

MORROW & CO., LLC

Proxy Update

March, 2010

RiskMetrics Group Launches GRId – Phases Out CGQ

On March 17, 2010, RiskMetrics Group (RMG) announced the launch of Governance Risk Indicators™ (GRId). They will now begin to publish GRId assessments in their proxy analysis reports and will allow issuers to access the data verification site.

In addition, Corporate Governance Quotient (CGQ) scores will be frozen (to be retired completely in June 2010) and the high-level GRId ratings will begin to be available on Yahoo! Finance. RMG also posted a 188 page technical document providing detailed information on the methodology behind GRId, including a list of questions, weightings, and scores that are the underpinning for GRId. The link to the GRId site is <http://www.riskmetrics.com/grid-info>.

This *Proxy Update* provides an overview of the GRId methodology. We have also included with this *Proxy Update* a matrix of the questions that pertain to the US market.

As we discussed in our last *Proxy Update* on this topic, GRId will provide an absolute (not relative, like CGQ) measure of concern in four discrete categories: Audit, Board Structure, Shareholder Rights, and Compensation. Each issuer will be graded with a low, medium, or high level of concern in each of the categories.

The level of concern will be based on answers to questions which are at the core of the GRId methodology. The questions address topics across the four categories, and are further divided into subsections, with each subsection having a separate weighting. The number of questions applicable to an issuer will vary depending on their market, for example, there are 63 questions for US companies, 59 for Canadian companies, and 87 for French companies.

Each question will also have a weighting; and there is a variety of data that underlie each question. Answers will be scored on a 10-point scale (from -5 to 5), with 0 as neutral. A neutral score would indicate an issuer meets RMG's policy, a negative score would indicate that concerns are evidenced, and a high positive score suggests the issuer is close to, or exceeds, best practice. The higher overall score in each category, the better (i.e., lower level of concern).

While RMG provides the list of questions, the weighting of subsections and questions, and the score range for each question, they do not supply the secret decoder ring that would allow an issuer to determine how they will be scored. Scoring is based on “single and multiple data elements” that are “normalized on a scale of 0 – 100” and processed by GRId’s “scoring engine”.

Not surprisingly, RMG offers services (for a fee) that will allow issuers to drill down into areas of concern, do benchmarking, obtain “pre-scores” in advance of the official score, and conduct other analytics. RMG also has a complimentary data verification site (http://www.riskmetrics.com/data_verification) that we encourage you to visit. If you would like information on RMG’s fee-based services, or would like our assistance in reviewing the data from the complimentary site (and making corrections, if necessary), please contact your Morrow & Co. representative.

We want to again caution that a good CGQ score may not translate into high GRId scores (and thus low concern). Also, while the GRId scoring is based on RMG’s voting policies, a low level of concern on compensation does not mean, for example, that an option plan will necessarily get a positive voting recommendation. Finally, we continue to believe that boards need to make decisions based on what they believe is in the best interest of the company and its shareholders, and not make decisions simply based on concerns on a GRId score sheet.

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470 West Avenue Stamford, CT 06902 (203) 658-9400

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RiskMetrics Governance Risk Indicators (GRId) - Question Matrix

Audit

Subsection	Subsection Weightings	Question #	Question	Question Weightings	Score Range
Non-Audit Fees	21.25%				
		1	Non-Audit fees represent what percentage of total fees?	100.00%	Minus 5 to 0
Controversies	57.50%				
		2	Did the auditor issue an adverse opinion in the past year?	36.96%	Minus 5 to 0
		3	Has the company restated financials for any period within the past two years?	17.39%	Minus 5 to 0
		4	Has the company made late financial disclosure filings in the past two years?	8.70%	Minus 5 to 0
		5	Has a securities regulator taken enforcement action against the company in the past two years?	36.96%	Minus 5 to 0
Other Issues	21.25%				
		8	Has the company disclosed any material weaknesses in its internal controls in the past two years?	100.00%	Minus 5 to 0

RiskMetrics Governance Risk Indicators (GRId) - Question Matrix

Board Structure

Subsection	Subsection Weightings	Question #	Question	Question Weightings	Score Range
Board Composition	25.00%				
		10	What is the independent director composition of the board?	60.00%	Minus 5 to 5
		14	What is the qualification (classification) of the Chairman of the Board?	40.00%	Minus 5 to 5
Committee Composition*	15.00%				
<i>Nomination</i>	33.33%	19	What is the independent status of the nominating committee members?	100%	Minus 5 to 5
<i>Remuneration</i>	33.33%	25	What is the independent status of the compensation committee members?	100%	Minus 5 to 5
<i>Audit</i>	33.33%	31	What is the independent status of the audit committee members?	100%	Minus 5 to 5
Board Practices	60.00%				
		37	Does the CEO serve on an excessive number of outside boards?	14.92%	Minus 5 to 0
		38	Do non-executives serve on an excessive number of outside boards?	16.58%	Minus 5 to 0
		45	Did any directors attend less than 75% of the board meetings without a valid excuse?	7.14%	Minus 5 to 5
		46	Does the company disclose board/governance guidelines?	6.63%	Minus 5 to 5
		47	Did outside directors meet without management present?	6.63%	Minus 5 to 5
		49	How many directors received withhold/ against votes of 50% or greater at the last annual meeting?	16.58%	Minus 5 to 0
		50	What percent of the directors were involved in material Related Party Transactions?	11.61%	Minus 5 to 5
		51	Do the directors with Related Party Transactions sit on key board committees?	3.32%	Minus 5 to 5
		52	Does the company have a majority vote standard in uncontested elections?	16.58%	Minus 5 to 5

*The minimum weighting of 33.33% applies to each committee, however, the weight is doubled for any subsection where the score is negative (less than 50% independent)

RiskMetrics Governance Risk Indicators (GRId) - Question Matrix

Shareholder Rights

Subsection	Subsection Weightings	Question #	Question	Question Weightings	Score Range
One Share One Vote	10.00%				
		54	Does the company have classes of stock with different voting rights?	50.00%	Minus 5 to 0
		55	Are there any directors on the board who are not up for election by all classes of common shareholders	50.00%	Minus 5 to 0
Takeover Defenses	50.00%				
		77	Are all directors elected annually?	33.33%	Minus 5 to 5
		78	Does the company have a poison pill (shareholder rights plan) that was not approved by shareholders?*	33.33%	Minus 5 to 0
		79	What is the trigger threshold for the poison pill?	**	Minus 5 to 0
		80	Does the poison pill have a sunset provision?	**	Minus 5 to 5
		81	Does the poison pill have a TIDE provision? (Three-year Independent Director Evaluation)	**	Minus 5 to 5
		82	Does the poison pill have a qualified offer clause?	**	Minus 5 to 5
83	Is the board authorized to issue blank check preferred stock?	12.72%	Minus 5 to 5		
Voting Issues	17.00%				
		89	Does the company require a super-majority vote to approve amendments to the charter and bylaws?	40.00%	Minus 5 to 5
		90	Does the company require a super-majority vote to approve mergers/business combinations?	40.00%	Minus 5 to 5
		91	When does the shareholder rights plan expire?	20.00%	0 to 3
Voting Formalities	23.00%				
		97	What is the percentage of share capital needed to convene a special meeting?	20.00%	Minus 5 to 5***
		98	Can shareholders act by written consent?	10.00%	Minus 5 to 5
		99	Has the board failed to implement a shareholder resolution supported by a majority vote?****	70.00%	Minus 5 to 0

* NOL pills would score a 0.

**Questions 79-82 apply only if the company has a poison pill. Weightings will vary based on answer to Question 78.

If the company has no pill, the score will be 0 and weights tied to other subsection questions will scale up proportionately.

***No right to call a special meeting, or a % requirement of 10% or more will be a -5; while a % requirement of 10% or less is a 5.

**** Score of -5 applies to companies where the board has ignored a majority of outstanding support for one year or a majority of votes cast for 2 years or more.

RiskMetrics Governance Risk Indicators (GRId) - Question Matrix

Compensation/Remuneration

Subsection	Subsection Weightings	Question #	Question	Question Weightings	Score Range
Executive Short Term	3%				
<i>Performance</i>	100%	113	Does the company disclose the performance measures, hurdle rates, and target payout thresholds for the short-term cash incentive plan that generated the awards reported?	100.00%	Minus 5 to 5
Executive Long Term / Equity	32%				
<i>Performance</i>	20%	122	Does the company disclose a performance measure for stock options plans (for executives)?	25.00%	Minus 5 to 5
		123	Does the company disclose a performance measure for restricted share plans (for executives)?	25.00%	Minus 5 to 5
		124	Does the company disclose the performance measures, hurdle rates and target payout thresholds for executives' long-term cash plans?	25.00%	0 to 5
		125	Does the company disclose a performance measure for other long term plans (for executives)?	25.00%	0 to 5
<i>Dilution</i>	20%	129	Does at least one of the new and/or amended plans for the last three years permit share recycling for options/SARS?	25.00%	Minus 5 to 5
		130	Does the company grant equity awards at an excessive rate, according to RMG policy?	75.00%	Minus 5 to 5
<i>Timing</i>	30%	131	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?	25.00%	0 to 3
		132	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?	25.00%	0 to 3
		134	What is the holding period for stock options (for executives)?	25.00%	Minus 3 to 5
		135	What is the holding period for restricted shares (for executives)?	25.00%	Minus 3 to 5
<i>Pricing</i>	30%	138	Does one or more of the company's equity plans approved or amended in the past three years permit option/ SAR repricing and cash buyouts?	50.00%	Minus 5 to 5
		139	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?	50.00%	Minus 5 to 5

Compensation/Remuneration Category Continued on Next Page

RiskMetrics Governance Risk Indicators (GRId) - Question Matrix

Compensation/Remuneration

Subsection	Subsection Weightings	Question #	Question	Question Weightings	Score Range
Other	65%				
<i>Stock Ownership</i>	15%	141	If a new or amended broad-based plan is proposed, then what is the expected duration of shares?	25.00%	Minus 3 to 3
		142	Is the CEO subject to stock ownership guidelines?	25.00%	Minus 5 to 3
		143	Are directors subject to stock ownership guidelines?	25.00%	Minus 5 to 3
		144	Do all directors with more than one year of service own stock?	25.00%	Minus 5 to 3
<i>Termination</i>	35%	148	What's the trigger under the change-in-control agreements?	100.00%	Minus 5 to 3
<i>Pay Practices</i>	50%	155	Did the company disclose a claw back provision?	10.00%	Minus 3 to 3
		156	Are any of the NEOs eligible for multi-year guaranteed bonuses?	10.00%	Minus 5 to 0
		157	Do any of the NEOs receive tax gross-ups on their perks other than relocation and other broad-based benefits?	10.00%	Minus 5 to 5
		160	What is the multiple of salary plus bonus in the change-in-control agreements for named executive officers excluding the CEO?	10.00%	Minus 5 to 5
		161	What is the multiple of salary plus bonus in the severance agreements for the CEO upon a change-in-control?	10.00%	Minus 5 to 5
		162	Does the company provide excise tax gross-ups for change-in-control payments?	10.00%	Minus 5 to 0
		163	What is the length of the employment agreement with the CEO?	10.00%	Minus 5 to 5
		164	Are executives given credit toward pension for years not worked?	10.00%	Minus 5 to 0
		165	In the last fiscal year, did the company grant premium priced options of at least 125% of market price that need to be maintained for at least 30 consecutive days?	10.00%	0 to 5
		166	Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting or committed to a resolution going forward?	10.00%	Minus 5 to 5