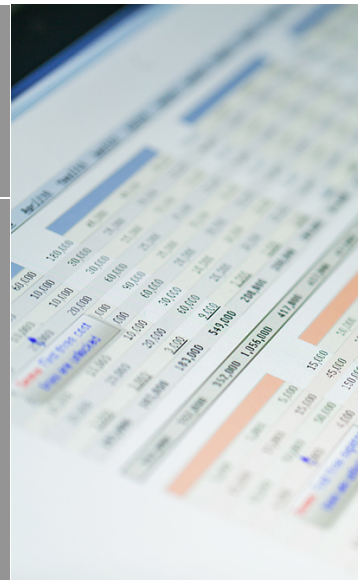


## CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

# Accounting



### CLIENT COMMITMENT

### SERVICES

### ACCOUNTING CAPABILITIES

Accounting Investigations, Forensic Accounting, and Ponzi Schemes  
Auditor Liability  
Breach of Contract and Post-Acquisition Disputes  
Causation and Damages  
Cost Accounting, Cost Estimation, and Profitability Analysis  
GAAP Compliance and Financial Reporting  
Tax Controversies  
Merger Litigation and Failing Firm Defenses

### DATA SCIENCE CENTER

### SELECTED CASES

### SELECTED PROFESSIONALS

Elaine Harwood  
Frank Mascari  
Simona Mola  
Russ Molter  
JP Poissant  
Sean Kruskol  
Steve McBride

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## About Us

Cornerstone Research provides economic and financial consulting and expert testimony in all phases of litigation and regulatory matters. The firm supports clients with rigorous, objective analysis. Working with an extensive network of leading academics, former regulators, and industry specialists, Cornerstone Research identifies the most qualified experts for every case.

Founded in 1989, Cornerstone Research has always been guided by its core values—commitment to clients, experts, staff, and to delivering consistently high-quality service. The firm has over 700 staff and offices in Boston, Chicago, London, Los Angeles, New York, San Francisco, Silicon Valley, and Washington.

[www.cornerstone.com](http://www.cornerstone.com)

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Our Client Commitment

**At Cornerstone Research, we have always been guided by our core values—commitment to our clients, our experts, our staff, and to delivering consistently high-quality service.**

We continually strive to maintain the trust our clients place in us. To provide a customized and creative response to each case, we identify the most qualified experts and employ sophisticated analytical tools to address complex challenges. We support clients with robust, objective testimony that is grounded in real-world data, academic research, and case precedent.

Our values underpin everything we do. It is why we build multidisciplinary case teams across practices, industries, and offices. It is why we draw strategically from our international expert network of academics, industry specialists, and former regulators. And when matters require large-scale data analytics, it is why we provide industry-leading analytical, artificial intelligence, and machine learning expertise and techniques. It is why we always bring our expertise and teamwork to your matters ensuring exceptional breadth of perspective, as well as superior efficiency and analytic depth.

While there have been unprecedented changes to the way we work, the expertise, creativity, and dedication we bring our clients and experts are unabated.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Services

### Consulting with attorneys

In the earliest stages of a case, we work with clients to identify key business, economic, and financial issues to address. We assess the merits of a case, outline areas requiring expert testimony, and help determine the types of witnesses, data collection, research, and analyses needed. We identify appropriate content for discovery requests and analyze case materials. We refine strategies as the case evolves, working with clients to test the cohesiveness of the arguments. In many instances, we provide estimates of potential damages and other preliminary analyses that our clients use to negotiate settlements.

### Engaging and working with expert witnesses

We examine every case to identify the most effective expert witnesses. Our network of outside and in-house experts includes leaders from academia and industry, who are recognized for their depth of knowledge, accomplishments, and research. Communication skills, prior experience with litigation, and prominent affiliations, attest to our experts' ability to explain complexities to triers of fact.

### Conducting research and analysis

We tackle diverse assignments, reliably meeting the strictest case requirements and deadlines, and are experienced in organizing research efforts and coordinating the work of multiple experts. We ensure that work is conducted efficiently and is of the highest quality and integrity. Our specialized research capabilities, along with our financial and economic databases, provide our clients with a distinct advantage. We use state-of-the-art econometric, statistical, and graphical applications, including proprietary software and databases, enabling us to build, manage, and analyze extremely large datasets.

### Consulting on internal and regulatory inquiries

Attorneys rely on our consultants and experts for objective assessments of the issues that arise in matters involving allegations of corporate misconduct or failures of regulatory compliance. We have communicated the results of our investigations in both state and federal courts, to regulatory bodies such as the Securities and Exchange Commission and the Department of Justice, company executives, boards of directors, local government bodies, and investor groups.

### Consulting in motion practice

Attorneys often enlist our services when preparing and responding to motions related to dismissal, class certification, and summary judgment. We have also worked extensively with counsel in the context of Daubert motions. We have provided research, prepared expert declarations and testimony, and consulted on the preparation of motions and responses.

### Preparing for deposition and trial

Our support can extend through the entire trial process, including post-trial briefs and appeals. We prepare expert witnesses thoroughly for deposition and trial and help them translate the results of their analyses into concise testimony, with clear and impactful exhibits. We also assist counsel in preparing for depositions of opposing witnesses and in developing cross-examination questions.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Data Science Center

### Setting the standard

Our secure analytics infrastructure and in-house team of programming specialists are focused on delivering right-sized solutions. Whether we are developing bespoke analytic approaches to supplement traditional econometric and statistical methods or building scalable tools to help our teams automate analysis, we apply an innovation mindset to our work so we can provide defensible results for our clients.

The Data Science Center has set the standard for data science in our industry. We stay ahead by continuously investing in analytical hardware and software, new techniques and our interdisciplinary team, as we tackle today's biggest challenges and anticipate what tomorrow brings.

### Artificial intelligence and machine learning

Our staff and experts utilize AI and machine learning to automate complex tasks and develop analytic approaches to supplement traditional econometric and statistical methods. Cornerstone Research teams are skilled in applying these techniques across a range of litigation and investigations.

### Text analytics, content analysis, and sentiment analysis

To enhance the discovery process and support expert testimony, Cornerstone Research uses modern and defensible natural language processing methods. Our capabilities allow us to sift through vast quantities of text, delivering efficient and accurate retrieval of critical information. Our staff and experts use sophisticated AI, machine learning, and statistical methods to:

- Perform sentiment analysis and lexical processing.
- Characterize content, organize documents by topic, and highlight important information.
- Compile relevant databases of extracted text.

### Web data and social media

Cornerstone Research is experienced in collecting and distilling large amounts of online information, including a deep familiarity with social media data sources and analyses. We perform targeted searches and data collection, using custom scraping techniques and other proprietary and third party resources. Our experience with machine learning and AI tools equips us to assess the relevancy and relative prominence of content and contributors.

### Statistics, simulations, and optimization

Cornerstone Research regularly formulates and implements empirical analyses to respond to economic and financial issues. We frequently use real-world data with sophisticated statistical and econometric methods:

- Structural modeling and regression analysis
- Numerical techniques
- Time series analysis
- Forecasting, simulations, and optimization

## Data visualization

A critical part of expert testimony is the ability to discover and convey information and relationships visually. The increasing volume, variety, and velocity of data in recent years has only increased the importance of data visualization. Cornerstone Research has extensive experience with:

- Creating effective charts, tables, and maps.
- Using programmatic methods to automate the creation of thousands of exhibits.
- Automatically collecting and visualizing data on an ongoing basis as new data become available.

## Geospatial analytics and mapping

The rise of big data corresponds to an increasing availability of voluminous and detailed geospatial data on customers, patients, competitors, providers, infrastructure, etc. We have substantial experience working with:

- Geospatial data, including geocoding and reverse geocoding.
- Current and historical drive time analysis, spatial joins, and distance calculations.
- Custom tools for visualizing geospatial data and creating a wide assortment of maps.

## Big data analysis and production

The amount of data and analysis required to develop and support expert testimony is growing rapidly. At the same time, there has been an explosion in the number of database platforms and software tools used in big data analytics. These trends have important implications for computing resources and expertise. Cornerstone Research has:

- Expertise in data management, production, and integration of large datasets.
- Experience with huge volumes of real-time and historical data, with individual tables comprising hundreds of billions of records.
- In-house, massively parallel processing capabilities and team of programming specialists to ensure that we can conduct large-scale data analytics efficiently and effectively.

## Secure analytics infrastructure

The rapid growth in the volume of data collected and generated by companies across nearly every industry has created new challenges and opportunities for analyzing data at scale. Cornerstone Research has heavily invested in our secure, on-premise analytics infrastructure, including sophisticated, high-performance and high-throughput hardware and software. We are also experienced with leveraging cloud-computing resources on public data for surge compute and storage capacity.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Accounting

Cornerstone Research provides attorneys with practical, insightful solutions to accounting issues that arise in investigations, litigation, and regulatory matters.

### Overview

Our consultants apply their technical expertise and experience to bring clarity to a wide range of complex accounting issues. We draw from our extensive network of accounting experts—including experienced audit partners, standard setters, and academics—to meet the unique needs of each case.

### Accounting Investigations, Forensic Accounting, and Ponzi Schemes

Cornerstone Research investigates complex fraud and concealment schemes on behalf of corporate clients and/or their counsel as well as provides consulting and expert testimony in resulting litigation.

### Auditor Liability

Our consultants have experience with a range of auditor liability issues in the context of litigation and SEC and Public Company Accounting Oversight Board (PCAOB) matters. We have addressed auditor independence, the responsibilities of management and auditors, and the nature, scope, and purpose of an audit or quarterly review. We have determined whether audit and review procedures complied with Generally Accepted Auditing Standards and PCAOB standards and assessed the effectiveness of audits of internal controls over financial reporting.

In addition, we have addressed auditors' responsibilities regarding fraud and required communications with management and the board. Our experience also includes audits of broker-dealers, now under the PCAOB's authority for inspection as a result of the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### Breach of Contract and Post-Acquisition Disputes

Cornerstone Research has experience with litigation related to accounting allegations in breach of contract matters and disputes arising after a merger or acquisition. Cornerstone Research and our experts have provided consulting and expert witness testimony in matters involving post-closing working capital adjustments, material adverse change claims, accounting fraud-related claims, adequacy of due diligence claims, and earn-out disputes. In addition, Cornerstone Research and our experts have provided services related to valuation issues for public and private companies involved in merger-related disputes.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Causation and Damages

In cases with accounting allegations, we have evaluated class certification, market efficiency, loss causation, and damages issues. We also have used accounting data to estimate possible settlement outcomes.

We have addressed these issues in a wide range of securities cases, including those involving publicly traded equities, debt securities, derivatives, and other complex financial instruments. We have worked on breach of contract cases and cases arising from failures of privately held firms. In Rule 10b-5 and Section 11 and 12 cases, we have experience in analyzing restatements, developing “but-for” financial statements, analyzing the materiality of financial statement items, and evaluating information available to market participants to determine whether the accounting issues had a material effect on share prices.

## Cost Accounting, Cost Estimation, and Profitability Analysis

Cornerstone Research has provided consulting and expert testimony in investigations, litigation, and regulatory matters involving complex cost estimation and profitability analyses. In connection with this work, we have addressed both liability and damages issues. We have determined appropriate measures of lost profits and disgorgement of unjust enrichment in intellectual property matters.

We have provided cost justifications in predatory pricing cases, contract disputes, cost-plus reimbursement matters, and litigation involving claims of excessive mutual fund fees. Our cost accounting skills are also used in non-litigation matters to assist clients in determining break-even prices as well as appropriate cost allocation methods in assessing fully allocated costs.

## GAAP Compliance and Financial Reporting

Cornerstone Research has advised counsel and worked with testifying experts to address a wide variety of Generally Accepted Accounting Principles (GAAP) compliance and forensic accounting issues. In evaluating GAAP compliance, we have addressed a broad range of topics that include revenue recognition, fair value measurements, the timing and amount of asset write-offs, and contingent liabilities.

We have prepared “but-for” financial statements in the context of financial restatements and in light of accounting allegations, evaluated alleged weaknesses in internal controls, assessed materiality, and evaluated the adequacy of accounting disclosures contained in offering documents and other Securities and Exchange Commission (SEC) filings.

In evaluating allegedly fraudulent activity, we have reconciled payment and cash flow information, reconstructed client data, and determined liquidity positions. We have also addressed a range of issues in the context of Foreign Corrupt Practices Act allegations.



# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Tax Controversies

We have consulted with attorneys in disputes with the U.S. government and commercial litigation involving a variety of tax controversy issues. For example, we have evaluated the fundamental requirements for tax-advantaged transactions to be sustained if challenged by the IRS or by the courts. We have also analyzed complex company structures and derivative transactions to determine whether there was sufficient potential in these entities for economic benefit.

In cases that have proceeded through trial, Cornerstone Research has performed analysis to determine the non-tax-related business purposes of structured financings. We have worked to determine the economic characteristics of corporate financing instruments and whether they should be treated as debt or equity for tax purposes.

In addition, we have evaluated the responsibilities and duties of taxpayers and tax advisors, along with the importance of the representations and assumptions underlying tax-advantaged transactions. We have also calculated the expected value of tax-advantaged transactions given the contemplated tax benefits, up-front costs, risk of audit, chance of disallowance if audited, and potential penalties.

In commercial litigation, we have analyzed the tax accounting treatment of net operating loss carryforwards and other deferred-tax assets. In the precedent-setting Selectica case, we analyzed whether a shareholder rights agreement (poison pill) may have sustained the value of the net operating loss carryforwards. In mergers and acquisitions, Cornerstone Research has provided analysis and valuation of the tax implications for both buyers and sellers. We have analyzed corporate and individual tax treatments of employee stock options related to accounting allegations. In estate tax disputes, we have valued privately held companies and analyzed the appropriate tax treatment of partnerships.

## Merger Litigation and Failing Firm Defenses

Regulators routinely challenge proposed mergers on grounds that they will reduce competition and risk harm to consumers. In a failing firm defense, merging parties claim that a transaction would not be anticompetitive, as the assets of the acquired firm would exit the market absent the merger, thereby harming consumers. Experts with financial statement analysis or accounting experience are uniquely qualified to analyze the financial position of the firm and assess the merits of failing firm defenses. Cornerstone Research has advised counsel and supported testifying experts in matters involving failing firm defenses, both on behalf of regulatory agencies and the merging parties.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Allegations of Accounting Firm Liability

The arbitration panel found in favor of the audit firm on all counts in this auditor liability case.

Defense counsel for an accounting firm retained Andrew Richmond of Cornerstone Research in a case involving an audit of a large family-owned construction company. The plaintiffs alleged that the accounting firm failed to detect a long-running fraud orchestrated by the company's CEO. The plaintiffs claimed substantial damages resulting from the accounting firm's alleged failure to uncover the fraud.

Mr. Richmond testified at arbitration about the nature of the fraud and concealment schemes and the lack of any causal link between the alleged audit failures and claimed damages.

“ *Mr. Richmond testified at arbitration about the lack of any causal link between the alleged audit failures and claimed damages.*

The arbitration panel found in favor of the audit firm on all counts, including the recovery of costs.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Auditor Independence: Individual Auditor

Our expert's analysis showed that the audit partner did not impair his independence as a result of the non-audit services provided to the audit client.

Defense counsel for an audit partner of an international accounting firm retained Cornerstone Research to support John Owens of the University of Southern California in a case involving an audit of a publicly traded company.

The SEC claimed that the audit partner's independence had been impaired due to the provision of certain non-audit services and the reporting of those services to the company's audit committee. Professor Owens addressed issues related to the independence, both in fact and appearance, of the audit partner.

“ *Professor Owens analysis showed that the audit partner did not impair his independence.*

Professor Owens presented analyses of PCAOB, SEC, and firm-specific guidance relevant to the facts of the case. His analysis showed that the audit partner did not impair his independence as a result of the non-audit services provided to the audit client.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Cost Accounting and Damages Analysis in a Trade Secrets Matter

A Cornerstone Research expert analyzed the opposing expert's estimates of lost profits and avoided costs allegedly due to the theft of trade secrets.

Defense counsel retained a cost accounting and damages expert in a trade secrets case. The plaintiff, a software vendor, alleged damages stemming from a contract dispute with a municipality.

Our expert analyzed the opposing expert's estimates of lost profits and avoided costs allegedly due to the theft of trade secrets. His analysis identified omitted incremental costs that reduced estimated lost profits as well as inconsistencies in the opposing expert's analysis. The case settled after deposition.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Financial Reporting Investigation Following SEC Inquiry

Cornerstone Research was retained to extract, analyze, and standardize thousands of accounts payable transactions.

Cornerstone Research was retained by counsel for an investigation into an entity's financial statement close and reporting process in response to issues raised by the SEC. We worked closely with counsel and a company subject matter expert to extract and analyze thousands of accounts payable transactions across multiple countries and general ledgers. We systematically standardized this data and assisted counsel and our client with presenting the relevant data in simple waterfall schedules for each relevant reporting period.

The SEC ultimately issued a no-action letter in this matter.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Firefighters' Retirement System et al. v. Citco Group et al.

The defendants prevailed on summary judgment on all counts in this case concerning a hedge fund's failure.

Retained by Paul, Weiss, Rifkind, Wharton & Garrison

Following the failure of their investment in a hedge fund managed by Fletcher Asset Management, plaintiffs brought a \$220 million suit against Citco, the fund's administrator. Defense counsel retained Cornerstone Research and Shane Johnson of Texas A&M University to opine on loss causation and damages.

“ Professor Johnson's analysis showed that the plaintiffs' expert's calculation substantially overstated damages, due to a misinterpretation of the structure of the plaintiffs' investment.

Plaintiffs alleged that certain misrepresentations, omissions, and conflicts of interest of the administrator defendants caused their losses. Professor Johnson analyzed these factors and assessed whether any of the plaintiffs' losses were attributable to the allegations.

Professor Johnson demonstrated that the plaintiffs' expert had failed to establish a causal relationship between the alleged misrepresentations, omissions, and conflicts of interest and the plaintiffs' losses. In particular, his analysis showed that the plaintiffs' expert ignored the impact of several factors on the fund, including that of the financial crisis.

He also showed that the plaintiffs' expert did not consider the impact of the actions of other parties, including the investment manager, or the plaintiffs' own investment decisions. Finally, Professor Johnson explained that the expert's calculation substantially overstated damages, due to a misinterpretation of the structure of the investment as a “guaranteed” investment.

Shortly before trial, our clients prevailed on summary judgment on all counts.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## In the Matter of Otto Bock HealthCare North America Inc.

The FTC ordered Otto Bock to divest from the acquired prosthetic manufacturing company with limited exceptions.

Retained by the Federal Trade Commission

The Federal Trade Commission issued a complaint related to the acquisition of Freedom Innovations (Freedom) by Otto Bock HealthCare North America Inc. (Otto Bock) in September 2017. The FTC retained Cornerstone Research and Christine Hammer, a certified public accountant and senior advisor with Cornerstone Research.

“ Christine Hammer analyzed the parties’ claims relating to their “failing firm” defense and alleged merger-specific efficiencies.

In a hearing before the Chief Administrative Law Judge, Ms. Hammer provided testimony related to:

- Whether Freedom qualified as a “failing firm” as defined by the US Department of Justice and FTC Horizontal Merger Guidelines.
- What, if any, efficiencies were likely to result from Otto Bock’s acquisition of Freedom and be cognizable under the Merger Guidelines.

Ms. Hammer concluded that Freedom did not meet any of the three circumstances to be considered a failing firm under the Merger Guidelines. She found that Freedom would have been able to meet its financial obligations in the near future and there was no evidence that Freedom initiated or seriously considered a Chapter 11 reorganization. She also determined that Freedom did not make “good faith” efforts to elicit reasonable alternative offers during the sales process.

With regard to alleged merger-specific efficiencies, Ms. Hammer opined that Otto Bock had not presented any verifiable efficiency claims. Because Otto Bock only presented ambiguous assertions, it was not possible to evaluate the merger specificity of the claims. The efficiencies as alleged were therefore not cognizable under the Merger Guidelines.

In an April 2019 decision, as a remedy, the Chief Administrative Law Judge ordered Otto Bock to fully divest Freedom to a FTC-approved acquirer, with limited potential exceptions to a complete divestiture of all of Freedom. The Chief Administrative Law Judge cited Ms. Hammer’s expert report and testimony throughout his decision.

In November 2019, the FTC issued its opinion, stating “We hold that, to fully restore the competition lost from the Acquisition, Respondent must divest Freedom’s entire business with the limited exceptions granted by the ALJ. We enter an order consistent with this Opinion.”

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Morgan et al. v. U.S. Soccer Federation Inc.

The judge ruled in favor of the defendant's motion for summary judgment on all equal pay claims in this Title VII case.

Retained by U.S. Soccer Federation Inc.

The judge ruled in favor of our client's motion for summary judgment. The plaintiffs, a class representing the U.S. Women's National Soccer Team (USWNT), brought a gender pay discrimination suit against the U.S. Soccer Federation (USSF) alleging unequal pay. Defense counsel retained Cornerstone Research to support Carlyn Irwin of Cornerstone Research and Justin McCrary of Columbia Law School as expert witnesses.

“ The judge cited both Ms. Irwin and Professor McCrary's expert reports in his order.

Plaintiffs claimed that the USWNT players were compensated at a lower rate of pay than the U.S. Men's National Soccer Team (USMNT) for substantially equal work. In particular, plaintiffs argued that the lower rate of pay was driven by more favorable terms in the men's collective bargaining agreement (CBA) relative to their own CBA.

In her analysis, Ms. Irwin found that the USWNT earned more than the USMNT during the class period, both overall and on a per-game basis. In addition, she showed that the highest paid USWNT players earned more than the highest paid USMNT players both overall and on a per-game basis.

Professor McCrary's analysis showed that the women's CBA is more favorable than the men's on several important dimensions. For example, Professor McCrary showed that the women's CBA includes salaries, while the men's does not. For friendly games, the combination of a salary and bonus made the women's CBA more valuable than the men's CBA. In fact, Professor McCrary showed that the men's team would have earned more under the women's CBA during the class period. He also showed that differences in bonuses paid to USWNT and USMNT for winning the World Cup were driven by differences in prize money set by Fédération Internationale de Football Association (FIFA). The defendant, the USSF, does not determine the value of the prizes that FIFA pays to the men's and women's World Cup winners.

The judge ruled in favor of the defendant's motion for summary judgment on all equal pay claims, citing both Ms. Irwin and Professor McCrary in his order.



# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Purchase Price Adjustment Dispute

Professor John Owens testified in an arbitration hearing involving a purchase price adjustment dispute.

Cornerstone Research and John Owens of the University of Southern California were retained by the buyer in a dispute involving the target company's purchase price adjustment. The purchase price was based on a multiple of the target's EBITDA, with a provision to adjust the price based on changes in its working capital subsequent to the acquisition.

In addition to disputing the working capital adjustment, the buyer also asserted that the target's financial statements did not comply with GAAP, and thus the purchase price was overstated.

“ Professor Owens concluded that the target's financial statements failed to comply with GAAP and calculated the impact of the GAAP errors on the purchase price.

Professor Owens analyzed the disputed items, submitted two expert reports, and testified in an arbitration hearing. He concluded that the target's financial statements failed to comply with GAAP and calculated the impact of the GAAP errors on the purchase price.

The parties reached a settlement prior to the arbiter's ruling.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Regulatory Matter Involving Alleged Failure of an Auditor to Detect Fraud

The regulator ended its investigation without filing charges in an investigation involving a foreign affiliate of a large audit firm.

A foreign affiliate of a large audit firm retained Cornerstone Research and John Owens of the University of Southern California in a regulatory investigation. The regulator claimed that the auditor failed to detect a complex fraud by management because the auditor did not adequately assess the risks of material misstatement, test the operating effectiveness of internal controls, or collect sufficient audit evidence.

Professor Owens submitted declarations in which he analyzed the audit procedures performed by the auditor. He also participated in a meeting with the regulator in which he discussed his conclusion that the procedures performed by the auditor were in conformity with PCAOB standards. The regulator subsequently ended its investigation without filing charges.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Revenue and Financial Reporting Internal Investigation

Cornerstone Research analyzed accounting and business records for a healthcare-related company.

Counsel for a special committee of the board of directors of a healthcare-related company retained Cornerstone Research in a revenue recognition and financial reporting investigation. We worked with counsel to obtain and analyze accounting and business records for a multiyear period.

To assist counsel and new management with understanding the company's historical accounting, we recreated the company's financial statements using detailed journal entry data. We were able to show how a *lack* of adjusting journal entries for certain revenue transactions led to improper revenue recognition and false financial statements.

We presented the findings to various parties, including the special committee of the company's board of directors, new management, multiple regulatory agencies, and the company's external auditors.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Elaine M. Harwood

Senior Vice President

📍 Los Angeles

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☎️ 213.553.2553

Elaine Harwood heads the firm's accounting practice. She consults to clients and works with experts on securities litigation, complex enforcement matters brought by the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB), and corporate investigations. She is an expert on financial accounting, financial reporting, and auditing. Dr. Harwood has served for more than twenty years as a consultant and expert on a wide range of liability and damages issues.

### Securities litigation

Dr. Harwood works with clients and experts in prominent securities class actions. Her experience includes analysis of loss causation and damages in disclosure cases for clients in a wide range of industries, including financial institutions, consumer products, communications, technology, and energy.

### SEC and PCAOB enforcement

Dr. Harwood's expertise includes all phases of SEC and PCAOB enforcement activity, from informal investigations through to trial or administrative hearings. Dr. Harwood has addressed allegations related to:

- Adequacy of disclosures
- Alleged financial reporting fraud
- Appropriateness of audit procedures, including procedures performed by international affiliates of U.S. accounting firms
- Alleged violations of the Foreign Corrupt Practices Act (FCPA)
- Adverse consequential damages of regulatory sanctions

### Accounting and auditing

Dr. Harwood specializes in financial accounting, financial reporting, and auditing issues that arise in investigations, litigation, and enforcement actions. She is an authority on:



### Education

University of Southern California, Ph.D.

California State Polytechnic University, Pomona, M.B.A.

California State Polytechnic University, Pomona, B.S.

### Professional Affiliations

Certified Public Accountant

Certified in Financial Forensics

### Practices

Accounting

Bankruptcy and Financial Distress

Corporate and Government Investigations

Corporate Governance

Corporate Transaction Litigation

Financial Institutions

International Arbitration and Litigation

Securities

- U.S. Generally Accepted Accounting Principles (GAAP)
- PCAOB and American Institute of Certified Public Accountants (AICPA) auditing standards
- Internal control over financial reporting
- International Financial Reporting Standards (IFRS)
- Governmental accounting standards
- Forensic accounting

## Research and presentations

Dr. Harwood's coauthored articles and publications include Cornerstone Research's annual report on accounting class action filings and settlements, and annual reports on accounting and auditing enforcement by the SEC and PCAOB. She speaks widely to legal and trade audiences on trends and new developments in litigation and regulatory enforcement, financial accounting and reporting, and auditing.

Dr. Harwood is a member of the advisory council of the University of Southern California's SEC and Financial Reporting Institute. In 2023, she was one of just four women named to *Who's Who Legal's* (WWL's) inaugural list of Thought Leaders USA – Investigations Forensic Accountants. WWL has also recognized her as a Global Leader Consulting Expert – Forensic Accountants in the legal investigations space.

Before joining Cornerstone Research, Dr. Harwood was a professor at Boston College. She is a certified public accountant (CPA), is certified in financial forensics (CFF) by the AICPA, and has a Ph.D. in business administration with a concentration in accounting.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Sean M. Kruskol

Principal

📍 Chicago

✉ skruskol@cornerstone.com

☎ 312.345.7613

Sean Kruskol analyzes large, complex datasets related to commercial litigation and accounting disputes. Mr. Kruskol's expertise includes accounting and auditing issues, forensic accounting investigations, data analytics, and analysis of economic damages. He has worked on matters in the entertainment, healthcare, manufacturing, telecommunications, and technology industries. Mr. Kruskol has served as a testifying expert in matters involving data analytics, damages, and forensic accounting issues.

### Data analytics

Mr. Kruskol is experienced with SQL and Computer-Assisted Audit Techniques (CAATs). Using these tools, he has analyzed big data in a range of government and internal investigations, such as:

- Testified on data analytic techniques and results using large datasets in various contexts
- Analyzed billions of transactional records for a large online retailer to assess consumer behavior
- Examined timecard and payroll data for a large metal forging company to evaluate alleged wage violations

### Accounting and auditing

Mr. Kruskol has worked on cases involving U.S. Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), International Standards on Auditing (ISA), and International Financial Reporting Standards (IFRS). His experience includes:



### Education

Miami University, M.Acc.

Miami University, B.S.

### Professional Affiliations

Certified Fraud Examiner

Certified Public Accountant

Chartered Global Management Accountant

### Practices

Accounting

Corporate and Government Investigations

Data Privacy and Data Breach

Digital Economy: Technology and Artificial Intelligence

- Testified at trial on interpretations and applications of revenue recognition and loss contingency accounting standards
- Evaluated timing and causes of potential damages in an accounting malpractice dispute
- Assessed claims by the U.S. Securities and Exchange Commission (SEC) of auditor negligence related to an audit of a U.S. manufacturer's foreign subsidiary

## Forensic investigations

Mr. Kruskol has particular expertise with issues of alleged earnings management and asset misappropriation schemes, including:

- Testified on the selection and application of various cash tracing methods
- Investigated an alleged earnings management scheme in a post-acquisition dispute
- Analyzed customer bank account activity to identify patterns consistent with a Ponzi scheme
- Consulted on multiple matters that included allegations of improper accounting practices

## Breach of contract and damages

Mr. Kruskol's breach of contract and general damages expertise covers disputes across multiple industries:

- Testified at trial on accounting standards and potential damages applicable to a breach of contract claim in a post-acquisition dispute
- Analyzed general ledger transactions in a software implementation project
- Consulted on lost profits in an entertainment-industry lawsuit

Mr. Kruskol is a certified public accountant (CPA), chartered global management accountant (CGMA), and certified fraud examiner (CFE).

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Frank T. Mascari

Principal

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Frank Mascari has more than twenty-five years of experience providing financial and accounting consulting services in commercial litigation and fraud investigation matters. He has worked on a variety of issues arising in alleged Ponzi schemes and forensic investigations, post-acquisition disputes, accounting malpractice, and economic damages. Mr. Mascari is a certified fraud examiner.

Mr. Mascari's clients have included both public and private companies in banking, professional services, manufacturing, real estate, healthcare, and technology. In investigation-related matters, he has analyzed allegations related to Ponzi schemes, asset misappropriation, financial reporting fraud, and other forms of corporate misconduct.

### Forensic investigations

Mr. Mascari has experience with issues involving allegations of asset misappropriation and Ponzi schemes, improper use of investor funds, and improper banking activity as well as earnings management. His representative casework includes:

- Analyzing bank account activity to identify patterns consistent with a Ponzi scheme
- Reviewing large databases of financial and banking records to investigate alleged financial frauds related to several high-profile Ponzi schemes
- Tracing investor money through investment funds to determine whether money was used for purposes outside the funds' stated purposes
- Conducting investigations for audit committees of publicly traded companies to assist with Securities and Exchange Commission (SEC) filings and pending SEC and Department of Justice investigations
- Investigating and identifying millions of dollars in kickbacks, thefts, and improper use of company assets

### Commercial litigation



### Education

University of Notre Dame, M.B.A.  
(magna cum laude)

Michigan State University, B.A.

### Professional Affiliations

Certified Fraud Examiner

### Practices

Accounting

Bankruptcy and Financial Distress

Corporate and Government  
Investigations

Corporate Transaction Litigation



Mr. Mascari's breach of contract and general damages expertise covers disputes across multiple industries:

- Assessing damages, lost profits, breach of contract, and bankruptcy claims in commercial disputes
- Evaluating potential damages in accounting malpractice disputes
- Evaluating timing and causation issues related to alleged damages suffered by investors in several Ponzi scheme matters
- Analyzing due diligence processes, marketing practices, pricing policies, financial statements, budgets, operating performance, and financial forecasts in the context of alleged damages in post-acquisition disputes

## Accounting and auditing

Mr. Mascari has evaluated audit and review procedures for compliance with auditing standards across a range of litigation and regulatory matters involving auditor liability. His experience includes:

- Addressing issues of auditor independence related to the provision and reporting of certain non-audit services
- Assessing damages, liability, and causation claims related to financial reporting fraud and accounting restatements, including in *Aéropostale Inc. et al.*
- Analyzing issues related to revenue recognition, alleged improper capitalization of expenses, acquisition accounting and reserves, falsified assets, impairments, earnings management, operating accruals, and prior-period adjustments
- Evaluating timing and causes of potential damages in an accounting malpractice dispute

## Community engagement

Mr. Mascari is on the board of directors and the finance and audit committee of the Center for Disability and Elder Law, which provides pro bono legal services to low-income seniors and adults with disabilities in Chicago. He has also served as the organization's board treasurer, secretary, and vice president.

Previously, he was a director in Navigant Consulting's Disputes & Investigations practice.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Steven McBride

Principal

📍 Washington

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Steve McBride focuses on financial reporting and auditing issues arising in litigation, internal investigations, and regulatory enforcement actions. Mr. McBride also consults on matters involving corporate governance, valuation, and capital markets. He works with experts and clients throughout the litigation process, including discovery, affirmative and rebuttal reports, depositions, arbitration, and trial.

### Financial reporting and auditing

Mr. McBride has extensive expertise on the application of Generally Accepted Accounting Principles (GAAP) to accounting and disclosure issues in a range of transactions. These include revenue recognition, loss contingencies, business combinations, segment reporting, impairment, and fair value measurement. Mr. McBride has also evaluated the design and effectiveness of Internal Controls over Financial Reporting (ICFR), and audit and review procedures for compliance with Generally Accepted Auditing Standards (GAAS) and Public Company Accounting Oversight Board (PCAOB) standards.

### Corporate governance

To address issues related to the standard of care of executive management and directors, Mr. McBride works with a wide variety of industry experts. His work in this area includes mergers and acquisitions, as well as matters involving alleged Foreign Corrupt Practices Act (FCPA) violations, defined-benefit and defined-contribution plan structures, and the close-out of a portfolio of interest rate derivatives.

Mr. McBride has also analyzed due diligence frameworks associated with residential mortgage-backed securities (RMBS) and transactional disputes.

### Valuation

Mr. McBride directs analyses and supports expert valuations of remediation liabilities, infrastructure projects, real estate holdings, intellectual property, and business operating segments. He has performed solvency analyses in the context of financial distress and corporate restructuring.

Prior to joining Cornerstone Research, Mr. McBride was an auditor with Ernst & Young.



### Education

University of Chicago Booth School of Business, M.B.A.

University of Notre Dame, B.S.

University of Notre Dame, B.A.

### Professional Affiliations

American Institute of Certified Public Accountants

### Practices

Accounting

Corporate and Government Investigations

Corporate Transaction Litigation

Financial Institutions

Valuation

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Simona Mola

Principal

📍 Washington

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Simona Mola conducts financial and economic analyses in complex commercial litigation and regulatory proceedings. Dr. Mola manages teams to support expert witness testimony in all stages of litigation, including deposition and trial. Across a range of Rule 10b-5/Section 11 securities litigation, she addresses issues related to disclosure requirements, financial reporting, corporate governance, and executive compensation. In addition, Dr. Mola has expertise with economic issues involving cryptocurrency, initial coin offerings (ICOs), blockchain use cases, and token economies. She has published on Bitcoin, crypto, and other Fintech-related issues.

Dr. Mola has more than two decades of experience in consulting, government, and academia. She served as assistant director and senior policy advisor at the U.S. Securities and Exchange Commission (SEC). At the SEC's Division of Economic and Risk Analysis (DERA), she led and developed numerous economic analyses for high-profile rulemakings and policy projects related to corporate finance, disclosure requirements, capital formation, corporate governance and executive compensation, auditing, broker-dealers, and credit rating agencies.

Before joining the SEC, Dr. Mola was an assistant professor of finance at Arizona State University. Her research has been published in the *Accounting Review*, the *Journal of Financial Economics*, the *Journal of Financial and Quantitative Analysis*, and the *Journal of Behavioral Finance*. Dr. Mola regularly presents at domestic and international conferences, and has been honored with two best paper awards.



### Education

Università Bocconi, Ph.D.

Ministero dell'Università e della Ricerca Scientifica e Tecnologica, CPA

Università Bocconi, B.S. (summa cum laude)

### Professional Affiliations

American Bar Association

American Finance Association

Financial Management Association

### Practices

Accounting

Corporate and Government Investigations

Corporate Governance

Environmental, Social, and Governance

Financial Institutions

FinTech, Blockchain, and Cryptocurrency

Securities

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Russell Molter

Principal

📍 Chicago

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☎️ 312.345.7302

Russell Molter specializes in matters involving accounting, merger efficiencies, auditing, and forensic investigation. He works closely with attorneys and provides expert support at all stages of litigation and regulatory proceedings. Mr. Molter's industry expertise includes finance, healthcare, manufacturing, oil and gas, and technology, among others.

### Cost accounting and merger efficiencies

Mr. Molter has extensive experience analyzing issues related to cost accounting and merger efficiencies. He has consulted on numerous cost and managerial accounting matters, including those involving predatory pricing, profitability analyses, and but-for damages claims.

Mr. Molter has assessed merger efficiencies and failing firm issues for both the merging parties and government agencies such as the Department of Justice and the Federal Trade Commission. He has evaluated merger specificity and the verifiability of claimed efficiencies. In addition, he has conducted analyses to determine whether firms are failing and if their assets are likely to exit the relevant market.

### Accounting, auditing, and forensic investigations

Mr. Molter has more than a decade of experience with matters involving U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). In these contexts, he has analyzed a range of accounting issues, notably those related to income taxes, revenue recognition, contingent liabilities, fair value, and derivatives.

In matters involving Generally Accepted Auditing Standards (GAAS), Mr. Molter has addressed actions brought by the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB). He has also consulted on issues related to auditor liability in other forums, and has performed forensic services in multiple matters involving alleged fraud and concealment schemes.



### Education

Gies College of Business,  
University of Illinois at Urbana-  
Champaign, M.A.S.

Gies College of Business,  
University of Illinois at Urbana-  
Champaign, B.S.

### Professional Affiliations

Certified Public Accountant,  
Illinois

Certified Fraud Examiner

### Practices

Accounting

Antitrust and Competition

Corporate and Government  
Investigations

Financial Institutions

Merger Investigations

Tax Controversy

*Russell Molter, continued*

Before joining Cornerstone Research, Mr. Molter performed forensic accounting investigations and provided litigation consulting services for a financial advisory company. Previously, he worked as an auditor in Ernst & Young LLP's Assurance and Advisory practice.

## Community engagement

Mr. Molter serves as board vice president for the Center for Disability and Elder Law (CDEL), which provides pro bono legal services to low-income seniors and adults with disabilities in Chicago. He is also a member of the CDEL's executive board.

# CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

## Jean-Philippe Poissant

Principal

📍 Los Angeles

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Jean-Philippe “JP” Poissant has more than a decade of experience in financial and accounting consulting in complex litigation and regulatory proceedings. Mr. Poissant specializes in accounting and financial reporting, financial investigations, valuation, damages, and corporate governance issues. His industry expertise includes financial institutions, investment management, life sciences, natural resources, real estate, and technology. Mr. Poissant manages large case teams, working with multiple experts through all phases of the litigation process, from pre-litigation investigation to trial. He has experience with state and federal courts, regulatory enforcement, mediation, and arbitration.

Mr. Poissant is a certified public accountant (CPA), a certified fraud examiner (CFE), and accredited in business valuation (ABV). He has qualified as a chartered business valuator (CBV) and a chartered professional accountant in Canada (CPA).

Mr. Poissant’s representative case experience includes:

### Accounting and financial reporting



### Education

Saïd Business School, University of Oxford, M.B.A. (distinction)

HEC Montréal, University of Montréal, Graduate Diploma in Public Accounting

HEC Montréal, University of Montréal, Bachelor of Business Administration

### Professional Affiliations

American Institute of Certified Public Accountants

Association of Certified Fraud Examiners

Canadian Institute of Chartered Business Valuators

Quebec Chartered Professional Accountant Order

### Practices

Accounting

Bankruptcy and Financial Distress

Corporate and Government Investigations

Corporate Governance

Financial Institutions

International Arbitration and Litigation

- Evaluated numerous financial accounting and reporting claims pursuant to U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS), including revenue recognition, contingent liabilities, variable interest entities (VIE), goodwill impairments, accounting for financial instruments, allowance for loan losses, materiality, transfer of financial assets, segment reporting, business combination, and foreign currency transactions
- Evaluated audit procedures in securities litigations and enforcement matters brought by the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB), including accounting for goodwill, financial instruments, unusual transactions, going concern, audit sampling, impairment of assets, and fair value
- Analyzed cost accounting and managerial accounting processes to evaluate price-fixing allegations, reasonableness of financial projections, basis for fees charged by a governmental entity, and compliance with agreements
- Analyzed the appropriateness of internal controls over financial reporting in cross-border mergers and following restatements

Securities  
Valuation

## Financial investigations

- Reviewed large databases of financial and banking records to investigate alleged financial frauds
- Conducted solvency analysis of companies in various industries
- Evaluated alter ego allegations related to a failed real estate enterprise
- Conducted forensic analysis of alleged construction defects in residential developments
- Assessed the timing and extent of executives' stock option exercises, restricted share issuance, and stock sales in several securities class actions
- Evaluated compliance of disclosures and policies of various investment management companies and advisors

## Valuation

- Performed enterprise valuation of investment management partnerships in connection with a dispute among partners
- Valued the earn-out provision "but for" alleged wrongdoings in a post-merger dispute
- Estimated decline in enterprise value resulting from alleged management wrongdoing

- Analyzed damages claims in federal and state courts related to the liquidation of private investment funds
- Estimated damages analysis related to alleged breaches of contract in partnership and supply agreements
- Assessed lost earnings related to key-person insurance claims
- Estimated unjust enrichment of promoters of several investment companies and projects

## Corporate governance

- Evaluated the board of director decision-making process related to claims against directors of a failed public company
- Assessed the consistency of company policies with governance best practices
- Analyzed the timeline of a proxy fight in a shareholder dispute
- Analyzed reasonable executive compensation in a shareholder oppression dispute

Before joining Cornerstone Research, Mr. Poissant was a manager in the Valuations, Forensics, and Disputes practice of PricewaterhouseCoopers (PwC). Previously, he was a senior associate in PwC's Audit and Assurance practice.



## CORNERSTONE RESEARCH

Cornerstone Research provides economic and financial consulting and expert testimony in all phases of complex litigation and regulatory proceedings. The firm works with an extensive network of prominent faculty and industry practitioners to identify the best-qualified expert for each assignment. Cornerstone Research has earned a reputation for consistent high quality and effectiveness by delivering rigorous, state-of-the-art analysis for more than thirty years. The firm has over 700 staff and offices in Boston, Chicago, London, Los Angeles, New York, San Francisco, Silicon Valley, and Washington.

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