



from the **Chairman**

During fiscal 2004, financial executives continued to respond to an even more dynamic regulatory environment. Over the next year, companies will face increased demands for financial information from new FASB rules, shortened SEC reporting deadlines and Sarbanes-Oxley 404 implementation. IASB and FASB efforts to converge will present an even greater challenge in the years to come. In the midst of all of these changes, Financial Executives Research Foundation (FERF) delivered practical information to meet the needs of financial executives.

FERF achieved much success during fiscal 2004 by focusing on high quality, timely research that is useful to, and provides valuable insights from, leading financial executives. We exceeded the number of publications promised to subscribers, including our quarterly Financial Reporting and Regulatory Updates and Quarterly Benefit Plan Sponsor Updates, various Issue Alerts and Topical Alerts, and the following in-depth Executive Reports:

Analysis and Implications of the New Proxy Voting Rules, by Burton Rothberg and Steven Lilien of Baruch College
Valuation of Employee Stock Options and Other Equity-Based Instruments,
by Ronald D. Rudkin and Rod A. Parsley of Analysis Group, Inc.
Changing Roles of Financial Management, by Stephen Jablonsky, Penn State
Corporate Governance: Best Practices for Financial Management, by Cheryl de Mesa Graziano, Director of Research, FERG
Meeting the Street, A Discussion of Earnings and Other Guidance Provided to Investors,
by Robert Kueppers and Greg Weaver, Deloitte
Effective Implementation of Cross-Border Mergers and Acquisitions, by Charles Sheffield, Finquest Partners
ROI and the IT Value Life Cycle, by William Walton, Beta Group
Everything You Wanted To Know About XBRL, but Were Afraid To Ask: A CFO's Guide,
by Taylor Hawes, Microsoft and Issac Chefeitz, Open Technologies

We are proud of new product innovations in Fiscal 2004. Early in the year, we launched FELIX, a moderated, e-mail based discussion forum that allows FEI members to communicate with and learn from their peers on such topics as Sarbanes-Oxley compliance and audit and tax services.

In January, we released FERG Pros, an enhanced version of FERG's current Subscription Program that combines FERG research and unlimited CPE credits via an online distance learning programs. During that month, we also launched our Chapter Tribute program that allows FEI chapters to underwrite Executive Reports in honor of long-time and respected FEI members. Special thanks go to Michael Nemser, who was instrumental in the program's execution.

Our four e-newsletters, our online library, the Knowledge Center, and our Ask FERG research service, also continue to provide FEI members with electronic educational content. As with all our research studies, FERG focuses on delivering research based on guidance from and partnership with FEI members and technical committees.

FERF also embarked upon a partnership with the Zicklin School of Business at Baruch College and the American Accounting Association (AAA) at the first annual Accounting Research Conference. The event recognized academic accounting research that is relevant to financial executives and provided a forum for students (and future financial executives) to learn from interaction between the academic and practitioner community.

The exciting momentum reached by FERG during fiscal 2004 continues into fiscal 2005 with these research products currently in the pipeline:

- Fair Value Measurement
- Disclosure of Contractual Obligations in Management Discussion and Analysis
- Sustainability of Sarbanes-Oxley 404 Implementation
- Human Resource Outsourcing
- Information Technology Business Risk Management

FERF will also offer additional avenues for sponsorship of its research through the Research Sponsor Program, providing access to broader research content, financial support, and distribution channels.

Though FERF exists to provide FEI members and FERF supporters with high quality financial research, as a 501 (c) 3 non-profit organization, our work is supported solely by donors and subscribers. Thus, it is significant to note that FERF achieved significant milestones in maximizing product output and donations and other revenues, while minimizing expenses. This was due in no small part to the collaborative efforts of FERF's research team.

I would like to express our appreciation for her significant good work to Marla Markowitz Bace who stepped down from her role as FERF's Executive Vice President and Chief Operating Officer earlier in the year. The remaining 5-person FERF team stepped up to the plate with an enhanced role for each team member, including Director of Research Cheryl Graziano, Director of Development Janet Guzman, Manager of Research and Corporate Secretary Bill Sinnett, Manager of Financial Services Lorna Raagas and Manager of Research Edith Orenstein. The team showed exceptional initiative and collaborative effort, including development of a Strategic Plan that offered recommendations on development and research goals and provided support to the board in governing the organization. We, on the board recognize the value of this team, and we were especially pleased to see Bill Sinnett recognized by his peers in FEI and FERF as the first winner of FEI's "Living the Values" Award.

November 29, 2004 marks the 60th Anniversary of FERF's founding, which will be recognized in various ways throughout the year. As always, we welcome input from FEI members and FERF subscribers and donors as to suggestions for potential research projects in light of this significant milestone, or for financial sponsorship opportunities tied to the 60th anniversary.

It has been my sincere pleasure to serve as FERF's Chairman for the past two years. As we celebrate our 60th anniversary this coming year, and embark on the future, I am confident that the momentum gained in research quality production and sponsorship will continue to be a guiding light for financial executives in the future. We are appreciative of the tremendous support of FEI members who, through their contributions of ideas and financial support, help FERF maintain its special edge as a provider of high quality research that is of value to today's financial executives.

In addition, I would like to thank H. Stephen Grace, who provided important support to FERF during his term as FEI Chairman, and to Colleen A. Sayther, who as FEI and FERF's President and CEO, has provided a new source of energy and ideas in building the best of the synergies of FERF and FEI. I would also like to extend special thanks to retiring trustee, Katharine B. Stevenson, for her commitment to FERF during her six-year term. As we begin our new fiscal year, I would like to welcome four new trustees, Joseph R. Barkley, David B. Braden, Taylor Hawes, and Brian B. Ruttencutter. I wish the best to FERF's new Chair, Joan Netzel, who will provide valuable leadership to FERF as it continues to move ahead.

And finally, I wish to express my profound thanks to all of FERF's donors, from individual subscribers to our generous President's Circle donors, for their continued support of our research.

David M. Taggart

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Chairman

