INSTITUTIONAL SHAREHOLDER AND HEDGE FUND RELATIONS AND ISSUES

8:30 AM

Jeffrey Brown, Motorola, Inc.
Phillip Goldberg, Foley & Lardner LLP
Richard Grubaugh, D.F. King & Co., Inc.
Gordon McCoun, FD/Ashton Partners
Emily McNeal, UBS Securities LLC
John Palmer, PL Capital LLC
John Wilson, Foley & Lardner LLP
Jeffrey A. Brown is Senior Corporate Counsel for Motorola, Inc., a global leader in providing wireless and broadband communications headquartered in Schaumburg, Illinois. Mr. Brown provides counsel to Motorola's senior management and Board of Directors and handles a broad range of matters relating to securities laws and corporate governance. In particular, Mr. Brown's practice focuses on disclosure issues, the issuance of public securities, structuring of strategic investments and Board of Directors matters. He has also served as a member of Motorola’s 6-person Disclosure Committee throughout the Committee’s existence.

Prior to joining Motorola in 1997, Mr. Brown was associated with Winston & Strawn in Chicago, Illinois, where his practice was focused in the areas of securities, mergers & acquisitions and corporate finance. He also has professional experience in industrial engineering and mathematical modeling. Mr. Brown received his J.D. with Honors from The Law School at The University of Chicago, where he was a member of the Order of the Coif. He also graduated with honors from Northwestern University, where he received a B.A. in Economics and a B.S. in Industrial Engineering/Management Sciences. Mr. Brown is a frequent speaker and author on a variety of corporate governance-related topics, including the practical impact of the Sarbanes-Oxley Act, effective compliance programs, the majority vote movement and shareholder activism.
Phillip M. Goldberg is a partner and a member of Foley’s Management Committee. A member of the firm’s Securities Litigation, Enforcement & Regulatory Practice, Mr. Goldberg counsels securities broker-dealers and other clients on compliance with the federal and state securities laws and rules of the various self-regulatory organizations (SROs) and represents those clients in SEC enforcement proceedings and SRO disciplinary and other proceedings, litigation and grand jury investigations. He also assists special committees of boards of public companies in investigations of financial reporting and related conduct. He has represented various securities broker-dealers and investment advisors in SEC and SRO investigations of sales practices, municipal securities business, equity, fixed income and financial futures trading, and back office compliance and related supervision. He has represented various broker-dealers and individuals in significant investigations relating to research analyst conflicts of interest, sales of derivatives, IPO allocations, and financial reporting and net capital compliance. He represents public companies and individuals, including corporate officers and directors in SEC investigations, including investigations into the adequacy of financial and other reporting and internal controls and insider trading and related shareholder litigation. He also consults corporations and institutional investors in proxy contests and related takeover cases.

Mr. Goldberg was profiled in Illinois Legal Times as one of Chicago’s best young litigators. He often speaks at bar and securities trade association programs on corporate internal investigations, SEC enforcement issues, and regulatory examinations, and has published several articles on these topics.

Mr. Goldberg received his law degree from DePaul University (J.D., 1983) and his undergraduate degree from Indiana University (B.A., 1980).
Rick Grubaugh is a Senior Vice President of D.F. King & Co., Inc. and co-director of the Strategic Analysis and Proxy Division. Rick primarily advises corporations and shareholders involved in complex transactions specializing in corporate control situations such as proxy contests, mergers and hostile tender offers.

Rick formulates and recommends shareholder communications strategies for public companies in crisis situations. Prior speaking engagements include various programs sponsored by the Practicing Law Institute, programs sponsored by the Society of Corporate Secretaries and Governance Professionals and Georgetown University’s program on corporate governance issues.

Prior to joining King, Rick was a principle of MalCon Proxy Advisors, Inc. specializing in advising companies and activist shareholders in corporate control situations. Prior to forming MalCon, Rick was Managing Director of the Strategic Consulting Division of Beacon Hill Partners, Inc. and was primarily responsible for providing consulting services to clients involved in proxy contests and hostile tender offers.

Gordon McCoun brings more than 20 years of equity research and portfolio management experience to Financial Dynamics, where he has responsibility for overseeing the firm’s investor relations and research practices. In addition, he manages the North American component of FD International’s global investor relations activities. Gordon works closely with client companies to develop and implement effective investor relations programs and provides them with strategic counsel on a broad range of issues including investment positioning, corporate governance and transactions.

Prior to joining Financial Dynamics seven years ago, Gordon was a sell-side analyst and Vice President with Brean Murray & Co., a research boutique/investment bank/money manager, and was a portfolio manager with The Bank of New York, Citibank and Prudential. He received an MBA in Finance from New York University’s Stern School of Business and a BA from the University of Pennsylvania.
Emily McNeal is an Executive Director in the Investment Banking department of UBS and is based in Chicago. Ms. McNeal has been involved in a wide variety of strategic advisory transactions during the course of her career. Ms. McNeal has advised on a number of M&A transactions including: the sale of Siebel Systems Inc. to Oracle Corp.; the sale of Expedia, Inc. to IAC/InterActiveCorporation; an international joint venture for Goodyear Tire & Rubber Co.; the sale of Scout Media, Inc. to News Corporation; the acquisition of Accord Networks Ltd. by Polycom, Inc.; and two asset sales for Solectron Corporation.

Prior to joining UBS, Ms. McNeal worked in the San Francisco office of Savvian Advisors. She also worked in the M&A group at Morgan Stanley in both New York and San Francisco. Ms. McNeal holds an M.B.A. from the Kellogg School of Management at Northwestern University and a B.A. from Harvard University.
Mr. Palmer is the co-founder of PL Capital LLC, an investment firm specializing in the banking industry. PL Capital focuses on publicly traded banks and thrifts with market capitalizations ranging from $50 million to $5 billion. PL Capital has expertise in using shareholder activism to improve the performance or change the strategic direction of the banks or thrifts that it invests in.

Prior to PL Capital, Mr. Palmer was employed by KPMG from 1983 to 1996. While at KPMG, he specialized in commercial banking, consumer finance, thrifts, mortgage banking and discount brokerage, serving public and privately held clients ranging in size from $40 million to $25 billion. In 1994, Mr. Palmer was promoted to Director, KPMG Financial Services - Capital Strategies Group, a national practice providing merger and acquisition advisory services.

Mr. Palmer is the former Chairman of the Board of Directors of Security Financial Bancorp, Inc., that was sold in 2003. Mr. Palmer previously served as a director of Franklin Bancorp and its wholly owned subsidiary Franklin Bank, NA, where he served on the audit, compensation, and loan committees of the board. Mr. Palmer also served as Chairman of the strategic planning committee of Franklin Bancorp. He also served on the Board of Directors of Clever Ideas, Inc., a privately-held specialty finance company.

Mr. Palmer is a member of the Board of Directors for the Victory Gardens Theater in Chicago where he served as President of the Board for the past three and one-half years. Mr. Palmer oversaw the purchase of the Biograph Theater and its Capital Campaign for the renovation of the theater which exceeded $11 million.

Mr. Palmer obtained his Bachelor of Accounting Degree from Walsh College in 1983. He is a licensed (status inactive) Certified Public Accountant in Michigan and Illinois and is a member of the American Institute of Certified Public Accountants and the Illinois CPA Society.
John K. Wilson is a partner with Foley & Lardner LLP in the firm’s Transactional & Securities Practice and Energy Industry Team. Mr. Wilson’s practice focuses on mergers and acquisitions, corporate financings and securities law and general corporate matters.

Mr. Wilson regularly represents public and private companies in a variety of industries on transactional and corporate matters. He represents buyers and sellers, both domestically and internationally, in public and private mergers, acquisitions, dispositions, spin-offs, leveraged buyouts, recapitalizations and other strategic alliances. Mr. Wilson also represents issuers and investment banks in public and private equity and debt securities offerings. He provides continuing advice to a number of public companies in a variety of industries regarding federal securities law compliance, disclosure and reporting, corporate governance and takeover defense matters. Mr. Wilson also has experience with venture capital and private equity fund formation and portfolio company investments, as well as hedge fund matters.

Mr. Wilson frequently lectures on corporate governance and securities law disclosure matters. He is a member of the Milwaukee Bar Association, the State Bar of Wisconsin and the American Bar Association.

Mr. Wilson received his J.D., magna cum laude, from Georgetown University Law Center, where he was elected to the Order of the Coif. He received his B.A., magna cum laude, from Marquette University, where he was elected to membership in Phi Beta Kappa.

Mr. Wilson was named to the 2006 list of Wisconsin Super Lawyers – Rising Stars by Law & Politics Media, Inc. for his mergers & acquisitions work.
INSTITUTIONAL SHAREHOLDER AND HEDGE FUND RELATIONS AND ISSUES

National Directors Institute
March 6, 2008

Phillip M. Goldberg
John K. Wilson

I. Trend of Increased Shareholder Activism

A. Institutional Shareholders

- Institutional shareholders continue to make their views known through:
  - Shareholder proposals
  - Withholding votes for directors
  - Corporate governance ratings

B. Hedge Funds

- Estimated global hedge fund assets at end of 2007 of approximately $2.8 trillion on which significant returns are expected
- Hedge funds have taken on role as investors, not just traders – activism as investment style
- Investment strategies create incentive for hedge funds to be drivers of events at portfolio companies
- Hedge fund activism can take different forms:
  - Challenging management and boards of directors to review business strategy
  - Pursuing increased dividends or stock repurchases or a restructuring, breakup or sale of a company
  - Launching hostile takeovers and proxy contests
  - Blocking a sale transaction to force the acquiror to pay a higher price
- Hedge funds often act in parallel using “wolf pack” tactics
  - Not uncommon for a number of hedge funds to acquire over 50% of a company’s shares
Takeover defenses and statutes may not be effective as individual hedge funds often stay below 10%

Hedge funds and other activists no longer viewed as “raiders” but as “corporate activists” promoting shareholder interests

II. Public Company Preparation for Hedge Fund and Other Activist Attacks

- Maintain a response team and appropriate corporate policies
  - Establish takeover defense team and maintain current contact list
    - Key officers: CEO, CFO, CLO, others
    - Legal counsel
    - Financial advisor
    - Investor relations
    - Proxy solicitor
  - “No comment” and sole spokesperson policies
    - Avoids duty to disclose third party overtures
    - Ensures company speaks with one voice – typically through CEO
    - Scripted responses to different approaches
- Board should be prepared to deal with an activist situation
  - Annual review, including investor relations, takeover defenses, M&A market review, etc., with participation of financial advisor and counsel
  - Board needs to understand strategic plan and potential strategic alternatives
  - Be prepared to call special board meeting on short notice (e.g., 24 hours)
  - Although hedge fund attack may be intended to facilitate a takeover or force a sale, takeover defenses of limited use with respect to initial attack
  - Rights plan triggers avoided with hedge fund “wolf pack” tactics
- Investor relations is key
  - Proactively communicate company strategy and explain reasons for any performance shortfall
  - Monitor significant stock holdings and trading
    - Identify potential problematic shareholders
  - Review analysts’ reports for opinions that may appeal to hedge funds
Understand alternatives that activists may propose so the company can respond accordingly: share buybacks, special dividends, sale of company/division, spin-off or other restructuring

Maintain open communication with institutional shareholders and respond to all shareholder inquiries
  o Watch Regulation FD issues

III. Public Company Responses to Activist Hedge Fund Approach

  Approaches typically private, but can be public through Schedule 13D
  Assemble response team to determine appropriate response and develop investor relations strategy
  Advise board so it is prepared and call special meeting if appropriate
    ▪ If majority independent directors, no requirement for a special committee
    ▪ Presentations by management, legal counsel and financial advisor
    ▪ Board should be informed of its fiduciary duties
    ▪ Review of all appropriate alternatives
  No duty to disclose unless leak of information by company personnel
  Generally no duties to discuss, negotiate or meet with activist
  Decision of whether to meet with activist made based on case-by-case basis; consider confidentiality and standstill agreement if meeting with activist
  Monitor stock activity and maintain contact with large institutional investors and proxy advisory firms
  Goal to avoid public announcement or “wolf pack” attack that puts company “in play”

IV. Shareholder Proposals

A. Board Matters

  Majority voting

1 Statistics in this section from Risk Metrics Group, 2007 Postseason Report, A Closer Look at Accountability and Engagement.
Over 150 proposals in 2007; vote averaged 50%
70 withdrawn because the company amended its bylaws to provide for majority voting
Separate Board chair and CEO
Over 50 proposals in 2007; vote averaged 25%

B. Elimination of Takeover Defenses

- Repeal staggered boards
  - Over 60 proposals in 2007; vote averaged 64%
  - 19 proposals withdrawn suggesting some companies are voluntarily repealing
- Redeem or vote on shareholder rights plan
  - Approximately 25 proposals in 2007; vote averaged 41%
- Eliminate supermajority vote
  - Over 30 proposals in 2007; vote averaged 68%
- Right to call special meetings
- Cumulative voting

C. Compensation Practices

- “Say on pay” – annual shareholder advisory vote on compensation
  - Over 60 proposals in 2007; vote averaged 42%
- Pay-for-performance – no bonus unless financial and stock performance exceeds peers
  - Over 60 proposals in 2007; vote averaged 30%
- Clawbacks – if incentive goals not met as a result of later restatement
- Severance / golden parachute
- Compensation consultants – independence and disclosing relationships
- Pension/SERPs
- Deferred compensation
- Stock option backdating
- Institutional shareholders organizing “vote no” campaigns against compensation committee members at companies where pay not tied to performance
High number of proposals expected in 2008 as a result of new proxy statement disclosures on executive compensation

D. Social Responsibility Issues

- Over 340 proposals in 2007 for a wide variety of social and environmental issues
  - 174 proposals came to vote
  - Many withdrawn as a result of successful discussions between companies and shareholder proponent
- Environmental, including climate change
  - 80 proposals in 2007; average vote approximately 20% for climate change
- Sustainability reporting
  - 39 proposals in 2007; average vote approximately 24%
- Political contributions
- Equal employment opportunity

V. Issues and Developments Impacting Shareholder Relations

- Majority voting requirements
- Proxy access
- Pending NYSE rule change on broker votes for directors
- Electronic solicitation of proxies
- Electronic shareholder forums
- Share lending/empty voting/vote buying
Hostile Activity is Also at Record Levels

As corporates have become more aggressive acquirors, there has been a sharp increase in hostile and unsolicited M&A activity

Global Announced Hostile / Unsolicited Activity

Source: Thomson Financial as of Q3 2007
Note:
1 All deals with disclosed deal value, excluding minority stake purchases, repurchases, spin-offs and deals less than $50 million. Includes withdrawn deals
Shareholder Activism is on the Rise…

Since the corporate scandals in 2000/2001, the number of shareholder governance proposals has increased significantly

Number of Corporate Governance Proposals (1990–2007)

[Bar chart showing the number of proposals from 1990 to 2007]

Source: Georgeson Shareholder Communications Inc. and IRRRC

Corporate Governance Proposals (2007)

[Pie chart showing the distribution of proposals by category]

- Executive Compensation Related: 43%
- Board-Related: 26%
- Cumulative Voting: 6%
- Poison Pills: 5%
- Supermajority Provision: 5%
- Other: 8%

Corporate Governance Proposals Sponsored by Institutions

[Stacked bar chart showing proposals sponsored by institutions from 2003 to 2007]

Source: Georgeson Shareholder Communications Inc.
…But Rights Plans Remain Relatively Low

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Fortune 500</th>
<th>S&amp;P 500</th>
<th>S&amp;P 600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Companies in Index</td>
<td>500</td>
<td>500</td>
<td>600</td>
</tr>
<tr>
<td>Number of Companies with a Rights Plan in Force</td>
<td>130</td>
<td>149</td>
<td>246</td>
</tr>
<tr>
<td>Percentage of Companies with a Rights Plan in Force (%)</td>
<td>26</td>
<td>30</td>
<td>41</td>
</tr>
<tr>
<td>Number of Rights Plans with a Chewable Provision</td>
<td>2</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Number of Rights Plans with a TIDE Provision (^1)</td>
<td>18</td>
<td>20</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: SharkRepellent.net as of Q3 2007

Notes:
1. Three-year Independent Evaluation (TIDE) provision; requires that a company’s rights plan be periodically reviewed by a committee of independent directors
2. Includes Industrial Equipment and Machinery
Hedge Funds Are Increasingly Serving As Activist / Hostile Investors

Continued corporate governance activism, increasing social acceptance to hostile activity, rapid accumulation of un-invested capital and the emergence of new low-risk / high-return investment strategies have reshaped the hostile M&A market and led to a wave of aggressive hedge fund activist investing.

- Hedge funds control vast pools of capital—total AUM of approximately $1.3 trillion
  - Raider of 1980s had to rely on third party financing, while hedge funds control their own assets
  - Approximately $175 billion in assets controlled by hedge funds is invested in “event driven” strategies
  - Limited exposure to fluctuations in credit markets
  - Enhances credibility in M&A realm

- “Wolf pack” tactics
  - Hedge funds network extensively and take similar positions in other funds’ targets
  - Success of takeover efforts have worked despite relatively small stakes in targets
  - Have avoided being treated as a “group” for Regulation 13D purposes

- Director’s increased sensitivity to shareholder activism
  - Corporate governance activists’ voices are increasingly heeded by Directors
  - Evidence that growing number of governance changes are initiated by hedge funds

- General positive perception of “hostile” deals
  - Post-scandal era has led to increased corporate activism and the desire to eradicate all corporate malfeasance, which is thought to be a common goal of hedge funds
  - Investors have a higher level of support for hedge funds as opposed to their 1980s predecessors
  - Benefit to shareholders in that pressure is put on boards to explain why their chosen course will create the most value

- Activist investors have performed well over last 12–18 months which should drive continued activist investing
  - Success of recent proxy fights will drive future activity during upcoming proxy season
  - Lower profile investors to search for activists to pursue selected situations
  - Successful acquisition of a company by an activist hedge fund will lead to further convergence of private equity and public equity worlds
Evolving Hedge Fund Strategies

Hedge funds have become more focused on event driven strategies as total AUM has grown and overall returns have fallen

**Strategy Composition (1990)**
- Equity Hedge: 5.3%
- Relative Value Arbitrage: 10.1%
- Event-Driven: 3.8%
- Distressed Securities: 2.4%
- Fixed Income (Total): 9.3%
- Short Selling: 0.1%
- Emerging Markets (Total): 0.4%
- Sector (Total): 0.2%
- Merger Arbitrage: 0.6%
- convertible Arbitrage: 0.5%
- Equity Non-Hedge: 0.6%
- Equity Market Neutral: 1.7%
- Macro: 71.1%

**Strategy Composition (Q42007)**
- Event-Driven: 10.2%
- Macro: 10.9%
- Relative Value Arbitrage: 14.6%
- Distressed Securities: 5.6%
- Emerging Markets (Total): 4.6%
- Sector (total): 5.2%
- Equity Market Neutral: 3.7%
- Convertible Arbitrage: 3.0%
- FI: High Yield: 2.7%
- FI: Diversified: 1.5%
- FI: MBS: 1.8%
- FI: Arbitrage: 0.3%
- FI: Convertible Bonds: 0.3%
- Regulation D: 0.2%
- Merger Arbitrage: 15%
- Market Timing: 13%
- Short Selling: 0.3%
- Emerging Markets: 4%
- Equity Non Hedge: 18%
- 1095.4

**Estimated Hedge Fund Assets**

- 1990: $38.9
- 1991: $58.4
- 1992: $95.7
- 1993: $167.8
- 1994: $167.4
- 1995: $185.8
- 1996: $256.7
- 1997: $367.6
- 1998: $374.8
- 1999: $456.4
- 2000: $490.6
- 2001: $539.1
- 2002: $625.6
- 2003: $820.0
- 2004: $972.6
- 2005: $1,105.4
- 2006: $1,464.5
- 2007: $1,868.4

**Note:**
1. HFR Industry Report (Q32006 Total Strategy Asset by Percent)
### Activist Hedge Funds’ Common Tactics

| Opposition to M&A | Axa / Mony Group: Axa Group acquired Mony Group following a bitter fight with Highfields Capital Management  
MCI / Qwest: Hedge funds owned estimated 60% to 70% of MCI’s stock and actively lobbied for higher nominally priced Qwest bid  
Chevron / Unocal: Strong support for CNOOC’s offer among hedge fund and arbitrageur shareholders led by Schoenfeld Asset Management caused Chevron to raise its bid from US$16.3 billion to US$17.2 billion  
Mylan / King Pharmaceutical: Icahn acquired a 10% stake in Mylan, shorted 5 million King shares and began trying to kill the merger  
In response, Perry hedge fund with a 7 million arbitrage position in King and bought 10% of Mylan’s shares and “shorted” the same number against the “box” thereby removing its economic risk while allowing Perry to retain 10% of Mylan’s voting rights |
| --- | --- |
| Appraisal Rights | Carter-Wallace: The court ruled in favor of Gabelli, and the parties settled with Gabelli receiving US$29 per share, 40% above the deal price  
Transkaryotic Therapies: Holders of more than one third of Transkaryotic shares, including Icahn and other hedge funds, exercised their appraisal rights |
| Recapitalization or Deployment of Free Cash | Atlantic Investment-RR Donnelley: Atlantic investment voiced concerned in regards to a rumored LBO of RR Donnelley and publicly requested RR Donnelley to institute a $3.0 bn share repurchase program  
McDonald’s: Pershing Square Capital Management, with a potential stake of 4.9%, asked McDonald’s to spin off 65 percent of its 8,000 company-owned restaurants and to borrow $14.7 billion against its real estate |
| Proxy Contests | Blockbuster: In May 2005, Carl Icahn won a seat on Blockbuster’s board with the support of his and other hedge funds. Demanded that management curb spending and boost the dividend to get Blockbuster’s share price up  
Wendy’s: Pershing Square Capital Management, with a potential 9.3% stake, and Highfields Capital Management LP put pressure on Wendy’s International suggesting it sell off divisions among other proposals  
Sovereign Bancorp: Relational Investors LLC, the largest shareholder of Sovereign Bancorp Inc, has threatened to remove most of the company’s directors unless financial and governance performance improved |
| Change of Control Campaigns | Cerberus: Cerberus Capital Management has US$16 billion of investors’ assets on its books (almost double what it had in 2003)  
Has bought 28 companies and acquired stakes of at least 15% in an additional 15 companies over the past decade  
Has become a leading player in private equity market  
Kmart/Sears: Eddie Lampert’s ESL now controls a merged Sears and Kmart  
Circuit City: Highfields Capital threatened to take over Circuit City |
2007 Proxy Season Review
and
2008 Preview

D.F. King & Co., Inc.
Majority Voting in Election of Directors

- Corporations continue to embrace majority voting
- Over 60% of S&P 500 have adopted changes to director election procedures
- Number of proposals declined but average support level increased to 50.4%
- Gen-Probe declines to accept director resignation
- By-law adoption remains gold standard
Majority Vote to Elect Directors Proposal

Noteworthy Vote Results

No Action
- International Paper – 85.5%
- Praxair – 76.3%
- Newell Rubbermaid – 74.8%

93 Proposals Withdrawn, Omitted, or not included in Proxy in 2007
- Up from 52 proposals in 2006
- Majority Vote Implemented
Advisory Vote on Compensation (“Say on Pay”)

- Most prominent issue of 2007 proxy season
- Political debate on the issue continues
- To date in 2007, averaging 43.3% support in voting results for 41 meetings
- Aflac and Verizon to include annual advisory vote on compensation in 2008 and 2009 Respectively

Proposal Passed:
- Activision – 69.0%
- Blockbuster – 57.8%
- Ingersoll–Rand – 56.7%
- Motorola – 54.0%
- Valero Energy – 53.0%
- Verizon – 50.2%
E-Proxy/Notice and Access

- Mandatory for large accelerated filers on January 1, 2008 and all other issuers on January 1, 2009

- Will significantly reduce printing and mailing costs for Large Cap Companies, but for many Small/Mid Cap Companies’ savings may be negligible

- Will reduce retail voting participation

- May increase vote risk for issuers

- Increases vulnerability of Large Cap Companies to Proxy Contests
NYSE – Proposed Change to Rule 452

- Proposed elimination of discretionary voting in election of directors
- No action 2008 proxy season; 2009?
- Roundtable discussions of alternatives
- Certain brokers adopt proportional voting

- Importance of issue increases significantly with majority voting
  - Vote No campaigns
  - “Against” recommendations by proxy advisory firms
Elimination of Routine Vote in Director Elections

Impact of Routine Vote On Director Elections

- Large Cap: 88% Cast with Broker Vote, 75% Cast Without Broker Vote
- Mid Cap: 86% Cast with Broker Vote, 71% Cast Without Broker Vote
- Small Cap: 89% Cast with Broker Vote, 54% Cast Without Broker Vote

Legend: □ % Cast with Broker Vote □ % Cast Without Broker Vote
NOTABLE MEETINGS

- Performance-Based/Indexed Options Proposal Passing Votes:
  - Allegheny Energy – 51.7%
  - Hewlett-Packard – 53.8%
  - KB Home – 54.6%

- Recoup Unearned Management Bonuses
  - Motorola – 59.2%
  - Wyeth – 52.6%

- Pay-For-Superior Performance
  - Credence Systems – 55.1%
  - Mattel – 47.3%

- Approve/Limit/Restrict SERPs
  - Raytheon – 49.2%
Shareholder Proposals on Anti-Takeover Measures

- Redeem or vote on poison pill
  - Hewlett Packard – 73.4% – Rossi proposal
  - MeadWestvaco – 79.3% – Steiner proposal
  - Disney – 58% – Bebchuk proposal

- Eliminate staggered board proposals averaged 66.3% at 33 meetings

- Eliminate supermajority provision proposals averaged 67.0% at 19 meetings

- Right to call special meetings averaged 56.5% at 18 meetings
Proposals to Eliminate Staggered Board

Shareholder Proposals to Eliminate Staggered Board

Management Proposals to Eliminate Staggered Board
Proposals to Eliminate Supermajority Provisions

Management Proposals to Eliminate Supermajority Voting

Shareholder Proposals to Eliminate Supermajority Voting
Other Anti-Takeover Proposals

Adopt Cumulative Voting

- Number of Proposals: 24, 19, 19, 20, 22, 16, 22, 23
- Average Support: 28.3%, 30.3%, 33.1%, 34.1%, 35.7%, 36.5%, 39.6%, 33.5%

Shareholder Right to Call Special Meeting

- Number of Proposals: 1, 1, 18
- Average Support: 75.0%, 65.1%, 56.5%

Redeem or Vote on Poison Pill

- Number of Proposals: 50, 84, 52, 23, 15, 11
- Average Support: 60.2%, 60.0%, 61.5%, 59.8%, 56.6%, 33.9%
Looking Ahead to 2008

- More directors will fail to receive majority support
- Continued institutional opposition to mergers and buyouts
- Increased use of electronic means for activism
- Unprecedented dialogue between issuers and shareholders to continue
- Compensation plans will continue to receive increased resistance
- Vote NO campaigns are increasing concern with triple-play effect of majority voting, notice and access and proposed change to rule 452