EFFECTIVE BOARD EVALUATIONS 1:15 PM

Jessie Allen, Foley & Lardner LLP

Warren Batts, Methode Electronics

Jon F. Chait, Hudson Highland Group

Madeleine Condit, Korn/Ferry International

Mary Leahy, Journal Communications, Inc.

John Zecca, NASDAQ

Jessica S. Allen
Associate
Foley & Lardner LLP

Jessica S. Allen is an associate with Foley & Lardner LLP, and is a member of the firm's Transactional & Securities Practice. Ms. Allen practices general corporate and business law, with an emphasis in securities law, corporate governance, and mergers and acquisitions. Ms. Allen advises clients regarding state and federal securities law compliance and corporate governance matters, assists clients with the preparation and review of Securities Exchange Act filings, advises clients regarding compliance with NYSE and Nasdaq listing requirements, and represents public and private acquirors and targets in mergers and acquisitions transactions. Ms. Allen has also represented issuers in securities transactions, including initial and secondary public offerings of equity securities and public and private placements of debt securities.

Ms. Allen graduated from Harvard Law School, *cum laude*, in 2001. She received her bachelor's degree in political science and journalism from the University of Wisconsin - Madison in 1998, where she was elected to membership in Phi Beta Kappa.

Ms. Allen is admitted to practice in Wisconsin.

Ms. Allen was named to the 2006 list of Wisconsin Super Lawyers - Rising Stars by *Law & Politics Media, Inc.* for her mergers & acquisitions work.

WARREN BATTS
ADJUNCT PROFESSOR
THE UNIVERSITY OF CHICAGO

Warren L. Batts retired as chairman and Chief Executive Officer of Tupperware Corporation and Premark International, Inc. in 1997. In the 10 years as CEO of Premark, the company increased its market value six-fold. Mr. Batts directed the spin-off of Tupperware from Premark International in 1996.

Mr. Batts worked in the manufacturing environment from 1963 to 1997 for companies including The Kendall Company and The Olga Company. In 1966 he became Vice President of Douglas Williams Associates. He was a consultant to major Fortune 100 clients on organizational development and other areas. In 1967, he helped to found The Triangle Corporation, which prior to its sale to Cooper Industries in the 1990's was an AMEX listed tool manufacturing firm, and filled the role of President, Co-Chief Executive Officer and Director.

In 1971, Mr. Batts joined the Mead Corporation as Vice President and progressed to President, Chief Executive Officer and Director in 1978 where under his direction, Mead successfully increased its net income 5-fold in nine years.

In 1980, he became the President & COO of Dart Industries and President & COO of Dart & Kraft shortly after their merger.

From 1998 until now, he has been an Adjunct Professor at the Graduate School of Business of the University of Chicago, where he teaches corporate governance. He currently serves on the boards of the Chicago Climate Exchange and Methode Electronics, plus the boards of three private companies. He recently retired from the boards of Allstate, Cooper Industries, Sears and Sprint.

Mr. Batts received his Bachelor of Science in Electrical Engineering from Georgia Institute of Technology in 1961 and a Master of Business Administration with Distinction from the Harvard School of Business Administration in 1963.

JON F. CHAIT
CHAIRMAN & CEO
HUDSON HIGHLAND GROUP, INC.

Jon F. Chait has served as the Chairman & Chief Executive Officer of Hudson Highland Group since the company spun off from Monster Worldwide, Inc. in March 2003. Drawing upon more than 16 years of experience in the recruitment and staffing industries, Mr. Chait has repositioned and strengthened the company in its brief history to achieving its long term goal of sustainable profitability. Since his appointment, the company has shown significant improvements in revenue and operating results.

Previously, Mr. Chait served as Chairman and Chief Executive Officer of Spring Group, plc, a provider of workforce management solutions; and Chairman and Chief Executive Officer of Magenta.com, a developer of web-enabled human resource solutions. Prior to that, Mr. Chait spent nine years with Manpower Inc., a provider of temporary employment services. Beginning in 1989 as Executive Vice President, he was elected to the Board of Directors in 1991, appointed Chief Financial Officer in 1993, served as Executive Vice President and Managing Director of the International Division beginning in 1995, and was named Chairman of Manpower Europe in 1998.

After receiving his law degree in 1975 from UCLA, Mr. Chait practiced law for 14 years in Milwaukee, WI, where he specialized in mergers, acquisitions, and financial restructurings. Mr. Chait completed his undergraduate studies at UCLA, where he graduated magna cum laude in political science in 1972 and was a member of Phi Beta Kappa, the national academic honor society.

In addition, Mr. Chait is a director of the Marshall and Ilsley Corporation, a bank holding company, and Krueger International Inc., a manufacturer of office furniture.

MADELINE CONDIT
SENIOR CLIENT PARTNER
KORN/FERRY INTERNATIONAL

Ms. Condit is a Senior Client Partner in the Chicago office of Korn/Ferry International. She is a member of the firm's Global Board Services Practice. For the past twenty-one years, she has advised CEOs and corporate boards on issues of board structure, audit committee development, governance, compensation, succession planning and Sarbanes-Oxley.

She assists clients in hiring and developing proactive, senior management teams, planning executive-succession strategies and developing diversity-hiring programs globally.

Prior to joining Korn/Ferry, Ms. Condit was the Vice President of the Syndicate Department of Boettcher & Co. where she was responsible for developing IPO syndicates, marketing and compliance.

Ms. Condit earned a BA from the University of California, Berkeley and a MBA from the University of Colorado. She is an Executive Urban Fellow of the Sloan School of Management at M.I.T.

Ms. Condit is active in community organizations. She is a Trustee of the Boys and Girls Clubs of America, on the Board of Associates of the Whitehead Institute for Biomedical Research at M.I.T. , on the Advisory Board of the Women Executive Leadership (WEL), and a Governing Member of the Chicago Symphony Orchestra Association.

She is a frequent speaker, media spokesperson and author on executive management issues, board trends, diversity and pre-IPO/corporate spin-off board development.

MARY HILL LEAHY
SENIOR VICE-PRESIDENT, GENERAL COUNSEL & CHIEF COMPLIANCE OFFICER
JOURNAL COMMUNICATIONS, INC.

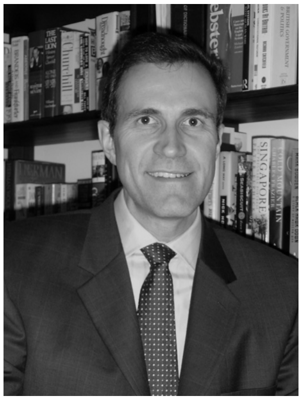
Mary joined Journal Communications in July 2001. She is responsible for the company's legal, compliance, risk, human resource, and communications functions, including investor relations and employee communications.

Before coming to Journal Communications, Mary spent five years at GE Medical Systems. As Americas General Counsel she had lead responsibility for the legal support for the $4.7 billion Americas sales, service and e-commerce activities of this major medical device company.

Mary's prior professional experience includes work as a Consulting Attorney for Miller Brewing Company; Chief Operating Officer and General Counsel for APCO Associates, an international public affairs company; and an attorney in private practice with Arnold & Porter and Wilmer, Cutler & Pickering in Washington, D.C. representing corporate and public sector entities.

Mary currently serves on the Board of Directors and the Development Committee of the Milwaukee Ballet, and on the Board and Strategic Planning Committee for the United Performing Arts Fund. She is a member of the Southeastern Wisconsin General Counsel Forum, the National Association of Newspapers Legal Affairs Committee and American Women in Radio and Television.

Mary holds an undergraduate degree from the University of Virginia, School of Architecture. She received her Juris Doctor from George Washington University in 1982.



JOHN ZECCA
VICE-PRESIDENT
MARKETWATCH

John Zecca, Vice President of MarketWatch, is head of market regulation for The Nasdaq Stock Market. Previously Mr. Zecca served as NASDAQ's senior corporate counsel where he was responsible for SEC disclosure obligations, mergers and acquisitions, corporate governance and general corporate matters. Before joining NASDAQ, Mr. Zecca worked at the U.S. Securities and Exchange Commission in the Office of General Counsel and as legal counsel to the Commissioner Norman S. Johnson. He also worked as a corporate and mergers and acquisitions attorney at the law firms of Hogan & Hartson and Kaye Scholer.

NATIONAL DIRECTORS INSTITUTE

Board Evaluations

Jessica S. Allen, Foley & Lardner LLP, and
Madeleine Condit, Korn/Ferry International
Co-Moderators
March 8, 2007

FOLEY & LARDNER LLP

1. **Board and Board Committee Evaluations**

a. **NYSE Requirements:** The corporate governance rules of the New York Stock Exchange ("NYSE") state that the board "should" conduct an annual "self-evaluation" to determine if the board and its committees are functioning effectively and require that the charters of the audit, nominating/corporate governance and compensation committees each address an annual performance evaluation of such committees.

b. **Prevalence of Evaluations:** Although not required by the rules of the American Stock Exchange and NASDAQ, board and committee evaluations have become increasingly common. A 2006 survey conducted by the The National Association of Corporate Directors ("NACD") in collaboration with Institutional Shareholder Services ("ISS") titled "2006 NACD Public Company Governance Survey" (the "2006 Survey") polled more than 798 public company directors and found that 88.5% of companies perform full-board evaluations annually and 90.4% of companies perform committee evaluations annually.[1] Board and committee evaluations are a recommended "best practice" and shareholders are beginning to demand that companies conduct such evaluations. In addition, firms that rate companies' corporate governance policies, such as Institutional Shareholder Services, have begun to incorporate board reviews into their scoring system.

c. **Benefits of Evaluations:** Evaluations are not simply a process of grading the board or committee. Rather, in the words of the NACD, evaluations are "about how directors – both collectively and individually – can become and remain effective enhancers of corporate performance, using a self-assessment process to help

[1] NATIONAL ASSOCIATION OF CORPORATE DIRECTORS, 2006 NACD PUBLIC COMPANY GOVERNANCE SURVEY 26 (2006).

them do so."[2] Properly executed evaluations may foster an atmosphere of continuous self-reflection and assessment of the board's or committee's contributions to corporate strategy. While the NACD views the ultimate objective of evaluations as providing "guidance that creates superior long-term shareholder value,"[3] this process of self-reflection and assessment may have several positive consequences, including:

i. **Improved Performance:** Evaluations may compel directors to identify their strengths and weaknesses and to assess how the board or committee operates in reality as compared to how it should be operating.

ii. **Broadened Board Focus:** Some commentators argue that many public company boards fall into the trap of focusing primarily on short-term goals, to the detriment of crucial long-term strategies. Setting standards and identifying what is most important may help shift a portion of the board's attention to long-range goals.

iii. **Improved Execution of Plans:** Continuously measuring performance against objectives set by the board may more rapidly alert the board's or committee's attention to potential problem areas that can be resolved more easily as a result of early detection.

This outline and the related board and committee evaluations are based on materials provided by Jay O. Rothman, Steven R. Barth and John K. Wilson, partners at Foley & Lardner LLP.

[2] NATIONAL ASSOCIATION OF CORPORATE DIRECTORS, REPORT OF THE NACD BLUE RIBBON COMMISSION ON BOARD EVALUATION: IMPROVING DIRECTOR EFFECTIVENESS 3 (2005).

[3] *Id*. at 1.

iv. **Improved Composition:** Evaluations may aid in identifying areas where the board or one of its committees lacks needed expertise and may help identify the characteristics that future candidates should possess.

v. **Improved Personal Accountability:** Setting measurable standards and then assessing progress on meeting those standards may provide directors with an enhanced sense of ownership and responsibility. A director's awareness of what he or she is accountable for may increase when the director is measured according to those standards.

vi. **Enhanced Director Credibility:** Evaluations may signal to shareholders that the board and committees take their role of overseeing management seriously, thus enhancing credibility.

d. **Potential Risks of Evaluations**

i. **Legal Liability:** Information that is gathered during the evaluation process is likely to be discoverable in litigation. Care needs to be taken in the preparation of any report summarizing the results of the evaluation process. Care should also be exercised relative to the application of the company's document retention policy to the "raw" data generated by the evaluation process. A board may consider involving inside or outside counsel in the evaluation process to maintain attorney-client privilege.

ii. **Loss of Board Collegiality:** If, for example, a director believes that the board has been performing well but the board gives itself a poor evaluation, then that director may become untrusting of or unreceptive to his or her co-directors.

iii. **May Encourage Counterproductive Participation:** Evaluations may cause directors to fear that they will be perceived as underperforming and, in response, they may speak out at meetings on topics outside of their expertise or may undertake tasks for which they are not fully qualified.

e. **Process of Conducting Evaluations:** There is no one right way to conduct board evaluations. The process should be tailored to each individual company and continuously reevaluated, in much the same way that the board should be continuously reevaluated.

i. **Frequency:** Most experts suggest that formal evaluations be conducted annually. In addition to formal evaluations, the board and its committees may wish to consider conducting informal quarterly evaluations.

ii. **Communicate the Advantages of Evaluations to the Board:** The CEO and/or the chairperson of the nominating/corporate governance committee should discuss the advantages of implementing board evaluations with board members.

iii. **Adopt a Mission Statement:** The board may want to consider adopting a mission statement. A sample mission statement provided by the NACD is "To be a strategic asset of the company measured by the contribution we make – collectively and individually – to the long-term success of the enterprise."

iv. **Develop a Strategic Plan:** Before a board can begin establishing performance objectives for itself, it must first approve or adopt performance objectives for the overall company.

v. **Establish Effective Committee Charters:** The charters of the board committees should effectively outline the duties and responsibilities of each committee consistent with the corporate governance standards established by the listing standards applicable to the company and the Securities and Exchange Commission. The effectiveness of the committee charters should be evaluated annually and revised, as necessary, to assist the committees in performing their duties and evaluating their performance.

vi. **Identify Board Performance Measures and Objectives:** The task of identifying goals and objectives can be performed by either a committee of the board or the full board. Ideally, only independent directors will be involved in articulating goals and objectives, although the views of the CEO and any inside directors should be considered.

(1) Establish Measurable Goals: Each goal must be measurable and specific. Goals should include target dates, quantifiable numbers and precise target results. The board should strive to choose goals that are influenced primarily by board performance and not by external factors such as the economy or current government policy.

(2) Establish Procedures for Attaining Identified Goals: The board or committees must identify procedures that will facilitate attaining the target results. Identifying procedures is important, but ultimately what matters (and what should be measured) is the end result. If identified procedures are not generating expected results, then the procedures should be changed.

(3) Do Not Set Too Many Objectives: If the board or committee sets too many objectives, then it will generate confusion about what is most important and it is possible that nothing will be done particularly well.

(4) Potential Evaluation Areas: The specific items addressed in board evaluations will vary from company to company and within a particular company from year to year, but broad subject areas common to most evaluations include the following:

  (a) Understanding and Developing Strategy: This includes a review of the company's strategic plan and how well the board monitors management's performance. The board will assess its roles and responsibilities and determine whether those roles have been adequately communicated to management. It also requires the board to assess what information the board needs to evaluate management performance, whether the board is provided with such information and whether the board responds quickly when it becomes apparent that a change in strategy is necessary.

(b) **Composition:** This requires assessing whether the board or committee has adequately identified its needs in order to create an effective board or committee, such as whether the board or committee is at an optimum size, whether its members are sufficiently independent, whether it has the proper mix of talents, expertise, occupational experience and personal backgrounds, and whether its selection process provides an effective means of realizing its goals related to composition.

(c) **Director Development:** This requires assessing whether has adequate procedures exist to ensure that directors receive the information and access to resources necessary to enable them to perform effectively.

(d) **Leadership and Culture:** This requires an assessment of whether directors in leadership roles at both the board and committee level are effective leaders. In addition, the board and committees should assess how well their members work together as a team and what type of atmosphere and culture prevails at meetings. Evaluations should assess whether the board or committee has created an atmosphere of integrity, candor, individual accountability, fairness and mutual respect.

(e) **Meetings:** This requires assessing whether meetings are productive, if more or longer meetings would be beneficial, whether directors receive relevant information in a timely manner prior to meetings such that decisions made at meetings are informed, effective, and efficient, and whether there is an opportunity to raise issues at meetings that are not necessarily on the agenda.

(f) **Evaluation and Compensation:** This requires assessing whether the board has an effective process and compensation structure for aligning the interests of directors and management with those of the shareholders. It also requires an assessment of whether company performance is adequately measured.

(g) **Succession Plan:** This requires evaluating any management succession plans in place and determining whether such plans can be improved.

(h) **Constituencies:** This entails determining whether the board adequately considers the interests of its broad range of constituents, such as shareholders, employees and customers.

(5) **Determine Who Will Conduct Evaluations:** Evaluations are generally conducted by the chairperson or lead director, an independent committee of the board, such as the governance committee, or by a third party, such as outside legal counsel.

(6) **Determine How Evaluations Will Be Conducted and Document That Process:** The person or group given responsibility for conducting evaluations should put the details of the process into writing. This person or group should also be responsible for continuously updating the documentation of the evaluation process. Details that should be addressed include the frequency of evaluations and the identity of the directors who will be responsible for collecting and analyzing information. Most importantly, a decision must be made regarding

the evaluation procedure to use. Alternative procedures include self-assessment questionnaires, one-on-one interviews, questioning key stakeholders or some combination thereof.

(a) **Self-Assessment Questionnaire:** Self-assessment questionnaires are typically structured to require the director to rank on a numerical scale how well the board or committee has met a series of objectives. Numerical ratings are helpful in determining how well a board or committee is progressing, but cannot provide information about how the board or committee could further improve. Thus, questionnaires should also allow directors to include more detailed explanations of their rankings. Similarly, it may be helpful to ask several open-ended questions.

(b) **Confidential One-on-One Interviews:** One-on-one interviews using open-ended questions can be conducted as an alternative to self-assessment questionnaires or they can be used as a follow-up to self-assessment questionnaires. Conducting one-on-one interviews after collecting completed questionnaires allows for a deeper exploration of the issues addressed in the questionnaire. In addition, topics not covered in the questionnaire may surface as well.

(c) **Questioning Key Stakeholders:** The board may find it useful to collect information from key stakeholders, such as shareholders, employees and customers.

(d) **Questioning Members of Management:** The board may find it useful to collect information from senior members of management, including the CEO.

f. **Evaluation Results**

i. **Analysis and Presentation of Results:** After information has been gathered, the evaluating person or group should analyze the information and prepare a report that can be distributed to board members. (See Section 1(d)(i) regarding issues relating to the documentation of the evaluation process.) The evaluator should identify the board's or committee's effectiveness in the measured areas and should address areas where performance improvement should be undertaken. If an objective was measured in prior years as well, then a comparison analysis should be done. The board or committee should then schedule a meeting at which it can discuss the results and improvement strategies.

ii. **Recommendations for Change:** This is one of the most important steps in the evaluation process because this is the stage at which the board or committee identifies areas for improvement. Discussing the substantive results of the evaluation process should produce a clearer understanding of what needs to be done to add increased value to the company. The board and committees should plan and implement strategies to address the areas identified as requiring improvement by the evaluation process.

iii. **Evaluating the Evaluation Process:** The board and committees should make recommendations for change regarding the evaluation process. Conducting evaluations should be a dynamic process. Areas of importance and strategic goals should change from year to year based on considerations such as the company's current business environment and strategy and the state of the corporate governance environment.

g. **Disclosure to Shareholders:** The board should consider disclosing its evaluation processes and criteria in the proxy statement or annual report to shareholders, but it should not disclose the substantive results of that process. The results of board should remain confidential.

2. **Individual Director Evaluations**

a. **Prevalence of Individual Director Evaluations:** According to the Survey, individual director evaluations are less common than board evaluations, with nearly one-third of respondents reporting no evaluation at all.[4] Of the two-thirds of directors that were evaluated, 38.2% were evaluated by their peers, 33.8% relied on self-evaluation and 25.7% were evaluated by the governance committee.[5] However, a 2005 NACD report showed that 77% of directors surveyed opined that individual directors' performance should be evaluated regularly.[6] Director evaluations are probably not crucial for identifying underperforming directors, as significant underperformance by a particular director is likely to become apparent even without board evaluations. Thus, director evaluations should be used primarily to identify ways that particular directors could improve and bring additional value to the company.

b. **Benefits of Individual Director Evaluations**

i. Provide Feedback Regarding Individual Improvement: Individual director evaluations may provide feedback to directors regarding the ways that they can individually improve their performance and thus facilitate the achievement of the collective goals of the board.

ii. Early Warning System: Individual evaluations may also serve as an early warning system. Instead of waiting until a director's performance is so substandard as to impact the board's performance or warrant removal, regularly conducted individual evaluations may provide directors with the

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[4] The 2006 Survey, *supra*, at 2.

[5] *Id.*

[6] REPORT OF THE NACD BLUE RIBBON COMMISSION ON BOARD EVALUATION, *supra*, at 3.

opportunity to implement corrective action. Underperforming directors are not typically incapable, but simply may not have a clear understanding of expectations.

iii. **Positive Message to Shareholders:** Conducting individual director evaluations indicates to shareholders that board members will be held accountable for their performance.

iv. **Indicative of Board Performance:** Individual director evaluations can be an indicator of the effectiveness of the entire board.

v. **Sets Expectations:** Individual director evaluations are a method for establishing expectations for director performance and increasing communication, providing for greater director accountability.[7]

c. **Potential Risks:** Instituting individual director evaluations may have negative consequences, especially as directors are still becoming acclimated to the process of evaluations. Potential negative consequences include:

i. **Legal Exposure:** If an individual director has a significantly negative evaluation or several negative evaluations in which the same issues reappear, then a failure by the board to act upon that information may provide a basis for legal liability.

ii. **Loss of Board Collegiality:** Directors may fear being singled out by their peers or, upon receiving an unsatisfactory review, a director may become hostile towards other directors.

iii. **Loss of Good Candidates:** Potential director candidates may decide not to serve on boards with individual evaluations. Additionally, candidates currently serving on boards who believe they have already proven themselves may resign.

iv. **May Encourage Counterproductive Participation:** Director evaluations may cause directors to fear that they will be perceived as underperforming and, in response, they may speak out at meetings on topics outside of their expertise or may undertake tasks for which they are not fully qualified.

d. **Process of Conducting Director Evaluations**

i. **Frequency:** Most experts suggest that formal individual director evaluations be conducted annually. However, some experts believe that the board should conduct periodic informal evaluations during the year to, for example, monitor director improvements, or to identify early any underperforming directors.

ii. **Determining the Right Time to Implement Director Evaluations:** Boards may want to conduct full board evaluations for two to three years before attempting to implement individual director evaluations. This allows directors to become accustomed to the idea of evaluations and to understand the benefits that evaluation programs provide before being personally evaluated. Directors also need to have confidence that evaluation processes are confidential before they will feel comfortable evaluating their own performance or the performance of their peers.

iii. **Identify Performance Measures and Objectives:** Applicable criteria should vary from director to director because each director presumably brings (or at least should bring) different skills, background and expertise to the table. Recommended subject areas include:

(1) **Attendance and Participation:** This requires determining whether the director attends meetings and whether the director arranges alternative methods of participation, such as telephone conference calls if he or she cannot be physically present.

(2) **Preparedness and Availability:** This requires assessing whether the director reads board materials in advance of board meetings and whether the director devotes time to learning about current business issues.

(3) **Knowledge of the Company's Business:** This requires asking whether the director understands the company's industries, competitors, strategies, financial statements, regulatory concerns, technology and general trends.

(4) **Initiative:** This requires an assessment of whether the director takes the initiative to obtain information necessary to make informed decisions and whether the director follows through on matters for which he or she has taken on responsibility. It also requires assessing whether the director initiates contact with management, committee chairs or other board members as necessary.

(5) **Judgment and Candor:** This requires assessing whether the director speaks coherently and constructively at meetings and whether the director is willing to present viewpoints even if such viewpoints are not held by many of the other directors.

iv. **Determine How Individual Director Evaluations Will Be Conducted:** There are several methods of conducting individual director evaluations:

(1) **Assessment by Board Chair or Lead Director:** An individual director, such as the chairperson of the board or the lead director, would evaluate each director and then conduct one-on-one meetings to provide suggestions for improvement and recommended courses of action. The chairperson is typically best positioned to conduct these evaluations because the chairperson usually has the most information about the performance of each director. However, if the chairperson is also the CEO, then conflicting signals may be sent about who is evaluating whom. If a lead director or responsible committee chair has sufficient information about individual directors, then that person may be better suited to conduct individual evaluations. However, simply observing a director at several board meetings may not provide sufficient information because what occurs in board meetings may not be a good overall indication of a director's contribution to the board. Rather, a board member's effectiveness may also be demonstrated in side conversations, dinners or individual telephone calls.

(2) **Self-Assessment Questionnaires:** Directors can be asked to rate their own performance in a self-assessment questionnaire. Naturally, directors may be biased when completing such questionnaires, but important information still may be elicited. Additionally, even if directors are not entirely forthcoming in questionnaires, presumably they will be forthcoming in their own minds, which may lead them to confront their own perceived shortcomings and make improvements.

(3) **Peer Evaluations:** Directors may also be asked to evaluate each other by completing questionnaires about their colleagues. Peer evaluations are often initially difficult for directors to accept. Ideally, a company will have conducted individual self-assessments for some amount of time (approximately two to three years) before moving solely to peer evaluations or before including peer evaluations in the process.

e. **Deciding Whether to Share Results with the Nominating/Corporate Governance Committee:** Some companies advocate sharing the results of individual evaluations with the committee responsible for overseeing director nominations. Identifying underperforming directors is important, but the company must carefully weigh that benefit against the effect that sharing results may have on directors' willingness to speak with candor. Unless the results remain confidential, directors may fear retribution and respond accordingly. Underperforming directors can usually be identified without the aid of evaluations. The goal of individual evaluations is to encourage directors to reflect on their performance and make positive adjustments. If a director fails to do this, then it should be apparent without the sharing of substantive results with the nominating or other committee.

f. **Disclosure to Shareholders:** The board should disclose its evaluation processes and criteria in the annual report to shareholders (or other written communications), but it should not disclose the substantive results of that process. The results of individual evaluations should remain confidential.

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SAMPLE BOARD AND COMMITTEE EVALUATIONS

FOLEY

FOLEY & LARDNER LLP

ABC CORPORATION
BOARD OF DIRECTORS' SELF-EVALUATION QUESTIONNAIRE
[DATE]

This questionnaire is designed to gather information regarding the performance of ABC Corp.'s Board of Directors and its Committees. Following each question, there is space for you to comment on issues raised by that question. In addition, at the end of this Questionnaire, there is additional space for you to comment on other issues that you would like to raise. If additional space is needed, please attach additional sheets of paper as necessary. Please feel free to raise any and all issues that you believe could improve the performance of ABC Corp.'s Board of Directors or its Committees.

To ensure the confidentiality of your answers and comments, this questionnaire will not be shared with company personnel or other directors, and none of your comments or answers will be disclosed to company personnel or other directors unless you specifically request us to do so. In addition, the individual questionnaires will be destroyed after the results are tabulated and summarized.

After completing the questionnaire, please send your responses to ___________ prior to [DATE].

1. Please provide your self-assessment of our Board of Directors.

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2. What are the strengths of our Board?

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3. What are the areas in which our Board needs to improve?

a. What improvements would you suggest with respect to the amount, type and timing of information provided to the Board (in advance of, at and in between meetings)?

b. What improvements would you suggest to the agenda and topics discussed at, and the time spent on topics, at our Board meetings?

c. What are your suggestions on the number and length of our Board meetings?

d. What are your suggestions on our Board size and composition?

4. Please assess the strengths and weaknesses of our Board Committees:

a. Audit Committee

b. Compensation Committee

c. Nominating Committee

d. Governance Committee

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e. Strategic Planning Committee (Board as a whole)

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5. What should be our Board's principal goals and objectives for [YEAR]?

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6. Please provide any other comments or suggestions to improve the effectiveness or performance of our Board and its Committees and/or our governance of ABC Corp.:

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Name:______________________________________

Signature:__________________________________

RECOMMENDED QUESTIONS FOR DISCUSSION IN CONNECTION WITH COMMITTEE SELF-EVALUATION

1. Has the Committee complied with its charter and completed the actions contemplated by its work plan?

2. Are there additions or modifications to the Committee's charter that should be considered?

3. Does the Committee hold a sufficient number of meetings during the year and does it meet for an adequate amount of time to fulfill its responsibilities?

4. Is the Committee cognizant of the line between oversight and management and does it endeavor to respect that distinction?

5. Do Committee members stay abreast of trends and issues impacting the Committee's area of responsibility?

6. Does the Committee have the appropriate mix of members, skills, experience and other characteristics to be effective?

7. Does the Committee maintain regular contact with management?

8. Does the Committee receive adequate information on a timely basis from Company and third party sources to fulfill its duties?

9. Does the Committee engage outside advisors as appropriate and, if so, do these advisors provide value sufficient to justify their cost?

10. Is there certain business now handled by the Committee that should be handled by the full Board or vice versa?

11. Do the Committee reports provide the appropriate amount of information to the Board?

12. What actions, if any, should the Committee undertake as a result of this self-evaluation?