

The SBA uses a variety of corporate governance information providers and subscribes to several databases that provide ratings and detailed information on individual companies, as well as the aggregate market. Each provider has a unique focus and offers analysis pursuant to its own detailed set of criteria. The SBA uses this information to make recommendations on proxy votes and to develop policy statements on governance issues. We also use this information to set our objectives for advancing shareholder rights and protecting our investments in our actions as effective corporate monitors.

A summary of our main service providers follows and includes background information on how each provider contributes to the SBA's research needs. More information on any individual provider is available at the provider's website, listed in the Corporate Governance section of the SBA's website.

GLASS, LEWIS & CO.

Glass Lewis provides global proxy research and advice for approximately 8,000 companies including numerous stock indexes such as the Russell 3000, S&P 500, S&S MidCap 400, S&S SmallCap 600, Wilshire 5000, MSCI EAFE+Canada, and several other foreign indexes. The SBA uses the Glass Lewis recommendations, in conjunction with our own policy guidelines, as our main source of proxy analysis.

Glass Lewis's proxy voting advice focuses on the economic consequences of each issue on the ballot and potential effect on shareholder value. The research does not seek a "one-size-fits-all" approach to governance or proxy voting, favoring instead a contextual approach that factors in the conditions of the company being analyzed. Glass Lewis's recommendations are cast under the philosophy that the board deserves the opportunity and discretion to operate and make responsible decisions, while shareholders reserve the ability to withhold votes from members if they do not fulfill their fiduciary duty to shareholders. Glass Lewis does not provide any consulting services to or discuss items with corporate issuers; the recommendations are made purely on publicly available information.

"Corporate governance can have a direct impact on the performance of a corporation and on the return to shareholders, a reality that is increasingly being recognized by asset managers and their clients. As a result, governance ratings are viewed as an important metric to be taken into account in the stock selection and portfolio construction."

Karen Lowell, CEO, The Corporate Library

Glass Lewis has developed a proprietary method for rating each company's executive compensation practices using a pay-for-performance model. The model judges how executives have been compensated in reference to how the company has performed against its peers according to various measures including one-year total shareholder return, two-year stock price performance, two-year change in book value, two-year EPS growth, one-year ROA, and one-year ROE. The compensation of the CEO is also compared to the median paid by competition in its own industry and sector, as well as the median paid by similarly sized firms. This comparison to peers based on size, industry and sector is also used to compare the compensation paid to its top five officers in terms of total compensation, value of options granted and bonus. Glass Lewis assigns a letter grade to the overall compensation practices that is then used to make decisions in such matters as compensation committee members' elections and adoption or amendments to compensation plans. ■

T10: Glass Lewis & Co. Director Withhold Recommendations by Reason

The following table from Glass Lewis & Co. gives a breakdown of their recommendations for director withhold votes during 2005. These statistics correspond closely to the SBA's actual votes. Overall, 5,482 withhold votes would be cast for these reasons, for a total withhold rate of 19.1 percent of all directors.

	Withhold Votes	Percent of Withheld Votes	Percent of All Director Votes
Lack of two-thirds independent board members	833	15.2%	2.9%
Auditor not up for ratification	674	12.3%	2.3%
Affiliate on a committee	657	12.0%	2.3%
No independent lead or presiding director	496	9.0%	1.7%
No lead or presiding director	401	7.3%	1.4%
Affiliated transaction	354	6.5%	1.2%
Professional services relationship	352	6.4%	1.2%
Pay-for-Performance "F" rating	302	5.5%	1.1%
Not meeting minimum 75% attendance	289	5.3%	1.0%
CFO on the board	204	3.7%	0.7%
No financial expert on audit committee	121	2.2%	0.4%
Sits on too many boards	89	1.6%	0.3%
Less than 4 Audit Committee meetings	80	1.5%	0.3%
Other audit/accounting issue	70	1.3%	0.2%
Restatement	68	1.2%	0.2%
Sits on More than 3 Public Co. Audit Committees	63	1.1%	0.2%
Less Than 3 Members on Audit Committee	54	1.0%	0.2%
Director received a 25% or greater withhold vote	50	0.9%	0.2%
Other governance issue	48	0.9%	0.2%
Fewer Than 5 Directors on Board	48	0.9%	0.2%
Other unique issue	47	0.9%	0.2%
Failed to substantially implement shareholder resolution	45	0.8%	0.2%
Interlocking Relationships	24	0.4%	0.1%
Other compensation issue	22	0.4%	0.1%
Non-audit fees exceed audit fees	21	0.4%	0.1%
More than 20 Directors on Board	21	0.4%	0.1%
2 or More Withhold Votes at Other Companies for Same Reason	14	0.3%	0.0%
Familial relationship with an executive	13	0.2%	0.0%
20% or more shareowner on Audit Committee	12	0.2%	0.0%
Beneficial owner of 25% or more of the Company's stock	10	0.2%	0.0%
	5,482	100.0%	19.1%

INSTITUTIONAL SHAREHOLDER SERVICES (ISS)

ISS provides several services to the SBA including Corporate Governance Quotient (CGQ) ratings, proxy recommendation research services, and Voting Analytics. ISS does provide consulting services to and/or discuss proxy voting recommendations, CGQ rankings and other corporate governance topics with corporate issuers.

ISS's Corporate Governance Quotient (CGQ) Ratings

The ISS CGQ database provides corporate governance data and company ratings that assist institutional investors in evaluating the quality of corporate boards and the impact their governance practices can have on performance. The ISS CGQ database provides historical data from July 11, 2002.

To calculate the CGQ, ISS gathers data from public disclosure documents, press releases, and corporate websites. The data is then reviewed and verified by ISS's corporate governance analysts, who use 63 factors related to the corporate governance structure of each of the 5,000 companies in its CGQ universe. Each of the 63 ratings criteria has a specific number of possible points that may be awarded depending on the company's governance practices or structures. The following represent the eight most heavily weighted among the 63 variables. They are listed in descending order of weight:

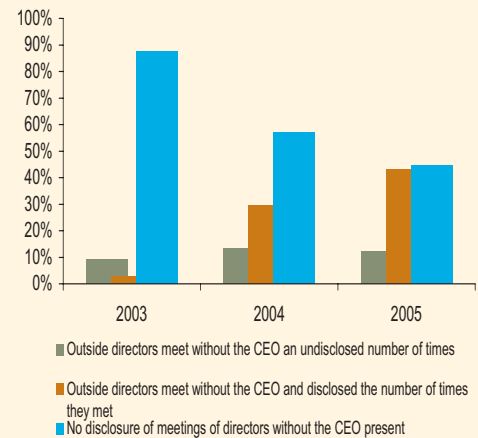
1. The audit committee is comprised totally of independent outsiders.
2. The average annual burn rate over the past three fiscal years is two percent or less, or is within one standard deviation of the industry mean.
3. All of the audit committee members are "financial experts" based on the SEC definition of "financial expert."
4. The board is controlled by a supermajority of over 90 percent independent outsiders.
5. The board has only one non-independent director.
6. The directors are subject to stock ownership requirements.
7. The board is controlled by supermajority of between 75-90 percent independent outsiders.
8. The company is incorporated in a state without any anti-takeover provisions.

The total of all of the points awarded to a company is known as its raw score. ISS then compares companies on a relative basis to an index and industry group to come up with separate Index and Industry CGQ scores. These CGQ scores refer to the percentage of companies in the Index or Industry group that the company in question outperformed in terms of raw score points.

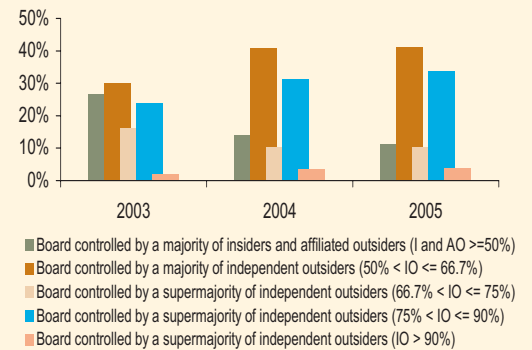
GOVERNANCE RATINGS AND RESEARCH PROVIDERS

The following graphs present statistics from ISS's CGQ scoring methodology for the Russell 3000:

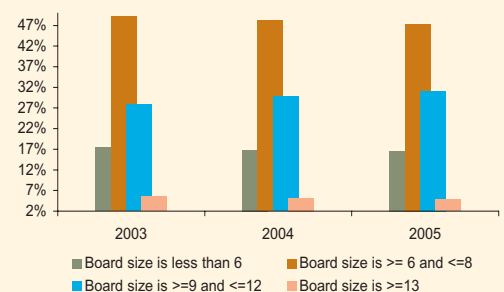
C17: CGQ Board versus Management Meeting Trends



C18: CGQ Board Independence Levels Reaching Supermajority



C19: CGQ Board Size Trends



For calculating a relative index CGQ, ISS will categorize companies into one of five indices: S&P LargeCap 500, S&P MidCap 400, S&P SmallCap 600, Russell 3000, and the CGQ universe index. For the Russell 3000 Index, ISS will exclude companies that also fall into the S&P 400, 500, or 600. The CGQ universe index represents all companies covered by the CGQ database in the US excluding Russell 3000 companies.

For calculating a company's CGQ relative to an industry group, ISS uses Standard and Poor's GICS industry grouping system. The 23 industry groups are: Automobiles and Components; Banks; Capital Goods; Commercial Services and Supplies; Consumer Durables and Apparel; Diversified Financials; Energy; Food and Drug Retailing; Food Beverage and Tobacco; Health Care Equipment and Services; Hotels Restaurants and Leisure; Household and Personal Products; Insurance; Materials; Media; Pharmaceuticals and Biotech; Real Estate; Retailing; Software and Services; Technology Hardware and Equipment; Telecommunication Services; Transportation; and Utilities.

ISS's Proxy Recommendation Research Service

ISS produces background research and voting recommendations for individual proxy ballot items covering virtually the entire universe of publicly-traded equities. The research includes pertinent factual information and history such as recent events in the firm's history and provides a synopsis of the firm's performance and governance structure. Each recommendation is accompanied by discussion and analysis of the ballot item.

ISS's Voting Analytics

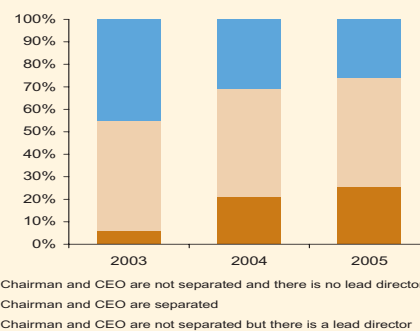
Voting Analytics allows access to a database of overall voting results for individual proxy items and allows comparison of vote records for the top 100 institutional fund complexes, representing more than 3,300 individual funds and more than \$4.5 trillion in equity assets. Using the application, the SBA can illustrate key metrics and feature key points about our proxy voting record, show peer comparisons and identify areas of competitive differentiation. Using voting analytics allows the SBA to achieve a higher level of vote transparency and an additional outlet of policy disclosure and voting records, aimed primarily at other institutional investors and corporate governance stakeholders. Voting Analytics provides the SBA an additional data source for monitoring the voting practices of our fund managers that retain proxy voting responsibilities (currently only the external managers responsible for international equity investments). ■

INVESTOR RESPONSIBILITY RESEARCH CENTER (IRRC)

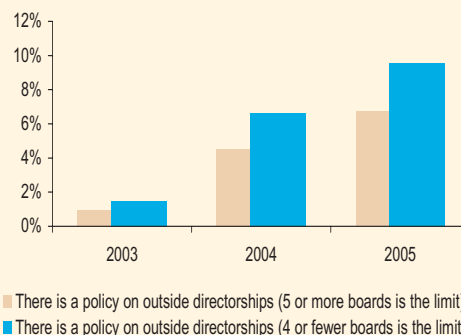
IRRC is currently the SBA's proxy voting agent, responsible for casting proxy votes per SBA policy and Glass Lewis proxy recommendations. IRRC

GOVERNANCE RATINGS AND RESEARCH PROVIDERS

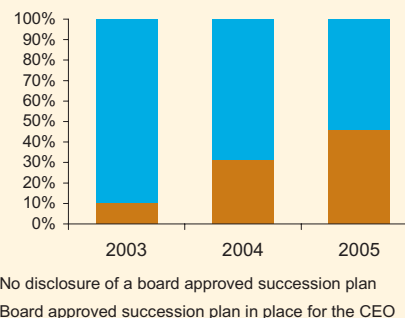
C20: CGQ Changes to Independent Chairman or Lead Director



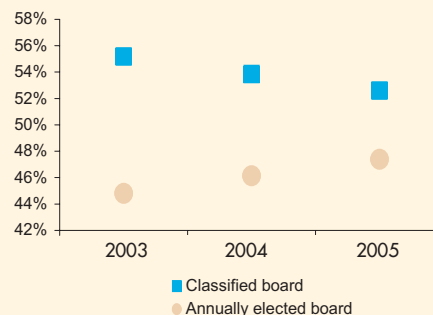
C21: CGQ Increasing Use of Directorship Policies



C22: CGQ Positive Increases in Succession Planning

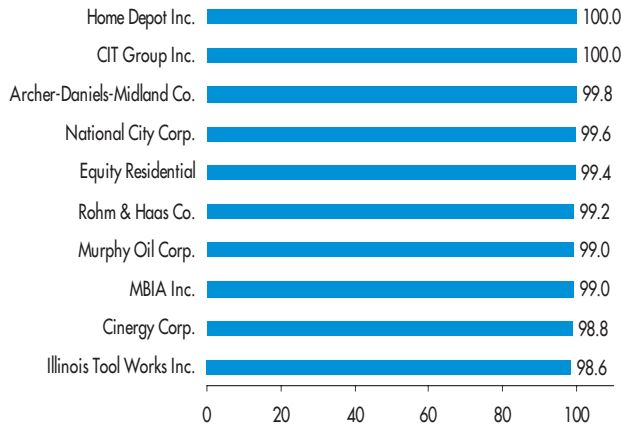


C23: CGQ Shift Away from Classified Board

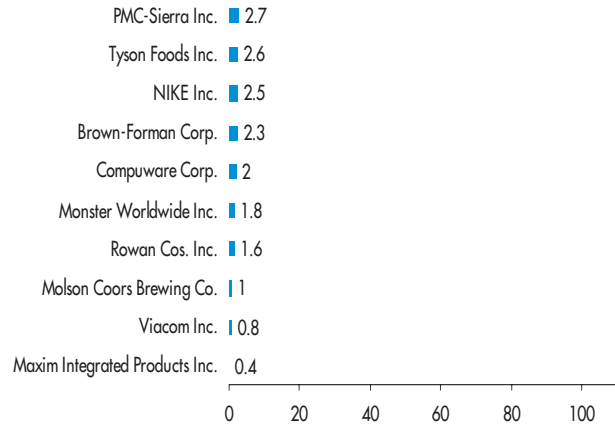


The following graphs display the CGQ Index Score for the top and bottom 10 companies of the S&P 500 (large cap), 400 (mid cap) and 600 (small cap) as of July 1, 2005.

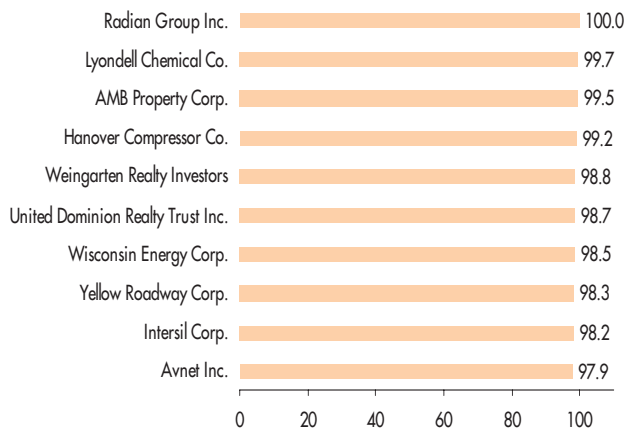
C24: Top 10 CGQ scores of the S&P500



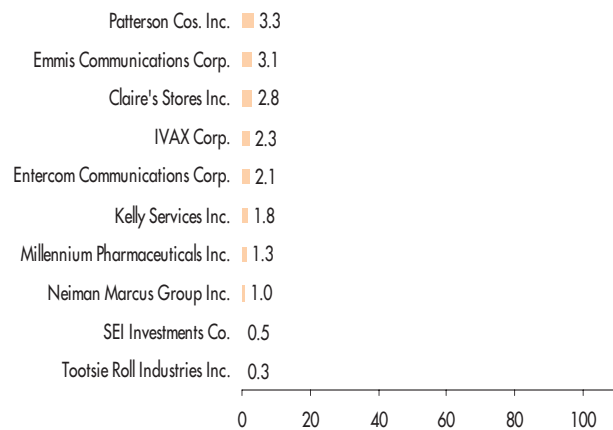
C25: Bottom 10 CGQ scores of the S&P 500



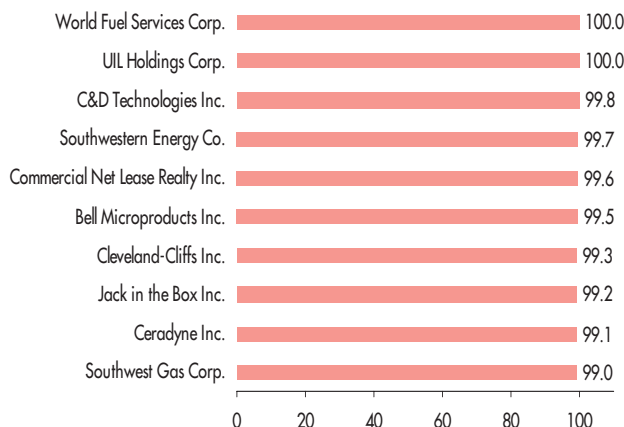
C26: Top 10 CGQ scores of the S&P 400



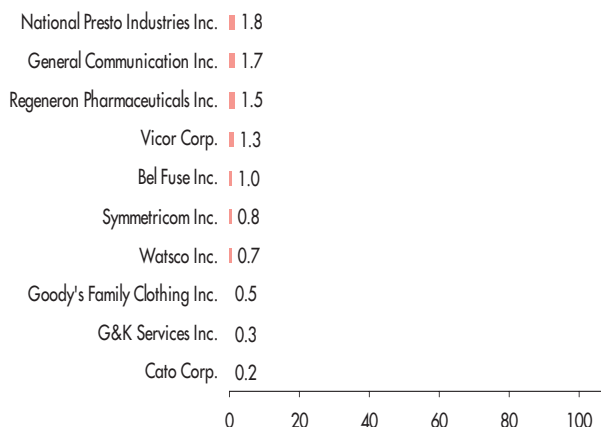
C27: Bottom 10 CGQ scores of the S&P 400



C28: Top 10 CGQ scores of the S&P 600



C29: Bottom 10 CGQ scores of the S&P 600



maintains a historical database that allows the SBA to view statistical or detailed reports of its voting history. IRRC also maintains a database that includes market-wide results on management and shareholder proposals. In addition, the SBA subscribes to IRRC's Northern Ireland Corporate Profiles database which allows us to monitor companies in compliance with Florida Statutes. In July of this year, IRRC's commercial voting unit was acquired by ISS. ■

COUNCIL OF INSTITUTIONAL INVESTORS (CII)

The SBA is a long standing member of CII, and we are an active participant in its research and investor work groups. CII annually releases a focus list of underperforming companies. The firms chosen have the largest underperformance versus their industry group's five-year median return. To be eligible for inclusion, the firm must lag both its market index and industry group returns for one, three and five year periods ending June 30th. The Council also tracks the firms with shareholder proposals that received majority support from the shareholders and releases this list to members. We work with CII in various capacities, including serving on the board and policy committees, participating in communications with the SEC on important shareholder issues and engagement of companies for governance reform. ■

T11: 2005 CII Focus List with governance scores (as of November 7th, 2005) from SBA's research providers

	ISS CGQ Index	ISS CGQ Industry	GMI Home Market Rating	GMI Compensation Rating	TCL Board Analyst	TCL CEO Compensation Rating	Glass, Lewis & Co. Most Recent Compensation Grade
S&P 500							
Applied Micro Circuits	12.6%	65.4%	5.5	2.5	B	B	D
Calpine	42.5%	50.4%	6.5	7.5	C	C	D
Ciena	8.9%	64.0%	6.0	7.0	C	C	F
Dynegy	3.3%	13.2%	5.5	6.0	C	B	C
Gateway	39.6%	90.0%	6.5	5.5	D	C	F
JDS Uniphase	26.6%	82.8%	6.0	6.0	B	B	D
PMC-Sierra	1.0%	16.0%	2.5	2.5	B	B	D
Siebel Systems	1.9%	49.1%	2.5	2.0	C	B	F
Sun Microsystems	44.1%	91.4%	7.0	5.0	D	C	n/a
Waters	89.9%	98.6%	8.5	7.5	D	D	C
S&P MidCap 400							
Aquila	46.3%	34.7%	6.5	7.5	C	D	C
DeVry	56.2%	84.0%	6.5	5.5	B	B	D
Hanover Compressor	98.2%	99.0%	7.5	8.5	A	B	B
Krispy Kreme Doughnuts	63.7%	83.9%	3.5	3.0	D	F	C
LaBranche	41.8%	65.4%	5.0	6.0	B	B	F
Millennium Pharmaceuticals	9.3%	38.1%	6.5	6.5	B	B	F
Quanta Services	22.9%	56.6%	3.0	7.0	B	B	B
TriQuint Semiconductor	80.9%	96.8%	8.0	6.5	C	B	B
Varian	48.6%	82.4%	4.0	4.0	B	B	C
Waddell & Reed Financial Services	53.4%	73.2%	6.5	6.5	B	D	C
S&P SmallCap 600							
C&D Technologies	94.8%	92.7%	9.0	6.5	B	B	n/a
Dendrite International	38.0%	66.9%	6.5	4.0	B	C	C
Milacron	65.1%	74.5%	4.0	7.5	D	C	F
PRG-Schultz	n/a	n/a	4.5	5.5	B	B	D
Zix	14.5%	44.7%	4.0	3.0	A	A	F

THE CORPORATE LIBRARY'S BOARD ANALYST

The SBA subscribes to The Corporate Library's Board Analyst service for data on over 2,000 U.S. and 500 large international companies. Board Analyst provides comparative corporate governance data for both individual companies and directors, customizable screening tools, a corporate governance "Best Practices" score, and a unique "Board Effectiveness" rating system that incorporates the most important governance aspects including board composition and responsiveness to shareholders, CEO compensation, presence of litigation or regulatory problems, use of takeover defenses, accounting methods, and strategic decision-making.

All data used by Board Analyst is derived from SEC filings and is updated annually, except that CEO and director changes are added throughout the year as they occur. Performance updates are made for most firms on a quarterly basis.

The Corporate Library does not provide any investment or proxy recommendations. They are also fully independent of the companies they rate. The companies may subscribe to Board Analyst, but the Corporate Library performs no consulting services for any companies. Companies that subscribe are clearly marked as such in the research.

Board Effectiveness Rating

The Corporate Library's Board Effectiveness Rating is not an analysis based on a typical checklist of governance topics; it is intended to identify possible risk by highlighting potential areas of ineffective oversight by the board. The rating focuses on board actions rather than compliance with typical policies or structures. The reports offer coverage and analyst commentary on current and historical events affecting the company giving additional insight to its condition. The ratings are distributed such that firms with D or F ratings are those whose actions raise serious concerns and are assigned regardless of current performance. F-rated firms include those where major governance-related problems seem likely or have occurred.

"In terms of empirical evidence, a substantial body of work by various researchers now indicates that insulation of boards from takeover threats hurts shareholders. Researchers have found that such insulation reduces firm value. It leads to worse performance along several dimensions, and it makes executive compensation less sensitive to performance."

Lucian Bebchuk (Harvard Law School Corporate Governance Symposium, 2003)

Best Practices Compliance Score

The Corporate Library's Best Practices Compliance Score is based on a checklist approach to determine how well a company meets generally-accepted governance standards. These standards are in large part due to efforts groups such as the Council of Institutional Investors (CII), the Business Roundtable (BRT), and the International Corporate Governance Network (ICGN). This information is for comparative purposes only and is not used as a factor to determine the board effectiveness rating discussed above. Notably, companies can have a high level of compliance with established "best practices" and still have significant governance risk that merits a very low effectiveness rating. Such was the case with Enron Corporation, indicating that compliance with a simple checklist is not enough to ensure good governance and appropriate board oversight to investors.

CEO Compensation Rating

Another item of interest from Board Analyst is the CEO Compensation rating. CEO pay is one of the most visible aspects of board decision-making, so it provides a good case for studying their decisions as the members know they are sure to be observed. If the members approve pay packages for the CEO that have exorbitant benefits and lax conditions for awarding merit pay, it is a sign that the board has little regard for shareholder interests and indicates a weak, ineffective board. If they approve such complacent packages

for executives when they know shareholders are watching, a flag is raised for other areas that may not otherwise get much scrutiny. The Corporate Library looks for pay "red flags" that include:

- Base pay over \$1 million (any salary portion in excess is not tax-deductible)
- CEO bonus more than double the annual salary
- A declining number of shares owned by the CEO
- Excessive amounts of options granted to the CEO
- High tax payments (gross-ups) or leisure expenses (and other non-essential perks)
- Lack of adequate disclosure on which to judge payments and performance hurdles

Board Analyst adjusts all compensation ratings for market capitalization, and the screening boundaries are adjusted at least once each year. ■

GOVERNANCE METRICS INTERNATIONAL (GMI)

GMI provides corporate governance research and ratings on more than 3,200 global companies. GMI rating criteria are based on securities regulations, stock exchange listing requirements and various corporate governance codes and principles. Among the latter are principles promulgated by the OECD, the Commonwealth Association for Corporate Governance, the International Corporate Governance Network and the Business Roundtable. In addition, GMI has sought the views of various corporate governance and legal advisors, institutional investors, corporate officers and company directors.

GMI global ratings and home market ratings use hundreds of data points to generate an overall GMI score and separate scores for each of GMI's six research categories:

- Board Accountability
- Financial Disclosure and Internal Controls
- Shareholder Rights
- Remuneration
- Market for Control
- Corporate Behavior

The global ratings are designed to demonstrate how each company's governance profile compares to all others in the GMI universe. Home market ratings reflect how well a company's governance policies and practices compare to others in its home country or region. GMI also provides "red flag" indicators to alert subscribers about governance issues that have the

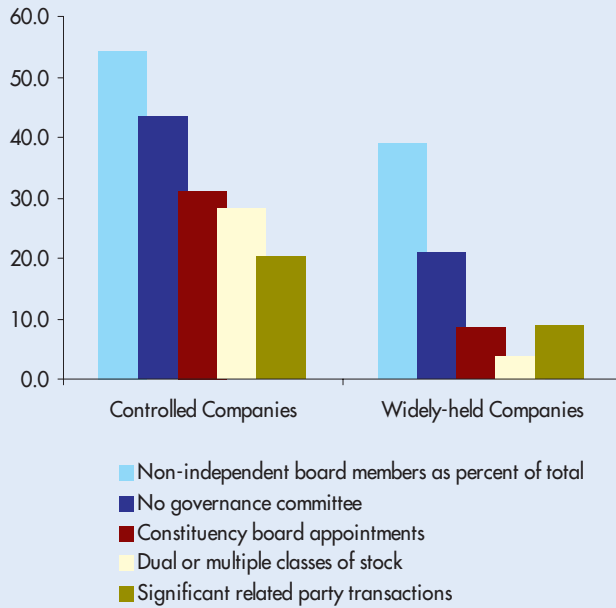
GMI found that the average, three-year total shareholder returns as of September 1, 2005 for the consistently poorly rated companies was 8.73 percent versus 15.93 percent for the highly rated companies—a difference of 720 basis points.

T12: Companies with GMI's highest global rating of "10" as of 9/13/2005

Agrium Inc.	Canada
Alcoa Inc.	USA
Allstate Corp.	USA
AMBAC Financial Group Inc.	USA
BCE Inc.	Canada
BHP Billiton Ltd.	Australia
Cadbury Schweppes Plc	UK
Colgate-Palmolive Co.	USA
Cooper Industries Ltd.	USA
Dow Chemical Co.	USA
Eastman Kodak Co.	USA
EnCana Corp.	Canada
Home Depot Inc.	USA
Inco Ltd.	Canada
ITT Industries Inc.	USA
Kimberly-Clark Corp.	USA
Manulife Financial Corp.	Canada
Mattel Inc.	USA
Nexen Inc.	Canada
Occidental Petroleum Corp.	USA
PepsiCo Inc.	USA
Placer Dome Inc.	Canada
Procter & Gamble Co.	USA
Rohm & Haas Co.	USA
Ryder System Inc.	USA
SLM Corp.	USA
Sunoco Inc.	USA
The Gap Inc.	USA
United Technologies Corp.	USA
Vodafone Group Plc	UK
Westpac Banking Corp.	Australia
Wisconsin Energy Corp.	USA
Xerox Corp.	USA

Source: GovernanceMetrics International (GMI)

C30: Undesirable governance characteristics present at controlled versus widely-held companies

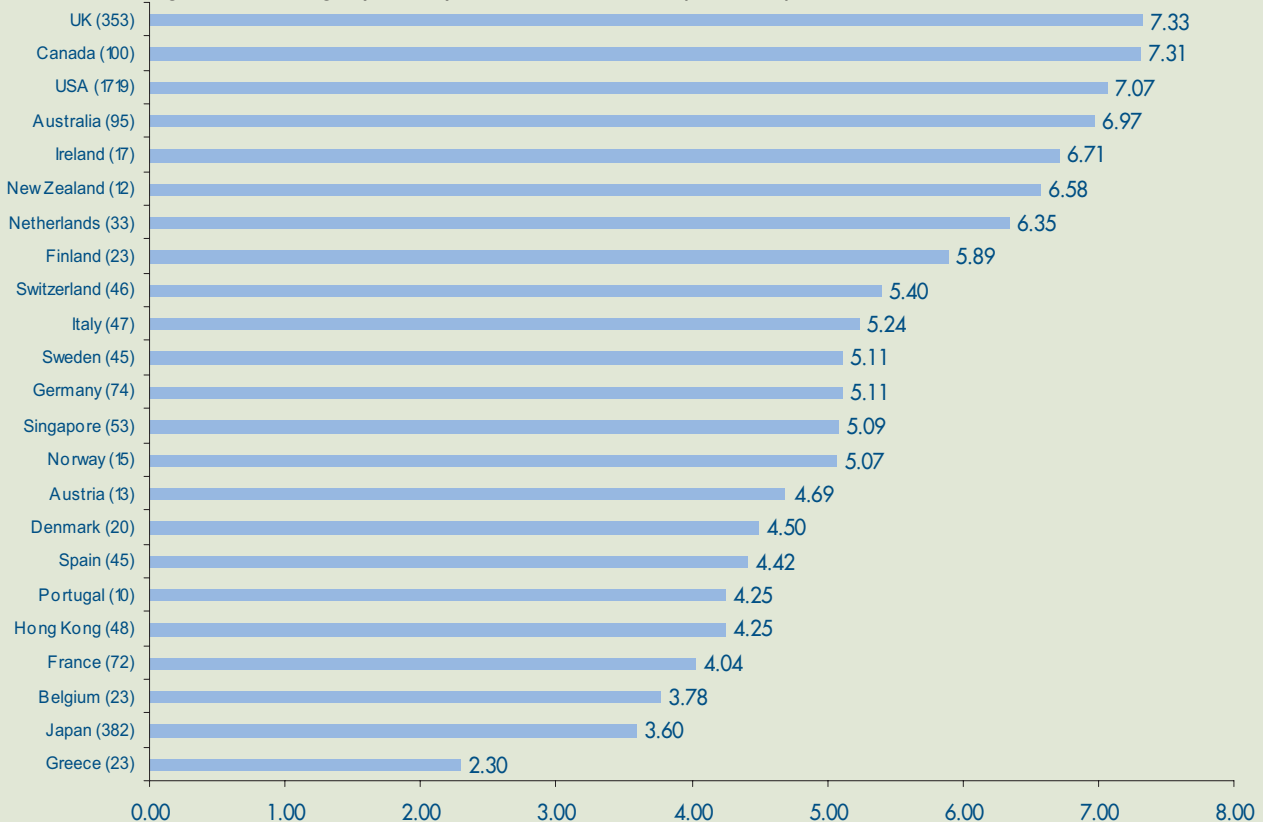


Source: GovernanceMetrics International (GMI)

potential to affect shareholder value. Complete coverage is available for companies in the TSX 60 (Canada), S&P 500, S&P MidCap 400, S&P SmallCap 600, Russell 1000 Index, ASX 100 (Australia and New Zealand), Hang Seng (Hong Kong), Nikkei 225 (Japan), STI (Singapore), BEL 20 (Belgium), CAC 40 (France), DAX (Germany), ATHEX 20 (Greece), MIB 30 (Italy), AEX (Netherlands), IBEX 35 (Spain), OMX (Sweden) SMI (Switzerland), FTSE 350 (UK) and the FTSE Eurofirst 300. North America, Europe and Asia-Pacific regions are covered now. Emerging markets will be added in 2006.

GMI research suggests that shareholder returns have been higher at companies with: (1) an independent board structure, (2) a voting arrangement which gives shareholders an equal voice in all matters, and (3) a meaningful

C31: GMI average overall ratings by country (number of rated companies in parentheses)



Source: GovernanceMetrics International (GMI)

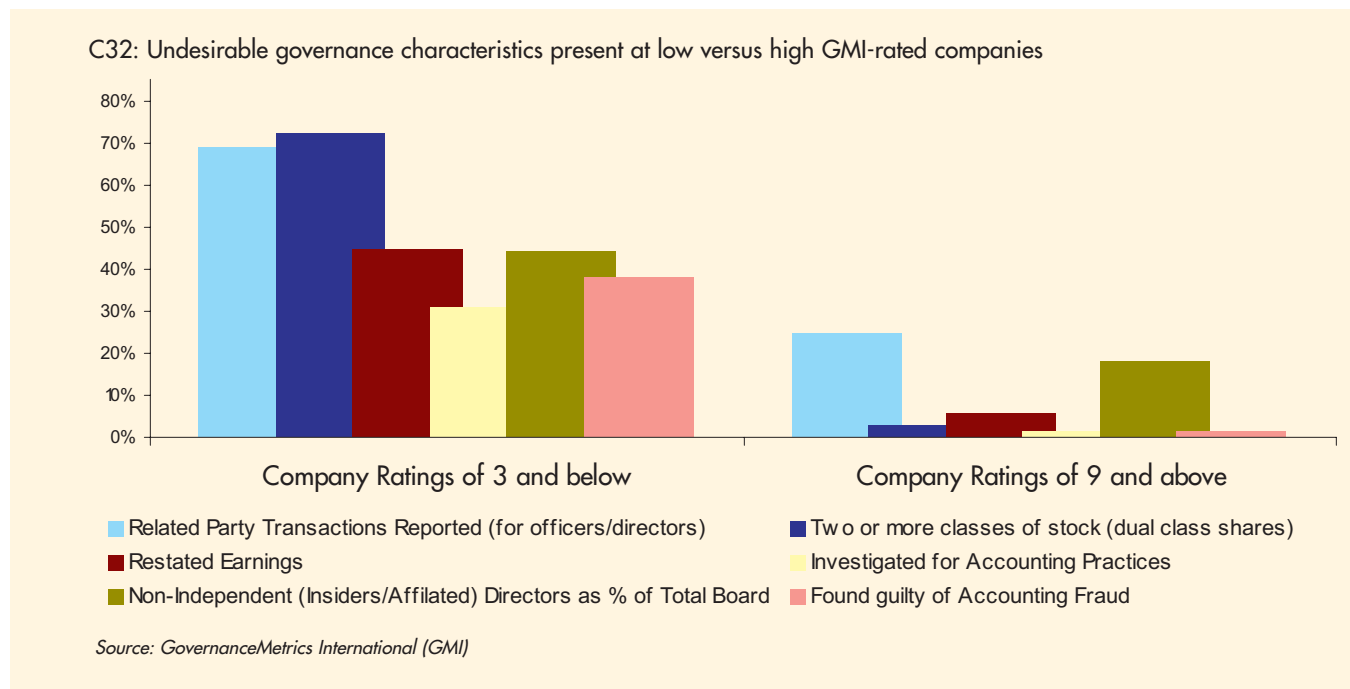
share ownership position by senior executives and directors. GMI also investigated the expensing of options, finding that companies that expense options have outperformed those that do not expense options over a number of multi-year periods.

GMI's methodology serves to highlight those companies that are potential risks to investors and may be a drag on portfolio performance. By highlighting companies with excellent governance practices, GMI provides investors with benchmarks for progressive governance practices that can enhance returns over the long-term. GMI does not offer consulting services to the companies they rate.

"An analyst should be scrutinizing the [corporate] governance system of a company as much as he or she scrutinizes a company's financial statements, because if the analyst does not have confidence in the governance systems in place, he or she may have concerns regarding a company's financial statements."
 Nancy Bertrand, CFA, Shearman & Sterling LLP

Comparison of Ratings

Recently, GMI analyzed U.S. companies that had been rated 9.0 or higher, representing a score that is well above the GMI average rating. For comparison purposes, GMI also analyzed companies with ratings that were well below average (scores 3.0 and below). GMI's sample included 98 U.S. companies that had been rated in at least four of its last six ratings cycles (covering a three-year time period). The average rating for the highly rated companies was 9.1, and for the lowly rated companies, it was 2.3. GMI found that companies that were consistently poorly rated had restated their earnings more often, had higher incidence of accounting investigations and fraudulent activities, exhibited more related-party transactions, were more likely to have multiple classes of voting stock, and had lower independence levels among their boards of directors (see chart below). Regarding the two groups' stock performance, GMI found that the average, three-year total shareholder returns as of September 1, 2005 for the consistently poorly rated companies was 8.73 percent versus 15.93 percent for the highly rated companies—a difference of 720 basis points. ■



EQUILAR

Equilar provides detailed compensation data for more than 4,000 companies, including the entire Russell 3000. Equilar also provides customizable screening capability for Section 16 individuals (directors and executive officers) and 10-percent owners for any disclosures from Form 4 filings with the SEC since July 1, 2003. Equilar Insight reports include over 75 unique data elements from proxy and annual reports for all executives, including cash compensation, long-term awards, grant-date present values for all option grants using the Black-Scholes and Binomial Lattice models, company financial performance, and employment agreements. Equilar’s market data is provided by Tradeline, a division of SunGard Systems. Equilar’s services are used by the SBA to monitor executive compensation, in which the broadest measure is total direct compensation (TDC).

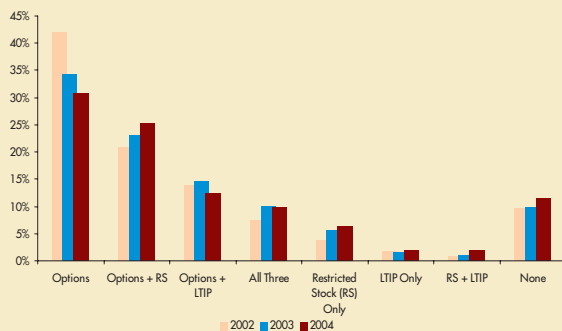
Equilar calculates total direct compensation as follows:

$$\text{Total Direct Compensation} = \text{Cash Compensation} + \text{Long Term Awards}$$

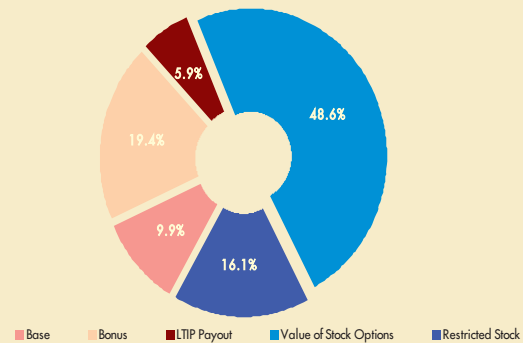
where $\text{Cash Compensation} = \text{Salary (annualized if less than full year tenure)} + \text{Bonus}$
 and $\text{Long Term Awards} = \text{Grant Date Present Value of Options (using Black-Scholes)} + \text{Restricted Stock (nominal value)} + \text{LTIP Awards (Target, Cash)}.$ ■

These charts display Equilar’s aggregate compensation statistics for 403 CEOs of the S&P500. This group was selected by screening the S&P500 for CEOs that had a tenure of at least the previous three years.

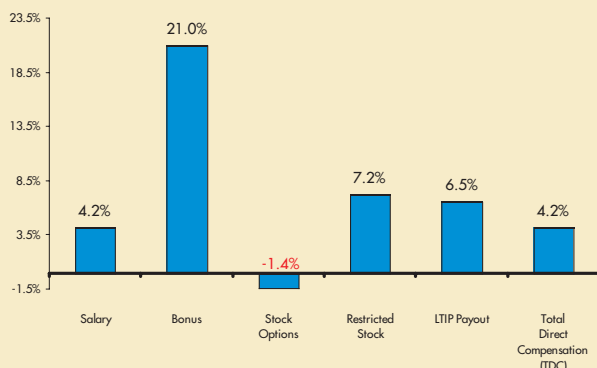
C33: Long-Term Incentive Plan (LTIP) Trends



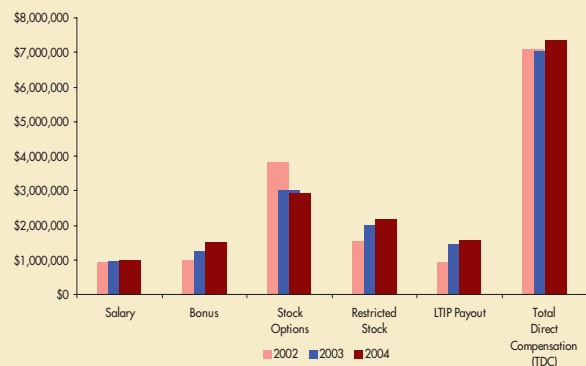
C34: Pay Components as percent of Total Direct Compensation



C35: One-Year Percent Change in Median Pay by Component



C36: CEO Median Compensation by Component



COMPARISON OF GOVERNANCE RATINGS

The table below details governance ratings on 30 companies to illustrate differences in the analytical methods. The companies were selected by taking the top five and bottom five companies by CGQ Index score for each of the three main S&P indexes: Large Cap 500, Mid Cap 400, and Small Cap 600. These index scores, representing the percentile of firms in the entire CGQ universe that the company outscored, are listed in column (1). The industry score representing the percentile the company outscored in its GICS class follows in column (2). The third column (3) is the Board Analyst Effectiveness Rating, indicating the level of oversight the board supplies based on its actions and policies. Companies rated D and F are deemed to have a higher risk of significant governance problems. The fourth column (4) is Board Analyst's "Best Practices" Compliance Rating. This measure is computed from level of adherence to general standards on various governance items, and high compliance scores do not necessarily indicate proper board oversight and actions. Thus, this measure may be quite high for a company, while its

effectiveness rating may be very low. The CEO compensation rating from Board Analyst (5) is largely determined by the level of red flags in compensation, whereas column (6), Glass Lewis's Pay-for-Performance (PFP) rating judges compensation practices much more heavily from a performance to pay link. Therefore, the Board Analyst rating is more concerned with overall level of compensation and troubling practices, while Glass Lewis is more concerned with statistical comparison of pay to peers and performance. Both approaches are valuable for shareholders. Column (7) indicates whether a company has been chosen for CII's focus list based on long-term performance lagging. The final column (8) is GMI's home market rating (since all but one of these companies is U.S.), an overall measure of adherence to governance principles against other firms in its home country. The general trend is for these ratings categories to agree fairly well, though there are some differences due to methodology. See the correlations table, next page, for further analysis. ■

T13: Governance Ratings	(1) CGQ Index Score as of 7/1/05	(2) CGQ Industry Score as of 7/1/05	(3) BA Board Effectiveness Rating	(4) BA Best Practices Compliance	(5) BA CEO comp Rating	(6) Most recent GL PFP Rating	(7) On CII focus list in last 3 years?	(8) GMI rating home market
S&P 500 top and bottom by CGQ Index Score								
CIT Group Inc.	100.0	99.3	B	93	C	C		9.5
Home Depot Inc.	100.0	100.0	F	83	F	C		9.5
Archer-Daniels-Midland Co.	99.8	100.0	B	86	C	C		9.5
National City Corp.	99.6	99.9	C	92	C	A		8
Equity Residential	99.4	100.0	A	100	A	C		7
Monster Worldwide Inc.	18	32.2	B	86	C	C		5
Rowan Cos. Inc.	16	19.1	B	81	A	D		6
Molson Coors Brewing Co.	1	28.5	B	81	B	N/A		5.5
Viacom Inc.	0.8	33.1	F	73	F	F		4
Maxim Integrated Products Inc.	0.4	3	C	76	C	C		5.5
S&P 400 top and bottom by CGQ Index Score								
Radian Group Inc.	100.0	100.0	B	91	C	C		7
Lyondell Chemical Co.	99.7	99.6	C	95	B	B		9.5
AMB Property Corp.	99.5	99.6	A	98	A	C		8
Hanover Compressor Co.	99.2	98.3	A	100	B	B	2005	7.5
Weingarten Realty Investors	98.8	97.3	C	87	B	B		7
Kelly Services Inc.	18	26.5	B	71	C	D		15
Millennium Pharmaceuticals Inc.	13	8.6	B	90	B	F	2004 2005	6.5
Neiman Marcus Group Inc.	10	18.4	D	N/A	C	B		5
SEI Investments Co.	0.5	13.8	C	72	B	A		5
Tootsie Roll Industries Inc.	0.3	19.5	F	63	F	F		15
S&P 600 top and bottom by CGQ Index Score								
UIL Holdings Corp.	100.0	100.0	C	85	C	C		6
World Fuel Services Corp.	100.0	100.0	B	98	C	C		N/A
C&D Technologies Inc.	99.8	100.0	B	83	B	N/A	2005	9
Southwestern Energy Co.	99.7	98.7	B	86	C	A		6.5
Commercial Net Lease Realty Inc.	99.6	99.2	A	100	A	C		7.5
Symmetricom Inc.	0.8	3.6	B	77	C	C		4.5
Watsco Inc.	0.7	5.9	D	68	D	D		2.5
Goody's Family Clothing Inc.	0.5	8.5	C	71	F	C		2.5
G&K Services Inc.	0.3	2.8	B	70	B	C		1
Cato Corp.	0.2	2.6	D	64	D	N/A		4

CORRELATION AMONG GOVERNANCE RATINGS

The table below presents correlation statistics that provide a crude measure of agreement between our corporate governance ratings providers. As this information is based on a relatively small sample size (the thirty companies and their ratings from Table 14, these results are presented for general comparative purposes only. Ratings with alphabetic scores were converted to numeric data to calculate the degree of correlation. Each letter is assigned a numeric value similar to grade point average calculations in academics: Grades of A receive a 4, B's receive a 3, C's receive a 2, D's receive a 1, and F's receive a 0.

The index and industry CGQ scores have a very high correlation, but this is not surprising due to the similarity of their methods (the only difference between them is the comparison peer group). The ratings from Board Analyst's Best Practices Compliance, both CGQ scores, and GMI's home market rating are each highly correlated with one another. This implies that they each track some of the same variables and generally, though not always, will agree on the overall level of each company's score (i.e. around 60 percent of the time the ratings would be comparable).

The lower correlations provide another level of insight to the differences of the ratings: the Board Effectiveness Rating has a fairly low correlation with the other overall ratings providers. Its correlation with the CGQ ratings and the GMI rating ranges from 0.30 to 0.35, indicating predictive ability of one score for another of around just 10 percent. This backs the Board Analyst

assertion that its effectiveness rating is designed to capture risk from more complicated sources, including examining the board's actions, and not its adherence to simple governance principles.

The two scores that focus on compensation not only have low correlations with the more general governance-focused ratings, but they have low correlation with each other. The 0.29 correlation between the Glass Lewis pay-for-performance analysis and the Board Analyst's CEO compensation rating is rather low, but is likely indicative of each rating's unique focus. Glass Lewis is much more focused on how compensation is paid in relation to the company's overall performance, whereas Board Analyst considers broader issues of the company's pay practices, including a heavy focus on overall pay level and any red flags indicating poor compensation structures.

Lastly, we note that the CII variable, focus list appearance in the last three years, has no significant level of correlation with any variable. CII's focus list uses underperformance as a screen, so it is not surprising to see a lack of correlation between it and other scores that use governance practices for scoring. The slight negative correlation between it and Glass Lewis's compensation score is due to an expected inverse relationship: if the firm has been chosen by CII, it has underperformed, making it more likely that Glass Lewis would have rated it in a low category. Each of the CII correlation figures are subject to high error as only three firms in the sample were on CII's list, making the calculation less reliable. ■

T14: Correlation of a sample of governance ratings

	CGQ Index Score as of 7/1/05	CGQ Industry Score as of 7/1/05	BA Board Effectiveness Rating	BA Best Practices Compliance	BA CEO comp Rating	Most recent GL PFP Rating	On CII focus list in last 3 years?
CGQ Industry Score as of 7/1/05	0.98						
BA Board Effectiveness Rating	0.35	0.34					
BA Best Practices Compliance %	0.78	0.79	0.64				
BA CEO comp Rating	0.29	0.27	0.79	0.59			
Most recent GL PFP Rating	0.45	0.41	0.23	0.36	0.29		
On CII focus list in last 3 years?	0.11	0.09	0.27	0.23	0.23	-0.14	
GMI rating (home market)	0.80	0.80	0.30	0.79	0.36	0.39	0.24