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**Institutional Shareholder Services Announces
New Governance QuickScore Model**

On January 25, 2013, Institutional Shareholder Services (ISS) published details for its new governance risk model, ISS Governance QuickScore (“QuickScore”), for 2013. QuickScore replaces ISS’ Governance Risk Indicators (“GRId”) and aims to provide institutional investors with a quantitatively-driven assessment of governance risk within portfolio companies. QuickScore will be in effect for covered U.S. companies in late February/early March 2013. ISS is providing companies an opportunity to verify the data collected for this new model. Companies that submit data requests to ISS prior to February 8 will receive feedback from ISS prior to the product launch.¹

ISS Governance QuickScore Content Summary

Similar to GRId, QuickScore is designed to measure governance-related risk across four categories: Audit, Board Structure, Compensation and Shareholder Rights. Each category consists of subcategories that vary by market. The subcategories for U.S.-market companies are summarized below. Subcategories shaded in red can have a significant negative impact on the category score. Subcategories shaded in green can have a significant positive impact on the category score. Companies not in the U.S. market may be subject to additional subcategories.

Audit	Board Structure	Compensation	Shareholder Rights
External Auditor	Board Composition	Pay for Performance	One Share One Vote
Audit & Accounting Controversies	Committee Composition	Non-Performance Based Pay	Takeover Defenses
	Board Practices	Use of Equity	Voting Issues
	Board Policies	Equity Risk Mitigation	Voting Formalities
	Related Party Transactions	Communications & Disclosure	
		Termination	
		Controversies	

¹ The full document and data verification process can be found at <http://www.issgovernance.com/quickscore>.

Within the subcategories, 40-80 individual governance factors are assessed depending on the company’s market (79 governance factors are assessed in the U.S. market). Governance factors considered under QuickScore are consistent with those considered under the prior GRId model. The most notable change from GRId is in the Compensation category where consideration of certain specific problematic pay practices have been removed in favor of a new subcategory, “Controversies,” which serves as a “catch-all” for all problematic pay practices. A comparison of the categories, subcategories, and questions covered in GRId and QuickScore is provided in the Attachment.

QuickScore Methodology Summary

QuickScore emphasizes a quantitative approach and reintroduces explicit weightings, which were eliminated from the GRId model. QuickScore’s assigned weight for each governance factor was determined based on its strength of correlation with 16 key performance and risk metrics, with a higher correlation implying a higher weighting. The key financial and risk metrics covering broad topics including market, profitability, risk and valuation are summarized below.

Market	Profitability		Risk	Valuation
Industry Adjusted 1-Year TSR	Cash Flow ROI	ROA	Volatility	Price to Book
Tobin's Q	1-Year Dividend Growth	ROE	Altman's Z-score	Price to Cash Flow
	EBITDA Margin	ROIC		Price to Earnings
	Free Cash Flow to Sales	1-Year Sales Growth		
	Net Profit Margin			

QuickScore generates a raw score for each of the four governance categories based on each governance factor’s assigned weight and the company’s governance practice. The raw scores from the four categories are then added together to generate a total raw score. A company’s category scores and total raw score are then ranked against other companies within its market. Scores are grouped into deciles with “1” indicating the first decile and lowest level of governance risk. The U.S. market coverage includes the 3,000 largest companies by market capitalization divided into two comparison groups. The first group covers the largest 500 companies and the second covers the remaining 2,500 companies.

Finally, ISS has not released specific scoring and weightings associated with each governance factor and is not likely to do so, which would be consistent with its position on the prior GRId model. Therefore, companies will not be able simulate their score without direct engagement with ISS assuming ISS replaces its GRId Analytics tool with a QuickScore counterpart.

QuickScore Data Verification Process

ISS is providing companies with an opportunity to verify the data collected for the QuickScore model. Key dates in the data verification process are summarized below:

- January 28: ISS QuickScore data verification site opened. Free company log-ins can be obtained by emailing support@isscorporateservices.com.
- February 8: Companies submitting data verification requests prior to this date will receive ISS feedback no later than February 15. Submissions after this date will not receive ISS feedback until after the product is launched in late February/early March, but will be considered to determine a company's initial QuickScore.
- February 15: ISS QuickScore data verification site is closed until the product launch. The verification tool will be reopened following the launch.

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General questions about this letter can be addressed to Ted Simmons at (312) 894-0076 or tpsimmons@fwcook.com or David Yang at (312) 894-0074 or dkyang@fwcook.com. Copies of this summary and other related materials are available on our website at www.fwcook.com.

Comparison of "Audit" Questions for U.S. Companies

GRId	
External Auditor (2 questions)	Non-Audit fees represent what percentage of total fees?
	Did the auditor issue an adverse opinion in the past year?
Audit and Accounting Controversies (6 questions)	Has the company restated financials for any period within the past two fiscal years?
	Has the company made late financial disclosure filings in the past two fiscal years?
	Has a securities regulator taken enforcement action against the company in the past two fiscal years?
	Has a securities regulator taken enforcement action against a director or officer of the company in the past two fiscal years?
	Is a director or officer of the company currently under investigation by a regulatory body?
	Has the company disclosed any material weaknesses in its internal controls in the past two years?

QuickScore	
External Auditor (2 questions)	Non-Audit fees represent what percentage of total fees?
	Did the auditor issue an adverse opinion in the past year?
Audit and Accounting Controversies (6 questions)	Has the company restated financials for any period within the past two fiscal years?
	Has the company made late financial disclosure filings in the past two fiscal years?
	Has a securities regulator taken enforcement action against the company in the past two fiscal years?
	Has a securities regulator taken enforcement action against a director or officer of the company in the past two fiscal years?
	Is a director or officer of the company currently under investigation by a regulatory body?
	Has the company disclosed any material weaknesses in its internal controls in the past two years?

Questions in yellow are new.

Questions in green have been moved to or from a different category.

Questions in red have been deleted.

Comparison of "Board Structure" Questions for U.S. Companies

GRId	
Board Composition (6 questions)	What is the independent director composition of the board?
	What is the classification of the Chairman of the Board?
	Are the roles of Chairman and CEO separated?
	Has the company an identified Senior or Lead Independent Director?
	What percentage of the board consists of family members?
	What percentage of the board consists of former employees?
Committee Composition (3 questions)	What is the independent status of the nominating committee members?
	What is the independent status of the compensation committee members?
	What is the independent status of the audit committee members?
Board Practices (4 questions)	Does the CEO serve on an excessive number of outside boards?
	Do non-executives serve on an excessive number of outside boards?
	Did any directors attend less than 75% of the board meetings without a valid excuse?
	How many directors received withhold / against votes of 50% or greater at the last annual meeting?
Board Policies (3 questions)	Does the company disclose board/governance guidelines?
	Can outside directors meet without management present?
	Can directors hire own advisors without management approval?
Related Party Transactions (3 questions)	What percent of the directors were involved in material related party transactions (RPTs)?
	Do the directors with related party transactions (RPTs) sit on key board committees?
	Are there related party transactions (RPTs) involving the CEO?

QuickScore	
Board Composition (5 questions)	What is the independent director composition of the board?
	What is the classification of the Chairman of the Board?
	Has the company identified a Senior Independent Director?
	What percentage of the board consists of family members?
	What percentage of the board consists of former or current employees?
Committee Composition (3 questions)	What percentage of nominating committee members are independent based on ISS Standards?
	What is the independent status of the compensation committee members?
	What is the independent status of the audit committee members?
Board Practices (4 questions)	Does the CEO serve on an excessive number of outside boards?
	How many boards does the CEO sit on?
	How many non-executives serve on an excessive number of outside boards? How many directors serve on an excessive number of outside boards?
	Did any directors attend less than 75% of the board meetings without a valid excuse?
	How many directors received withhold / against votes of 50% or greater at the last annual meeting?
Board Policies (1 question)	Does the company disclose board/governance guidelines?
Related Party Transactions (3 questions)	What percent of the directors were involved in material related party transactions (RPTs)?
	Do the directors with related party transactions (RPTs) sit on key board committees?
	Are there material related party transactions (RPTs) involving the CEO?

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Comparison of "Compensation" Questions for U.S. Companies

GRId	
Pay for Performance (5 questions)	What is the degree of alignment between the company's cumulative 3-year pay percentile rank, relative to its peers, and its 3-year cumulative TSR rank, relative to peers?
	What is the degree of alignment between the company's cumulative 1-year pay percentile rank, relative to its peers, and its 1-year cumulative TSR rank, relative to peers?
	What is the size of the CEO's 1-year cumulative pay, as a multiple of the median pay for company peers?
	What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
	What is the ratio of the CEO's total compensation to the next highest paid executive?
Non-performance based pay (7 questions)	Did the company provide dividends on unvested performance shares in the last fiscal year?
	Has the company reimbursed NEOs for losses on sale of a home?
	Did the CEO receive tax gross-ups on perks other than relocation and other broad-based benefits?
	Are any of the NEOs eligible for multi-year guaranteed bonuses?
	Did the company pay tax gross-ups on a secular trust?
	Are executives given credit toward pension for years not worked?
	What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) as a percentage to Base Salary?
Use of Equity (9 questions)	Do the company's active equity plans prohibit share recycling for options/SARs?
	Do the company's active equity plans prohibit option/SAR repricing?
	Do the company's active equity plans prohibit option/SAR cash buyouts?
	Do the company's active equity plans have an evergreen provision?
	Do the company's active equity plans have a liberal CIC definition?
	Do the company's active equity plans provide for automatic vesting of equity awards in the case of change-in-control? ⁽¹⁾
	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
	Does the company grant equity awards at an excessive rate, according to ISS policy?
	If a new or amended broad-based plan is proposed, then what is the expected duration of shares?

QuickScore	
Pay for Performance (5 questions)	What is the degree of alignment between the company's cumulative 3-year pay percentile rank, relative to its peers, and its 3-year cumulative TSR rank, relative to peers?
	What is the degree of alignment between the company's cumulative 1-year pay percentile rank, relative to its peers, and its 1-year cumulative TSR rank, relative to peers?
	What is the size of the CEO's 1-year cumulative pay, as a multiple of the median pay for company peers?
	What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
	What is the ratio of the CEO's total compensation to the next highest paid executive?
Non-performance based pay (2 questions)	
	Are any of the NEOs eligible for multi-year guaranteed bonuses?
	What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) as a percentage to Base Salary?
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	Do the company's active equity plans prohibit option/SAR cash buyouts?
	Do the company's active equity plans have an evergreen provision?
	Do the company's active equity plans have a liberal CIC definition?
	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
Does the company grant equity awards at an excessive rate, according to ISS policy?	

⁽¹⁾ Question moved from "Use of Equity" subcategory in GRId to "Termination" in QuickScore

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"Controversies" subcategory.

Comparison of "Compensation" Questions for U.S. Companies

GRI	
Equity Pay Risk Mitigation (10 questions)	Did the company disclose a claw back or malus provision?
	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
	What is the holding period for stock options (for executives)?
	What is the holding period for restricted shares (for executives)?
	What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO / Is the CEO subject to stock ownership guidelines?
	Are directors subject to stock ownership guidelines?
	Do all directors with more than one year of service own stock?
	Did any executive or director pledge company shares?
	Does the company have a policy prohibiting hedging of company shares by employees?
Communications and Disclosure (2 questions)	What is the level of disclosure on performance measures for the short term incentive plan?
	What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?

QuickScore	
Equity Pay Risk Mitigation (10 questions)	Did the company disclose a claw back or malus provision?
	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?
	What is the holding period for stock options (for executives)?
	What is the holding period for restricted shares (for executives)?
	What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
	Are directors subject to stock ownership guidelines?
	Do all directors with more than one year of service own stock?
	Did any executive or director pledge company shares?
	Does the company have a policy prohibiting hedging of company shares by employees?
Communications and Disclosure (2 questions)	Does the company disclose a performance measure of the short term incentive plan (for executives)?
	What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?

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Comparison of "Compensation" Questions for U.S. Companies

GRId	
Termination (9 questions)	
	What's the trigger under the change-in-control agreements?
	Do the CEO's outstanding equity awards vest upon a change in control?
	What is the multiple of salary plus bonus in the severance agreements for the CEO (upon a change-in-control)?
	What is the basis for the change-in-control or severance payment for the CEO?
	What is the multiple of salary plus bonus in the change-in-control agreements for named executive officers excluding the CEO (upon a change-in-control)?
	What is the basis for the change-in-control or severance payment for executives excluding the CEO?
	Does the company provide excise tax gross-ups for change-in-control payments?
	What is the length of the employment agreement with the CEO?
What is the amount of the CEO's estimated non-Change-in-Control severance amount as of the end of the last fiscal year, as a multiple of the executives' average salary + bonus over the past three years?	
Controversies (Not in GRId)	

QuickScore	
Termination (6 questions)	Do the company's equity-based on long term cash plans vest completely on a change-in-control? ⁽¹⁾
	What's the trigger under the change-in-control agreements?
	What is the multiple of salary plus bonus in the severance agreements for the CEO (upon a change-in-control)?
	What is the basis for the change-in-control or severance payment for the CEO?
	Does the company provide excise tax gross-ups for change-in-control payments?
	What is the length of the employment agreement with the CEO?
Controversies (2 questions)	Has ISS' qualitative review identified a pay-for-performance misalignment?
	Has ISS identified a problematic pay practice or policy that raises concerns?

⁽¹⁾ Question moved from "Use of Equity" subcategory in GRId to "Termination" in QuickScore

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Comparison of "Shareholder Rights" Questions for U.S. Companies

GRId	
One Share One Vote (2 questions)	Does the company have classes of stock with different voting rights?
	Are there any directors on the board who are not up for election by all classes of common shareholders?
Takeover Defenses (14 questions)	Are all directors elected annually?
	Is the board authorized to issue blank check preferred stock?
	Does the company have a poison pill (shareholder rights plan) in effect?
	What is the trigger threshold for the poison pill?
	Does the poison pill have a sunset provision?
	Does the poison pill have a Three-Year Independent Director Evaluation (TIDE) provision?
	Does the poison pill have a qualified offer clause?
	What is the expiration date of the poison pill?
	Is the poison pill designed to preserve tax assets (NOL pill)?
	Was the poison pill approved by shareholders?
	When was the poison pill implemented or renewed?
	Does the company's poison pill include a modified slow-hand or dead-hand provision?
	Does the company have a majority vote standard in uncontested elections?
	If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections?
Voting Issues (2 questions)	Does the company require a super-majority vote to approve amendments to the charter and/or bylaws?
	Does the company require a super-majority vote to approve mergers/business combinations?
Voting Formalities (4 questions)	What is the percentage of share capital needed to convene a special meeting?
	Can shareholders act by written consent?
	Has the board failed to implement a shareholder resolution supported by a majority vote?
	Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call the meeting?

QuickScore	
One Share One Vote (2 questions)	Does the company have classes of stock with different voting rights?
	Are there any directors on the board who are not up for election by all classes of common shareholders?
Takeover Defenses (13 questions)	Are all directors elected annually?
	Is the board authorized to issue blank check preferred stock?
	Does the company have a poison pill (shareholder rights plan) in effect?
	What is the trigger threshold for the poison pill?
	Does the poison pill have a sunset provision?
	Does the poison pill have a Three-Year Independent Director Evaluation (TIDE) provision?
	Does the poison pill have a qualified offer clause?
	What is the expiration date of the poison pill?
	Is the poison pill designed to preserve tax assets (NOL pill)?
	When was the poison pill implemented or renewed?
	Does the company's poison pill include a modified slow-hand or dead-hand provision?
	Does the company have a majority vote standard in uncontested elections?
	If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections?
Voting Issues (2 questions)	Does the company require a super-majority vote to approve amendments to the charter and/or bylaws?
	Does the company require a super-majority vote to approve mergers/business combinations?
Voting Formalities (4 questions)	What is the percentage of share capital needed to convene a special meeting?
	Can shareholders act by written consent?
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