Members Only

IR Update

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'Aircraft Carrier' What will it mean for your next offering

By Lois Yurow

Puns were flying at a recent conference on "Aircraft Carrier" — the nickname for the Securities and Exchange Commission's ambitious proposal to reform the securities registration and disclosure system. Sponsored by Glasser LegalWorks, the New York conference brought together SEC officials, securities lawyers and counsel from several large public companies to discuss details and implications of the proposed rules.

The SEC hopes that Aircraft Carrier, which was issued last November, will "modernize and clarify the regulatory structure for offerings . . . while maintaining investor protection." The project earned its nickname because of its scope. If adopted, the rules will change the way issuers register their offerings, market their securities and update their periodic reports — all in one coordinated plan. An accompanying release, proposing new Regulation M-A, would simultaneously change the rules for tender offers, mergers and acquisitions.

The SEC packaged all of these proposals, rather than issue several discrete releases, to force affected parties to make tradeoffs. As Brian Lane, director of the SEC's Division of Corporation Finance, explains, there are many features of Aircraft Carrier that, on their own, would sail through the SEC's approval process without public dissent. The SEC is using those features as leverage to get the changes that are less desirable — or, at least, less desirable to vocal issuers, underwriters and corporate attorneys. To paraphrase Lane, people can't "have their ice cream without eating dinner first."

So what is for dinner, and what treats do we get if we eat our vegetables? Let's look at the menu.

Purpose of Aircraft Carrier

It helps to understand the SEC's objectives before diving into the details of the proposed rules. As Brian Lane explains, Aircraft Carrier is a "response to problems perceived in the current regulatory system."

First, the SEC wants to stem the "growing domination of the private marketplace for raising capital." For a variety of reasons, companies have been engaging in more private placements, which are largely unregulated, and fewer public offerings. Aircraft Carrier addresses the most prominent company concern — the delay and burden of SEC comments — by exempting many registration statements from review and permitting many issuers to choose commencement dates for their offerings without SEC input.

Second, the SEC wants to ensure that investors get information before they make investment decisions. Current law requires delivery of a preliminary prospectus only in advance of an initial public offering. In all other cases, investors may only see a final prospectus, and then only with a confirmation of sale. Aircraft Carrier requires issuers to provide information before investors commit.

Third, the SEC wants to remove what Lane calls a "gag on information." Current restrictions make companies reluctant to discuss even ordinary business information around the time of an offering. A related problem is that many companies rely heavily on their freedom to communicate orally with institutional investors during the registration period, with the inevitable consequence that those investors get more complete information than individuals. Aircraft Carrier offers issuers some certainty about what they can say and when and chips away at one cause of selective disclosure.

Fourth, the SEC wants to make it easier for companies to execute the most appropriate type of offering for their circumstances. Current rules make it difficult for a company that embarks on a private placement to quickly change course and commence a public offering if it determines that interest in the offered securities is high. Shifting from a public offering to a private placement is also subject to restrictions. Aircraft Carrier would make such transitions easier.

New ways to offer securities

Aircraft Carrier will bring dramatic changes to four aspects of the offering process: identifying the correct registration form; providing the required information; filing the registration statement; and marketing and selling the securities. This article discusses those proposed changes. Articles in

next month's Update will explain how Aircraft Carrier might affect your periodic reports and how IROs can prepare for the coming reforms.

The SEC proposes to replace the current series of registration statement Forms S-1, S-2, and S-3 with new Forms A and B. Most of the Aircraft Carrier rules come in two versions: more stringent for offerings on Form A and less stringent for offerings on Form B. Thus, the form an issuer uses will largely determine the amount of regulation the company will bear.

Aircraft Carrier contains many qualifications and exceptions that issuers and their counsel will need to study, but the choice of registration form depends primarily on the answer to these two questions: Has the issuer been filing periodic reports, including at least one 10-K, for at least one full year? If the answer is no, the issuer must use Form A. If the answer is yes, the issuer may be able to use Form B, depending on the answer to the next question.

Does the issuer have a market capitalization of at least $250 million or a market capitalization of at least $75 million and a consistent average daily trading volume of at least $1 million? If yes, the issuer can use Form B for any offering. If no, the issuer can still use Form B for offers to certain qualified institutional buyers; offers to existing holders of the company's stock, options or convertible securities; and offers of nonconvertible investment-grade securities. For all other transactions, the company must use Form A.

Here's the catch. Form B issuers may omit a great deal of information from their registration statements and simply refer prospective investors to their periodic reports. But the price for this convenience may be high: No company can use Form B if it needs to refer investors to a periodic report that has been reviewed and found wanting by the SEC and not amended to the SEC's satisfaction.

To put this problem in context, under current law a company with a shelf registration does not need SEC approval each time it takes down a tranche. If such a company has outstanding comments on its 10-K, it can either work to resolve them or decide that the comments are immaterial, ignore them and assume the risk of being wrong. The outstanding comments will not affect the offering.

Anita Klein, senior special counsel to the SEC's Division of Corporation Finance (and "captain" of Aircraft Carrier, according to Brian Lane), explains that this provision was added to put some teeth into the periodic report review process. As Klein points out, if Aircraft Carrier is adopted, the

registration statements of many companies will never be reviewed again.

Lane adds that plenty of issuers ignore SEC comments on their periodic reports. The SEC fears that eliminating the threat of review for registration statements may diminish the incentive for those companies that currently do pay attention. It was a "major, major" thing for the SEC to give up the right to review transactions, says Lane. The only way to get support for that proposal was to enable SEC staff to wield a bigger club over periodic reporting, he adds.

Providing the required information

A registration statement primarily contains information about the transaction (amount and nature of securities offered, use of proceeds, risk factors and plan of distribution) and information about the issuer (business description, MD&A, and market information). Just as disclosure obligations now vary among Forms S-1, S-2 and S-3, Aircraft Carrier proposes disclosure requirements that differ depending on whether an offering is on Form A or Form B.

Form A offerings. Form A issuers will be small and possibly new — relative unknowns to the market. To compensate for the lack of available information, these companies will continue to bear a substantial disclosure burden. The transactional information in a Form A registration statement will look very much like it looks in an S-1 today. Similarly, newer Form A issuers will need to disclose the same types of company information that S-1 companies disclose today.

However, a Form A issuer usually can reduce its disclosure by meeting the following criteria: The issuer has been a reporting company for at least 24 months and has filed all required reports during that period of time; it has filed its reports on time for at least the preceding 12 months; and, if its market capitalization is less than $75 million, it has filed at least two 10-Ks.

These more seasoned Form A companies can provide most of their information by delivering their most recent 10-K and 10-Q with each prospectus and incorporating those documents by reference into the prospectus. The only thing that a seasoned Form A issuer must disclose directly in a registration statement is material changes in company information that are not discussed in one of the incorporated periodic reports. Again, however, a company may not use this shortcut if there are outstanding SEC comments on a periodic report that it intends to incorporate by reference.

Form B offerings. Most of the companies using Form B either will be so large that they receive constant scrutiny from analysts and the press or make offers to institutions or existing shareholders, who have the wherewithal to demand information when they need it. Since it is easier for investors to learn about Form B companies (and to substantiate whatever information they receive), Aircraft Carrier reduces their disclosure burden.

The proposed rules eliminate some of the transactional information that Form-B-type issuers now provide in S-3s (such as dilution and plan of distribution), but companies are admonished to include non-required information, if material. Like a seasoned Form A issuer, a Form B issuer can omit company information (other than a description of material changes) from its registration statement if it incorporates by reference its latest 10-K and any periodic report filed after that 10-K. However, Form B issuers need not automatically deliver incorporated documents with each prospectus. Instead, they must promise to promptly deliver them at no charge if asked.

Filing the registration statement

A frustrating aspect of a public offering that sometimes drives a company to a private placement is the uncertainty of SEC staff review. Except in the case of an initial public offering (which is always reviewed), a company today does not know whether its registration statement will be selected for review and, if it is, how onerous the comments will be and how long it will take to resolve or appeal them. The market could change dramatically before the SEC agrees to declare a registration statement effective so that the offering can begin. Aircraft Carrier virtually eliminates these concerns for all but the newest and smallest companies.

For Form B issuers the proposed rules could not be easier. Aircraft Carrier would still require an effective registration statement before the first sale of securities. However, Form B registration statements will never be reviewed by the SEC. They will merely be screened to confirm that the issuer was eligible to use the form and to catch any red flags pointing to possible fraud. The issuer can designate whatever effective date it wants (including the date of filing), and that designation will prevail unless the SEC's screening process uncovers a problem.

The benefits of this proposed "no review, choose your effective date" policy will also be extended to any Form A issuer that meets certain criteria (virtually the same criteria as those for Form A issuers wishing to incorporate periodic reports by

reference). As with Form B, registration statements from these seasoned Form A issuers will not be reviewed — just screened for eligibility and red flags.

All other Form A issuers will continue to endure the current review, comment and amendment process for registration statements. These issuers will not be able to sell their securities until the SEC declares them effective.

Marketing and selling

Consistent with the rest of Aircraft Carrier, the rules for offering communications vary, depending upon whether an offering is registered on Form A or B. The proposed rules include a specific time frame during which companies must monitor their communications. The rules also spell out what companies can say, impose some new filing obligations and revise current requirements for prospectus delivery. These new rules are an attempt "to provide more certainty, guidance and bright lines," comments the SEC's Anita Klein, and a defined offering period.

Under current law a security may be offered only by means of a prospectus that satisfies statutory requirements and only after a registration statement is on file with the SEC. The words offer and prospectus sport very broad definitions in securities law. As a result, companies that intend to register securities in the near future often hesitate to release information, respond to media inquiries, advertise new products or services or do anything else that may be construed as an illegal offer or an attempt to "condition the market."

The SEC hopes to reduce that anxiety and encourage a continued flow of information by establishing very specific tests to determine when an "offering period" — the time during which an issuer is presumed to be marketing its securities — begins.

The offering period for a Form A company begins 30 days before the registration statement is filed. Any communication that occurs before that 30-day period, by definition, will not be deemed an "offer." In exchange for this certainty, companies must take "all reasonable steps within their control" to prevent redistribution or republication during the offering period of communications made before the offering period began. For example, a press release not permitted during an offering period must be removed from a company's Web site before the 30-day period.

The offering period for a Form B company begins 15 days before the first offer. This definition is

less significant for Form B issuers versus companies using Form A because Aircraft Carrier also gives Form B issuers a new exemption: Subject to the antifraud rules, they can make offers in any way they want, with or without a prospectus, at any time. As a result, Form B issuers will not care whether their communications constitute offers. However, as discussed below, all issuers — even those using Form B — are required to file certain materials that are used during the offering period.

Communications during the offering period

The SEC recognizes that business goes on and the market needs information even when a company is preparing for an offering. To that end, Aircraft Carrier eliminates some of the current restrictions on offering period communications.

Subject to antifraud rules and some filing requirements, Form B companies will be allowed to communicate freely during the offering period. The SEC does not think these well-followed companies will be able to abuse that freedom, because there is an "abundance of readily accessible information" about them, investors are less likely to be influenced by any one statement or release, and analysts and the media stand ready to dissect their communications.

To facilitate a continued flow of information from Form A issuers, Aircraft Carrier defines two types of communications that will not be deemed offers, no matter when they occur. The first type is "factual business communications," which include advertisements and dividend notices, facts about the company or business, implications of business or financial developments, factual information required in periodic reports and information provided in response to inquiries from the press, analysts or investors. Factual business communications do not include information about a proposed offering or forward-looking information, which are covered by another rule.

The second type of communication not to be deemed an offer is "regularly released forward-looking information." A company about to embark on a public offering cannot decide that it would be a convenient time to start releasing earnings projections or news about products in development. However, a reporting company that has customarily released this type of information for the past two years can continue to do so in a manner "consistent with past practice."

Communication after the filing

Once an unseasoned Form A issuer files its registration statement, there will be a "waiting

period" before effectiveness while the SEC reviews its disclosure. Form B issuers and seasoned Form A issuers will only have a waiting period if they choose not to go effective immediately upon filing.

The rule for communications during the waiting period is the same for all companies. Certainly, they all can use their filed preliminary prospectuses as selling tools. In addition, they can use "free writing" — offering materials other than the prospectus — so long as they comply with all applicable filing and prospectus delivery requirements and advise investors in writing to read other filed documents before making investment decisions.

What are the proposed prospectus delivery rules? One of the goals of Aircraft Carrier is to get information to investors before they make their investment decisions. To ensure that investors have time to evaluate offered securities, the SEC proposes the following: A Form B issuer must deliver a term sheet to each investor "before the date . . . [of] a binding investment decision." The term sheet should summarize the material terms of the securities, identify selling security holders and identify people who can answer questions and provide additional documents.

A Form A issuer with a firm-commitment underwritten offering must deliver a formal preliminary prospectus to each investor. If the issuer has been public for at least one year, the prospectus can be delivered three days before the securities are priced. Otherwise, delivery must be made at least seven days before the securities are priced.

Other Form A issuers also must deliver a formal preliminary prospectus to each investor. If the issuer has been public for at least one year, the prospectus can be delivered three days before the investor commits to a purchase. Otherwise, delivery must be made at least seven days before the purchase commitment.

Although companies will not be obligated to confirm that investors actually receive information in the required time period, the proposed rules require delivery to be made "in a manner reasonably calculated to arrive" on or before the specified date.

What about the proposed filing rules? In exchange for the right to communicate more freely, companies will assume the obligation to file more things.

Aircraft Carrier names four classes of offering materials (in addition, of course, to the

registration statement) that must be filed:

1. **Offering materials that Form B companies use during the offering period: File at the same time as the registration statement. Form A issuers cannot make offers during the offering period.**
2. **Forward-looking information released during the offering period: File at the same time as the registration statement.**
3. **Free writing used after a registration statement is filed: File before the first use.**
4. **Final prospectus: File before the first sale, and tell investors how they can get a copy.**

To avoid confusion, the rules list communications that are not subject to these filing requirements, including factual business communications and anything that will be filed as part of the registration statement. However, a statement that contains both factual business communications and forward-looking information must be filed in its entirety.

New rules yield some concerns

That doesn't sound too bad. Certainly, the proposed rules will make it easier for companies to know what they can and cannot say — and when and how. But as noted earlier, many of the good features of Aircraft Carrier come at a price. Here are a few of the concerns about the offering communications rules.

There will be more documents in the public record. Filed offering materials, free writing and forward-looking information will be accessible to anyone who is interested, not just the intended recipient. Significantly, current rules do not require companies to file things like slides and other visual aides used in road shows or any part of an electronic presentation for a restricted audience, because those communications are treated as oral. Under Aircraft Carrier those materials may be deemed "free writing," thus bringing them within the proposed filing requirements.

According to Anita Klein, the SEC hopes that getting these materials on file will reduce selective disclosure by giving all investors access to the same information, albeit not at the same time. However, companies will have a heightened burden of monitoring communications to ensure that everything is filed as required. Far worse, these previously inaccessible documents may become evidence in a lawsuit if the securities disappoint.

Indeed, Linda Quinn, former director of the SEC division of Corporation Finance and now in private

law practice, predicted that underwriters would keep tight reins on their companies' free writing because underwriters will be named in those suits along with the issuers. Quinn also thinks that added filing requirements will prompt companies to curtail their road shows in favor of closed-door sessions with large investors, making the selective disclosure problem worse.

Some Form B issuers will always be in an "offering period." The offering period for a Form B issuer starts 15 days before its first offer. But as Neila Radin, general counsel at Chase Manhattan Bank, points out, some large companies are constantly in the market with tranches of shelf registrations. It is conceivable that those companies will need to file every press release and any other communication they make. Radin believes that companies may solve the problem by limiting themselves to factual business communications (not subject to filing) and refraining from issuing forward-looking information, which is contrary to the SEC's objectives.

Investors often show up at the last minute. Even in the most organized transaction, prospective investors can show up one or two days before the closing and ask to be let in on the deal. Must Form A issuers turn these investors away or postpone their offerings because they cannot deliver a preliminary prospectus three or seven days in advance of the sale?

What happens now?

While lengthy, this article only sketches the proposed rules; Aircraft Carrier truly lives up to its name. The SEC cannot adopt and implement changes of this magnitude in a short time period. Indeed, one of the practitioners on the panel joked that companies will know if they have a Y2K problem before they need to worry about whether they qualify for Form B. Brian Lane does not disagree. The SEC intends to solicit and analyze public comments for several months, which gives everyone at the table enough time to argue against an unpalatable dinner and in favor of a really good dessert.

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How IR people help share price

By Bill Mahoney

First the criticism, now the praise. Last month we reported on a survey of portfolio managers that

showed how investor relations people can hurt their companies' stock price. Those same 100 portfolio managers were asked by Mitchell and Company to comment on how IR people can have a positive influence on share price.

To summarize the results of the survey, IR people are most helpful to their shareholders when they successfully contribute to a strong management team, build depth in the IR department and are credible, honest and open.

"Surprisingly," comments Mitchell and Company president Carol Coles, "really understanding the company's businesses is not one of the top seven items cited by these portfolio managers as having the most positive impact on the company's stock price."

Coles and chairman Donald Mitchell call the positive actions "the seven golden rules" of investor relations executives. They contrast with the "stalls" described in the February Update, namely misconception, procrastination and communication stalls. The opposite of stalls, these are "good habits that help improve share value, give the company the benefit of the doubt and contribute to the premium some companies achieve for having high management effectiveness," says Mitchell.

First is building a strong management team. The IRO contributes to a team that wins investor confidence by "asking the right questions, making the right decisions, providing clear communications and the expertise to successfully execute the strategy," Coles explains.

Comments Jake Dollarhide, portfolio manager at Frederic E. Russell Investment Management Company: "Today in corporate America, with so many new pressures and limitations on time, a strong management team with depth and competence in each person is necessary to make the business grow."

Building credibility over time

Second is being credible because of past statements. "The IRO shows honesty and builds trust," says Mitchell. "An honest executive builds expectations that the executive will be honest and credible in the future."

John Babyak at WHB/Wolverine Asset Management says he looks for inflection points indicating that credibility may be faltering. He cites Boston Chicken. "It looked like the company was run fine, but it needed money and secured a line of credit, agreeing to issue debt. The debt was at terms very favorable to the issuers, but not to

the current holders. We asked why. That was the beginning of the crash. We questioned things from then on."

Third is building management depth in each position. "If an investor relations executive can explain R&D and an operating executive understands the numbers, that's good," explains Robert Scholz of Princeton Capital.

Fourth is providing a balanced description of the company's circumstances. Investors want to hear the truth, says Coles. Investment manager Clark Kendall describes it this way: "Time after time, management shares its plan with the investment community, and time after time, management does not meet the expectations laid out." Says Coles: "Investors quickly learn which executives to trust and which to discount."

Deliver on promises

Fifth is being dependable and following through on promises. Tyco is cited as an example of a company that delivers on its promises and has built a dependable reputation with investors. The company concentrates on shareholder return, return on invested capital, free cash flow, getting rid of assets that do not contribute and reinvesting money in areas where it can be No. 1 or 2 in the market, says Edward Kasper of Summit Bank.

Sixth is being candid about revealing problems and needed actions. Reliance Steel and Aluminum is cited by Stephen K. Bache at Hamilton & Bache for its candor and for being straightforward as a company. Reliance's "volatility is directly linked to what happens in semiconductors, and it is clear when operating results are decelerating," he says. "Over the years, the company has exceeded expectations and taken the troughs out of an inherently cyclical business."

Summit's Kasper gives companies credit for admitting to difficult situations, citing United Technologies' decision to spin off its automotive operations and reinvest in the aerospace business, which has proved more profitable.

Seventh and final is being concerned about meeting the needs of shareholders. Remember that communications flow in both directions, Mitchell says. "The effective IR executive must communicate inside to management about the concerns of investors and what investors would like to see the company do and why."

Adds WHB/Wolvervine's John Babyak: "Companies have relationships with investors. Honesty, credibility and trust are the foundations."

Investment management structure seen as changing dramatically in future

Investor relations people are challenged to understand the investment practice – the structure of the capital markets and how investors construct their investment methodologies and manage their portfolios. Learning the process is further complicated by constant change, as investors continue to seek ways to operate more successfully.

Apparently, we "ain't seen nothing yet." A new study by PricewaterhouseCoopers and The Economist Intelligence Unit is foretelling dramatic change that will test the mettle of investment managers and question their own ability to survive. According to the study, investment firms must master three imperatives to succeed: knowledge management, technology management and risk management.

Seldom has the past offered less value in prospering in the future of investment management. It will be critical to make decisions based on understanding what the future is likely to be, says Cathy Lazere, project director of the Economist Intelligence Unit.

The study suggests that investment managers likely will be either asset managers (manufacturers), who produce the products, namely, investment processes; or asset gatherers (integrators), who package and sell the products. Integrators will take the "power and reward" away from manufacturers, as the latter become specialists and even subsidiaries of the integrators.

These integrators may not be the investment firms we now recognize as the big institutional investors. More likely, they will be the "large global brands," and many won't be financial institutions, according to the study.

5 megatrends driving industry

A picture of the investment management future emerges from five mega-trends already affecting the industry: globalization, regional growth, consumer sophistication, the technology explosion and widespread consolidation and convergence.

Authors of the study see highly segmented global markets emerging, served by integrators/manufacturers offering customized, localized investment products and services. "Companies can no longer be all things to all people," says Simon Jeffreys, global leader of PricewaterhouseCoopers investment management

industry services group. He sees niches being formed by manufacturers who do select things well. Jeffreys envisions a world divided into four camps: large and small manufacturers and regional and global integrators.

Small manufacturers will focus on specialist funds or advisory services, using alliances for distribution and outsourcing administrative/custody functions. Large manufacturers will use scale economies to offer a wide range of products, creating the need for continuous product innovation and superior portfolio risk management.

Regional integrators will specialize. They must rely on unique branding and distribute a focused portfolio of products. Global integrators will balance the need for having consistent brands worldwide and products satisfying local markets. These companies also will broaden their product offerings to meet customers' total financial needs.

Changing customer relationships

While still vitally important, investment returns won't be the only thing that matters. Customers will have to forgo some profit for security of capital, negotiating the expected returns. In designing products some performance will be traded for such banking-type features as check writing and withdrawals. Eventually, the study's authors predict that customers will be able to "make their own" products.

Relationship management, increasing among banks now able to offer more financial services, will grow in the investment management business as well, according to the study. Integrators will manage client assets, liabilities and lifestyle preferences. Advisory services and more products will be added to traditional retirement vehicles. Specifically, they will include estate and tax planning, planned community real estate for seniors and travel/recreation opportunities. For younger clients, services will include programs to finance children's education and second homes.

These investment management firms of the future will be modifying their own management structure, requiring new talents to operate in this changed environment. Traditionally, the fund managers rose to senior positions within the company. With new skills needed in achieving strategic, visionary leadership, executives from outside the investment industry will be brought into the process.

New approaches to hiring, training and retaining people will be developed. The multifunctional team approach will apply, thus integrating

marketing and investment management and focusing more on career development to reduce employee turnover, which is rampant in the industry today.

In short, investment management talent will be joined by corporate management talent, and the current "star system" of money managers will give way.

The three strategic imperatives

The three imperatives — knowledge, technology and risk management – will come to the fore. Knowledge management means excelling at "gleaning real knowledge from the ocean of data generated by technology," according to the study. "Getting the right information — and the right amount of information — to the right people is critical."

A leading-edge platform will be important, but not enough. Leadership will be built on how these firms use and manage technology, the authors of the study believe. Correct decisions on which technology to buy and outsource will make the difference in profit, loss and their magnitudes.

Effective risk management will preserve customer trust. The study suggests that sophisticated investors, including individuals, will demand more information about risks and how they are managed.

Authors of the study are confident that the investment community recognizes the necessary changes ahead and already is at work in understanding and implementing them. Customer-focused firms have begun to choose their roles in this new environment.

Companies benefit from being socially responsible with investors, regulators

Companies that meet certain social responsibility criteria are attracting more investment by institutions as assets managed in "socially screened" portfolios continue to increase.

These are the findings of The Conference Board, presented in a study entitled, "The Link between Corporate Citizenship and Financial Performance."

Assets managed in social funds grew 227% from 1995 through 1997, compared with 84% growth in assets managed by all pension funds, the study found. Approximately $1.2 trillion, or 9% of equity assets managed by U.S. institutions, are in portfolios using social screens. These are

portfolios that include investments in companies that meet a specific set of social performance criteria.

The Board cites research reported in Strategic Management Journal indicating a positive correlation between return on assets and strong social performance and a study by the Investor Responsibility Research Center showing that 75% of portfolios consisting of low-polluting companies outperformed portfolios with high-polluting companies.

According to Conference Board research, companies with superior social performance records have a smoother path to regulatory approvals and face fewer penalties for regulation noncompliance. The board calls a commitment to social performance "an important strategic tool" for industries subject to close regulatory oversight. An effective internal system for monitoring and ensuring high standards of ethical behavior and developing training programs to help companies meet required standards "can dramatically reduce" exposure to regulation noncompliance, it adds.

The Board notes that corporate executives are paying much closer attention to the benefits of social responsibility today. "Cause-related marketing" is on the increase, it reports. Companies are using it to develop reputation, brand image, customer loyalty and to increase sales. The board cites a Cone-Roper study indicating that 59% of consumers believe companies should address local social problems and refers to other Cone-Roper research showing that 76% of consumers would switch to a brand associated with a good cause when price and quality are equal to other companies' products. Call 212-339-0345 for information on The Conference Board study.