because of compensation policy.

Because of pay - all upside / no downside

Printed to taxpayers, not them.

High returns, low quality - exponentially applied to poor quality

of securities.

It was just one big vicious cycle.

Bean Steers had metrics for incentive. The obvious next

end of list. The direction to award 100% based on any metrics

Nuclear rivals to employees.

Costs to pay - really subtracted.

$500m fund lost - he was right. *300m, *200m of which was not disclosed

1) Really exercise that you look @ other parts of system - what went wrong -

Bean Steers - Compaq. Committee based. Direction

Continue to serve & no congr. whatsoever -

look @ shareholders -

Bd. - who is in the boardroom? - JCI the execs, themselves

One aspect of "Too big to fail" -

2 most recent reports - shareholders role what's in their best. -

Securities analysts & investors don't look @ this.

Role of shareholders - complete failure of shareholders.

Corporate inability - 11 yrs. Real estate operation of investment

firm - TMT in underperformance. LENS - Investment regret. (30 cos. +

outperformed market, sold off 2000)

Focus - governance value gap - Rating system 3300 cos merged /

July w/ Co. w/ int'1 cos. -

Look when shareholders & executives might be ineffectual

Thy is a high risk Bds.

Revenue come from casualty insurance -

Chairman, founder -

Editor, executive.

Robert H. Monk - investors - have comport.

6) No one ever got fired for suggesting make more $ -

"Cos. have late 1980s approach - all the children are above average."

Not much based on performance.
aggregate > 1/3 the in variable compen. for aggregate figures & performance goals - to rank rich

SEC wanted it to be top 5 highest paid
Kate Council problem 20 yrs ago

1) Clawsbacks - indispensible in pay plan -
2) Index - compare; consultants - no way you should be paid on what market does; market 1 - you should not set of options > tax implications

Q: Same large firms - any do better?
   Not materially

Q: Clawsbacks - only way
    Buffer
    (widely mean below thresholds)
    
   Bonus + leave - Bonus $ - Pay top

[Structural indicators - idios, directors, classes, etc.
Best 200 academic studies -
Hard to assess independence by disclosers or proxy
CEO's jazz band mate]

Europe - outside chairman
US - outside chairman is former CEO

Eisen referred - the problem is actually achieved

"There is no independence as long as migrant determines who
run the bldg period."

Q: Executive want the familiar
   Not ask hard questions - difficult
   Standards - not question their golf memberships

Mark tried - HP - special offenders

Directors putting them into a structure -
Think IG's fly out the boardroom
If financial reports are smoothed out
Sec. 404 disclosures can say there are problems, with this
Too many are botched
Chatting, auditors, etc.

Look at decisions the Bd makes & where they said no to CEO -
> Very few Bd's say no to their CEO.

Founder - they really care about long-term
New companies are better - more vigorous

Chf Risk Officer - should have chance to say -
Turnover? No do it!

Fin. Firms vs. Many. Firms -
Very, very different. Not a lot of similarity

Most pay - entrep. cos. - huge turnover + more tied to performance
Oil cos. - standing on the rain. They're hideously overpaid

BP Beansbeans - similarities?
Yes. Risk & due diligence in fin. cos. + many, cos.
If plc were knowledgeable, they personally be impacted by decs, they would take fewer risks

Fin. Sector - 2 kinds of risk -
Increase leverage - for shareholders
? Made a lot before co. died?

Investors who relied on info - they're stuck. Shareholders who are
Talking the kid are not the ones who were in on the raise.

Failure of institutional investors - make sure there is sustainable
growth.

Treasurer as CEO, they never include Labor Dept. - they still
long term trend - ERISA - Capital Markets program

Geese + Eggs - don't want to put some of what I'm investing
in geese + eggs? Yes, you want to have that.
You just want to make sure your putting in the
Bds. tend to do a good job in a crisis. It's trying to get them to avoid crises, when we fail.

46:59 Behavior

49:09 Lehman - actress, admiral, theatrical producer

For Institutions - Sheryl Jackson
Interconnectedness - Ruth Simmon

A good CEO vs. not less good:
- We rate Bds, not CEOs.
- At LENS - studied failing CEOs.
- Failing CEO didn't want to hear bad news. Surrounded themselves by yes men. A lot of nodders.
- Went to absurd lengths to insulate themselves from criticism.

UK: Walker Report - activism on part of investors
- Compliance or explain.
- Ex. SEC rule, takeover era - at a min. cos. had to do minimum steps for takeover. That became a maximum.
- Delaware Court Releas - became meaningless.
- Saw to proper lead directors. 3/4 cos. have SEC - don't do anything like that now. BUT market can do that.

- Del. Courts have their own perverse incentives.
- 1970s, Transunion - big threatened to take big out of Del.

I'm not in favor of going after directors - but...
- Should be debarred from ever serving.
- Only those who paid.
- Sold stock - had to disgorge profits.
& Delaware role in corp. law - Law Review article
NBA textbook - 5th edition chapter
& CEOs - any part, good or crummy - Not expert on that
Yale Law
& Rater advisors - OK - good ? - Don't know
& Families & Friends - Can have both - abuses of funnelization
& Congressmen - a duck billed platypus

Best pt.

& Dispensing of pay -
CEO & sub CEO officials - I think that is
compelling at a new
Timothy Noah Blasi
& Compensation consultants - get paid for
A huge problem - not sorry to reduce it
by being public
education & empowering

Bar Sarah Lawrence
law, Univ of Chicago '77
8 yrs EPA, OMB -
4 yrs 4 yrs
Justice Dept, Bob Mure - Iss, LEA -
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