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The ratings game: corporate governance ratings and why you should care

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The ratings game: corporate governance ratings and why you should care

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For good reason, companies and their boards are searching for bragging rights to good, better or best corporate governance practices. The notorious accounting failures that led to the passage of the Sarbanes-Oxley Act and Securities and Exchange Commission (SEC) and stock exchange rulemakings have left directors, executives, their lawyers and accountants scrambling during the past two years to implement or improve processes and procedures which comply with the new mandates regarding disclosure, governance and accounting procedures. At the same time, media and investor interest in corporate governance issues has increased dramatically, and reports of corporate governance weakness and related issues are routinely in the news. Once-passive institutional and retail shareholders are now flexing their muscles and achieving impressive successes on shareholder ballots. There is also an increasing amount of empirical data to support the position that better governance correlates to better shareholder value.

This increasing focus on governance has also resulted in a proliferation of published rating systems that rank on an absolute basis, and analyse and compare the relative corporate governance practices of public companies. With these developments, directors should address the implications of the ratings programmes and the criteria they use.

Why should directors and executives care about corporate governance ratings?

Bad press

Given the widespread media focus on corporate governance recently, it is clear that bad ratings can make good press. Ratings are now being widely published, including being licensed by investment firms and published with their analyst reports. Directors may also be concerned that inferior governance ratings for companies with which they are associated reflect adversely on the quality of the boards on which they serve.

Empirical data

Additionally, although still too early to be certain, there is increasing empirical evidence that good governance correlates with increased shareholder value and particularly bad governance is a red flag for increased risk. Such evidence includes recent studies jointly sponsored by ratings services to support the proposition that ratings are a valuable

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investment management tool. Interestingly, one rating service, GovernanceMetrics International (GMI), noted that it red-flagged Parmalat in July 2003, months before its implosion. The following studies published recently and in the last couple of years support the simple proposition that greater shareholder governance translates into greater shareholder value over time:

- A study conducted by professors Paul A Gompers, Joy L Ishii and Andrew Metrick, entitled "Corporate Governance and Equity Prices", demonstrated "that firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditures, and made fewer corporate acquisitions";

- A study by Rutgers University professors Joseph Biasi and Douglas Kruse examining stock option grants and shareholder returns at the 1,500 largest US companies from 1992 to 2001 revealed that companies dispensing significantly larger-than-average stock option grants to their top five executives produced lower total returns to shareholders over the period than those dispensing fewer options;

- A joint study undertaken by Institutional Shareholder Services (ISS) and Lawrence Brown and Marcus Taylor of Georgia State University showed a correlation between corporate governance practices and company performance;

- A March 2004 study by GMI also found strong correlations between formidable governance practices and higher average annual total returns; and

- Standard & Poor's (S&P) wrote in an October 2002 article that the linkages between credit quality and corporate governance can be extensive, with weak corporate governance potentially undermining creditworthiness in several ways, and should serve as a red flag to credit analysts.

Shareholder activism

Further, whether or not there is a supportable empirical relationship between corporate governance ratings and investment returns, directors who remain insensitive to the current shareholder governance climate will not withstand the veritable tsunami of shareholder activism that is rolling through stockholder annual meetings. Shareholder resolutions are achieving unprecedented success and boards of directors are listening. For example, as of early March 2004, a dozen companies had taken steps to dismantle their poison pills, compared with just 29 for all of 2003 and just 18 in 2002. The much publicised campaign against Michael Eisner at the Walt Disney Company resulted in 43 per cent of the shareholders withholding their vote for his re-election, and the Disney board deciding to separate his duties as chief executive officer (CEO) and chairman and appoint a new chairman. At the 2003 annual meeting of Hewlett Packard, shareholders approved by a majority a shareholder proposal requesting the board to require future shareholder approval of any new grants of executive severance that exceeded 2.99 per cent of current compensation or adoption of a poison pill. Following this vote in July 2003, the Hewlett Packard board adopted new policies that were responsive to these proposals. At the 2003 shareholder meeting of General Electric – a company that has over 10 billion shares outstanding, 43 per cent with retail holders – the shareholders narrowly missed a majority vote and received 48 per cent approval of proposals similar to those passed at Hewlett Packard.

The 2004 proxy season also is witnessing an unprecedented campaign by CalPERS (the California Public Employees Retirement System), the largest public pension plan in the United States, to withhold votes for directors who flunk its strict and rigid independence and voting strictures. The campaign resulted in the unbelievable vote by CalPERS against retention of legendary businessman Warren Buffett as a director of Coca Cola because, in his role as a Coke audit committee member, he authorised Coke's independent accounting firm to perform non-audit services in violation of CalPERS policies.

New regulations favouring shareholder governance

Regulatory rulemaking in support of greater shareholder governance continues to build with increased focus on greater shareholder voting rights. This past year saw new requirements that 'street-name' nominees can no longer vote on equity compensation plans and must pass through those votes to the actual beneficial shareholders. Since the end of June 2003, mutual funds have been required to disclose publicly their voting policies and voting records. The SEC also continues to review its proposal to provide significant shareholders with access to company proxy materials to nominate a director where shareholders previously received shareholder approval for a proposal which was not acted on by the company.

For all these reasons, whether board members believe that governance ratings are a meaningful or fair indication of the board's performance or not, they cannot turn a blind eye to the consequence of their governance ratings.

The firms that provide direct ratings are as follows:

- GMI, which designed its rating system in April 2000;
- ISS, which in June 2002 established its Corporate Governance Quotient rating system;
- S&P's Corporate Governance Services Department, which made its Corporate Governance Score service available in July 2002;
- the Corporate Library, which devised its Board Analyst rating service in December 2002;
- the Investor Responsibility Research Center, whose latest assessment tool, Benchmarker, includes more than 70 corporate governance data points;
- TrueCourse, Inc, whose SharkRepellent.net provides subscribers with a tool to assess the defensive characteristics of specific companies; and
- Moody's Investors Service, which provides corporate governance assessments as part of its corporate finance research product.

In late February 2004 ISS and FTSE Group announced that they are collaborating to create new global corporate governance indices. The new indices are scheduled to be available in the second half of 2004. FTSE Group creates and manages financial indices for investors and exchanges across the world. The new ratings will be designed to compare companies within global portfolios using a single index. ISS and FTSE launched an extensive survey project in late May 2004 to assess the marketplace for corporate governance measurement tools.

This chapter addresses the ISS metric, the GMI metric, the S&P scoring system as described in the white paper, and the Corporate Library Board Analyst service. By reviewing the governance criteria being examined, a company should be able to assess the strengths and weaknesses of its own governance practices and potential ways to improve its ratings.

ISS

ISS has historically provided research and advisory services to assist institutional investors in evaluating voting on proxy proposals. ISS develops policy guidelines and proxy analyses, provides consulting services to clients who vote proxies and offers voting agent services. ISS has sought to leverage its impressive customer base in the proxy advisory business into a new product offering, the Corporate Governance Quotient. The Corporate Governance Quotient rating appears on the front page of each ISS proxy analysis, along with information providing context for the rating. A table on the second page of the ISS proxy analysis provides details of the key factors that drive the rating. ProxyMaster.com, ISS's electronic platform for delivering research to institutional investors, allows its users to screen portfolio companies on the basis of their Corporate Governance Quotient ratings. Additionally, Salomon Smith Barney, Goldman Sachs, Dow Jones, Fitch Ratings and

Prudential, among others, have purchased access to the Corporate Governance Quotient database and include this data in their research reports. ISS charges the companies it rates for access to a matrix that provides subscribers with visibility to their Corporate Governance Quotient based on their chosen answers to the standardised questions.

Corporate Governance Quotient rating

The ISS Corporate Governance Quotient ratings are relative and are reported on a percentile basis ranging from zero to 100 per cent. A company's Corporate Governance Quotient rating will appear on the first page of each ISS proxy analysis. Each company receives two ratings. The first score compares the company's corporate governance practices against a relevant index – the S&P 500, the S&P (mid-cap) 400, the S&P (small-cap) 600 or the remainder of the Russell 3000.

The second score compares the company's corporate governance practices against its industry peers using S&P's 23 sector groupings.

The ratings comprise eight core topics:

- board structure and composition;
- charter and bylaw provisions;
- audit issues;
- anti-takeover practices;
- executive and director compensation;
- progressive practices such as board performance review;
- director and officer stock ownership; and
- director education.

The core topics currently have 61 ratings variables which determine the total Corporate Governance Quotient score.

Data gathering

ISS gathers the majority of the data for the Corporate Governance Quotient rating from publicly available disclosure documents such as proxy statements, annual reports and prospectuses, press releases and corporate websites. Companies may also:

- visit the Corporate Governance Quotient website at any time to review the list of ratings criteria and submit to ISS, at no charge, changes or corrections to their corporate governance profile; and
- subscribe to a fee-based subscription service that allows companies to learn how to improve their ratings and to benchmark their corporate governance practices against a self-selected peer group.

Corporate Governance Quotient subscription service

Companies that do not subscribe to the ISS Corporate Governance Quotient service will not know their rating until it is released by ISS. Non-subscriber companies will not be able to preview their ratings among the governance variables and will not be able to view their Corporate Governance Quotient rating as compared with peer companies and the indexes. The current annual subscription fees range from US$10,777 to US$18,444, depending on the company's market capitalisation. The annual subscription runs until the company's next annual stockholders' meeting. ISS has been criticised for providing the Corporate Governance Quotient on the initial ISS proxy analysis but only allowing subscribing companies to optimise their rating through trial and error utilising the ISS materials.

Contact ISS

Companies should consider subscribing to the Corporate Governance Quotient rating service for at least one year to maximise their potential rating. Although the ratings are computed relative to peer companies, after the first year of subscription to the service it may not be possible materially to increase a company's rating. Since there is no fee or subscription required, public companies should annually submit

their corporate governance data points to ISS for comparison to the internally generated ISS information and resolve any discrepancies.

S&P

Known traditionally for its credit and debt ratings of large-cap companies, S&P also offers the S&P Corporate Governance Scoring Service. S&P approaches the governance rating with a process more similar to its debt rating than the mechanistic approach of some of the other governance ratings, and benchmarks governance practices to corporate governance standards on a global basis.

S&P's governance services website is found at www.governance.standardandpoors.com.

In July 2003, S&P's Governance Services Department published a follow-up to its July 2002 white paper which described S&P's Corporate Governance Score criteria and methodology. What follows is an overview of the July 2003 white paper.

Core principles

S&P's Business Sector Advisory Group on Corporate Governance to the Organisation for Economic Cooperation and Development has articulated a set of core principles of corporate governance practices: fairness, transparency, accountability and responsibility. S&P uses these principles as the basis of its corporate governance scoring methodology for individual companies, and emphasises that this methodology can be used to analyse governance at both a country and a company level.

Process and structure of Corporate Governance Score

S&P's Corporate Governance Score assesses a company's corporate governance practices and policies and the extent to which these serve the interests of the company's financial stakeholders, with a particular emphasis on shareholders' interests. The creation of the Corporate Governance Score encompasses the interactions between a company's management, its board of directors, shareholders and creditors.

Typically, analysts from S&P's Corporate Governance Services and S&P's affiliates, local law firms and other professionals in corporate governance, as appropriate, will conduct interviews for the company being evaluated. This committee will also inspect company documentation, including its public filings, regulatory filings, internal governance records such as board and board committee minutes, and legal compliance records. Typical interviewees include the CEO, finance director, corporate counsel/company secretary, board of directors (in particular the chairman and independent directors), shareholder relations personnel, key shareholders and creditors, and the company's auditor.

The Corporate Governance Score is assigned on a scale from one (lowest) to 10 (highest). A score of zero will be awarded where a company is unable or unwilling to provide enough information for a meaningful analysis. Additionally, scores from one to 10 are awarded to the four individual components that contribute to the overall Corporate Governance Score. These components are:

- ownership structure and external influences;
- shareholder rights and stakeholder relations;
- transparency, disclosure and audit; and
- board structure and effectiveness.

Company report format

Following the company meeting, the committee will prepare a detailed report covering the main elements of the analysis and will also articulate the Corporate Governance Score and individual scores for each of the four components.

Costs

The entire Corporate Governance Score service ranges from US$75,000 to US$200,000.

GMI

GMI is a company formed in April 2000 which has designed a rating system that creates a metric to compare companies' corporate governance characteristics. The GMI rating system

incorporates more than 450 data points across the following categories:

- board accountability;
- financial disclosure and internal controls;
- executive compensation;
- market for control and ownership base;
- reputational and socially responsible investment issues;
- corporate behaviour; and
- shareholder rights.

Methodology

The GMI rating criteria are based on securities regulations, stock exchange listing requirements, and various corporate governance codes and principles disseminated by the various governance authorities and reports. According to GMI, this produces a set of 450-plus metrics structured in a manner that can only produce 'yes', 'no' or 'not disclosed' answers, and therefore designed to be as objective as possible.

GMI's research process begins with a review of pertinent public data, including regulatory filings, company websites, news services, other specialised websites and the Dow Jones Global Industry Classification System. The collected data is entered into a relational database and the data entry reports are then sent to each company in the GMI 'universe' for a final accuracy check. After company adjustments are made, the GMI data is set and GMI then runs a scoring model which calculates the ratings. Companies are scored on a scale of one (lowest) to 10 (highest). GMI scores are relative and each company is scored against the GMI universe of companies measured, as well as against all those in the same country of domicile. Companies are initially assigned 14 ratings in all. The first are GMI global ratings, which include an overall GMI score and separate scores for each of GMI's six research categories. Global ratings are relative to the 2,100 companies in GMI's research universe, which includes companies in the Russell 1000, S&P 500, S&P Mid-cap 400, TSX (Toronto Stock Exchange Index) 60, and Nikkei 225 indexes, among others. Each company also receives home market ratings that reflect how well its governance policies compare to others in its home country or region.

Scoring algorithm

GMI ratings are generated by its proprietary scoring algorithm. The GMI research template is divided into six broad categories of analysis. These categories are further divided into subsections. Each individual metric has a numerical value, and each subsection and research category is weighted according to investor interest. GMI's system utilises asymmetric geometric scoring, which in effect magnifies the record of 'outliers'. These include both those with the very best practices, which are then rewarded more, and those with the worst, which are penalised.

Company updates and the GMI rating cycle

GMI plans to re-rate all companies in its universe approximately every six months once it establishes a baseline global universe. In between these rating runs, GMI monitors each company in its research universe on a daily basis and will post company updates in order to keep subscribers apprised of new governance developments at the companies covered by GMI.

If a company has gone through a major restructuring or governance overhaul in between these planned rating runs, GMI will consider updating the company's profile and rating it as a one-off.

Costs

Annual subscriptions for GMI's North American research universe start at US$18,000, while annual subscriptions for GMI's market sector research start at US$7,500. GMI indicates that the majority of subscribers are institutional investors. GMI does not charge rated companies for its service.

The Corporate Library

The Corporate Library was founded in 1999 by Nell Minnow and Robert AG Monks, co-founders of ISS. It focuses on corporate governance and the relationship between company management, their boards and shareholders.

Recently, the Corporate Library developed Board Analyst, a system for rating board effectiveness, which provides general coverage of over 2,000 US companies. Available data to Board Analyst Pro subscribers includes a review of each company's CEO compensation policies and practices, and individual director information. Board Analyst Pro also allows for comparison of the company performance of multiple directorships for each individual director, and screening for multiple audit, compensation or nomination committee appointments. Board Analyst Pro is a subscription service which ranges in price from US$4,000 to US$25,000, depending on the number of users and add-ons. The Corporate Library does not accept fees from companies it covers.

A simpler level of access to a subset of the same data is available through the Board Analyst Basic service for US$1,200 per year. A free subscription service is also available and provides the same level of access as the Board Analyst Basic service, except that searches are limited to S&P 500 companies only.

In addition, the Corporate Library has devised a proprietary system for rating board effectiveness, which it believes is an important indicator of potential investment risk. The rating system is comprised of five key areas:

- CEO compensation;
- outside director shareholdings;
- board structure and make-up;
- accounting and audit oversight; and
- board decision making.

The board effectiveness rating is not industry based, but the Corporate Library does group certain companies into special peer groups, mostly related to their ownership characteristics. Individual scores in each area are combined to provide an overall board effectiveness rating for each board. The Corporate Library states in its marketing materials that if it is "given two firms with similar earnings and commercial prospects, the one with the stronger board will be the better choice for most investors".

Criteria

Following this chapter is a comprehensive list of corporate governance ratings criteria for use in reviewing matters that may affect your company's governance rating, and a chart comparing ISS's criteria with S&P's criteria (because GMI uses over 450 different data points in its analysis, its criteria are not listed).

Management or the board should consider the various criteria described which affect a governance rating positively or negatively, and should consider implementing or changing some practices to improve the company's rating. Some of these criteria may be easy to improve on because they are relatively cosmetic and innocuous, and have no practical cost to implement (eg, adopt and post online appropriate committee charters). Other changes may be more serious and present fundamental business considerations (eg, removing poison pills and staggered boards) that should not be made simply to improve ratings. Recognise that the mechanical ratings process may produce strange results: for example, a company with a controlling shareholder may nevertheless get positive ratings credit for the absence of a poison pill or staggered board – neither of which is a necessary defensive measure where there is a controlling shareholder. Also, the purely mechanical ratings by design give no subjective assessment of the quality of management or the board. Warren Buffet and Berkshire Hathaway best prove this point, with Berkshire Hathaway having received an 'A' rating from the Corporate Library, but a rating of only 1.5 per cent from ISS.

What to do?

The following are simple measures that directors and executives should require that their company take to improve its governance rating:

- Actively review ratings and correct inaccuracies;
- Discuss and negotiate issues with rating services;
- Post committee charters, policies and codes of conduct on the company website;
- Monitor current hot topics such as non-audit services, diversity, executive severance and staggered boards; and
- Review the governance rating criteria in order to fix easy items (independence, committee charters, corporate governance principles, board procedures), and encourage discussion of tough issues (staggered boards, poison pills, executive severance).

If the company does not experience a material increase in its corporate governance ratings after having implemented some or all of these recommendations, directors and executives should consider purchasing a subscription service or ratings 'consulting' from ISS and other rating services.

Conclusion

It is unclear how important corporate governance ratings will ultimately be to investors. Indeed, the utility of such ratings is weakened by the apparent lack of consistency between rating services. To the extent ratings are relative, they will also become less important over time as practices generally improve and the bar is uniformly raised. Many large institutional investors have their own programmes for measuring governance and will not rely on a service to measure these issues. Others simply do not think these ratings are relevant to investment decisions about the quality of a company or its management. Nevertheless, both investors and issuers may find it increasingly difficult to avoid the implications of governance ratings which may be viewed as a proxy to a company's regard for its shareholders.

Special thanks go to Aaron VanGetson, an associate in the Corporate Department of Katten Muchin Zavis Rosenman.

Table 1: corporate governance scores

Ratings criteria	Standard & Poor's	ISS
Board		
Board size and composition	√	√
Board leadership and committees	√	√
Nomination committee		√
Compensation committee		√
Audit committee	√	√
Governance committee		√
Board structure	√	√
Representation of constituencies	√	
Definitions of board role	√	
Board-level processes for identifying, evaluating, managing and mitigating risks faced by the company	√	
Board and committee meeting agenda and papers	√	
Management compensation process	√	
Relationships between outside board members and senior management	√	
History of involvement of outside directors with company	√	
Terms of outside director engagement	√	
Control committee independence and activity	√	
Articulation of the specific role of outside directors	√	
Director election procedures	√	
Process for approving changes to the size of the board		√
Process for filling board vacancies		√
Boards served on	√	√
Former CEOs		√
Chairman/CEO separation	√	√
Board guidelines		√
Response to shareholder proposals		√
Retirement age for directors		√
Board performance reviews		√
Meetings of outside directors		√
Outside advisers available to board		√

Table continues on the following page

Table 1: corporate governance scores (continued)

Ratings criteria	Standard & Poor's	ISS
Board (continued)		
Directors resign upon job change		√
Attendance at board meetings	√	√
Ethical boundaries	√	
Shareholders' meeting and procedures		
Shareholders' meeting procedures	√	
Notices of meeting	√	
Documents sent to shareholders	√	
Charter provisions on the convening of meetings	√	
Arrangements for shareholders' participation at meetings	√	
Previous meeting minutes	√	
Shareholder information on voting procedures	√	
Any deposit agreement for overseas listing	√	
Proxy arrangements	√	
Charter provisions on voting thresholds	√	
Shareholder attendance records	√	
Vote requirements		√
Written consent		√
Special meetings		√
Board amendments to bylaws		√
Ratification of auditor		√
Shareholder ownership rights and financial rights		
Charter provisions regarding shareholder rights	√	
Arrangements with registrar	√	
Share structure – classes and rights of common and preferred shares	√	
Capital structure		√
Charter provisions – shareholder and board authorities	√	
Shareholder agreements	√	

Table continues on the following page

Table 1: corporate governance scores (continued)

Ratings criteria	Standard & Poor's	ISS
Shareholder ownership rights and financial rights (continued)		
Dividend history	√	
Examples of share repurchases and swaps	√	
Takeover defences and corporate control		
Effects of provisions in company charter or articles of association	√	
Arrangements as disclosed in regulatory filings or their equivalent, annual reports, records of resolution, notices of meetings and proxy materials	√	
Interviews with the board secretary	√	
Features of poison pills		√
TIDE provisions		√
Sunset provisions		√
Qualified offer clause		√
State of incorporation		
Takeover provisions applicable under state law – has company opted out?		√
Executive and director compensation		
Level and form of compensation	√	
Extent to which pay is connected to financial or other performance measures	√	
Performance evaluation criteria	√	
Independence and integrity of compensation setting process	√	
Cost of option plans		√
Option repricing		√
Expensing of options		√
Rate of issuance of options		√
Shareholder approval of option plans		√
Compensation committee interlocks		√
Director compensation	√	√
Pension plans for non-employee directors		√
Related-party transactions involving the CEO		√

Table continues on the following page

Table 1: corporate governance scores (continued)

Ratings criteria	Standard & Poor's	ISS
Executive and director compensation (continued)		
Corporate loans to executives for option exercises		√
Compensation plan dilution	√	
Qualitative factors		
Company performance and record of corporate governance		√
CEO succession plan	√	√
Ownership		
Transparency of ownership		
Breakdown of shareholdings	√	
Identification of substantial/majority holders (including indirect ownership and voting control)	√	
Director shareholdings		√
Evidence of indirect shareholdings	√	
Management shareholdings		√
Concentration and influence of ownership		
Affiliations among shareholders	√	
Commercial arrangements between the company and affiliates/third parties	√	
Corporate structure, shareholding and management of key affiliates	√	
Outside holdings of major shareholders	√	
Terms of key contracts and licences	√	
Internal financial and operational control system	√	
Management shareholding/voting control	√	
Contracts with directors/management	√	√
Executive stock ownership guidelines		√
Proactive programmes to address interests of legitimate stakeholder interest groups	√	
Undue influence from external stakeholders that detract from shareholder value	√	
Role of institutional investors	√	

Table continues on the following page

Table 1: corporate governance scores (continued)

Ratings criteria	Standard & Poor's	ISS
Director education		
Director education		√
Financial transparency and information disclosure		
Choice of accounting standards made clear, and details of minority interests, intra-firm and related-party transactions fully disclosed	√	
Comprehensiveness of financial statements and reports (including data on key affiliates) disclosed to shareholders and investment community	√	
Quality of non-financial information	√	
Quality of corporate records available at company's headquarters	√	
Timeliness of filing financial and other statements with regulatory bodies	√	
Procedures for disclosure of market-sensitive information	√	
Briefing materials for investment community presentations	√	
Availability of records to all shareholders at the company's headquarters	√	
Reports to shareholders	√	
Quality of website and online reporting	√	
Social and environmental reporting	√	
Evidence of problematic relationships with key non-financial stakeholders and regulators	√	
Management of audit and audit independence		
Audit contract	√	
Finance and control systems, and audit committee process	√	√
Charter provisions prescribing relationships with auditor	√	
Audit reports	√	
Fees of auditor (audit fees versus non-audit fees)	√	√
Auditor rotation policy	√	√

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Matthew S Brown has a broad corporate law practice and concentrates in venture capital and securities areas, representing both entrepreneurs, investors and major corporations. He has extensive experience in counselling public and private companies in connection with their organisation and operations, mergers and acquisitions, financings and securities offerings. He regularly counsels directors and special committees on governance and in connection with special transactions. Mr Brown has published a number of articles on governance ratings and frequently lectures on governance and disclosure matters. He was appointed by Mayor Richard Daley to serve on the Mayor's Council of Technology Advisers and served for two years as co-chairman of the Access to Capital Working Group. He is currently on the board of directors of the Chicagoland Entrepreneurial Center.

Mr Brown attended Eastbourne College, Sussex, United Kingdom and Connecticut College, graduating magna cum laude in 1975. In 1978 he received his Juris Doctor degree from Georgetown University Law Center. He is a member of the Chicago Bar Association and is a member of the American Bar Association's Law and Accounting Subcommittee of the Business Law Section.

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