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NACD 2010 Corporate Governance Conference Chapter Chair Mary Madden

NACD NEWS

How to *Globalize* Your Board

By Joel M. Koblentz

Many large multinationals see the wisdom of electing directors who represent their global interests and aspirations. Pepsi, IBM, GE and other corporations are among the early adopters and other companies have followed their lead.

One theme heard most often is that these individuals bring on-the-ground insight that is far more valuable than any other analytics. They provide important advice on risk and opportunity, both economic and political, as the board considers and governs its company's strategy and evaluates global positioning moves, including investments in new or emerging markets, the structuring of partnerships and acquisitions.

Yet, a recent tally suggests that we still

have a long way to go in bringing this type of diversity of thought and experience to our corporate boardrooms.

To succeed in globalizing a board requires a change in mindset.

In our experience, boards seek change when faced with critical decisions with which they aren't truly comfortable or when they are already in a quagmire. Generally, these situations arise when boards are uneasy about making, or have made, major strategic decisions without a full appreciation of risks and impact. Oftentimes today, these decisions tend to involve growth opportunities in non-U.S. or truly emerging theatres.

While it's true that many leading companies have evolved into efficient

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2010-2011 OFFICERS AND DIRECTORS

CHAIR & EXECUTIVE

DIRECTOR **Mary Madden**

PRESIDENT **Dan Giannini**

SECRETARY **Robert Baker**

TREASURER **Wesley Wittich**

VP PROGRAMS **Patrick R. Dailey PhD**

BOARD OF DIRECTORS

Rona Wells

Carolyn H. Byrd

Mylle H. Mangum

Paul D. Lapides

Joel M. Koblentz

BOARD OF ADVISORS

David A. Stockton

Gregory Stoeckel

J. Marc Welch

Phillip Ostwalt

Mark A. B. Carlson

Dana R. Hermanson

ADMINISTRATIVE STAFF

SPECIAL EVENTS

WEB MASTER **Jennifer Langley**

State of the NACD Nation



It's a privilege to share my thoughts about NACD for this special Atlanta Chapter edition of our flagship publication *NACD Directorship*.

NACD is an organization of, by and for you—corporate directors. We could not be the Voice of Directors without you in Atlanta.

The average Atlanta chapter member spends more than \$100 on the programs and publications we produce. Of course, it's not "all about the Benjamin," but this strong per capita spending shows true commitment to director education.

Atlanta continues to attract speakers of national stature—from the asphalt of Wall Street to the hallowed halls of academe. More than once I've wished I could just hop on a plane to attend your programs—and that's saying a lot because Washington chapter programs are also superb.

Your relations with the local business press are stellar. The *Atlanta Journal Constitution* quotes NACD sources regularly. Thanks for your help in encouraging this attention.

Finally, Atlanta added considerable wisdom and good news at our Annual Conference Chapter Presidents meeting.

All this bodes well for the new year.

Thanks for your part in helping NACD become the nation's leading convener, authority and resource for directors. We couldn't have done it without you, and we count on your help going forward.

Ken Daly
President and CEO
NACD

A handwritten signature in black ink, appearing to read 'Ken Daly', written in a cursive style.

Continued from page 1

How to Globalize Your Board

global management structures consisting of country-centric accountabilities for their own geographic markets or segments of influence, shareholders benefit when their board performs a deep dive, shaping the perimeters on overarching strategic decisions at critical decision points (i.e., where next steps are not always in focus but yet opportunity clearly exists). Better decisions are made, we suggest, with checks and balances with management, thus preserving the independence and due care for which directors are elected.

Most often, given global aspirations, nominating committees should ask the following two important questions: How best can we efficiently and effectively identify and recruit qualified individuals and have full comfort about this process? And, once elected, how can we assure that our global board will operate as seamlessly and efficiently, given the inconveniences of time and distance considerations, and given the increasing demands of governance requirements and guidelines?

Having successfully conducted numerous similar engagements, we suggest boards begin by agreeing on an introspective “road map” of perimeters identifying important challenges or situations with which they, as directors, are not fully experienced. Oftentimes, these conversations are uncomfortable because they require self-reflection and honesty in admitting a board’s collective shortcomings. Once this experience gap is clearly identified and the board has reached consensus, a concise approach to identify leaders who meet the desired competencies and geographic criteria can begin.

It is important, though, that two matters be addressed upfront. A full dossier of all

qualified candidates should be considered without prior prejudices (yes, preferences are encouraged) and secondly, given the additional inconveniences of interviewing such candidates, that the board and its nominating committee agree on an efficient process for recommending and vetting such candidates.

Operating a global board comes with few greater challenges today. Progressive boards meet periodically outside the US. Even, when they meet domestically, effective use of technology usually suffices for those who govern from a distance. As always, being respectful of time commitments is essential.

Two final points: Insular and parochially thinking boards are becoming the dinosaurs of governance especially given non-domestic opportunities for growth. Lastly, global boards are not just for the “big boys.” Increasingly, mid-cap companies

are beginning to inure the benefits of a global view around the board table.

Think of it this way: In today’s world, capital, ideas and opportunities have high velocity and few man-made boundaries. Investors are rewarding those companies that capitalize on global markets and technologies.

Ask yourself: Shouldn’t my board be in a position to encourage and enhance decisions that drive value on an increasingly global playing field? The prescription is simple. Take action now. ▲

Joel M. Koblentz is senior partner at The Koblentz Group, which advises corporate boards and management on the recruitment of executive leadership and board directors. He serves on the board of the NACD Atlanta Chapter.



CHAPTER PRESIDENT’S LETTER

Welcome to the Atlanta chapter of the NACD. We were organized in 2000 and currently list more than 260 NACD members, in the Chapter region. The chapter provides an opportunity for public, private and not-for-profit board members in the Atlanta area to interact with their peers.

Our director-centric mission is to provide a forum for advocacy and education that enables directors to be more effective in the boardroom. We accomplish this through nine open lunch meetings and 12 director-only breakfasts.

We rely on our seven program sponsors as Advisory Board members. We allow our program sponsors to present a current topic. Those sponsors who chose to make a presentation provide the subject-matter experts and introduce their director clients and prospects to the Chapter by hosting them at the luncheon.

The sponsors on the Advisory Board

meet semi-annually to achieve consensus on the content and quality of our annual luncheon program. Each program sponsor typically chooses to make a presentation, and we reserve the remaining two meetings for nationally recognized speakers.

We also host a monthly breakfast, by invitation, for directors only. These meetings have no topic or agenda and provide directors an opportunity to discuss current boardroom topics on a peer-to-peer basis. They represent additional value we provide to our member directors.

The Atlanta Chapter invites you to visit our website for more information. We also look forward to seeing you at our luncheon meetings or director-only breakfasts whenever you are in the Atlanta area.

Dan Giannini
President
NACD Atlanta Chapter

A Solid Core

NACD Membership Grows in Atlanta Chapter Region

2009 Growth Rate

19%

2010 Growth Rate

28%

Chapter Meeting Attendance

Proportion of NACD Membership in Atlanta

2009 24%

2010 25%

Proportion of Directors Attending

2009 43%

2010 45%

By Patrick R. Dailey

NACD is changing. With the acquisition of Directorship, revised membership guidelines and expanded member services, NACD is endeavoring to upgrade the value of NACD membership and our Association's collective reputation. Simultaneously, the bar is being raised for Chapters to provide more valuable governance education and further develop Director Professionalism. Chapter reinvention will occur over the next several years.

The time is right to base line our current membership profile and measure participation in Chapter and national events, programs and services. Chapter leadership should assess the value that NACD members and our program partners derive from Chapter activity plus the resources, access and reputation conveyed by affiliation with the NACD.

There are two fundamental questions. Who are we now? Where will the vision take us?

Chapter Composition

The Atlanta NACD Chapter is relatively small. With 260 NACD members in our region, Atlanta ranks 19th among the 22 NACD chapters. The Atlanta Chapter draws membership primarily from the city, with limited participation from the balance of Georgia and surrounding states.

Chapter Participation

The Atlanta Chapter offers educational sessions to members, prospects and guests. These luncheon sessions are frequently organized by our Chapter program partners who attract prominent speakers to address timely and critical governance topics. We offer eight to

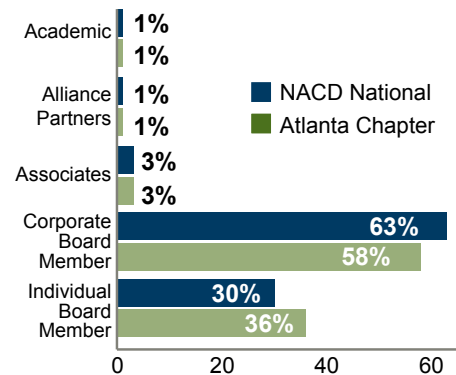
forum for peer-to-peer exchange on extemporaneous topics. Interest and participation has steadily increased. This event is important to our chapter's impact within the director population. It is facilitated by chapter leadership. Metrics reveal the extent that NACD members in the Atlanta Chapter region access the significant resources offered. For example, we know that seven percent of Chapter participants attended the 2010 National Conference.

In addition, Chapter participants purchased a variety of services [2009-2010]:

- \$13,438 for Conferences and seminars [\$51/Chapter participant].
- \$14,500 for NACD Director Professionalism course [\$55/Chapter participant].
- \$3,043 for publications [\$11/Chapter participant].

Tracking attendance, participation and purchasing practices will be key metrics in assessing the value-add of NACD membership and the fulfillment of our new vision. ▲

The Atlanta Chapter membership profile is consistent with NACD's national profile.



nine meetings annually. Average attendance at our luncheon meeting has recently increased. Active board members comprise about half of our current luncheon audience.

"Regular" participants were defined as members attending four or more luncheon meetings annually. These members comprise our Chapter's core participants. Eighty-one percent of our luncheon attendance is regular representation. Our core is solid.

A director-only breakfast event was initiated a year ago. These events provide a confidential

Patrick R. Dailey, PhD works with Chicago Change Partners, a consulting firm that assists boards, leaders and teams navigate personal and organizational



change. Dailey is the vice president of programs for the NACD Atlanta Chapter.

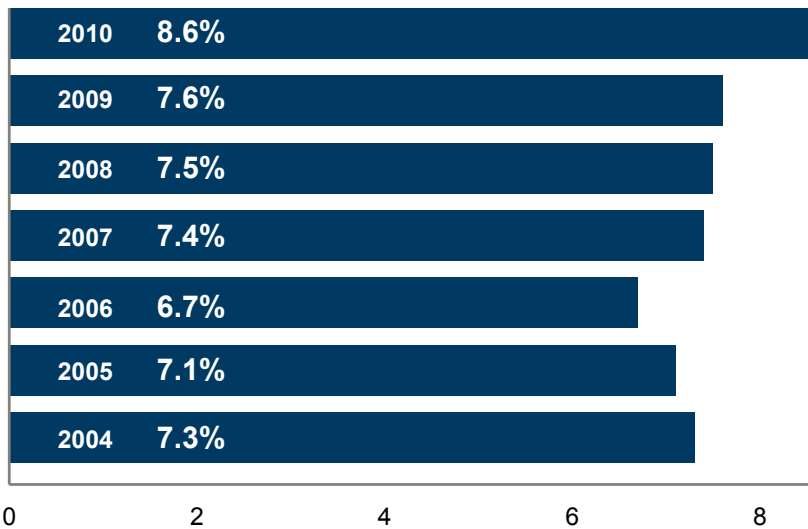
Board Composition

DIVERSITY

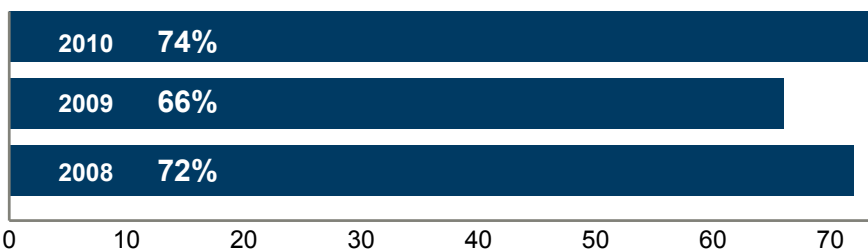
Here's the good news: The percentage of women holding board seats is the highest ever reported. Now the bad news: The number remains stalled in the single digits after 18 years of reporting this data on Georgia-based companies, according to the Board of Directors Network (BDN), which compiles its data based on information culled 10-Ks and proxy statements filed with the Securities and Exchange

Commission. Only two companies of Georgia's Top 50 (based on revenue) have more than two women on the board: Coca-Cola Enterprises (4) and The Coca-Cola Company (3). Thirteen Georgia public companies are listed in the 2010 Fortune 500, and 12 of those have women directors. Nine have more than one woman director. In this group, women hold 16 percent of the total director positions, up from 2009 (15%) and 2008 (13.2%). ▲

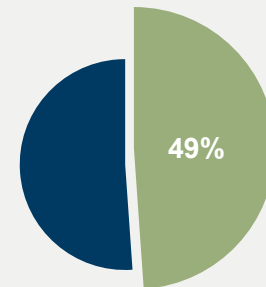
Percentage of Total Board Seats Held by Women in Georgia's Public Companies



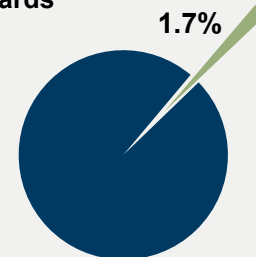
Percentage of Georgia Top 50 Companies With Women on the Boards



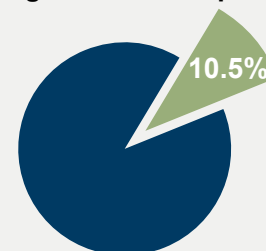
Georgia Public Companies With Women on Their Board



Women of Color on Georgia Boards



Women Executive Officers in Georgia Public Companies



Upcoming NACD Events

New Realities of Doing Business Internationally
Speaker: Joel Koblentz,
The Koblentz Group
January 19, 2011

Understanding Governance Metrics Assessment to Better Guide and Protect Your Company
Speaker: Scott B. Stokes,
The Corporate Library
February 16, 2011

Mergers, Acquisitions, Disposals...Why the Good Ones Work So Very Well
Speaker: David Stockton,
Kilpatrick Stockton
March 16, 2011

When the Boss Is the Brand
Speaker: Jeff Sonnenfeld,
senior associate dean and
Lester Crown Professor of
Management, Yale
University
April 20, 2011

Applying Public Governance Policy and Practices to Private Boards
J. Marc Welch, Habif, Arogeti & Wynne LLP
May 18, 2011

Directors College
Terry College, University of
Georgia
June 8-9, 2011

Identifying Emerging Risk
Speaker: Philip Ostwalt,
KPMG
June 15, 2011

LOCAL DIRECTORSHIPS

PRGX Global appointed **Dr. Archelle Georgiou Feldshon** as an independent director. Georgiou founded an eponymous healthcare consulting firm in 2007 where she serves as president. Before starting her own company, Georgiou held numerous executive level positions at UnitedHealth Group.

Lead-acid battery company **Exide Technologies** elected **John O'Higgins** and **Dominic J. Pileggi** independent members of the board. O'Higgins currently serves as CEO of Spectris plc, and previously was the president of the Asia Pacific division of Honeywell International. Pileggi is CEO and chairman of Thomas & Betts. He is also a director of Lubrizol.

AFC Enterprises, the franchisor and operator of Popeyes restaurants, has appointed **Krishnan (Kandy) Anand** to its board. Anand is president of the international division of Molson Coors Brewing Co.

Atlantic Coast Federal expanded the board of the holding company to 11 directors with the appointment of **G. Thomas Frankland**. Frankland formerly was a partner with PriceWaterhouseCoopers, the international accounting firm. He serves on the executive

committee of Springboard Capital.

Atlanta NACD chapter member **Linda Welty** was added to **Massey Energy's** board in August, along with **Robert B. Holland III**. Welty has held executive positions at Celanese, Hoechst, H.B. Fuller and Flint Ink. She served as president and COO at Flint Ink until 2005 when she began working as an executive advisor to private equity firms. She is a director at Vertellus where she serves on the compensation and audit committees.

Southern Company Executive Vice President and COO **Thomas A. Fanning** was promoted to president, and will become chairman, president and CEO. Before assuming the EVP and COO roles, Fanning was EVP, CFO and treasurer.

Harsha V. Agadi, chairman and CEO of GHS Holdings, was elected to the board of **Crawford & Company**. Agadi serves on the board of Church's Chicken, where he was president and CEO.

Genuine Parts Company has elected **Robert C. "Robin" Loudermilk, Jr.** to its board. Loudermilk is president of Aarons and a member of its board.

UPS named **Clark "Sandy" T. Randt Jr.** a director,

expanding its board to 11 members. Randt is considered an authority on China, amassing more than 30 years of direct experience in Asia through his previous appointments as the American Ambassador to China under President George W. Bush. Randt is currently president of Radnt & Co, which advises companies with interests in China.

Touchmark National Bank named former Summit National CEO **Pin Pin Chau** president and CEO. Previously, Chau was the chief executive officer of United Orient Bank.

John T. Fox, president and CEO of Emory Healthcare, has joined the board of directors of Medicare Advantage coordinated care plan **HealthSpring**. Fox has served as president and chief executive of one of the largest health-care systems in Georgia since 2002. Previously, Fox was an executive vice president, vice president and CFO of The Johns Hopkins Hospital in Baltimore.

Shirley Franklin has been elected to the board of **Mueller Water Products**. Franklin, the former mayor of Atlanta from 2002 to 2010, was recognized by *Time* magazine as one of the five best big-city American mayors for her initiative to rebuild the city's water infrastructure. ▲



Event Highlights

1. Paul D. Lapidès, director, Corporate Governance Center, Michael J. Coles, College of Business, Kennesaw State University, director, Easylink Services and Sunrise Communities; Jeffrey D. Horst, partner, Krevolin & Horst

2. Mark Bell, director of TRX and Reliability First; Suzanne Donner, partner, Tatum LLC

3. Joan Lyman, partner at LMG, director, Whyntatte Latte

4. James Boone, president, CEO and director, Corestaff,

5. Wayne Shortridge, shareholder, Carlton Fields, director, Sanmina-SCI Corp.

6. Richard D. Shirk, director, AMERIGROUP

7. Patrick R. Dailey PhD; Gareth Clarke, senior advisor, Focus Bankers; Mario Concha, retired president, Chemical Division, Georgia Pacific, director, Plaza Group and New Global Ventures International.

THE DIRECTOR'S CHAIR

A Lead Director: A Polymath and Counselor in Corporate Governance



Wayne Shortridge is a shareholder at Carlton Fields, a law firm in Atlanta, and lead director for Sanmina-SCI Corp., a Fortune 400 company, which is a leading multi-national, diversified electronics manufacturer. He also chairs the nominating and governance and compensation committees.

By Wayne Shortridge

On a sleepless night, the Lead Director of a publicly owned corporation speculated as to her CEO's most likely worries. But the lead director had her own concerns, which she narrowed to the following:

Tone at the top. She recognized that setting the right "tone at the top" was key to addressing many of the company's concerns. Tone at the top arises from a common vision among senior management and the board that emphasizes high standards of competence, character, integrity and ethical conduct in the execution of company business.

Internal board matters. Board members must understand that directors direct, not manage. The line is fine, but discernable with experience. Discussions must be tactfully conducted, while simultaneously fostering a vigorous exchange between senior management and the board regarding the company's business. The Lead Director knew direct contact between the CEO and board members should be encouraged.

Optimal board composition. To maximize the company's growth and success, the Lead Director had to assess optimal board composition, balancing the directors' short, medium and long-term skill sets. Replacing a director is difficult and affects board dynamics. The Lead Director concluded that the CEO should continue talks with key shareholders to assess their perceptions of current board membership.

Corporate governance. Corporate governance now exceeded compliance with traditional state law concepts and requirements. This expansion, precipitated by constituencies including the SEC and shareholder advisory firms, resulted in the imposition of greater board member responsibilities, as illustrated by SOX, Dodd-Frank, increasing enforcement of the FCPA and environmental regulations. Board members spent more time tracking new requirements. This additional time commitment made some people unwilling or unable to serve

on a board, affecting its composition. Additionally, for multi-national companies that navigate the laws and customs of numerous countries, developments such as pay comparison, and ethics and compliance programs in one country, create compliance and cultural complexities in others.

Many advisory firms offer resources addressing these changes. Yet they don't often grasp that corporate governance is no end in itself, but rather a means enabling a company to better manage growth and risk, maximizing its performance to benefit its shareholders and employees. Nevertheless, the company inhabits this new environment, and the Lead Director must work more closely with her CEO, CFO and GC to ensure compliance with the new rules, reducing the risk of a regulatory or shareholder action.

Risk oversight and risk management. The company's risk oversight and risk management practices impact matters including corporate governance; financial controls; internal communications; crisis communication protocols; alignment of compensation policies and strategic goals; whistleblower matters; attorney-client privilege; and proxy access. The Lead Director must understand these matters and facilitate discussions.

Chief compliance/risk officer. Did the company need a chief compliance officer or chief risk officer? The Lead Director knew that, in practice, the GC or other officer would handle internal compliance with the company's ethical and governance policies. But naming the CEO the CCO would reinforce a positive tone at the top. The Lead Director decided that the need for a CRO probably depended on a company's size and industry. But she concluded that the company's COO and CFO should constitute an informal "Office of Risk Management." She would suggest this to the CEO.

As dawn broke, the Lead Director considered her role: polymath and counselor. ▲