QUESTIONS THAT MAY BE ASKED AT SHAREHOLDERS' MEETINGS

Note: The information in this document was last updated January 2006.
A company’s annual meeting provides its shareholders an opportunity to ask questions of management and the board about the company’s performance and provides management an opportunity to present its views.

The purpose of this document is to assist management and the board of directors of public companies in preparing for the annual meeting and to enable them to provide informed responses to shareholder questions. This document contains examples of questions that might be asked, based on those asked at annual meetings in recent years, and considering current events. The questions are organized by major category. New and significantly revised questions in this year’s edition are presented in italics, and are included along with those from previous years that we believe may be of continuing interest. Numerous questions ask whether the entity is in compliance with NYSE, NASDAQ, or SEC requirements. Those questions are intended for entities that have elected to hold themselves to those requirements, even though they are not required to do so.

This document is intended to be a general reference guide for companies of various sizes in many industries. Companies may receive questions other than those presented in this document and not all of the questions contained herein will be asked. Our intent is not to suggest that each question should be asked, but rather to alert management and the board to questions that may be asked. Each company should consider these questions as they relate to its own particular activities and circumstances and plan responses at an appropriate level of depth.

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A. SHAREHOLDER MATTERS

Stock Price

1. Given the continuing volatility in the U.S. stock markets, how has the company's stock performed compared with the markets overall? Compared with its competitors? Compared with company estimates? What caused the volatility in the company's stock price?

2. How does the stock's price/earnings ratio compare with others in the industry? With the overall market? Is the company contemplating actions to improve the price/earnings ratio? What are those actions?

3. Why does the company's stock sell at such a high (low) price/earnings ratio?

4. What does the company do to ensure that investors understand its strategy and performance?

5. With such a significant drop in share price this year and the loss of $xxxxx in market capitalization, what is the company's strategic plan to regain those losses? What specific steps is the company planning to take?

6. What actions is the company taking to improve investor confidence and the stock's performance?

7. Do you believe that the company's stock is fairly valued?

Dividends

8. What is the company's dividend policy? Does the company have plans to change the dividend rate?

9. How does the dividend policy compare with other companies in the industry?

10. Why did the company stop paying dividends this year? When is the company planning to resume paying dividends?

11. In light of the government's tax rate reductions on dividend payments, is the company planning to start, resume, or increase payments of cash dividends?

12. Does the company have a dividend reinvestment plan? Who pays the cost of running the plan?

13. How many shareholders are enrolled in the dividend reinvestment plan? How many shares of stock were issued under the plan last year?

14. Has the company considered offering stock at a discount through its dividend reinvestment plan?

15. Does the company provide discounts to shareholders to purchase the company's products? How do those discounts compare to discounts offered by peer companies?
A. Shareholder Matters

Share Ownership

16. How many shareholders does the company have and what is the change from last year? What are the reasons for significant changes in the number of shareholders?

17. What percentage of stock is held by institutional investors? By management and board members? By employees? Does the company monitor trading by board members, officers, and others in management? What percent of the company's shares is held in nominee or "street" name, or by foreign investors? Who are the largest shareholders (including beneficial interests)?

18. Were there any significant changes in the stock holdings of a specific individual or institutional shareholder?

19. Does the company have stock ownership guidelines for executives and board members? Has the company instituted a new policy on stock ownership for board members to ensure their independence?

20. Have executives or directors bought the company's stock in the open market? What were their reasons for the purchases?

21. Explain the reason for the significant sales of company stock by insiders. In light of subsequent declines in the company's stock price, were these sales based on insider information not available to all shareholders?

22. Were the purchases of treasury shares made from private sources, from officers or directors, or in the open market? Were the purchases made at the prevailing market value?

23. As a large amount of stock is owned by ________ (shareholders), do they have a representative on our board of directors? What are their intentions? Are they present at today's meeting? Do significant shareholders, including institutional investors, have access to inside, nonpublic information?

24. Why is the company expending funds for common stock buybacks? What was the average price paid? What does a buyback accomplish for the shareholders? How have stock buybacks affected earnings per share? Is the company incurring significant debt to finance these buybacks?

25. In light of declines in the company’s stock price, will the company implement or continue a stock buyback program? Why did the company repurchase so much stock earlier at such a high price?

26. On which foreign stock exchange(s) is the company's stock listed? What are the advantages of having the stock traded there?

27. Does the company plan to list its stock on any foreign stock exchange(s)? Does the company expect to delist from any domestic or foreign stock exchange? Is the company considering delisting its stock from all currently listed exchanges and "going private"?

28. Have shareholders approved all stock option and employee stock ownership plans?
A. Shareholder Matters

29. In the company’s recent IPO, how were the initial share distributions determined? Why weren’t ordinary investors allowed to subscribe to company stock on an equal basis? What practices did the underwriters follow in allocating the company’s shares?

30. Why did the company adopt a dual-class stock in connection with its recent spin-off or other transaction? Doesn’t this go against the principle of one share, one vote?

Shareholder Rights

31. Why are various classes of stock with different rights issued? Why is nonvoting stock issued?

32. Are pre-emptive rights granted to holders of the company’s stock in connection with new stock and convertible debt offerings? Why not?

33. Have there been changes in the bylaws during the year?

34. Why aren’t all shareholders advised of changes in bylaws?

35. Is the company involved in any shareholder suits? What is the nature of the suits? What’s the probable outcome and effect on other shareholders?

Shareholder Relations

36. What is the company doing to improve shareholder relations?

37. What is the company doing to make its shareholder communications more readable and easier to understand?

38. Does the company have a shareholder relations department to respond to shareholders’ questions?

39. Does the shareholder relations department have a website and toll-free telephone number? How does the company use the Internet/website in its shareholder relations efforts? How can shareholders receive Form 10-Q/Form 10-K and other public filings on a real-time basis?

40. Does the company provide all shareholders with information describing the company and explaining how to obtain various company reports, how to participate in the dividend reinvestment plan, etc.?

41. Has management met separately with institutional investors who hold significant amounts of the company’s stock? With analysts? If so, what is the nature of the meetings and what information is provided to institutional investors and analysts? Has the company disclosed publicly all major relationships with institutional investors and analysts? How does the company make sure it complies with Regulation FD and doesn’t make selective disclosure of material information, especially earnings guidance, in the course of such meetings?

42. Does the company make its earnings conference calls available to all shareholders? On these calls, why are only analysts allowed to ask questions and not other shareholders? What information does management provide to analysts? Does management provide guidance on earnings estimates for future quarters?
A. Shareholder Matters

43. How many analysts provide ratings on the company's stock? Are they independent? What ratings have they given? Do any major analysts and firms have sell recommendations on the company's stock? Have they upgraded/downgraded the stock? Why have analysts' views of the company become more critical (more favorable/less favorable)?

44. Has the company given investment banking or other business to an investment firm in exchange for a favorable rating by its analysts? Has the company taken any action against a securities firm whose analysts have a negative view of the company's performance?

Annual Meeting

45. If you were in our place, what are the two or three questions you would ask the CEO and what are your answers to those questions?

46. Why doesn't the meeting include a tour of the company facility where the meeting is being held? Why doesn't the company hold its annual meeting in a company facility? Why are no examples of new or future products on display at the meeting?

47. Do the inspectors of election consist of company employees only? How often are they rotated? Why doesn't the company have independent outside inspectors of election?

48. Has the company considered providing written responses to questions commonly asked by shareholders so as to conserve the time of attendees and permit time for additional questions?

49. Why doesn't the company allow more time for shareholder questions?

50. Does the company webcast its annual meeting over the Internet?

51. Why doesn't the company issue post-meeting reports summarizing annual and special meetings, including the question-and-answer sessions? Are webcasts, conference calls, and transcripts available after the event on the company's website?

52. Does the company try to schedule its annual meeting on a day that won't conflict with a large number of other annual meetings? Isn't there a site that is more convenient to the shareholders? How much does the annual meeting cost?

53. Why isn't a copy of the 10-K available at this annual meeting?

54. Are all the directors and officers and the representatives of the external auditors present?

55. What action does the company take to ensure that shareholder proposals are fairly considered? What action has the company taken with respect to any proposals that received substantial shareholder support?

Annual Report

56. What is the cost per copy and in total of producing and distributing the annual report? Why isn't the SEC Form 10-K used as the annual report, particularly in light of the accelerated filing requirements?
A. Shareholder Matters

Proxy Matters

57. Why isn’t a secret ballot used in shareholder voting? Why isn’t the number of votes for and against each director and each proposal disclosed? Can shareholders cast their votes on the Internet?

58. Why are unmarked proxies automatically voted in favor of the persons soliciting the proxy? Even though the proxy states how shares for unmarked proxies will be voted, why are unmarked proxies counted at all? Why isn’t the number of unmarked proxy votes disclosed? What percent of shares voted at the last annual meeting was cast by company management?

59. Why doesn’t the proxy clearly state that shareholders have the right to assign their proxies to another person? Why don’t the proxies indicate the number of shares owned?

60. What proposals were submitted by shareholders but not included in the proxy statement? Who were the sponsors of the proposals? Why were they excluded?

61. Why doesn’t the ballot provide space to vote for a director other than those nominated by management? Why aren’t nominations accepted from the floor? Why doesn’t the proxy statement include nomination proposals supported by shareholders owning a certain percentage of shares? Why doesn’t the company allow more individuals to be nominated than it has board positions to be filled?

62. Did the directors, company counsel, and the external auditors all review the proxy statement and Form 10-K as well as the annual report, before they were issued?

63. Why doesn’t the company disclose the sponsors of independent resolutions in its proxy statements?

64. How can shareholders present their views on management proposals in proxy materials?

65. What is the company’s opinion on the use of binding, rather than nonbinding, shareholder resolutions?

66. Does the company have a modified plurality or majority vote standard for director elections? If not, does it plan to adopt one?

67. Does the company “bundle” shareholder proposals, combining favorable and unfavorable issues, in order to force shareholders into supporting unpopular provisions such as takeover defenses, expensive stock plans, or questionable charter provisions?

68. Have proxy voting service providers (e.g., Institutional Shareholder Services, Inc.) issued a position on proxy and shareholder proposals? If yes, what is management’s response?
B. CORPORATE GOVERNANCE

Board of Directors

Overall Governance

1. Is the board of directors’ membership and practices compliant with the Sarbanes-Oxley Act and the NYSE and NASDAQ governance rules? What provisions have not been implemented? What is the company’s action plan to implement these provisions?

2. What other changes have been made to the company’s governance practices in the past year? Is the company contemplating additional changes?

3. Does the board have a written statement of its own governance principles that it re-evaluates on a regular basis? Is the statement available on the company’s website or appended to SEC filings?

4. Does the board have a committee responsible for overall board governance, including compensation, size, composition, and performance?

5. How do the company’s governance practices compare with best practices recommended by groups such as the National Association of Corporate Directors, the Business Roundtable, CalPERS, and the Commission on Public Trust and Private Enterprise?

6. Have the company’s corporate governance structure and processes been subject to comments and observations by outside parties, like Institutional Shareholder Services, Inc.?

7. What is the company’s corporate governance rating issued by outside parties, like Institutional Shareholder Services, Inc.? What is being done to improve the rating?

8. What steps has the board of directors taken to monitor management’s actions and to ensure that shareholder interests are protected?

9. Do the company’s code of conduct and conflict-of-interest policies for officers and employees also cover outside directors? Were any waivers granted to executive officers or directors? Are there any communications or other evidence that would indicate that executive officers or directors have conflicts of interest?

10. With the increased focus on boards of directors, has the board undertaken a review of its effectiveness?

11. Do directors formally evaluate their own performance on a regular basis—individually and as a board? What factors are considered in the evaluation? Is the evaluation process linked to the company’s future strategic needs, rather than solely to past performance? What is done with recommendations coming from the evaluation?

12. What are the major issues the board addressed last year?

13. What steps is the board taking to improve shareholder value? To improve investor confidence?

14. What is the board’s role in the company’s strategic planning?
B. Corporate Governance

15. How does the CEO ensure compliance with the NYSE corporate governance rules prior to certifying annually to the NYSE that he/she is not aware of any violations?

Size, Composition, Qualifications

16. How has the board composition changed over the past year? Has the board re-evaluated whether its members have the right set of qualifications? Have any directors been asked to resign or not to stand for re-election?

17. How big is the company’s board of directors? Could the board be more effective if it reduced (increased) the number of board members? Why is the number of board members being increased (reduced)?

18. Regarding board composition, how many directors are current employees, past employees, past auditor of the company, service providers, women, minorities? Are they independent? What initiatives has the company taken to promote diversity within the board and executive management? Have employees or union representatives been considered for board membership?

19. Does the company’s former CEO serve on the board of directors? Does this undermine the new CEO?

20. With increased globalization, what has the company done to increase the international breadth of knowledge and experience on the board?

21. What attributes are considered essential for board members? Is industry-specific knowledge and experience required?

22. How much training do board members receive annually to help them meet their responsibilities? Does the company have specific requirements for director education?

23. Are directors required to own minimum levels of company stock? Are directors required to purchase stock with their own funds? Does each director have a meaningful equity interest in the company that reflects his or her fiduciary responsibility to shareholders? Do directors have to hold company stock for a period of time? Have any directors sold company stock during the past year?

24. Why doesn’t the board have a mandatory retirement age or term limits for directors?

25. Is the board classified or re-elected annually in its entirety? What is the company’s position on declassifying its Board?

26. Does the board have a policy of rotating directors through committees? Is there a minimum/maximum period that a director can serve on a particular committee?

Recruitment

27. Does the company have a committee of independent directors for nominating candidates for board membership? Is the company compliant with the NYSE and NASDAQ rules in relation to the nomination of directors?
B. Corporate Governance

28. What qualifications are required for prospective board members? Does the committee focus on potential conflicts of interest when considering adding investment bankers, commercial bankers, and attorneys to the board? How does the committee ensure that those nominated represent the interests of all shareholders? Has the company experienced difficulties in attracting prospective board members or audit committee members?

29. Can you provide an overview of the nomination process for directors of the company?

30. How does the company identify new directors? Has the company used outside recruiting services to find directors? What fees were paid to these consultants? Does the company consider nominations from shareholders?

Independence, Conflicts of Interest

31. Why doesn't the company have more outside directors? Why don't outside directors make up a majority of the board? Does the company plan to add more outside directors and/or reduce the number of management or inside directors?

32. Why are members of management also on the board of directors? Whose interests would they represent if the interests of the shareholders and management diverged?

33. What definition of independence does the board use? Is it consistent with the stock exchange rules? Does the board consist of a majority of independent directors as defined in the stock exchange rules?

34. Are any of the company's outside attorneys also officers, directors, or shareholders of the company? Who reviews the fees paid to their firms? Who determines what work will be given to their firms?

35. Are any major lenders represented on the board? Are their interests different from those of shareholders?

36. Are any venture capital firms represented on the board? Are their interests different from those of other shareholders?

37. Are any directors immediate family members, friends, or personal business associates of the CEO? Are any immediate family members of directors employed by the company?

38. Are any directors affiliated with or employed by the present or a former auditor?

39. Do the following board committees (or those that perform the indicated functions, regardless of committee name) consist entirely of independent directors: audit, director nomination, board evaluation and governance, and CEO evaluation and management compensation?

40. Are there any interlocking directorates where executives of the company serve on the board of an entity affiliated with a director? Does any director have a potential conflict of interest because of membership on another board? Does the company require directors and officers to submit conflict-of-interest statements?

41. Why does the chairman of the board, who is responsible for policy, also serve as chief executive officer responsible for day-to-day activities? Are there any plans for separating these two
B. Corporate Governance

positions? Has the board designated an independent lead director to coordinate efforts of other independent directors? Does the lead director meet regularly with the CEO?

42. Does the board challenge management's decisions? What examples can you give to demonstrate that directors are sufficiently independent and strong to overrule management when necessary?

43. With the issuance of tracking stock, how does the board resolve potential conflicts of interest between the different interests and objectives of the two sets of shareholders (holders of the company’s stock and holders of the tracking stock)?

44. Does the proxy statement describe all transactions between companies in which directors and officers have interests and with which the company does business?

45. Does any director, officer, or member of management of the company have any personal investments in entities that do business with the company?

46. Does the proxy statement include information on company donations to charities and foundations that directors are associated with? Does it include donations to politicians who are closely related to board members or company management? What were the amounts of such contributions or donations? Were they approved by the board?

47. What prior or current relationships exist between the chairman/CEO and current board members?

48. Do the non-management directors meet in regularly scheduled sessions without management, as required by the NYSE and NASDAQ rules?

49. If a matter that may represent a possible conflict-of-interest came up for a vote, did the affected director abstain from voting on it? Did the affected director excuse himself or herself from the meeting at which such matters were discussed?

Compensation

50. What was the aggregate amount of compensation paid to directors last year? What was the composition of the directors’ compensation (e.g., cash, outright or restricted stock grants, stock options)? How does the compensation compare with that of directors of comparable companies? Have director fees been increased? Are directors’ fees adequate to attract qualified professionals? Does the company require that directors maintain an ownership interest in the company throughout their tenure?

51. Do directors receive their fees if they do not attend meetings? Do they receive additional fees for serving on or chairing board committees? Are certain directors paid more than other directors? Are directors reimbursed for travel expenses? Are directors who are also employees paid additional fees for attending board meetings? Does the company grant stock options to directors? Does the company provide pension benefits or life or health insurance for directors? What other perquisites do directors receive (e.g., personal use of corporate aircraft, personal use of company facilities, spouse and family members accompanying the director on company business at the company's expense)?

52. Is the company compliant with the NYSE rules that require each listed company to have a
B. Corporate Governance

compensation committee composed entirely of independent directors? With the NASDAQ rules?

Meetings and Attendance

53. How often did the board of directors meet this year? Last year? Why doesn’t the board meet more frequently?

54. What is the attendance record of individual board members? What was the attendance record for the various committees of the board of directors? Why didn’t directors identified in the proxy as attending less than 75% of board meetings have better attendance? What action is the board taking in response? Does the proxy statement describe the company’s policy for board members’ attendance at annual meetings and state how many board members attended last year’s meeting, as required by the SEC?

55. Are all directors present at this meeting?

56. How many board meetings were telephone meetings? What percent of directors attended regular board and/or committee meetings by telephone?

Board of Directors—Other

57. Does the board approve all transactions with related parties? Did it approve any transactions with related parties last year? What was the nature of the transactions? Are any members of the board or management involved in a related party transaction?

58. To what extent does the board monitor significant business transactions and arrangements? Beyond what level is board approval (versus senior management approval) required?

59. Does the company have a policy on the number of outside boards its directors can be on? How many directors serve on multiple boards? How much time do outside directors spend on company matters?

60. Do the CEO and other senior executives of the company serve on the boards of other companies? Does the company have a policy on the number of outside boards its senior executives can be on? Does outside board service interfere with the executives’ job performance?

61. Do all directors review and personally approve the Form 10-K? Do all directors read and approve the Form 10-Q prior to issuance? Do all directors read and approve earnings press releases and earnings guidance prior to issuance?

62. Do directors vote on appointments and promotions of senior officers?

63. Does the company carry liability insurance for directors? Have premiums increased significantly in recent years? Is insurance coverage adequate? If not, will coverage be increased so the company can continue to attract qualified candidates?

64. Has the board ever given after-the-fact approval of a major transaction initiated by management? Why didn’t management obtain the board’s advance approval?
B. Corporate Governance

65. Does the board understand and discuss the major risks the company faces? Is it satisfied that the level of risk accepted by the company is acceptable and is not likely to negatively affect shareholder value?

66. Have any directors disposed of large blocks of company stock during the year or have they sold the company's stock short? How does the company ensure that these actions aren't based on inside information? Does the company have a policy in place restricting directors and officers from short-selling company stock?

67. Does the company have a succession plan for key positions, including board chair and chief executive officer? To aid in succession planning, does the board regularly interact with other company executives?

68. Have there been disagreements between inside and outside directors? How were these resolved?

69. Does the full board meet separately with the external auditors?

Audit Committee

Overall Governance

70. Is the audit committee's membership and practices compliant with the Sarbanes-Oxley Act and the SEC rules and the stock exchange rules? What provisions have not been implemented? What is the company's action plan to implement these provisions?

71. Are the audit committee's duties and responsibilities formalized in a written charter that complies with stock exchange rules? Is the charter reviewed and reassessed annually? Is the charter available on the company's website or appended to SEC filings?

72. How does the audit committee report to the board of directors? How often does it report to the full board?

73. How has the committee undertaken the assessment of its effectiveness under Section 404 of the Sarbanes-Oxley Act? Do the external auditors provide feedback on the effectiveness of the audit committee?

Composition, Independence, and Other Qualifications

74. How many directors serve on the audit committee? How has the audit committee composition changed over the past year? Does the audit committee consist entirely of independent directors?

75. How are audit committee members appointed? How is the audit committee chair selected? Does the audit committee chair rotate pursuant to a determined policy?

76. Has the audit committee and/or the nominating committee re-evaluated whether the audit committee’s members have the right set of qualifications? What are the members’ backgrounds? What special qualifications do they possess that enable them to be effective?
B. Corporate Governance

77. How does the company determine that all committee members are “financially literate” as required by the stock exchange rules?

78. Has the company evaluated whether the audit committee has a “financial expert” as defined by SEC rules? How many directors were named as audit committee financial experts? If only one director was named as the audit committee financial expert, are there any other directors who qualify, and why weren’t these other directors named as well? Is the designated member independent? Has the company disclosed the designated member’s name in the proxy statement and 10-K? If no financial expert exists on the audit committee, what is the company’s action plan to recruit a qualified candidate? Has the company experienced any difficulty in recruiting a qualified candidate? Does the company believe that it needs a financial expert on the audit committee?

79. What information and training do audit committee members receive to help them meet their responsibilities?

Meetings and Attendance

80. How frequently does the audit committee meet? What are the committee’s plans for next year? Why doesn’t the audit committee meet more frequently?

81. What is the attendance record of individual audit committee members? What actions is the board taking to respond to poor attendance by audit committee members?

82. How many audit committee members serve on multiple boards or audit committees? Does the company have a policy on the maximum number of outside boards and audit committees its members can be on? Is the board satisfied that the members of the audit committee have sufficient time to perform their duties?

Financial Reporting

83. Does the audit committee review with management and the external auditors how they assess the risk that the financial statements may be materially misstated, and related judgments made by each in preparing and auditing the financial statements?

84. What was the board of directors’ and/or audit committee’s role in the CEO and CFO certification process required by Sarbanes-Oxley and the SEC? What issues were identified in this process? Did the board of directors and/or audit committee review the certifications?

85. Has the company complied with all the required CEO and CFO certifications of the financial statements? What control procedures has management implemented to satisfy itself as to compliance prior to signing the certifications? Is the company satisfied that the financial statements are free of material misstatement?

86. What disagreements between management and the external auditors did the audit committee resolve? Was an external advisor hired to assist the audit committee in resolving disagreements?

87. What criteria does management use to identify financial accounting or reporting matters that should be discussed with the audit committee?
B. Corporate Governance

88. Does the audit committee review with management and the external auditors at the conclusion of the audit any uncorrected misstatements, as well as management’s and the auditors’ rationale for concluding they are immaterial? Does the audit committee concur with management’s reasons for not correcting them?

89. Is the audit committee made aware of, or does it approve, the initial adoption of accounting policies, significant changes in accounting policies or principles, and the application of critical accounting policies? Do the external auditors discuss these policies with the audit committee?

90. Does the audit committee review the accounting treatment of unusual transactions? Off-balance sheet arrangements? Partnerships?

91. Have the external auditors or the SEC staff questioned any of the company’s accounting policies or practices? Has the company restated its financial statements during the past year? If so, what are the facts that gave rise to the restatement and what actions have been taken to ensure similar occurrences are avoided?

92. Has the audit committee established procedures for the receipt, retention, and treatment of communications received by the company regarding accounting, internal accounting controls, or auditing matters?

93. Is the audit committee knowledgeable about management’s and the external auditors’ document retention policies? Is it satisfied with those policies?

94. Has the company received letters from individuals concerned about its accounting practices? If so, have the claims made in such letters been investigated thoroughly and by independent parties? Have the claims and investigation results been reported to the board of directors, to the external auditors, to the SEC, and to the shareholders?

95. Does the audit committee review the propriety of the company’s revenue recognition policies?

96. Does the audit committee review with management and the external auditors those “grey areas” requiring significant judgment, such as estimates, that underlie the financial statements? Has the audit committee reviewed the disclosure of significant judgments in Management’s Discussion and Analysis?

97. Does the company have a disclosure committee? Who are the members of the committee?

98. Does the audit committee discuss with the external auditors their judgments about the quality, not just acceptability, of the company’s accounting principles and financial disclosures, as called for by auditing standards?

99. Does the audit committee review all financial press releases and earnings reports before their release to the public? Does it review all SEC reports (10-K, 10-Q, 8-K, etc.) prior to issuance? Does the committee schedule time to receive timely communications from the external auditors of certain matters noted in connection with the auditors’ review of the quarterly financial statements?

100. What involvement does the audit committee have in quarterly reporting matters? Do the auditors communicate significant matters resulting from their quarterly reviews prior to the company’s filing?
B. Corporate Governance

101. Does the audit committee review pro forma earnings before they are released? Is the committee comfortable that the pro forma presentations are not misleading?

102. Has the company consulted the SEC staff during the past year on an accounting matter? What level of involvement did the audit committee have in that consultation?

**Internal Control**

*General*

103. How does management establish an appropriate "tone at the top" regarding its commitment to internal control?

104. How does management assess the adequacy of internal control? Has management conducted an assessment of internal control overall based on the COSO framework? Were changes made as a result?

105. What significant deficiencies or material weaknesses in internal control related to financial reporting or fraud did the company identify in its Sarbanes-Oxley Section 404 process or in the CEO and CFO's certification process, as required by the Sarbanes-Oxley Act and the SEC? Have all significant deficiencies and material weaknesses been disclosed in the Form 10-K? What action is management taking to strengthen controls in these areas?

106. What impact did the disclosure of a significant deficiency or material weakness have on the stock price and other areas of the company's business?

107. Does the audit committee monitor the company's internal control? Has the committee discussed with management and the auditors the effects of the recent company restructuring/downsizing on internal control?

108. Is the company an accelerated filer or large accelerated filer pursuant to the SEC's requirements? Has the company met the accelerated filing requirements and does it expect to meet the additional requirements to become a large accelerated filer for fiscal years ending on or after December 15, 2006, if applicable? What changes have been made to ensure that appropriate controls remain in place over financial reporting despite the accelerated reporting requirements?

109. Is there an ongoing self-assessment program to review and revise internal control as the company's operations change?

110. Does the company's reporting system provide appropriate information for timely identification of potential major financial or operational difficulties?

111. What is the external auditors' view of the company's internal control? What recommendations were made? Have the external auditors issued a report on the company's internal control over financial reporting? Why don't the company and its external auditors provide shareholders a report on the company's controls? Has management considered early adoption of the requirements under the Section 404 of the Sarbanes-Oxley Act? Has management addressed all internal control recommendations made by the external auditors? If not, why?
B. Corporate Governance

112. Did the external auditors report significant deficiencies in the design or operation of internal control? Were any serious enough to be considered a "material weakness”? What has been done about them?

113. Does the audit committee receive the same comments on internal control from the auditors as management receives?

114. Do management and the board believe the company’s internal controls are effective? What safeguards does the company have to prevent management from "cooking the books" or otherwise abusing generally accepted accounting principles?

115. How often does the internal audit department review the company’s internal control policies and procedures? Were any significant control deficiencies reported? What has been done about them?

116. With the SEC’s deferral of Section 404 of the Sarbanes-Oxley Act for certain companies, what steps has the company taken to ensure readiness for compliance with Section 404? Does the company expect any compliance issues with the Section 404 requirements? Have the external auditors raised any internal control issues that may result in a qualified or an adverse opinion on management’s assertion regarding its internal controls over financial reporting?

117. Did/does the company use external expert resources for assistance in compliance with Section 404? Has the company estimated the total costs of internal and/or external resources that were/will be required for compliance with Section 404?

118. How did the auditors’ and advisors’ fees change for the second year’s Section 404 attestation? Did the company experience significant internal efficiency gains?

119. Has the company implemented the requirements of Section 404 in a sustainable manner or is it still a project-based approach? How does the company plan to design and implement an efficient and effective program for sustainable compliance?

120. What new technologies have been/could be used to help in the implementation of a sustainable compliance process? What were the costs or what are the expected costs?

121. How did/does the company prepare its non-U.S. subsidiaries for readiness and compliance with Section 404 of the Sarbanes-Oxley Act?

122. Does management believe there is an appropriate level of oversight at its overseas operations? How does management monitor activities and transactions at its remote locations? Are controls over operations in foreign countries as effective as controls over domestic operations?

123. How does management monitor intercompany transactions?

124. How does management monitor the internal controls at outside service providers (e.g., for outsourced functions)? Has management considered performing periodic reviews at those service providers?
B. Corporate Governance

Fraud and Illegal Acts

125. Does the company have a fraud prevention and detection program? Who is responsible for corporate security? Are there adequate controls to protect the company's technology, trade secrets, and other sensitive records?

126. Are internal control policies and procedures adequate to identify potential errors, fraud, or illegal acts? Do the controls identify unauthorized transactions?

127. Are safeguards in place to ensure that assets of the company (as well as assets of the company's pension and other employee benefit plans) are not misappropriated?

128. Does the audit committee have a process to focus specifically on the risk of fraud? Does this include discussions with management of its efforts to deter fraud? Does the committee discuss with the external auditors their consideration during the audit of the risk of fraud?

129. Was any fraud or illegal act reported to the audit committee during the year through the whistle-blowing process or otherwise? What actions did management and the audit committee take?

130. Have any employees been caught in fraudulent activities? What actions were taken against them? Have their actions been publicized to discourage similar wrongdoing?

131. What are the company's policies and procedures to prevent and detect insider trading? Were any violations of insider trading rules identified this year? What actions did the company take?

132. Does the company have policies and procedures for voluntarily reporting violations of federal procurement laws to appropriate governmental agencies?

133. Is there a program to meet the "due diligence" provisions of the Federal Sentencing Guidelines? Who is responsible for overseeing compliance with the company's policies and procedures? Is this person at a sufficiently high level to be effective?

134. Has management ensured that the company's attorneys will report any possible violations of laws or regulations to an appropriate level of management? Have any been reported? What actions have been taken as a result?

135. Have any issues been identified through the external auditors' required enhanced fraud procedures?

External Auditors

136. How often do the external auditors meet with the audit committee? Does management participate in the meetings? Does the audit committee meet separately with the external auditors without management present?

137. Does the audit committee review the scope of external audit activities in advance? Does it meet with the external auditors at the conclusion of the audit? What mechanism ensures that the committee follows up on audit recommendations?
B. Corporate Governance

138. Does the audit committee appoint the external auditor? What process does the audit committee go through to determine whether to reappoint the existing auditor or select a new auditor? Why isn’t the selection subject to shareholder ratification?

139. Does the agreement with the external auditor include any limits on potential liability by the auditor or contain an agreement on the processes that will be used by the company in case of disputes with the auditor?

140. What steps does the audit committee take to oversee or help ensure the independence of the external auditors? Has it received the communications from the auditors about their independence, as required by ISB Standard No. 1? Have there been any independence infractions by the auditors? How has the board/audit committee satisfied itself that the auditors are independent?

141. Do the external auditors have any relationships with management or the board of directors that may be viewed as a conflict of interest?

142. Did any members of management come from the external audit firm? How many worked on the audit prior to joining the company? Has this information been disclosed to the audit committee? Have any offers of employment been made to members of the current audit engagement team?

143. Is the audit committee responsible for the external auditors’ compensation for audit and nonaudit services? Does the audit committee have a policy for preapproving audit and nonaudit services? Is the audit committee’s preapproval policy compliant with the requirements of the Sarbanes-Oxley Act and SEC rules and regulations?

144. What process does the audit committee use in considering whether the provision of nonaudit services by the external auditor was compatible with maintaining the auditors’ independence?

145. What nonaudit services were provided by the external auditors? Why are the nonaudit fees so high in relation to the audit fees? How do the nature and relative amount of nonaudit fees compare with other companies in the industry?

146. For services provided by the external auditors, has there been a competitive bid process or other means to ensure services are priced and performed at market prices and under standard professional practices? What fees are paid to other consulting firms and what percentage of total consulting fees do the external auditors receive?

147. Do the external auditors audit the company’s benefit plan(s)?

148. Did/does the external auditors provide services in relation to the company’s readiness under Section 404 of the Sarbanes-Oxley Act? Has the audit committee considered any potential independence issues resulting from these services?

149. Do the external auditors advise the company on income tax planning strategies? Has the audit committee considered any potential independence issues resulting from these services? Have the new PCAOB rules dealing with tax-related services resulted in any changes for the company, management, or board?

150. Do the external auditors provide transaction-structuring advice to the company? If so, what type of advice is provided? Are material and complex transactions reviewed with the external auditors for concurrence with the accounting and tax treatment? Are these transactions reported?
B. Corporate Governance

to the audit committee? What processes are in place to ensure all relevant facts are provided to
the auditors to ensure the right accounting treatment? Are the external audit firm’s technical
specialists consulted? Have there been any disagreements with the external auditors over the
company’s accounting treatment for these complex transactions?

151. How many years have the external auditors been auditing the company? Has the company
considered periodic rotation of auditors? What impact has the company seen as a result of the
mandatory partner rotation rules required by the Sarbanes-Oxley Act?

152. Has the company experienced any significant changes in its relationship with the external
auditors under the auditing oversight of the PCAOB?

153. Have the auditors undergone a peer review or internal quality control inspection? What were the
results of their latest (AICPA-mandated) peer review or internal quality control inspection?

154. What were the results of inspections by the PCAOB of the external auditor’s and public company
audit practice?

155. What assessments, if any, has the company made regarding the litigation record of its external
auditors? Has the company evaluated the effect of any litigation that the auditors are involved
in?

156. Is the company’s external auditor named a defendant in any recently publicized litigation class-
action suit? If so, is the company joining this suit for any settlement?

157. Why were the company’s former external auditors dismissed/replaced? Why did the auditors
resign or not stand for reappointment?

158. Were there any accounting disagreements with the company’s former external auditors
preceding the change? What was the nature of the disagreements?

159. Has the audit committee consulted with its own counsel or another auditing firm? What
circumstances gave rise to the consultation? Does the audit committee expect to have similar
consultations in the future?

160. Does the company use different auditing firms for any subsidiaries? Are all company operations
audited? Was the auditors’ report on any subsidiary’s financial statements qualified? If so, why
doesn’t the principal auditors’ report disclose this?

161. Do the external auditors investigate and report on all acquisitions?

162. Do the external auditors visit the company’s major locations on a regular basis?

Internal Auditors

163. Does the company have an internal audit department? How many internal auditors does the
company have and how does that number compare with other companies in its peer group?
What is the annual cost of the internal audit function? What have staffing trends been in the
internal audit department over the past five years?
B. Corporate Governance

164. Is the company planning to establish an internal audit department? When will it be operational? What is the cost to establish this function?

165. How often do the internal auditors meet with the audit committee? Does management participate in the meetings? Are any meetings held without management present? Does the audit committee meet separately with the internal auditors?

166. Does the audit committee review the scope of internal audit activities in advance? Does it meet with the internal auditors at the conclusion of the audit? What mechanism ensures that the committee follows up on audit recommendations?

167. Is internal audit involved in tests of financial reporting?

168. Does the company have internal auditors that specialize in reviewing information systems and controls? Does the scope of their activities include computer security and business continuity planning?

169. Does the internal audit department encourage its personnel to obtain relevant professional accreditation (e.g., CPA, CIA, CIAS, CBA, CMA)? How does the department ensure its members have appropriate training to stay current?

170. To whom do the internal auditors report? Does the chief internal auditor have ready access to the audit committee? Does the audit committee review and approve the internal audit department’s charter and scope of activities? Can management replace the head of internal audit without the audit committee’s approval?

171. Are there restrictions on the scope of the internal audit department's work? Do the internal auditors have full, unrestricted access to all company functions, records, and personnel?

172. How often do internal auditors visit each operating location? Do they cover foreign operations?

173. Does the internal audit department perform operational (management) audits to identify opportunities for increasing productivity and reducing inefficiencies? How much of its time is spent on operational audits compared with financial audits?

174. Do the internal auditors issue written reports at the conclusion of each audit? Who receives these reports? Who follows up on recommendations?

175. Does the company outsource its internal audit function to an auditing firm? What is the relationship between the external auditing firm and the firm that provides internal audit services? To whom do the internal auditors report?

176. Have the standards and performance of the internal audit department been subject to an external review?

Risk Management

177. Does the audit committee oversee management’s processes for identifying and managing financial reporting risks? What about legal and regulatory compliance risks? Operating risks? If the audit committee doesn’t oversee all aspects of risk, what other board committee does?
B. Corporate Governance

178. Does the audit committee discuss management’s policies with respect to risk assessment and risk management? Is the audit committee aware of the company’s major financial risk exposures and the steps management has taken to monitor and control such exposures?

Code of Conduct and Ethics

179. How does management establish an appropriate "tone at the top" regarding its commitment to ethical behavior?

180. Does the company have formal values and supporting standards of behavior that are consistent with its corporate mission, strategy, operating policies, and performance objectives?

181. How does the company ensure effective oversight of its ethics programs? What board committees, management committees, and compliance programs provide assurance that corporate objectives are met responsibly?

182. Does the company have a code of conduct or policy statement regarding dealings with suppliers, consultants, and customers? Does it apply, on a worldwide basis, to all officers, employees, and directors? Is the code of conduct available on the company’s website or appended to SEC filings?

183. Does the company review its ethics environment and programs on an ongoing basis? What is the company’s assessment?

184. How does the company communicate with and educate employees on its ethical standards and programs, and on how to identify ethical challenges and act responsibly?

185. How is compliance with the code of conduct monitored and enforced?

186. Does the company have a toll-free number or other means that employees can use to report suspected illegal acts or fraud on a confidential basis?

187. Does the code of conduct require the board of directors/officers/senior management to submit written statements of compliance annually? Was the code of conduct waived for any directors/officers/senior management, or other employees? Who approved the waiver?

188. Does the proxy statement describe all transactions between companies in which directors and officers have interests and with which the company does business?

189. Have any code of conduct violations been discovered this year? If so, what has been done to correct the problem? How does the company prevent former employees from using the company’s trade secrets or research results?

190. Is the company’s code of conduct compliant with the NYSE or NASDAQ rules? If not, what steps is the company taking to ensure compliance?

191. Does the company report compliance issues and their resolution to the board of directors?
C. EXECUTIVE COMPENSATION

General

1. Who is on the board’s compensation committee? How are members selected? Is the committee composed entirely of independent directors? If not, is there a plan in place to have the committee composed entirely of independent directors? Does the CEO sit on the compensation committee? Does the committee have a written charter?

2. Has the board or the compensation committee conducted a comprehensive review of executive compensation and executive performance? What were the results? Who has input into this process?

3. How is executive compensation determined? To what extent was company performance, both against its business plan and competitors, considered in setting executive compensation? What programs are in place to unite executive compensation and shareholder interests? Does the compensation committee prepare its own executive compensation package or does it review the package proposed by the CEO?

4. Does the compensation committee use compensation consultants? What criteria do the consultants use in recommending compensation levels? Are the compensation consultants engaged by the compensation committee or by management? If the compensation consultants are engaged by the compensation committee, are those consultants also engaged to perform other services for management?

5. How do we know the company’s executive pay levels are not excessive? Would the CEO still come to work if we paid him only $_____?

6. Is the company regularly re-examining its executive compensation arrangements to ensure the level of compensation corresponds with corporate results? Shareholder returns? Various nonfinancial performance measures? Overall corporate strategy?

7. How much of officers’ and executive compensation is tied to operating results or share price? How did officers’ and executive compensation change in the past year compared with the change in the company’s stock price?

8. How does the method of compensating key employees compare with methods generally used in the industry? How does executive compensation compare with that of major competitors?

9. Has the company had difficulty attracting or retaining key executives? How is this being addressed? What key executives or employees have resigned due to inadequate compensation?

10. Is the company considering changing its compensation plans to such methods as performance-linked stock options, granting restricted shares, and granting incentive stock options?

11. How have the company’s compensation policies changed since last year?
C. Executive Compensation

12. Is shareholder approval required for new executive incentive plans? Are plans structured to emphasize the company's long-term objectives rather than short-term goals? Is the company compliant with the NYSE rules requiring shareholder approval of equity-compensation plans and material revisions to such plans?

13. What was the total cost of all executive compensation plans? How does the company justify compensation packages of top executives?

14. How much of officers' compensation is salary, how much is bonus, and how much is executive perks? What factors determined management's salaries? What factors were used to determine management's bonuses? What is the breakdown of the chief executive officer's compensation between base salary, bonus, and executive perks? What was the percentage change this year?

15. How does the company determine the overall mix of compensation to executives between cash, options, restricted stock, deferred compensation, perks, and pension and other postretirement benefits?

16. Why is officers' compensation so high? How does the company explain the trend in executive compensation compared with the trend in earnings? Why was executive compensation increased when the company is cutting costs (e.g., through layoffs) or not increasing dividends (or reducing or eliminating dividends)? Why did executive compensation rise when workers are being asked to accept wage and benefit reductions?

17. How do the compensation packages for company officers compare with average employee pay? Why is there such a large gap between the compensation of the CEO and the majority of the company's employees? Has the ratio of the CEO's pay compared with that of the average employee increased in recent years?

18. Are there plans to extend some type of variable, incentive-driven compensation plan to lower management?

19. How did the cost of incentive plans (e.g., profit sharing, bonuses, etc.) compare with the previous year? Will there be any new executive incentive plans (e.g., stock purchase, profit sharing, incentive bonus) or changes in existing plans?

20. How does the change in executive compensation compare with the change in compensation for all other employees? How does it compare with other companies in the industry?

21. What were the expense allowances for executives last year? How did these compare with the previous year? Who reviews and approves executive expenses? What safeguards are in place to ensure that personal expenses are not reimbursed by the company?

22. What perquisites do executives receive (e.g., use of company airplanes, automobiles, apartments, executive retreats or other company facilities, or benefits for their families)? Are these perquisites comparable to those provided by other companies in the industry? How are personal benefits valued? Do executives reimburse the company for the fair value of personal benefits received, or does the company gross-up the value of the benefits for the tax consequences to the executive (i.e., the company pays the taxes as well)? Are executive perquisites reviewed by the internal auditors and reported to the audit committee (compensation committee)?
C. Executive Compensation

23. Is there a ceiling on executives’ retirement benefits? What benefits other than pension payments do retired executives receive?

24. Does the company have policies in place that prohibit personal loans to directors or executive officers? Have any loans been made to any director or executive officer? What is the purpose of these loans? What is the total dollar amount of these loans? Have officers or directors received loans with preferential terms from banks with which the company does business? Has the company guaranteed loans to officers and directors from others? What controls are in place to prevent unauthorized loans to senior executives?

25. Is the company compliant with the regulations restricting loans to officers? Has the company ceased its practice of allowing the cashless exercise of stock options and making life insurance premium payments on split-dollar life insurance policies?

26. What is the company’s policy on loans to employees? What is the total dollar amount of these loans? What were the loans for? Are interest rates on these loans at market rates?

27. Has the company forgiven or restructured loans in light of subsequent declines in the company’s stock price? Has the company forgiven any loans to management or directors?

28. Do any officers have employment contracts? Do they exceed five years? Are the terms similar to those of other companies in this industry?

29. What do the contracts provide in the event of a takeover of the company?

30. Do officer employment contracts provide for substantial payments (“golden parachutes”) in the event of termination or significant changes in ownership of the company’s stock? Why aren’t such contracts submitted to the shareholders for approval? How do you justify severance agreements and job security guarantees given to top executives?

31. Why did the former CEO (COO, CFO, or senior executive) resign? What were the terms of the termination settlement? Did the company buy back stock that the former officer held? Was the stock purchased at market value? Did the executive receive any value related to unvested stock options as a result of his/her termination?

32. Do any officer employment contracts provide for advisory or consulting services after retirement? Do any retired officers have consulting agreements? If so, what are the terms? Do the contracts contain noncompete clauses?

33. Have any executives taken positions with competitors? Does the company have noncompete agreements for key executives?

34. Why aren’t details of directors’ compensation disclosed in the proxy statement? What is directors’ compensation this year compared with last year? Is an increase in director compensation planned for next year?

35. In light of the SEC’s proposal in January 2006 to require new disclosures about executive compensation, is the company planning to alter compensation plans or other benefits? Will the company early adopt the disclosures in next year’s proxy statement?
C. Executive Compensation

Stock-Based Compensation Plans

36. How much dilution of common stock could occur as a result of the exercise of options issued under the company's stock option plan (e.g., if all outstanding awards would be exercised)? Is the company proposing a new compensation plan that could lead to significant dilution? How much is the company's options "overhang," that is, existing and available options as a percentage of shares outstanding?

37. How does the company limit potential dilution caused by options? If the company does this by repurchasing its shares, what percentage of the company's cash flow is used for this purpose?

38. Why were executive stock options repriced when the stock fell? Why were new stock options issued at a lower price? Doesn't that defeat the purpose of issuing options as incentives for management to increase the stock's price?

39. Has the company taken action (through repricing, allowing executives to cancel or rescind stock purchases, or other mechanisms) to mitigate losses suffered by employees in the value of their outstanding stock options or stock holdings as a result of a stock price decline? Don't these actions reduce the alignment between shareholders and management? Does the company seek shareholder approval for these actions?

40. Has the company considered using performance-based stock options for high-level executives that would tie the exercise price of the option to performance of a defined group, such as the S&P 500 or an industry peer group?

41. What percent of executive compensation is paid in the form of stock options, restricted stock, or other stock-based compensation?

42. Has the board approved all stock-based compensation plans? Does the board/compensation committee evaluate such plans periodically? Do all new stock-based compensation plans or changes to existing ones require shareholder approval?

43. Why are stock-based compensation awards granted to top management/directors but not offered to all employees? What percentage of all stock-based compensation awards are granted to the executives of the company and why?

44. What percentage of the company's employees currently have stock-based compensation awards outstanding? Is there a ceiling on the number of awards that may be granted to an individual?

45. How often are stock-based compensation awards granted? Does the company plan to increase the number of options outstanding? Does the company expect to modify its use of share-based compensation due to the recently issued FASB 123(R), which requires the recognition of an expense for options and similar instruments?

46. Has the company considered amending or curtailing its stock-based compensation award plans?

47. Why did the company allow accelerated vesting of its stock-based compensation? Was this right granted to all plan participants?
C. Executive Compensation

48. Were “change-in-control” provisions included in stock-based compensation awards and employment agreements? Based upon today’s stock price, what would be the payments under such provisions in the event of a change in control?
D. BUSINESS STRATEGY AND OPERATIONS

Financial Results

1. How did sales and earnings compare with anticipated or budgeted amounts? With those of the prior year? What was the reason for the variation? How much was due to volume? Product mix? Price?

2. Why did the company's financial results differ so much from its forecasted results? From analysts' expectations?

3. How much of the sales growth was attributable to acquisitions?

4. How much did the company save from cost-containment measures?

5. How significant are foreign operations? What were the effects of changes in foreign exchange rates on the results of operations?

6. How much of the company's net income resulted from nonrecurring items? What were the nonrecurring items? Is it appropriate to classify so many items as nonrecurring when it seems that the company has several "nonrecurring" items each year?

7. What are the trends in the company's operating margins? Why have these trends occurred? If they are worsening, what is being done to improve operating margins?

8. How do the company's earnings and key financial ratios compare with others in the industry? How does the company's cash flow and liquidity compare with competitors'? Why isn't cash flow from operations growing as strongly as net income?

9. How much was spent for advertising and promotion this year? Will such amounts be increased or decreased next year?

10. Why are the company's accounts receivable growing faster than sales? Is the company extending more financing to significant customers in order to close the sales? Has the company had to write off any of these receivables?

11. What was the total amount of bad debts written off last year? How does it compare with other companies in the industry? What were the largest debts written off?

12. How much money is due from bankrupt companies? Are these amounts fully reserved? To what extent are they secured? What is the value of the collateral, and is the company's claim to the collateral sound? What is the status of the company's claim against the bankrupt company? To what extent does the company expect to be able to collect these receivables?

13. Does the company have any ongoing significant contracts with a company in bankruptcy? If it appears unlikely that contract performance will be fulfilled, what is the impact on the company expected to be?

14. Is the company exposed to any credit/default risk of a significant supplier/customer or other significant party due to financial problems or bankruptcy?
D. Business Strategy and Operations

15. Does the company have any direct or indirect operating exposure, including performance risks associated with off-balance sheet contracts, related to a company that has filed for bankruptcy?

16. Does the company have joint investments, derivatives, or other contracts with a company that has filed for bankruptcy? If so, are those joint investments now impaired? How have they been valued at year-end?

17. Why are the results of operations of _____ (competitor) so much better than the company’s?

18. How does the company’s return on investment compare with others in the industry?

19. How does the company’s profitability compare with changes in revenues? If net income has not increased proportionately with revenues, what factors caused this situation?

20. Were there any large fourth-quarter adjustments to income?

21. How do the pro forma results issued differ from the financial results in Forms 10-Q and 10-K?

22. In a typical quarter, is income earned evenly throughout the quarter, or is there a spike in the last month? Is the spike due to recording adjustments?

23. Is the company continuing to provide earnings guidance? How does the company respond if it appears that previously issued guidance will be incorrect?

Business Strategy

24. Describe the company’s overall mission and strategy. Which businesses relate directly to the strategy? Why are investments made in operations not within the company’s core strategy?

25. What are the major opportunities and challenges facing the company? How does management plan to respond?

26. What is management’s view as to the current status of the industry? Number and nature of competitors? Relationship with customers? Suppliers? Regulators? Other stakeholders? What major changes are anticipated in the industry and is the company prepared for them?

27. What opportunities or challenges result from trends toward globalization?

28. What are the company’s key competitive advantages? Have competitors introduced products that threaten any of the company’s major products?

29. What are management’s long-term goals for the company? How is the company positioned for long-term growth, compared with competitors? What are the company’s growth strategies?

30. How does management ensure it’s managing the company with a view toward shareholders’ long-term interests rather than in response to short-term earnings pressures?

31. How are current economic circumstances affecting the company? Does the company have a formal marketing plan addressing specific market segments?

32. Does the company plan to diversify into new markets, products, or businesses?
D. Business Strategy and Operations

33. How does the company manage its brands and position them for sustainability and future growth? What brands are being discontinued and why? Does the company have plans to introduce any new brands?

34. What are the company’s major intellectual property assets? How does the company protect them and go about maximizing their value?

35. Do you contemplate changes in operations as a result of technological advances and what will they cost? How will this affect our competitive advantage? Does implementing these changes depend on significant investment in new plant and equipment? In information systems?

36. How does the company keep pace with new operations and distribution technologies? How does the company ensure that its employees' skills remain aligned and leading edge?

37. Have key business processes been reviewed to determine opportunities for and benefits of process re-engineering?

38. What are the principal objectives in the company's business plan for the next year? For the next five years?

39. Please discuss two or three issues management has identified as critical to the company at this time. What is being done to address them?

40. Please describe the top three risks to the company. What is being done to mitigate them?

41. Please describe any new product programs or technological developments and expectations for them.

42. How will any pending or proposed federal or state legislation significantly affect the company? Is the company involved in any lobbying efforts to influence such legislation?

43. How will the company take advantage of significant restructuring within the industry to achieve growth and market dominance?

44. Has the company reviewed its marketing strategies, in the United States and internationally, to ensure that they are competitive and cost effective? Which markets present the greatest opportunities and risks? What changes are expected in marketing approaches?

45. What is the company’s current market share in its major products? How does the company plan to expand market share?

46. What are the company’s plans to reduce costs in order to sustain profitability while executing its growth strategies?

47. What are projected sales, earnings, and dividends for the next several years?

48. In what areas does the company expect the greatest growth? How will it be achieved?

49. With competitive pressures, is the company finding it difficult to raise or even maintain selling prices? If so, how is it responding?
D. Business Strategy and Operations

50. Given that studies indicate acquisitions often decrease shareholder value, why is the company continuing to make acquisitions? How does the board ensure that acquisitions will provide value?

Near-Term Outlook

51. What are management’s short-term goals for the company? Are they compatible with long-term goals?

52. Please comment on expected results for the current year. Are results for last year/first quarter of this year indicative of what’s expected this year?

53. What key economic indicators are used to forecast the company’s operations? What is your outlook for economic factors, such as interest rates, inflation, and commodity prices, for the coming year?

54. What impact are exchange rates likely to have on the company’s results in the coming year?

55. What are the sales and earnings forecasts for the coming year? How does it compare with last year? How do this year’s first-quarter results compare with what was anticipated? With the last quarter of last year? First quarter of last year? What is the current backlog of orders? How does it compare with this time last year?

56. What steps has the company taken to strengthen its balance sheet?

57. What is budgeted for capital expenditures this year and what are the major projects? Has the company scaled back its capital expenditures? How does the company make sure it continues to fund critical projects? What is an acceptable rate of return on new projects?

Operations—General

58. What nonfinancial performance measures does the company use to evaluate operations? Are they aligned with strategic and tactical plans, and with financial value drivers? Are the measures communicated to shareholders?

59. Is the company’s growth rate comparable with others in the industry?

60. How will a merger between ____ and ____ (two major competitors) affect the company?

61. Who are the company’s major competitors? Why haven't the company's sales and earnings increased as much as theirs?

62. Who are the company's major customers? Will the loss or downsizing of a particular major customer affect the company's sales and earnings?

63. Have there been significant changes in the company's customer base? Did the company gain/lose any major customers?

64. Will the takeover of ____ (major customer) affect the company's sales and earnings?
D. Business Strategy and Operations

65. Does the company measure productivity gains? How much has the company’s productivity increased in the past year?

66. Who is the low-cost producer in the industry? What steps has the company taken to achieve the lowest costs possible?

67. How do the company’s products compare in quality with competitors’? Does the company have a program to monitor and improve product and service quality?

68. What measures is the company taking to prevent or minimize the likelihood of a major product liability catastrophe (causing personal injury to customers or employees) or a major product recall? How is the company satisfied as to the safety of products and manufacturing processes?

69. Have newly emerging or recurring problems with any particular product been identified, investigated, and communicated to senior management and the board? Have appropriate measures been taken?

70. Did the company discontinue any products or services during the year?

71. Why does the company continue to produce _____ (product), which is unprofitable?

72. Has the company considered expanding into _____ (product) and other related products?

73. Who are the company’s key suppliers? Are any major suppliers changing their business models and now competing directly with the company? Are there alternative sources?

74. How is the recent increase in oil prices affecting the company? Is the company using any hedging strategies or long-term supply agreements?

75. How much was spent on product research and development? How does this compare with competitors? How does the company measure return on research and development and monitor project spending? Are research and development expenditures sufficient to maintain long-term competitiveness? Does the company participate in any research and development joint ventures?

76. What level of research and development expenditures is budgeted for this year? Will cash flow from operations support current research and development spending rates?

77. What new products or product improvements have evolved recently from the research and development program? What has the company done to ensure that it’s developing leading edge products? Have any new products been patented? What products does the company plan to introduce in the near future?

78. Does the company have any products on which the patents will expire in the next few years? What are the plans for these products? What is the expected effect of the expiration of patents on the company’s earnings?

79. Is the company involved in any patent or trademark disputes?

80. Has demand for the company’s products decreased? What actions are being taken to counter this trend?
D. Business Strategy and Operations

81. Have the company's credit policies been updated to reflect the current economic environment?

82. What is the company doing to accelerate the product development cycle? What impact is this expected to have on the development, costs, and success of products? Has the company accrued for obsolescence and product returns that often accompany product changes?

83. Does the company have good relations with major vendors? Does the company have adequate secondary suppliers to replace a primary supplier in a crisis? What is the impact on the company of the problems of _____ (name) supplier? Does the company use commodity contracts to reduce the risk of future price fluctuations? Does the company use foreign exchange futures contracts to lock in the price of purchases from overseas vendors? What is the possible impact on company earnings of the fluctuating U.S. dollar?

84. Has the company closed any plants this year? Are these shutdowns temporary or permanent? Will a loss result from a plant closing? Will laid-off employees be rehired, retrained, or relocated? Will there be more layoffs? How does the company reconcile layoffs with its moral obligation to employees?

85. Is the company considering downsizing to enhance profitability? Are there plans to phase out any products or terminate any group of employees? Are there plans to sell or consolidate divisions? How does the company justify closing certain plants when they appear to be profitable? At what capacity are the plants operating? Is any sale or liquidation of a division being postponed to avoid recording a loss?

86. How many jobs did the company create (eliminate) in the United States last year? How many does it expect to create (eliminate) this year? How many jobs did the company transfer overseas last year? Does the company have plans to transfer more jobs overseas?

87. How extensively does the company outsource key business functions? Is the company considering outsourcing additional functions? What costs/benefits are derived or expected? How many jobs will be eliminated as a result of outsourcing?

Liquidity and Capital Resources

88. How does the company assess its liquidity and the availability of funding sources for operations?

89. How much money will be spent on capital projects? What impact will this have on cash flow and liquidity? Will there be sufficient cash flow after dividends to pay for replacing plant and equipment?

90. Why is the company experiencing negative cash flow from operations? What steps are being taken to augment cash flows? Will any operations need to be sold to raise funds?

91. Does the company expect its cash flow to be adequate for its debt service needs?

92. What credit lines does the company have available and at what interest rates? Are there enough cash resources or lines of credit available? Are any of the lines of credit expiring in the next year? Will they be renewed or replaced? Do you anticipate any difficulty in obtaining new lines of credit?
D. Business Strategy and Operations

93. How will the proceeds from the disposal of any significant operations be used?

94. Has the company been in default on borrowing covenants, including those for which it received a waiver from the lender? Is the company in danger of violating restrictive covenants in loan agreements? Have nonroutine restrictions (e.g., limitation on executive compensation) been placed on the company by its lenders?

95. What is the company’s debt rating? What is being done to improve it? How does it compare with other companies in the industry or of our size?

96. Has any financial rating service downgraded the company’s debt securities? What effect will this have on the ability to obtain financing? Is any downgrading expected?

97. What new financing arrangements are planned? Do the plans include re-entry into the long-term debt market, or will financing continue to be based on short-term debt? Are any changes expected in the company's debt ratio or ratio of earnings to fixed charges? Can future debt maturities be met without significant new borrowings?

98. Does the company have guarantees, puts, or other similar commitments that could cause a liquidity problem? Do circumstances exist that could cause counterparties to demand increased credit assurances?

99. Has the company’s ability to raise equity or debt financing been affected by its recent performance? By a weakened credit rating? By the concerns resulting from the recent corporate failures?

100. Has the company raised capital in foreign markets?

101. What new or innovative financing instruments is the company using? How will they affect income? Are the accounting practices for these instruments straightforward or is there a risk that the accounting could be challenged? What is the purpose of using these instruments? Is there a desire to keep company debt off the balance sheet?

102. Does the company use sale/leaseback-financing arrangements to raise funds?

103. Does the company plan to extinguish, defease, or refinance any debt? How will this affect the financial statements? Has the company considered issuing convertible adjustable preferred stock? "Deep discount" or "zero coupon" bonds? Bonds through a special-purpose entity? Why hasn’t the company refinanced to replace higher-cost debt?

104. How does the company evaluate the risks associated with holding cash and cash equivalents as opposed to investing in securities? What is the company’s planned rate of return on financial investments?

105. How have declines in the company’s stock price affected the company’s ability to raise capital? How is management addressing this issue? Does the company have a plan in place to obtain capital if a liquidity issue arises?

106. Are there any additional capital requirements for existing or proposed joint ventures?

107. What is the likelihood that the company's existing lenders will seek to negotiate borrowing covenants or terms more restrictive to the company? How will that affect the company?
D. Business Strategy and Operations

108. How has the company been affected by increases or decreases in interest rates? Has the company refinanced any material financial agreements to take advantage of lower rates?

109. What is the impact on the company from doing business in countries where restrictions exist on monetary exchange?

Risk Management

110. Does the company have a process to identify all significant business risks? What type of process? How does it work? How often is it performed? Who has responsibility for it?

111. Has the company taken specific steps to mitigate risks it faces as part of doing business? What steps has it taken?

112. Does the organization have a formal program to review insurance coverage, settlements, potential litigation, and related financial exposures?

113. Does the company have operations in emerging markets? How does the company monitor risks related to these markets, for example, country, credit, inflation, foreign currency, and political risks? Does the company have appropriate infrastructure and reporting mechanisms to monitor these risks?

Insurance

114. Has the company had difficulty getting insurance? What types of business risks are self-insured? How much product liability coverage does it have? Have deductibles increased? Has there been a shift to a “claims-made” basis or any other change in coverage? Do insurance consultants regularly assess the company’s coverage? Is the company subject to significant exposure for uninsurable risks?

115. Does the company have adequate insurance coverage for workers’ compensation, general liability, product liability, environmental liability, and auto liability?

116. Does the company have adequate insurance coverage for exposure to natural disasters, such as earthquakes or hurricanes?

117. Does the company have adequate insurance coverage for terrorist attacks in the United States or elsewhere?

118. Has the company incurred property or casualty losses that exceeded policy limits? Has the company sustained a major property and/or business interruption loss (e.g., as a result of Hurricanes Katrina, Rita, or Wilma)?

Operating Units and Product Lines

119. What did ________ (division or product line) contribute to last year’s sales and earnings? How much is invested in this business? Did it perform in accordance with management’s expected or budgeted sales and earnings? Are any divisions or product lines losing money? What are the plans for them?
D. Business Strategy and Operations

120. What is the total estimated market for ________ (product), and what is the company's share of this market? Why is the market increasing / decreasing? Why is the company's share increasing / decreasing? What are the principal marketing methods used for this product? What special skills or advantages will enable the company to maintain its market position? How do competitors' pricing strategies compare with ours? Are competitors' operations more profitable?

121. What are projected sales and profits for _____ (product, division, subsidiary)? How will this be accomplished?

122. What are the growth prospects for _____ (product, division, subsidiary) in domestic markets? In international markets? What divisions or product lines are expected to be stronger/weaker performers this year?

123. Why is operating profit from ______ (segment) more than that from _______ (segment)?

124. Why are the segments disclosed in public filings different from the product lines discussed in marketing communications?

Foreign Operations

125. Does the company do business in foreign countries? If so, what is its level of investment in those countries? How is the investment valued and has the company recognized any profits or losses from it? Are there plans to increase or scale back the level of investment?

126. What percentage of revenues or earnings is generated from foreign markets? What is the company's market share in its major foreign markets? How does the profit margin on foreign operations compare with domestic operations? Rate of return?

127. How did sales and earnings generated from foreign markets compare with anticipated or budgeted amounts? With those of the prior year? What was the reason for the variation? How has market share changed since last year? What steps are being taken by the company to improve results?

128. What are the company's major foreign markets? Are there plans to enter or exit any foreign markets? Does the company plan to use a joint venture partner to expand into any foreign market?

129. What percentage of raw materials is imported? Has the company considered buying more/fewer raw materials from foreign sources? How much could we save if we did?

130. Does the company monitor the human rights climate in countries in which it operates/conducts business? Does the company get raw materials from or operate in any countries that deny basic human rights? Has the company considered discontinuing operations or investments in these countries? Is the company involved in discussions with governmental and nongovernmental organizations to improve human rights in these countries?

131. Does the company have global policies or standards regarding unacceptable workplace practices? Do they also apply to suppliers? How does the company monitor compliance?
D. Business Strategy and Operations

132. What strategies are in place to address potential economic or political instability in foreign countries?

133. Have the recent economic problems in _________ (area/country) adversely affected the company's profitability? What is the outlook?

134. Have terrorist acts or political unrest (in general or in a particular country) had an effect on the company? Are company personnel or property in danger? What safety measures are being taken? Has it been necessary for company personnel and their families to be evacuated from any countries? What is the effect on the company's investment in these countries?

135. Has the company had a major product liability event (causing personal injury to customers or employees) or a major product recall in its foreign operations? Is the company satisfied as to the safety of its products and manufacturing processes? How does the company ensure that its foreign operations meet local regulatory requirements?

136. Has the company transferred U.S. operations to a foreign country? Have the risks of operating in foreign countries been assessed? How has this affected the company's labor relations?

137. Is there a threat of nationalization in countries where we operate? What steps have been taken to protect assets from expropriation?

138. Are any merger, acquisition, joint venture, or restructuring activities with companies in foreign countries being considered or planned?

139. What was the effect on earnings of changes in foreign currency exchange rates? What does the translation adjustment account mean in terms of shareholders' equity?

140. Do we have safeguards against loss from currency fluctuations? How much of the company's debt is payable in foreign currencies? How much of accounts receivable is collectible in foreign currencies? Does the company hedge its exposure to exchange risk through use of forward exchange contracts or other instruments?

141. Does the company maintain foreign assets that are not for operations (e.g., foreign exchange speculation)?

142. Does the company operate in countries with highly inflationary economies? Will the operations be continued or expanded? How will this affect earnings?

143. How much did foreign subsidiaries remit in royalties and dividends this year? Has the company provided for taxes on unremitted earnings? Does the company operate in countries that restrict dividend payments? How much has been held back because of dividend restrictions? Has the company repatriated any significant foreign earnings under the Jobs Creation Act of 2004 and what are the major components of the domestic reinvestment plan? How will this reinvestment plan affect cash flows in the near future? How does management believe this will create and improve employment?

144. Does the company favor import restrictions on competitive foreign goods or foreign tariff controls?

145. Does the company assemble products in foreign countries? If so, how much does it spend and why aren't the products assembled in the United States?
D. Business Strategy and Operations

146. What products does the company emphasize in offshore sales efforts?

147. After adjustment for foreign exchange gains or losses, how does the company’s export activity compare with last year?

148. How does the company monitor its international operations to ensure that corporate policies and procedures are followed? How does the company determine whether commitments (including trading activities) entered into at such operations are approved by management, and whether provisions of the Foreign Corrupt Practices Act are adhered to?

149. How long will it take for the company to see a return on its investments in ______ (countries)? Generally, what type of return does the company expect before making an investment in such countries? How does the return to date on investments compare with original estimates?

150. To what extent are the company’s prospects dependent on emerging markets in ______ (countries)? How has the company positioned itself to capitalize on opportunities in emerging markets? What risks are associated with investments in such areas?

151. Does the company have operations in the EU? What impact does the recent expansion of the EU have on the company’s strategic direction, trading operations, and accounting and treasury management functions?

152. Has the company been hurt by lower prices offered by Asian competitors?

153. Has the company taken advantage of the lifting of restrictions on foreign ownership in Asian companies to increase its presence?

154. What effects has the unrest in ______ had on the company’s operations? On the safety of its personnel?

155. Is management aware of instances in which pirates have illegally copied and sold the company’s products? To what extent is the company at risk of competitors in other countries illegally copying its products? What steps has the company taken to minimize this risk?

156. How does the company deal with the unique political, economic, and social conditions in ______ (country)?

157. How is the company positioning itself to grow in the ______ (country) market? What is the competitive environment in the ______ (country) market for the company’s products?

158. With the continued weakening of the economy in ______ (country/region), what is the impact on bad debts, receivables, and credit?

Employee Relations

General

159. Please comment on the status of the company’s labor relations.

160. What is the status of labor contracts? Which contracts will expire in the coming year? Will concessions be sought?
D. Business Strategy and Operations

161. What was (is) the effect of the recent (current) strike? Are any labor actions expected in the near future?

162. Is the company having problems finding qualified employees? What measures are being taken to address the problem? What measures are being taken to retain and develop high-performing employees?

163. What is the employee turnover rate? How does it compare with the industry average?

164. What percent of total employee compensation goes to employee benefits? Does the company have a program to monitor and control the cost of benefits?

165. Have any employee groups been asked to take wage cuts or accept company stock in lieu of wage increases?

166. What has been the impact on employee relations of wage cuts and layoffs?

167. How many employees have been laid off this year? Will they be recalled?

168. Does the company have a program for improving employees’ marketable skills in the event of layoffs?

169. Does the company have a diversity initiative that provides training and placement of women and minorities in high-level positions? Is diversity linked with work/life and other HR initiatives such as employee assistance programs, re-engineering, benefits, etc.? Is an affirmative action plan in place with monitoring of recruitment, hiring, and promotions? Does the company provide training programs to improve sensitivity to diversity?

170. What is the company doing to increase its hiring and development of minorities?

171. What percentage of employees are minorities or women? Does the company release work force composition data (e.g., copies of its EEO-1 reports) directly to the public?

172. What percentage of employees in policy-making positions are women and minorities? What is being done to remove “glass ceiling” barriers to advancement of women and minorities to executive positions?

173. Do the company’s policies specifically ban discrimination on the basis of sexual orientation? Does the company provide benefits to same-sex domestic partners of employees?

174. What is being done to motivate, educate, and retain key knowledge workers? Does the company have a program to encourage teamwork, reduce organizational levels, and emphasize problem solving at the operating level? How is compensation linked to performance?

175. Does the company have a formal, written policy covering sexual harassment in the workplace? Does it include a mechanism for employees to lodge complaints? How many complaints were filed and investigated last year? How were complaints resolved?

176. Did company employees suffer any serious injuries on the job during the year? What action has management taken to improve the safety record? Has the company been investigated by the Occupational Safety and Health Administration (OSHA)?
D. Business Strategy and Operations

177. What specific measures has the company taken to protect its intellectual property in the United States and internationally? How does the company protect these rights when key employees are hired away by competitors?

178. What plans are there for increased automation (e.g., use of robotics)? What effect will this have on labor costs or labor relations?

179. Are there any charges pending against the company that have been filed with the National Labor Relations Board?

180. How is the company ensuring that no illegal aliens are employed by the company or contractors?

181. What is the company’s position with respect to drug testing of employees? Are similar requirements made of contractors?

182. To what extent does the company use an alternate work force, for example, part-time, lower-paid workers or independent contractors? Does this present legal, tax, or employee morale issues?

183. What is the company’s policy regarding armed forces reservists who have been called to duty? Is the company supplementing their military pay and continuing to make their benefits available?

Work and Family Issues

184. Does the company have a comprehensive work/life initiative that recognizes the link between work/life programs and business success?

185. Does the company provide services/benefits such as day-care arrangements, referral services for dependent or elder care, preretirement counseling, family-care resource center, adoption assistance, time off to care for dependents, financial planning, relocation assistance, reimbursement accounts, other forms of financial assistance for dependent care or wellness programs? Have the costs and benefits of these programs been evaluated?

186. Does the company sponsor or encourage employees to work from their homes? Has this increased productivity? How do you control and monitor the work force when not on site? How has the company integrated technology to facilitate flexible work schedules and telecommuting? How does the company ensure the safety of workers who work from home or alternative sites?

187. Does the company encourage job-sharing and flexible work schedule arrangements? Are high-level executives favored over lower-level employees in granting these arrangements? Are these programs used in connection with work force reductions? Maternity and paternity leave? Are these employees given the same chances for promotion? Does the company make managers accountable on performance evaluations for the management of flexible work arrangements? Are other types of leave, such as sabbaticals, available?

188. Does the company have an assistance program for employees with alcohol or substance abuse problems? What is its cost?
D. Business Strategy and Operations

Health Care

189. How much was spent last year on medical benefits for active employees? For retired employees? Is the company considering reducing benefits or increasing employee contributions?

190. Has the company examined its health care plan provisions with a view toward either curtailing benefits or at least attempting to control the escalation of costs? How are employees being compensated for such a curtailment? Are labor problems likely to result?

191. What process does the company have for evaluating its health plan administrators? Does this include a “best practices” approach to selecting and monitoring health plans? Does the company routinely perform claims audits or management reviews?

192. How effective has the company been in its efforts to hold down health care costs? How is the company supporting the reasonableness of its expected future rate of increase of health care costs?

193. How does the company monitor federal and state initiatives that could adversely affect the ability to manage health care costs (e.g., cost shifting, any-willing-provider laws, provider surcharges, federal and/or state coverage mandates)?

194. What steps does the company take to ensure that its health care program is competitive in terms of both costs and benefits provided when compared with those of competitors?

195. Has the company explored alliances with other employers to increase leverage in the market and help reduce health care costs?

Retirement and Other Benefit Plans

196. Can employees purchase the company’s securities through defined contribution plans? How are these securities voted? Does the company allow participants in employee profit-sharing plans to vote their shares by confidential ballot?

197. What restrictions are placed on employees seeking to sell company securities in defined contribution or similar plans?

198. What restrictions are placed on directors and executive officers seeking to sell company securities in defined contribution or similar plans? Has the company prohibited directors and executive officers from trading during any “blackout period”?

199. What percentage of the company’s 401(k) plan is invested in company stock? Are there restrictions on employees diversifying 401(k) investments and selecting investments other than company stock?

200. Were any of the company’s defined benefit pension plans converted to cash balance plans during the year? Are further changes planned? Has the company considered and identified any potential contingencies that may result from federal court decisions rendered in the past few years regarding the legality of cash balance pension plans and their potential discrimination?
D. Business Strategy and Operations

201. Was the pension plan changed during the year? Are changes anticipated? Are pension benefits to retirees adjusted for inflation?

202. What other postretirement benefits, besides medical and pension, are provided? What is the cost of these benefits? Is the company considering reducing or eliminating any of them? Does management believe the Social Security System will affect the company?

203. Does the company plan to offer early retirement incentives as a means of reducing the work force? What will it cost the company? Does it expose the company to allegations of age discrimination?

204. Is the pension plan overfunded or underfunded? Did the Company make all required payments for the last fiscal year? How will the funding status affect the company’s earnings?

205. What effect has the low interest rate environment had on the pension plan and the company’s pension cost? How did the expected return on plan assets compare to the actual return? How does the company support the reasonableness of the high expected long-term return on plan assets?

206. Why has the unfunded portion of the company’s pension plan increased (decreased)? If the pension plan is underfunded, have steps been taken to accelerate contributions or otherwise minimize the underfunding? Has there been a strain on the company’s liquidity or capital resources to fund the company’s pension plan?

207. Has the company assessed the impact of the potential balance sheet changes that could result from the FASB’s project on pension and other postretirement benefits? Will reporting the full amount of any under-funded benefit obligation make it necessary for the company to renegotiate debt covenants with lenders? Will the company reduce its balance sheet liability through changes in the benefit arrangements?

208. Did the auditors express a clean opinion on all of the company’s benefit plan financial statements?

209. What percent of pension plan assets is invested in stocks, bonds, money market securities, etc.? What was the return on plan assets last year? Are investment decisions made by a professional investment manager?

210. Are company securities held by the pension plan? How are they voted?

211. Does the company offer broad-based employee stock option or stock purchase plans to its general employee population?

212. Are all company benefit plans in compliance with ERISA?

213. Has the company changed the discount rate for calculating benefit obligations from the previous year?

214. How do the company's other economic assumptions (e.g., salary increase or health care cost trend rates) compare with those of similar companies?
D. Business Strategy and Operations

*Corporate Restructuring*

215. Does the company plan to undertake a "corporate restructuring"? What operations, assets, or lines of business are likely to be disposed of? What future operating benefits or other impact will result? When will the effect be apparent?

216. How many employees will be laid off as part of the restructuring? What is the relative number of management employees versus operating employees who will be affected? What impact will the plan have on the community?

217. The company implemented restructuring plans in prior years. Why is another one needed? Was the latest restructuring successful? How is that success measured?

218. What is the company doing to maintain employee morale and incentives for growth in light of the restructuring?

219. Has the company reopened operations that were previously shut down? Have laid-off employees been rehired?

220. What is the future of the ______ (name) operations? Would a loss result if they were closed? How many employees would lose their jobs? Would they be given termination benefits? How much would these benefits cost?

*Mergers, Acquisitions, and Dispositions*

221. Is the company’s industry consolidating? How will recent mergers and acquisitions in the industry affect the company? How does the company plan to compete against larger companies that can benefit from market synergies and economies of scale? What are the company’s plans related to acquisitions or divestitures?

222. Does the company plan acquisitions or new ventures? How will they be financed? What criteria are used to identify potential acquisitions? Will they dilute present shareholders’ interests?

223. How will the proposed merger with ______ (name) affect the company’s operations? Dividends?

224. Are representatives of ______ (the merging company) and their external auditors present?

225. Why did the company merge with ______ (name)? How is the impact of this merger being measured to determine its success?

226. Why was the proposed merger (joint venture) with ______ (name) abandoned?

227. Who are the company’s major competitors? Has the company targeted any competitors for acquisition or merger?

228. What impact have recent declines/increases in stock prices had on the company’s M&A strategy?

229. What expertise does management have in these (new) lines of business?
D. Business Strategy and Operations

230. Does the company use the services of an investment-banking firm in connection with acquisitions? Which firm? Are they independent? What do they do? How are their fees determined? Does the board get advice from other parties before approving mergers or other major transactions?

231. Why did the company acquire ________ (name)? What is management's expertise in that industry? How much did the acquired company cost? Did the purchase price exceed book value? In light of the subsequent decline in the acquired company's stock price, did we pay too much? How was the acquisition financed? Will projected cash flows of the acquired company be enough to service the debt incurred? Have there been problems integrating the management, operations, or systems of the two entities?

232. What percentage of ________ (name) did our company acquire? Does the company have sufficient board representation? Is our company represented at their annual meeting?

233. How successful has the recently acquired ________ (name) operation been?

234. Why was ______ division (subsidiary) sold? What were its sales and earnings? What was the gain or loss on sale? Who was the purchaser? How will the company use the proceeds?

235. Are any other divisions (subsidiaries) scheduled for divestiture? What are their sales and earnings?

236. Has the company considered divesting noncore businesses?

237. What is the status of mergers awaiting regulatory approval? Why was the proposed acquisition of ________ (company) abandoned?

238. Why was the large write-off of goodwill recorded? Does it mean that the ________ (company) acquisition was not a good deal for the company?

239. Are there significant management or cultural differences that may impede successful integration of the new acquisition?

Takeover Issues

240. Is the company perceived to be an acquisition target? Has the company received offers to be acquired? How have management and the board responded?

241. Does a committee of outside directors independently consider each takeover proposal?

242. Would the board recommend acceptance of a tender offer at an amount in excess of current market price?

243. Why are shareholders not given an opportunity to vote on each merger proposal?

244. Why did the board recommend rejection of ________ (name) company's tender offer?

245. What was the cost of defeating ________ (name) company's takeover attempt?

246. Does the company monitor changes in stock ownership to anticipate takeover attempts?
D. Business Strategy and Operations

247. Have any significant acquisitions of the company's stock occurred lately? If so, has the company been approached by the purchaser or does the company have a plan to repurchase the shares from these investors?

248. Does the company have "poison pill" arrangements or other anti-takeover provisions in place to discourage a hostile takeover? Do such arrangements entrench management at the expense of shareholders?

249. Does the company have a “dead-hand” poison pill anti-takeover defense, that is, one that can be removed only by incumbent directors?

250. Why aren’t shareholders given the opportunity to vote on whether a poison pill or other anti-takeover defense should be renewed?

251. Why aren't all anti-takeover measures subject to shareholder approval?

252. Why did the company buy back the stock acquired by ____ (potential bidder) at a premium? How do you justify the premium paid?

Legal Matters and Contingencies

253. What litigation is the company currently involved in? What are the potential costs? What litigation has been settled during the current year? What were the terms of settlement? Have there been changes in litigation status since the annual report was published? What about potential litigation, where the company might be vulnerable to future product or worker liability claims?

254. How does the number and magnitude of lawsuits pending against the company compare with other companies in the industry?

255. How much was paid in legal fees last year and to whom?

256. Is the company a defendant in any securities litigation or shareholder lawsuits? What is the nature of the litigation?

257. Is the company a party to lawsuits or EPA actions stemming from previous disposal practices or environmental issues? If so, what is the likely outcome?

258. Describe any product recalls the company had during the past year. Does internal control over product quality operate effectively? Are any investigations or proceedings in process that could result in a recall? Are any consumer groups campaigning for recall or ban of products? What are the exposures of any existing or potential recalls?

259. Has the company increased in-house legal capabilities in an effort to reduce litigation costs?

260. Is the board of directors informed of existing or potential violations of laws or regulations on a timely basis?

261. Has the company been subject to any asbestos-related suits? If so, has the company assessed any potential exposures?
D. Business Strategy and Operations

262. Has any company internal or external counsel resigned during the year or subsequent to year end? If so, why?

Regulatory Matters and Taxes

263. What percentage of current business is supported by government grants or contracts? Has the government questioned any amounts billed to it? How would it affect the company if government contracts were reduced or cancelled?

264. What measures has the company taken to ensure full compliance with privacy legislation (e.g., Health Insurance Portability and Accountability Act (HIPPA), Children’s Online Privacy Act, European Union Data Protection Directive, California Senate Bill No. 1386 etc.)? Have these measures been reviewed for adequacy?

265. How much does it cost each year to comply with government directives and regulations?

266. Are any products currently being investigated by the government for alleged violations of regulations (e.g., pharmaceuticals)?

267. Has the company established any offshore companies for the purpose of avoiding taxes? Did the external auditors assist in or promote these structures?

268. Has the company or any of its executives purchased potentially abusive tax shelters from the external auditors or others?

269. Is the Justice Department or other governmental agency investigating the company for antitrust or anticompetitive practices? Has the company complied with all applicable trade regulations?

270. What regulatory or antitrust issues does the company face with regard to pending mergers and acquisitions? How does management expect to address those issues?

271. Does the company support legislating tariffs on foreign imports? How have changes in tariff restrictions affected operations?

272. Has the company had difficulties with the Internal Revenue Service or any state or foreign tax authority that are likely to significantly affect tax liabilities?

273. Through what years have tax returns been examined by the Internal Revenue Service? Are there significant open issues with the IRS? Is the company or any of its subsidiaries currently being audited by, or in litigation with, the IRS?

274. Do you anticipate tax legislation in the coming year affecting the company? How will earnings be affected? What is management doing to lessen any potentially adverse impact?

275. Has the company coordinated its global tax planning with its overall strategic plan? Has the company reviewed its transfer pricing policy? Its customs and duties policies?

276. How did U.S. tax treaties with other countries affect the company’s earnings and operations? Will any proposed tax treaties or amendments affect the company?
D. Business Strategy and Operations

277. Have there been any recent political or economic developments in foreign countries that will affect the company's tax liabilities? Overall operations?

278. What is the company doing to make its tax reporting more transparent and easier to understand? What is the company's accounting policy for uncertain tax positions? How will the proposed guidance from the FASB on uncertain tax positions affect the financial statements?

Manufacturing

279. Is the company's manufacturing strategy aligned with business and marketing plans?

280. Is there an ongoing program for continuous productivity improvement? Has the company's performance measurement system kept pace with today's manufacturing environment? Do you contemplate changes in manufacturing processes as a result of technological advances? How will this affect our competitive advantage? How are quality-related costs monitored? Does improved productivity depend on significant investment in new plant and equipment? In information systems? If so, what plans have been made, and what will they cost?

281. How does the company keep pace with new operations and distribution technologies? How does the company ensure that its employees' skills remain aligned and leading edge?

282. How do customers rate the company's product quality? Does the company have a total quality plan that will produce continual improvements?

283. Have key business processes been reviewed to determine opportunities for and benefits of process re-engineering?

Real Estate

284. Has the company recently evaluated its facilities capacity in light of human resource needs and long-term business plans?

285. Has the company entered into significant transactions for the sale, purchase, or long-term lease of its facilities? Have any transactions involved related parties? Is the company using special purpose entities for its real estate assets?

286. How does the estimated fair market value of real property compare with the net book value in the financial statements?

287. Has the company used its real estate holdings as collateral for corporate borrowing needs? Do these obligations limit flexibility to dispose of facilities? Has the company considered entering into a sale and leaseback arrangement?

288. Do any company facilities contain or create environmentally sensitive materials? If yes, what is the company's obligation for cleanup? Do environmental problems limit the property's marketability? What is the anticipated cost of cleanup, and has it been accrued?
E. INFORMATION TECHNOLOGY

General

1. Does the company consider itself an industry leader in the use of information technology? What are the budgeted capital expenditures for information technology? How does this compare with other companies in the industry?

2. How is the company keeping up with changes in information technology? Are the company's management information systems "state-of-the-art," or will significant investments be needed for systems to maintain competitiveness?

3. Does the company outsource key technology functions? Is it considering this?

4. What were the results of the company's IT controls review performed as part of complying with Section 404 of the Sarbanes-Oxley Act?

5. Are controls and security surrounding computer operations sufficient to prevent unauthorized access to computer files, alteration of records, loss or theft of company data and trade secrets, and misappropriation of assets?

6. Has the company been a victim of computer fraud by employees or others?

7. What steps have been taken to ensure that the company detects and responds to a virus adequately and on a timely basis? Has the company had significant disruption due to a computer virus during the past year?

8. Have "hackers" succeeded in breaking into the company's computer systems? Have controls been enhanced to reduce the risk of another such attack?

9. How is the company ensuring that only properly licensed software is installed on the company's computer systems?

E-Business

10. What role does e-business play in the company? How much of the company's sales are from the Internet? How have Internet sales changed since last year?

11. What are the major threats and opportunities to the company from e-business?

12. Has the company lost market share to new companies or traditional competitors that are using e-business more effectively?

13. Does the company have adequate risk management policies and controls over its e-business activities in key areas such as security, privacy, and reliability?

14. Has security of the company's website and confidential company and customer information ever been compromised? Does the company conduct penetration testing of its website?
E. Information Technology

15. Has the company experienced “denial of service” attacks on its website? What steps is the company taking to minimize the possibility of such attacks? Has the website ever not been available?

16. Does the company’s website prominently disclose its e-business practices and its privacy policy?

17. Does the company have an independent, ongoing assessment of its privacy and security controls over e-business, with results reported on its website?

Disaster Recovery

18. If the company’s premises are unavailable for a period of time due to a disaster or other significant event, what is the company’s contingency plan?

19. Has the company taken additional steps to safeguard employees and premises? Is the board of directors satisfied that the additional steps are adequate?

20. Does the company have a business continuity plan in the event its IT systems are disabled? Is the plan tested periodically? Is there a contingency plan if phone service is lost for a time? What would be the cost to implement this plan? Is the company confident it would be able to recover systems and records lost, in the event of a disaster?

21. Is the company prepared to move its operations base from its current location to a different one in case of a natural disaster? What other plans does the company have in place in case of a natural disaster?

22. Has the board of directors and management developed a crisis management plan detailing who will lead the company during the crisis, how key information will be accessible, which legal counsel to contact, how to contact employees in an emergency, and other important relevant information?
F. FINANCIAL REPORTING MATTERS

General

1. What is the company’s view of the quality of its accounting practices? Would you describe the company’s accounting as generally aggressive or conservative?

2. How do the company’s accounting policies compare with its major competitors’?

3. Are the company’s accounting policies consistent with those of last year? Were any accounting policies changed? What was the impact on profits? Are accounting policy changes planned for next year? What is their expected impact?

4. Has the company included in its MD&A a full explanation of its “critical accounting policies and estimates,” the judgments and uncertainties affecting the application of those policies, and the likelihood that materially different amounts would be reported under different conditions or using different assumptions?

5. What are the most significant estimates and judgments management makes in preparing the financial statements?

6. What does the company do to make its financial reporting more transparent and easier to understand? Do the financial reports truly communicate the business risks and economic reality—accurately, completely, and understandably? What enhancements in disclosure does the company expect to make (or did the company make) this year regarding the content of management’s discussion and analysis including discussions about the results of operations?

7. Does the company participate or intend to participate in the SEC’s voluntary program of XBRL filers? Why is the company not providing more financial data in the XBRL format?

8. Why aren’t financial statements and footnotes in the annual report simplified so a nonaccountant can understand them more easily?

9. What quantitative and qualitative factors are important to the company in developing its financial statements and making judgments about materiality?

10. What is the company’s view of the SEC staff’s focus on companies improperly managing earnings to meet analysts’ forecasts and smooth earnings? Has the company been criticized for “managing earnings”? 

11. When did the SEC staff last inquire of the company as to any accounting or financial reporting matter? What was the nature of the review and the outcome? If a review is currently underway, what is the likelihood that prior financial results will be restated?

12. Has the company had to restate earnings? If so, how did the misstatement occur, and how was it discovered? Is there any indication that the misstatement was due to fraud?

13. Why did the company delay its SEC filing and/or earnings release for the period ended ________________?

14. What is the company doing about ________ (problem) disclosed in the annual report?
F. Financial Reporting Matters

15. Is the company the subject of an SEC investigation or enforcement activity? Has the company received an SEC comment letter regarding its MD&A or accounting or disclosure matters? What was/is the issue?

16. Was the company affected by any of the wide-spread corrections (e.g., lease accounting and cash flow presentation) that have been the focus of the SEC staff?

17. Have analysts or the financial press voiced concern about the company’s accounting practices?

18. Why are there large fourth-quarter adjustments? Do they indicate that the company’s internal control is not effective?

19. Why does the external auditors’ report contain explanatory language? What are the latest developments on ________ (a particular issue) that the external auditors referred to in their report?

20. Why was the ________ (significant event, such as acquisition, write-off/impairment, disposal, settlement) not previously disclosed? How long did the item remain undisclosed? Are other such events being considered?

21. Is basic EPS or diluted EPS a better measure of the company’s performance? What items account for the difference? How much of the difference is attributable to employee stock options?

22. Does the company support “convergence” of international accounting standards with U.S. generally accepted accounting principles (GAAP)? Would use of international accounting standards make it easier/more difficult for the company to raise capital?

23. To what extent has the company been affected by international financial reporting standards and the European Union’s legislation requiring that those standards be used by EU listed companies as of January 1, 2005?

24. How would the potential requirement for reconciliation between U.S. GAAP and IFRS affect the company? Does the company have the necessary knowledge and systems in place? If not, what investments would be required?

25. Can the company’s financial statements be accessed on the Internet? Does the company plan to continue distributing hard copy quarterly and annual reports to shareholders?

26. Why doesn’t the company expand its MD&A disclosures to include more analytical and forward-looking information about the company and its current problems and what management is doing to solve them?

27. Are there any proposed FASB pronouncements or SEC rules that would significantly affect the company’s financial statements? How is the company preparing to address pending and/or potential new significant accounting standards (e.g., purchase method procedures, uncertain tax positions, earnings per share disclosures)? Does the company expect significant impacts associated with these proposed or “soon to be released” standards?

28. Why did the company change its method of accounting for _____ (transaction)? Why is this new accounting method preferable to the old? Did the external auditors provide the company with a preferability letter?
F. Financial Reporting Matters

29. What caused the increase (decrease) in the _____ (name of account) compared with last year?

30. What are the major items included in the _____ (name of account)?

31. What is the company's accounting policy for _____ (transaction)?

32. What unusual charges or credits to income affected comparability?

33. What is included in "other" under _______ (caption)?

34. What information has the company provided about its trading activities—particularly those without market price quotations, for which fair values must be estimated?

35. Does the company anticipate any issues in complying with the accelerated reporting requirements of the SEC?

Specific Topics in Financial Reporting

Stock-based Compensation

36. Accounting standard setters recently changed the accounting for stock-based compensation to require that the granting of such awards be reflected as an expense on the income statement. What are your views on the prescribed expensing of stock options? Did or will the company make changes to the use of stock options and similar employee incentives?

37. When will the company adopt the new standard on share-based payments, i.e., FAS 123(R)? What are the expected effects on the financial statements of adopting FAS 123(R)?

38. The financial statements disclose in the note on stock options/compensation a pro forma net income amount that is __% less than reported net income. What is the meaning of this pro forma net income? Doesn’t the company’s accounting for stock options mask the true cost of this compensation? Why aren’t the full costs related to stock options reflected in the income statement?

Non-GAAP Financial Measures

39. Has the company evaluated its non-GAAP financial measures, in light of the SEC rules, to ensure they don’t mislead investors?

Off-Balance Sheet Arrangements, Including Variable Interest Entities

40. Does the company have any off-balance sheet debt or structures, such as special-purpose or variable interest entities? What is the nature and amount? Are they linked with the company so that an adverse change, such as a decline in its stock price, could significantly damage the company?

41. Is the accounting for off-balance sheet entities appropriate? Have these structures been reviewed by the board of directors, the external auditors, the SEC staff?
F. Financial Reporting Matters

42. Does the company need to improve the transparency of its disclosures regarding off-balance sheet structures, related risks, and their impacts on financial results, liquidity, and exposure to current or future liability? Why doesn’t the company provide more information explaining the nature and effects of major transactions?

Restructuring and Impairment Charges

43. Did the company record restructuring charges last year? Were the major components of restructuring reserves set up or used during the year adequately disclosed? Did the company release significant unused restructuring reserves into income?

44. Has the company been criticized by the SEC or the financial press for its reporting of restructuring activities?

45. How often does the company evaluate long-lived assets, including identifiable intangible assets and goodwill, and investments in equity and debt securities for impairment?

Revenue Recognition

46. Would you classify the company’s revenue recognition policy as aggressive or conservative compared with policies of its peers?

47. Are the company’s revenue recognition practices in accordance with GAAP? Has the company been criticized by the SEC or the financial press for its accounting in areas such as bill and hold transactions, consignment arrangements, upfront fees (e.g., membership fees), or cancellation/termination provisions and product returns?

48. Has the company made changes in its revenue recognition practices as a result of the SEC’s guidance? Has the company had to restate its prior financial statements because of errors in its previous revenue recognition practices?

Related Party Transactions

49. Does the company disclose all significant related party transactions? Has the company disclosed information about transactions with other parties who enjoy transaction terms that aren’t available to clearly independent third parties? Has the importance of those transactions to the company’s results been explained clearly? Does the board or a committee of the board review and approve related party transactions?

Derivatives

50. How much of the company’s revenues or losses resulted from activity in derivatives?

51. What are the primary risk factors (e.g., foreign currency, interest rate, or commodity) that affect the company’s results? What types of market risk has the company decided to accept and what types of market risk does it seek to minimize through hedging or similar activity?
F. Financial Reporting Matters

52. Are the company's policies and practices regarding the use of derivative financial instruments, and strategies related to short-term investments, subject to supervision and approval by the board of directors?

53. Has the company incurred any losses as a result of investments in derivative financial instruments? Were these losses recognized? What is the exposure to loss from the current portfolio of derivative financial instruments as a result of changes in interest rates, exchange rates, commodity prices, or other indices? How is that exposure measured? Can you quantify the amount of exposure?

54. What is the company's strategy for managing risks associated with derivatives? How are the risks evaluated? How do the risks affect the company's operations? Are approved transaction types consistent with the company's overall strategy and risk tolerance levels?

55. Has the company used structured financing transactions such as equity monetization schemes or put-convertibles? What was the business reason for using them? Is there risk that these schemes may have to be unwound as a result of regulatory action?

Reporting Business and Financial Information Outside the Current Model

56. Does the company's current financial reporting provide a clear explanation of its external environment, industry dynamics, and market positioning?

57. Does the company's reporting communicate clearly how its strategy is intended to create value in the context of its market environment?

58. Does the company effectively communicate its financial targets, how well it's meeting them, and the governance and management structures it has in place to deliver on the strategy?

59. Is it clear from the company's communications what the underlying drivers are for delivering on the financial performance measures and how well the company manages those drivers, such as people, innovation, customers, brands, and suppliers, as well as reputation with other stakeholders for environmental responsibility?

60. What is the company's view on the various discussions that have occurred in the business community regarding a new financial reporting model—one that would better communicate information on value creation from the business and transactions?
G. CORPORATE SOCIAL RESPONSIBILITY

General

1. How does the company balance social responsibility with profits? Does the company have a social responsibility policy? What steps does the company take to prevent deliberate exploitation of nonshareholder constituencies?

2. Does the company have a committee focused on social responsibility at the board level?

3. What is the company's plant safety record? Are there active programs to promote safety, accident prevention, etc.? How does the company ensure that its subcontractors adhere to safety programs?

4. Are the company's plant safety regulations and practices the same abroad as in the United States? What's being done to make sure regulations are enforced?

5. Does the company have policies and procedures enabling employees to report matters to management anonymously and without fear of retribution?

6. Why doesn't the company report more information on its corporate social responsibility to stakeholders?

Environmental

7. Does the company have a written environmental policy? Is the company committed to pollution prevention or sustainable development as well as compliance with environmental laws?

8. Does the board of directors have an environment committee? Who is on it? Does anyone on the committee have expertise in the environmental area?

9. What measures has the company taken to identify environmental problems—including hazardous waste recycling, packaging, emissions, etc.—and related remedies? Does the company have an environmental compliance officer? If not, who performs this function? Does the company conduct periodic environmental audits?

10. What is the company doing to make sure environmental problems don’t go undetected? What are the major environmental risks? What is the worst-case scenario and how would it affect the company if it occurred? Is a comprehensive environmental risk management system in place? If not, how are risks identified? What kind of internal control system exists to comply with environmental regulations? How is this system working?

11. Does the company comply with best practices environmental standards such as ISO 14000, CERES, or CMA's Responsible Care Program?

12. Could the company be involved in an environmental disaster such as a large oil or chemical spill? What measures are being taken to prevent it? What environmental insurance is in place?

13. Do the company’s manufacturing processes or products have side effects known or thought to deplete the earth's ozone layer? How are these monitored and controlled?
G. Corporate Social Responsibility

14. Does the company use hazardous materials in production processes? What safeguards protect employees and the public, both on site and in transit for disposal? Are the same safeguards enforced at all foreign installations?

15. Are the company's operations and products being made more energy efficient?

16. Does the company use environmentally/ecologically sound production processes and packaging? Does it use recycled or recyclable materials? Are all company products biodegradable?

17. What is the company doing to recycle waste? How are dangerous waste materials disposed of? If the materials are disposed of by a contractor, how does the company ensure disposal is done properly?

18. Has the company been fined or warned for violating environmental laws? What corrective action has been taken?

19. Is the company involved in any EPA/Superfund lawsuits or state-mandated cleanups, or has the company been designated a potentially responsible party for cleanup of hazardous waste? What are the anticipated costs? Will insurance cover the costs? Have excess costs been reserved for? What were environmental cleanup expenditures last year? Might new cleanup situations arise in the future? Who in the company has responsibility for compliance with environmental laws and regulations? Is the company currently facing administrative, civil, or criminal enforcement action or investigation?

20. How have operations been affected by environmental regulations? What has it cost to comply with federal (EPA), state, and local environmental regulations? What will it cost in the future?

21. Why did the company expand its disclosure of environmental contingencies? Has the financial exposure increased?

22. What is the company’s policy on public disclosure of environmental information? Why doesn’t the company publish a report on environmental and compliance issues? Does the company comply with the principles governing publication of environmental reports? Does the report contain third-party verification? What are the company’s major environmental initiatives and what progress is being made?

23. Are any of the company’s subsidiaries subject to the regulations to reduce greenhouse gas emissions? If so, does the company trade excess greenhouse gas emission credits or does it have to purchase excess credits from others?

Social Consciousness

24. Is the company actively involved in community affairs (e.g., minority assistance programs, urban rebuilding, youth education)? What are the company’s policies on encouraging community involvement on the part of officers, directors, and employees?

25. What was the effect on the local community of closing the _____ (name) plant?

26. What is the company’s policy on advertising on violent or sexually oriented television programs? Advertising aimed at children?
G. Corporate Social Responsibility

27. Are there suspected cancer-causing substances in company products?

28. Does the company use vendors owned by minorities and women?

29. Does the company monitor the human rights climate in countries in which it operates/conducts business? Does the company get raw materials from or operate in any countries that deny basic human rights? Are any products produced using child labor or other exploitative labor practices? Does the company have global labor standards against which it monitors compliance for its own operations and those of its suppliers?

30. What is the company’s policy on employment of minorities and women? What actions has the company taken to ensure that diversity has management’s attention and commitment? Have there been complaints of a glass ceiling for minorities and women?

31. Does the company use or experiment with animals? Has the company eliminated or curtailed testing products on animals? Is it considering measures to reduce further such testing? Has the company been the subject of animal rights lobbyists’ protests or legislative measures?

32. Does the company understand the impact of HIV/AIDS, tuberculosis, malaria, influenza, or similar pandemics on its operations and markets in foreign operations? What is management undertaking to address potential business risk exposures?

Political

33. What legislative or regulatory changes likely to be considered in Washington (or significant foreign jurisdictions) would be particularly helpful (harmful) to the company? In what areas would the company welcome legislative or regulatory modifications?

34. How many lobbyists are used by the company? What is the nature of their activities? Does the company monitor their activities? How much is spent each year on lobbying?

35. Has the company lobbied for or against particular changes in the law?

36. Has the company hired any former government employees in executive positions or retained their services as lobbyists, consultants, counsel, etc.?

37. Are any officers or management employees on loan to governmental or political organizations?

38. How much support (contributions, loans, etc.) has the company given to lobbying organizations? What was the business reason for this action?

39. Does the company have a political action committee (PAC)? How does it function? How many employees are participants? How much money has the PAC raised? Who received funds from it? What are the company’s policies on making “soft-dollar” contributions to political parties?

40. Has the company reimbursed officers or directors for political contributions?

41. How does the company prevent employees from being pressured to take part in political campaigns supported by management?
G. Corporate Social Responsibility

Charitable

42. What was the amount of charitable contributions last year and who were the largest recipients? How much went to organizations that company directors (or officers) are affiliated with?

43. Will the company's level of contributions be increased or decreased in the coming year?

44. Why did the company contribute to _____ (organization)?

45. Does the company match employee charitable contributions?

46. Why doesn't the company poll its shareholders to determine who should receive its charitable contributions?

47. Why aren't contributions decreased and dividends increased so shareholders can give to the charities of their choice?

48. Does the company lend executives or other personnel to academic, civic, or charitable organizations?

49. Does the company contribute the maximum amount deductible for tax purposes? Is a list published of the organizations to which the company gives charitable, educational, or other grants?

50. Has the company donated any technology to charities during the year? If so, are there any tax risks or exposures resulting from these transactions? Have valuations and appropriate documentation been obtained to support such contributions?

Customers

51. How does the company ensure quality customer service? Is there a way customers can file complaints against the company? Does the company provide customer service and support through its websites and/or toll-free phone numbers? What steps is the company taking to improve customer service (e.g., through training or system integrations)? How quickly are responses to website-initiated customer inquiries addressed?

52. Has the level of product complaints, product returns, warranty costs, etc., changed? What has management done to reduce or prevent these problems? Are any suits pending on the company's products?

53. Are the company's products properly labeled to cover hazards and safe handling procedures? Is product packaging tamper-resistant? Why doesn't the company label all genetically modified products?

54. Have consumer groups recently criticized the company? How were the matters resolved?

55. Has the government taken action against the company because of its advertising claims?

56. Has the company ever pulled advertising from a television program because of pressure from activist groups? Has the company been the subject of a boycott because it advertised on a particular television program? What was the effect of the boycott?