Capital Markets Board

**Best Practices in Investor Relations Based on Hundreds of Investor and Corporate Executive Interviews™**

***Candid Investor Feedbacks on Value-Drivers and Benchmarking to Best Practice and Peers™***

# INVESTOR RELATIONS – BEST PRACTICES

## Interviews With Executives™

### Includes Governance and Enterprise Risk Management

### Special Report #6

*"Best Practices" For Companies* is distributed in a series of Special Reports by Capital Markets Board, a global capital markets and investor relations firm that assists companies in the development of successful investor programs by introducing best practices and key essentials that guarantee success and produce long-term sustainable value. This Special Report #6 is *Investor Relations – Best Practices, Interviews With Executives. Includes Governance and Enterprise Risk Management*™.


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## Introduction

At no time in recent history have executives faced challenges as they have since the changing markets and global economic crisis unfolded dramatically in 2008. This series brings today's managers and professionals the fundamental information they need to stay competitive in a fast moving world. From the preeminent thinkers whose work has defined an entire field to the rising stars who will redefine the way we think about investor relations, here are the leading minds and landmark ideas.

In their own words, prominent executives share their insights and thoughts on cutting edge issues and timeless topics. Combined, these interviews create perhaps the most stimulating publication on the latest thinking in investor relations, governance, and enterprise risk management.

Most professionals are so busy with the day-to-day requirements of the job that they're unable to carve out time for true career development and personal brand building. Fast, punchy and prescient, these interviews are worth bookmarking today for greater job security, value and recognition tomorrow.

***Investor Relations Best Practices*** series of reports in this collection are available in individual reports on the Capital Markets Board website at www.capitalmarketsboard.com. Each publication gathers together separate but related articles on investor relations, governance, and enterprise risk management.

Sincerely,

Jeff Christensen

Jeff Christensen, CPA
Managing Partner
Capital Markets Board

## INTERVIEW QUESTIONS & ANSWERS

### Interview Topics Within This Report

## A. How Companies are Adopting to the Changing Governance Landscape, including the Dodd-Frank Act

### Five Strategies To Adapt To The Dodd-Frank Act

**Interview with John Weckenmann**

Much ink has been spilled discussing the governance provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. But the Dodd-Frank Act is just the latest in a series of governance reforms that have recently been enacted or that will soon be coming down the pike.

*"Dodd-Frank Act is just the latest in a series of governance reforms that have recently been enacted or that will soon be coming down the pike"*

Some of these changes include the elimination of broker voting in director elections, new disclosure requirements around risk management, director qualifications and compensation and a pending review of the proxy process by the SEC.

Dodd-Frank alters the corporate governance landscape still further and will have enormous impact on how boards of directors operate and communicate with shareholders. Requirements include a "say on pay" vote, additional compensation provisions and soon-to-be-announced rules for shareholder proxy access.

How should IR and communications professionals adapt to this changing governance landscape? Here are five strategies to consider:

- **Educate yourself on the governance issues.** To be credible with management, investor relations executives and corporate communicators need to be as familiar with these governance changes as their colleagues in the General Counsel's office.
- **Look at governance not just through a legal or compliance lens but through the lens of corporate reputation.** Issues like compensation affect how a company is perceived by a broader public – not just investors. Governance therefore needs to be viewed as an increasingly important component of a company's reputation management program. Perhaps due to the financial crisis, many companies now recognize they need to pay attention to reputation—if not as an asset that can be leveraged, then as a risk factor that needs to be managed, along with financial, operational and other risks.
- **Assemble a cross-disciplinary team.** Companies need to marshal the skills of a range of corporate resources, including legal affairs, investor relations and corporate communications to address governance issues in the most effective way possible. Consider setting up a cross-disciplinary task force to ensure a holistic and integrated approach to the proxy process. Make use of your company's communications resources to

make sure information is framed appropriately and communicated effectively.

- **Go beyond the proxy.** A range of stakeholders—including employees, customers and local communities—are now interested in governance matters and won't be reached via the proxy. Think about other strategies for communicating with these stakeholders. Your corporate communications team can be a vital resource for getting the right information to the right audiences in the right way.
- **Make governance a year-round affair.** Don't wait for the traditional proxy season to begin communicating about governance issues. Lay the groundwork in the months leading up to proxy season by meeting with important investors, addressing shareholder concerns, communicating about company performance and educating stakeholders about relevant governance matters.

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## 2010 Guidance From SEC – Trend Towards Increased Risk Disclosure

## AEP combined its Annual Report with its annual Corporate Sustainability Report into a single Corporate Accountability Report;

**Interview with Michael Morris, CEO of AEP**

"Being ahead of the curve, reaching out to investors, customers, employees and other stakeholders can create huge benefits and real value. When asked to describe American Electric Power Company's selection as **one of the 20 Most Responsible Corporations in the U.S.** according to GovernanceMetrics International, Michael G. Morris, Chairman, CEO, President and Chairman of the Executive Committee commented, "The stakeholder process has been transformative for AEP. We have seen one-way dialogues turn into two-way conversations and working relationships evolve into partnerships.

During the past several years, a growing number of stakeholders – from investors and regulators to environmental groups and customers – have increasingly requested more information on a broader range of issues. In 2004, the AEP Board of Directors issued a ground-breaking report on emissions risk in response to a shareholder resolution; that report stands as a model of corporate governance today. The shareholder resolution and resulting board report were a signal that investors were starting to pay more attention to environmental and other sustainability issues when making the fiduciary case for investment.

*"In 2004…Investors were starting to pay more attention to environmental and other sustainability issues when making the fiduciary case for investment."*

In 2006, AEP committed to publishing annual corporate sustainability reports to ensure follow up to the 2004 board report, to build stronger relationships with its many different stakeholders and to be more transparent about its environmental, social and governance performance. This included a commitment to stakeholder engagement that involves senior management participation, including the Chairman, and an annual pre-publication review of AEP's report by a core stakeholder team.

AEP has long recognized that sustainability performance is fundamental to business success and the company's commitment to sustainability begins with its Board of Directors. The Committee on Corporate Governance and Directors oversees the company's sustainability initiatives and regularly reviews the objectives, challenges, targets and progress. Each year, the Board reviews and votes on a Board resolution holding management accountable for performance; the resolution is published in the report.

In 2010 AEP combined its Annual Report to Shareholders with its annual Corporate Sustainability Report into a single Corporate Accountability Report. The decision demonstrated AEP's commitment to being more transparent and to more fully integrating environmental and social risks and opportunities into day-to-day business operations. AEP's decision was made ahead of guidance from the Securities and Exchange Commission in early 2010 that solidified the trend towards increased risk disclosure by corporations, particularly around climate change.

*"AEP combined its Annual Report to Shareholders with its annual Corporate Sustainability Report into a single Corporate Accountability Report."*

Examples of success include:

- AEP worked closely with several environmental groups to negotiate and reach a compromise on proposed climate change legislation in the U.S. House of Representatives (Waxman-Markey bill). Although the bill died, the collaboration would not have occurred if not for the emphasis AEP has put on relationship-building.
- AEP committed to evaluating the environmental, safety and health performance of its coal suppliers, conducting the first industry-wide survey in 2009. The process also included convening an unprecedented meeting between the coal industry and the environmental community. This effort will continue annually.
- Stakeholder discussions often inform AEP's decision-making process and have influenced some goals. For example, AEP set goals to reduce demand and energy consumption.
- In August 2010, **AEP was named among the 20 Most Responsible Corporations in the U.S.** according to GovernanceMetrics International, a New York-based governance research firm. GMI cited AEP's extensive reporting on environmental and social performance as a compelling reason for inclusion on the list."

You can find the AEP 2010 Corporate Accountability Report, on the company's sustainability web site (www.AEPsustainability.com).

## B. How Investor Relations Has Been Helpful To Investors

### How has your company's investor relations been most helpful to investors?

**Interview with Dave Dragics**

"Three things most helpful to investors:

- Incorporation of results from investor perception studies and feedback reports into positioning of the company's message. It is important to have investor perceptions gathered by an independent firm. You can't assume you know what investors are thinking or what concerns are holding investors back from initiating a position or increasing their position in your stock.
- Involvement of several members of senior management for investor conferences or meetings to provide a broader mosaic of information to investors and illustrate depth of CACI's management is well received by investors. About 10 members of our senior management, including our business group leaders, are available to go out on the road and meet with investors. Investors appreciate meeting with business unit heads who are close to our customers and have profit & loss responsibility. Meeting with investors also helps our senior management team better understand how investors make buy/hold/sell decisions on our stock.
- Our desire to constantly improve our transparency, i.e., disclosure of information that simplifies the message and helps investors better understand CACI."

## What are you doing with digital investor relations?

### Interview with Michael Salter

"At MOSAID Technologies, this year we successfully launched Canada's first-ever web video "Investor Channel" (www.InvestorChannel.mosaid.com). We work with a company called Investor Candy (www.investorcandy.com), which is developing innovative solutions for investor communications and marketing to brokers.

We think web video is becoming an indispensable tool here for reaching both retail and institutional investors. I think we are going to see a dramatic increase in the use of video for IR in the coming years, as IROs learn how to incorporate video into their communications strategies. Investors say our videos are great because they can "meet management," analysts and brokers say they can send the link to the video to their clients. With web video, you can have literally thousands of potential investors meeting management this way, whereas in an average year, you as an IRO might be doing up to eight trips. And we all know there are only so many people who can meet management via traditional road shows. We are not going to stop doing "traditional" IR – web video is about engaging with investors differently and creating a different investor experience. We are creating web videos for existing and potential investors, and now we're working with analysts and brokers to learn how to extend the reach of these videos via their networks. MOSAID's Chairman, Carl Schlachte, got it right away when he said, "I wish we always had this, it would have saved me all kinds of time." In the context of trends and tools in social media, we looked at Twitter, LinkedIn, YouTube, blogs and so on. Essentially, we centered on using web video because it was best suited for our company and our IR program. I think it hooks into social trends—it meets IR challenges and it's fundamentally about creating a different kind of investor experience. It's founded in the idea that currently, only a privileged few investors meet management, and that needs to change. From a trends standpoint where securities regulators talk about access to management—web video suits the bill.

*"With web video, you can have literally thousands of potential investors meeting management this way, whereas in an average year, you as an IRO might be doing up to eight trips."*

I think another differentiator is that with the MOSAID Investor Channel, we understand that this platform will only work if we regularly create new content – so the frequency will be about 12-15 new web videos per year. We are doing an earnings video every quarter, and a video for every major press release that MOSAID issues. We already have "Welcome to MOSAID" and "business strategy" videos, and even a video with our CFO talking about how and why we give annual and quarterly guidance. We plan to do a six-to-eight minute investor roadshow web video with slides, and we'll update our core strategy and business model videos once a year.

*"We plan to do a six-to-eight minute investor roadshow web video with slides."*

We put every script and finished video through the same disclosure process as use with all publicly released documents – the forward looking statements run in front of each video. There is a learning curve involved. Prior to launching the Investor Channel, our test videos used promotional language such as, "We know you have made an investment in MOSAID or are considering one…" and, "We welcome you as a new shareholder in MOSAID". Our securities lawyer said if we used promotional language like that, the entire video could be seen as a secondary offering. So we had to go back and scrub all that language. We don't say, "Here are the top ten reasons for buying MOSAID stock," and we don't talk about being undervalued, for example. We just talk about our business strategy, our new deals, acquisitions, our revenue growth strategy, our guidance—just the facts.

A key consideration for IROs considering web video is that the time component – from you and senior management – is more critical than the costs – we worked on this a solid eight months before launching it. It's extremely low cost compared to traditional corporate video, we're not talking here about $150,000, we shoot these in our executive offices against a white backdrop."

## C. How Investor Relations Has Been Most Helpful To Management

### Value-Driving Performance Metrics

This first interview in this Section C is how to determine important performance metrics that drive share price performance of your company and your peer group and then help to focus the company where it is more competitive and has the best risk-adjusted returns.

The following is a brief introduction and then the interview with Vince White, SVP of Investor Relations at Devon Energy Corporation.

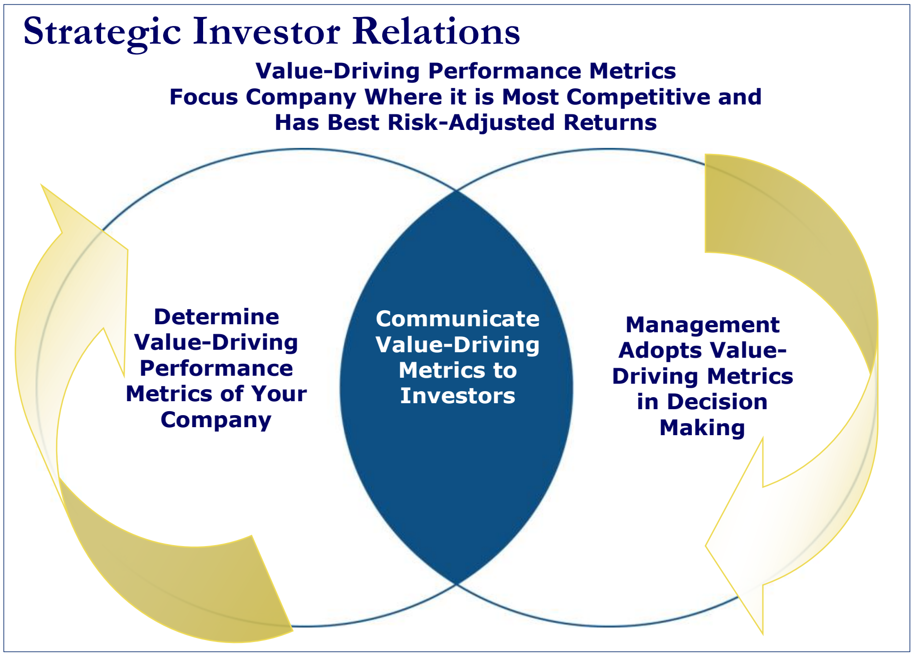
### Introduction

Is your company's stock underperforming?

Should Wall Street and management focus on carefully selected value-driving metrics rather than earnings and / or return on capital, etc.? Are your earnings volatile?

Want to appeal to more long-term investors?

Strategic investor relations adds value and is helpful to management and investors. One way for investor relations to be strategic is to statistically determine what really drives your company's long-term stock price performance / valuation. Identification of the value-driving metrics helps management focus where the company is most competitive and has the best risk-adjusted returns.

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**A. Steps:**

**Step #1: Statistically determine what really drives stock price performance / valuation of your company and peers.**

> Test variables and performance metrics to determine the statistical correlation of performance metrics that really drive value in your company's and your peers' share price performance / valuation. In the example below, the company determined it was debt-adjusted per share performance metrics.

**Step #2: Use the value-driving performance metrics to maximize executive management decision making:** Company leadership embraces / adopts the value-driving metrics as its guiding light or roadmap for creating shareholder value. Company management utilize the most important value-driving metrics in its capital allocation process and other business decisions.

**Step #3: Investor Communication Opportunities:** Share with investors your value-driving performance metrics, including the company's forecast of the most important value–driving metrics.

**Benefits To Management and Investors:**

- Identification of the value-driving metrics helps management focus where the company is most competitive and has the best risk-adjusted returns. This can play a significant role in strategic repositioning of the company, if needed
- Investors who believe in these value-driving metrics are attracted to your company shares. Your shareholder base tends to “self select” those investors who understand and agree with management’s strategy

Below is an interview with Vince White on how this is done and benefits.

**Interview with Vince White**
**Senior Vice President of Investor Relations, Devon Energy Corporation**

“When asked how Devon measures the influence of investor relations, Vince White, Senior Vice President of Investor Relations at Devon Energy Corporation, responded, “To help us understand the influence of investor relations on our share price we first had to understand what other factors drive value in our industry. Devon Energy’s senior management team was receptive to examining and understanding what drives long-term share price among large cap E&P companies and how Devon was performing relative to its peers. In other words, they allowed us to challenge the status quo.”

*Challenge the status quo and influence direction of company*

Determining the importance of various metrics in driving stock price performance enabled the investor relations function at Devon to influence the direction of the company.

“The genesis of this project was a desire to understand why our stock price was underperforming relative to our peer group. The poor performance of the stock caused some to question whether Devon was doing a good job of communicating the company’s story to the investment community,” he said. “I took that personally!”

*Stock price underperformance…*

That was when White resolved to determine what really drives the share price performance of Devon Energy and other large-cap E&P companies. He believed that by quantifying the true value drivers of the peer group, the company could understand whether the underperformance was driven by communications, operating metrics or both.

*Determine important performance metrics that drive share price performance of your company and peer group*

"We started by testing a variety of variables and performance metrics that might drive our stock price performance. We examined the statistical correlation of those metrics to the share price performance for Devon Energy and its peers over a multi-year period. We discovered a few select metrics with a very high correlation to share price performance. These included pre-interest cash flow per debt-adjusted share and production per debt-adjusted share," White said. (These metrics are referred to herein as "value-driving metrics.").

"We concluded that debt-adjusted per share performance metrics have a high correlation to stock price performance for Devon Energy and other large-cap E&P companies, and could be important to companies in other industries."

"When presented with the evidence, our senior management team did something remarkable for the management of a large, successful company," White said. "Rather than react defensively, Devon's leadership embraced the findings and adopted these value-driving metrics as Devon's guiding light or road map for creating shareholder value."

The company's understanding of these metrics played a significant role in the decision to strategically reposition Devon, a move announced about a year ago. "We recognized that we did not have enough capital to develop all of our opportunities. This was resulting in a sub-optimum present value of our portfolio of projects," White said. "It became obvious that our international and offshore segments were dragging down our value-driving metrics, contributing to the underperformance of our stock price. As a result, Devon announced its decision to strategically reposition the company. Devon monetized its international and offshore assets to focus solely on the North American onshore segment. This is where the company is most competitive and has the best risk-adjusted returns. We are now positioned to deliver industry-leading, organically-funded growth. It has been a great move for the company."

*Focus company where it is most competitive and has best risk-adjusted returns*

"We have provided the investment community with a general forecast for these value-driving performance metrics. We found a few investors who already rely on these metrics and many others who have asked for an explanation of the debt-adjusted metrics. Increasingly, we are seeing debt-adjusted performance metrics relied upon in sell-side research. We explain to investors the correlation of the debt-adjusted metrics to long-term share price performance as well as how Devon's management utilizes these metrics in our capital allocation process and other business decisions."

*Provide to investors guidance on carefully selected value-driving performance metrics*

"Devon's management team reinforces and crystallizes these performance metrics in discussions with investors about capital discipline. Investors who believe in these value-driving metrics are attracted to our shares. So in a way, our shareholder base has tended to "self-select" those who understand and agree with our strategy," White said.

"There are some investors however, who dismiss the debt-adjusted performance metrics as unimportant. There is obviously a wide range of investor opinions as to what metrics are important for a particular industry. Earnings growth, for example, can be an important value driver that is highly correlated to share price for companies in an industry where earnings are meaningful and comparable among peers. Accordingly, some generalists may rely on earnings growth as the primary performance indicator of company performance. However, earnings growth does not have a high correlation to share price performance in our peer group of large-cap E&P companies. This is because of the vagaries of the various accounting methods that are allowed in the E&P space as well as the treatment of goodwill and the prevalence of "one-time" write-downs in our industry. By and large, the Street realizes that there are huge earnings quality issues in the E&P space, and as a result, tends to rely on other methods of valuation," White said.

**Calculation of these debt-adjusted performance metrics:** "We share with investors our methodology for the calculation of the debt-adjusted performance metrics for Devon and its peers. We generally utilize a multi-year study period of three to five years. We start with the net debt of each company at end of the year before the beginning of the study period and convert each company's net debt to incremental shares based on the share price on that day. This assumes each company issued equity and paid down its debt at the beginning of the study period. This puts each company on a level playing field regardless of the level of debt that management has selected to carry on the balance sheet. Then for each subsequent year in the study period, we take the change in net debt for each company and either increase or decrease share count based on the average stock price during the year. Also, where applicable, interest expense (adjusted for income taxes) is removed for each company since the methodology reflects the assumption that each company is funded entirely with equity," White said. # END #

**How has your company's investor relations been most helpful to your management?**

**Dave Dragics:** "Meeting with investors helps our senior management team better understand how investors make buy/hold/sell decisions on our stock. Our CEO meets annually with investors at least 4 investor conferences, and at least 4 days of one-on-one meetings with investors. In addition our CFO and business unit leaders meet with investors."

## D. Strategic Investor Relations Adds Value to Management and Investors

### What are the key ways for an investor relations officer to be strategic and add value to management and investors?

**Interview with Howard Christensen**

"The world has changed. It is not a clear picture and perhaps the worst is yet to come. Investor relations officers (IRO) have a wonderful opportunity. IROs are adding value for management and investors, and they can help prevent management from being blindsided by new empowered and sometimes angry activist shareholders. I was the Director of Investor Relations and within two years I earned responsibility for strategic planning along with investor relations, and became a Vice President. We've helped hundreds of investor relations officers secure promotions and become more valuable within their company and you can do the same by completing some of these strategic initiatives.

- Become part of your company's strategic planning group. That is the future of your company. You need to sit at the table with the CFO, CEO and others to discuss and map out the strategy of how you're going to communicate internally and externally.
- Capture investor perceptions to be well-informed. Monitor what drives value. Provide investor insights and their buy/hold/sell decision making criteria to management and the board. Gather insights from a representative samples of investors, gathering anecdotal information among a few of the loudest and most frequently heard investors can lead a company down the wrong path,
- Educate investors about industry trends and key things they should know about the business environment in which you operate. Understand how your industry is viewed. Select and analyze a peer group.
- Create alliances with corporate, business unit leaders, marketing, legal, and corporate secretary to be an expert on your company and ensure everyone is speaking with one voice
- Monitor what drives value in your stock and how your company fares on those metrics is strategic
- Determine how future initiatives affect long-term shareholder value
- Target investors effectively. Know who is really going to influence the value of your company's stock, we refer to them as lead steers. McKinsey did a study that fewer than 100 people make a difference in your company valuation, including investors, analysts, and media."

## E. Investor Perception Research Before / After Meetings and Conference Calls With Investors

### Does your company utilize an independent third party to gather perceptions of investors?

**Dave Dragics: "**We have an independent firm gather investor perceptions. We'll have a perception study performed every four years. And an independent firm gathers investor perceptions after two earnings conference calls annually, and after some one-on-one meetings with investors."

### What triggered a previous investor perception study for your company?

**Interview with Dave Dragics**

**"**We had an investor perception study performed by an independent firm when management was concerned we were not getting the value in our stock based on the company's performance at that time to determine the issues we were facing. The results of the first investor perception study indicated that we needed to be more transparent and we needed to communicate our outlook and our guidance / expectations for a longer-term time horizon, and to ensure investors' outlook match our expectations."

"An independent firm gathers investor feedback to ensure investors understand our message, do they accept our message, and what are their concerns? This investor feedback is helpful to management so that they understand the challenges perceived by investors as our management prepares for our quarterly earnings conference calls, one-on-one meetings with investors, and investor conferences. As a result of the investor research intelligence, our investor meetings are more productive and we don't get surprises in meetings with investors on issues we are not prepared for."

**Companies are more often reaching out to investors. What are the benefits of obtaining perceptions of investors before / after meetings and earnings conference calls with investors?**

**Interview with Jim Hatfield**

"Chief Financial Officers must take a leadership role in improving the company's investor relationships. Chief Financial Officers must understand the needs of the company's primary constituents and be aware of their perception of the company, its critical issues and enterprise risks. We have found independent perception research is an invaluable tool for reaching out to investors, board directors and all levels of management to capture in confidence their most intimate thoughts, identify concerns and collect suggestions on immediate corrective actions to build understanding and create sustainable long-term value. Nothing else matters if you don't take action."

*"Chief Financial Officers must understand the needs of the primary constituents and be aware of their perception of the company, its critical issues and enterprise risks."*

**Interview with Jeff Elefante**

**"**Investor perception research enables our company to obtain opinions among a broad spectrum of important investors. Performance of the research by an independent firm insulates management and the board from interaction with investors that may create friction and political issues that are not related to the substance of investors' concerns. It enables the company to determine what investors really think about the company, the company's growth strategies, management, and governance. An independent firm obtaining investor perceptions is more likely to get unvarnished responses from investors providing to the company exactly what investors said, no inter-office politics to get in the way of the purpose of the investor perceptions. The independent firm that provides the investor perceptions brings a wealth of communications experience, including their perspective on the investor perception results based on the firm's having performed investor perception studies with numerous companies in similar situations. The use of investor perception studies allows companies to take immediate action to address investors' concerns."

**“**Perceptions of investors developed by an independent firm provide our management with an understanding of investors’ concerns that focuses on the gap in between our possible top market valuation and where the company valuation is today. The results enable our company to focus our messaging and improve congruency between institutional investors’ value strategies and our own strategic goals. In the ten years since we began having an independent firm provide investor perceptions to the company we have had no proxy disputes.”

*“In the ten years since we began having an independent firm provide investor perceptions to the company we have had no proxy disputes.”*

“Shareholder activists increasingly make demands of management and, if the company is not performing to expectations or responding appropriately to such demands, file shareholder lawsuits. Ignore them at your own peril. Meeting one-on-one with investors or using investor perception studies as a means of allowing them an opportunity to express their concerns and opinions are both excellent ways to improve investor relationships and eliminate or reduce proxy disputes will shareholders. In addition, investor perception research provides to management and the board opinions from numerous shareholders rather than the board only hearing the opinion of the activist shareholder – the activist shareholder’s opinion may be different than the views of other long-term investors.”

*“Shareholder activists increasingly make demands of management… Meeting one-on-one with investors or using investor perception studies as a means of allowing them an opportunity to express their concerns and opinions are both excellent ways to improve investor relationships and eliminate or reduce proxy disputes with shareholders.”*

## F. How Companies Restore or Enhance Management Credibility

### What should a company do when the CEO or other member of senior management are less than popular among investors?

**Jeff Elefante:** "Investors' trust in the company and the credibility of company management increased dramatically when we started having an independent firm gather investor perceptions – they simply ask investors for their input and concerns, and our company evaluates and acts upon investor comments. I can't overstate the importance of the positive feeling among investors when they perceive that our company seriously values their opinions and input. As a result of these studies, investors have a more positive view of our company management and operations. We have not always had smooth sailing, we have had shareholders make demands on the company and some have filed shareholder lawsuits and run proxy contests. More recently, however, because of improved relationships based on our program of asking for investor input, we have navigated through tough times with surprisingly little impact on our market capitalization."

**Dave Dragics:** "The mission of investor relations is to maintain or enhance management's credibility and reduce the cost of capital. The best method to overcome when the CEO or other member of senior management are less than popular among investors is to show the depth of management to investors. Using other members of management to meet with investors, including business unit leaders, can show a different and balanced perspective to them."

## G. How Investor Relations Has Been Most Helpful to Board of Directors

Surveys show that fewer than half of investor relations officers have access to the company's board directors, but over 80 percent of investor relations officers provide written reports for board directors.

This is a template that companies can use to evaluate whether they are getting the kind of information and assistance the board of directors needs from investor relations.

### How does investor relations add value to your company's directors?

**Interview with Dave Dragics**

**"**In 2002, CACI established an Investor Relations Committee of the Board of Directors. Interestingly, the committee started with 4 directors. Other directors learned how useful the committee is and three additional directors asked to be on the committee. So today, 7 of the total 11 directors on CACI's board are on the Investor Relations Committee of the Board. Transparency is key. The committee meets each quarter in conjunction with the quarterly board meeting.

*Additional Board of Directors asked to be on the committee*

The typical agenda for the quarterly meeting of the investor relations committee to the board of directors:

> The committee meeting is about 90 minutes. Typically, the agenda is (a) stock performance in the last six months with an overlay of dates of events so that members of the committee understand why the stock is moving, (b) stock price performance relative to peers, (c) competitive analysis – peer group comparison of key financial performance indicators, (d) our guidance numbers versus analysts' expectations, (e) our top 15 holders and year-to-date changes in shares held of our company, and whether we've had contact these holders in the last six months, and (f) investor relations outreach program plan for the next 3 – 6 months so the committee members see what we plan to do.

Each week the Investor Relations Department sends all analyst research reports on the company and industry to the members of the board committee. We email to the committee members what investors are saying about the company from investor perception research, including: do investors understand the company's strategy for creating shareholder wealth; and any red flags the board should know about including SWOT analysis - investor's perceptions of our Strengths, Weaknesses, Opportunities, and Threats. Our company's attorney sends legal pronouncements of recent rule changes to this investor relations committee to the board. Benefits of the Investor Relations Committee of the Board are numerous, including educating the board on investor perceptions and valuation of the company. Most important the board can ask questions on strategic items."

*Close working relationships of the Board of Directors, management, investor relations officer, governance professionals, general counsel, and corporate secretary*

## H. How CEOs and Investor Relations Officers Gauge Success of Investor Relations and Investor Relations Incentive Compensation

### How do you and your CEO gauge success of investor relations?

**Dave Dragics:** "One of the ways we measure the success of the investor relations program and my incentive compensation is tied to our ability to retain institutional holders and attract new holders each year. Our company is a complex story and we don't pay a dividend. We are a federal contractor. We obtain our funds from the federal government, and depending on federal spending, at times we are a defensive stock and other times we are value stock or growth stock. Through all that, we have not seen a lot of attrition in our institutional shareholder base. Specifically, the measurements to gauge the success of the investor relations program are:

At the beginning of each year and at year-end we develop a list of institutional holders with ≥ 100,000 shares of our stock, then determine if those holders still hold the company's stock at the end of the company's fiscal year (own at least 20,000 shares of the company's stock). To determine the results of attracting new holders, we want at least 10% of the company's shares outstanding to be in the portfolios of new institutional investors. We exclude from the institutional shareholder listing computer-driven indexers and momentum investors."

## I. Key Components of Effective Investor Relations Programs

### What are the key components of your investor outreach?

**Interview with Dave Dragics**

"Our outreach program to investors includes 13 days of investor meetings each year in seven cities. We consistently visit four of the seven cities every year including New York, Boston, Chicago, and the West Coast (LA or San Francisco). We visit New York quarterly, Boston three times each year, Chicago twice each year, and the West Coast once each year. These 13 days of investor meetings are non-deal roadshow meetings arranged by ourselves, or an investor relations firm, or sell-side analysts. Our CEO meets annually with investors on at least 4 investor conferences, and at least 4 days of one-on-one meetings with investors. In addition our CFO and business unit leaders meet with investors."

**"**Our company's outreach program to investors includes meeting one-on-one with investors in their office, which is more productive than investor conferences. This enables the investor to meet with you one-on-one for 45 – 60 minutes. Although we'll do investor conferences to support sell-side analysts, the problem with investor conferences is your company usually has only 30 minutes, then investors hear the presentation of the next company - you don't have a chance to go in-depth with investors within 30 minutes. We have sell-side analysts arrange only about 25% of our investor meetings. We arrange our own meetings with investors and with the help of an independent agency – this enables us to have a better relationship with investors than when a sell-side analyst arranges meetings with investors. We encourage investors to call our investor relations department because if an investor is going to come to a conclusion that could impact their buy/hold/sell decision on the company or the investor has a question about our company, our industry, or the business environment in which we operate, we want the investor to know our company's position. We help to educate investors on our company, our industry, and the business environment in which we operate."

**Interview with Michael Salter**

"MOSAID restructured in 2007 to focus on patent licensing, our results stood up during the downturn, and we continue to meet Street expectations, but we still undervalued in our eyes. In response, we implemented a more rigorous IR marketing program, and we do much more outreach to business media. And we now have our MOSAID web-video Investor Channel, which is attracting considerable attention. Twice a year, we visit analysts for a day, in addition to visiting with investors. We are also more rigorous in terms of asking covering brokers taking us out to include more new names on every trip – at least 25% to 50% – we are more insistent around that. We also increased the schedule of events to regularly include briefing the sales desk at brokerages and retail sales lunches. A typical day now includes briefing the sales desk and a retail broker lunch. As a Canadian company, we also make sure we visit Toronto, Vancouver, Calgary and Montréal on a more regular basis."

"For us, web video fit our situation and strategic needs. We knew we were coming out of meetings with buy-side clients and they were saying that our business, which is patent licensing, is unfamiliar and hard to understand, because there are so few publicly traded companies doing patent licensing. But when our executives speak about it, it's credible, strong and clear. We were having success when people met management. So, web video became a way of extending that, because management had a lot of credibility coming away from face-to-face meetings. Web video became a great way to introduce management to investors and talk about a business model that few public companies are engaged in."

"When we were doing our analysis of how to respond to social media—we realized we don't have a lot to blog about. Another thing I've noted from IR people and others is they run out of stuff to talk about. There just isn't that much they can talk about—so they end up talking about trends in the industry, etc. But every single MOSAID video is about *our* business. A core principle about corporate communications and IR is to approach everything by asking, "How does this help my business?" A CEO blog on some business trend isn't really about his or her business. But these videos are about *our* business, *our* strategy, *our* operations and *our* investor story. Other tools didn't fit us and our circumstances at MOSAID."

*"Web video became a great way to introduce management to investors and talk about a business model that few public companies are engaged in."*

"We have a dedicated TV business channel in Canada called the Business News Network. I developed our relationship with BNN so we are now on four to six times a year. We can use those interviews as links on our website, and then send those to our lists."

**What were you doing differently in your investor relations program in the last few months or what do you plan to do differently in the next few months? What benefits do you expect?**

**Interview with Dave Dragics**

"With the recent new rule changes, investor relations is working more closely with our legal department. There is greater need for cooperation between legal and investor relations. Investor relations is a valuable resource for corporate governance."

"Because of several changes from the SEC, we meet with governance officers at our major institutional holders on an as-needed basis to enable us to have a relationship with them prior to us needing their support on a proxy item."

## J. Executives Interviewed

**David Dragics** is Senior Vice President of Investor Relations for CACI International Inc, an information technology company with fiscal 2010 revenue of approximately $3.0 billion. Dave manages the company's overall investor relations program and reports directly to the CEO and works closely with the Executive Chairman of the Board and the Investor Relations Committee of the Board. He has developed and implemented the concept of a Corporate Compliance Team, using the resources of investor relations, legal and risk management. Dragics has over 30 years of experience in investor relations, finance, strategic planning, marketing and operations in banking, financial services, aviation services, and information technology firms. He was a presenter at the 2010 NIRI Annual Conference on Regulations and Governance; a topic which is under an intense spotlight brought about by "game-changing" proposals from the SEC as well as numerous bills in Congress related to proxy access, compensation and proxy disclosures. CACI provides professional services and IT solutions, and has market capitalization of $1.3 billion.

**Jeff Elefante**, Corporate Governance Consultant and Attorney-at-Law, former Executive Vice President, General Counsel, Corporate Secretary and Director of Contract and Administrative Services for CACI, a professional services and information technology (IT) company with revenues of $3.0 billion. As a member of CACI's Top Management Team, Jeff reported to the CEO/Chairman of the Board . He was responsible for the Company's legal, contracts, governance, compliance, crisis and risk management and participated in Board of Director and Executive Committee meetings and actions and investor relations matters. CACI provides professional services and IT solutions, and has market capitalization of $1.3 billion.

**Howard Christensen**, Chairman, Capital Markets Board. Former board director, Protection One, Inc. (NYSE), Founder and CEO of Christensen & Associates (global capital markets consulting firm), former Chief Planning Officer, IRO and member of the Senior Management Group of American Natural Resources (NYSE) and CFO and Corporate Secretary of St. Joseph Light & Power Company (NYSE). Howard was manager with Arthur Andersen and is a noted a noted lecturer and author.

**James Hatfield**, Senior Vice President & Chief Financial Officer of Pinnacle West Capital Corporation and its principal subsidiary Arizona Public Service Company. He has over 30 years of experience in the electric and gas industries where he has held various management and executive positions. Pinnacle West, through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. Pinnacle West's market capitalization is $4.1 billion.

**Jeff Christensen**, Founder and Managing Director of Capital Markets Board. A frequent guest lecturer. He has authored a soon-to-be released book; "Quickly Restore Management Credibility;" a timely subject in today's markets.

**Michael Morris**, Chairman, CEO, President and Chairman of the Executive Committee at American Electric Power Company. American Electric Power Company's was selected as **one of the 20 Most Responsible Corporations in the U.S**. American Electric Power is one of the largest electric utilities in the United States, and has market capitalization of $17 billion.

**Michael Salter** is Director, Investor Relations and Corporate Communications for MOSAID Technologies Inc. He is responsible for investor relations, corporate communications, media relations, and the web. MOSAID implemented a more rigorous investor relations marketing program. MOSAID Technologies Inc. is one of the world's leading intellectual property companies. MOSAID develops semiconductor memory technology and licenses patented intellectual property in the areas of semiconductors and telecommunications systems. MOSAID's headquarters are in Ottawa Ontario Canada. MOSAID's market capitalization is US$265 million.

**John Weckenmann**, partner and director of international client development for Ketchum's Global Corporate Practice.

**Vince White** is Senior Vice President of Investor Relations at Devon Energy Corporation. Prior to joining Devon in 1993, he served as Controller of Arch Petroleum Inc. and was an auditor with KPMG Peat Marwick (now KPMG LLP). White is a Certified Public Accountant, and he is a member of the Petroleum Investor Relations Association and the National Investor Relations Institute. He received his Bachelor of Accounting degree from the University of Texas at Arlington. Devon Energy Corporation is an Oklahoma City-based independent energy company engaged in oil and gas exploration and production. Devon is a leading U.S.-based independent oil and gas producer and is included in the S&P 500 Index. Devon Energy's market capitalization is $32 billion.

## About Capital Markets Board

Capital Markets Board's principals have assisted 200 plus clients over the past 30 years. We assist in the development of successful investor programs by introducing best practices and key essentials that guarantee success and produce long-term sustainable value.

The Firm provides complimentary resources, educational articles and advice for company executives on our website at www.capitalmarketsboard.com, including a free report called, *Best Practices In Investor Relations, Interviews With Executives™.*

Our executives are ex-Arthur Andersen and provided ongoing consulting services with other global investor and public relations firms. Our executives were the CFO & corporate secretary of a NYSE company and was the investor relations officer & chief planning officer for a large diversified NYSE company, and board member of NYSE companies.

In these challenging times, two things that may be especially helpful to you at this time:

> **(a) Best Practice Review of Investor Relations**. Want to jump start your investor relations program? Have a top-quartile investor relations program? We have a successful record of increasing the recognition of investor relations officers to enable them to perform at peak efficiency with comfort in their decisions and recommendations, and be in line for promotion to higher executive levels within their company. Also, our interviews with hundreds of investors and corporate executives in companies with award-winning investor relations programs has identified how these companies perform above and beyond peers on a variety of IR-specific and company facets.
>
> **(b) Candid Investor Perception Study and Investor Feedbacks on Value-Drivers and Benchmarking to Best Practice and Peers™**

Do you want to get the recognition you deserve for your efforts and value contributions?

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