



Antitrust Notice

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- It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy.



D&O Predictive Modeling

The Corporate Library's
Securities Litigation Risk Analyst
 Predictive Model

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Corporate Governance & Governance Risk



Corporate Governance & Governance Risk

LESS EFFECTIVE BOARD = HIGHER RISKS

CORPORATION

Value Lost to Dominant Owner or Management Greed

>DIMINISHED< Profitability

BOARD OF DIRECTORS

>DIMINISHED< Shareholder Value

Value Lost to Investment Bankers, Outside Counsel & Consultants

SHAREHOLDERS

TCL's Governance Ratings

A-F Rating Scale

- Multi-Dimensional model adapts to different ownership and corporate maturity models.
- By design not a measure of 'Good Governance'.
- Consistently strong link to superior investment returns since launch in 2003.
- Coverage universe includes the Russell 3000 & TSX 60 indices.

Multi-Dimensional Model

A-F Rating Scale

Multi-Dimensional Governance Ratings

Category	Rating
Overall Rating	D
The Board	C
Compensation	Z
Takeover Defenses	F
Internal Controls	B

Corporate Governance & Securities Litigation

The Poor Governance Spectrum

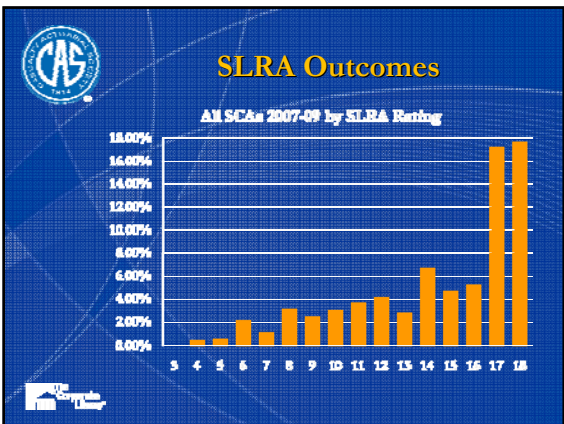
DIRECTOR IGNORANCE & INEXPERIENCE	WEAK INTERNAL CONTROLS	PERSONAL GREED & EGO	OUTRIGHT CRIMINAL FRAUD
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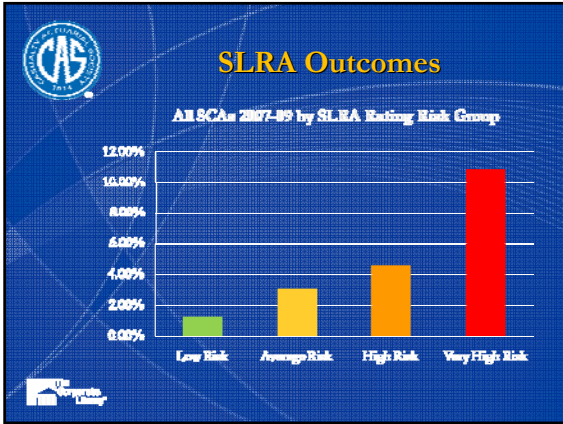
Not implicated in all securities class action cases, but nearly always involved in those cases that demand the largest settlements.

The SLRA Predictive Scale

< Low Risk	Average Risk	High Risk	Very High Risk >
3	9	12	18

- 3 – 7 = Low Risk
- 8 – 11 = Average Risk
- 12 – 15 = High Risk
- 16 – 18 = Very High Risk





SLRA Outcomes
2007 - 2009

3-18
Rating
Scale

- The Very High Risk group comprised approximately 5.8% of the total coverage universe, but accounted for 18.3% of all new SCA filings.
- The Low Risk group comprised approximately 23.3% of the full coverage universe, but included just 8.1% of all new filings.

**Predictive Factors:
Governance Risk**

1-12
Rating
Scale

- Based initially on TCL's Corporate Governance Ratings.
- Increased weight for problematic annual compensation incentives.
- Takeover defenses reduced to zero weight.
- Controlled companies reduced to near-minimum value of 2.
- Increased weight for greater institutional ownership.



Predictive Factors: Industry Risk

1-3
Rating
Scale

*One
Client
Uses
As
Multiplier*

- Highest value assigned to highest risk industries, including most financial services, pharmaceuticals, and most hi-tech industries.
- Medium value assigned to remaining financial services and hi-tech industries.
- Lowest value assigned to remaining industries.






Predictive Factors: Trading Risk

1-5
Rating
Scale

- Based entirely on total trading volume for previous 12 month period; updated quarterly.
- Effectively lowers the SLRA rating for those companies where precipitous losses of a size sufficient to trigger a securities claim are virtually impossible .






The Corporate Library's SLRA Predictive Model

In
Active
Use
Since
2007

- Fully transparent at SLRA level
- Historical ratings available for independent testing
- Updated weekly
- Fully integrated with TCL's Board Analyst database, including full access to all supporting data and documents





D&O Predictive Modeling

For more information or to request
a Board Analyst / SLRA trial,
visit our website at:

www.thecorporatelibrary.com