

INVESTOR RELATIONS®

PRACTICAL TACTICS AND STRATEGIES TO IMPROVE DISCLOSURE, COMMUNICATIONS & SHAREHOLDER VALUE

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Speed investing streamlines the traditional wooing process that puts companies together with potential investors.

See story on page 12.

Beef Up Your Skills in a Down Economy

“This recession has turned the whole corporate search area upside down,” says Smooch Repovich Reynolds, a career coach and investor relations recruiter. “Ninety-five percent of what we’ve been focused on in the past year is IRO searches. Our clients are looking for IR professionals who bring functional excellence along with business acumen. What they want is someone who can contribute to the well-being of the enterprise, across the board. Now is the time to beef up your skills, learn about your business, and master all aspects of the IR profession.”



Smooch Repovich
Reynolds

Sharpen Your Knowledge on Hot-Button Topics

In this economy, investor relations officers will increasingly have to deal with questions from investors on the topic of executive compensation. “Get started exploring this area now,” says Reynolds. “Become an expert. Gather information. Shadow your HR person and other managers. Ask your CEO or CFO out to lunch. Get to know the issues.”

“The beauty of being an IRO is that you already have everything at your fingertips in your company. Just by virtue of being an IRO, you are given permission to go anywhere—and ask just about any question. Take advantage of that opportunity!”

If you come from a communications background, strengthen your financial skills. Or if you are steeped in finance, polish your communications skills. Watch what leadership traits are validated by your top management—not just within the IR function, but at the C-suite level.

Become a Crisis Expert

One advantage of the current economic downturn, says Reynolds, is that every IRO has a chance to become a crisis expert. “A crisis expert meets

CONTINUED ON PAGE 2

and deals with difficult challenges successfully—and shows a determination to succeed when the cards are stacked against him or her,” says Reynolds.

“If you can leverage the economic chaos we are all experiencing now, you will be much more marketable later. You’ll know how to put market conditions into a workable context—and that trait will serve you well later.”

Take on a Leadership Role

“Volunteer to take the lead on a complex project. Sign up for a leadership position. Take on additional finance, accounting, or legal communications—whatever the company needs most right now,” says Reynolds.

“When you’re done, talk to peers and subordinates

about what went well and what didn’t. Being open to critique will help you learn faster.”

Social Not-Working

Smooch Repovich Reynolds, CEO of the Repovich-Reynolds Group, offers a word of caution to investor relations officers who are looking to advance their careers. Think long and hard before starting a personal blog, posting personal photos, or tweeting about yourself.

“Do *not* put the wrong things about yourself up on the Internet!” says Reynolds. “We have had senior-level candidates ruled out of searches because of their questionable blogs. Think of it this way: Every online entry is like a little press release. You need to remember that everyone *can*—and *will*—see it.”

While Reynolds acknowledges that social media will be a major part of our lives for years to come, caution needs to be taken into account, especially by young IROs who use social media frequently in their personal lives.

Leverage Your Skills With These Resources

Smooch Repovich Reynolds, founder and chief executive officer of the Repovich-Reynolds Group, highly recommends the following resources for investor relations officers who are looking to build their skills and increase their marketability:

- **The Center for Creative Leadership** (www.ccl.org). This organization offers an exclusive focus on leadership education and research through creative leadership. The group defines creative leadership as the capacity to think and act beyond the boundaries that limit our effectiveness. “In order to participate, you’ll need to have your management team, your peers, and some subordinates participate with you and provide 360-degree feedback,” says Reynolds.
- **National Investor Relations Institute** (NIRI) seminars on finance for IR practitioners. Most of these NIRI seminars offer continuing professional education credit. NIRI is registered

with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the national registry of CPE sponsors.

- **International Association of Business Communicators** (IABC) (www.iabc.com). This group allows you to tap into the years of collective experience of your peers for new ideas, fresh insights, and problem-solving assistance.
- **Vistage** (www.vistage.com). Vistage offers peer counseling and support. “You get together once a month with 15 peers—the chair of the group will also come to your office once a month for two hours of individual coaching,” says Reynolds.

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Reynolds has been a corporate search executive for 24 years, and she knows that headhunters are looking at more than your resume. “We look for certain technical skills, of course, but the *intangible* qualities—things like business savvy—*that* is what companies base their hiring on.”

Most important: Stay in the game. “Just remember—if you’re still standing by Dec. 31 of this year, you’ll make it

through anything. And you’ll be much more marketable as a result.” □

Smooch Repovich Reynolds is founder and CEO of the Repovich-Reynolds Group, a division of TRRG Inc., an international executive search and management consulting firm specializing in the communications, investor relations, finance, and marketing functions. This article is extrapolated from her presentation at the National Investor Relations Institute Annual Conference. For more information, go to www.trrg.com.

SEC Is Transfusing Capillaries, Not Arteries



By Tim Quast

In late October, Securities and Exchange Commission Chair Mary Schapiro announced proposed new rules for dark pools. These would require dark pools to show bids and offers on

volumes over a quarter-percent (current rule is over 5 percent) in a given stock, to report trades immediately, and to limit electronic feelers called “actionable indications of interest” to ones with liquidity.

These new rules sound great. Everybody should be playing by the same rules. But public equity markets were intended to match creative enterprises with the investors wanting to help them grow. Today, our markets best benefit transient trading by parties who want to own nothing and risk nothing.

If the SEC wants a renaissance in American capital markets, they need to throw out the rule book for a year.

Function Fizzled Last Decade

Market form first disconnected seriously from function in 1997 with “order handling rules” propagated by the SEC. Back then, the old-line exchanges and the new “electronic communications networks” were engaged in epic battle. The SEC proposed to give participants an “opportunity for better prices” by requiring exchanges to display the prices from their trading competitors, the ECNs.

Again, this sounds helpful. But regulating to price shifted the focus away from capital formation to trading. Ironically, the major exchanges acquired the big ECNs and today are in essence ECNs themselves.

The SEC decimalization rule in 2000 replacing eighths and sixteenths with pennies spawned massive computerization. Narrower spreads demanded more trades.

Eliot Spitzer’s 2002 settlement with banks separating research and trading fueled a trading gold rush. Research is about investment. Trading is about trading—the end is the means. Algorithmic trading exploded on billions of dollars of investment by Goldman Sachs, Morgan Stanley, J.P. Morgan, Bear Stearns, Lehman Brothers, and others.

Independent Dark Pools Emerge

Dark pools are in essence black markets. I don’t mean they’re illegal but that they’re a market response to price controls. This massive increase in market noise from trading reduced the ability of large investors to efficiently move significant stock positions.

The most recent major market rule, Regulation National Market System in 2007, requires trades to execute at the “national best bid or offer,” the NBBO.

Imagine pouring Niagara Falls through a funnel. The only way it can happen is with staggering high-frequency systems.

On one hand, these systems funnel Niagara Falls through the NBBO each trading day, a testament to programming ingenuity. On the other, the NBBO is a price control. Its unintended premise is that price is the only thing. If price were all that mattered, we’d all rent apartments and drive Tata Nanos.

Dark pools must follow the NBBO too. But trades occur behind the scenes and away from market noise and report once rather than continuously.

Dark Pools Are a Response to Constraints

When markets lack the elasticity that naturally springs from negotiation between buyers and sellers unfettered by middlemen, markets fashion solutions. Institutional investors, behemoths representing the accumulated capital of individuals, could not trade size, only price. They needed both. Hence, dark pools.

The regulatory response is to quash dark pools rather than to discover why they formed. The ones harmed are institutional investors, who must now behave more than ever like traders. The average person is harmed, too. It's our money at Vanguard and Fidelity. They are being tasked more heavily with investing and protecting it.

Traders and regulators will say that data show no decline in market efficiency. I think they measure the wrong data. SEC Rule 605 requires every broker-dealer to meet certain trade-measurement criteria—so naturally trading appears efficient.

'Efficiency' Obscures Market-Structure Inefficiency

Trade size may be identical for issues with market capitalization of billions or just a few hundred million dollars. Say the multibillion-dollar stock trades 26,000 times per day (and prices millions of times), while the stock with \$500 million in market cap trades a thousand times. Both average 186 shares per trade.

A value institution is constrained by market structure from owning the smaller company. If they execute 100 trades, or 18,600 shares, high-frequency systems front-run and price them out of the market. In dark pools, an institution could accumulate size while obeying price rules.

Institutions will be forced to use more derivatives. If before, T. Rowe Price wanted a million shares of a midcap stock, now fund managers may have to use something that looks and acts like a million shares but doesn't involve going to the market.

The biggest victims are entrepreneurs, the ones wanting to bring these small-caps to market.

A study by Florida finance professor Jay Ritter in July 2009 shows that 675 companies (priced over \$5) debuted

by initial public offering here in 1996. In 2008, 21 such companies went public.

Regs Squeeze the Life Out of Public Capital Formation

The rate of IPOs has been free-falling in America for years. Firms are going public on international exchanges instead, where structure doesn't strangle capital. Money by the trillions has moved to private equity.

Dark pools aren't the problem. The problem is that the form of our markets has strayed from the original function.

How Do We Fix It?

- Investor relations professionals and their management teams need to voice concerns about regulatory direction.
- We need to stop simply falling in line behind complaints about dark pools and other trading capillaries far removed from capital arteries.
- If regulators like Mary Schapiro want renaissance in American capital markets, throw out the rule book for a year.

That's right. We need to take the risk that markets can fix themselves. There would be some glitches to resolve. But we would stop making our markets into automatic card-shuffling machines. □

Tim Quast is a 17-year investor relations veteran and member of the IRN advisory panel. He is managing director of Modern IR, a firm that is specifically dedicated to shedding light on the nature of the money behind stock trading.

Investor Relations Calendar

2009 SEC Conference: An Accounting and Reporting Update for Public Companies, Millenium Broadway Hotel, New York City. Dec. 14-15. Contact: Center for Professional Education, 800-544-1114 or www.cpeonline.com/conf/sec.

Introduction to Investor Relations, Loews Santa Monica Beach Hotel, Santa Monica, Calif. Jan. 10-13. Contact: National Investor Relations Institute, kphilipp@niri.org.

6th Annual Clean-Tech Investor Summit, Renaissance Esmeralda Resort, Palm Springs, Calif. Jan. 20-21. Contact: Clean Tech, www.cleantechsummit.com, and use discount code CED450 to receive \$450 off the normal entrance fee of \$1,895.

Where Are the Investors Coming From?



By Hank Boerner

“Something is happening here, but you don’t know what it is . . .”

This song, “Ballad of a Thin Man” by Bob Dylan, became emblematic of an era in the late-1960s when an

uncertain future loomed for the generation growing up in that era.

We could hum that familiar tune today and apply it to the dramatic changes under way in our society and in the capital markets. Investor relations professionals may intuitively feel the changes in the way that the ’60s generation “felt” the meaning of the Dylan song. But there are more reliable—and measurable—ways to understand major shifts under way in the investor community.

McKinsey & Co.’s Global Institute has been issuing signals on where the markets are headed as we approach the second decade of the 21st century:

- Overall, total global financial assets declined by \$16 trillion in 2008, to \$178 trillion (largest setback on record);
- Mature markets may be headed for slower growth; and
- Emerging markets will probably account for increasing shares of asset growth in the year ahead as the market recovers.

Where Will the Capital Inflows Come From?

Four major classes of investor “power brokers” are rising, says McKinsey: (1) Asian sovereign investors, (2) oil exporting nations, (3) hedge funds, and (4) private equity firms.

In total, these four classes held \$11.5 trillion at the end of 2007, and although many investors saw their asset base decline, these players will recover faster and enjoy greater growth in the years ahead than their peers in mature markets.

Consider this:

- **Oil exporting nations.** These nations, especially

those in the Arabian Gulf region, will gain trillions of dollars in investable reserves if the price of oil stays at \$70 per barrel (current price). At that rate, the six nation-states of the Gulf Cooperation Council (GCC) will accumulate \$6 trillion in foreign reserves by 2020, triple the amount earned 1993-2006 as GCC states launched their sovereign wealth funds (SWFs). Overall, the world’s oil-exporting nations held almost \$5 trillion in assets at the end of 2007.

- **Private equity investors.** These investors, who took a hit in 2008-2009, still have almost \$1 trillion in leverage buyout funds (LBOs) and remain attractive as vehicles to global investors.

- **Asian sovereign investors.** These investors hold foreign reserves of \$4.6 trillion, says McKinsey, including \$670 billion of assets under management (AUM) in SWFs.

- **Hedge funds.** These funds were among the hardest hit investment managers in the downturn, with AUM in decline to \$1.9 trillion in 2007. However, they are still seen by McKinsey as among the 21st century leaders.

- **Sovereign wealth funds.** Separate of the McKinsey research, several authoritative organizations see total sovereign wealth funds’ AUM at \$3.2 trillion and growing. This class is projected to reach AUM of \$15 trillion in the next decade.

Sovereign wealth funds have been picking up the slack in funding as mainstream investors pull back.

SWFs Infusing Private Equity Firms

The sovereign wealth funds, some 50-plus in total, have been picking up the slack in funding as mainstream investors pulled back from investing. U.S. private equity firms have had sizable injections of cash from SWFs.

Of the “BRICs” (Brazil, Russia, India, and China) identified by Goldman Sachs as the important emerging economies, Brazil has an SWF being organized, Russia has an oil reserve fund in operation, India is considering establishing an SWF, and China has three such funds, including the prominent China Investment Corp. (\$200

billion AUM), which has invested billions in Morgan Stanley and Blackstone Group. China Investment Corp. is said to be investing \$1 billion in Oaktree Capital Management and has billions more for investment in other U.S. asset management firms.

“Sustainability” is very much in focus as investors consider “green” factors and “sustainability.” Norway’s SWF—the largest in Europe and the second largest in the world thanks to the huge flow of North Sea oil and gas royalties into the nation—is moving into green investment with 500 million euros scheduled for the first round of a five-year program. The fund managers are looking at sustainable index funds to begin the green equities search.

All asset classes are being looked at by sovereign investors; the oil producing nation of Qatar has an SWF with \$59 billion AUM that just bought 24 percent of the 7.66 million new shares issued by the United Kingdom’s Songbird Estates, owner of the Canary Wharf business district. Qatar is now the largest shareholder in the company. Other SWFs have been investing in Germany’s major car companies, Daimler and BMW.

Diminishing Prospects for Mature Nations’ Asset Managers

There are projections that traditional public-sector funds for police, teachers, and other public servants were hard hit by the 2007-2009 financial debacle and economic downturn.

Within the next two decades, these funds could have

half the money needed to pay promised pension and post-retirement benefits.

Will the funds cut benefits? Cash in their investments to pay beneficiaries? That’s part of the “*something is happening here . . .*”

The Rise of ‘Sustainable Stock Exchanges’

If you have been staying away from all the talk about sustainability, ESG investment, (environmental, social, and corporate governance), CSR (corporate social responsibility), and other nonfinancial investment factors, there was a gathering in early November at the United Nations of a group of emerging-nation stock exchange leaders who are calling themselves “Sustainable Stock Exchanges.”

Investors may be asking, *Which companies are built to last?* These exchanges (from Egypt, Brazil, the United Kingdom, Indonesia, and many other nations) will try to answer the question with the sustainable issues that they list for trade.

The *something is happening* may be the emerging nations’ exchanges providing significant momentum to the sustainable investment movement.

Investor relations promises to be a dynamic environment for practitioners in the second decade of the new century—and beyond! □

Hank Boerner is chair of Governance & Accountability Institute, whose team monitors global ESG and sustainability investment trends and key market players. For more information on ESG investing, e-mail hboerner@ga-institute.com or visit www.gai-insightsedge.com.

CASE STUDY:

Acing the Acquisition Process

By Julie D. Tracy



My company, ev3 (Nasdaq: EVVV), recently acquired Chestnut Medical Technologies Inc., an early-stage, privately held company. I share my experiences—and lessons learned—in this article in hope of providing a blueprint for other investor relations officers (IROs) who might be going through a similar process.

Background on the Acquisition Process

Chestnut Medical was a small, early-stage nonpublic company with promising technology and insignificant revenues. We acquired the company in a friendly buyout using cash and stock.

Due diligence proceeded very smoothly, with no surprises. Once the deal was signed, the time to deal announcement was relatively quick, less than 30 days.

Communication Was Key to the Process

Just a day after we signed the acquisition agreement, we issued a press release and held an investor conference call and webcast before the market opened. On the call, we discussed the acquisition and held a question-and-answer session. To ensure that key points were highlighted, we provided investors with a slide deck describing the transaction and as much detail as we could regarding the transaction's expected future financial impact.

Communications were also sent to employees, customers, and vendors to describe the rationale for the deal and to address questions from these various constituencies. All materials were immediately posted on our company's Web site.

IR's Role in the Acquisition

IR's role in the acquisition was to lead all of the communications and IR efforts, such as message development and preparation of all internal and external communication materials. The materials included press releases, conference call scripts, investor presentations, internal employee memos, customer letters, and lists of frequently asked questions.

As an IRO, I had been involved in other mergers-and-acquisitions transactions at two prior companies, both as an acquirer and a target. I learned that it is imperative that the IRO get involved as early as possible in the due diligence process in order to help management think

Tips to Streamline the Acquisition Process

If a deal is poorly communicated and not well-received, it's difficult (if not impossible) to turn around negative employee and investor sentiment.

1. Put together a communication plan and timeline.
2. Start drafting all communication documents as early as possible, even if you don't know all of the specific details.
3. Coordinate closely with internal constituents, including legal, public relations, and human resources.
4. Plan on the two weeks leading up to the deal announcement being very intense. The more that you can get done ahead of time, the better and less stressful the process will be.

A consistent and clear internal communications program is the link to keeping employee attitudes positive toward the changes brought about by a merger or acquisition.

through all aspects of the transaction and represent the voice of shareholders and investors.

The Outcome of the Acquisition

Our acquisition was a smooth, positive process. For one thing, we were fortunate in that the company we acquired had a small number of employees who were supportive of the transaction and recognized the long-term value that being part of a larger company could bring.

However, this is not always the case. Research has shown that cultural fit and compatibility between companies is arguably the single-most important predictor of whether an acquisition will ultimately succeed or fail. Even if the strategic fit and rationale make sense, the employees are the ones whose day-to-day actions can make a merger work or can sink it after the deal is done.

The Financial Outcome

As a result of the acquisition, ev3 increased its shareholder value. Our deal was well-received by Wall Street and our stock increased by 4 percent on the day the deal was announced and continued to increase another

CONTINUED ON PAGE 10

Don't Ignore the Human Side

McKinsey & Co. studies show that "management of the human side of the merger is the real key to maximizing the value of the deal." For example:

- Watson Wyatt Worldwide found that "cultural incompatibility was consistently the biggest barrier to integration."
- Mercer Human Resource Consulting found that out of three key merger factors—people, processes, and systems—only people issues made a difference to the success of mergers in the decade to 2001.
- The *Journal of Business Strategy* found, in a study published in the July-August 2008 issue, that mergers and acquisitions destroy leadership continuity in target companies' top management teams for at least a decade following a deal.

In many acquisitions, key people and talent exit the organization post-acquisition and shareholder value suffers as a result. Our company, ev3, was fortunate in that it was able to retain all of the leadership talent at the acquired company. That is not always the case.

Being clear on leadership and reporting relationships right from the start is key. In addition, careful retention planning and human resource management—combined with good communication—is an essential component to ensure effective management of people issues.

REGULATORY ROUNDUP

SEC LAUNCHES INVESTOR.GOV

In October, the Securities and Exchange Commission (SEC) launched its first-ever Web site devoted exclusively to investor education, providing investors with in-depth information and tips on how to invest wisely, plan for the future, and avoid being scammed.

By visiting www.investor.gov, investors can access information in a user-friendly format. Investor.gov provides an extensive collection of investor education materials, tools, calculators, checklists, as well as valuable investor alerts.

The site is the latest in a series of social media initiatives undertaken by the SEC. On the SEC home page at www.sec.gov, visitors can sign up to receive information and instant e-mail alerts on more than 80 topics of interest to investors as well as other market participants.

The agency also reaches investors online through other social media channels such as Twitter and YouTube:

- Investor information: www.twitter.com/SEC_Investor_Ed
- News releases and alerts: www.twitter.com/SEC_News
- Enforcement actions: www.twitter.com/SEC_Actions
- Careers at the SEC: www.twitter.com/SEC_Jobs
- You Tube channel: www.YouTube.com/SEC_Views

SEC SHEDS GREATER LIGHT ON DARK POOLS

The Securities and Exchange Commission has proposed measures intended to increase transparency of dark pools so investors get a clearer view of stock prices and liquidity.

Dark pools are essentially private trading systems in which participants can transact their trades without displaying quotations to the public. The largest dark pools are sponsored by securities firms primarily to execute the orders of their customers and proprietary orders of the firms.

The number of active dark pools transacting in stocks that trade on major U.S. stock markets has tripled since 2002. Given this growth of dark pools, a lack of transparency could create a two-tiered market that deprives the public of information about stock prices and liquidity.

To make trading through dark pools more transparent, the SEC's proposals generally would require that information about an investor's interest in buying or selling a stock be made available to the public instead of just a select group operating with a dark pool. The proposals also would require that a dark pool publicly identify that it was its pool that executed the trade.

The SEC's proposals address three specific concerns related to dark pools:

- The first proposal would require actionable indications of interest (IOIs)—which are similar to a typical buy or sell quote—to be treated like other quotes and subject to the same disclosure rules.
- The second proposal would lower the trading volume threshold applicable to alternative trading systems (ATS) for displaying best-priced orders. Currently, if an ATS displays orders to more than one person, it must display its best-priced orders to the public when its trading volume for a stock is 5 percent or more. The proposal would lower that percentage to 0.25 percent for ATSs, including dark pools that use actionable IOIs.
- The third proposal would create the same level of post-trade transparency for dark pools—and other ATSs—as for registered exchanges. Specifically the proposal would amend existing rules to require real-time disclosure of the identity of the dark pool that executed the trade.

In its proposals, the commission is seeking public comment and data on certain issues relating to dark pools. Dark pools of liquidity are one of several issues that the commission is currently considering as part of its broad review of equity market structure.

The full text of the proposed rule amendment is posted to the SEC Web site.

REGULATORY ROUNDUP

REPORT ON RISK MANAGEMENT PRACTICES

The Senior Supervisors Group (SSG) that consists of senior financial supervisors from seven countries (United States, Canada, France, Germany, Japan, Switzerland, and the United Kingdom) recently issued a report that evaluates how weaknesses in risk management and internal controls contributed to industry distress during the financial crisis.

The report—*Risk Management Lessons from the Global Banking Crisis of 2008*—reviews in detail the funding and liquidity issues central to the recent crisis and explores critical areas of risk management practice in need of improvement across the financial services industry.

The report concludes that despite firms' progress in improving risk management practices, underlying weaknesses in governance, incentive structures, information technology infrastructure, and internal controls require substantial work to address.

The observations and conclusions in the report reflect the results of two initiatives undertaken by the SSG. These initiatives involved a series of interviews with firms about funding and liquidity challenges and a self-assessment exercise in which firms were asked to benchmark their risk management practices against a series of recommendations and observations taken from industry and supervisory studies published in 2008.

The report represents a joint effort of nine supervisory agencies, including the Securities and Exchange Commission, the Office of the Comptroller of the Currency, and the Federal Reserve in the United States. The other agencies are the Canadian Office of the Superintendent of Financial Institutions, the French Banking Commission, the German Federal Financial Supervisory Authority, the Japanese Financial Services Agency, the Swiss Financial Market Supervisory Authority, and the U.K. Financial Services Authority.

These initiatives were conducted to support the priorities of the Financial Stability Board, whose mission is to

address vulnerabilities affecting the financial system and to promote global financial stability.

NIRI RELEASES SECOND VOLUME OF IMPLEMENTING NOTICE AND ACCESS

The National Investor Relations Institute (NIRI) announced the release of *Standards of Practice for Investor Relations, Volume II—Implementing Notice and Access*.

NIRI's Working Group on Notice and Access and the NIRI board of directors recommend that public companies review the considerations and recommendations contained in the standards regarding the adoption of the SEC's regulation, "Shareholder Choice Regarding Proxy Materials," commonly referred to as "Notice and Access" or "e-proxy."

A key role of NIRI is to provide standards of practice for the investor relations profession. NIRI began this process in 1996 with the publication of the *Standards and Guidance for Disclosure*, and continued to evolve and publish updated Standards editions. Investor relations and other corporate executives use the reference for guidance on disclosure and interaction with analysts and investors. It is also a popular reference for securities lawyers.

Building on this body of work, the NIRI board of directors recently standardized the development and approval process for future edits such that the standards of practice will be developed as a series of documents, each covering a different aspect of investor relations practice. NIRI released *Standards of Practice for Investor Relations Volume I—Earnings Release Content* in December 2008. The *Volume II* release represents the second in this series, and NIRI is currently drafting *Volume III—Financial Disclosure* for future release.

A complete listing of the NIRI Working Group on Implementing Notice and Access is available on the NIRI Web site.

NIRI members may access the *Standards of Practice for Investor Relations* series through the standards of practice page of the NIRI Web site.

Acing the Acquisition Process continued from page 7

10 percent from the time of the announcement to the close of the deal.

The results mirror the findings of current research studies. For example, a new study by the Boston Consulting Group of 302 large transactions found that in the year following announcement, acquirers whose deals were initially received—and continued to be received—with a favorable response returned an average of 33 percent.

Acquirers whose deals were met initially with a negative investor reaction—and continued to be perceived negatively—posted an average return of *minus* 25 percent.

This means that the average return was a difference of 58 percentage points between favorably and negatively perceived acquisitions!

Lessons Learned

We believe that one of the keys to our success, and the favorable perception of our acquisition by the Street, was the result of our comprehensive communication strategy.

Here are some lessons we learned along the way:

1. Get started early. Get involved with the deal at the earliest possible stage to understand the transaction and strategic benefits so that you can begin crafting the communications package that includes detailed schedules, timetables, risk factors, and contingency plans.

2. Ensure that there is close coordination on mes-

saging with all internal constituents, including legal, public relations, and human resources. This ensures that your message is precise and consistent to all stakeholder groups.

3. Explain, clearly and logically, why the transaction's business case is value-enhancing. Your communication materials should lay out a compelling financial rationale for profitable growth. If the deal is dilutive in the short term, but makes strategic sense long-term, investors and employees must be convinced that the company is capable of delivering on its promises and that they will be better off if the deal is completed.

4. Prepare an exhaustive question-and-answer document to respond, in advance, to all potential stakeholders. This Q-and-A document should anticipate and cover all the tough questions that investors, analysts, employees, and the media will likely ask on the day of the announcement.

5. Rehearse, rehearse, rehearse! Management should be very familiar with all of the key message points and the FAQs.

Remember that all M&A communications should support successful completion of the deal and ensure that your company's value proposition is enhanced—whether the deal closes or not. □

Julie Tracy, senior vice president and chief communications officer for ev3 (www.ev3.net), is a member of IRN's advisory panel. An archived investor presentation about the acquisition is available at <http://ir.ev3.net>.

Sample FAQ Template for M&A Transactions

Use this template to prepare the frequently asked-questions document for a mergers-and-acquisitions transaction. It is a valuable tool that will aid you with anticipating the questions that your management will be asked about the deal.

BACKGROUND

- How did this transaction come about? Who approached whom? Why?
- How long have the two companies been discussing a possible transaction?
- Did you explore other options? Was this competitive? If not, why not?
- Why was the deal structured this way?
- Are you confident that this is the best price for your shareholders?

- Who are your largest shareholders? What has been their reaction? Did you speak with any of them before the announcement of the transaction?

PROCESS

- Are you concerned about a possible interloper breaking up the transaction?
- If a third party made a counteroffer, how would your company react?
- Who are other likely bidders?
- Do you believe there are potential financial buyers?

- Was the board decision unanimous? If not, who voted against the transaction and why?
- What are your company's plans for integrating operations?

TERMS

- What are the terms of the transaction?
- When do you expect the transaction to close?
- Does this transaction require shareholder approval? What other approvals do you need?
- Where will the company keep its headquarters?
- What will happen to the company's senior management team post-transaction?
- Does the company being acquired have golden-parachute agreements with its executives? What are the triggers?
- Is there a breakup fee? What about cross options?
- Who are your advisers? What are their fees?
- Did you get a fairness opinion?
- Will the acquired company receive any board seats as a result of the transaction?

RATIONALE

- Why is this deal in the best interests of shareholders?
- What is the rationale for this transaction? Why do this transaction now?
- How do the cultures of the two companies compare? Are there any differences? If so, can this be an impediment?
- What is the acquiring company's long-term strategy?

FINANCIAL

- Why is there so big—or so little—a premium?
- How do the multiples compare with other deals?
- How does this transaction affect your financial guidance?
- What are the synergies (cost savings) resulting from this transaction? From where will they come? How many layoffs do you expect?
- What is the time frame to realize the synergies? What are the costs to achieve them?
- Has the company spoken with the rating agencies? What have they said?

EMPLOYEES

- What can employees expect over the next few months?
- What will happen to overlapping positions? Will any employees be laid off as a result of the transaction?

- How will staffing at various levels throughout the operations be determined?
- Will the company move its headquarters?
- Will employees have to relocate as a result of the transaction?
- What happens to employees' current benefits and compensation?
- What happens to employees' stock options?
- What happens to employees' pensions? Will the matching for their 401(k) remain the same?
- Will you offer any early retirement packages? What are the terms of the separation packages?
- Will employees maintain the same supervisors?
- Will the company change its name?
- Will there be new opportunities for both companies' employees in terms of jobs and relocation?
- What happens to negotiated union contracts (if appropriate)?

CUSTOMERS

- Who are your major customers?
- Have you spoken with them about the transaction?
- Is there any customer overlap?

PRODUCTS

- What products and technology are being acquired?
- How will these work with existing product offerings?
- What else is in the development pipeline?

POLITICAL/LEGAL

- What regulatory approvals do you need?
- As applicable: Can you comment on the intellectual property related to the transaction?
- Do you anticipate any community opposition to the transaction?
- Will you continue to support the local communities?
- As applicable: Have you spoken with the governor or other elected officials? What have been their reactions?
- Is there any significant litigation pending for either side? What happens to such litigation after the transaction?

Once the FAQ document is completed, use it to prepare your management team to confidently handle questions regarding the transaction.

IR PRACTICES

Court Potential Investors with Speed Investing

When a young executive at Dresdner Kleinwort heard about a colleague's positive experience with "speed dating," he had an "aha" moment. Why not adapt the speed dating model to suit the modern investor?

The outcome was "speed investing." As its name implies, the new concept streamlines the traditional—and cumbersomely complex—wooing process that puts companies together with potential investors.

Now, Dresdner Kleinwort, an investment banking firm, essentially plays the matchmaker role in speed investing events and has trademarked the "SpeedInvesting" name.

Fostering Investment Courtships

Here's how it works: A number of companies meet with an equal number of potential investors for a short chat. The companies and investors are given 20 minutes to chat. Investors remain at their tables as company representatives move from table to table. The tables are placed far away from each other so that discussions cannot be overheard.

After each session, investors indicate which companies they'd like to meet with again for a longer, one-on-one meeting. Interested parties can comfortably move forward with their investment "courtship," and Dresdner helps facilitate the longer "dates" for the attracted parties.

Investors provide feedback on the companies' presentations, which Dresdner collates and sends to

the companies. Follow-up road shows are organized, according to demand.

Speed Dating Goes International

Dresdner Kleinwort brought this new concept from Europe to the United States. After conducting several successful pilot events in London, the company tried out the model in America, holding speed investing events in New York City in 2007 and 2008. This enabled European companies to reach out to deep-pocketed U.S. investors.

Since then, speed investing events that commingle company and investor participants have spread from London and the United States and into international cities such as Toronto, Milan, and Madrid.

Participants Get Straight to the Heart of the Deal

Carly Beattie, vice president, explains why the speed investing concept has proven so effective: "Invitations are strictly conditional upon the companies and investors agreeing to meet with each other. There is no option to

Dresdner Kleinwort Launched Pilot Program in 2006

Dresdner Kleinwort presented its first speed investing event in London in December 2006.

This seminal event included eight institutional investors. From there, the company organized a later, full-scale speed investing event that took place in London in May 2007.

"At the later event, we divided 24 companies and 24 institutional investors into two parallel streams, each stream consisting of 12 meetings," says Carly Beattie, vice president of Dresdner Kleinwort.

How to Get the Most From a Speed Investing Event

The key aim of speed investing is to encourage companies to meet new investors, particularly investors not typically reached in conventional investor relations presentations.

Speed investing events are designed to attract and secure a wider range of investors in terms of size, country, and investment style.

"We have found that it is likely [that companies] will meet a range of investment professionals, from

senior portfolio managers who seek a 20-minute update to those in more junior positions who need a complete introduction," says Carly Beattie, vice president of Dresdner Kleinwort, an investment banking firm.

As such, companies can help their own cause by developing two presentations:

- A basic presentation for investors unfamiliar with your company. "Tell them what you do and how you make your profits, or how you

plan on making future profits," says Beattie.

- An advanced presentation for investors who know your company well. "Make sure the presentation provides the most recent developments and key issues raised by shareholders," says Beattie.

"Also, provide ample time for a satisfactory Q-and-A session after the session," says Beattie.

‘pick and choose.’” This “all or nothing” formula, she says, forces participants to conduct meetings they normally wouldn’t agree to within the conventional road-show format. The few resulting “duds” amount to an acceptable price when compared to the number of true, potentially viable targets. However, participants are often surprised at how the initially perceived “duds” turn out to be genuinely interesting to investors.

The cost- and time-efficient speed investing events allow participants to get straight to the heart of the business matter while expanding their investment horizons. A standard road-show format usually involves an hour (35 minutes to 40 minutes for the meat and 20 minutes to 25 minutes for Q-and-A) presentation.

But investors have indicated that they know as much as they need to know about a company in the first 10 minutes. As such, the rest of the time is wasted. Speed investing’s 20-minute presentation format forces companies to focus on the business essentials and core message.

Speed Investing Counteracts ‘Familiarity Bias’

Speed investing encourages investors to consider an increased number of companies without limitations imposed by personal prejudgments.

Financial writer James Montier, in his 2001 book *Behavioral Finance*, advances the idea that investors remain caught up in a personal familiarity zone, which restricts their stock decisions. This bias and subsequent confinement, Montier believes, poses a major impediment to investment performance.

“Speed investing helps free participants from this familiarity bias,” says Beattie. “We’re prone to respond more favorably to the familiar, a bias that helps explain why investors [stay] more closely to their home market.”

At conventional events, these investors directed themselves toward what they considered a sure thing. Speed investing presented the investors previously unperceived opportunities. After exposure to speed investing, some investors say that they reconsidered their perceptions about the companies they met.

How Successful Is Speed Investing?

Thus far, about 25 percent of companies that host such events secure later and longer meetings. That’s a considerable percentage in the modern world of global finance.

This article is based on the National Investor Relations Institute Annual Conference presentation moderated by Carly Beattie, vice president of Dresdner Kleinwort. □

EXECUTIVE COMPENSATION

Women CEOs’ Pay Cuts Are Deeper Than Their Male Counterparts’

Female chief executives took a bigger hit to compensation than males in the wake of the financial crisis, according to a new survey of female CEO pay from the Corporate Library.

Total realized compensation for female CEOs declined by a median of 18.5 percent between 2007 and 2008 compared to only 6.1 percent for male CEOs.

In addition:

- On average, female CEOs earned just 58 percent of what males earned in realized compensation (78 percent at the median).
- On average, male CEOs’ discretionary bonuses were more than 3.5 times larger than female CEOs’, and

males’ perquisite payments were nearly twice the amount received by females.

- At the median, female CEOs earned \$40,000 more in base salary than male CEOs.

A few comparisons illustrate the differences between the overall top 10 highest-paid CEOs of 2008 and the top 10 highest-paid female chief executives.

Marline A. Rothblatt of United Therapeutics Corp. earned just under \$22 million in 2008, only 3 percent of the more than \$702 million in realized compensation accrued by Stephen Schwarzman of the Blackstone Group LP, the highest overall earner in *The Corporate Library’s 2009 CEO Pay Survey*.

Realized compensation earned by Rothblatt, 90 percent of which consisted of stock option profits, was the 84th highest amount accrued by all CEOs in the study. She is also the only female CEO among the top 150 earners of 2008.

Each female CEO to earn at least \$5.25 million in realized compensation is represented on the top 10 list. A CEO had to earn more than \$70 million to make it into the overall top 10.

Twenty-one percent of male CEOs earned at least \$5 million in realized compensation, compared to just 14 percent of female CEOs.

Source: The Corporate Library. The report, titled *The Corporate Library's Female CEO Pay Survey 2009*, is available for purchase from the Corporate Library at www.thecorporatelibrary.com/info.php?id=76. □

The Top 10 Earning Female CEOs of 2008: Realized Compensation

Company Name	CEO Name	Industry	Total Realized Compensation
United Therapeutics Corp.	Martine A. Rothblatt, Ph.D.	Pharmaceuticals	\$21,825,700
Avon Products Inc.	Andrea Jung	Consumer Products	\$13,916,408
TJX Companies Inc. (The)	Carol M. Meyrowitz	Retail	\$12,782,791
Xerox Corp.	Anne M. Mulcahy	Photographics	\$10,987,553
PepsiCo Inc.	Indra K. Nooyi	Beverages Nonalcoholic	\$10,765,395
Reynolds American Inc.	Susan M. Ivey	Tobacco Products	\$10,309,669
Kraft Foods Inc.	Irene B. Rosenfeld, Ph.D.	Food Products	\$8,399,059
Ventas Inc.	Debra A. Cafaro	Real Estate Investment Trusts	\$7,600,514
Alaska Communications Systems Group Inc.	Liane J. Pelletier	Communication Services	\$6,940,423
AnnTaylor Stores Corp.	Katherine Krill	Retail Apparel	\$5,251,592

(Source: The Corporate Library)

IR Is All About Relationships

Are there are times when your pressing investor relations agenda does not necessarily jibe with the C-suite's? Do you sometimes feel a little overlooked or out of the loop?

"IR is not always viewed as a top priority," says Lisa Studness Reifer, director of investor relations for JetBlue Airways.

"The degree of access to your management and company resources is determined at the top. It hinges on the attitude that your CEOs and CFOs have toward investor relations," she says.

At JetBlue, Reifer has worked with two CEOs and two chief financial officers. "Each has had a different attitude of investor relations, and their attitudes have all changed over time," she says.

Establish Your Worth

How can you better communicate IR activities to CEOs and CFOs? How can you increase the value of IR?

"With meaningful feedback," says Reifer. "Feedback can help quantify results of investor meetings and efforts and provide solid data that justifies your efforts."

Also, it's critical to establish your credibility in building relationships. She offers these tips:

- Find ways to add value to other parts of your organization;
- Make it your business to know the key people in your organization;
- Gain buy-in at all organizational levels (C-suite, finance, marketing, sales, public relations, and legal)—don't just target the top level;
- Respect other corporate commitments that sometimes conflict with your goals.
- Establish trust within your relationships; and
- Stay informed. Knock on doors and attend meetings.

Become a Detective

Information won't automatically and magically come your way. "You need to make your presence known, ask to attend meetings, and get yourself placed on distribution lists," she says. "You also need to be a detective. Diligence and perseverance is how you'll find the most valuable information."

"Despite your best efforts to stay in the loop, however, some departments simply won't keep your department informed. Don't get discouraged. Your diligence will eventually pay off."

Cultivate Relationships

While it takes time to develop relationships, you create value within your organization by sharing key information. For example, you could share:

- Information on the ratings and concerns of sell-side analysts;
- Feedback from the buy side; and
- Competitive analysis (information on competitors)

Who at Your Firm Should Provide the Information?

Financial information	⇒	CFO + IRO or IRO only
Industry information, operational information	⇒	IRO + Divisional Managers
Strategic information	⇒	CEO + IRO
Corporate Governance	⇒	Board Members

(Source: Ulrike Zeilberger, 2009 NIRI Annual Conference)

earnings calls, Securities and Exchange Commission filings, and competitive actions).

The culture that *you* foster will play a huge part in driving the respect you gain within the company. "At the end of the day," says Reifer, "IR is a relationship game. "Know how to develop the relationships and you will hone your skills to play a better game."

Source: This article is drawn from Reifer's presentation, *Wisely Manage Your Time: Who Should Talk with Investors?* presented at the National Investor Relations Institute conference in June. □

CORPORATE SOCIAL RESPONSIBILITY

New Media Users Are Chatting About You—Are You Listening?

Forty-four percent of American new media users are searching for, sharing, or discussing information about your corporate social responsibility (CSR) efforts.

What's more, they are highly confident they can have an effect on your business, according to the 2009 Cone Consumer New Media Study.

Are you listening to the "chatter" out there about your company?

Here are the results of the survey:

- 62 percent of users polled believe they can influence business decisions by voicing opinions via new media channels;
- 24 percent have contributed their point of view on an issue or contacted a company directly;
- 74 percent expect companies to join in conversations about their corporate responsibility practices happening on new media;

- 30 percent have made a purchase based on positive information learned about a product, company, or brand; and
- 23 percent have switched brands or boycotted a company based on negative information learned about a product, company, or brand.

Respondents said they want companies to tell them what is in products and how the products are made (85 percent) and provide additional details about information, labels, and claims shared offline (e.g., in the store, on the package, in an advertisement) (83 percent).

"There is an opportunity, here, [for corporate communications] to engage consumers beyond information-seeking behavior to build a relationship that can be mutually beneficial for both consumers and companies," says Jonathan Yohannan, senior vice president of corporate responsibility at Cone.

Users Looking for Transparency

Overall, consumers show strong signs of empowerment, comfort, and trust with corporate social responsibility communications in new media. Three-quarters of new media users say it is an effective way to learn about CSR efforts, 65 percent believe they know where to look for such information, and 47 percent think companies are transparent and honest when talking about CSR efforts through new media channels.

Consumers are relying largely on Web 1.0 channels such as Web sites (27 percent) and e-mail (22 percent) to explore CSR, indicating channels that foster a dialogue and deeper engagement—such as social networks (15 percent) and blogs (11 percent)—are being underutilized.

“Companies need to leverage traditional channels to drive people to places where conversations can happen in real time,” says Yohannan. “The value of engaging con-

sumers and investors in this way is to enhance reputation, build loyalty, and even lead to business innovation.”

The 2009 Cone Consumer New Media Study is a three-part survey that explored new media users’ interactions with brands, their support of social and environmental issues, and their engagement with corporate social responsibility practices.

The study presents the findings of an online survey conducted in September 2009 among a representative U.S. sample of 1,048 adults, comprising 503 men and 545 women 18 years of age and older. Respondents who indicated they never use new media sites or tools were filtered out of the survey, resulting in a sample size of 587 new media users.

For additional findings, go to www.coneinc.com/research.



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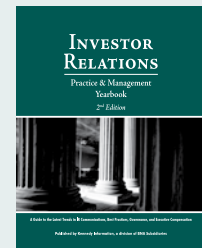
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