

IRupdate

OCTOBER 2012

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on the long-term
value of your
IPO best practices.



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Founded in 1969, the National Investor Relations Institute (www.niri.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts and other financial community constituents. NIRI is the largest professional investor relations association in the world, with more than 3,500 members representing 2,000 publicly held companies and \$5.4 trillion in stock market capitalization.

About IR Update

IR Update is published monthly by the National Investor Relations Institute as a service to its members.

ISSN 1098-5220

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Avoiding One-Stage Thinking

As investor relations practitioners, our days are often a constant effort to balance competing priorities, constituencies, and the crisis du jour; all in an environment of constrained resources and limited time. Getting our personal IR daily “to do” list even started can sometimes be an accomplishment.

However, these times provide a great opportunity to demonstrate not only our value to IR, but to our companies, our management teams, and our investment community audience by guiding everyone, ourselves included, to avoid what economist Thomas Sowell referred to as one-stage thinking. From disclosure and guidance choices to tactical IR efforts, stepping back from the immediate decision to consider longer-term ramifications will hopefully improve your team’s decision making and outcomes.

Asking “What will happen after that?” a couple of times should become a helpful part of your thought process and lead to an improved understanding of the likely consequences of what might today seem like a relatively simple decision or action. It may also help us avoid the trap of continuing to do what we have always done but expecting results different from what they have always been.

The Pursuit of Excellence

The end of summer in Colorado brings, among many things, the return of the USA Pro Challenge, a 683-mile cycling race that draws professional riders from all over the world for a weeklong race around the state. I mention this because I see parallels between the cyclists and IROs, from passion, team commitment, and need to master multiple disciplines to a requirement for continuous training. NIRI can certainly help with your ongoing training and professional development in all aspects of the ever-changing investor relations field. Remember to check in periodically with the NIRI calendar for upcoming programs and events (<http://www.niri.org/calendar>). Better-informed IROs help to raise the stature of the profession as well as the individual.

Please contact me, or any of the NIRI Board members, with your thoughts, suggestions, questions, or comments.




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How to capitalize on the long-term
value of your IPO best practices.

By David Stickney

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As much as it seems that IROs manage a string of one-time events – quarterly earnings reports, investor days, road shows – the actions we take and the best practices that inform them are cumulative. Simply put, they add up over time and can significantly affect the future.

Nowhere is that more keenly felt than in the process of launching an IPO. The steps an investor relations officer takes have lasting consequences, and often have relevance in circumstances for which there is no preparation.

ARC, the company I work for, watched its stock price nearly triple in the 14 months after our IPO. But today, we're trading in a very different environment.

ARC serves the nonresidential construction market, an industry devastated by the recession. Since 2008, the turmoil in our market has dramatically reduced our valuation.

With that said, however, our story remains interesting, engaging, and compelling, but if we were to try to tell it without the legacy of the best practices we employed at the IPO, getting people to listen would be far more difficult.

Matching Perceptions to Reality

During an IPO, the perceptions of the investment community quickly become apparent. As the meetings with the underwriters progress to the road show, IROs get immediate feedback on how well they've positioned the company, its messaging, its executive team, and its value to the marketplace.

While it's tempting to think of your company as a blank slate when it's first introduced to the Street, investors and analysts usually have much longer to come

up with their own ideas than you might realize, thanks, in part, to quiet periods and other communication restrictions during the IPO itself.

As a result, you'll need to formulate a communication policy and begin tracking existing sources of information that can affect your company's reputation long before editing the business description in the S-1 registration statement. It's critical to look at your company the way others do.

"What does XYZ Company do? Who do they serve? What's their agenda? Who runs it? What did they do before? Are they qualified? Any scandals? What does Wikipedia say? What are their hobbies? What's on their Facebook, LinkedIn, Twitter, or Flickr pages? Has anyone posted a blog entry or YouTube video that was a little too "interesting"?"

This is information IROs need to know long before an underwriter, attorney, or – worst of all – a potential investor asks about it.

Also, find out if there is dated information in the public record, which sometimes conflicts with current messaging or actions the company will need to take in the future.

The best strategy for dealing with history of any stripe is to understand its implications, raise an appropriate level of internal awareness around it, and create alignment inside the company on what it means and what effects it might have in the future.

In 2005, when ARC went public, the Web wasn't the fire hose of information it is today, but it was still easy to find out that our management team had come from unrelated businesses.

As a result, we made a point to show that these top executives' skill set was not only transferable, but that they had applied it successfully for years before coming to the market.

We highlighted awards they had received for innovative operations practices, we built their financial acumen and discipline into the narrative of the road show, and we positioned slides and facts in the presentation deck to prompt questions that would showcase how deeply the CEO, COO, and CFO were involved in the business.

While this kind of preparation made for a great road show in 2005, it also helped set the stage for 2012.

Today we highlight how our executives not only drove the company's explosive growth in a favorable market, but we also show how their experience has served them equally well under duress.

The effects are demonstrable: When I ask new investors about what attracted them to our story, many state that they are deeply interested in the company's management team.

Riding Coattails

LinkedIn power users will tell you it's not your direct contacts who are most useful, but rather the people whom they know. These contacts are often the source of new ideas and opportunities.

During the preparation for a public filing, IROs should lobby heavily for direct contact with the bankers, attorneys, and consultants on the underwriting team to leverage their resources for the road show and beyond.

When ARC went to market, most people thought it was a blueprinting company. But a shift in customer behavior was beginning to drive growth in a new direction; our



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expertise was being employed to manage our customers' documents, and printing was simply becoming another method for distributing the information we managed.

In order to communicate the evolving nature of the company and its potential for future returns, we needed to help people see us as a professional services company, with strong support from our proprietary technology.

Our own activities were the driving force behind creating that impression, but our outside providers helped enormously. We leveraged their research, networks, and experience to raise awareness and credibility around our offering, and to get in front of investors who were willing to listen.

The early work we did to launch the story of a company in a profitable transition served us well. Today less than half of our sales are derived from our traditional printing sources, and the story of our evolution remains a key part of our messaging.

Creating Go-to Source Materials

Many of the people we serve as IR professionals are smart, aggressive, and competitive. They're looking for an edge, they have to move fast (especially during an IPO road show), and sooner or later they are likely to come up with an unexpected question, idea, or argument that will require a quick and material response.

The upshot, of course, is that if management team members know their source materials cold, they can often make, support, or refute a critical point on the fly, and that inspires investor confidence.

Source materials for an IPO include the financials, company fact sheet, client list, presentation deck, business plan, risk factors, and business description from the

S-1, and so on. When prepared properly, however, they can also give an IRO a springboard in creating the materials used to market the company in the future.

We used portions of our S-1 and our original presentation deck as the basis for our marketing efforts for several years after the IPO. The documents evolved, of course, but had I realized at the time what touchstones they would be in our ongoing IR efforts, I would have organized and formatted them much earlier as living documents.

Making a Great Impression

Most communication is nonverbal, so when you walk in the door, the expectations you set in the minds of your audience should support your verbal or written message.

What do you look like? What do you sound like? Are you organized? Are you on time? Is your purpose clear?

The "you" in all of this, of course, is your management team, and it pays to view these top executives with an objective eye. Don't be afraid to talk about dress, schedule, mode of travel, what makes them tired, nervous, or gives them a lift. All of this will leave an impression that lasts in the minds of investors long after the meeting is over.

The way ARC's underwriters worked a road show was something akin to artistry, and the importance they placed upon schedules never failed to impress me.

While I've never been able to replicate the precision and subtle timing of cues I witnessed during our IPO road show, I've always kept it in mind. We never go on the road without a detailed itinerary, backup contacts to fill last-minute cancellations, maps and updated traffic conditions for the day, and specific instructions for the type of car we'll be using.

The people we meet know how long we'll be there, who they will be speaking

with, and what we'll be talking about. They expect to get an energetic and engaging conversation, and all of them know we've always got another appointment.

While we don't get on the road more than a few times a year, our reputation for professionalism, respecting everyone's time, and putting the right people in front of investors keeps our analysts and investors asking for our time.

Leveraging the Spotlight for Future Performances

Planning for an unknown future is a tough proposition, especially in light of how quickly things change. But I can attest to the long-term value of the best practices we employed during our IPO in 2005.

ARC lost more than 40 percent of its revenue in the three years following the financial crisis, but in spite of this harrowing experience, we've maintained our gross margin above 30 percent, expanded into new and growing business lines that are far less reliant on cyclical economic conditions, and dramatically improved efficiency in our operations.

It's a great story, but if I had to try and generate interest with analysts, institutions, and individual investors without a history of good practices, I'd be in a much worse place.

During an IPO, the best practices an IRO uses will significantly affect the outcome of the offering. But it's best to keep in mind that the company's valuation, investor base, covering analysts, and reputation are living things, and they evolve over time.

Using best practices with an eye toward the future can help keep those living things thriving regardless of what the future brings your way. **IRU**

David Stickney is vice president, investor relations/corporate communications for American Reprographics Company; david.stickney@e-arc.com.

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A graphic featuring several circular icons with stylized human figures inside, arranged in a cluster. One icon is blue and positioned to the left of the main title, while the others are orange and yellow, arranged in a semi-circle above the word 'Members'.

SHOULD Board Members TALK TO INVESTORS?

Pressure is building to allow investors
greater access to corporate boards.

By Marj Charlier

There's a good chance that your corporate policies tightly restrict interaction between investors and members of your corporate board. But, if you haven't revisited that policy recently, you will probably be doing so soon. Pressure is growing on companies to loosen the policy limiting investor access to board members.

"It is a hot topic in corporate governance these days," said Patrick Schultheis, a partner at Wilson Sonsini Goodrich & Rosati, and an expert in corporate governance and securities law. "The last few times I've been on panels, people have asked about situations where shareholders have approached the company, usually through IR, and have said 'We'd like to talk to someone on the board, and not the CEO.'"

As investors agitate for more interaction with boards, companies will be pushed to consider

different rules of engagement. For the past couple of decades, especially since the passage of Regulation FD, the most common policy at U.S. companies has been that management has the responsibility for communicating with investors, and board-investor conversations are discouraged, if not prohibited.

The Way It's Been

The typical company policy stipulates that anything an investor wants to say to a board member must be put in writing. Usually, corporate secretaries are responsible for passing the missive along, and frequently, boards don't respond to letters that stop short of threatening a 13D filing.

The majority of the 292 IROs who participated in a survey conducted by Rivel Research Group in 2011 indicated that their corporate policies don't

allow direct contact between board members and investors. “There is no direct contact between board members and the investment community,” and “We do not allow direct access to our outside board members,” were representative verbatim comments collected by the research group.

Maintaining “a single voice” has been the guiding principle and many company executives fear that they will lose control over the message by allowing interaction with board members. “We prefer that board members do not have contact with investors as they aren’t always up-to-date on the current IR story and we’re trying to maintain ‘one face to the Street,’” an IRO at a mid-cap company told Rivel.

That approach, however, “is fast becoming old school,” said Richard Roedel, chairman of Luna Innovations, and a member of five other corporate boards. “I’ve always found it curious that investors elect board members and, once they’re elected, they are prohibited from talking to the people who put them in their seats.”

At RealNetworks, the resignation of the company’s first and second CEOs within 15 months of each other led to pressure to change its policy on board-investor interaction in 2011. Previously, investors could only reach out to board members by writing a letter that was passed along to the board by the corporate secretary. But, after consulting with Wilson Sonsini Goodrich & Rosati, the company changed its policy to allow large investors who want to talk about a limited number of topics to discuss those directly with either the chairman or the lead independent director in a conversation that is attended by either the CFO or the IRO.

One of the companies that participated in the Rivel survey has gone even further to encourage such exchanges. “Periodically, we invite top shareholders to a board meeting

where they are encouraged to discuss market dynamics, et cetera, during an open session, then management leaves and these investors spend time with the entire board alone,” one mid-cap company IRO told Rivel.

Push for More Dialogue

The push for opening up the dialogue between investors and boards has come in part from increased focus on executive compensation issues, especially Say-on-Pay. “It has encouraged and sometimes forced companies to reach out to shareholders to explain their executive compensation philosophy and execution,” said Roedel, who spoke on the panel on changing board roles at the NIRI Annual Conference in Seattle in June 2012. “A lot of companies that have feared a bad proxy result are doing a much better job in reaching out to investors. They want to make sure their executive compensation programs are viewed appropriately by investors.”

Schultheis agreed. “Boards now have to talk about executive compensation,” he said. In addition, the pressure for change is coming from hedge fund managers. “Hedge funds are not willing to talk with just the CEO,” he said.

Schultheis and Roedel also share a similar perspective on appropriate topics for these conversations. Besides executive compensation, topics considered suitable are corporate strategy, governance, and capital deployment. One of “several critical issues in carrying out their fiduciary responsibility is to provide oversight of strategy,” said Roedel. “Board members are well-versed in the strategy of the company. If there is a need to speak with board members about strategy, that should be something they are capable of doing.”

Board members “can talk about what they intend to do to create shareholder value. That’s what shareholders want to talk about,” added Schultheis. But, he recommends board members stay in a listening mode on subjects such as dividends


and buybacks to avoid signaling intentions without full disclosure.

Sometimes, of course, an investor may simply seek extraordinary access to the board in the hopes of learning material information the company hasn’t disclosed. But, that shouldn’t bar a company from considering opening up its policy. “IROs, being the savvy relationship managers they have to be, know what’s going on,” said Reid Vail, vice president at Rivel. As one Rivel survey participant commented: “Does the issue really best fit at the board level or does the investor just not like our answer to the question?”

A European Perspective

In another survey conducted in 2011, Rivel reported that 45 percent of companies followed by buy-side investors in the United Kingdom and Continental Europe allow direct communication with board members, compared with only 19 percent of U.S. companies. “It’s an entirely different dynamic over in Europe,” said Schultheis. “Most companies are required to separate CEO and chairman roles. And there’s no [Reg] FD or concern about securities class actions.”

Despite those concerns in the United States, Roedel predicts that more companies will change their policies, and in the future we’ll see a much different standard for appropriate board communication. “We should mark our calendars today, and five years from now see how much different it is,” he said.

He’s optimistic the change will be in the direction of more openness. “When board members become more comfortable, less concerned about making a mistake, and figure out what are appropriate topics, a lot of this will change.” 

Marj Charlier is vice president, investor relations at RealNetworks; mcharlier@realnetworks.com.



A NEW TAKE ON HEDGE FUNDS



Resist the temptation to lump all hedge funds into the “bad guys” category. Do your homework on each fund.

By Margo Vanover Porter



Like ice cream, hedge funds come in all sizes and flavors.

“If you still think of hedge funds as a homogeneous group, you don’t know enough about the mechanics, intent, philosophy, purpose, and structure of hedge funds,” says Deborah Pawlowski, CEO, Kei Advisors LLC. “You have to understand hedge funds – how they are structured, why they are structured that way, what their requirements are, where the money comes from, and who earns what.” 🍷🍷🍷



A NEW TAKE ON HEDGE FUNDS

She points out that, despite their reputation, not all hedge funds enjoy high portfolio turnover. “In many cases, what I have found was that if the hedge fund managers find a story they like, they are going to be in there for the long haul,” she says. “They may be on the other side of a trade at any point, but when the stock is down and you need them, they are going to be in there to buy it and help support it because they know the story.”

She gives the example of a hedge fund manager she called on in California who said, “Listen, here’s how I do this. Here’s what my rules require me to do. I’m personally invested in all of this. I’m not a bad guy. This is just how I invest. I want to know your story because I will hang around you for 10 years. I may be long, I may be short, but I will be there a long time because I don’t have the capacity or bandwidth to know a lot of different stories.”

From that example, Pawlowski hopes you draw one conclusion: “This was one hedge fund’s investment approach. They are all unique. A hedge fund thesis is an investment approach. You can’t talk about hedge funds like it’s one great big body acting homogeneously. It’s not. This whole thesis about hedge funds being bad guys is outdated and over 20 years old. When are we going to get over it?”

Chris Taylor, executive vice president, managing director, global investor relations, IPREO, agrees that hedge funds are often incorrectly lumped together. “There are many different philosophies and holding periods. It’s really important for IROs to understand the investment philosophy of the hedge fund, its typical holding period, and its holding period for core stocks – what

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– Chris Taylor, executive vice president, managing director, global investor relations, IPREO

we call its top 20. If you convince it to take a significant position, a major hedge fund will often be a very long-term holder. It’s when they’re on the fringe in terms of investing or when they haven’t been convinced of the story that they can be volatile. Many have a core portfolio that is pretty stable.”

At one time, according to Taylor, a few IROs took extreme positions in their approaches to hedge funds. “The mistake they made – and I hear this less and less – is, ‘I don’t meet with hedge funds’ or ‘We meet with everyone.’”

Both approaches need refinement, he says. “Some clients hear the words hedge fund and instantly have a negative reaction. Having a catchall policy about hedge funds is a mistake. You need to do your homework on each fund. If you can’t do the homework, meaning there isn’t data available, then be concerned and err on the side of ‘You know what? They aren’t going to get my senior executive’s time. I’ll put them in a group and talk to them, but unless they are more transparent about who they are, what they do, and how they invest, they don’t get to meet with my management.’”

Take a Targeted Approach

When interacting with hedge fund managers, “IROs should do exactly what they do when they are dealing with institutional portfolio managers who have to file their proxies with their clients,” Pawlowski points out. “They should be talking with these hedge funds to figure out who they are, what their interests are, how they invest, what their holding pattern is. That’s what you do: You target hedge funds just like you target portfolio managers. What you target depends on your company. What is your story? Who are your investors?”

Marj Charlier, vice president, investor relations, RealNetworks, points out that for many small high-tech companies, hedge funds are a large part of the investor base. “If we didn’t talk to hedge funds, we wouldn’t have many prospective investors. We have some very long-term, committed, value-and-growth investors who are hedge funds. They are not momentum players. They have long investment horizons. The myth is that all hedge funds are fast turnover, in-today, out-tomorrow players. I’m sure there are some, but the ones we talk to aren’t. They’re long term. They do great research. They’re value-and-growth players, just like many of the mutual funds or the pension funds.”

When she hears from an unfamiliar hedge fund, Charlier takes the time to investigate its turnover rate and investment style. “We’re looking for high-tech investors who have a growth or value perspective because they are the types of investors who are attracted to our stock,” she says. “Hedge funds are an additional buyer for your shares, and companies want as many prospective investors as they can get.”

Stephen Kilmer, president, Kilmer Lucas Inc. & BioTuesday Publishing Corporation, remembers when he helped spin OccuLogix out of its parent, TLC Vision Corporation,

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A NEW TAKE ON HEDGE FUNDS

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in 2004. After trying unsuccessfully to reach out to traditional money managers, he decided to specifically target hedge funds.

"We talked to four or five hedge funds at a time in various cities," he says. "We started with small hedge funds and moved to larger and larger ones. Over the course of about 12 months, TLC's stock went from around \$2 to about \$15 because of growing investor awareness of the potential treatment

for age-related macular degeneration. We then managed to spin OccuLogix out via the first successful IPO of a non-FDA-approved medical device company on a major U.S. exchange in over a decade. This is a case study of an IPO based almost entirely on marketing to hedge fund investors, as opposed to running away from them."

He reports that after the first five meetings, almost all of the rest of the meetings were generated by the hedge funds he had already met with. "Frankly, I've never seen anything like it – before or since," he says. "Our message was that we had a potential treatment for

an incurable disease that ultimately results in blindness. If it was approved, it was probably worth billions. If not, it was worth nothing."

From his experience, he discovered a characteristic that separates hedge funds from traditional accounts. "One of the main differences between mutual fund or pension fund managers and hedge fund managers is the first group wants to keep it a secret what stocks they hold," he says. "They usually don't want other portfolio managers to follow their lead because they've done the work and they want to benefit from it

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FACT OR FICTION? YOU DECIDE

Through the years, hedge funds as a group have accumulated a tarnished reputation in the following five areas. Is that reputation still warranted today? You decide.

SHORT SALES. A short interest play can help mitigate market volatility, says Deborah Pawlowski, CEO, Kei Advisors LLC. "Theoretically, it should create part of the balance in the marketplace," she says. "I've seen the shorts pile on a stock and destroy them. In some cases, I've seen that not because of the company and the stock but because of the investors in the stock – long investors they are trying to drive out. It's an extremely manipulative market in many respects. But that goes to transparency and regulation, not hedge funds."

Stephen Kilmer, president, Kilmer Lucas Inc. & BioTuesday Publishing Corporation, adds that hedge funds tend to attract detail-hungry and aggressive managers with alpha personalities. "In my experience, hedge fund portfolio managers are among the best and brightest," he says. "They do their homework and have conviction, which is why hedge fund managers can be more than willing to bet that the market is wrong."

VOLATILITY. "With today's market structure and the impact of high frequency trading firms and other algorithmic types of trading strategies, a lot of folks don't necessarily look to hedge funds as the primary culprit to volatility," says Chris Taylor, executive vice president, managing director, global investor relations, IPREO. "They certainly could bring volatility to the stock, but other macro factors are impacting volatility to the extent that it's not a huge concern for many companies."

TRANSPARENCY. More and more hedge funds are reporting to the Securities and Exchange Commission, Taylor says. "Having a black

hole in terms of hedge fund ownership is something that is not true any longer."

SHORT-TERM FOCUS. According to Taylor, some clients still share a common complaint about hedge funds – their conversations and questions tend to focus on the trees, rather than the forest. "They ask what's happening in the quarter, looking to get an edge that will benefit them on a trade. When you're engaging with your CFO or CEO, the last thing you want to do is put them in front of a potential investor or a group of potential investors who are focused on trying to gain an advantage from a response on a short-term subject. CFOs, CEOs, and IROs really want to talk about strategy, about the market they are addressing, about trends, about why they are going to be successful, not necessarily a short-term metric that may influence upcoming quarterly results. A lot of times – but not for all – when you get a group of hedge funds together, that's what they are clamoring for. They want something that will drive an investment idea. Unfortunately, many of those investment ideas are very short term."

SHAREHOLDER ACTIVISM. Taylor points out another concern expressed by companies. "Most of the leading shareholder activists are hedge fund managers," he says. "Folks certainly are wary of hedge funds if they're activists. They've been called the wolf pack of hedge funds because in an activist situation, hedge funds will jump into a stock to see if the lead activist will be a catalyst to unlock value."



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A NEW TAKE ON HEDGE FUNDS

Continued from page 16

accordingly. In contrast, hedge fund managers see the power of demand. Once they have made the bulk of their investment, they spread the word.”

Charlier echoes a similar sentiment. “Hedge funds are very communicative with us and with each other. They tend to travel in packs, or at least that’s been my experience. If you attract one hedge fund, often you will attract five hedge funds – the first one and four of his friends. If one of them decides to leave the fold, you face the risk that the others will as well, which can really exacerbate a sell-off. That’s the word of caution I would have.”

Apt Advice

Anne Guimard, president, FINEO, believes that hedge fund managers often have a very specific way of analyzing your company, which IROs should consider incorporating into their messaging. “An IRO needs to interact with all kinds of fund managers, including hedge funds, before he or she can decide which investor profile is more likely to buy his or her company’s stock and support its strategy over the long term,” she says.

Other advice for interacting with hedge fund managers includes:

Get acquainted. “You have to know your hedge funds,” Pawlowski insists. “Yes, there are a lot of hedge funds that behave in a short-term manner, but there are just as many hedge funds that don’t. They are almost like a small portfolio manager. They can only know certain stories really well. They may have 12 to 20 stories that they hang around. They may be short or long in that story at any time, but they could hang around that story for years. Are they short-term investors? No, although they may not be in the stock long all of the

time. They ‘counterplay’ the market. When your stock is going up, they are the ones providing liquidity for buyers. When you’re going down, they may be the ones that are buying up the selling activity.”

Keep your story consistent. “I am a strong proponent of matching up the audience with the message,” Kilmer says. “Sometimes when you have already attracted your audience, you feel the pull to change your message. That’s ultimately a mistake. You are who you are. Changing your message to appeal to a particular group is suicide. Sometimes that means you have to change your audience. Your audience can be changed, but your message has to be true.”

Leverage their networks. “The best way to deal with hedge fund managers is to look at them as partners,” Kilmer says. “If they make the investment and become shareholders, they have done a huge amount of work and they tend to spread the word and become a spokesperson for your company to other hedge funds. Don’t be shy to ask them who else they know that might be interested in your story.”

Listen. Charlier enjoys talking to hedge fund managers. “They’re really smart,” she says. “They’re interactive. I learn a lot from them. I find it really helpful when it comes time for me to communicate with the management and board about investor sentiment because you always know what’s on their mind. They communicate very well.”

Take it to the top. “I believe there is value in speaking with as many constituencies as you can because of the wealth of intelligence and perceptions that you are able to gather,” says Guimard. “Sometimes the dialogue is of the highest quality, and I have often found it worth bringing to the CEO level. CEOs deserve and need to be challenged in their strategic thinking, and a robust conversation with a smart hedge fund manager can be fruitful for both parties.”

“HEDGE FUNDS ARE VERY COMMUNICATIVE WITH US AND WITH EACH OTHER. THEY TEND TO TRAVEL IN PACKS, OR AT LEAST THAT’S BEEN MY EXPERIENCE. IF YOU ATTRACT ONE HEDGE FUND, OFTEN YOU WILL ATTRACT FIVE HEDGE FUNDS – THE FIRST ONE AND FOUR OF HIS FRIENDS.”

– Marj Charlier,
vice president, investor relations,
RealNetworks

Differentiate. The big hedge funds look more and more like traditional investors, Taylor says. “The industry overall is mostly institutional assets with endowment funds, public pension funds, and corporate pension funds. The money that is rolling into hedge funds is coming from stable sources. That may change the way some of the bigger hedge funds invest. Treat the larger hedge funds differently. Folks like Citadel and Maverick and other large hedge funds are investors that cannot – and should not – be ignored.” **IRU**

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 - November 14-16 New York, NY
- ▶ 2012 NIRI Senior Roundtable Annual Meeting
 - November 28-30 Scottsdale, AZ
- ▶ Sponsor, Exhibitor, and Advertiser Thank You Luncheon
 - December 4, New York, NY, Sony Club



Getting Your Show on the Road

Timely tips to make the most of your meeting.

“The non-deal road show is a great opportunity to showcase members of management,” said moderator Mark Donohue, senior director of investor relations and corporate communications at Impax Laboratories. He, along with Aaron Hoffman, vice president of investor relations and corporate communications at Ingredion, and Gregg Lampf, vice president of investor relations at Ciena Corporation, shared their insights on the August 2012 NIRI-sponsored webinar, “Road Shows Part II: On the Road.”

“Everyone can go out when times are good and that’s relatively easy, but people remember when times are tough and you’re going out there,” Lampf said. “It helps you and your career, but more importantly, it helps the company and credibility of management that you’re going out there on regular occasions – good times or bad as long as everything else checks out.”

Select the Right Partner

According to Lampf, make sure whoever goes on the road with your company is a good partner and knows the space well. He

even feels that you can go out with an analyst who is a bit more of a contrarian – someone with a ‘hold’ or ‘soft sell’ rating on the company. With the right executive, this could work to a company’s advantage. “Time with

Everyone can go out when times are good and that’s relatively easy, but people remember when times are tough and you’re going out there. – Gregg Lampf, vice president of investor relations, Ciena Corporation

management may help influence their views,” he said. “Maybe they don’t know the whole story as they think they do.” Traveling with someone who has a contrarian view could help management gain a better understanding of the analyst’s thinking, and provide an in-depth knowledge beyond reading his or her reports. This could also be helpful when answering potential buy-side questions as to why there is a ‘sell’ rating on the company.

When you’re on the road, be aware of not only the questions asked, but also the people who will hear about the meeting. This might influence what is talked about, the tone, and how executives are prepared throughout the day. “Be cognizant of body

language,” Hoffman said. “The Street will read those signals.”

Stay in Control

In the spirit of adding value, Hoffman recommends giving executives an update on investors they will be speaking with on the way to a meeting. Give perspective on style, ownership, and peers as well as your own personal interaction. “Be in control of the meeting in terms of dictating to them the message you want to convey,” he said. There may be some who know very little about the company, so flexibility is important.

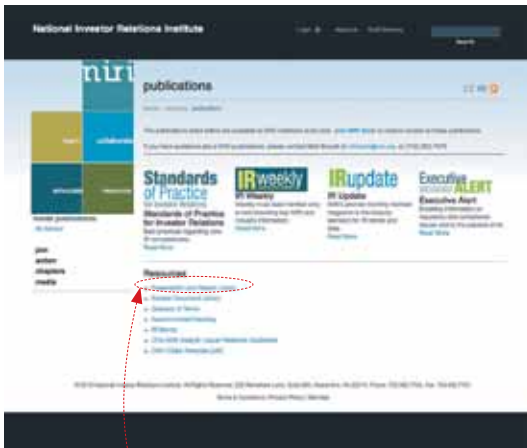
Stay plugged in to the world. “There could be some breaking news that could change your day completely as well as the tone of the road show,” Lampf said. He recommends not focusing too much on the stock price. Use real-time information if market surveillance is available and check with your exchange-trading desk to get a tactical view. Realize that other sell-side

analysts will likely know you are on the road, and they may publish something that affects your efforts. Stay in contact with your office and be one meeting ahead.

Expect logistical problems, so keep contacts in your phone. Don’t allow the sell side to throw a monkey wrench in your agenda by setting up a meeting on the road at the last minute. A sales person wants to maximize time on the road, but management needs to be prepared.

For more information about future webinars, please visit www.niri.org/webinars.

Contributed by **Tammy K. Dang**, manager, professional development, at NIRI; tdang@niri.org.



NIRI Creates Presentation and Report Library

TO KEEP MEMBERS informed of IR developments, NIRI has created a library of presentations, reports, articles, and other resources. The library includes links to copies of slides from NIRI webinars and NIRI chapter-hosted events, as well as reports located on third-party websites. Subject matter in the library includes:

- Attracting and retaining investors
- Corporate governance and annual meetings
- Disclosure
- Economic trends and capital markets
- IR Planning

Visit www.niri.org and mouse over “resource,” and click on “publications” to access the link to the Presentation and Report Library.

Quick Takes

What’s the best advice you ever gave your CEO before an important presentation?



Jane Okun Bomba

SVP and Chief Customer Process Officer
IHS

► “My CEO is a pro and he’s been doing it for 30 years. All we need to tell him is, ‘Your presentation is in room four. The clicker is on the podium.’”



John E. Shave

VP-Business Development & Corporate Communications
Safeguard Scientifics

► “Prior to an analyst day, my team researched all the attendees and identified an activist investor. We were able to prepare my CEO with likely questions this individual might ask that were outside the scope of ‘normal’ corporate/IR-related topics. That insight empowered the CEO to craft his responses in advance and avoid getting blindsided.”



Adam R. Townsend

EVP, Investor Relations
CBS Corporation

► “We’ve all heard it before – know your audience. Inform your CEO of particular priorities, sensitivities, and investment styles of those on the other side of the table. I once worked for a CEO whose enthusiasm was often viewed as arrogant and promotional. Before meeting with one large investment firm, I advised him to focus on the strength of our company’s fundamentals rather than market share gains and product dominance. Three months later this firm became our largest holder.”

“Quick Takes” is a new column in *IR Update* that features brief comments from IR professionals in response to a question. If you would like to be featured in this column, contact *IR Update* Editor-in-Chief Al Rickard at arickard@associationvision.com.

Professional Development Calendar

For program information and registration, visit www.niri.org/calendar

October 2012

- 4** Senior Roundtable LA Networking event, Los Angeles, CA
- 9** Media Part III: IR's Role in Crisis Communications webinar
- 23** Using Numbers to Tell Your Story webinar

November 2012

- 12-14** Finance Essentials Intensive seminar, New York, NY
- 14-16** Global IR Practices seminar, New York, NY
- 20** Capital Markets Trends webinar
- 28-30** Senior Roundtable Annual Meeting, Scottsdale, AZ

December 2012

- 4** Sponsor, Exhibitor & Advertiser Thank You Lunch, New York, NY
- 13** What's Coming in 2013? webinar

January 2013

- 6-9** Fundamentals of IR seminar, Santa Monica, CA
- 9** Key Elements of the Proxy Process seminar, Santa Monica, CA
- 10** Regulations 101 seminar, Santa Monica, CA
- 11** Writing Workshop for IR, Santa Monica, CA

June 2013

- 8** Pre-Conference Seminars, Hollywood, FL
- 9-12** NIRI Annual Conference, Hollywood, FL

NIRI Announces Fellows Recognition Program



THE NIRI FELLOWS RECOGNITION PROGRAM is an honorary recognition program distinguishing NIRI members who epitomize the leadership, integrity, involvement, and contributions of investor relations professionals. These individuals have made significant contributions to the betterment of the profession and NIRI throughout their careers.

Those selected as "NIRI Fellows" are recognized as highly engaged individuals for their contributions to the profession and are called to continued service as content leaders, selection committee participants, authors, and thought leaders in NIRI and the field of investor relations. Here are some details on eligibility, nomination, and selection procedures.

Eligibility for Fellows designation:

- Membership in NIRI for a minimum of 10 years
- Open to all member types – corporate, counselor, service provider, academic, and retired members

Nominations will be evaluated based upon:

- Individual and organizational performance as an IR professional
- Involvement within the IR community
- Leadership in the IR community and among peers
- Integrity/ethics/respect for others and the profession
- Innovation/advancement of/within the profession

Nomination process:

NIRI will send a call for Fellows Recognition Program nominations to members each winter. Nominations may come from individual members, chapters, staff, the NIRI Board of Directors, or the Fellows Selection Committee. Members may also self-nominate. Nomination forms will be available on the NIRI website.

Fellows Selection

Committee:

- The Fellows Selection Committee Chair is the National Board Chair; the Vice Chair is the NIRI President/CEO; and the immediate past National Board Chair also serves on the committee.
- The remaining 6-8 committee members are appointed by the Fellows Selection Committee Chair from former and current National Board members. Committee members serve two-year, staggered terms.

Visit the NIRI Fellows Web page at www.niri.org/fellows for a nomination form. The first class of NIRI Fellows will be recognized at the NIRI 2013 Annual Conference, June 3-6, 2013 in Hollywood, Florida.



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 - November 28-30, 2012, Hyatt Regency Scottsdale, AZ Resort and Spa
- **ATTEND**—special SRT-member in-person events
 - SRT gathering at the NIRI Annual Conference
 - Networking meetings in U.S. financial centers
- **SAVE**—with reduced rates on NIRI education programs, including Annual Conference

For membership criteria, a sample meeting agenda, and to apply go to www.niri.org/srt