

## BOARDS MAKING STRUCTURAL AND MEMBERSHIP CHANGES POST SARBANES-OXLEY

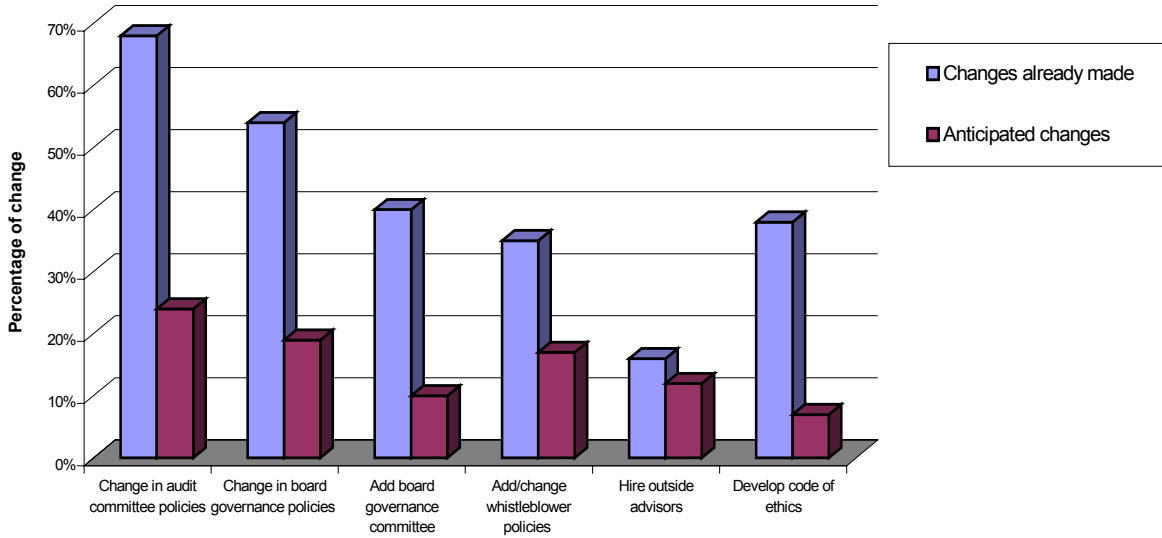
### *Survey Shows Board Members Significantly Increasing Individual Involvement*

What changes are corporate boards making in response to the new corporate governance regulatory environment? According to a recent survey of corporate Directors, boards have changed their Audit Committee policies and procedures (reported by 68% of participants), changed their Board Governance policies and procedures (54%) and established Board Governance Committees (40%). These dramatic changes are a direct reflection of the impact of the Sarbanes-Oxley Act, new and pending Securities and Exchange Commission rules, and proposed requirements on corporate boards by the New York Stock Exchange and Nasdaq.

The survey was conducted by Jaeckle Fleischmann & Mugel, LLP and its investor relations affiliate, Kei Advisors LLC, during the first quarter of 2003. Over 100 corporate directors participated in the survey; 68% reported serving on one board, while nearly one third serve on two or more boards.

Importantly, a dramatic 84% of respondents have changed their policies and procedures – including developing codes of ethics (38%), and adding or changing whistle-blower policies and procedures (35%) along with the changes in audit and governance policies and procedures – and 53% anticipate making such changes. Reflecting the same priorities of boards that have already made policy and procedure changes, 24% anticipate changing their Audit Committee policies and procedures, and 19% anticipate changing Board Governance policies and procedures.

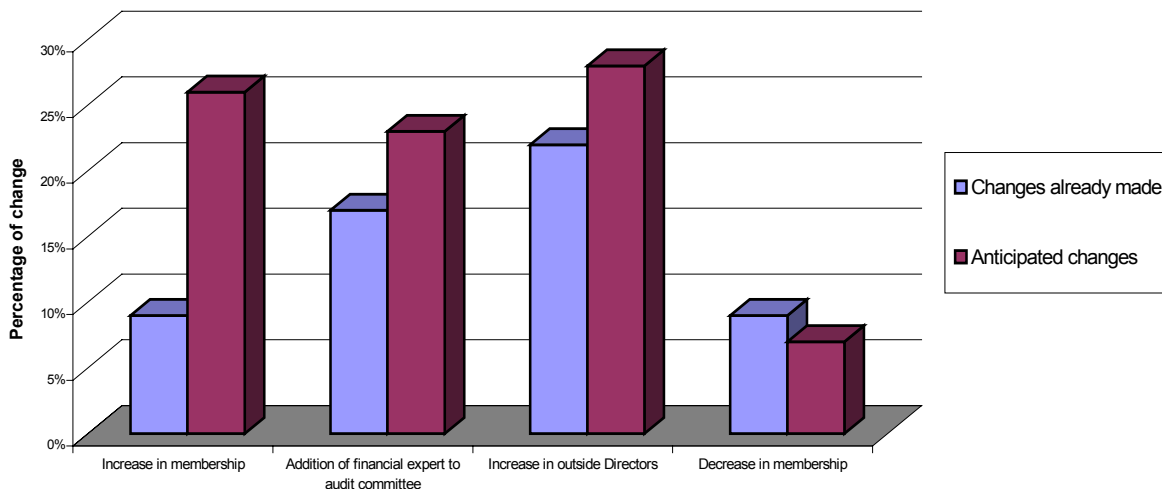
### Board Policy and Procedure Changes



James J. Tanous, a partner with Jaeckle Fleischmann, noted that “The results of our survey confirm what we are seeing with our clients: the time and energy demands on individual board members have increased measurably as a result of the Sarbanes-Oxley Act, requiring more boards to call on outside resources to ensure they are properly fulfilling their fiduciary role. Neither boards nor their shareholders should expect that Directors are able to address the multitude of issues facing any organization without expert advice.”

In addition to responding to the new regulations by making policy and procedural changes, over half (56%) anticipate making changes to their membership, primarily by increasing outside director membership and/or adding an audit committee financial expert.

### Board Membership Changes



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Eighty one percent of respondents believe that it will be more difficult to find board members in the future. However, as qualified board members themselves, 62% say they expect to maintain the number of board memberships they currently hold, and 30% expect to serve on additional boards.

### ***Individual Commitment Increasing Significantly***

One measurable outcome of this new environment is the increased time commitment of individual board members. Over 75% reported spending more time on their board duties, while none reported spending less time. Forty two percent of responding Directors said they are taking a more active role in board governance in response to the new regulations, while 27% are attending more meetings, and 16% have joined a newly formed committee.

Extrapolating from their own experience, 67% of responding Directors said they thought that the greatest impact of the new regulations would be an increased role and responsibility for board members. A majority – 59% – thought that the greatest impact would be an increased cost of doing business. Only 25% thought that better communication between boards and management would show the greatest impact, and less than 20% thought that the greatest result would be increased information or increased transparency for shareholders.

### ***Boards and Investor Relations: A New Role***

As many as 60% of the respondents were not familiar with their board's rating by the corporate governance rating systems that have evolved primarily for institutional investors' understanding of the governance practices of the companies in which they invest or in which they may contemplate investing. When asked how involved they were with investor relations and understanding the perception of the investment community, 54% reported being "somewhat involved", and only 26% "very involved." Almost 20% of those surveyed were not at all involved with investor relations.

Deborah K. Pawlowski, President and CEO of Kei Advisors LLC, commented "The new law and regulations are meant to create a framework to provide investors with greater confidence in the companies in which they invest. Because governance is a component of the value equation, board members need to understand how the financial community perceives their organizations. They should know the profile of their investors, as well as the methods and messages used by their management that help align the financial community's perception with the reality of the organization."

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“Credibility and trust are built over time and developed based on the information received by the investment audience, whether a company delivers that information directly through its messages, or indirectly through its actions,” Pawlowski adds. “The governance actions and degree of transparency provided by a board help to create value for its shareholders.”

For more information on how boards are responding to the new regulations and best practices being adopted, visit our Corporate Governance Resource Center at [www.jaeckle.com](http://www.jaeckle.com).

*Jaeckle Fleischmann & Mugel, LLP is a corporate securities law firm with offices in Buffalo, Amherst and Rochester, New York, with over 60 attorneys serving business clients in need of Corporate, Securities and Board Governance advice as well as providing the business sector with a full range of related legal services. More information on the firm can be found at [www.jaeckle.com](http://www.jaeckle.com).*

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