February 6, 1996

To Our Clients:

CalPERS 1996 Corporate Governance Objectives

In a press release today, CalPERS set forth the corporate governance objectives it will seek in 1996 for the ten "focus" companies that it has designated as underperforming. As with previous corporate governance initiatives by CalPERS, it is likely that other activist investors will adopt the CalPERS objectives and promote them as universal objectives. The following are the CalPERS initiatives for the 1996 proxy season:

- A requirement that the position of Chairperson of the Board be separated from the position of Chief Executive Officer, so that the Board is truly empowered to hold the CEO accountable.

- Assurance that an independent director is the "lead" outside director to act as a counterbalance to the CEO -- where the Chair and the CEO positions are combined.

- A requirement that the majority of the Board be comprised of outside directors and that all key committees -- such as audit, compensation and nominations committees -- be comprised entirely of independent directors.

- Elimination of staggered board terms, thereby making it easier for shareholders to effect board changes.

- A linking of Board member performance with pay, including making a portion of the directors' fees be in the form of company stock.

- Improved Board oversight of executive compensation.

- Adoption of a formal method for strategic oversight, such as a strategic or business audit.

- Examination of Board member expertise, time spent, backgrounds and perspectives to ensure a well-balanced board comprised of individuals with a diversity of backgrounds and interests, while protecting against the "too many board appointments" syndrome, which spreads a member too thin.

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