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MARCH 6, 2006

Up Front

Edited by Dan Beucke

Talk Show

"He was using Enron like a damn ATM machine ." --*Paula Rieker, former Enron managing director of investor relations, recalling in court on Feb. 21 the reaction of an Enron board member to news that Kenneth Lay repaid company loans with Enron stock in 2001*

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THE REAL DEAL

Time Warner: Boosters At The Gate

As adviser to Carl Icahn's plan to break up Time Warner (**TWX**), Bruce Wasserstein was all CEO Richard Parsons. But now Icahn has backed off, and Wasserstein has good reason to be Parsons fan. That's the unusual nature of the retainer that Wasserstein's investment bank, Lazard, struck with Icahn. While most banking advisory fees are a percentage of a deal paid on completion, Lazard gets 5% of whatever Icahn's group makes from its Time Warner shares through May, 2007. Lazard is paid based on the difference between 18 per share and a high sale price.

That gives Lazard about \$6.8 million for every dollar the stock rises above 18. It's now trading 17.43. Lazard's own Time Warner report estimates that a \$20 billion stock repurchase, and \$5 million in cost cuts, could boost the stock price more than \$2 a share. (Time Warner plans to repurchase \$1 billion.) "Winning was all about enhancing shareholder value," says Douglas Taylor, a Lazard managing director. Of course, Time Warner's stock could tumble. But Icahn agreed when he let Wasserstein also to pay Lazard \$5 million in cash. Icahn couldn't be reached for comment.

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By Emily Thornton

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PERK PARADE

Pretty Plush Director's Chairs

Shareholders are asking boards to pay close attention to top executives' compensation. But what's up with board members' pay? In a sampling of 34 companies in the Russell 3000 index that increased directors' pay, compensation research firm Equilar reveals that average cash retainers for directors soared 72%, to \$44,000, since January, 2005. Those awarded cash and stock retainers gave themselves 39% raises, to \$140,000 on average. Equilar conducted the study for *BusinessWeek*.

Many increases far outpace stock price gains. For example, Natestch Pharmaceutical (**NSTK**), biotech company in Bothell, Wash., boosted directors' pay by 400%, to \$15,000 annually. Last year its stock price rose 22%. Similarly, shareholders of Compass Minerals International (**CM**), a specialty chemical company in Overland Park, Kan., earned a 6% return last year, but directors got \$75,000, or 200% more than in 2004. "In order to attract independent directors with the expertise needed for a public company, we needed to more closely match the board compensation of similarly sized companies," explains Compass spokeswoman Peggy Landor. She points out that Compass directors no longer receive meeting fees or options. Natestch declined to comment.

By Emily Thornton

THE BIG PICTURE

THE BIG PICTURE
ALL TALK? Despite management's focus on innovation, U.S. executives say their companies give it short shrift.



MOST RESPECTED LEADERSHIP QUALITIES*	CHINA	U.S./ CANADA
Ability to take a stand and make tough decisions	7%	7%
Creativity or innovation	16	4
Ability to bring in the numbers	30	36
Interpersonal skills (influence, coaching, networking, communication)	5	15
Ability to create a strategy or vision for success	7	12
Integrity or ethics	15	7

*Respondents were asked to choose only one quality; table doesn't include all options listed
 Data: Development Dimensions International Inc.'s 2005 survey of 4,599 corporate managers in 36 industries

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PENSION FUNDS

No Good Deed Goes Unpunished

Being a social advocate does have its costs. California Treasurer Philip Angelides hopes to take on Arnold Schwarzenegger in the state's November gubernatorial election and sits on the board of the state's powerful California Public Employees' Retirement System. Angelides had pressed the giant fund to stop investing in countries that don't meet social criteria, such as having a free p

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and adhering to global labor standards -- a popular stance with unions, which are big campaign contributors.

But a report by CalPERS highlights the costs. The restrictions bar powerhouses such as China and Russia. Since the policy was initiated in 2002, emerging-markets investments handled by three managers for CalPERS trailed unrestricted emerging investments made by those same managers for other clients by an annualized 2.1%. On CalPERS' \$4.7 billion emerging portfolio that worked out to \$203 million of lost gains. A CalPERS spokeswoman notes the three foreign funds still had annualized gains in the range of 32.4% to 39.8%. "The difference in returns represents a short-term perspective that ignores the real investment risks" in nations that concedes, says Angelides spokesman Michael Roth.

By Christopher Palmeri

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FLIGHTS OF FANCY

Cartoon Carriers

Maybe faltering airlines just need to channel cartoon characters. In October, Taiwan's EVA Air unveiled a Hello Kitty-themed plane for flights between Taipei, Tokyo, and Fukuoka, Japan. The cat's iconic image, licensed by parent company Sanrio, decorates everything from the jet's exterior to its in-flight food, boarding passes, and flight attendants' uniforms. Fans, families, and the merely curious line up for tickets -- the plane is booked more than 90% on average. The carrier also does a brisk business in Hello Kitty duty-free goods (some resell on eBay ([EBAY](#)) next to pilfered barf bags). Next up: a package tour to Tokyo's Hello Kitty theme park.

By Elizabeth Woyke

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BLOGSPOTTING

Hey, Proxy, Look Alive

<http://blog.issproxy.com>

WHY READ IT

This governance blog by proxy advice firm Institutional Shareholder Services looks at issues like CEO pay and shareholder activism through the eyes of ISS and outside experts.

NOTABLE POST

A study of 5,300 companies finds a strong correlation between improved corporate oversight and market value. Value rose 4% for each trait enhanced, say Reena Aggarwal and Rohan Williamson, professors at the McDonough School of Business at Georgetown University.

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ACE INSURANCE

Now That's A Hole Life Policy

So you're in Ireland with your golfing buddies when -- Holy Emerald Isle! -- you score a hole in one. Congrats. Now, if only you had bought travel insurance through Travel Guard International. Then the drinks -- which according to golf etiquette are your responsibility -- would be covered. The new "Tee, Tour & Travel" policy offered by the Stevens Point (Wis.) insurer reimburses golfers scoring an ace for up to \$250 in bar costs at the clubhouse where the hole-in-one occurred.

Travel Guard reserves the right to document the achievement. For liability reasons, it insists

drinks are consumed on premises and won't cover an evening of barhopping. The policy also covers up to \$25,000 in medical expenses, \$2,500 for lost, stolen, or damaged golf clubs, plus unreimbursed expenses if a trip is canceled. The cost: slightly under \$100 for a \$2,000 trip. Tri Guard says it has sold roughly 1,500 policies since November. So far, no one has filed a hole one claim.

By Dean Foust

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INDIE POWER

Is Little Lionsgate Set To Roar?

Sitting in Toronto's faded Elgin Theater in 2004, Tom Ortenberg felt the heat. The president of Lionsgate's ([LGF](#)) film studio, Ortenberg was among the Hollywood heavies taking in the race-charged film *Crash* at the Toronto film festival -- and bid \$3.3 million on the spot for its U.S. rights. "No one else seemed to want it," he recalls.

Too bad for them. *Crash* went on to become a bargain-basement hit, generating an estimated million in revenues and \$30 million in earnings for Lionsgate. On Mar. 5, Lionsgate may get its Miramax Moment, that magic time when a smaller, artier house gets to strut at the expense of big studios before the Academy Awards' global TV audience. Nominated for six Oscars, including Best Picture, *Crash* is drawing some last-minute attention as a challenger to gay cowboy flick *Brokeback Mountain*. A *Crash* upset could vault Lionsgate beyond its status as king of the niche into a powerhouse independent studio.

Together with Lionsgate's rich library -- which includes *Dirty Dancing*, *Reservoir Dogs*, and *Terminator 2* -- a big Oscar night could also make the studio an acquisition target for media companies beefing up content in a world of downloads and movies-on-demand. So says analyst Robert Routh of Jefferies & Co. ([JEF](#)), who follows the stock and owns shares. He figures everyone from Comcast ([CMCSA](#)) to Walt Disney ([DIS](#)), which recently lost the services of Miramax's brothers Weinstein, could use a studio whose lower-budget films cut through the clutter.

Lionsgate says it is not considering a sale. But top execs Michael Burns and Jon Feltheimer spent \$4 million on the Oscar campaign, sending *Crash* DVDs to all 130,000 Screen Actors Guild (SAG) members, even though only about 1,400 are Academy members. That won a surprise best-pict award from SAG, and pre-Oscar momentum. Who knows? Maybe Lionsgate will grab gold beyond that 8 1/2-lb. statue.

By Ronald Grover

CUT THE CAKE

SEVERAL FOOD COMPANIES are going out of their way to celebrate anniversaries this year. Here's how they are trying to rope customers into the event.



	ANNIVERSARY	PLANS
Twinings	300	Updated tea packaging; new blends such as "Citrus Spice Sunset" and "African Rooibos Red"
Kellogg	100	Kellogg's characters ring tones on new Web site; product launches such as Special K Snack Bites
Planters	100	National tour for the Nut Mobile ; a bronzed Mr. Peanut statue on Atlantic City Boardwalk
White Castle	85	Free meals for the 85th customer of the day throughout May at selected restaurants
Quizno's	25	Will give away 12 franchise restaurants through sweepstakes and other contests

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