December 17, 2007

Key Issues for Directors

The following is an updated list of key issues for directors:

1. Maintaining collegiality and the culture of a common enterprise with the CEO and senior management, while continuing to increase monitoring of performance and compliance in response to pressure from shareholders and regulators.

2. Assuring shareholders and other constituents (including regulators) that the CEO and senior management are being properly evaluated and that there is a continuously reviewed management succession plan.

3. Undertaking a comprehensive review of risk management and overall risk management procedures.

4. Reexamining balance sheet issues, including leverage, debt maturities, share buybacks and dividend policy, in light of the prediction by Alan Greenspan, and others, that there is a 50% chance of a recession.

5. Dealing with the executive compensation question, developing specially tailored executive compensation programs to minimize criticism, properly documenting the discussions and decisions of the compensation committee, and complying fully with the new SEC rules. At the same time, cutting through the media and political gadflies' criticism of executive compensation in order to enable the company to attract and retain the best available executives and reward outstanding performance. So, too, directors compensation which should be adjusted to reflect the increased time commitments and responsibilities borne by directors.

6. Striking the right balance in responding to shareholder corporate governance initiatives, accepting those that do not interfere with management of the business and rejecting those that limit the power of the CEO and the board. Majority voting, which has received very significant shareholder support, is an example of a proposal that should be accommodated. Limits on executive compensation, splitting the role of Chairman and CEO and efforts to impose shareholder referenda on matters that have been the province of the board are examples of proposals that should be resisted.

7. Anticipating attacks by activist hedge funds seeking management, structural or strategy changes to boost the price of the stock, and developing business, financial and legal strategies to avoid or counter them.

8. Regularly reviewing that the CEO and senior management are setting "tone at top" that stresses professionalism, integrity, transparency, legal compliance and high ethical standards.

9. Resisting the trend to having the audit committee or a special committee of independent directors investigate almost all whistle-blower complaints, recognizing how disruptive such investigations are, and being judicious in deciding what really warrants investigation. When an investigation is warranted, resorting to outside advisors only when there is a real conflict or real need for special expertise, and continuing to obtain professional advice from the company's officers and regular advisers.

Martin Lipton

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