Over the last few years there have been three characteristics of credit markets: an abundance of credit, low spreads, and loans issued under loosening standards. The market for collateralized debt obligations (CDOs) experienced exponential growth, mainly from leveraged loans. At year-end 2005, residential construction began to fall, and around September 2006, there was an increase in subprime delinquencies. All of this had, and still has, an affect on hedge fund trades. Pellegrini's and Patterson's firms are both players in the credit markets, and both agreed that the impact of this situation will be felt for a while. Pellegrini declared this a genuine credit crisis, not a liquidity crisis, and said there is "froth" in the market.

Engle asserted that while current market volatility is high relative to the last several years, it is not as high as in the period from 2000 to 2002. He explained that while big banks like Citi and Merrill Lynch, which both took large write-downs because of their subprime exposure, are big enough to absorb the hit, they are clearly not insulated from fraudulent loans, poor risk management, and securitized loans. He also noted that there is difficulty in tracing borrowers.

Patterson explained that the current situation likely happened because investors weren't correlating structured investment vehicles with housing loan data, for instance, and, therefore, did not not fully comprehend the scale of what was happening. Dean Cooley and Levy provided macroeconomic perspectives, commenting on the Federal Reserve System's decision to cut the federal funds rate and revive the discount window to reassure markets that the Fed would provide support. Dean Cooley, explaining that the Fed was created to promote the stability of the banking system, said that the Fed's actions create moral hazard and are disingenuous. Levy cautioned that as finances unwind, so, too, will the housing market.

ACTIVIST INVESTOR WILLIAM ACKMAN AND QUANT EXTRAORDINAIRE JIM SIMONS KICK OFF CHATS WITH FINANCIERS SERIES



Jim Simons (left) and William Ackman discussed founding and managing a quant fund and hedge fund, respectively.

The NYU Stern Alumni Council Finance Committee and the NYU Stern Salomon Center for the Study of Financial Institutions recently launched the Chats with Financiers events to pair top Stern faculty members with luminaries in the finance industry for discussions on personal experiences and current trends in finance. The speaker for the first in this series was activist investor William Ackman, founder of Pershing Square Capital Management, a $6 billion hedge fund, who spoke to Stern alumni, students, and friends. William Allen, the Jack H. Nusbaum Professor of Law and Business at NYU Stern and director of the NYU Center for Law and Business, interviewed Ackman, one of the most influential and successful investors in the industry, who spoke frankly about his investing philosophy and what it takes to succeed in a business that is reputation-sensitive.

Ackman explained that the hardest thing about his profession is locating the idea or the opportunity that will create enormous value. He spoke about his recent 9.6 percent stake in Target Corporation as well as his interests in Sears and Wendy's, and touched on Pershing Square's hand-crafted, old-fashioned investment strategy. Pershing invests in only a handful of deals a year, which Ackman said allows it to concentrate on creating value.

Ackman cited his father, a real estate investor, and Warren Buffet as two influences on his own career. When asked about the characteristics he looks for in hiring, Ackman said that he seeks trust, confidentiality – because of the nature of the business – and admiration. He advised the audience to do something they love and pursue their dreams, noting that there are other rewarding jobs besides investing.

He then responded to various questions from the audience including those on stock multiples, the hedge fund he started after business school, and his non-retail investment interests. He advised the audience that when investing, tell the truth, do the homework, and be economically rational.

The second Chats with Financiers event welcomed Jim Simons, founder of Renaissance Technologies LLC, who spoke to an audience of Stern students and alumni. Renaissance Technologies uses quantitative models to trade and currently has more than $30 billion under management, making it one of the world's largest quant funds. Simons was interviewed by Robert Engle, Michael Armellino Professor of Finance at NYU Stern, director of the Center for Financial Econometrics, and 2003 Nobel laureate.

Simons uses computer models, scientific evidence, and quantitative trading methods to trade. He recounted how he entered the investment field without a notion that trading could be mathematical and gradually came to realize he had no idea how to build a sizeable business based on fundamental trading. He believes that what he does is more like science than math, likening economics to astronomy, in that one collects data and makes informed deductions. Simons then touched on the subprime mortgage crisis, which had what he described as a domino effect of liquidation on financial markets, though he believes the fallout will be finite. He then discussed what his firm looks for in potential employees: ideally, a familiarity with statistics and optimization methods.

Simons is also the founder and chairman of Math for America, a nonprofit organization with a mission to significantly improve math education in the nation's public schools. He answered audience questions about his firm's intellectual property; the role of hedge funds in the market; the lack of human intervention in his firm's trading strategy; and characteristics of success, which he said include good luck.

SIX DEGREES OF SEPARATION: AFTER MARKET HOURS SERIES FEATURES ENTERTAINMENT MAGNATES LORENZO FERTITTA AND JIM KOHLBERG

NYU Stern alumni Lorenzo Fertitta (MBA '93) and Jim Kohlberg (MBA '89) discussed their careers in the entertainment industry with intimate groups of alumni and students during the latest After Market Hours events, which are part of a series hosted by the NYU Stern Dean's Executive Board that showcase successful alumni and their diverse and creative careers. In November, the third After Market Hours event featured Fertitta on: "From Slot Machines to Ultimate Fighting." In the Commons of Stern's Kaufman Management Center, which was transformed into a sports arena complete with black-curtained walls, flat-screen televisions, strobe lights, a stage, and a full bar, Fertitta spoke candidly about his ultimate fight to build Station Casinos, of which he is president and vice chairman, and to launch the US's premier mixed martial arts association, Ultimate Fighting Championship (UFC).

Fertitta explained how Station Casinos, founded by his father in 1976 with Palace Station Hotel and Casino, has become the fifth-largest gaming company in the US, with 16 casinos and a market value of approximately $4.8 billion. The company provides Las Vegas with not only gaming but also restaurants, nightclubs, movie theatres, and bowling alleys. He described how he has positioned the company to take advantage of the area's explosive growth. Las Vegas is now the largest retirement community in the country, thanks to its mild climate, entertainment opportunities, and, not least, lack of city and state income tax.

He also described how, after acquiring the struggling martial arts association, he led the UFC to become the top-rated cable sports program, staging the largest pay-per-view event in North America. His strategy included improving the sport's reputation by lobbying for additional regulation, spearheading promotional efforts such as "The Ultimate Fighter" Spike TV reality show, and expanding merchandising. Fertitta said that the greatest opportunity for growth is overseas, because, unlike many other sports, fighting is understood by all cultures. He also detailed how new media such as the Internet, cell phones, and iTunes downloads would complement his growth strategy.

Two nights after his presentation, Stern alumni and students joined him at the East Coast Ultimate Fight at the new Prudential Center in Newark, NJ.

From another corner of the entertainment industry, the After Market Hours series next welcomed Kohlberg, who's found the nexus between finance and film that works for him. Kohlberg spoke to a small group of Stern and NYU Tisch alumni, faculty, students, and former classmates from his EMBA 1989 class about both the private equity firm he founded with his father nearly 20 years ago and his newest venture as head of the film production and financing firm Essential Entertainment. The audience was also treated to a sneak peek at Essential Entertainment's film, "Trumbo," a 2007 Toronto International Film Festival Real to Reel selection.

Introduced by Steve Zelin (MBA '91), senior managing director of the Blackstone Group LP and chairman of the Dean's Executive Board, Kohlberg spoke about founding and leading his private equity firm, Kohlberg & Co., a middle-market buyout firm. During the 15 years that he was managing partner, he was able to explore his interests outside finance, particularly film, and was determined to create an environment for pursuing them. In early 2007, he launched Essential Entertainment. Kohlberg retains his affinity for media and technology companies and noted his recent appointment as an alternate nominee to the board of *The New York Times*.

Lorenzo Fertitta (left) discussed his career in gaming and mixed martial arts; Jim Kohlberg talked about his career in private equity and film production and financing.

Before showing clips of "Trumbo," Kohlberg discussed the movie's subject, Dalton Trumbo, a screenwriter who was one of a group of movie industry professionals questioned by the government during the McCarthy hearings on the influence of Communism in Hollywood. Eventually blacklisted by the industry, Trumbo fought to receive credit for his work. Kohlberg is credited as a producer on the film, which features actors Joan Allen, Michael Douglas, and Nathan Lane. The film will be distributed theatrically this spring by Samuel Goldwyn Films.

Kohlberg answered audience questions on topics including the impact of the Internet on movie distribution and viewing, which Kohlberg said was still evolving; the relative ease of securing an all-star cast for his movie because of its subject matter; and Wall Street's investment in films, which has historically been a mixed bag, but with Hollywood capital constrained, could now become more commonplace, according to Kohlberg.

GOOGLE, PRIVACY, AND SOCIAL RESPONSIBILITY: THE THIRD ANNUAL HAITKIN LECTURE

Privacy? A slide featuring just this word in the font and primary colors of the ubiquitous Google brand served as the opening of Marc Rotenberg's social responsibility talk, in which he argued that Google's proposed merger with Internet advertising company DoubleClick gravely threatens consumer privacy. NYU Stern's Markets, Ethics, and Law program welcomed Rotenberg, executive director and co-founder of the public interest research group Electronic Privacy Information Center (EPIC), to campus last November to address students and alumni for the third annual Haitkin Lecture. The Haitkin Lecture is made possible through the generosity of alumnus Jeffrey Haitkin (BS '68), whose commitment to ethics has fostered this forum to analyze and debate issues of integrity in the practice of business.

As a leading advocate for privacy rights who uses both Congressional testimony and media platforms to get out his message, Rotenberg has won the respect of regulators, the business community, and consumers. His mission to cover the issue from "soundbite to footnote" has safeguarded Rotenberg's and EPIC's authority as credible privacy experts. In turn, EPIC was a trailblazer in using the Internet to mobilize the public, having attained 50,000 signatures for a petition lobbying for freedom to use cryptography well before blogging had moved into the mainstream. He argued that the protection of privacy is the greatest social and political issue of our time.

Rotenberg called Google "the greatest privacy challenge" in light of the volume of private information it is able to collect based on people's Internet search histories. In April 2007, EPIC filed a complaint with the Federal Trade Commission (FTC) regarding Google's plans to acquire DoubleClick. With its use of digital tags called "cookies," DoubleClick has privileged access to users' preferences, such as their net-surfing patterns. Together, both firms are collecting an

In his Haitkin Lecture, Marc Rotenberg argued that Google's merger with DoubleClick is a considerable threat to consumer privacy.

immense amount of data, but neither is being held accountable for how they will use it. The DoubleClick merger would give Google access to more information on the Internet activities of consumers than anyone else in the world. To hold Google accountable, Rotenberg, through EPIC, petitioned the FTC either to block the merger or to condition the deal on the establishment of meaningful privacy safeguards. (Editor's note: In December, the FTC approved the merger without conditions and has upheld that approval despite challenges from privacy groups, including EPIC.)

Through his public relations and advocacy work, Rotenberg has secured the support and action of the New York State Consumer Protection Board and European counterparts, and he has generated editorial coverage in major national and international papers that feature his and EPIC's point of view as a balance to Google's. Rotenberg pointed out the challenges of confronting a media company whose value trumps that of Time Warner, Disney, and News Corporation combined. The fact that Google both owns and uses its media reach to shape consumer perception adds to the complexity. His onsite demonstration searching the term "privacy" on Google-owned YouTube yielded results that placed a video produced by Google in top position, 10 pages ahead of a video attacking Google that had thousands more views, a measure that typically drives page positioning. The results left the audience with much to ponder.

STEPHEN LEWIS, FORMER UN ENVOY, DISCUSSES PLIGHT OF AFRICA IN LUBIN LECTURE

It was a bad-news, (perhaps eventually) good-news story. When Stephen Lewis, former UN Special Envoy for HIV/AIDS in Africa, addressed a packed audience of NYU students and alumni last September during the annual Lubin Lecture, he painted a dire picture of the effects of globalization on Africa and the developed world's failure to help. Despite the gravity of the subject, Lewis prefaced his discussion with a glimpse of hope, saying, "Over time, Africa will emerge as a series of nation-states to occupy its place in the world."

Lewis then launched into a discussion of the eight UN Millennium Development Goals, crafted by the UN General Assembly in 2000, which he used as the framework to tell the story of the millions of Africans gripped by the devastating AIDS pandemic. Despite the progress wrought by globalization, it hasn't rescued the world from disease, poverty, and conflict, so the UN devised the goals as a backup plan. By establishing long-term objectives, the UN intended to "achieve the social justice and equality that seemed otherwise so elusive," Lewis asserted. The stated goals range from eradicating extreme poverty and hunger to

Stephen Lewis discussed the negative effects of globalization on Africa and the developed world's failure to help.

promoting gender equality and empowering women. Yet, the goals remain simply that. Africa's failure so far to make significant progress toward achieving them is a harsh reality.

Lewis explained that, despite the goal to eradicate extreme poverty and hunger, the World Food Program was forced to reduce its contributions to Darfur, a genocide-ridden region in western Sudan, because it was receiving neither the grain nor the funding promised by the West.

Further, child and maternal mortality rates are still staggering, and the transmission of HIV/AIDS across Africa remains rampant. Lack of access to the prevention methods and treatments that are readily available to US citizens has contributed to the continent's failure to meet the goals of reducing child mortality, improving maternal health, and combating HIV/AIDS, malaria, and other diseases. Lewis urged the audience to consider this poignant question: "Why is the life of a New York City child worth so much more than the life of an African child?"

Sharing an account of his travels to Rwanda from 1998 to 2000, following the genocide there, Lewis described his powerful emotions when three women recounted to him the acts of rape and violence they experienced. The world swore this tragedy would never happen again, he declared, but it is happening now in Darfur and the eastern Congo.

Lewis implored the developed countries to reexamine their priorities and honor their promises. "This is a world which I sometimes think is off its rocker. We are now spending between $10 billion and $15 billion a month to fight wars in Afghanistan and Iraq — and we cannot summon that amount of money in any given year to fight a pandemic that has taken 25 million lives and has 42 million people in its grip."

In closing, Lewis said he remains hopeful for Africa's future, what with the UN considering a proposal to establish an international agency to empower women, and an increased emphasis on disease prevention and treatment. He called on the public and private sectors and celebrities and NGOs to join forces to help, and challenged audience members to assist in the relief process by visiting a developing country or raising awareness at home. "Why else are we on this planet — for the mere accumulation of wealth? I invite you to engage in the response to this pandemic because there are millions of lives at stake." His remarks drew a standing ovation, after which he took audience questions and later met with students individually.

The Joseph I. Lubin Memorial Lectures were established and funded in perpetuity through the generosity of the late Joseph I. Lubin, a distinguished business, civic, and philanthropic leader and a Trustee of New York University. The lectures have attracted world-class leaders to NYU Stern and have served as a public forum to discuss economic, financial, and management principles and theories.

An Eye for Opportunity

by **Jenny Owen**

Coney Island developer Joseph Sitt has a bold vision for the Brooklyn boardwalk and amusement park.

Coney Island developer Joseph Sitt (BS '86) sees a future for the Brooklyn boardwalk and amusement park that is strikingly different from its storied and, often, seedy, past and present. But then again, where others see decay, Sitt sees opportunity. And that's exactly how he's built his real estate development company, Thor Equities, into a successful $2 billion-plus operation.

Sitt founded Thor Equities in 1986 while still a student at NYU Stern. His interest in real estate was piqued by a Stern finance class and galvanized by the entrepreneurial zeal among his classmates and the real estate environment in and around New York City, which, at the time, was flush with foreclosures as the mayor's administration worked to stamp out urban blight.

Sitt started by purchasing a small property on East Tremont Avenue in the Bronx, financing it privately through family, friends, and parents of fellow Stern students, many of whom he found through Stern Emeritus Professor of Finance Frank Angell (BS '41). "He was a one-man NYU alumni networking service," said Sitt of Professor Angell. "If you needed financing, he hooked you up with a wealthy NYU grad. If you needed credit or banking, he would set you up with an NYU alumnus who went into banking. He was hugely popular with the students and was a guiding light to me in my early career."

After purchasing the Bronx property, Sitt went in search of retail tenants. He reached out to national retailers, but didn't get any takers, at least in the beginning. Instead, he worked with local immigrant retailers, before finally succeeding in bringing companies such as Rite Aid Corporation and Payless Shoes to the borough.

Sitt, a Brooklyn native, attributed his early interest in urban retail to a video game and an exotic bird. At age 12, he searched his neighborhood in vain for the Atari system and parrot that he wanted for his birthday, and in the end, was forced to travel an hour by bus and subway to Manhattan to find them. The experience gave Sitt firsthand knowledge of the frustrations facing inner-city shoppers, instilled in him a passion to turn the tide, and opened his eyes to the business opportunities available in these otherwise neglected markets.

Then, in the early 1990s, Sitt recognized how underserved the marketplace was for retailers and their products. "The greater void was not in real estate, but in retailers serving the customer, particularly urban career women," he said. With a focus on upscale physical space, high-quality but affordable apparel, and top-notch customer service, in 1991 Sitt founded Ashley Stewart, a clothing chain for plus-size urban women, after a short stint owning and managing the Children's Place kids clothing chain, as well as Marianne Stores, a retail outlet for Latina women.

The idea was one of the first of its kind. Sitt sensed the vast untapped purchasing power of urban consumers then being ignored by national retailers. "I wasn't bigoted

continued on page 8

continued from page 7

against the consumer," explained Sitt. "Other retailers thought, 'These people live in the city. They're used to a little bit uglier surroundings, potholes in the street, and whatnot.' Our earliest approach was that we wanted to have the same quality standards that you would see in any other suburban market in America. We invested money upfront, in either building a nice property or improving a property. A lot of the old owners back then had the philosophy that a penny saved is a penny earned, as opposed to ourselves, who had the policy of asking, 'Where can we spend a penny and make a dollar for it?'" Sitt's approach paid off, and Ashley Stewart quickly grew into a $400 million business.

The new lobby of Chicago's famous Palmer House Hotel, which is being restored by Sitt's Thor Equities.

Also part of Sitt's strategy was to integrate the stores into their communities. Instead of launching large advertising campaigns to build the company's brand, he held fundraisers, such as fashion shows, for community charities. He hired people from the neighborhood, and placed a lot of emphasis on training and motivating them. "I invested in good people," he said. "We offered profit incentive programs for the employees."

Offering "gainful employment" and career opportunities to low-income minorities is Sitt's proudest accomplishment. He treasures the letter he received from former President Bill Clinton, who praised Sitt for having one of the largest placements of people through the Welfare-to-Work program.

Then, in 2000, as urban markets grew, the pendulum shifted and demand swung back to real estate ownership. That year, Sitt divested his stake in Ashley Stewart and devoted himself to growing Thor Equities. Focusing on urban markets, Sitt expanded Thor Equities beyond the Bronx and into greater New York City, as well as to Atlanta, Chicago, Detroit, New Orleans, Norfolk, and Philadelphia. The company also expanded its portfolio beyond retail to hotel, office, warehouse, and residential space and currently owns more than 10 million square feet.

Sitt's most recent endeavor is also his most public – and nostalgic. Over the past few years, Thor Equities has spent north of $130 million buying up approximately 12 acres of land in the Coney Island amusement district. The company plans to build a resort complex – complete with hotels, restaurants, and year-round entertainment and amusement attractions – right next to the boardwalk. Sitt envisions a Coney Island reminiscent of its heyday in the early 20th century, when Sigmund Freud and Charles Lindbergh delighted in the thrills of the Dreamland amusement park.

The plans are under review with the mayor's office, and the negotiations have been making a lot of noise in the local media. Despite the challenges, Sitt remains committed to the project. He sees it as more than a business opportunity; it's also personal. Sitt grew up near Coney Island and spent his childhood summers there. "This is more of an opportunity for me to bring something home and do something good in my own backyard," he explained. "I'd love to see Coney Island become what it once was when I was a kid."

In addition to Coney Island, Sitt is focused on preserving another piece of history. His firm is currently spending $150 million on restoring the prominent Palmer House Hotel in Chicago, whose guests have included many US presidents, Buffalo Bill, Amelia Earheart, and Ernest Hemingway. Plans are also underway to expand Thor Equities into Dallas, Houston, Los Angeles, and other locations throughout the country.

Near and far, Sitt is in search of a turnaround opportunity. For this real estate magnate, betting against the odds has won him a windfall. ■

In It for the Long Run

by **Rika Nazem**

Ros Stephenson's view of life as "a marathon, not a sprint" has led her to a hugely successful career on Wall Street. She is currently one of the leaders of the Investment Banking Division of Lehman Brothers, which was a $3.7 billion business for the firm in 2007.

Stephenson began at Lehman Brothers in 1987, the same year she received her MBA from NYU Stern. She had previously worked as an analyst at CBS television and already earned an undergraduate business degree from her native England. At Lehman, she was soon staffed in the media and communications area, one of the high-growth businesses at the time. "My background had afforded me an in-depth understanding of the business, which was rapidly developing in many aspects – entertainment, broadcasting, cable, broadband – and so, the 1987 crash not withstanding, we executed a significant amount of high-profile business, such as the merger of Time Inc. with Warner Communications."

In 1995, Stephenson was elevated to managing director, which coincided with her recognition of the growing importance of the

continued on page 10

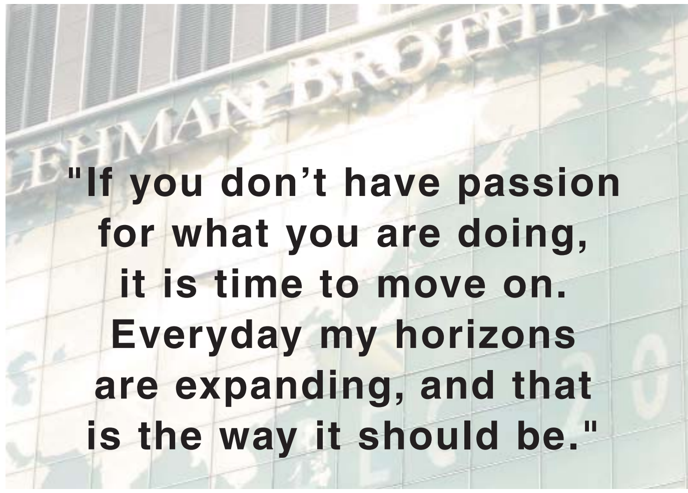
continued from page 9

private equity business. "I was already interacting with a number of the key players," she said, and so along with another managing director, she moved to launch the Financial Sponsors Group. The early focus paid off and the firm rose to a leadership position on a global scale, advising the likes of Kohlberg Kravis Roberts & Co. (KKR), Texas Pacific Group, Blackstone, Warburg Pincus, and Welsh Carson on multi-billion dollar financings and mergers and acquisitions. Some of her high-profile deals include KKR's buyout of TXU Corporation, advisory work for Warburg Pincus' investment in MBIA, and the buyout of directory publisher Dex Media for Welsh Carson.

Fast forward to today: Stephenson now co-heads Corporate Finance for the Investment Banking Division, a position she has held for a year and a half. In this role, she oversees all corporate and private equity client coverage for the division, which is organized into specialized industry verticals ranging from natural resources to health care to technology. "The banking industry is continually evolving," she said, "and it is a highly stimulating environment. The one constant is that clients need trusted advisors. It's a client service business where we are selling the intellectual capital of the firm."

In addition to her responsibilities running the business, Stephenson is one of 10 people, and the only woman, on the Investment Banking Executive Committee, setting strategy for the Investment Banking Division. What is it like being a woman in a male dominated business and the only senior woman banker on the committee? "It has never been an issue for me," she explained. "New opportunities have come my way and I have accepted the challenges. I have never felt overlooked and, frankly, when 95 percent of the time you are the only woman in the room, you often have an advantage, assuming you have proven that you know what you are doing."

You also need to exude competence when the markets get rough. "This is a very difficult time in the industry – we have encountered challenging periods before, but this one will take some time to work



"If you don't have passion for what you are doing, it is time to move on. Everyday my horizons are expanding, and that is the way it should be."

through. In the interim, we are focused on the business and being nimble by moving resources to where the revenue opportunity is, whether in the financial institutions arena or in international markets." Stephenson recently attended the World Economic Forum in Davos, Switzerland, with her colleague and fellow Stern alumna Madelyn Antoncic (MPhil '81, PhD '83), managing director, global head of financial market policy relations, and member of the management committee at Lehman: "The concern for the health of the global markets was the key topic, but business leaders were focused on solutions and the pockets of liquidity that do exist, such as sovereign wealth funds. It was a cooperative atmosphere," said Stephenson.

Outside of Lehman's boardroom, Stephenson maintains severable charitable interests and serves on the boards of the Southampton Fresh Air home, the Boys Club of New York, and Lincoln Center for the Performing Arts. She resides in Manhattan with her husband and four children.

When Stephenson talks about her job, the enthusiasm shines through. "If you don't have passion for what you are doing, it is time to move on. Everyday my horizons are expanding, and that is the way it should be."

Now heading into her 21st year at Lehman, Stephenson savors her thriving career. "I am happy where I am sitting now. Lehman has enjoyed tremendous success and the trajectory will continue. The firm has come a long way and it is gratifying to have been a part of it since the early days," she said. ■

8 QUESTIONS

JOHN PAULSON (BS '78), founder and president, Paulson & Co., Inc.

Paulson & Co., Inc., founded in 1994, is one of the largest and most successful hedge fund management companies focusing on event-driven strategies. In mid-2006, based on a strong belief that the subprime mortgage market would fall apart, John Paulson started two new funds concentrated solely on expecting such a collapse. In 2007, his Credit Opportunities I fund grew 590 percent, and three of his other funds more than doubled their money that year. Paulson & Co. now manages an estimated $30 billion in assets.

1. You scored the coup of the year, perhaps the decade, with your bet against the subprime mortgage market. What persuaded you that this was the bet to make, and why do you think other sophisticated investors missed those signs?

The credit market moves in cycles, alternating between extreme pessimism and extreme optimism. We thought in the 2006 cycle of extreme optimism that there wasn't enough premium paid for risk, and with spreads at all-time lows, the best opportunities were on the short side. After researching the market, we found that the most overvalued securities were the lower tranches of subprime mortgage securities. The securities represented the first loss tranches underlying the lowest-quality mortgages ever underwritten and yet traded at a yield comparable to US Treasuries.

2. Your funds' great successes up until the past 18 to 24 months were in merger and event arbitrage and bankruptcies. What caught your attention about the subprime mortgage area?

Event arbitrage includes distressed investing, and I've been very active in distressed investing since the mid-'80s. What makes us unique is that we also look at distressed credit from a short perspective, shorting investment-grade bonds that we believe will become distressed. So when spreads tightened to all-time lows, we sold our long positions and looked for short opportunities. We did a lot of research across various sectors and thought the subprime bonds were the most overvalued.

3. Some experts have observed that hedge funds and institutional investors helped precipitate the collapse of the subprime mortgage market by seeking ever more high-yield investments and driving lenders to relax their standards. To what extent are they right?

There certainly was excess liquidity in the world, which caused yield spreads to tighten to historic lows across almost all credit classes. There was the perception that, after Treasury bonds, the safest securities were US mortgage-backed securities. The mortgage market became the recipient of much of this excess liquidity.

4. The presidential candidates of both parties have ideas on how to handle the collapse of the subprime market and the painful fallout. What do you believe government, and, for that matter, private institutions, can or should do?

The most important thing is for government regulators and private participants to tighten underwriting standards. When the credit work is done on a mortgage, they should verify borrowers' income and ensure that the borrower has enough income to service the mortgage.

5. Speaking of government, what is your opinion on whether or to what extent hedge funds should be regulated?

I think it's a good idea, and we have voluntarily registered with the US Securities and Exchange Commission. The primary purpose of regulation is to protect investors. We support any regulations that protect investors and provide confidence in the market.

6. What kinds of experience and qualities would you say were most important for someone to become a successful hedge fund manager?

First, you have to have expertise in an area that will give you an edge in a particular trading strategy, such as macro, credit, distressed, emerging markets, or event. You also need the same qualities as any successful entrepreneur: persistence, good management skills, and the ability to deliver a superior product. Ultimately, one's success is based on performance, both in managing a fund and managing a business.

7. You have said that a course in investment banking that you took while an undergraduate at NYU Stern influenced you to enter the field. How did it inspire you?

Gus Levy (BS '32), the legendary Goldman Sachs partner, was an NYU Stern graduate and taught the Distinguished Adjunct Professor Seminar in Investment Banking with Professor Ernest Block. When he died, John Whitehead, the then-chairman of Goldman Sachs, took over the course. Mr. Whitehead also invited other Goldman department heads to teach particular classes, including Steve Friedman, who subsequently became chairman of Goldman Sachs and taught the segment on mergers and acquisitions (M&A); Bob Rubin, who also became chairman of Goldman and subsequently US Treasury Secretary, taught risk arbitrage; and John Jamison, another Goldman partner, taught corporate finance. This course influenced my career in both M&A and risk arbitrage. I think M&A is the most exciting part of investment banking, and risk arbitrage is the most exciting part of money management. Traditionally, these two areas have been the highest-return areas in an investment bank and require the highest level of skills.

8. Where do the greatest challenges and opportunities lie for your business in the next couple of years?

In the short to intermediate term, the challenge is to continue to maintain the high level of performance that we've experienced and that our investors expect. Longer-term, the challenge is to create a company that can continue without me and continue to prosper.

THE VALUES PROPOSITION

HOW STERN IS BRIDGING THE DIALOGUE BETWEEN BUSINESS AND SOCIETY

By **Thomas F. Cooley** and **Doug Guthrie**

Enron and corruption. Royal/Dutch Shell and the sinking of the Bret Spar and Nigeria's execution of Ken Saro-Wiwa. Nike, The Gap, Global Fashions, and low-wage labor. How does Big Business get past these egregious associations of recent memory? More important: How do we as educators of tomorrow's global business leaders embed the lessons from the past into a values-driven blueprint for the future?

Despite these scandals, the past two decades have seen an ever-more compelling affirmation of the power of free markets and modern business to transform people's lives. The surge in economic well-being across the planet underscores the conclusion that business is perhaps the most powerful institution in society. This by itself elevates the way we must think about the role of business.

Market economies and business are, and will continue to be, forces for good in the world. Rising prosperity leads to improvements in health and education, an increase in the empowerment of women, and, when politics doesn't intrude, the gradual eradication of poverty. It is important to understand this, and equally important to understand the forces that can interfere with it. In a moral society, the logical next step is to accept the social responsibility that comes with progress.

Business schools traditionally kept a narrow focus on maximizing shareholder value. But changes in the global political economy have demanded something more: an obligation to think about the ways in which businesses influence the world. As a school, Stern has always placed the highest priority on rigorous academic research and on the training of the business community's future leaders. Whatever our research tells us about the design of optimal contracts, the incentives in organizations, or the protection of intellectual property, it can never inform us about our values or how to think about our place in the world. Because of this, we have a responsibility to foster a discourse about the role of business in society.

Business education can't "teach" values, but a discussion of values and the social importance of business is an essential and ongoing part of our conversation. How else would the next generation of business leaders grasp the full scope of their action in the business arena and its consequence in the rest of the world?

Beyond Shareholder Value

Nearly three decades ago in *The New York Times Magazine*, Milton Friedman published his now famous statement of his view on the social responsibility of business and the true purpose of the corporation[1]. According to Friedman, the issue was simple: corporations have one responsibility and one responsibility alone – to make money. A corporate executive's only responsibility, Friedman wrote, "is to conduct the business in accordance with [the owners'] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society." Throughout the 1980s and 1990s, this was the dominant perspective. There were voices pushing back against this view, to be sure. Most famously, Edward Freeman's "stakeholder" view of the firm argued for a more holistic and socially embedded view of the corporation, one in which corporations are subject to the interests of the many different constituents that hold a "stake" in their operation. Yet, in an era in which finance and economics departments had become dominant forces in many business schools, the shareholder view of the corporation dominated, while the stakeholder view of the corporation was generally ignored.

1 "The Social Responsibility of Business is to Increase its Profits," by Milton Friedman, *The New York Times Magazine*, September 13, 1970.

(From left to right) Dean Thomas F. Cooley discussed the credit crunch and subprime crisis at a Market Pulse event; Cristina Rodríguez, a NYU Law professor, talked about immigration at a Global Issues in Campaign '08 event; and NYU Stern Finance Professor Robert Engle, Stern alumnus Mark Patterson (MBA '86), and Stern Finance Professor Edward Altman participated in a Market Pulse panel discussion on the current subprime mortgage situation.

"At Stern, we embed the issues into the classroom, create top-flight research centers that produce state-of-the-art knowledge about important topics, and then become the venue in which the expertise is translated for the public."

In the last decade, three major shifts occurred that have influenced the public perception of the role of business in society. First, beginning in the mid-1990s, the high-profile corporate scandals relating to low wage workers and poor factory conditions raised significant – and persistent – questions about the relationship between corporations and the broader society. Corporations, in many cases, continued to insist that they were sheltered from culpability on social issues as long as they met their obligations to shareholders. But the shareholders themselves proved less than convinced, and they began to influence the capitalization of global giants by selling stock and creating discomfort with corporate policies.

Corporate scandals hit closer to home in 2001 with the accounting frauds of WorldCom and Arthur Andersen, as well as Enron and other economic giants at the heart of the US economy. With the declining value of so many US corporate icons, the role of the corporation in society became impossible to ignore. It was clear that the argument for shareholder accountability did not hold water and that corporate leaders, in a rush to short-term profitability, had lost track of the very values that made a company seem like a good investment. Further, as the blogosphere took shape over the past five years, shareholders became armed with more information than ever. Shareholder demands for corporate accountability led, among other things, to stricter government regulation – an indication that corporations did not exist in a vacuum but had to perceive themselves as actors in a broader social landscape.

The third issue that has emerged is a sea change in the public consensus on environmental issues. Scientists' warnings about global warming forced investors and companies to realize that their activities – whether burning fossil fuels or clear-cutting rain forests – had a direct impact on the social good, a social good that implicated not just corporate leaders but their shareholders just as much as anyone else. The values proposition suddenly began to have very direct relevance to corporations.

How can business educators respond to this changing landscape? Business schools have a unique responsibility. We are entrusted by society with the culture of an extremely influential profession, and we have a responsibility to reinvigorate it through the education of each new generation. We especially have a fiduciary duty to the truth, not to the bottom line, and we are the last stop where individuals will wrestle with these issues before their professional lives begin. How, then, does this change or broaden the discussion in our schools?

For one thing, as researchers, our professors are some of the very individuals who are pointing to the larger costs of an insular corporate culture. We are, therefore, in a very good position to argue that the values debate is, and will continue to be, at the center of business education. We can, and do, also provide ample opportunities for our students to make up their own minds about how profitability should be assessed and about how their individual careers will mesh with the broader social good.

Yet we are also at the very center of a much larger conversation about business and society. Carrying out business in an effective and responsible way is about maximizing shareholder value in ways that are ethically, morally, and legally defensible, and business schools are in a unique position to grapple with and influence the conception of these issues.

How do we tackle such big issues at the Stern School?

Business-Society Initiatives at Stern

At Stern we promote the dialogue about business and society both through the curriculum and as a place where the issues can be joined in public. From the earliest stages of their business education, students are asked to consider how business operates in the broader society. At the

undergraduate level, our course on Business and Its Publics is a required offering unique to the Stern School. Prominent speakers address a plenary session, and then the class is broken down into small discussion groups. A course like this is transformative. Students who want an undergraduate business degree because it is the pathway to a good job come to realize that their role as future business leaders will require them to think more broadly about their goals and accomplishments in the business world.

At the graduate level, Stern pioneered the MBA course in professional responsibility that is a requirement for all MBA students. Long before the need for such courses was obvious to the business world, the Stern School understood how necessary it was for future business leaders to grapple with some of the broader ethical dilemmas that they would face throughout their career.

Our concern with business ethics has led to the Paduano Faculty Symposium on Business Ethics (page 27). Funded by a generous grant from Daniel P. Paduano (MBA '69), the symposium brings together faculty, the public, and leading figures in the area of business ethics to think about the role of ethics in business, the role of the corporation in society, and the responsibilities business institutions have to the public at large.

Business and public policy go hand in hand, and Stern has joined with *The Economist* and CFR.org, the outreach arm of the Council on Foreign Relations, to create a forum for discussion of current public policy issues. Each institution brings something unique to this partnership: *The Economist* brings a well-known and well-honed perspective on economic policy, as well as a very large readership; the Council on Foreign Relations brings a global political perspective and a team of prominent scholars and policy makers. Stern brings an academic and research-driven perspective as well as important connections to the business community. Hundreds of individuals from the general public have already participated in four such forums (page 2), hosted by Stern, about issues that are central to social roles of business in the current electoral cycle: globalization and trade, energy and the environment, immigration, and America's "brand" in the world.

Finally, our Market Pulse Series of panel discussions brings together academic experts and important figures from the world of business and finance to discuss important unfolding events in the global economy. Discussions about the subprime credit crisis, the turmoil in global credit markets (page 3), and stagflation have been featured this year. Here Stern is able to showcase the knowledge of some of our most successful alumni, who not only comment on events and issues, but are themselves, in many cases, key players in outcomes that will affect the global market.

Creating the Platform for Business-Society Dialogue

Business education, like the market itself, tends to operate in cycles. Business educators are pulled between the need for academic rigor and the expectation of immediately applicable vocational training. In his recent book, *From Higher Aims to Hired Hands*, Rakesh Khurana of Harvard Business School argues that a balance can be struck here – business schools can foster rigorous academic research while, at the same time, fostering a type of knowledge production that is more tangible for the business world. Our model of business-society dialogue rejects this as a false opposition. At Stern, we embed the issues into the classroom, create top-flight research centers that produce state-of-the-art knowledge about important topics, and then become the venue in which the expertise is translated for the public. We cannot be remote from the discussions of what it means to be responsible business participants. We must be – and indeed, we are – shaping the debate itself. ■

THOMAS F. COOLEY *is Richard R. West Dean and Paganelli-Bull Professor of Economics at NYU Stern, and* DOUG GUTHRIE *is Professor of Management, Daniel P. Paduano Faculty Fellow, Faculty Director of Custom and Non-degree Executive Programs, and Academic Director of the TRIUM Global Executive MBA Program at NYU Stern.*


CEO
lecture
series

BUILDING CONNECTIONS:

$35 MILLION CONCOURSE PROJECT INTERLINKS NYU STERN CAMPUS

By **Marilyn Harris**

The centerpiece of the Upper Concourse lobby (pages 16-17) is a light-filled, multi-story atrium
Above left and right: Opportunities abound to create and nurture personal connections while

In 1992, when NYU Stern's graduate program relocated from Trinity Place to join the Undergraduate College at Washington Square, the move united the two distinct institutions and prompted a change in the School's image and culture. Now, with the "culture of one" established and a rising reputation for NYU Stern, more change is afoot. In 1992, the relocation drove the change in culture; in 2008, a spectacular renovation has been launched to catch up to a reputation that's moved light years ahead.

Beginning this spring, the Concourse Project, as it's been named, will rise from within the current Stern campus to embody the 21st-century model of educating future business leaders, epitomized by the open access and interconnectedness of the present era. "The Concourse Project completes the integration of the School as an entity, and in a particularly compelling way," said

> **Dianna Seltz (BS '10)**
>
> The Concourse Project is innovative, cutting-edge, and dynamic – all adjectives to describe the caliber of Stern students. And I imagine when prospective students feel the energy of the new spaces, they'll be excited to join the community. The impact will be boundless."

> **Sandeep Satish (BS '09)**
>
> Our School's infrastructure is a source of pride for students. It is more than just a place for class; some of us spend so much time in the building that we almost live here! The Concourse Project will positively affect the way we interact with each other and will give us a 'home base' where we'll feel comfortable during all hours of the day."

Dean Thomas F. Cooley. "The design and the solution to the constraints of the existing architecture are brilliant. We attract incredibly talented students and faculty, and we want to serve them with an educational facility that gives them the scope to collaborate and broaden their horizons, in the middle of a great, vibrant city. With this project we achieve that vision."

The vision is one of connection: the connection of three buildings and lobbies, of a student/faculty population where collaboration is fundamental, and to the city and world outside the School. Dean of the Undergraduate College Sally Blount-Lyon, who is overseeing the project, said, "The idea of connection on a symbolic level for the School is astounding." Stern's $35 million renovation initiative will employ state-of-the-art design, technology, and natural light to modernize its classrooms and study spaces

where students, faculty, alumni, and civic and business leaders connect and share ideas.
walking through Stern's campus.

and create a physical environment that reflects and facilitates the networked nature of today's learning community.

With more than half of this goal already contributed by donors who felt strongly the need to put the School's physical presence on a par with its academic standing, the completion of the Concourse Project will depend on the generous support of Stern's alumni, corporate partners, and friends. One early contributor was Leonard N. Stern (BS '57, MBA '59), member emeritus of the Stern Board of Overseers, whose naming gift unified the campus at the Square. Said Stern: "As the caliber of the student body continues to reach new heights and the alumni community becomes evermore accomplished,

Stewart Satter (MBA '82)
Member, Stern Board of Overseers

"As a parent of a Stern sophomore, I am excited to see how the Concourse Project will enrich the experience of students. Facilities play an important role for students – they need and deserve an environment that is beautiful and functional with cutting-edge technology where they can learn, socialize, and network. As an alumnus and Stern Overseer, I am supporting this renovation because I see it as the final push in the School's continued progress. If we want to continue to compete at a top level, we must have the kind of facilities that support our brilliant initiatives."

Extending the NYU Stern Brand

The new NYU Stern space will be unified with the School's unique brand. According to Joan Blumenfeld, design principal for the Concourse Project, architect Perkins + Will's Branded Environments group will seek to add another layer of meaning to how the space will be experienced. The result, she said, "will be a more vibrant environment that will relay the message the School wants to portray in this space: urban, technologically sophisticated, but still subtle enough so as not to interfere" with the functionality and purpose of the space. Compelling two- and three-dimensional contact points, such as a dynamic technology wall, will be created to communicate the School's brand and to enhance its culture. "We research how people 'read' an environment," said Blumenfeld. "We take the bones of good architecture and bring another whole level of thought and visual interest to it through the use of materials and technology."

Above: The Tisch lobby features floor-to-ceiling windows that open the School to the City, and the City to the School.

Minkyung Kim (MBA '08)

"The Concourse Project is the latest development at Stern that reflects our culture of innovation and solidarity. It captures the enterprising spirit that enables Stern to improve from year to year, and it will continue to inspire the next generation of students."

it is evident just how valuable a Stern degree has become. It is also clear that the leadership of those who have benefited so deeply from a Stern education will be vital to the School's efforts to transform its physical environment for the next generation of students."

Stern is transforming its space from a New York point of view, creating a more sophisticated, urban, contemporary look within the boundaries of the existing buildings' footprint. Externally, the changes will be subtle. To those inside, however, the School's character and functionality will be dramatically transfigured. Now separate environments, honeycombed with labyrinth tunnels, the concourse levels of Shimkin Hall, Tisch Hall, and the Kaufman Management Center will be renovated with skylights set in Gould Plaza and a glass façade on Tisch Hall's exterior. The centerpiece will be a light-filled, multi-story atrium where students, faculty, alumni, and civic and business leaders connect and share ideas. Natural light will pour into lobbies, hallways, and reach below-ground meeting areas, in most cases for the first time. Traffic to and from the School's various venues will be far easier, and, at the same time, the new environment will include multiple open study lounges and conversation areas that will foster a greater sense of community.

On both upper and lower concourses, more classrooms will be created, in the smaller, more versatile sizes that suit present-day teaching methods yet still allow more space per student. The buildings and classrooms will be wired for high-speed digital communications, enabling professors to create an environment that brings the world into the classroom and vice versa. "We're truly integrating global experiences into the educational models," pointed out Dean Blount-Lyon. "To educate future global leaders, you need to give them a vibrant learning experience and an environment that contributes to effective network building and encourages ties to other strong individuals."

The architectural firm Perkins + Will has been chosen to design the Concourse Project. The firm has worked on some 2,000 projects for more than 150 colleges and universities, including business schools, student life centers, and technology-driven classrooms. Beyond the innovative architectural solutions proposed for Stern, Perkins + Will will seek to express Stern's unique brand throughout the new spaces (see sidebar on page 19).

Corinna Lau (BS '08)

"Seeing the plans for the Concourse Project is thrilling. The classrooms are more suitable to the working world because you don't sit in a lecture hall; you sit around the table and throw out ideas with your peers. This new environment will be conducive to interacting and building stronger relationships with fellow students."

Above: State-of-the-art classrooms create learning environments where ideas move effortlessly.

Stephen R. Howe, Jr. (MBA '89)
Area Managing Partner, Americas, Ernst & Young

"I am proud that my firm, Ernst & Young, is taking part in my alma mater's successes by supporting the creation of a learning center at Stern [see sidebar on right]. My fellow partners and I have also committed to raise additional funds for this space. The learning center aligns perfectly with what E&Y is all about. This center is an ideal vehicle for providing the training and knowledge that will nurture the personal and professional growth of NYU Stern students who will one day make a difference for E&Y, our profession, and our wider business community."

It is only appropriate, Dean Blount-Lyon said, that the School's physical presence track its academic profile as a top business school with a curriculum that emphasizes the place of a business education in the global marketplace. "Space matters," she said. "This project enables Stern to be not just in and of the City, but in and of the world." With the completion of the Concourse Project, accessibility will now be a hallmark of the School physically as well as intellectually.

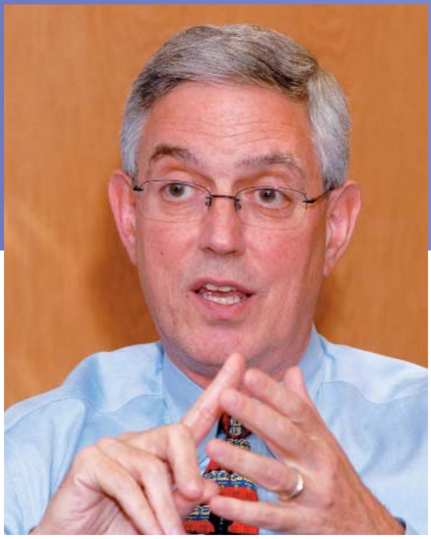
Declared Dean Cooley, "The Concourse Project signals that NYU Stern has arrived at a level of excellence and confidence in our identity as one unified school, where both knowledge creation and knowledge dissemination take place – and that, in our view, is the richest possible learning environment."

Further information and updates on the Concourse Project are available at www.stern.nyu.edu/concourse.

Making It Real:
The Ernst & Young Learning Center

It's not surprising that the first company to contribute to the Concourse Project is Ernst & Young, a global leader in assurance, tax, transaction, and advisory services. Stern and E&Y have a long and close relationship, with Stern alumni currently accounting for the largest representation of any alumni group within E&Y's partner level.

A little over a year ago, this group of alumni banded together and initiated a campaign to reinvigorate its alumni activities, enhance the firm's recruitment efforts, and increase participation in the Stern Fund. The Ernst & Young Foundation has recognized this dedication by committing major funding for a new learning center within the Concourse Project, with Stern alumni working at E&Y pledging to match a portion of this gift. The gift will transform space in Tisch Hall into a state-of-the-art learning facility specifically designed to create dedicated tutoring space for undergraduate students. To be located on the Lower Concourse, the Ernst & Young Learning Center will enable students to expand their studies outside of the classroom.



Doug Conant

president and chief executive officer

Campbell Soup Co.

In 2001, Doug Conant joined Campbell Soup Company as president and chief executive officer, bringing 25 years of experience at General Mills, Kraft, and Nabisco. Under his leadership, Campbell has reversed a decline in market value and employee engagement. The nearly 140-year-old company, a global manufacturer and marketer of consumer food products, has a portfolio of more than 20 brands, including its flagship soups, Prego pasta sauces, and Pepperidge Farm breads and snacks. A Chicago native, Conant earned a BA from Northwestern University and an MBA from the J.L. Kellogg School of Management at Northwestern. On December 20, 2007, Campbell announced the sale of its Godiva Chocolatier unit to Yildiz Holding AS, of Turkey, for $850 million, nearly 15 times EBITDA.

Doug Conant was interviewed by Adrienne Carter, deputy editor in the finance department at* BusinessWeek*, where she covers the food and finance industries.

Adrienne Carter: *You joined Campbell at a point of weakness, far different from where it is today. What was your initial assessment?*

Doug Conant: When I arrived, the company had the worst performance profile in the food industry. We were still marketing the same condensed soup that we had been marketing for 70 years, and, arguably, with the same people. The company had great brands, such as Campbell's and Pepperidge Farm, and good categories that had the potential to be expandable. It had a great financial profile, great margins, and good cash flow. We just had no growth. Our first goal was to get the organization to a point where it was competitive on a good day, because we were uncompetitive in everything.

AC: *How do you go about changing a culture that's arrived at that point?*

DC: The situation had been deteriorating for a long time. I believe you can't talk your way out of something you behaved your way into. We became very explicit about expectations and accountability, and institutionalized that in the "Campbell leadership model." Over a three-year period, we evaluated the leaders against that model. If they met the standards, they stayed; if not, they left. In culture building, you have to be tough on standards, but tender with people. Of our top 350 leaders, we turned over 300 in the first three years. Of those, 150 were promoted from within.

AC: *You spent a lot of time making sure your work force was interested and engaged. How do you measure something like that?*

DC: Employee engagement is the strongest proposition I've found when it comes to culture building. With help from the Gallup Organization, we measure each of our 525 work groups via a short list of questions, and then compare the results to other companies' results. We also look at our employee engagement ratio. To reach world-class levels of productivity, you need 12 engaged people for every one actively disengaged. Our scores on both counts have gone way up.

AC: *You've been very successful in innovation, relative to your peers. How did you accomplish this?*

DC: If you have people who are engaged, they give you the answers. Based on our sales force's observations, we did a time study and found that consumers don't want to spend more than 20 seconds looking for a particular soup. But finding ours took 70 seconds. So we developed a shelving system that makes it easier both to stock our products and to find them. R&D upgraded product quality. Our IT people spearheaded an enterprise-wide planning system. The international division suggested we should be in Russia and China. We also innovated in key trend areas such as wellness, convenience, and quality. With the marketing department's input, we started introducing microwaveable, healthier soups in 2003. It's now a $300 million business and makes us more relevant to a different generation of consumers.

"Very few people are fired because they can't do an ROI analysis or use the tools you learn here at NYU Stern. Where people inevitably run into trouble is their ability to manage expectations and relationships and effectively communicate."

AC: *Strategically, you're now moving away from the "indulgence" area with the sale of your Godiva unit. How do you reassess an innovation strategy as time progresses?*

DC: The more focused we can be, the better. We've decided to home in on three things: simple meals, where we're anchored in soup; baked snacks, where we have biscuits, Pepperidge Farm, and others; and healthy beverages, with V-8 tomato juice. Assessing our fourth category, Godiva, I thought our resources could be better deployed against the other three.

AC: *China and Russia consume billions of bowls of soup each year. How do you adapt what you do and bring that to consumers who have a different eating pattern?*

DC: China and Russia are the two largest soup consumption markets in the world, and the soup is all homemade. For our company, going there is the equivalent of JFK talking about sending the first man to the moon – it puts a spring in everybody's step. China and Russia are unique cultures, where soup, unlike soda or cookies, is sacred ground. We had to find a way to leverage our expertise in a way that respected that. In both countries, homemakers make soup twice a week by first making a basic broth. We've crafted an entry plan where we can introduce a consistent, higher-quality broth that saves them two to six hours.

AC: *How did you research it? Did you put people into homes?*

DC: We had people living in the homes of families in both countries. China is a large, complex grid with different populations. We had special ethnography sessions to help

Adrienne Carter interviews Doug Conant at a CEO Series event held at NYU Stern in October.

us understand the deeper cultural values associated with soup.

AC: *Campbell's stock is up, and so are sales. What's the challenge now?*
DC: Our goal is to be the world's most extraordinary food company. We have a 10-year plan that we divide into stages. The first three years we went from being uncompetitive to being competitive on a good day. Next, we established that we would aim for quality growth and to be above average every day. That's where we are today. By 2011, we want to be delivering the best total shareowner returns in the food group, to be what we call a "sustainably good company." We want to do this in a way that we can envision repeating year after year.

AC: *What advice would you give your competitors, who seem to be going through a lot of what you went through five years ago, struggling to innovate and turn around their sluggish sales?*
DC: Stick to your knitting, and do what you do well. Also, it's all about your people and how you get them engaged. All other competitive advantages ultimately prove to be illusory. You may have a technology edge today, but somebody else will have the same thing tomorrow. The real competitive advantage is your workforce and its ability to be agile and deal with dynamic markets and situations.

AC: *Why is it so important to study leadership instead of just experiencing it?*
DC: The saying that leaders are born, not made, is a bunch of hooey. If you want to be really good at something, you have to study it and work at it. If you're going to invest in your education and aspire to be a leader in industry, I think you have to treat it as your craft, not as your job, and you have to learn and absorb all you can. This will differentiate you. You have to prepare yourself to lead.

AC: *You describe yourself as an introvert, which does not seem like the right personality for a CEO. How do you make that work for you?*
DC: In my opinion, more than half of all CEOs are introverts. They're internally driven, and they have a paradigm that they're anchored to so they can deal with rough seas. The most effective CEOs are not the ones trying to please everybody. They're driving the agenda. You have to communicate with people, but you also have to give yourself time to regroup and go do the same thing the next day.

AC: *Early in your career, you got fired. How did you overcome an obstacle like that?*
DC: After 10 years with General Mills, I was working in a subsidiary that was spun off, and my job was eliminated. I went home to my wife, my two small children, my cats, my dog, and my one very large mortgage not knowing what to do and totally unprepared. It was probably the most challenging time in my professional career. I was out of work for a year, and for an introvert to have to go out and interview for jobs is scary. And I had mouths to feed. Twenty-two years later, I can say it was a blessing because I realized I needed to own my own development, to become a student of my craft, and to be engaged in the work in a bigger way. It also sensitized me. Once you've been through that, you can't help but want to give back and help others. I learned a lot. But once was enough.

AC: *What advice do you offer to MBA students starting out?*
DC: There are 10 two-letter words that are critical for anyone's career: "If it is to be, it is up to me." Also, the soft stuff is the hard stuff. Very few people are fired because they can't do an ROI analysis or use the tools you learn here at NYU Stern. Where people inevitably run into trouble is their ability to manage expectations and relationships and effectively communicate.

AUDIENCE QUESTIONS

Q: *You took a group of people who weren't performing. What did you do to convince them that you were somebody that they could make a commitment to, and that you were going to be able to do what needed to be done?*
DC: The first hour of the first day that somebody works for me, I take him through "here's who I am, and here's what I believe." You declare yourself. Then, you act with integrity and do what you say you're going to do. We made what became known as the "Campbell Promise:" We're going to demonstrate we value you, and then, over time, we're going to trust that you will value our agenda because you believe in us. Then you give people time to make their own judgments.

Q: *You mentioned that when you joined Campbell, you wanted to bring in people who wanted to be part of a transition. Today, what would you tell someone applying to Campbell?*
DC: We screen on three key characteristics: people with character and competence who can thrive in a team-based environment. We also have a leadership model, with expectations of such qualities as a demonstrable ability to inspire trust, motivate people, and execute against a plan.

John Mack

chairman and chief executive officer

Morgan Stanley

John Mack is chairman and chief executive officer of Morgan Stanley, a global financial services company with approximately $782 billion in assets under management, as of November 30, 2007. He previously spent nearly 30 years at the firm in various positions. Prior to his current role, Mack served as chairman of Pequot Capital Management, and before that, as co-CEO of Credit Suisse Group and CEO of Credit Suisse First Boston. Mack is a graduate of Duke University, where he is a member of the Board of Trustees. With more than 600 offices in 33 countries, Morgan Stanley serves clients worldwide, providing a range of investment banking, securities, investment management, and wealth management services.

John Mack was interviewed on October 1, 2007, by Maria Bartiromo, an NYU alumna and member of NYU's board of trustees. Bartiromo is the anchor of CNBC's "Closing Bell" and the host and managing editor of the nationally syndicated "Wall Street Journal Report." She writes a biweekly column for **BusinessWeek** ***and a monthly column in*** **Reader's Digest.**

Maria Bartiromo: *Today the Dow Jones Industrial Average hit an all-time record high, up nearly 200 points, just about a month and a half after we had so much volatility and worry about the weakness in the subprime housing market. How would you characterize the environment right now?*

John Mack: I think we will have some real issues in the next 12 months, given what happened in the subprime market. On the plus side, US corporations are sitting on a lot of cash on their balance sheet, unemployment is relatively low, and the dollar is weak, which is great for manufacturing and exports. I believe the rest of the world has decoupled from the US – the global economy is still growing really well. If the US goes into a recession, there's no question it will have impact, but the fundamental change that has taken place in the global economy is permanent. People are very bullish long-term on the economy. But in the short run, six to 12 months, I still think we're on dangerous ground.

MB: *If the rest of the world is growing, what does that mean to those of us living and working in the US?*

JM: First, if I were just graduating from NYU Stern, I would be going overseas to China, India, Turkey, Russia, Brazil. I think the opportunities of not only being involved in an emerging economy, but to grow and to create real, intrinsic value in yourself, increase dramatically. Number two, I think the US clearly has to figure out a way to be much more fiscally responsible. We cannot have the situation we have now, with over $1 trillion debt being held by one country. Sooner or later, there's got to be a way that we can get some of that money back into this country. So what it means to us, and I think you'll see this clearly in the next election, is that we have to be far more disciplined in creating our savings and balancing our budget. I think the next 10 to 15 years are going to be much more difficult for the US and how it interfaces with the rest of the world.

MB: *We hear so much talk about the US losing its competitiveness, deals going to London and Shanghai and not the New York Stock Exchange and NASDAQ. Are you worried about that?*

JM: With markets around the world being open, and with liquidity being able to move around the world, New York, I believe, has a real issue just on financial service. But what bothers me the most is that our politicians have become very US-centric. There is a tremendous movement toward xenophobia. I think the US has to become much more proactive in global politics. It is imperative that we keep feeding this country with bright and talented people from around the world. Our politicians have to understand that it's a global economy, and that we cannot give in to isolationism.

"I think the US has to become much more proactive in global politics. It is imperative that we keep feeding this country with bright and talented people from around the world. Our politicians have to understand that it's a global economy, and that we cannot give in to isolationism."

MB: *To what do you attribute your success?*

JM: I think a lot of it is luck. But I work hard; I think I have the right values. I grew up in a family where you had to work, and I went to school on a scholarship. I have the ability to read people pretty well. I'm intuitive. If you get too much information, too much data, it locks you in. I believe you need information, but at some point you have to make a decision.

MB: *What does it take to be successful in this competitive world?*

JM: You need to take risks and tell people what you think. You do not want to work for a firm that doesn't want your opinion. Now, you need to learn how and when to do that. From the management side, you have to nurture an environment where employees can deliver a constructive message and not get shot – for instance, at town hall meetings, which we have at Morgan Stanley.

MB: *We're watching a lot of financial services companies cut jobs. What do you say to those who want to work in the industry?*

JM: I think you're going to see a restructuring of jobs in the mortgage area in the US. People either need to go overseas and start taking different jobs, or taking different jobs here. Our job openings today at Morgan Stanley are in our international areas. In Asia, we're understaffed, and we're hiring as many qualified people as we possibly can get. In the US, job-seekers in the financial sector are going to have it tougher. You just have to knock on doors, be flexible, and be willing to take a job overseas.

MB: *What do you think is the most important second language, aside from English, that we all should learn?*

JM: Either Chinese or Spanish.

MB: *Everybody's talking about "going green." Is this a public relations stunt on the part of corporations or do they want to protect the environment and do it in an efficient way?*

JM: I think shareholders are going to demand green programs, so corporations have no choice. If Morgan Stanley and other firms were not serious about implementing green programs, we would not attract a lot of the young talent that come to our firm.

John Mack is interviewed by Maria Bartiromo at a CEO Series event held at NYU Stern on October 1, 2007.

MB: *What's going to be the next big thing?*

JM: I think it's going to be in the environmental area – the opportunities to develop the whole green movement, the industries that will come out of that, and the technology that will be developed for it.

AUDIENCE QUESTIONS

Q: *How do you look at the African market, especially countries that have discovered oil?*

JM: We have an office in South Africa, and we're trying to figure out how to move north into Nigeria and other resource-rich countries. It is still very difficult to do. We have done some transactions in Nigeria. I've been irritated that our African effort has never gotten a lot of support from the firm as a whole. The real opportunity for us is to use South Africa as the base to cover sub-Saharan Africa, and that's what we'll do. As for the north, even though there's a big connection with the French in Algiers and Morocco, most likely we're going to cover that out of Dubai.

Q: *I'm wondering why you support Senator Clinton for 2008?*

JM: If you go back a couple of elections, I was a Ranger or a Cowboy for President Bush. I didn't particularly like the Senator. But a few years ago while I was at Credit Suisse, I hosted a panel and reception for her. There was no question you could ask her that she couldn't answer with knowledge. Since I've been back at Morgan Stanley, she's our New York senator, and she's represented financial service in an outstanding way. She gets it, and she fights not just for the City but for New York. If you see her in action in Washington, you see that she understands how to work both sides of the aisle. One of my big concerns is the global world we live in, and she understands global issues. The only way to create solutions is through dialogue. I believe she will do that. That's why I'm supporting her.

Q: *How do you view your time at Credit Suisse? What lessons did you take away from that personally and professionally?*

JM: I think that the biggest difference is that the culture was very diverse at Credit Suisse; whereas, at Morgan Stanley, even though I think they got off track for a while, it still was a unified culture. The biggest lesson I've taken away is that gut feeling, or intuition, is a powerful tool in managing and in making decisions. When I meet with my management committee at Morgan Stanley, they hear from time to time, "Look, I understand your arguments, but my gut tells me we're going to do it this way." And I do it.

Q: *When you talk about the growing economies in India, China, and Brazil, what areas of opportunity do you suggest that we tap into once we graduate?*

JM: You should try to get a job in a diversified financial service business where there are so many different disciplines you can get into to create a career. I would go to China and try to be in investment banking. I think skilled labor is in demand around the world, so I think virtually everything from the service industry to the construction industry presents opportunity.

Q: *In the next 10 to 15 years, do you think Morgan Stanley's going to be a US company with international operations, or do you think it's going to be a global company where it might have its headquarters outside the US? And is there any chance of an acquisition?*

JM: I think it will be a global company. With what's going on overseas and the speed that it's going on, you want to be on the ground and be there. And if I could find the right acquisition internationally, I would do it. ■

PROSPECTUS

Glucksman Institute Awards its Faculty Research Prizes for 2007-2008

NYU Stern's Glucksman Institute for Research in Securities Markets awarded its annual prizes to three teams of researchers in February. These awards, recognizing and promoting excellence in financial research, are given to the best research papers that have been submitted to an academic journal. First prize, which comes with $5,000, was awarded to Assistant Professors of Finance **Stijn Van Nieuwerburgh** and **Otto Van Hemert** for their paper, "Mortgage Timing," co-authored with Ralph S. J. Koijen. Their study explores how the term structure of interest rates relates to mortgage choice and finds that the bulk of the time variation in both aggregate and loan-level mortgage choice can be explained by time variation in the bond risk premium.

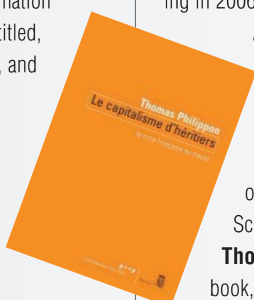
Associate Professor of Finance **Xavier Gabaix**, with Sumit Agrawal, John Driscoll, and David Laibson, was awarded the second-place prize of $2,500 for his paper, "The Age of Reason: Financial Decisions over the Life Cycle." His research argues that financial sophistication rises and then falls with age, peaking around age 53.

Assistant Professor of Finance **Daniel Wolfenzon**, Associate Professor of Finance **Alexander Ljungqvist**, and Professor of Finance **Matthew Richardson** were given honorable mention and $1,000 for their paper entitled, "The Investment Behavior of Buyout Funds: Theory and Evidence," which analyzes the determinants of buyout funds' investment decisions.

Eleven papers, representing the research output of 33 authors, were submitted for consideration in this year's competition.

research *roundup*

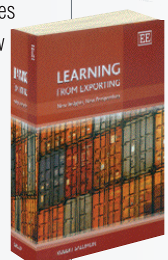
Sinan Aral, assistant professor of information, operations and management sciences, was awarded the ACM-SIGMIS Award for the best dissertation in the field of information systems for his thesis entitled, "Information, Technology, and Information Worker Productivity." The award was given by the Association of Computing Machinery at the International Conference on Information Systems in Montreal in mid-December.



Anindya Ghose, assistant professor of information, operations, and management sciences, was nominated for the best overall conference paper and for the best paper in the Web Based Information Systems Track at the 2007 International Conference on Information Systems (ICIS), the most prestigious gathering of information systems academics and research-oriented practitioners in the world. His paper, "Estimating Menu Costs in Electronic Markets," was selected from 60 Web Based Systems Track submissions and 674 conference submissions overall.

A second paper by Professor Ghose,"Internet Exchanges for Used Books: An Empirical Analysis of Product Cannibalization and Social Welfare," was awarded the runner-up for the best published paper appearing in 2006 in *Information Systems Research (ISR)*, the flagship journal of the Information Systems Society.

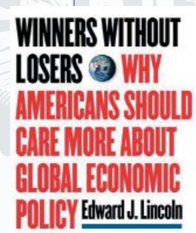
Assistant Professor of Finance and Charles Schaefer Family Fellow **Thomas Philippon**'s book, *Le capitalisme d'heritiers*, about management and labor relations in France, received the prize for best management book from the French Association of Human Resource Managers.



Jeffrey Simonoff, professor of statistics and Robert Stansky Research Faculty Fellow, and **Batia Wiesenfeld**, associate professor of management and organizations and Daniel P. Paduano Faculty Fellow, are co-principal investigators under a $125,456 grant recently awarded by the Ewing Marion Kauffman Foundation for "Understanding the Relationship between Higher Education and Innovative Entrepreneurship." This grant constitutes the pilot phase of an anticipated multiyear, multinational, multi-institutional, longitudinal study that is part of an effort by NYU Stern's Berkley Center for Entrepreneurial Studies, led by Center Director Professor **William Baumol**, to improve the production of innovative entrepreneurs at Stern, in the US, and around the world.

Robert Salomon, assistant professor of management and organizations, in 2007 published his first book, *Learning from Exporting: New Insights, New Perspectives*. The book analyzes the relationship between exports and productivity. In addition, Professor Salomon's paper, "Learning, Knowledge Transfer, and Technology Implementation Performance: A Study of Time-to-Build in the Global Semiconductor Industry," is forthcoming in *Management Science*.

The second edition of Associate Professor of Accounting and Peat Marwick Faculty Fellow **Stephen Ryan**'s book, *Financial Instruments and Institutions: Accounting and Disclosure Rules*, was released in April 2007. Professor Ryan also spoke about accounting in and for the subprime crisis, which he covered in his book, at the Financial Accounting Standards Board this past March.



Edward J. Lincoln, clinical professor of economics and director of the Center for Japan-US Business and Economic Studies at NYU Stern, authored the new book, *Winners Without Losers: Why Americans Should Care More About Global Economic Policy*, in which he contends that the best chance the US has of ensuring peace and prosperity for itself and the rest of the world is by focusing on foreign trade policy instead of military power.

Vijay Vaitheeswaran, executive-in-residence at NYU Stern and award-winning correspondent for *The Economist*, recently co-authored the book, *Zoom: The Global Race to Fuel the Car of the Future*, which was chosen as one of five finalists for the *Financial Times* and Goldman Sachs Business Book of the Year Award for 2007.

Citi Leadership and Ethics Program Celebrates its Fifth Anniversary and Names Alice Tepper Marlin its Distinguished Fellow

Alice Tepper Marlin spoke about corporate social responsibility at the recent Citi Leadership and Ethics Conference.

For its fifth year, NYU Stern's Citi Leadership and Ethics Program has set its focus on Global Corporate Social Responsibility (CSR), a rubric that spans environmental stewardship and sustainability, respect for labor and its inherent rights, and the responsibilities of global capital to developing economies. The program has named **Alice Tepper Marlin** its 2007-2008 Citi Distinguished Fellow in Leadership and Ethics. One of the true pioneers in the field, Tepper Marlin has been called the "architect" of CSR. She is the founder and current president of Social Accountability International (SAI), an organization that addresses the ethics of supply chains, which often lead back to countries or regions where labor rights are not respected. She was also the founder and president of the Council on Economic Priorities (CEP), the first organization to research and publish information on corporate ethics for consumers.

As fellow, Tepper Marlin visits professional responsibility classes and, in February, anchored the Citi Program's annual conference, which included the participation of Pamela Flaherty, president and CEO of the Citi Foundation. At the conference, which addressed the challenges and opportunities companies face implementing CSR standards, and the many benefits that sound CSR practices yield, Tepper Marlin said that her organization, SAI, created the SA 8000 standard, a certification for factories that ensures sound working conditions. Today more than 700,000 people work in factories or farms that are SA 8000 certified, and their employers are enjoying the benefits of better employee relations, less employee turnover, and enhanced brand reputation.

Also as fellow, Tepper Marlin is meeting with the MBA Social Enterprise Association and the undergraduate Stern Business Ethics Society student clubs, engaging with members of the faculty, and bringing leaders from her field to the Stern community.

Established in 2003, the Citi Program, made possible through the generous support of the Citi Foundation and managed by Stern's Markets, Ethics and Law Program, represents a comprehensive effort on behalf of the School to extend its longstanding commitment to the practice of professionally responsible business, and supports the development of curricular and research innovations in the area of leadership and ethics.

short *takes*

In January, **Nouriel Roubini**, professor of economics and international business, served as a panelist during several discussions on the economic outlook for 2008 at the annual World Economic Forum in Davos, Switzerland. He painted a grim picture for the US and, subsequently, the world markets. Also in January, Professor Roubini and **Lawrence White**, Arthur E. Imperatore Professor of Entrepreneurial Studies and deputy chair of the economics department, participated in a panel discussion on the subprime mortgage meltdown at the Annual Meeting of the American Economic Association in New Orleans. Professor White also testified, as part of a panel including the chairman of the SEC and senior executives from Moody's Investors Service and Standard & Poor's, in a US Senate hearing of the Banking, Housing and Urban Affairs Committee on the role of credit rating agencies in the subprime crisis.

Professors **Doug Guthrie** and **Batia Wiesenfeld** from management, **Foster Provost** from information systems, and **David Yermack** from finance were recently appointed NYU Stern's first four Fellows of the Daniel P. Paduano Faculty Symposium on Business Ethics, which was established in 2007 through the generous support of alumnus Daniel P. Paduano (MBA '69) to build and sustain a vibrant community of faculty across disciplines who conduct research in business ethics and related fields. These Fellows, chosen both for their records of research excellence and for their potential to integrate ethical theories and issues into their scholarly activities, will participate in regular seminars taught primarily by the leading scholars in the field of business ethics. Invited participants include faculty from other NYU departments such as philosophy, psychology, and sociology, faculty from other universities in the New York area, and some select leading practitioners.

Celebrating the inaugural Paduano Fellows (from left to right): Bruce Buchanan of the Markets, Ethics and Law Program, Foster Provost, Batia Wiesenfeld, Doug Guthrie, Dean Thomas F. Cooley, Daniel P. Paduano, David Yermack, and Edwin Hartman of the Markets, Ethics and Law Program.

Beginning in June, **Paul Zarowin**, associate professor of accounting and Charlotte Lindner MacDowell Faculty Fellow, will be an editor of *The Accounting Review*, the American Accounting Association's top academic journal.

Robert Salomon, assistant professor of management and organizations, serves on the editorial boards of the *Academy of Management Journal* and the *Journal of International Business Studies*. He was recently elected to the executive committee of the technology and innovation management group of the Academy of Management.

Jeffrey Simonoff, professor of statistics and Robert Stansky Research Faculty Fellow, is the co-editor of the journal, *Statistical Modelling: An International Journal.*

This past March in Beijing, **William Greene**, Toyota Motor Corporation Term Professor of Economics and Jules I. Backman Faculty Fellow, presented his paper on econometrics, entitled, "A Statistical Model for Credit Scoring," at the prestigious 2008 Peking University International Experts Conference on Personal Credit Reporting in China. He was one of only two Americans who spoke at the conference.

Last October, **Baruch Lev**, Philip Bardes Professor of Accounting and Finance and the director of the Vincent C. Ross Institute of Accounting Research at NYU Stern, presented the keynote address at the 2007 NYU Stern Board of Overseers Dinner, held at The Harold Pratt House. Lev discussed how corporate managers should interact, actively or passively, with capital markets.

In November, through the generous support of NYU Stern alumni, faculty, and friends, the finance department conference room was named after Nomura Professor of Finance **Martin Gruber**, who chaired the finance department from 1989 to 1997 and who, with Nomura Professor of Finance **Edwin Elton**, has co-authored approximately 100 journal articles and three books, including the best-selling finance textbook, *Modern Portfolio Theory and Investment Analysis.*

Professors Martin Gruber (right) and Edwin Elton at the naming celebration of the Martin J. Gruber Conference Room.

THE SUBPRIME MORTGAGE CRISIS:

COULD WE HAVE SEEN IT COMING?

By **Yuliya Demyanyk** and **Otto Van Hemert**

The fallout from the subprime mortgage crisis has been roiling the US economy for more than a year and will certainly continue to have an effect for some time. Many observers wonder how a situation of such magnitude could have developed to such a disastrous point under the radar, so to speak, of our most sophisticated financial institutions and regulatory officials.

As is by now well known, the subprime market grew dramatically starting in 2001. Based on our database, which covered roughly half of the subprime mortgage market, the number of new loans in each year more than quadrupled, and the average loan size almost doubled over the sample period. The total dollar amount of loans originated in 2001 was $94 billion; astoundingly, in 2006, it was $685 billion.

We took a close look at the history of mortgage loans between 2001 and 2006 to see if there was any pattern evident that could have led people to foresee, and thus forestall, the crisis that occurred in 2007. Because of the large amount of detailed data, we did a number of regressions of differing complexity before the answers began to emerge. For one, we analyzed the quality of subprime loans by adjusting their performance for differences in borrower characteristics, loan characteristics, and economic circumstances. The results showed that even by the end of 2005, a dramatic deterioration of loan quality could have been detected – had it only been observed.

Indeed, problems in the subprime mortgage market were imminent long before the actual crisis surfaced, but apparently went unnoticed. Our theory is that steep appreciation in the price of houses over the period since 2001 – the boom years – actually masked the true riskiness of the subprime mortgage loans, as distressed homeowners were able to refinance their way out of trouble until the chickens came home to roost and the cycle went bust.

ILLUSTRATION BY STEVE DININNO

Disquieting Patterns

We derived our data from a loan-level database containing information on about half of all US subprime mortgages originated between 2001 and 2006. What exactly constitutes a subprime loan is a matter of some debate. For example, the term subprime can refer to certain characteristics of a borrower, such as a poor credit rating or a previous history of foreclosure; or a lender, who may originate high-cost loans or originate more refinances than purchase-money loans, for example; or a security, of which a subprime loan can become a part; or a borrower with a decent credit history who is risky in other ways, such as providing no documentation verifying income or paying no money down. The common factor across these definitions is the high risk of default. For purposes of our investigation, we focused on first-lien loans over the 2001 to 2007 period.

Our findings on delinquent loans revealed noteworthy information. We defined a loan to be delinquent if payments on the loan were 60 or more days late or the loan was in foreclosure. For the subprime market as a whole, we found that the vintage 2006 loans stood out in terms of high delinquencies and foreclosures. Further, the bad performance of that vintage was not confined to a particular segment of the subprime market, but rather reflected a market-wide phenomenon.

It is important to note that, at first sight, our finding that the crisis also worsened the performance of fixed-rate mortgages (FRMs) seems at odds with remarks in 2007 by Federal Reserve Chairman Ben Bernanke, who said that serious delinquencies in that sector had been "fairly stable at about 5.5 percent." The discrepancy occurred because we compared FRMs of the same age that originated in different years. If just the outstanding mortgages altogether were analyzed, the picture more closely resembles Bernanke's observation. We plotted exactly this for both FRMs and hybrid mortgages and found that the delinquency rate of outstanding FRMs did remain fairly constant as of 2005, as the Fed chairman observed. But the result is affected by an aging of the FRM pool caused by a decrease in the popularity of FRMs. FRMs that originated in 2006 performed unusually badly.

> **"The combination of a large increase in credit availability, easier financing, lowering price, and deteriorating loan performance resembles a classic lending boom-bust scenario in which unsustainable growth lead to the collapse of the market."**

Among the interesting results our analysis generated was the impact of the combined loan-to-value ratio (CLTV) on mortgage rates over time. Considering all first-lien loans, about 30 percent have a CLTV smaller than 80 percent; about 20 percent have a CLTV of exactly 80 percent; and about 50 percent have a CLTV greater than 80 percent. The average CLTV increased slightly from 80 percent in 2001 to 84 percent five years later. Also, the distribution shifted slightly over time: in 2001 the percentage of loans in these three CLTV categories was 35 percent, 20 percent, and 45 percent, respectively; in 2006, it was 28 percent, 14 percent, and 58 percent, respectively. Our analysis showed that high CLTV ratios have been increasingly associated with higher delinquency rates.

Common sense says that the burden of all the debt together may be the factor that triggers financial problems, which motivated us to use the CLTV as a determinant of delinquency and foreclosure. However, the first-lien LTV is an even more important determinant of the mortgage rate, possibly because the loss-given-default on the first-lien loan is more related to the first-lien LTV than the CLTV. We wondered whether lenders were aware of high LTV ratios being increasingly associated with riskier borrowers. To this end, we tested, via a series of regressions, whether the sensitivity of the lender's interest rate to the first-lien LTV ratio changed over time. We found that lenders were to some extent aware of the association between high LTV ratios and risky borrowers.

Bad Behavior

In another exercise, we explored the behavior of the subprime-prime rate spread. In general, the mortgage rate on subprime mortgages is higher than on prime mortgages in order to compensate the lender for the additional default risk associated with subprime mortgages. To explore the rate spread pattern, we focused on FRMs, not hybrid mortgages, because the price of hybrids is determined by both the initial teaser rate and the margin over the index rate, which complicates the comparison of subprime and prime rates. We used data on subprime rates from the LoanPerformance database, and for the prime rate, we used the contract rate on FRMs reported by the Federal Housing Finance Board in its Monthly Interest Rate Survey. We found that the subprime-prime rate spread declined over time, both with and without adjustment for changes in loan and borrower characteristics. At the same time, the riskiness of loans has increased, implying that on a per-unit basis, the subprime-prime spread declined even more.

With all this interesting data in hand, our overriding question was as follows: Based on information available at the end of 2005, was the dramatic deterioration of loan quality already apparent? To answer this, we had to recalculate existing regressions, making use of data between 2001 and 2005, not 2006. The resulting age pattern in the corrected delinquency rate, after adjusting for loan and borrower characteristics and economic circumstances, has been rising steadily since 2001, and the marked deterioration of the loan quality was already apparent by the end of 2005.

Some have argued that the explosive growth in the subprime mortgage market was largely fueled by the development of mortgage-backed securities (MBS) into so-called private-label MBS, which are loans securitized by a party different from the Government Sponsored Enterprises (GSEs) and do not carry any kind of guarantee. In contrast to buyers of GSE-issued MBS, buyers of the private-label MBS bear the default risk on the mortgage loan. Searching for a higher yield, the argument goes, investors kept increasing their demand for the private-label MBS, which led to sharp increases in the subprime share of the mortgage market – from around 8 percent in 2001 to 20 percent in 2006 – and in the securitized share of the subprime mortgage market – from 54 percent in 2001 to 75 percent in 2006.

Hindsight is 20/20

We showed that during the dramatic increase of the subprime (securitized) mortgage market, the quality of the market also dramatically deteriorated, vis à vis the performance of the loans adjusted for differences in borrower characteristics, loan characteristics, and subsequent house appreciation. The degeneration of the loan quality has been unvarying and steady, but not equally so among different types of borrowers. Over time, high-LTV borrowers became increasingly risky compared to low-LTV borrowers. Securitizers seem to have been aware of this particular pattern in the relative riskiness of borrowers: we demonstrated that over time they made the mortgage interest rate more sensitive to the LTV ratio of borrowers. Specifically, in 2001, a borrower was hardly charged a higher interest rate for the higher LTV ratio. In contrast, in 2006, a borrower with a one-standard deviation above-average LTV ratio was charged an interest rate higher by 30 basis points.

In principle, the subprime-prime mortgage rate spread, or subprime markup, should account for the default risk on subprime loans. As the overall riskiness of subprime loans rose between 2001 and 2006, for a market to experience sustainable growth, the subprime markup should have risen as well. We proved that this was not the case: Both the price of risk and the price per unit of risk (the subprime markup adjusted for differences in borrower and loan characteristics) declined over time. This seems to support the argument that buyers of private-label MBS were priming the pump, willing to ignore the mounting risk to satisfy their hunger for higher yields. With the benefit of hindsight, we now know that indeed this situation was not sustainable, and the subprime mortgage market experienced a severe crisis in 2007.

The combination of a large increase in credit availability, easier financing (that is, loosening underwriting standards in terms of, for instance, LTV requirements), lowering price, and deteriorating loan performance resembles a classic lending boom-bust scenario in which unsustainable growth lead to the collapse of the market. Argentina in 1980, Chile in 1982, Sweden, Norway, and Finland in 1992, Mexico in 1993, and Thailand, Indonesia, and Korea in 1997 have all experienced lending boom-bust scenarios, albeit in different economic settings.

Were problems in the subprime mortgage market imminent long before the actual crisis showed signs in 2007? Our answer is yes, at least by the end of 2005. By excluding the data for 2006 from our analysis, we showed that the steady degradation of the subprime market was already clear, with the worsening of loan quality already in progress for five consecutive years. The main challenge in detecting this deterioration was the steep appreciation in housing prices that masked the true riskiness of the subprime mortgage loans. ■

YULIYA DEMYANYK *is an economist in Banking Supervision and Regulation of the Federal Reserve Bank of St. Louis, and* OTTO VAN HEMERT *is assistant professor of finance at NYU Stern.*

The views expressed are those of the authors and do not necessarily reflect the official positions of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

Professor Van Hemert has presented this research to the US Securities and Exchange Commission, the Board of Governors of the US Federal Reserve System, and the International Monetary Fund. The paper can be downloaded in its entirety at http://ssrn.com/abstract=1020396.

ILLUSTRATIONS BY GORDON STUDER

DOES CHATTER MATTER?

When bloggers and other Web users sound off, the music industry should tune in.

By **Vasant Dhar** and **Elaine Chang**

One of the most fascinating aspects of the World Wide Web's open access is that people sound off on virtually every topic of interest. As a consequence, the Web is fast becoming the repository for global information, and an increasing share of information on the Internet is being generated by individuals, rather than organizations or "experts." How people use and are influenced by this information is an active area of research. We particularly wanted to understand how music sales are affected by user-generated content.

Previous research has found that online consumer reviews can predict book and movie sales, but we don't know of any prior study that has explored the effects of user-generated content, especially blogs and social networking sites as well as traditional sources of reviews, for predicting online music sales. Our question was whether user-generated content provides any predictive value for music sales, or whether it is largely retrospective, or just plain noise.

We investigated the impact of user-generated content on sales of music CDs – which still account for 85 percent of the music market – by looking at blogs and social networking sites. A blog (short for Web log) is a website that is usually written like a journal, with users' postings arranged in reverse chronological order. Some surveys estimate that a staggering 30 percent of the US population considers blogs an important source of information. Social networking sites enable people to create profiles and make connections to others who live in the same area, share similar interests, or simply seem interesting. Users create a public list of mutual friends – that is, both users have listed each other as a friend. In assessing the significance of user-generated content, we compared it to more traditional information sources, such as professional reviews in print or electronic media.

Try it, you'll like it!

Music, like books, movies, vacation spots, and even medical and financial advice, is considered an "experience good" – a product whose quality is difficult to observe or sample adequately before purchase. People often rely on others for input in making a decision about whether to buy or utilize such a product. The influence of traditional and user-generated content – whether by professional or amateur reviewers – has been a key area for research in relation to the movie and book industries.

With the ability to sample music on the Web, music has become somewhat less of an experience good. Does that mean that what others say about a new album shouldn't matter? Perhaps. But blogs could also serve as an "attention directing" mechanism in generating more awareness. In other words, if there is a large volume of blogs about an album, chances are that the album is creating some buzz. Our hypothesis was that blogs matter, because we believe that a lot of effort goes into writing good blogs, and their authors feel passionate enough to spend time writing and sharing their thoughts with others. Readers recognize and pay attention to good blogs. A good reputation helps blogs attract traffic that is, in turn, influenced by their content.

We also hypothesized that social networks matter. In the music industry, the social networking site Myspace (www.myspace.com) has a strong reputation for promoting music artists. The site provides a special music category that allows artists to create profile pages, including band biographies, upcoming tour dates, and streaming music tracks. Through these band profiles, Myspace users can simultaneously promote artists they like to their friends and bookmark the artists' work. The number of friends displayed on a band's Myspace page is like a public badge of popularity. We would expect that a band with thousands of friends on Myspace would be more popular with Myspace users than a band with just a handful.

Methodology and Data

Our methodology was to gather data tracing the changes in user-generated content for an album by tracking the volume of blog chatter, the number of friends an artist has on Myspace, and the album reviews for four weeks before and after the release date. We controlled for the influence of external differences in promotion budgets and so on by recording whether an album is released by a major or independent label. We constructed measurable indicators for user-generated content as well as traditional content, such as album reviews from mainstream sources like *Rolling Stone*, with the

intention of understanding their relative significance on music sales. Blog chatter and the extent of social network connectivity were employed as the proxy for user-generated content. We then did modeling to examine the relative significance of the variables in predicting album unit sales two weeks ahead.

Our data consisted of album statistics and data collected from publicly available information on websites. We compiled the sample of music albums by collecting the names of albums released in the US between January 16 and March 6, 2007, from Pause & Play (www.pauseandplay.com), a website devoted solely to listing upcoming album releases. Old material, such as reissues and compilations, was excluded from the sample.

We focused on physical CD sales, since information on digital music sales is difficult to obtain and downloading still holds a far smaller market share. We computed album sales based on Amazon.com sales ranks, because Amazon is one of the largest online CD retailers and its sales ranks are easily observed. (Nielsen Soundscan would have been the ideal source for album sales data, as it is the industry standard tracking system for sales of music products in the US, but its data are proprietary and very expensive to obtain.) We cross-checked the release date given by Pause & Play with Amazon's page for the album in order to verify that the record label had not moved the release date, and if the album did not have a corresponding page on Amazon, it was eliminated from the sample. Since Amazon allows consumers to preorder or purchase products far ahead of the actual release date, we were able to separate chatter prior to the product being evaluated from the chatter that follows after release. The final sample consisted of a total of 108 albums.

The Chicken or the Egg?

One might question whether chatter is truly predictive of subsequent sales, or whether increased sales lead to increased chatter which, in turn, leads to increased sales. To test this, we divided the dataset described earlier such that only pre-release chatter was considered and paired with post-release sales.

"The results show unequivocally that user-generated content as measured by blog chatter matters in subsequent sales for music."

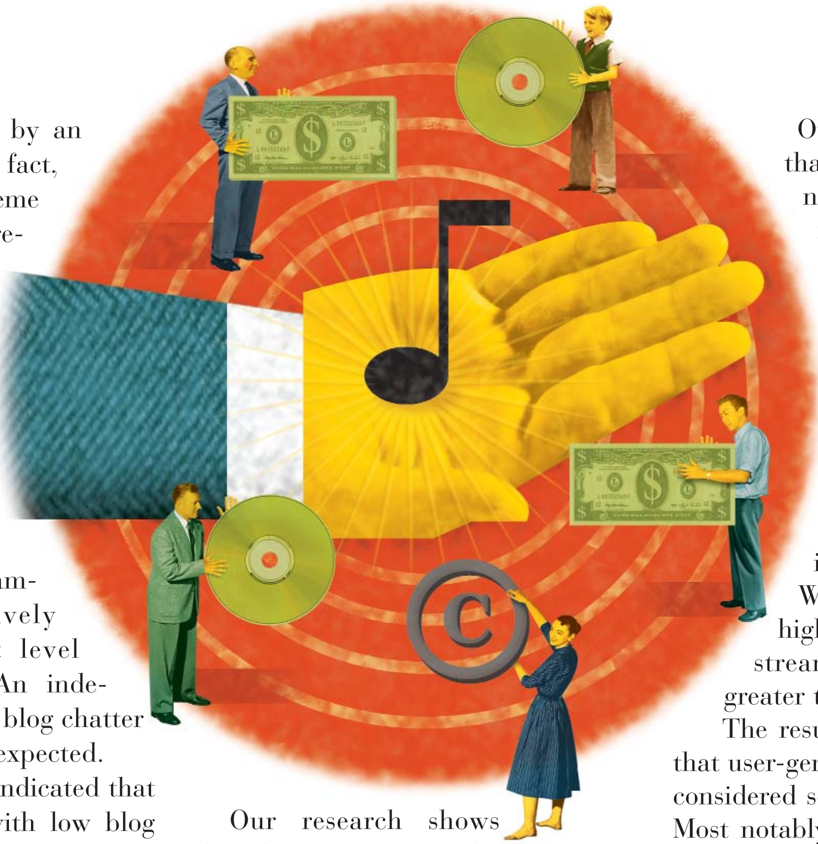
The results show unequivocally that user-generated content as measured by blog chatter matters in subsequent sales for music. Interestingly, the increase in size of the social network was not significant in the reduced dataset, suggesting that it may have no predictive value before release or that it may only matter after release.

Finally, it is natural to ask whether it is reasonable to conclude that increased blog chatter really causes an increase in sales or whether other unobserved variables might be affecting both blog volume and sales. It is not possible to make such a conclusion based on this study. Perhaps the "quality" of the artist *causes* both increased blog chatter and sales, where high quality is somehow recognized in the marketplace by some mechanism, which, in turn, has its effect on what we observed. Without a strong prior model that includes such a variable, it is not possible to draw any causal connection. This is important not just theoretically but practically, because it means that it may be futile to engineer an increase in blog posts with the expectation that this will lead to higher sales!

Chatter Matters

Were there any significant interaction effects among the various metrics? We posited that these would be of particular interest to marketing managers interested in sifting through the burgeoning volume of Web 2.0 metrics becoming available on the Internet. Which ones, when considered simultaneously, would provide insights not derivable by looking at them in isolation? It is currently difficult to have well-formulated hypotheses about this. However, it is worthwhile to work bottom-up using inductive pattern-discovery methods to find the interesting interactions that can be tested further in future studies.

We analyzed the data to uncover the significant interaction effects and found that blog chatter was the most important variable. If an album had more than 40 blog posts, it had an above-average level of sales. If an album had more than 40 blog posts and was released by a major label, then it was likely to have very high sales. This was no surprise, as a large number of blog posts indicate a high level of buzz, and being released by a major label means it is more likely that there will be significant promotion of the album through channels other than the Internet. Interestingly, though, if blog chatter was extremely high – above 240 posts – an album was able to overcome the disadvantage of being released by an independent label. In fact, albums with such extreme highs in chatter corresponded to sales even higher than major-label, high-chatter albums. However, even if chatter was relatively high for an independent label (above 40 posts), sales were higher than the average for the sample, but still relatively low if the 240-post level was not breached. An independent label with low blog chatter had very low sales, as expected.



Finally, our results indicated that major label releases with low blog chatter (less than 40 blogs) and low numbers of Myspace friends would have higher sales than major label releases with low blog chatter and high numbers of Myspace friends. This seems counter-intuitive at first, but in the sample, major-label releases without a Myspace page were considered to have zero Myspace friends, which could explain the result. In addition, major label releases that had a Myspace page but few Myspace friends were from artists such as John Mellencamp and Art Garfunkel; we would presume that the majority of their audiences, who are older, do not generally use Myspace.

Conclusions

Chatter does matter. In general, the Internet has a lot of "organic" content, representing the collective feelings and opinions of a lot of people, many of whom are probably well-informed individuals on a wide range of subjects.

Our research shows that the Internet provides consumers with a powerful word-of-mouth channel for information on upcoming music releases. We analyzed the usefulness of blogs and social networks, as well as reviews in consumer, online media, and mainstream media, in predicting album sales in the four weeks before and after the album's release date. We found that the most significant variable is blog chatter or the volume of blog posts on an album, with higher numbers of posts corresponding to higher sales.

Higher-percentage changes in Myspace friends may also be significant, although the results here were not consistent. We found that the average consumer rating is significant, while the number of consumer reviews is not. Our results also showed that average consumer ratings better predict sales than average mainstream media ratings.

Our analysis also showed that traditional factors cannot be ignored. While independent label releases with extremely high blog chatter can sell even more units than major label releases, our findings estimated that the average major label release sold approximately 12 times more than the average independent label release. We also found that the higher the number of mainstream media reviews, the greater the sales.

The results of this study suggest that user-generated content should be considered seriously by record labels. Most notably, since blog chatter and Myspace friend information is available before an album releases and ships, record labels can examine these two variables to predict future sales well in advance of when the album is available in stores.

At the same time, we caution against assumptions of causality for reasons discussed in the last section. If blog posts start becoming manipulated because people think they have an impact on sales, the predictive power might disappear because the underlying reasons for it disappear. There is a crude analogy here to efficiency in financial markets, where predictive models lose their power over time as the relationships become recognized and exploited by people who seek to benefit from them. ■

VASANT DHAR *is professor of information systems, chairman of the information systems group, and co-director of the Center for Digital Economy Research at NYU Stern, and* ELAINE CHANG *(BS '07) recently graduated with a double major in finance and international business from NYU Stern.*

PAYING A PREMIUM: WHY DO CONSUMERS BUY TOO MUCH INSURANCE?

By **Zur Shapira** and **Itzhak Venezia**

The recent spate of natural disasters, from Hurricane Katrina to the Malibu fires and Nevada floods, has made insurance coverage a focus of heightened concern around the country. One of the most intriguing questions to insurance professionals and academics is why consumers prefer to buy low- or zero-deductible insurance policies. Experts have known for years that consumers are paying too much for full-coverage insurance policies since they prefer to completely eliminate risk and uncertainty.

The explanation that we propose is that consumers generally think that policies with deductibles cost too much, and that the greater the deductible, the more overpriced the policy. We wanted to understand why this misperception was so common.

We conjectured that the tendency to buy too much insurance is caused by an initial and erroneous assumption people make about how a policy should be priced with and without a deductible. This initial assumption, together with the resulting method people use to calculate and judge the fairness of (in this case) a policy's price, follows the anchoring heuristic. We theorized that the specific anchoring heuristic works as follows: people first consider the price of a full-coverage policy, then work backward, subtracting the amount of the deductible from the price of the full-coverage policy,

ILLUSTRATION BY BRYAN LEISTER

with no consideration for the probability or likelihood that they will not get into an accident in any given year and thus will not have to shell out the deductible amount. A policy with a deductible priced according to the true expected payments may, therefore, seem overpriced to the insured, we hypothesized. And because consumers do not tend to think that full-coverage policies are similarly overpriced, they may consider them relatively better "deals."

We set up a series of experiments to investigate our hypothesis. We also explored whether professionals in the field of insurance are less prone to such a bias.

Everyday Decisions

In the marketplace, there is a high demand for full-coverage policies and policies with very low deductibles. For example, almost all liability insurance policies provide full coverage or a zero deductible. Consider also collision damage insurance for rental cars. While specific rates vary by location, a typical collision damage waiver (CDW) for a rental car costs on average $15 per day, which is equal to $5,400 on an annual basis. In stark contrast, comprehensive automobile insurance for one's own car does not cost more than $1,000 per year in most locations in the US. The difference in price is clearly non-trivial. Why are people willing to pay such high rates for CDW when renting a car?

In another example, merchants who sell various electronic products, such as cell phones costing $200 or less, also offer insurance against loss for a non-trivial additional cost, which many consumers purchase. Even when those policies include a service component, buying them does not seem rational compared to their cost to the consumer over the life of the product. Yet such policies are valuable profit centers for many companies.

"The fact that consumers prefer low deductibles is often interpreted as an indication of high-risk aversion, a preference to forestall or avoid any damages. Our results suggest that such behavior can also result from cognitive biases."

Medical insurance presents another striking example of the consumer preference for full coverage. The US Bureau of Labor Statistics reports that during the years 1994 to 1997, 34 percent of full-time employees in the private sector who were enrolled in non-HMO medical care organizations had no deductibles in their medical plans. This percentage rose to 42 percent for "preferred provider organizations" (US Department of Labor, 1999). HMOs, of course, typically have zero deductibles.

We tested our theory that the anchoring heuristic affects the preference for full coverage experimentally. We argued that the price of a full-coverage policy is a natural starting point for evaluating a policy with a deductible. Insureds continue from this starting point and calculate the price of policies with partial coverage by "anchoring" on the value of the deductible. In focusing on this amount, as we have pointed out, they neglect to take into account the probabilities associated with actual damages – that is, the fact that it is far from a sure thing that they will get into an accident and incur damages in any particular year. Since they do not adjust for this probability, they end up underestimating the worth of such policies. Insurance companies are unlikely to make such errors, and hence the prices they set for policies with a deductible may seem unjustifiably high to customers. On the other hand, insureds are less likely to underestimate the values of full-coverage policies, and hence they may deem such policies as more adequately priced – "fairer," perhaps – than the partial coverage policies offered by the insurance companies and so prefer them to policies with a deductible.

We conducted three experiments to test our hypothesis, asking three groups of subjects, whether amateur or professional, to play the role of insurance sellers, and to price policies with and without a deductible. We assumed that insurance sellers would pay more attention to pricing decisions than buyers would pay to their purchasing decisions. The reason is that sellers need to think of their competitors as well as their potential customers in pricing their products. However, we have no reason to expect sellers to be less prone to biases such as the anchoring heuristic, unless they have had some real experience in selling insurance policies in the past. They competed with other sellers, and their objective was to set prices so as to maximize their profits.

Our amateur subjects were groups of American MBA and Israeli MBA students. Prior to participating in the experiment, the students completed several courses in economics and statistics and at least one course in finance. The students were offered incentives based on the profits they generated in the experiment, in the form of $100 and $50 gift certificates for first and second place. Our group of professional subjects ranged between 30 and 55 years old and had at least five years experience in the insurance industry. They were pursuing advanced courses in insurance at the time.

Almost Pavlovian

In our experiment, the amateurs tended to underestimate the value of policies with a deductible. As we hypothesized, they were inclined to estimate the value of such policies by calculating the value of an equivalent full-coverage policy, and then subtracting the deductible. In this case, the higher the deductible, the higher the undervaluation of the policy. For example, the American MBA students' average price for the zero-deductible policy was $181.30; it was $125.60 for a policy with $60 deductible, and $87.50 for a policy with $120 deductible.

Our subjects clearly appear to have followed the anchoring heuristic in solving this problem. Often people adjust insufficiently from values they generate themselves as starting points while knowing that these values are incorrect but close to the target value. Such self-generated anchors help simplify the complex cognitive process involved in making judgments. Along these lines, it appears that our subjects might have gone through a similar process. They were not provided with an anchor, but the amount of the deductible was construed by them as a good enough figure with which to determine the price of a policy with a deductible, even though they did not verify that it was the correct value. It definitely helped them come up with what they considered a plausible value without expending much effort, but they came out with a biased perspective.

In comparison with the amateurs, we found that the professional subjects were less likely to exhibit the above bias. Professionals were likely to value and price deductible policies reasonably, i.e., according to the true expected payments: whereas, the general public (amateurs) may find the prices the professionals set for policies with a deductible to be too high compared with their own underestimated expectations. Though the professionals in our studies had similar academic backgrounds to that of the amateurs, their experience in the field helped them perform better than the amateurs. Possibly the professionals' experience minimized the tendency to anchor on the deductible when evaluating policies with deductibles.

The fact that consumers prefer low deductibles is often interpreted as an indication of high-risk aversion, a preference to forestall or avoid any damages. Our results suggest that such behavior can also result from cognitive biases. Although it could be argued that such a bias may not significantly affect market behavior because more sophisticated insurance sellers may eventually lead the market to a more rational equilibrium, the truth may actually be the opposite. Even if professional insurance sellers are relatively immune from this bias, the fact that consumers are affected by it has direct implications, since two sides are needed for market transactions.

A real-life example can illustrate this argument. During the time we ran one of the experiments, the Direct Insurance Corp., one of the largest insurance companies in Israel, advertised insurance rates for policies with different levels of deductible for a $30,000 2004 Toyota Corolla for drivers whose age was 25 or higher. We circulated a survey among MBA students enrolled in a graduate course on risk management and insurance at the Hebrew University, asking them to indicate what level of coverage they would choose. Of the 43 students responding to the survey, 22 (51 percent) chose the lower three levels of deductible. When the deductible was raised from $137 to $180, an increase of $43, the insured saved $35. Practically, unless the insured is certain that he or she will have an accident, or is extremely risk-averse, the lower deductible would seem to be an inferior alternative. By increasing the deductible from $180 to $245, an increase of $65, the insured saves $42. Again, unless there is a very high probability of an accident, which in order for this policy to be reasonable would have to be an unlikely 71 percent, the higher deductible makes more sense. We do not have data on the percentage of insureds that buy policies at each level of deductible from Direct Insurance, but it is reasonable to assume that if the insurer advertised this price list, there was demand for all those deductibles.

The fact that the amateur insureds in our sample failed to comprehend the implications of the alternatives presented to them has direct market implications. Our findings certainly have some ramifications both from the point of view of consumer groups and from the perspectives of regulators and practitioners in the insurance industry. In particular, consumers are not as well informed as they are sometimes assumed to be, and educating them would be beneficial. ■

ZUR SHAPIRA *is the William R. Berkley Professor of Management and Entrepreneurship at NYU Stern, and* ITZHAK VENEZIA *is the Sanger Family Professor of Banking and Risk Management at the Hebrew University of Jerusalem School of Business Administration.*

The full article is forthcoming in the *Journal of Economic Psychology* and can be downloaded in its entirety at http://dx.doi.org/10.1016/j.joep.2007.07.007.

Community Building on a Global Scale

In January, Stern sophomore Misha Esipov and nine of his fellow undergraduate students arrived in San Jose, Costa Rica, one of the most popular vacation destinations among 20-somethings today. But there was no surfing or sun-bathing for Esipov and his classmates; rather they headed to an inland town two hours north of San José called Ciudad Quesada (better known by the locals as San Carlos) where they didn't see another tourist for a week.

Esipov and his team were there as part of the newly launched program, Stern International Volunteers, which was established to complement the School's four-course sequence in social impact and to provide a small group of students with first-hand exposure to communities in developing economies through service work. The inaugural year was made possible through the generosity of Stern alumnus Fred Poses (BS '65) and a partnership with New York non-profit Cross-Cultural Solutions.

The students spent the next week scrubbing, scraping, and painting the Escuela República de Italia, a local elementary school. The school, which was built in 1938, is extremely overcrowded, forcing its 300-plus young students to attend in half-day shifts.

"The experience was really eye-opening. On our first day at the school, we were given the most basic tools to work with and the job, in some ways, seemed unattainable. But, the spirit of the community and our team was really inspiring," Esipov explained. "For instance, we learned that the families in the community had contributed the money to buy the paint – something the school couldn't afford on its own."

Misha Esipov (front row, second from right) and his fellow classmates worked with elementary school students in Costa Rica to improve the appearance of their school.

The week proved a true partnership between the community and the Stern team. "It was particularly rewarding to meet the kids who attended the school. Many of them worked hand-in-hand with us as we painted," said Esipov. "And, on our last day, a few dozen of the students put on an extravagant dance performance. It felt great to see that we made an impact on their lives, even though they really made more of an impact on ours."

The end result of the week's work was a two-toned, vibrantly pink school, a clean and reorganized school library, and a newly painted computer room. "And our final touch was to mark one of the freshly painted cinderblocks with the NYU torch, the Stern name, and each of our signatures," described Esipov. "It was wonderful to leave a piece of NYU Stern and ourselves behind."

Stern Senior Branches Out With Online Résumé Venture

Business partners and fellow NYU students Andrés Sette Arruza (left) and Randall Green created BayanLink to provide job-seekers an online platform to network and promote themselves.

"A résumé can only tell you so much about a person," observed Stern senior Andrés Sette Arruza (BS '08). Arruza, along with NYU alumnus Randall Green (Gallatin '07), conceived BanyanLink in 2006 as a way to do better. BanyanLink is an innovative professional networking website that provides students and post-college job-seekers with a platform to promote themselves while connecting with peers, mentors, and potential employers. The site enables its users to create an interactive résumé by integrating social networking tools with a professional approach.

The venture grew out of the pair's dissatisfaction with the lack of resources available to help young people develop their passions early in life. "We thought it would be useful if there was an outlet for students to cultivate their aspirations and communicate with like-minded individuals," Arruza explained. Facilitated by a board of advisors comprising Stern faculty, university administrators, and industry experts, Arruza and Green evolved their concept into an online network where users can present themselves as marketable professionals while also displaying their unique personalities.

"We see BanyanLink as the professional complement to social networking sites like Facebook," Arruza said. "A BanyanLink profile is essentially a personal brochure. You can display the typical qualifications found on a résumé, but you can also include distinctive details such as what languages you speak, photos of your travels, and authors who inspire you. The goal is to encapsulate each person as a well-rounded individual."

The recently launched BanyanLink is not only a boon for job-seekers, but for employers as well. "Instead of having to wade through identical-looking résumés, recruiters can search profiles of qualified candidates and obtain a sense of whether someone is a good fit for a position," explained Arruza. He also stressed that networking on the site is not restricted to employer-student communications. BanyanLink's uniqueness stems from the fact that it works in conjunction with university career centers to facilitate communication between colleges, students, and employers: "BanyanLink isn't necessarily all about finding a job. Our goal is to integrate students, alumni, recruiters, and universities in a collaborative network to mentor each other, nurture passions and goals, and help promote personal growth overall."

Arruza had originally planned a career in the music business. He credits his Stern education with giving him the skills and confidence to launch his own venture. "I came to Stern with very little business knowledge, and I learned so much that directly applies to what I'm doing today," he said. For example, learning to develop a comprehensive business plan and understanding the legal aspects of starting a business have helped the two students secure financing for their endeavor. "My Stern education has been instrumental in BanyanLink's implementation," Arruza remarked.

Upon graduation, Arruza and Green will dedicate themselves full-time to BanyanLink, which takes its name from the banyan tree whose branches generate new limbs that then dig into the ground and become roots of additional, conjoined trees. "The banyan tree literally networks with itself," Arruza explained, "which inspired our vision for the website. We envision a worldwide collaborative professional community that encompasses various industries, colleges, and alumni networks and provides a forum for young professionals to network, nurture others, and grow."

NYU Stern "Goes Green" with Campus Greening Initiative

R. J. Panda (MBA '08) has a passion for environmental issues. He studied environmental health engineering at the University of Connecticut, and when he arrived at Stern, he joined the Social Enterprise Association (SEA) – an MBA student club focusing on corporate social responsibility, social enterprise, and non-profit management – with the aim of bringing an environmental mindset to the School. The result: the Stern Campus Greening Initiative (SCGI), which Panda started with the support of SEA and Stern leadership. "Through the SCGI, we want to encourage the Stern community to think about its impact on the environment and, eventually, effect a long-term change in behavior and mindset," explained Panda. "And with these issues becoming fundamental components of business strategy in the companies we will be working for when we graduate, the Initiative is also providing valuable professional experience for us students." Helping Panda to green Stern are student Jake Berlin (MBA '09) and the SEA Greening Committee.

First-year MBA students were exposed to Stern's greening efforts on day one at pre-term orientation. Brochures had been printed on recycled paper, students were given computer "flash" drives loaded with digital information instead of handouts, and sustainable materials were used in all catering paper products. Other projects include the launch of the SCGI website (www.stern.nyu.edu/green), the inclusion of a "Green Tip of the Week" on student and administrator intranets, a student printing quota, motion sensor lighting in study rooms, and a more aggressive recycling program, all branded with the initiative's "identity" to raise awareness on campus. To support the curricular program in social enterprise, social entrepreneurship, and corporate social responsibility, a new course was taught this spring by Frances Milliken, professor of management and organizations, and Mark Tercek, adjunct professor and director of Goldman Sachs's Environmental Markets Initiative. The course, "Leading Sustainable Enterprises," focuses on creating, leading, and managing business enterprises that seek to facilitate sustainable development.

Vice Dean for MBA Programs and Professor of Marketing Kim Corfman is a member of the SCGI, as well as a strong supporter. "More than 35 years ago, NYU Stern introduced a required 'professional responsibility' core course into the curriculum, and today, 60 percent of our MBA courses integrate content related to social and environmental impact and stewardship," she said. "Our school-wide sustainability efforts complement all that we are doing in the classroom to promote a socially responsible mindset in our students."

Panda's vision has become a force on campus. "As the only school-led environmental initiative, the SCGI, along with the support of administrators, faculty, and students, is leading the University in this area, and is showing other departments the positive effect they can have on their surroundings," he said. Berlin, who will lead the SCGI next year, agrees. "The momentum we've created will continue. These efforts are now a part of the fabric of the School." While NYU's school color may be purple, Stern is adding a 'green' hue.

Students and administrators team up to "green" Stern (from left to right): Associate Director of Student Activities Jeremy Carrine (Steinhardt '06), Jake Berlin, Robb Henzi (MBA '08), R. J. Panda, Dean of Students Gary Fraser (MBA '92), and Kim Corfman.

Executive MBA Students Learn About Micro-Lending from its Founder, Nobel Laureate Muhammad Yunus

Dr. Muhammad Yunus spoke to students last fall about micro-credit, the revolutionary idea that won him the Nobel Peace Prize.

More than 150 MBA and Executive MBA students at NYU Stern in September had the rare opportunity to hear Dr. Muhammad Yunus, the 2006 Nobel Peace Prize winner recognized for his social and economic leadership in revolutionary programs that benefit the rural poor. Yunus spoke about microfinance – the system he created – and the role of women in developing a strong family structure through entrepreneurial activities.

Yunus, founder of the Grameen Movement to promote awareness and action for the elimination of poverty and hunger, discussed the birth of micro-credit more than 25 years ago. He explained how he was "pushed by the circumstances" to create what has become a true phenomenon. In 1971, he was teaching economics at Chittagong University in Bangladesh, when, "after much bloodshed," the country won its independence from Pakistan. Just three years following the war, famine struck and hundreds of thousands of people died.

Surrounded by the crushing poverty that remained (Bangladesh lacked a welfare system), Yunus traveled around the villages offering help. He began tracking the number of people who had borrowed money from banks. His list totaled merely 42 borrowers with a combined total of $27 borrowed. Ultimately, Yunus said, he discovered the hard truth that banks would not loan money to the poor. As a result, he began taking out loans in his name for others. Eventually, he opened Grameen Bank, which now operates 1,092 branches in 36,000 rural Bangladesh villages, providing unsecured credit to more than two million of the country's poorest people, and micro-credit – or, as he prefers to call it, micro-capitalism, "because it reflects more clearly what we do" – was born.

Today, almost every country, including the US, has a micro-finance program modeled after and/or supported by the Grameen Bank Replication Program. The programs operate on principles opposite those of traditional banks. "We learned how traditional banks work, and then we set up our institutions to do the reverse," Yunus explained. "The less you have, the bigger the loan. There is no collateral, no guarantee, no legal contract. Loans are built on trust, because these are hard-working people."

Ninety-four percent of Grameen Bank's borrowers are women, who, in turn, have an unparalleled repayment rate of 98 percent. Women use the loans to buy assets for their micro-businesses that can immediately start paying income – such as cotton to weave, or raw materials for bangles, or cows to milk. They repay their loans in tiny weekly installments, at which point they can take out progressively bigger loans, ultimately becoming self-sufficient.

Yunus argued that poverty is created by the systems and institutions that society creates, specifically financial institutions, which "require you to have money to make money." He said that business, in its simplest form, is the maximization of profit. But he declared that there should be a second type of business, one to "do good for the people." He explained, "The social dollar is very powerful because it comes back to you and continues to be used over and over again for social good."

Yunus closed his talk with a powerful message: "We can put an end to poverty on this earth. It can exist only in museums. All we need is a bold decision that it can be done."

ALUMNI AFFAIRS Alumni News & Events

2007 ALUMNI BALL


1


4


2


3

1. Alumni danced the night away, celebrating the chance to reconnect with each other, the School, and its fabulous New York City location.

2. From left to right: Sally Blount-Lyon, Vice Dean and Dean of the Undergraduate College; Mary Ellen Georgas (MBA '93), Chair of the Alumni Council; William R. Berkley (BS '66), Chairman of the Board of Overseers; and Thomas F. Cooley, Dean, at the Alumni Ball.

3. Members of the 2007 Alumni Ball Committee helped plan the event.

4. The New York Public Library's stately Astor Hall provided a grand entrance and meeting place for Stern alumni and their guests.

5. Attendees took advantage of the opportunity for a private viewing of the Library's special exhibition: "Beatific Soul: Jack Kerouac on the Road."

6 - 14. Alumni and guests enjoyed a festive holiday evening in one of New York City's most esteemed historic landmarks.

5


6


7


8


9


10


11


12


13


14

Strengthening Our Community through the Support of the Stern Fund

Over the past three years, Caroline McKeon (BS '09) has worked hard at building a sense of community at NYU Stern, which isn't easy, given the School's urban setting and non-traditional campus. "Coming to Stern from a small town in Massachusetts, having a sense of community was extremely important to me," said McKeon. "I was delighted that on my first day of freshman orientation, I was connected to a small group of students with whom I would spend the next four years." McKeon explained that throughout her time at Stern, her group continually reconnected with one another. "From eating soup at Au Bon Pain after Professor Al Lieberman's class to taking a group golf lesson at Chelsea Piers, we had some great times exploring the City together."

McKeon's experience was the product of a program launched by Stern Undergraduate College Dean Sally Blount-Lyon in 2004 to foster a sense of camaraderie, pride, and community among students. Called the Cohort Program, it is funded by alumni and corporate support of the Stern Fund and lasts throughout all four years of the students' academic career. Upon matriculation, students are placed into groups of approximately 50 students, with whom they share experiences from their first day at Stern through graduation day.

The Cohort Program has become extremely successful, allowing students to enjoy many enriching cultural, social, and intellectual experiences, such as exclusive dinners and networking events, Broadway shows, and museum exhibitions. They also visit the headquarters of local corporations and are mentored by alumni sponsors, who bring high-level work knowledge and experience to them outside the classroom. This initiative has been enthusiastically received by students and has become a hallmark of Stern's Undergraduate College.

McKeon has served as the programming director for her Cohort Group for the past three years. In this role, she is the student solely responsible for planning all of their adventures. "I have been able to not only gain a great deal of leadership skills, but also a sense of personal accomplishment," she explained.

NYU Stern's community extends far beyond the reaches of its students. The ability to build lasting personal and professional relationships at the School does not end the day a student graduates. Both students and alumni can avail themselves of the School's resources. One such valuable resource is the Career Center for Working Professionals, which was established in 2003 with the generous support of the Stern Fund.

Exclusively reserved for NYU Stern working professionals – alumni of both the MBA and undergraduate programs, and Part-time and Executive MBA students – the CCWP gives alumni and students access to an experienced and dedicated group of professionals that can assist them as they advance through career transitions. Through individual counseling, mock interviews, workshops, professional development seminars, networking forums, and job postings, the CCWP assists with career planning and job development at every stage of the job search. Since its inception, the CCWP has been able to assist more than 1,700 alumni and 3,000 students with their careers.

Eduardo Carbajosa (MBA '01) is one such beneficiary. "As an alumnus," he said, "the CCWP has been the greatest resource in my most recent job search. I was able to meet with members of the CCWP for both career guidance and to examine their job postings. In addition, they were able to help me tailor my résumé for the specific position that I was looking for, which was an extremely beneficial service. The office was professional and helpful, assisting me every step of the way. As a result, I was able to secure two solid offers in one week, plus the potential to be selected by a third employer."

The Cohort Program and the CCWP are just two of the initiatives that NYU Stern offers to enable alumni and students to find meaningful ways to connect with the School. Both programs are made possible through the support of the Stern Fund, the annual fund in which unrestricted alumni gifts are invested. The flexibility of unrestricted Stern Fund gifts – and continuing donations – are vital to the growth of the School, as the dollars enable Stern to fund the projects that keep it on the cutting edge of business education and to develop much-needed programs, such as the Cohort Program and CCWP, that enrich the lives of both students and alumni.

SWAP Enhancements Provide More Professional Resources for Alumni

The Office of Alumni Relations & Development is pleased to announce the launch of the newly enhanced online alumni community, SWAP. The new system has been redesigned to offer a more robust, comprehensive, and user-friendly site for the Stern community. The revitalized SWAP still contains all your favorite features, like an advanced search tool to help you find your friends and classmates; class notes, so you can stay abreast of your fellow alumni accomplishments and announcements; a comprehensive calendar of events and RSVP tool; and online management of your profile, including the ability to update your contact information and set up your e-mail forwarding for life. In addition, the new SWAP has three new and improved resources that we encourage you to explore: Career Center, SternBID, and GABE.

Career Center

To better serve the alumni community, we have partnered with the Career Center for Working Professionals (CCWP), to manage the career center portion of SWAP. In the improved career center, you can now access all of your career-related resources through a newly developed personalized Career Account. Some new and exciting features of the system include the ability to:

- Apply to job postings directly through your account
- Customize job agents that will e-mail relevant job postings to you at the frequency of your choice
- View and register for career workshops and seminars delivered through CCWP
- Upload and save résumés and cover letters
- Access career resources and handouts for your job search all in one place

SternBID

Stern Business Information Directory (SternBID) is a suite of online business databases, academic journals, newspapers, and other resources, which has been made possible by a generous gift from the MBA Class of 2006. The system provides free access to the following online research resources:

- Tablebase, which provides access to tabular information on companies, products, industries, countries, and markets
- Business Source Alumni, a database that provides more than 1,540 full-text business magazines and journals
- Business Monitor Online, which offers daily macroeconomic, financial, and company news and analysis on emerging and key global markets
- Research Library, which features a diverse mix of scholarly journals, trade publications, magazines, and newspapers covering a wide range of subject areas
- ABI/INFORM, which provides access to management and business literature and includes articles from academic, trade, and popular press journals
- ProQuest Newspapers, which offers access to the full-text articles of approximately 27 national, financial, and regional newspapers
- ProQuest Health Management, which provides access to journal literature in health administration

GABE

NYU Stern's Global Alumni Business Exchange (GABE) is an online forum, housed within SWAP, created to foster and support the entrepreneurial spirit abundant in the Stern community. Through GABE, alumni interested in entrepreneurship have the opportunity to exchange ideas, request and offer advice, and support each other in their new ventures, financially or otherwise.

Expand Your Network Today!

Visit the website at www.stern.nyu.edu/alumni to log on to SWAP to start exploring the new system – we hope you find these enhancements to be useful, both personally and professionally. With nearly 75,000 alumni in more than 100 countries worldwide, the Stern alumni network is growing stronger every year.

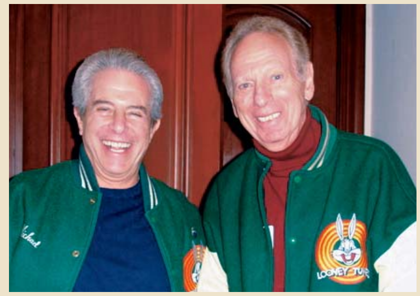
NYU Stern Alumni Council Helps Set the Stage for Stern's First Alumni Business Conference in NYC

The NYU Stern Alumni Council is a working committee of 21 to 24 alumni, comprising representatives from all of Stern's degree programs and a wide range of graduating years. As Council members, these alumni serve as ambassadors for Stern, actively engaging other alumni in support of the educational excellence of the School. The Council is also tasked with advising and assisting the administration on alumni interests and opinions, and growing and strengthening the community among and between alumni, students, and the School. To this end, the Alumni Council works on a variety of initiatives throughout the year, including working on the School's signature alumni events: the Alumni Ball, Global Alumni Conference, and, for the first time, the Alumni Business Conference in New York City.

New York 2008: Alumni Business Conference – A Look to the Future was developed by the Council, in conjunction with the Office of Alumni Relations & Development, as a sister event to the Global Alumni Conference – Stern's widely successful biennial international symposium. The Alumni Business Conference was conceived to offer alumni robust, content-driven programming locally in the years that the Global Alumni Conference is not being held. The Conference will feature industry leaders and scholars discussing a range of current and future market issues in breakout presentations, keynote addresses, and plenary sessions.

"Working with the School, fellow alumni, and friends to host an event of this magnitude in our hometown has been such a thrill," noted Mary Ellen Georgas (MBA '93), Chair of the Alumni Council. "Being a part of the Alumni Council over the last four years has truly been a life-changing experience for me. It has deepened my relationship with the School; given me the opportunity to expand my network, both professionally and personally; and offered me a way to give back to Stern, not just financially, but with my time, my ideas, and my experience."

To learn more about the Alumni Council and other ways you can get involved with the School, visit the website at www.stern.nyu.edu/alumni. For more information about the Alumni Business Conference, held May 16, 2008, visit www.stern.nyu.edu/alumni/newyork2008.



Michael Jay Solomon (left) with Bernie Beiser (BS '62) at the Los Angeles-area Stern Alumni Regional Group brunch.

The NYU Stern Office of Alumni Relations & Development and the Los Angeles-area Stern Alumni Regional Group held a brunch, "Where Creativity Meets Business," for 60 alumni in February, highlighting Stern's emerging role in the entertainment industry. The brunch featured Executive Director of Stern's Entertainment, Media and Technology (EMT) program, Al Lieberman, Clinical Associate Professor of Marketing, Entrepreneurship and Innovation, and was graciously hosted at the Beverly Hills home of international entertainment entrepreneur and Stern Overseer Michael Jay Solomon, Chairman and Chief Executive Officer of Solomon Entertainment Enterprises.

In addition to the Alumni Regional Group leaders Carolyn Chen (MBA '07), David Kelly (MBA '90), Eric Stern (BS '01), and John Ward (MBA '05), the Alumni Host Committee included Faisel Hussein (MBA '06), Joyce Lee (BA '86), and Mary Joan Schwab (MBA '89).

Alumni especially enjoyed the opportunity to see Lieberman, their beloved former professor, and to catch up with one another while taking in the breathtaking view of Beverly Hills. During his remarks, Lieberman shared updates about the EMT program and the advances it is making, as well as the new joint MBA/MFA degree offered by Stern and the Tisch School of the Arts.

class *notes*

1940s

Ruth Shapiro (BS '47, MA '73), of New York, NY, is founder of Ruth Shapiro Associates. Her job search, résumé, and cover letter approaches were featured in *McCall's, The Christian Science Monitor*, and the *Dow Jones' National Business Employment Weekly.*

Paul Steiner (BS '47), of New York, NY, has authored sixteen books and contributes to the *New York Post, Star Magazine*, and *zingmagazine*. He also writes a weekly column for *Jewish Voice* in the New York and Florida area.

Alan Greenspan (BS '48, MA '50, PhD '77), of Washington, DC, has penned *The Age of Turbulence: Adventures in a New World*. He has also joined Paulson & Co. Inc., an investment management company, as a member of its advisory board. Greenspan was former Chairman of the US Federal Reserve Bank.

1950s

Fred J. Lo Faso (BS '54), of Massapequa Park, NY, has retired from the Mearl Corporation as Senior Vice President of Global Sales to start his own company, Global Sales & Marketing, which offers pearl pigments and glitters to US and overseas markets.

Stuart I. Greenbaum (BS '58), of Saint Louis, MO, has been appointed as an independent director of Brooke Credit Corporation. Greenbaum was Dean of the John M. Olin School of Business at Washington University in St. Louis from 1995 to 2005.

Calvin E. Ramsey (BS '59), of New York, NY, known as the "Mayor of Harlem," is a Director of Special Projects and Community Relations for the NY Knicks. Ramsey was one of the nation's top 100 high school basketball recruits and has been inducted into the NYC Sports Hall of Fame and the Brooklyn USA Hall of Fame.

1960s

Dwight B. Massey (MBA '62), of Haledon, NJ, founded Massey Quick, a financial management firm based in New Jersey.

Robert F. Johnston (MBA '64), of Princeton, NJ, has been appointed Executive Chairman of the Pharmos Corporation's Board of Directors. Johnston, a venture capitalist, is President of Johnston Associates.

Peter Warren (BS '65), of Morganville, NJ, serves on the Executive Advisory Boards of the Tisch Center for Hospitality, Tourism, and Sports Management and the Academy of Hospitality and Tourism.

Irwin H. Block (MBA '66), of Norwalk, CT, retired in 2004 from Purdue Pharma L.P. as Senior Executive Director of Creative Services after 46 years of service. Block, also a photographer, has widely exhibited his black and white silver gelatin images which have appeared in *The New York Times.*

Francis P. Mulvey (BS '66), of Bethesda, MD, has been nominated by President George W. Bush for an additional five-year term to be a member of the Surface Transportation Board.

Shau Wai Lam (MBA '67), of Summit, NJ, has been awarded the New Jersey "Ernst & Young Entrepreneur of the Year 2007" award. Lam is Chairman of DCH Auto Group, one of the largest auto dealer groups in the country.

M. Faroq Kathwari (MBA '68), of New Rochelle, NY, was one of three South Asians who received the "American by Choice" award, which recognizes outstanding achievement by naturalized US citizens. Kathwari is Chairman, President, and CEO of Ethan Allen Interiors, Inc.

Thomas E. Freston, III (MBA '69), of New York, NY, has been appointed to the Board of Directors at DreamWorks Animation. Freston most recently served as President and CEO of Viacom.

James H. Herbert (MBA '69), of San Francisco, CA, has been appointed Chairman at First Republic Bank. Herbert was the founding President and CEO of First Republic.

1970s

Lewis J. Altfest (MBA '70), of New York, NY, is the recipient of the 2007 Charles R. Schwab IMPACT Award®. In connection with the award, *The Wall Street Journal* honored Altfest for his continuing quest to provide independent advice to individual investors. Altfest is currently President of L.J. Altfest & Co., Inc.

Richard S. Fuld (MBA '72), of Greenwich, CT, has been re-elected a Class B Director of the Federal Reserve Bank of New York for a three-year term. Fuld is Chairman and Chief Executive Officer of Lehman Brothers Holdings Inc.

Mary C. Gelormino (BS '75, MBA 79), of Brooklyn, NY, has been appointed Senior Vice President and Regional Executive at Sovereign Bank. Prior to joining Sovereign, Gelormino was Senior Vice President and Client Relations Manager for Bank of America.

Ann M. Stordahl (BS '75), of Dallas, TX, is the Executive Vice President of Women's Apparel at Neiman Marcus. Stordahl is responsible for all women's apparel categories and the company's fashion offices in New York.

Kenneth J. Witkin (MBA '75), of Brookline, MA, has been appointed President and CEO of CBRE Realty Finance, Inc. Witkin most recently served as Executive Vice President in the Commercial Real Estate Banking Group of Bank of America.

Brandes S. Elitch (MBA '76), of Sebastopol, CA, has been appointed Director of Sales and Marketing at Avalon International, a software provider. Brandes has previously worked as Corporate Cash Manager.

Richard A. Lorraine (BS '76), of Jonesborough, TN, has been awarded *Chemical Weekly*'s annual "Senior Financial Officer of the Year" award. He is currently the Senior Vice President and CFO of Eastman Chemical.

Richard E. Kolman (MBA '77), of Greenwich, CT, Managing Director at Goldman Sachs, was honored by the Securities Industry and Financial Markets Association for his "significant contributions to the Association and the municipal securities industry thoughout his career."

Cathy E. Minehan (MBA '77), of Boston, MA, has been appointed to the Board of Directors at Becton, Dickinson and Company. Minehan most recently served as President and CEO of the Federal Reserve Bank of Boston.

Gary M. Rautenstrauch (MBA '77), of Charlotte, NC, has been appointed CEO of SirsiDynic. Previously, he held several management positions at Baker & Taylor, including Chief Information Officer, Vice President of Operations, and CEO.

Raymond S. Baxter (MBA '78), of Vienna, VA, is Vice President, Government Sales, at Mobile Satellite Ventures, an operator of a satellite-based telecommunications network.

Gail D. Fosler (MBA '78), of New York, NY, has been appointed President of The Conference Board, a global research and business membership organization. Fosler most recently served as Executive Vice President and Chief Economist at The Conference Board.

David E. Mack (MBA '78), of Evanston, IL, has been appointed Managing Director at Morris Anderson & Associates' Chicago office. Before joining Morris Anderson & Associates, Mack was Senior Managing Director at Mesirow Financial Consulting and Managing Partner of White Oak Group.

Marc J. Oppenheimer (BS '79, MBA '84), of Fort Lee, NJ, has been appointed Executive Vice President, CFO, and Treasurer at IDT Corporation, an international telecommunications and technology company. Oppenheimer was previously Executive Vice President of Kenmar Global Investment Management, Inc.

1980s

John Cherkezian (MBA '80), of Englewood Cliffs, NJ, has been appointed COO at The Armenian General Benevolent Union. He was previously Managing Director of Trade Finance at International Asset Holdings Corporation.

David J. McCue (MBA '80), of Florence, MT, has been appointed CIO at Computer Sciences Corporation (CSC).

Open to Possibilities

Charlie Chasin (BS '80, Law JD '83)

A successful career, the theory goes, often results from working hard to create opportunities, and then being alert and daring enough to take advantage of them. Charlie Chasin, currently Managing Director in Firm Management for Morgan Stanley, could be the poster boy for that theory.

Chasin, armed with both an accounting degree from NYU Stern and a JD from NYU School of Law, spent the first part of his career as a law clerk to US District Judge John Bartels, a litigator at Dewey, Ballantine, Bushby, Palmer & Wood, and an adjunct professor of business law at Stern. In 1988, he joined Morgan Stanley's legal department, where he worked for 12 years, ultimately serving as Head of Litigation and Regulatory Affairs. In 2001, Chasin made the first of several career shifts at Morgan Stanley, becoming the Legal and Regulatory Risk Manager for the Fixed Income Division. "I have always loved business, so the transition from the legal side, while challenging, was a natural one for me," Chasin explained. "The timing was right, the position was right, and I knew I could always move back into the legal arena if I wanted to. Luckily, I haven't wanted to – being on the business side has been terrific."

Four years into the risk management position, Chasin saw another opportunity to broaden his skills and went for it: Chief of Staff to Morgan Stanley's former Co-president Zoe Cruz. "Something that Morgan Stanley promotes firm-wide, and that I ascribe to on a personal level as well," said Chasin, "is to go outside your comfort zone. Once you challenge yourself and succeed, you develop the confidence and courage to continue to expand your horizons." In December 2007, Chasin accepted his current position working for Morgan Stanley's new Co-president Walid Chammah.

Chasin attributes much of his success to his educational experience. "NYU gave me the chance," he said. "Without the opportunities I had in school, I wouldn't be where I am today." As a result, he's stayed connected. "It has been important for me to stay involved with NYU over the course of my career. I have worn many hats for NYU since my graduation: I have served as a mentor, an adjunct professor, a recruiter for the firm's Fixed Income Division, and currently, as Morgan Stanley's University Relationship Manager (URM) for NYU. As the URM, I have worked to build bridges between Morgan Stanley and NYU; develop meaningful relationships with the deans, students, and alumni; create greater opportunities for collaboration; and forge a strong partnership between NYU and Morgan Stanley."

Reflecting on his achievements, Chasin said, "I never had a master plan. My education and career have been much more evolutionary in nature. My philosophy is to roll up my sleeves, work hard, and not take anything for granted."

His previous CSC assignments include Vice President of Application Portfolio Management and Chief Information and Resource Officer for the company's health care group.

Lance S. Miller (MBA '80), of Leonia, NJ, has been appointed Managing Director of Morris Anderson & Associates in New York. Before joining Morris Anderson, Miller served as Managing Director of KLB Partners, LLC.

Lawrence R. Litowitz (MBA '81), of Palm City, FL, has been appointed CFO of Silverstar Holdings. Previously, he held CFO and Senior Vice President positions at a number of companies.

David N. Spiselman (MBA '81), of Salinas, CA, has been appointed CFO of WineNationTV.com. Spiselman was also recently elected to a four-year term on the Monterey Bay Blues Festival Board of Directors as Chair of the Audit Committee.

Steven H. Tishman (MBA '81), of New York, NY, has been made Head of Mergers and Acquisitions at Rothschild North America.

Jack D. Cogen (MS '82, MBA '87), of New York, NY, has been elected Chairman at The International Emissions Trading Association. Cogen is President and CEO of Natsource and is one of the founders of the Natsource group of companies.

Alexander D. Dembitzer (BS '82), of New York, NY, is the Principal and Managing Partner of the Northern Group, a real estate development company. Northern Group is currently developing a $150 million project in downtown Detroit.

Paul E. Simons (MBA '82), of Washington, DC, has been nominated by President George W. Bush to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Chile.

Rodolfo L. Archbold (MBA '83), of Acton, MA, has been appointed Vice President of Operations at Evergreen Solar, Inc., a manufacturer of solar power products. He most recently served as an Operations Consultant at Teradyne, Inc. and other electronics manufacturing firms.

Elyse Douglas (MBA '83), of Cos Cob, CT, has been appointed Executive Vice President and CFO of Hertz Global Holdings, Inc. Before joining Hertz in 2006, Douglas served as Senior Vice President and Treasurer of COTY, Inc.

Michael E. Hess (MBA '83), of Washington, DC, is the Assistant Administrator for the Bureau for Democracy, Conflict, and Humanitarian Assistance, US Agency for International Development. Hess was appointed by President George W. Bush for this Senate-confirmed position.

Angelo C. Malahias (BS '83), of Weston, FL, has been appointed to the Board of Directors at Eurand, a pharmaceutical company. Malahias was previously CFO at Andrx.

Edward T. Manzitti (APC '83), of Hillsborough, NJ, has recently been appointed Vice President of Research at the Direct Marketing Association, the leading global trade association for business and nonprofit organizations using and supporting direct marketing tools and techniques.

Barbara L. Rambo (MBA '83), of Sandisfield, MA, has been appointed to the Board of Directors of UnionBanCal Corporation. She is a director and vice chair of Nietech Corporation.

Jeffrey J. Woodward (MBA '83), of Hopewell, NJ, has been appointed Managing Director at Syracuse Stage, a theatre company. He is currently Managing Director of the McCarter Theatre Center for the Performing Arts in Princeton, NJ.

Leo P. Grohowski (MBA '84), of Bernardsville, NJ, has been appointed Chief Investment Officer for The Bank of New York Mellon Corporation. He was previously Head of Investments at US Trust.

Evan A. Marks (MBA '84), of New York, NY, has joined Vestar Capital Partners, a private equity firm, as a principal. He previously served as Senior Vice President of Marketing at WebMD Health Corporation.

Michael P. Tarnok (MBA '84), of Mount Kisco, NY, has been appointed to the Board of Directors at Keryx Biopharmaceuticals, Inc. He most recently served as Senior Vice President of Finance at Pfizer Inc.

Catherine M. Avery (MBA '85), of New Canaan, CT, has recently formed her own investment firm. The firm creates and manages customized investment portfolios for private investors.

Alexander P. Moon (MBA '85), of New York, NY, has been named Partner at Pillsbury Winthrop Shaw Pittman, LLP in New York. He was previously with the New York office of Duane Morris.

Denis J. O'Leary (MBA '85), of Scarsdale, NY, has joined the Board of Directors at Fisery, Inc. O'Leary is a private investor and consultant.

Cynthia L. Shereda (BS '85), of Pound Ridge, NY, has been appointed Executive Vice President, General Counsel, and Corporate Secretary at Converse Technology. She was previously Executive Vice President, Chief Legal Officer, and Secretary at ATMI, Inc., a semiconductor materials company.

Dawn A. Fisher Albin (BS '86, MBA '90), of Westfield, NJ, joined Brown Brothers Harriman as Senior Vice President of Risk Management. She was previously Director at DB Services New Jersey, Inc.

John Gaffney (MBA '86), of West Orange, NJ, has been appointed Executive Vice President and General Counsel at First Solar, Inc. in Phoenix. Gaffney was previously a partner at Cravath, Swaine & Moore.

Peter D. Galasinao (MBA '86), of Brooklyn, NY, has joined Willis Mergers and Acquisitions Group as Senior Vice President. Prior to Willis, Galasinao worked for KPMG and Ernst & Young.

Steven G. Milewicz (MBA '86), of Armonk, NY, has been appointed Executive Vice President at RailWork Corporation, a provider of track and transit systems construction. Milewicz most recently served as General Counsel for Atlantic Housing and Scaffolding, a hoisting and scaffolding contractor.

Herbert J. Roberts (MBA '87), of Albany, NY, has been appointed Senior Vice President, CFO, and Secretary at Juniper Content. Roberts was previously an operations and financial consultant to companies in the electronics and media industries.

George S. Barrett (MBA '88), of Rydal, PA, has been appointed CEO of Cardinal Health's health care supply chain services sector. Barrett currently serves as CEO of Teva North America.

Robert H. Eller (MBA '88), of Milan, Italy, announced the formation of GMAT Prep Europe, a GMAT preparation and MBA application consulting services firm based in Milan that serves all of Italy.

Kenneth L. Sperling (MBA '88), of Orange, CT, has been appointed Senior Vice President of Retiree Solutions for CIGNA's senior segment. Sperling was previously a member of CIGNA's national accounts leadership team.

Paul W. Staby (MBA '88), of Watertown, MA, has started a new company, Resolute Marine Energy, Inc., to develop technologies for extracting energy from ocean waves.

Ronald E. Blaylock (MBA '89), of New York, NY, has been elected to serve on the Board of Directors of CarMax, Inc. Blaylock is Managing Partner at GenNx360 Capital Partners and is a member of the Stern Board of Overseers.

Jeffrey M. Fischer (MBA '89), of Mamaroneck, NY, has been appointed Director of the MBA Career Management Center at the University of North Carolina at Chapel Hill's Kenan-Flagler Business School. Most recently, Fischer was co-founder and Managing Partner of an investment advisory firm specializing in hedge funds.

Richard S. Gold (MBA '89), of East Amherst, NY, has been appointed to the management committee at M&T Bank Corp. Gold is Executive Vice President at M&T Bank Corp.

JoAnne R. Jensen (MBA '89), of Larchmont, NY, has been selected by *Global Investor* as one of the "20 highly regarded women in wealth in the US." Jensen is Managing Director at Citi Private Bank.

Paul S. Lambdin (MBA '89), of New Canaan, CT, has been appointed President of Health Net of the Northeast. Lambdin currently serves as the Northeast's Chief Commercial and Medicaid Officer.

1990s

Mark E. Almeida (MBA '90), of Brooklyn, NY, has been named Senior Vice

A Passion for Excellence

Susan M. Puglia (WSC BA '81, MBA '88)

It takes a daunting combination of skills to run IBM's global, end-to-end technical support and development transformations operation, and lead the computer giant's global quality initiatives. That's the charter of Susan Puglia, a double-degree graduate of NYU, who currently goes by the hefty title of Vice President, IBM Quality and Process Transformation for Development and Technical Support. Puglia joined IBM in software product development after earning a BA in computer science and math from NYU's Washington Square College in 1981. She had planned to work just a few years and then attend Stern full-time for an MBA in international business and finance, but her flourishing career altered the game plan. "I hadn't planned on enjoying my job so much," she said. "In the end, I decided to go back to school part-time. It took me five years to graduate, but the decision to stay with IBM is one I'm still grateful I made."

Puglia's career carved a linear path upwards. From 2002 to 2004, as Vice President for Systems Architecture, Design, and Development, Puglia led the development and delivery of IBM's virtualization solutions (the abstraction of computer resources) and user technologies. She also gained IT experience in IBM's CIO organization when, in 2000 and 2001, she set the direction for IBM's information technology, established the company's global IT infrastructure and applications' standards and architecture, and managed the worldwide deployment of these technologies. Earlier in her IBM career, Puglia held a variety of technical and management positions in marketing and mainframe hardware and software development.

With equal intensity, Puglia has figured out a way to strike a balance in her life. "I've given my entire career to IBM," she said. "I waited a long time to start a family, and, in doing so, I achieved much success professionally, which has been really rewarding. However, now that I do have a family, with two wonderful small children at home, it is extremely important to me that I achieve and maintain that same level of success personally with both my kids and my husband. I strive every day to make a tremendous impact at work and an even greater one at home with my family."

Puglia is also committed to making an impact on her alma mater. She is a long-time Stern Fund and Courant Institute donor and serves as the NYU-IBM Partnership Executive, working to forge a strong partnership between IBM and the University. As a Partnership Executive, she is building the Stern alumni community at IBM, aligning IBM support of Stern research, and bringing prestigious IBM executives to speak on campus. She is also actively involved with the NYU Courant Institute of Mathematical Sciences, serving on its Advisory Board, as well as with NYU's Women's Initiative Steering Committee.

Playing to Win

David "Tiger" Williams (MBA '89) likes to hire athletes for his firm, though sticks, bats, pucks, or mitts aren't the tools of his trade. Williams Trading, located on the Canal in Stamford, Connecticut, offers high-level execution, liquidity, and market insight to its clients. Said Williams of his hiring practice: "I usually get a sense of someone I would like to work with, and it just works out that way." Not surprisingly, Williams is also an athlete – an avid cyclist. "Most cyclists are extremely competitive and focused. The same skill set works well in finance," he explained.

Williams made his name as the former head of equities trading at the New York hedge fund Tiger Management. In 1997, he founded Williams Trading, an outsource trading desk for hedge funds and high net worth individuals. Williams's clients are willing to pay top dollar for the firm's services. "We provide our clients white-glove service, not just through trading, but also through our collective knowledge. Our clients look to us for an edge," Williams said.

The firm recently expanded its high-touch services outside the US, opening a London office to trade European securities. "With all we are seeing now in international markets, the volatility and the strengths and weaknesses of currencies, Europe is an important place to be and has extended our global perspective," he said.

Beyond trading, Williams is active philanthropically, focusing on cancer-related charities, including the Armstrong Foundation, cyclist Lance Armstrong's organization. "I work hard, I play hard, and it feels good to give back," he explained. Williams currently serves as trustee for The Tiger Foundation and is a member of the Development Board at Yale University, the Leadership Committee at Milton Academy, and the Development Board for USA Cycling.

He has also spent time with Stern MBA students, speaking at Association for Investment Management student club events about his industry experiences. "During my time at Stern, I learned from some of the top players in the business – Finance Professor Roy Smith was one of my favorites. Learning from someone so plugged into the business was an incredible experience. By interacting with students, I hope to have that same effect."

And how about that nickname? "They began calling me that in high school after the hockey player Tiger Williams," who was known to intimidate opponents and racked up the most penalties in the league, he explained. "It just stuck."

President at Moody's Corporation, with responsibility for directing the newly formed Moody's Analytics division. Almeida has been with Moody's for 19 years, serving most recently as Senior Managing Director of the Investor Services Group.

Mark C. Portu (MBA '90), of Dix Hills, NY, has been appointed CEO and President at FeedRoom, Inc., a provider of Web video and digital media services. Portu was previously Senior Vice President at Open Text Corporation.

Mitchell S. Stern (MBA '90), of New York, NY, has been appointed Managing Director at SMH Capital Markets. Stern was most recently Managing Director and Head of the Health Care and Life Sciences Investment Banking unit at Glocap Advisors.

James W. Sullivan (MBA '90), of San Jose, CA, has been appointed Vice President of Finance and CFO of MoSys, Inc. Previously, Sullivan was Vice President of Finance and CFO of Apptera, Inc.

Alan Weichselbaum (MBA '90), of Lawrence, NY, has been appointed to the Board of Directors at Star Scientific, Inc. Weichselbaum is Chairman and the General Partner of Gimmel Partners, an asset management firm in New York.

Tayeb Tahir (MBA '91), of Barrington, RI, has been appointed President of Peabody China. Tahir joined Peabody in April 2006 as Senior Vice President of International Development.

Jesse D. Greenberg (MBA '92), of Morganville, NJ, debuted his *Larger Than Life* series at the Jersey Shore in the Shore Institute of Contemporary Art (SICA) outdoor sculpture exhibit, "SCULPTOURE."

Rana K. Gupta (MBA '92), of Somerville, MA, has been appointed CEO of HistoRx, Inc., a tissue-based diagnostic products company. Gupta had served as interim CEO since August 2006.

Gregory B. Luttrell (MBA '92), of Princeton Junction, NJ, has been appointed Senior Portfolio Manager at JPMorgan Asset Management. He was previously a portfolio manager at TIAA-CREF.

Mitchell J. Speiser (MBA '92), of New York, NY, has been appointed Director at Telsey Advisory Group LLC, an independent research and consulting firm. Speiser previously served as Senior Vice President and buy-side equity Analyst for Jeffries Asset Management.

Stephen A. Velgot (MBA '92), of New York, NY, has been appointed Special Situations Analyst at Susquehanna Financial Group, LLP. Velgot was previously Situations Analyst at Cathay Financial.

Frank DeMaria (MBA '93), of Allendale, NJ, has been appointed Managing Director of Business Development at The Depository Trust & Clearing Corporation, an over-the-counter derivatives provider. Previously, DeMaria was Global Head of Derivative Client Services and Operations at Merrill Lynch.

Peter J. Eliopoulos (MBA '93), of Larchmont, NY, has been appointed Senior Vice President and Chief Marketing Officer at M&T Bank Corp. Previously, Eliopoulos was Senior Vice President and Director of Strategic Planning with Citibank North America.

Douglas M. Mazlich (MBA '93), of Pound Ridge, NY, has been appointed Vice President of Channel and Business Development at Tizor Systems, a provider of data auditing and protection solutions. Mazlich is a former vice president at Microsoft's Whale Communications Subsidiary.

Leela Petrakis (MBA '93), of New York, NY, was featured at CEW's Women in Beauty event on October 24, 2007. Petrakis is General Manager for Neutrogena Cosmetics at Johnson & Johnson.

Michael S. Vincent (MBA '93), of Edison, NJ, has been appointed Vice President and Treasurer of Saks Incorporated. Vincent joined Saks in February 2007 as Assistant Treasurer.

Darryl S. Zaontz (MBA '93), of Woodmere, NY, has been appointed to the consulting staff at Innovative Designs, a manufacturer of outdoor apparel and equipment. Zaontz is one of Innovative Designs' largest shareholders.

Charles R. Barton (MBA '94), of Chatham, NJ, has been appointed COO at The Barton Group, a mining company.

David S. Klein (MBA '94), of Los Angeles, CA, has joined CENTRIS as Executive Vice President, running its West

Coast office based in Los Angeles. Klein recently served as Vice President for TNS' Media and Entertainment Group.

Andre J. Koo (MBA '94), of Taiwan, is Chairman and CEO of Financial One/Chailease, a Taiwan-based financing and leasing company.

Raymond Quartararo (MBA '94), of Rye, NY, has been appointed International Director at Jones Lang LaSalle. Quartararo was previously Northeast Regional Manager with the company's project and development services group.

Martin O. Vidaeus (MBA '94), of Stockholm, Sweden, has just accepted a new post as Director of Marketing with UniTech Biopharma, which provides specialized manufacturing capabilities of biopharmaceuticals to biotechnology and pharmaceutical firms in Scandinavia.

Juli R. Branson (MBA '95), of Alexandria, VA, was named speechwriter for US Secretary of Defense Robert Gates. Prior to this, Branson worked at the Department of Defense for the Under Secretary of Defense for Acquisition, Technology, and Logistics.

Salvatore J. Bruno (MBA '95), of Dix Hills, NY, has been named Senior Vice President and Head of Research and Product Development at IndexIQ, a dedicated developer of innovative quantitative investment strategies. Bruno previously served as Director at Deutsche Asset Management.

Roger Burkhardt (MBA '95), of Irvington, NY, has been appointed to the Board of Directors at Market-Axess Holdings, an electronic trading platform provider. Burkhardt is President and CEO of Ingres Corporation.

Peter G. Klein (MBA '95), of New York, NY, was named a "Forty Under Forty" Rising Star of the Class of 2007 by *Westchester County Business Journal*. Klein is currently Vice President of Fidelco Realty Group.

Kyungwon Lee (MBA '95), of Forest Hills, NY, has been named a partner at Shearman & Sterling's Hong Kong office. Lee practices in the firm's capital markets group.

John C. Redett (MBA '95), of New York, NY, has joined the Carlyle Group's recently-formed Global Financial Services Group. Redett is a former vice president of the Financial Institutions Group at Goldman Sachs.

Paul H. Simpson (MBA '95), of New South Wales, Australia, has been appointed as Head of Global Public Sector and Health Care Markets for the global transaction services business at Citi Markets & Banking. Simpson was previously an executive in the Treasury services department at JPMorgan Chase.

Gene Boxer (BS '96), of New York, NY, has joined American International Group, Inc. as Assistant General Counsel in the Corporate Legal/Mergers & Acquisitions Group. Prior to AIG, he spent eight years at Milibank, Tweed, Hadley & McCloy LLP.

Travis E. Bradford (MBA '96), of Cambridge, MA, has been appointed to the Board of Directors at Hy-Drive Technologies. Bradford is the founder and Managing Partner of Atlas Capital Investments, a hedge fund based in Massachusetts.

Aviram "Rami" Branitzky (MBA '96), of San Jose, CA, has been named Managing Director of SAP AG Labs North America, a company in Silicon Valley. Branitzky previously served as Senior Vice President in charge of SAP global software solution partnerships.

Scott K. Larson (MBA '96), of Milwaukee, WI, is President and COO of Gustave A. Larson Co. The Larson family's business success has earned the company the Generational Sustainability Award from the Wisconsin 75 annual awards program sponsored by Deloitte & Touche.

Edward D. Reiskin (MBA '96), of San Francisco, CA, has been appointed by San Francisco Mayor Gavin Newsom as the Director of the city's new 311 Customer Service Center. He most recently served as the city administrator in Washington, DC.

Glenn M. Saldanha (MBA '96), of Mumbai, India, is the CEO of Glenmark Pharmaceuticals, a drug research and development company located in Mumbai.

Randle G. Schumacher (BS '96), of Del Mar, CA, has accepted a position at LPL Financial as Director of Marketing in San Diego. He previously worked for six years at AXA Financial in New York.

Denise M. Valentine (MBA '96), of Norwalk, CT, has joined Aite Group to focus on institutional asset management and hedge funds. Previously, she was a senior analyst with Celent, a financial technology research and advisory firm.

Ruaridh "Rory" Cumming (MBA '97), of Darien, CT, has been appointed CEO of ShopWiki, the shopping search engine. Cumming most recently served as Vice President of Online Marketing for Rodale Inc.

Meridith F. Dennes (MBA '98), of New York, NY, and Mark Dennes welcomed a daughter, Addison Ryder Dennes, on June 30, 2007.

Allison J. Galligan (MBA '98), of Bronxville, NY, has recently been promoted to Managing Director at Charles J. McBride & Associates, Inc., a boutique executive search firm specializing in the real estate industry.

Guillaume A. Jesel (MBA '98), of New York, NY, was promoted to Vice President of Global Marketing at MAC Cosmetics. Previously, he served as Vice President of Makeup Marketing at Estée Lauder.

Sajid A. Khan (MBA '98), of Plainsboro, NJ, is President of MicroAgility, Inc., which has recently been named one of the "Top 100 Diversity-Owned Businesses" in New Jersey by DiversityBusiness.com.

Thomas P. Lukacovic (MBA '98), of Syosset, NY, has accepted a new position at BNY Convergex as Equity Sales Trader.

Ian A. Post (MBA '98), of New York, NY, recently launched an investment advisory firm called Post Asset Management, LLC. The firm designs and manages investment portfolios for individuals and small businesses using passive investment strategies.

Harry Prassakos (BS '98), of Elmwood Park, NJ, and his wife, Sandy, welcomed their first child, George H. Prassakos, on July 31, 2007.

Brett B. Rochkind (BS '98), of New York, NY, has been appointed Managing Director at General Atlantic (GA) LLC, a global growth equity firm. Prior to joining GA in 2002, Rochkind was an investment banker with Morgan Stanley & Co.

Mark A. Glickman (MBA '99), of Marlboro, NJ, has been appointed Vice President of Sales at Oscient Pharmaceuticals Corporation. Glickman was previously Vice President of Sales at Kos Pharmaceuticals.

Djena N. Graves (MBA '99), of New York, NY, is the Director of Business Development at ICV Capital Partners. Graves was previously Senior Associate in the Mergers and Acquisitions Group at Morgan Stanley.

Kevin N. Hinton (MBA '99), of Washington, DC, has joined the National Association of Investment Companies (NAIC) as Vice President. NAIC is a Washington, DC-based trade association for investment companies dedicating financial resources to the development of an ethnically diverse marketplace.

David Orozco (BS '99), of Evanston, IL, has accepted a faculty appointment as Assistant Professor of Business Law at the School of Business and Economics at Michigan Technological University.

George J. Pagano (BS '99), of Staten Island, NY, has joined the law firm of Morgan Lewis & Bockius LLP as an associate in the firm's Finance Group.

2000s

Melissa M. Coker (BS '00), of Los Angeles, CA, owns a clothing label, Wren, which has been named "one of three young labels to watch" by *Women's Wear Daily*.

Ronald Lamprecht (MBA '00) and **Susanne Mei (MBA '00)**, of New York, NY, welcomed their second child, a baby girl, Lucia Olivia, on August 2, 2007.

Jeremy W. Szeto (BS '00), of Missouri City, TX, recently began his private medical practice specializing in family medicine.

C. Mark Tang (MBA '00), of Jersey City, NJ, has been appointed to the Board of Directors at Puda Coal, Inc. Tang is the founder and Chairman of World Technology Ventures, LLC, an international merchant banking and advisory firm.

Erik J. Blum (BS '01), of Forest Hills, NY, has joined the staff of New York City Council Member Helen Sears as Legislative Counsel.

Alisha N. James (MBA '01), of Ozone Park, NY, married Donald M. Graham on November 25, 2006, in Garden City, NY.

Blazing a Private Equity Trail South of the Border

Humberto Zesati (MBA '96)

Mexico City native Humberto Zesati has a bold vision for his homeland. The self-described "stubborn" venture capitalist sees ripe investment opportunities where others see none.

Zesati serves as Managing Partner of Latin Idea Ventures, a private equity fund that provides late-stage venture capital to nascent Mexican companies – a concept generally considered a nonstarter. "People have said to us, 'You're not going to get any money. There's no venture money to be made in Mexico,'" he said.

But Zesati ignores the naysayers. "I've always believed that there are very good companies and very good entrepreneurs in Mexico that lack access to capital," he explained. "I see private equity as a way to develop my country and a way to build world-class companies. The Mexican credit markets have been very ineffective at bringing capital to the people. Ten years ago, there were no venture funds investing in India and China. But now there are hundreds of them investing billions of dollars there. We hope to replicate that model in Mexico."

Zesati started Latin Idea in 2000 with a $5 million incubator fund that invested in dot-com companies. "This was a small fund in comparison to those in the US, but $5 million is a lot of money for most Mexican ventures," said Zesati. The fund was financed by private investors and, despite the dot-com bust, it netted a profit.

As a result of Zesati's tenacity, his company continues to grow. "We've been successful because we're basically the only active fund in Mexico dedicated to this niche," he said. "So we see the crème de la crème of the deals here, and we can cherry-pick which ones we want to take on."

In 2005, fellow Stern alumnus Alex Rossi (MBA '96) joined Zesati as Managing Partner in Latin Idea. The pair then began raising capital for the firm's second fund and, in three years, has raised four times the amount of its first. The goal is to raise $28 million total; the company is working with European institutional investors to raise the remaining $8 million.

"The process of raising a fund in Mexico is hard because the local community cannot support it," Zesati said. "There are few high net worth individuals here and only a few Mexican institutions that have the money to invest in the fund." Once fundraising is completed, Latin Idea will focus the fund's investments in technology, communications, and media companies that have potential for growth. Also this year, the company will start marketing a couple of new funds: a $75 million to $100 million real estate fund, and a $100 million to $150 million mezzanine debt fund.

But the biggest challenge for Zesati is how to take his idea to the next level: building a vibrant industry in venture capital in Mexico. "One fund doesn't make an industry," he asserted. "We need an ecosystem that can foster entrepreneurship and innovation here in Mexico."

Of course, if anyone is going to make that happen, it's going to be the trailblazing Zesati.

Eric S. Nonacs (MBA '01), of Brooklyn, NY, is a senior advisor to the William J. Clinton Foundation. From June 2002 until August 2007, he was the Foreign Policy Advisor to President Bill Clinton and the Clinton Foundation.

Jo-Ellen Pozner (MBA '01), of Berkeley, CA, has accepted a position as Assistant Professor at the University of California, Berkeley Haas School of Business.

Ann M. Sheridan (MBA '01), of New York, NY, married Erich Steinbrunn on September 22, 2007, in Spray Beach, NJ.

Christy Y. Shue (MBA '01), of Shoreham, NY, has been appointed Executive Vice President of Finance and Investor Relations at Harbin Electric. Shue was previously Vice President and Senior Investor Relations Consultant at Christensen, an investor relations advisory firm.

Gary Bennaim (MBA '02), of London, England, together with his wife, Olivia, and their daughter, Emma, welcomed Michael Saadia, on April 21, 2007.

Eric J. Bertrand (MBA '02), of New York, NY, and Julie Dellinger were married in November 2007. Bertrand is a managing director with Greystone Private Equity.

JonPaul Checa (BS '02), of New York, NY, is founder and CEO of Convos, an online venture that helps small businesses and their employees manage information online. He was previously a consultant with Acquis Consulting.

David L. Feldman (MBA '02), of Scotch Plains, NJ, was recently designated a certified physician executive. He is currently Vice President of Perioperative Services, Vice Chairman of the Department of Surgery, and Co-director of Leadership Development at Maimonides Medical Center.

Heather F. McMeekin (MBA '02), of Philadelphia, PA, has been appointed Co-manager in the Growth Equity Investing Team at Turner Investment Partners, an investment firm that manages more than $25 billion in assets on behalf of institutions and individuals.

John-David Schramm, II (MBA '02), of San Francisco, CA, accepted an appointment to the faculty at the Stanford University Graduate School of Business. Previously a Stern faculty member, he will be leading an effort to re-introduce communication courses to the MBA curriculum at Stanford.

Jim P. O'Neill (MBA '03), of Evanston, IL, has been named Vice President and Director of Product Development for Social Sciences at McDougal Littell, a division of global educational publisher Houghton Mifflin.

Rao A.S. Khan (BS '04), of Brooklyn, NY, has been promoted by Manhattan Borough President Scott Stringer as his new Director of Community Affairs and Constituent Services. He most recently served as Deputy Director of Community Affairs and Constituent Services.

Jay A. Legenhausen (MBA '04), of Palo Alto, CA, has been appointed Senior Vice President of Worldwide Sales at Actel. Previously, Legenhausen was Vice President of Sales at Cypress Semiconductor.

Samantha G. Woodruff (MBA '04), of New York, NY, has been promoted to Vice President of Strategy and Business Development at Nickelodeon/MTV Kids and Family Group.

Jason Halpern (MBA '05), of Elkins Park, PA, and his wife, Rebecca, welcomed son, Isaac Benjamin Halpern, on March 5, 2007.

Shiri C. Leventhal (BS '05), of Canton, MI, is participating in the first non-stop relay around the world. The run is organized by Blue Planet Run Foundation with sponsorship by Dow Chemical in order to highlight the clean water shortage in many countries.

Angela G. Salomon (MBA '05), of New York, NY, married Ryan Barkan on October 28, 2007, in New York, NY.

Salomon is Director of Marketing and Publicity at Sony BMG Music Entertainment.

Fikre Bizuneh (MBA '06), of Peoria, AZ, has been appointed Senior Risk Analyst at FiREapps, a provider of foreign exchange exposure management technologies.

Theresa A. Harrison (MBA '06), of Falls Church, VA, has been appointed Director of Government Relations at PIERS Global Intelligence Solutions, a division of Commonwealth Business Media. Previously, she worked in government relations at Factiva.

Iheanyi "Ik" Kanu (MBA '06), of Brooklyn, NY, has joined Arthur D. Little, Inc., a global management consulting firm, as a consultant. Kanu was previously a consultant at PA Consulting.

Alexander B. Panov (MBA '06), of Moscow, Russia, has recently been appointed CFO of Transstroy after working five years in planning at TNK-BP.

Nils Weber (MBA '06), of Basel, Switzerland, has started a new venture, Wizable, which develops business class mobility software.

Melissa F. Desjardins (MBA '07), of New York, NY, and her husband, John, welcomed a daughter, Olivia Rose, on August 14, 2007.

Jen T. Hu (MBA '07), of New York, NY, has joined Earnest Partners as an equity trader. Hu was previously with Goldman Sachs' equity trading group.

Joseph M. Miscione (MBA '07), of Hoboken, NJ, founded Provigde Consulting, which was ranked number 332 in Inc.com's 5,000 Fastest Growing Private Companies in America. Providge Consulting customizes financial, human resources, and customer service software applications.

Howard Schor (MBA '07), of Great Neck, NY, was promoted to Executive Vice President of Strategic Operations and Planning at Treeline. Prior to Treeline, Schor was Associate Media Director at advertising agency The Media Kitchen.

SEND US YOUR NEWS

Do you have a new job or promotion? An award, honor, or achievement to share? How about a marriage, new baby, or adoption? Let other alumni know about the things happening in your life.

Send us your news online through Class Notes in SWAP – the Stern Worldwide Alumni Platform – at **www.stern.nyu.edu/alumni,** or mail or fax your news to:

Office of Alumni Relations & Development
NYU Stern School of Business
44 West Fourth Street, Suite 10-160
New York, NY 10012-1126
Fax: 212-995-4515

In Memoriam

Leneve Simkins Leatham (MS '40)
Chester Kaplan (BS '42)
John M. Dee (MS '49)
Arnold J. Meistrich (BS '55)
Wilbur A. Clarke, Jr. (MBA '61)
Brian P. Walsh (MBA '84)
Noliyuky Nakano (MBA '89)
Nancy G. Orland (MBA '91)
Brian Silvert (BS '99)

To access the contact information of your fellow alumni and to update your own, log on to SWAP, Stern's online alumni community, at www.stern.nyu.edu/alumni.

FLORENCE 2007
GLOBAL ALUMNI CONFERENCE

Thanks to the hundreds of alumni from around the world who joined us for Florence 2007: Global Alumni Conference.

Stay tuned for information on the next Global Alumni Conference to be held in

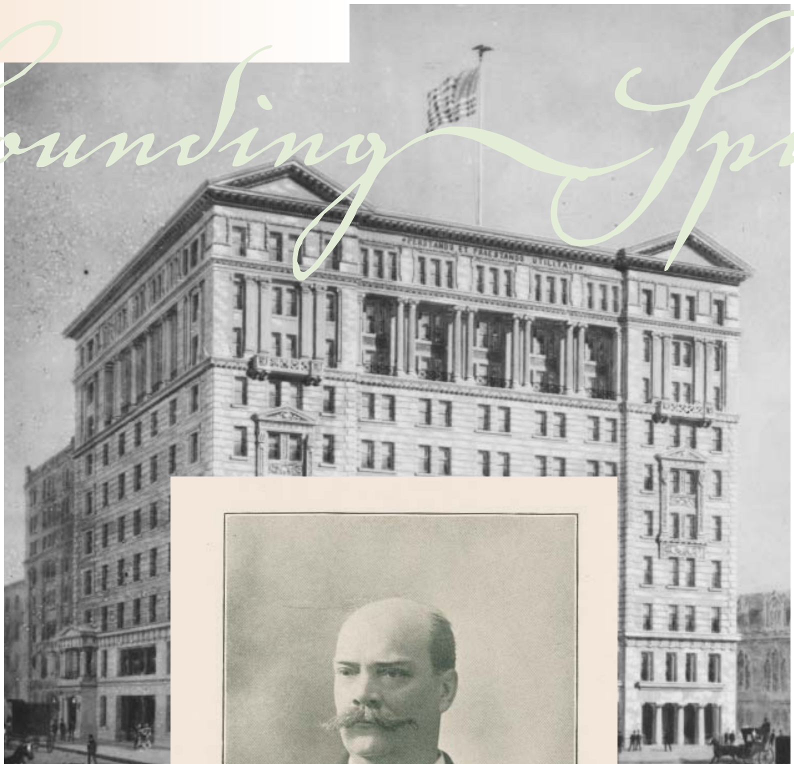
Barcelona, Spain - June 2009

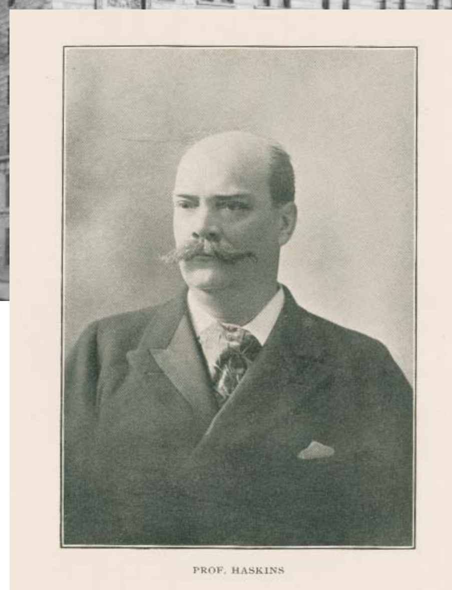
NYU STERN
NEW YORK UNIVERSITY · LEONARD N. STERN SCHOOL OF BUSINESS

PAST PERFORMANCE

Founding Spirit

By **Marilyn Harris**





The American Book Co. building (top photo), now NYU's Main Building, constructed in 1894, served as the School's first location when Charles Waldo Haskins (bottom photo) founded Stern in 1900.

Charles Waldo Haskins was the original accounting evangelist. He didn't just co-found Haskins & Sells in 1895, which within a few short years was the country's preeminent public accounting firm (and which later morphed into the modern accounting giant, Deloitte & Touche). He served on a joint commission of the US House and Senate that investigated the executive departments of the government, examined Cuban finances after the Spanish-American War, held key state offices relating to the regulation of accounting, secured legislation in New York State that led to the creation of the first CPA exam, and in 1900 co-founded, with his partner Elijah Sells, the NYU School of Commerce, Accounts, and Finance – known today as NYU Stern. With all this, he also wrote a manual – "a pleasant little book," he called it, aimed at women – on household bookkeeping. The absence of accounting practices from the masses of instructional literature about the domestic sciences was a "staring gap" that troubled him, so he took it upon himself to fill that gap.

Haskins was born in 1852 in Brooklyn to a renowned American family with substantial business interests and New England origins – his uncle was Ralph Waldo Emerson. Originally intending to become a civil engineer, at 17 he changed his mind and joined the accounting department of a New York importing house. Five years later, he took a break to travel in Europe and study in Paris, but ultimately stuck with accounting, eventually working for the New York, West Shore, and Buffalo Railway. In 1886, shortly following his marriage to Henrietta Havemeyer, daughter of an even wealthier, politically connected New York family, Haskins opened his own practice. His clients included some of the nation's most important businesses, including banks, railroads, and steamship lines.

At Stern, Haskins taught and served as its first dean, fostering an approach that went beyond the narrow accounting training that characterized business programs of the day. The public accountant, he stated, was "the consulting physician of finance and commerce," who "understands the anatomy and physiology of business and the rules of health of corporations, partnerships, and individual enterprises. He diagnoses abnormal conditions and suggests approved remedies. His study and interest is the soundness of the world of affairs." Three years after founding Stern, in 1903, Haskins died of pneumonia.

Today, the School honors Haskins by giving its most prestigious award his name. The Haskins Award was established to recognize outstanding individuals whose careers have been characterized by the highest level of achievement in business and public service. Past recipients have included Paul Volcker and Alan Greenspan (BS '48, MA '50, PhD '77), former chairmen of the Federal Reserve Board; Henry Kaufman (PhD '58), president of Henry Kaufman & Co.; and William H. Donaldson, former chairman and CEO of the New York Stock Exchange.

Those who support Stern most generously belong to a cadre known as The Haskins Partners. Their efforts fuel the *Campaign for NYU Stern* with consistent dedication to the School's strategic priorities, including strong support of scholarships, facility renovations, and new programs, as well as the annual Stern Fund, which provides critical funding for a host of initiatives. Haskins, the accounting evangelist, would be pleased. ■

MARILYN HARRIS *is editor of* STERN*business.*

From a single drop, mighty rivers flow.

And from your individual alumni contribution to the **Stern Fund**, the vitality of your business school will be strengthened.

Stern has great momentum.

We're ranked among the top business schools in the country. We're attracting the highest quality faculty and students. And we continue to be a launch pad for the future leadership of global business.

Just as Stern helped ensure your future success, we need your help to ensure ours. Your annual support of the Stern Fund is critical to our ongoing success.

Be part of our momentum.

Your generosity enables us to offer more scholarships, continue to attract and support top quality faculty and students, fund technological enhancements, and develop many other momentum-sustaining initiatives.

To make a gift to the Stern Fund, return the business reply envelope found in STERN*business* or donate online at www.stern.nyu.edu/giving. For more information, contact us at 212-998-0496 or at giving@stern.nyu.edu.

NEW YORK UNIVERSITY
NYU STERN
LEONARD N. STERN
SCHOOL OF BUSINESS

NEW YORK UNIVERSITY
NYU STERN
LEONARD N. STERN
SCHOOL OF BUSINESS

Office of Public Affairs
44 West Fourth Street, Suite 10-160
New York, NY 10012

NON-PROFIT ORG.
U.S. POSTAGE
Paid
New York, NY
permit no. 7931