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INVESTOR RELATIONS

update

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National Investor Relations Institute
8020 Towers Crescent Dr., Suite 250, Vienna, VA 22182
www.niri.org

Not Just Along for the Ride: IROs on Board with Investment Bankers

By Carol Metzker

Like companies, investment banks and bankers come in all sizes. They range from regional specialty boutiques to "bulge bracket" firms such as Morgan Stanley and Goldman Sachs that offer full financial services. Investment bankers join CEOs, CFOs and IROs around the table and on the road to work on initial public offerings, secondary offerings, equity or debt issues, mergers and acquisitions, corporate marketing or non-deal roadshows and financial advice.

Typically, the relationship between the IRO and the investment banker is peripheral, taking a back seat to the driving role of the CFO and banker. The IRO often inherits this relationship, as usually the CEO and CFO choose an investment banking firm by its capabilities for fulfilling the company's needs. Although an IRO may not be leading the process, neither is he or she simply along for the ride. An IRO can help build an effective relationship that makes processes work for both the company and the bank, playing an important role in the overall picture of information flow and communication.

The level of IROs' participation with investment bankers is dependent upon their relationship with the senior management team, said Carolynne Borders, director of corporate communications at SMSC, a small-cap semiconductor company. Because hers is strong, she said she is invited to join them at meetings when interviewing potential bankers, working on messaging about an acquisition or helping educate bankers about the company's vision and strategy. While Borders' CFO provides comments from management's perspective, she comments on investors' perspectives — for instance, whether or how they hope the company will grow. She adds the most value by strategizing on how to communicate M&A activities to external audiences, and voicing opinions or potential reaction of the investment community.

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CHAIRMAN'S NOTE

Maureen Wolff-Reid

I begin this inaugural column as chairman by extending sincere thanks to you, NIRI's membership, for electing me to the board three years ago, and to my fellow board members for the honor of serving NIRI in this new capacity. My predecessor, Mary Dunbar, raised the bar by several notches for tireless commitment to the organization, and I pledge to make every effort to follow her example by making this another exciting year of accomplishment and professional growth.

As in any well-managed organization, our board's most important responsibility is leadership succession planning. Recruiting Lou Thompson's replacement as NIRI's president and CEO will, consequently, be our highest immediate priority. The search committee, headed by Dunbar and comprising Geoffrey Galow, Paul Gifford, Bina Thompson, Marge Wyrwas and me, has been up and running since January. With Lou's assistance, and with the resources of Spencer Stuart, a respected executive recruiting firm, we are making excellent progress.

The search committee spent many hours developing thoughtful answers to the crucial question: What kind of person are we looking for? This process began by evaluating NIRI's current leadership needs. To help us with this investigation, Spencer Stuart interviewed a cross-section of NIRI's membership and staff, and several consistent and dominant themes emerged. This feedback played a key role as we developed our candidate selection criteria.

The most important selection criterion pertains to strategic vision. NIRI's next CEO will be expected to help the organization clarify its vision and re-evaluate its mission, and then create a strategic plan for advancing the organization toward relevant accomplishments. We are looking for a respected and credible leader with high integrity and a record of success in working collaboratively with boards of directors and professional staff to lead comparable organizations in achieving strategic goals.

Other selection criteria relate to NIRI's value proposition. Going forward, we expect the organization to place greater emphasis on delivering value to members through educational programs and powerful communication on topics of emerging importance. We are looking for a leader with demonstrated business acumen — someone whose vision will guide the development of innovative program offerings that provide compelling benefits for NIRI's membership.

NIRI is operating in an environment where competition and the need for financial resources are growing. Our selection criteria reflect this reality. The ideal candidate must be an outstanding executive — a person who will strengthen NIRI's governance practices, provide oversight to our professional staff and to ensure that our operations conform to the highest standards of excellence.

Other selection criteria pertain to communication. We expect NIRI to broaden its role and strengthen its credibility as an authority on emerging issues, trends and events that have an impact on the profession and IR practice. We are looking for a CEO with proven communication skills and a record of success in building effective relationships with internal and external

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IROs ON BOARD WITH INVESTMENT BANKERS
continued from cover

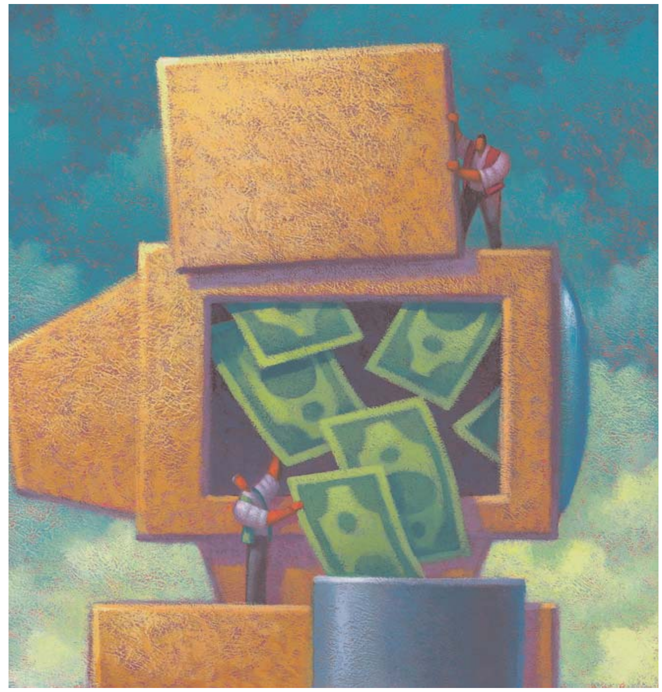
The Good IRO

A good IRO has an "in-the-trenches understanding of the company" and deep knowledge of the industry, said Todd Finnegan, who has worked on IPOs, M&As and financial advice at a regional investment bank and now specializes in industry-specific M&A transactions at his own small firm, T.A. Finnegan Capital Advisors. The IR professional must know the company's financials and story, and be able to communicate them both "as storyteller and truth teller," he said. The IRO is the best person to help investors understand why a deal makes sense and the synergies of two companies that are merging, he added.

Change Afoot

Previous research showed that many sell-side analysts, in some cases because of conflicts of interest in investment banking relationships, issued overly optimistic earnings forecasts and investment recommendations. (See "Playing Favorites," *IRQ,* Vol. 6, No. 2, June 2004). Did Eliot Spitzer, new regulations and the $1.4 billion Global Analyst Research Settlement in 2002 have any effect on separating investment banking and research, thus curbing the effects of conflicts of interest on stock recommendations?

The answer is yes, according to a new study by researchers from Washington University's Olin School of Business and Case Western Reserve University's Weatherhead School of Management. According to their findings, although analysts are still reluctant to issue pessimistic recommendations, "the likelihood of receiving an optimistic recommendation no longer depends on whether the firm had undergone IPO/SEO or whether the brokerage house had participated in any such IPO/SEO as an underwriter." (Source: Kadan, Madureira, Wang and Zach, "Conflicts of Interest and Stock Recommendations — The Effects of the Global Settlement and Related Regulations," November 2005.)



An investment banker from a larger firm concurred that top IROs fully understand the company and industry, how institutional investors think and how the company's stock price reacts in the market. As a banker who sometimes travels with management during a merger or acquisition, he said the best IRO is one who provides the strategic point of view for communicating information about the transaction. Money managers want to talk with the CEO or CFO, who is busy crunching numbers. An IRO who understands the deal, the numbers and the perspective of investors, and is capable of talking to money managers and has their respect, can provide high value. The IRO should operate as a concierge — introducing the CEO on calls or at meetings — only a small percentage of the time, instead spending most of his or her time focusing on content and communication.

The Working Relationship

IROs and investment bankers who spoke with *Update* discussed factors that help build an effective working relationship and can result in success for the company and the bank:

Know each party's responsibilities. The banker and IRO have different sets of responsibilities, and the relationship is most effective for both when each person performs his or her job effectively. "By [the banker] making sure that all the elements of a transaction are buttoned down, the IRO can communicate the story," said an investment banker. If the transaction goes well, it can be easier for the IRO to describe, and the more effectively the story is communicated, the more likely investors are to understand the whole picture.

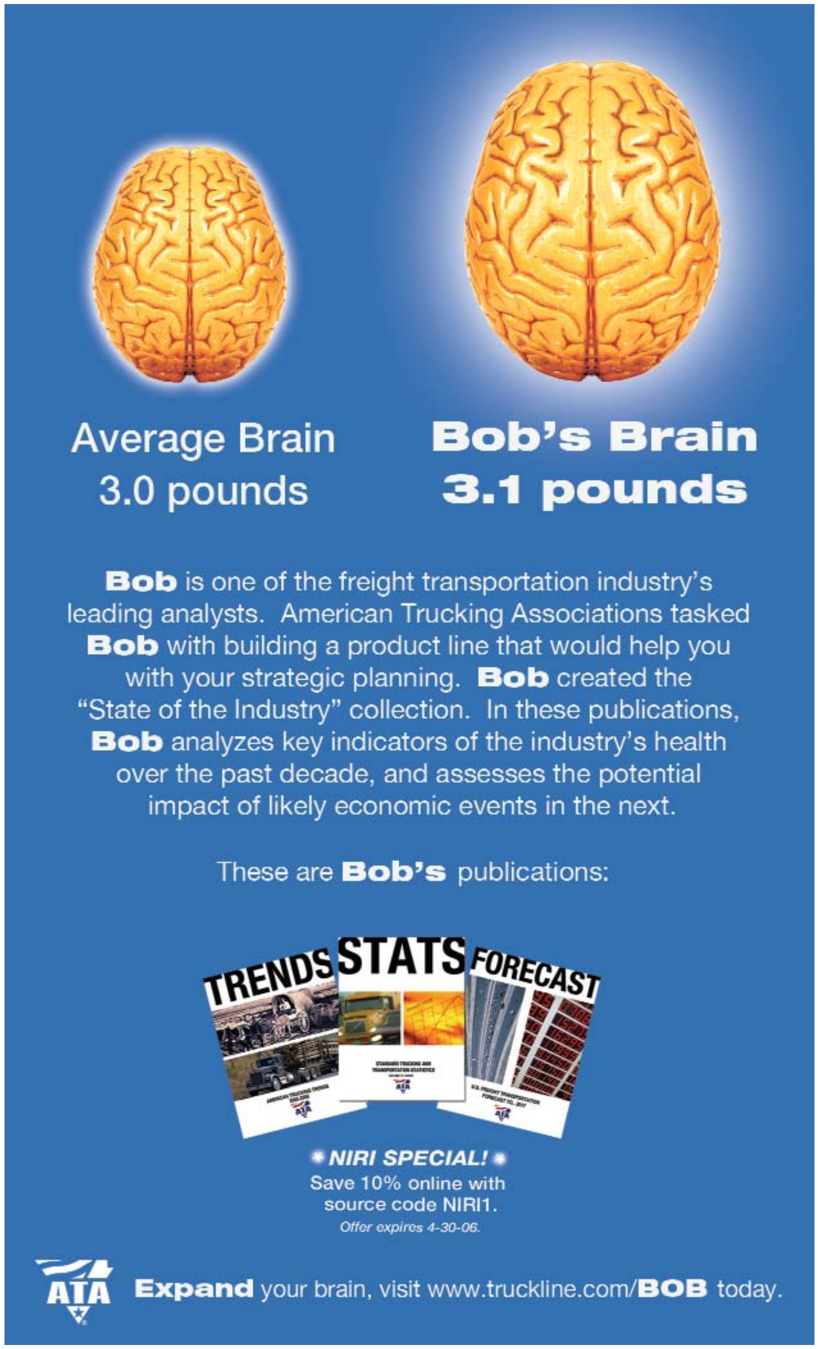
Each party might know different key institutions that are important to bring to the table. "From our perspective, the more meetings, the better," one banker said.

Facilitate a meeting of the minds. Sometimes investment bankers and IROs have different ideas about what constitutes the best institution to target. Whether it is because a banker and IRO have different goals — generating a commission or building a new shareholder base — or they have different ways of working, gravitating naturally toward already established relationships or wanting to cast a wider net or focus on shareholders with a better fit, both can strategize about where to take the show on the road. Each party might know different key institutions that are important to bring to the table. "From our perspective, the more meetings, the better," one banker said.

Help information flow both ways. Each party may have different expertise, knowledge and experience. Bankers might have more intelligence and capital market expertise, and the IRO might have more day-to-day information on the company and its shareholders. The more investment bankers know about a company, the more they can contribute toward your M&A activities. The better an investment banker understands the company, the better he or she can explain whether it is correctly valued. Likewise, intelligence from the investment banker can help shape thinking and decisions of the IRO. One IRO said that at the request of management, he sends a monthly stock update to its investment bankers. He includes stock price and top owners, information about peers and competitors, and a brief summary of news and issues.

The better an IRO applies his or her skills as a top communicator and a strategic thinker to the relationship with the investment banker, the better the chances are that the company will get where it wants to go. IRU

Carol Metzker is contributing editor to IR Update. *She is co-author of* Appreciative Intelligence: Seeing the Mighty Oak in the Acorn, *to be published in May. She can be reached at echmetzker@aol.com*.



Sound Strategies for Hedge Fund Outreach

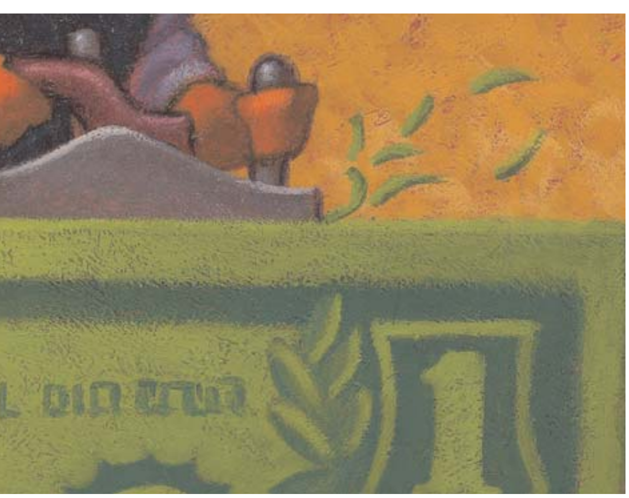
By Elizabeth Saunders & Jennifer Popper

We have spent the last several months crisscrossing the country speaking with investor relations officers about the single most dynamic force in the institutional community today: hedge funds.

First, some interesting facts:

- Hedge funds were the biggest buyers of initial public offerings in 2005, snapping up nearly 60 percent of all shares sold.
- Many believe they represent more than half of all trading volumes on the major exchanges.
- Nearly every major money management firm has hundreds of millions in assets run by hedge fund managers.

Not surprisingly, the IROs with whom we spoke have dramatically changed their approach to communicating with hedge funds in the past years. Some now view hedge funds as a "necessary evil" and treat them with the same kid gloves as any potential investor. Others actively court hedge fund investors, providing them carte blanche access to their senior management team.



But how do IROs decide which hedge funds are worth management's time and which are potentially dangerous based on their shorting strategies and high turnover levels? Here are some of the analyses our interviewees consider:

1. Review 13F filings, and segment the holdings into two categories:

- Core holdings — Those held more than a few quarters
- Short-term positions — Those turned over on a quarterly (or even intra-quarter) basis

If you find that the bulk of the positions in a similar industry or of a similar size are turned over quickly, take this hedge fund off your list. If, however, you identify the firm as a long-term holder with a low risk profile, your risk tolerance may be lower and the relationship may be advantageous.

2. Pay special attention to a hedge fund's holdings of your company's peers. Many contra hedge funds use quantitatively driven charting methods to identify a long investment, then troll for other industry competitors with which they can hedge their position with a short. If they have held seemingly overweighted positions in a single industry peer, this may be the case. But if they hold long several industry peers, it is more likely they are making a macro play on the industry and are seriously considering a long investment in your company.

3. Don't forget the smaller investors. Hedge funds' use of leverage means a firm with $100 million in assets may have the muscle to employ three to five times that. Smaller investors tend not to shy away from high-risk short strategies. If you guess wrong, they can do much less damage than can a billion-dollar market-moving fund.

4. Always do your due diligence on the individual analyst/portfolio manager, not just the firm. Don't rely on off-the-shelf software products to help you with this — make the call yourself. Most investors will be straightforward, telling you (if asked) what funds they manage or advise in and admitting to investment styles and turnover levels.

Assess Company Situation

Once you better understand individual hedge funds, next recognize your company's unique situation and assess whether hedge investors might actually give a boost to your stock. You may be able to target hedge funds to stimulate trading volumes or as "bridge" investors, while more skittish investors sit on the sidelines. There are three types of companies that tend to benefit from this strategy:

- The first are special situation/turnaround companies. Value hedge funds can play a critical role for these companies in the midst of a fundamental shift in strategy but without the financials to prove their success. Until the company reports good financials for several quarters, most investors will stand on the sidelines. However, some firms tend to act as "early adopters," buying these stocks while waiting for financial performance to catch up. One analyst told us, "If a stock is a wonderful contrarian situation, we are going to wait it out and buy on price weakness."

A sell-side analyst confirmed that most buy siders will stay on the sidelines of these companies. One said, "Until a company can string together a few quarters where they raise estimates, it's going to be difficult to attract any long-term investors and keep shorts away from the stock. Long-term investors don't have the stomach for this type of performance."

- The second are small-cap/micro-cap emerging companies. Those without long, successful business track records often have a difficult time attracting investors when market conditions are weak. Growth-oriented hedge fund investors often have higher portfolio betas than other buy-side counterparts and will snap up emerging technologies to bundle them with similar investments, taking a chance that the performance of one big winner will more than compensate for the remaining losers in the portfolio.

- The third group comprises companies with a low float or illiquid trading volumes. Stocks with a high concentration of top investors (including private equity firms or family members waiting to liquidate holdings until market conditions strengthen) often look to value- and growth-oriented hedge funds as interim investors until an intervening event occurs. Some hedge funds are willing to buy these stocks because of the discount at which they sell. They have the patience to wait until the secondary activity begins or M&A fever strikes.

One analyst told us these investments are often money winners because, "while we can't get in and out of these stocks as quickly as we would like, we know they're cheap and something will happen to drive the value in the stock."

But even these companies need to balance hedge fund outreach with traditional, fundamentally based targeting. Most hedge fund managers at their core are technically driven investors. As an analyst from Delaware Investments told us, "The hedge fund community doesn't know the difference between Micron and Microsoft, and they don't care."

And it's easy to forget that some hedge funds can be dangerous in their activist tendencies. Some known firms often employ explosive PR and media strategies to pressure management for board seats.

Bottom line: You have a choice. Either you manage hedge funds, or they manage you. IRU

Elizabeth Saunders is principal, co-founder and chairman of Ashton Partners, a strategic advisory firm based in Chicago, and is on the NIRI board of directors. She can be reached at esaunders@ashtonpartners.com Jennifer Popper is an analyst with Ashton Partners and can be reached at jpopper@ashtonpartners.com.

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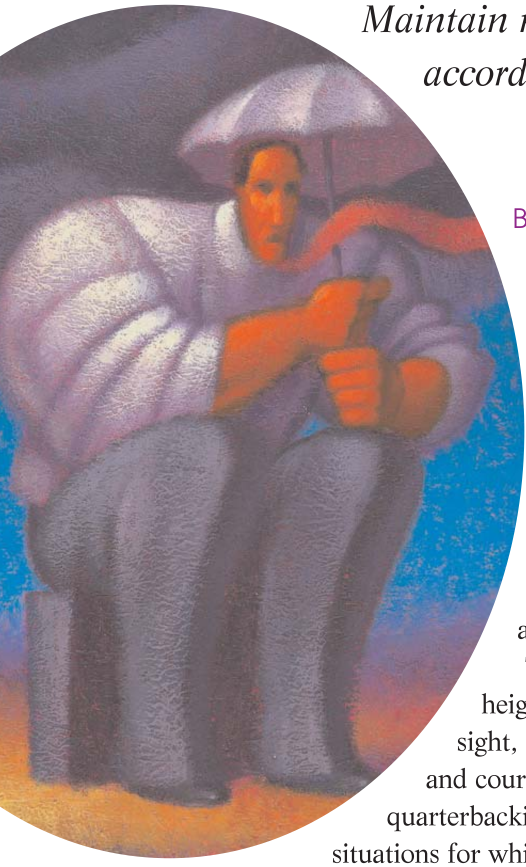

By Jay Gould

A fire guts corporate headquarters. A hurricane floods the data center. A key product is the subject of a national recall. IROs are adept at developing contingency plans that deal with the unexpected. It's our second nature — a basic job requirement.

Today we live in a world of heightened regulatory oversight, 20/20 hindsight analysis and courtroom Monday morning quarterbacking. But are there a subtler situations for which IROs need to plan?

Consider Violet, the IRO for Magnum Manufacturing. Magnum had been struggling to put together a consistent track record of earnings, and, happily, its last three quarters demonstrated measured progress, and the market had taken notice. The fourth-quarter package from accounting was showing the year being capped off with a slightly stronger than expected quarter and full-year performance. But as Violet delved into the details, she noted that a gain from the sale of a significant asset had been recorded in one of Magnum's subsidiaries. Without it, the fourth quarter would have fallen a penny short, and bonuses — the first in two years — would be reduced.

As she prepared the earnings press release and conference call materials, Violet disclosed the gain in early drafts. But in the give-and-take of drafting and editing these materials, the CEO expressed a desire to not mention it. He argued that selling assets from time to time was part of managing a portfolio of companies. There was no need, he argued, to draw attention to it. "Let's post a good year," the CEO said. "It will be boost the morale of our employees. Besides, we've stopped giving earnings guidance, so we don't have to worry about setting analyst expectations for next year."

Violet took exception to her CEO's outlook and argued that non-disclosure was misleading and, given the bonus payment, potentially qualitatively material. In a compromise solution, the CEO, CFO and IRO agreed to remove the disclosure of the gain from the earnings release but retain it for the conference call script.

During the conference call, however, the CEO skipped that part of the script. After the call, Violet expressed her concern to the CFO that this had not been disclosed as planned. He said he would make certain the disclosure would be in a footnote in the upcoming 10-Q and thus would pass review at the quarterly disclosure committee. The 10-Q was filed with the footnote, and not a single analyst picked up on the disclosure. Estimates were raised.

Maybe nothing will come from all of this, thought Violet. Sooner or later market expectations will be corrected — if not by anything else, then maybe by first-quarter results. Life will go on.

But if there is any lesson to be learned by testimonies of IROs in recent corporate scandals, it's that they cannot afford to just stand by. Failure to speak up and insist that disclosures be made can result in their being held personally responsible and possibly prosecuted for violation of SEC disclosure rules.

In hindsight, did Violet do all she could to plan for this event?

Not by a long shot. She should have made certain management was fully on board with both the letter and spirit of the company's disclosure policy. She should have consulted the general counsel and sought his or her help to persuade the CEO and CFO. In addition, NIRI's Code of Ethics, which Violet had signed and stands behind, clearly states that an IRO must "recognize that the integrity of the capital markets is based on transparency of credible financial and non-financial corporate information, and will to the best of my ability and knowledge work to ensure that my company or client fully and fairly discloses this important information." This is fundamental.

In addition, NIRI's Code of Ethics, which Violet had signed and stands behind, clearly states that an IRO must "recognize that the integrity of the capital markets is based on transparency of credible financial and non-financial corporate information."

Violet also could have made certain her relationship with Magnum's inside general counsel was more collaborative and less adversarial than was the case. Today more than ever, IROs and general counsels need to be in concert with regard to disclosure issues. She should have established a better working relationship beforehand with the counsel. In this instance, when she needed an ally, she felt uncomfortable approaching him.

She also could have advocated that the disclosure committee meet not only before filing the 10-Q but also before issuing the earnings press release. We all don't need another meeting. Yet a disclosure review meeting before the earnings press release would have provided Violet the proper forum to express her concerns and have them documented, along with the rationale for the decision made.

Finally, she could have made it well known to the company's management, by deed more than word, that her credibility and personal integrity could not be compromised.

Violet had clearly seen her management's tendency to walk a thin ethical line, and she feared they could easily slip to the wrong side. She pondered what happened in this instance and worried that a situation like this — or worse — could likely repeat itself. She felt so uncomfortable with the situation that she decided to resign. To her, it was the ethical thing to do.

After leaving Magnum, and while events were still fresh in her mind, Violet wrote a memo to the file. She wanted to document for herself the basis of her concerns, with whom she discussed them and how decisions were made and events unfolded.

She hopes this memo is never needed. But having this document reassures her that her memory of events many months later will remain clear. We leave her as she debates whether to use the company's whistle-blower hotline to notify the board of directors.

Resigning, writing letters to the file and being a whistle-blower are the toughest calls an IRO will ever have to make. There are often a host of reasons — many economic — to let a situation slide and hope nothing comes from it. But IROs are stewards of investor trust, more so now than ever. We all know how the market reacts to news of the resignation of a CFO for "personal reasons." Is it too much of a stretch to think the same importance may now be attached to the resignation of an IRO? Think about it. IRU

Jay Gould is senior vice president, director of investor relations for Huntington Bancshares, Inc. and a member of the NIRI Ethics Council. He can be reached at jay.gould@huntington.com.

NIRI ETHICS COUNCIL

A VALUABLE RESOURCE

If you are experiencing a thorny or ethical problem at your company, the NIRI Ethics Council encourages you to contact any of its members. Names and contact information can be found at www.niri.org/about/ethics_council.cfm. All contacts are kept confidential.

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The very first issue of *FinancialWeek*, a new publication from Crain Communications, will be distributed at the 2006 NIRI Annual Conference in San Diego this June.

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Big Energy in a Small Package

By Laura Bernstein

Ensure that the NIRI membership is informed of issues impacting the IR profession through Executive Alerts, news releases, seminars, Web site, etc. Review and update communication plan. Increase NIRI visibility, including board presentations to chapters and other speaking engagements. Ensure implementation of corporate governance policies and procedures. Oh — and complete a successful CEO search and ensure the smooth transition of leadership.

These are just some of the ambitious goals and objectives overflowing on Maureen Wolff-Reid's plate this year as she assumes the helm of the NIRI board of directors. This powerhouse of a woman — demure in size but large in ideas and energy — will juggle her NIRI responsibilities (almost a full-time job in itself) with her day-job duties as president of Sharon Merrill Associates, Inc.

"Our biggest challenge this year will be to find a replacement for Lou Thompson [president and CEO of NIRI]," said Wolff-Reid in a recent interview with *Update.* This is no small task. Thompson, who has been the heart and soul of NIRI for more than 23 years, transforming it from a tiny professional association in its nascent stage to one with more than 4,200 members and a national reputation, will turn over the reins when a new CEO is in place — possibly as early as this summer.

"Once the selection is made, the board, together with Lou and NIRI staff, will focus on ensuring a smooth transition," Wolff-Reid added. "It will be a time of great change for the organization, but we look forward to the challenges." (See also Chairman's Note, page 2.)

Leadership, Determination

Wolff-Reid's focus on NIRI is as rigorous as it has been for the past 20 years on the practice of investor relations at Sharon Merrill Associates, an investor relations and corporate communication firm based in Boston. When Sharon Merrill started her firm, she brought Wolff-Reid with her from Lotus Corporation. It was just the two of them.

"Right from the beginning, Maureen was an asset to the company because she's very smart and confident and capable and, like most successful people, very keen on continuing to learn," said Merrill, who is chairman of her company and now focuses on bringing in new business. "Over time, Maureen has developed into a strong and effective manager and leader." As president of the firm, Wolff-Reid oversees a staff of 12 professionals providing IR and communication counsel and services to a broad range of companies.

"I've stayed highly engaged in IR because it keeps changing and I constantly have to learn new things. That's very challenging," said Wolff-Reid. "And being on the agency side provides great variety. I get to work with companies of different sizes in all kinds of industries — technology, biotechnology, medical devices, financial services, manufacturing, semiconductors, pharmaceuticals and consumer products. I've done every job here [at Sharon Merrill], and I'm never bored."

Wolff-Reid quickly demonstrated her leadership skills in the ramp-up to taking over as NIRI chairman. She organized the board and its committees in an innovative way, using special "task force" committees to address more pressing,

The organization and the board will focus on the strategies for integrated communication — the idea that all communicators within a company work together toward consistent messaging.

short-term issues like revenue generation and the CEO search, in addition to standing committees like audit and nominating. "The board wants to provide the best value to the staff. I think this is an effective way to bring different groups together," said Wolff-Reid. "By organizing the committees this way, it should provide more cross-pollination of ideas and solutions, and better synergy."

Challenges & Goals

When asked what she thinks are the three most critical challenges facing IROs today, Wolff-Reid responded without hesitation: "Short-term versus long-term visions for companies. NIRI is promoting the latter, and we'll be focusing on giving members the skills that allow them to communicate long-term corporate vision to their constituencies."

Second is complete valuation — what is the best way to communicate intangibles? "It's easy to communicate financial metrics," she said, "but intangibles are more difficult. NIRI is rolling out industry roundtables so that IROs can work together to determine how intangibles can lead to more accurate valuation in a particular industry."

The third issue is gaining visibility for small-cap companies. "Sarbanes-Oxley and changes on the sell side have made it harder for small caps to generate awareness. We need to create a supporting structure for their IR function to make it easier for people to follow these companies."

In addition, the organization and the board will focus on the strategies for integrated communication — the idea that all communicators within a company work together toward consistent messaging. "IROs need to think analytically and strategically, and have excellent oral and writing skills," said Wolff-Reid. "NIRI programs and member services make huge contributions to our members' professional development in these areas."

Wolff-Reid has high expectations for her tenure. "We'll have a successful search for a new CEO, and this person will take NIRI to the next level," she said unequivocally. Her enthusiasm bubbles up when she talks about raising the profile of IR and NIRI. "The field of IR is so exciting — there's always something new happening. But we have to do more to be visible; we have to get out in the media and reach out to the public and promote the profession so people will see our work in a positive way and understand that there is more to IR than announcing earnings."

She added that IR keeps changing, and NIRI needs to keep changing with it: "I see NIRI as an advocate for the profession and specific issues related to IR." Wolff-Reid intends to forge more partnerships with other like-minded organizations. "When you put groups together to focus on a common agenda, you become powerful," she said.

This should be an exciting year for the profession and for NIRI. IRU

Laura Bernstein is editor of IR Update. *She can be reached at lbernstein@niri.org.*

Joining the Board

In addition to a new chairman, the NIRI board of directors elected five new members. Each person will serve a four-year term. They are:

Carol DiRaimo, Vice President of Investor Relations, Applebee's International, Inc.

Carol DiRaimo has been with Applebee's since 1993 in a variety of capacities, including financial planning and reporting and treasury and corporate analysis. In March 2006, *IR* magazine honored her for the second year in a row as Best Investor Relations Officer for a small- to mid-cap company, and Applebee's was named the Grand Prix winner for best overall investor relations for the third year in a row. Prior to joining Applebee's, DiRaimo, a CPA, practiced public accounting with Deloitte Haskins & Sells (predecessor to Deloitte & Touche).

Geoffrey G. Galow, Vice President, Investor Relations, Quanex Corporation

Geoffrey Galow joined Quanex Corporation, a Houston-based manufacturer of engineered materials and components for the vehicular and building products markets, in 1993 as director of investor relations and was promoted to his current post in 2000. Prior to this, Galow spent 13 years at Gulf States Utilities in Beaumont, Texas, where he held several finance-related positions including director of investor relations and assistant treasurer.

Jenny R. Kobin, Senior Director of Investor Relations, Inspire Pharmaceuticals

Jenny Kobin has more than 15 years' experience working with the investment community at companies of various market capitalizations. Prior to Inspire, Kobin served as director of investor relations and corporate communications at TriPath Imaging, Inc.; director of investor relations at SciQuest, Inc. and National Commerce Financial Corp.; and manager of investor communications at Bank of America Corp. Kobin is co-founder and past president of the NIRI Triangle chapter. She helped to create SouthEast Invest, an invitation-only investor conference featuring presentations by chief executive officers and chief financial officers of the Southeast's leading public companies.

Elizabeth Saunders, Principal, Founder and Co-Chairman of Ashton Partners

As principal of Ashton Partners, a strategic advisory specializing in investor relations, Elizabeth Saunders oversees client service, sales and marketing. She specializes in crisis communication and companies facing strategic change, such as restructurings, M&A and spinoffs. She has published numerous articles and lectured throughout the U.S. on corporate strategy for dealing with shareholder activism. Prior to this, Saunders was president and chief operating officer of the investor relations consulting arm of Thomson Financial Services, and before that she created and managed the shareholder services division of the Financial Relations Board. She was also an analyst for Inland Steel Industries' Pension Fund and a senior analyst for Monticello Investments.

Bradley Wilks, Managing Director and CEO, Chicago Office of Citigate Sard Verbinnen

Bradley Wilks has more than 20 years of agency and corporate experience covering a broad range of communication activities, including investor relations, financial communication and business-to-business and consumer product marketing. Prior to joining Citigate, Wilks was managing director of the Chicago office of Ogilvy Public Relations Worldwide and served as senior vice president and partner of Fleishman-Hillard, where he headed the firm's financial communications and technology practices. He also served as head of investor relations for the Ball Corporation. IRU

niri LEADERSHIP EDUCATION NETWORKING

Carol DiRaimo

Geoffrey Galow

Jenny Kobin

Elizabeth Saunders

Bradley Wilks

Building Value through Strategy, Risk Assessment and Renewal

By William J. Hass and Shepherd G. Pryor IV
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By Bess Gallanis

The third in business publisher CCH Inc.'s "Board Perspectives" series proffers that the board of directors can have a great impact on building shareholder value if it focuses on the right strategic planning, risk assessment and renewal issues.

Though their intended audience resides in the boardroom, the authors — William J. Hass, a pioneer in the value-based management movement and founder of TeamWork Technologies, and Shepherd G. Pryor IV, a corporate governance expert and managing director of Board Resources, a board-consulting firm — have created an invaluable reference for IROs to use in framing an internal dialogue with management about how its strategy results in shareholder value creation, which, in turn, can be translated into a meaningful dialogue with investors.

The IRO can take away many actionable ideas from this book that will help him or her identify a company's real value drivers, including "12 Principles of Oversight." This chart is a simple organizational tool that will help the IRO organize the company's discussion of its plan to create shareholder value that creates a line of sight between operational and financial strategy, intended financial outcome and sustainable competitive advantage.

Another valuable chapter is "Board Oversight of Benchmark and Objective Setting," a thorough discussion of the fundamental principles and more advanced methods of measuring shareholder value. This chapter provides the IRO support in guiding management on the imperative of growing intrinsic value (future cash flows discounted at a relevant cost of capital) rather than focusing on quarterly EPS as the sole measure of success.

Authors Hass and Pryor simplify this very large topic with war stories, expert insights, best practices and one-page reporting and oversight formats that help balance short-term performance with long-term health. Formats such as V.S. Learns (a unique strategy and learning tool),value charts and the basic risk matrix can be used to evaluate and summarize any strategy, risk or renewal effort on the back of a napkin or boil down several months of scenario planning in an easy-to-communicate form.

This sophisticated and impressive work takes its place next to the classic *Creating Shareholder Value* by Alfred Rappaport. Whether you are new to the IRO role or a seasoned veteran, this book is a must-read.

For more information on this and other books in the "Board Perspectives" series, see www.CCH.com. IRU

Bess Gallanis is a Chicago-based financial communication and marketing consultant. She can be reached at bess@bessgallanisinc.com.

National Investor Relations Institute

Industry Roundtable

Recognizing the need to address relevant issues within industry sectors — regulatory issues, industry trends, best practices, analyst relationships, benchmarking and calendar information such as earnings announcements and investment conferences — NIRI launched an ambitious industry roundtable program earlier this year to provide the tools needed for IROs to connect with their peers.

Three months later, the first of these roundtables — the BioPharma industry — is up and running. The group will meet virtually and in person at industry and investor conferences and the NIRI annual conference.

"Being able to collaborate with my peers is enormously helpful," said Pam Murphy, vice president, investor relations and corporate communications at drug development company Incyte Corporation and a charter member of the roundtable. "They understand the issues that are specific to individual companies and the industry."

For IROs from small-cap companies, it's an opportunity to forge partnerships with larger firms that have greater research capabilities; for others, it's a chance to coordinate calendars so that peers don't hold an analyst day or earnings calls in conflict with each other and to explore alliances with trade associations and publications they may not know about.

"Biotech is an idiosyncratic industry," said Murphy. "I need a mechanism above and beyond networking where IROs can learn from each other. I want information that helps me become more effective in the BioPharma space."

The roundtables also can be a catalyst to attract new NIRI members. "Provided the BioPharma roundtable provides a truly meaningful and useful forum, it may encourage others to join," said Sally Curley, vice president of Genzyme Corporation and co-chair, with Dan Saks of Taro Pharmaceuticals USA, Inc., of the BioPharma roundtable.

"The more representation we have on the roundtable, the more likely we can increase its value and influence," she added.

Future plans for this roundtable include monthly conference call meetings and face-to-face confabs at JP Morgan's annual health care conference, industry trade groups and San Diego this summer at the NIRI annual conference, where last year more than 60 people attended the BioPharma roundtable discussion. The group will also explore setting up some kind of Internet interface to better communicate with one another.

The next roundtable to roll out will be financial services followed by oil and gas, information technology and telecommunication.

— Laura Bernstein

THE NATIONAL INVESTOR RELATIONS INSTITUTE'S
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UPDATES ON ISSUES VITAL TO THE PRACTICE OF INVESTOR RELATIONS

NIRI Releases 2006 Earnings Guidance Survey Results

A survey of 654 NIRI corporate members on current earnings guidance practices found a significant shift away from quarterly guidance to annual guidance as compared with March 2005 results. The survey also identified continuing changes in the types of information supplied by companies that provide guidance.

Survey Highlights:

- The proportion of companies providing earnings guidance declined to 66% from 71% in the March 2005 survey.
- Some 56% of companies provide revenue guidance, down from 60%.
- The percentage furnishing annual earnings guidance increased significantly to 82% from 61% in the previous survey.
- Some 52% provide quarterly earnings guidance, down from 61%.
- The proportion of companies that provide only annual earnings guidance rose to 43% from 28%.
- Those companies that provide only quarterly earnings guidance declined to 13% from 28%.
- Some 77% of companies provide qualitative statements about market conditions that may assist analysts in arriving at their estimates.

For purposes of this survey, earnings guidance was defined as any of three metrics: (1) a range of EPS estimates, which 83% of companies offering guidance now provide, up from 80% last year; (2) a point EPS estimate, which only 5% provide, unchanged from 2005; and (3) an earnings model, which 7% of companies currently provide, unchanged from the previous survey. (Respondents could check more than one form of guidance.)

Data also show that 92% of companies providing guidance now update their earnings guidance to reflect a material change. The means most companies used for publicly releasing updated guidance is a quarterly news release (87%), a fully accessible conference call (62%), and furnishing it in a Form 8-K filing (49%). (Respondents could check more than one form of disclosure.)

Ninety-five percent of companies say that providing some form of financial guidance contributes to better communication between the company and the investment community. Eighty-six percent of respondents say they are not considering dropping earnings guidance, up from 64% in 2005. When respondents were asked whether, if they were to drop earnings guidance, it would result in analysts taking a longer-term view of their companies' prospects, 23% agreed. IRU

Webcast

A webcast to discuss these results and the market impacts is scheduled for 4 p.m. ET on Tuesday, April 18. Featured panelists will include representatives from the investment community and investor relations officers with differing opinions on the value of earnings guidance. Please check www.niri.org, for details.

McKenna Joins Rockwood Holdings

Rockwood Holdings, a producer of specialty chemicals and advanced materials, has appointed **Timothy McKenna** as vice president, investor relations and communications. McKenna was most recently senior vice president, investor relations and communications, for Smurfit-Stone Container Corporation, where he had worked since 1995. Prior to that, McKenna spent 14 years in investor relations and communication with Union Camp Corporation, a producer of paper, packaging and chemicals.

John Thomas

John Thomas Promoted

John Thomas has been promoted to a corporate officer and now serves as vice president, investor relations for Abbott Laboratories. Previously he was divisional vice president, investor relations at Abbott. Thomas joined Abbott in December 1995 and has held various management positions in public affairs and investor relations. Prior to joining Abbott, he was with Mallinckrodt Veterinary as manager of corporate communications.

Hélène Jaillet

Lumera Broadens Hélène Jaillet's Role

Lumera Corporation. a nanotechnology company, has expanded the management role of **Hélène F. Jaillet,** adding the overall corporate communication function to her existing responsibilities for investor relations. Jaillet, director of investor relations and corporate communications, joined Lumera in April 2005 as director, investor relations. Prior to Lumera, she was in private practice as an IR consultant and IRO for Fireman's Fund Insurance Companies.

CNF Promotes Fossenier

CNF Inc. announced that **Patrick J. Fossenier** has been promoted to vice president, investor relations. He will be responsible for communication outreach and relationship management with institutional and individual investors as well as Wall Street securities research firms. He had previously worked for CNF from 1985 to 2000, joining the organization originally as an accounting manager. He subsequently advanced through a series of increasingly responsible positions and in 1996 was named director of investor relations, a position he held for four years. Fossenier rejoined CNF in 2002 after spending two years with a computer hardware and software enterprise, managing the company's financial and investor relations programs. IRU

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Send your Letters to the Editor to lbernstein@niri.org.

CHAIRMAN'S NOTE
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constituencies. The ideal leader will be someone who can leverage staff and volunteers to serve as spokespersons for NIRI and the profession, who will be adept in selecting the best venues for advancing NIRI's agenda, who knows how to educate and motivate and who understands and appreciates the role played by the media in our society.

We also have included selection criteria related to growth. NIRI should expand — in both the size of its membership and the amount of revenue it generates. Only in this way can we support new activities that satisfy members' professional development needs. Our growth initiatives are likely to include an increased focus on the NIRI chapter network with the goal of strengthening and energizing chapters to more effectively represent the profession and succeed in accomplishing NIRI's organizational mission and goals. They also are likely to include new approaches for generating revenue. We are looking for a CEO who can drive growth at the national and local levels.

Finally, and perhaps most importantly, we have included selection criteria pertaining to inspirational leadership. The IR profession faces exciting opportunities. We are looking for a CEO who possesses and can instill in others a sense of urgency and passion for advancing NIRI's mission — a person of unquestioned personal integrity with executive presence and style.

Our objective is to complete the search process and announce our selection of NIRI's next president and CEO within the next three to six months. Lou will continue at NIRI's helm until his replacement is selected and he or she has gone through an orderly transition.

In the meantime, I look forward to working with Lou, our professional staff and board committees on the many programs and initiatives currently under way at NIRI. And, on behalf of the entire NIRI family, I extend a warm welcome to our new directors, Carol DiRaimo, Geoffrey Galow, Jenny Kobin, Elizabeth Saunders and Bradley Wilks.

This will be a year of significant change and opportunity for NIRI. I encourage your participation and deeply appreciate your support.

Sincerely,

Maureen T. Wolff-Reid
Chairman, National Investor Relations Institute
President, Sharon Merrill Associates, Inc.

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PUBLISHER
Louis M. Thompson, Jr.

EDITOR
Laura Bernstein

PRODUCTION MANAGER
Melissa Jones

CONTRIBUTING EDITOR
Carol Metzker

DIRECTORS
Maureen T. Wolff-Reid, *Chairman*

K. Blair Christie	Pamela Murphy
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Catherine Mathis	Bob Tait

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FOR SUBSCRIPTIONS OR CHANGE OF ADDRESS, CONTACT: NIRI–*IR Update*, 8020 Towers Crescent Drive, Suite 250, Vienna, VA 22182, Phone: (703) 506-3570, FAX: (703) 506-3571, e-mail: amumeka@niri.org

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PLEASE SEND QUERIES OR SUBMISSIONS TO:
Laura Bernstein, Editor, Phone: (540) 955-3696, e-mail: irupdate@niri.org

ADVERTISING AND REPRINTS:
Melissa S. Jones, Production Manager, Phone: (703) 462-2207
e-mail: mjones@niri.org

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