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ALL BUSINESS

Gadflies
take on
governanceBy RACHEL BECK
AP Business Writer

NEW YORK — Remember when investors who pestered companies about their governance practices were deemed nothing more than trouble-making gadflies? Now their tactics are looking increasingly smart.

Just consider how intense shareholder pressure over Home Depot Inc.'s CEO pay finally contributed to Robert Nardelli's surprise resignation this week. And Morgan Stanley seems to see power in using governance to its advantage, too, as evidenced by its recent hire of a well-regarded expert in investor activism to work in its investment division.

The message is simple: As much as cash flows and earnings matter in investment decisions, getting ahead in today's markets also entails closely watching how corporate boards enrich top executives and the power they allow such leaders to have over business dealings.

The wave of corporate scandals that first hit five years ago thrust governance issues into the spotlight. The high-profile corporate implosions of Enron, WorldCom and others showed that everything from bloated executive pay to crony-packed boards were red flags about heightened levels of investment risk.

The Sarbanes-Oxley corporate reform law in 2002 has certainly cleaned up some bad practices, but mostly from a compliance standpoint. There is still much to do beyond what is required under law, whether that means scaling back executive pay or giving shareholders a greater say over board makeup.

Numerous studies in recent years show that investors who spur companies to improve their governance — including those who show up at annual meetings with rants against directors and CEOs in hand — often see higher investment returns. And now many bigger institutions are getting in on the action.

At Home Depot, shareholders in recent years have pressed hard for a sweeping governance overhaul.

Their ire has largely been centered on the fact that shares in the Atlanta-based retailer have fallen more than 3 percent on a split-adjusted basis since Nardelli took over in December 2000, even as he earned \$123.7 million in compensation excluding certain stock option grants through the end of 2005, according to securities filings. His compensation for 2006 has not yet been disclosed.

Their demands for change were mostly ignored. Most recently, one shareholder, Relational Investors, informed Home Depot before Christmas that it would seek at the 2007 annual meeting to require the board establish a special committee to review the company's strategic direction and management performance.

Some resolution came sooner than expected when Home Depot surprised Wall Street Wednesday in announcing that Nardelli resigned — a move that investors had hoped for but few thought was likely. While he will take with him a fat severance package worth \$210 million, investors cheered his departure and pushed up the stock more than 2 percent to around \$41 a share.

But it is not just stock prices that can be helped by improving governance. A study by Moody's Investors Service in 2005 found that large, unexplained bonus and option awards were predictive of both default and large credit-rating downgrades.

One of that study's authors is Ken Bertsch, who was a managing director of corporate governance analysis at Moody's and formerly the director of corporate governance at the money-management firm TIAA-CREF.

Last month, he was named an executive director and head of corporate governance at Morgan Stanley Investment Management, which has \$448 billion in assets under management.

His move may signal the mutual funds managed by the investment firm are planning a more aggressive stance on governance issues — a big change given that mutual funds almost always passively allow management to govern the way they want.



JAMIE ISENBERG/Gazette

MALAIKA TURNER has collected about 20 pairs of shoes so far for the Saving Soles project.

Shoe collection benefits
newly working womenBy MARGARET HARPER
Gazette Staff Writer

When Malaika Turner decided in November that she wanted to find a way to help empower women, she got the idea to do it from the ground up.

Through her new nonprofit organization, Saving Soles International, she will provide quality dress shoes at no cost to low-income women entering or re-entering the workforce, she said. The program is designed to encourage and uplift women through their journey into the working world.

"I think it's a great way to help women," she said. "It just opens doors."

Turner's goal is to join forces with agencies in Indiana County, Pittsburgh and Washington, D.C., to launch the program, she said.

A nonprofit, international organization she hopes to work with is Dress for Success, which provides work attire and coaching to disadvantaged women seeking employment.

Turner will meet this month with representatives from the Pittsburgh chapter to discuss the possibility of including Saving Soles shoes in Pittsburgh, she said. That way, women who go to Dress for Success for a business suit would be able to obtain shoes at the same time.

"THE IDEA is to plant seeds of encouragement in the lives of women through the sayings in the shoes."

Malaika Turner,
of Indiana

To qualify for shoes from Saving Soles, women must be referred to the program by an agency after completing some type of job training, she said. The women must meet income qualifications to be approved.

"We want to help low-income women increase their presentation in the workplace and contribute to raising their self-worth," she said.

Turner, a minister at Victory Christian Assembly in Indiana, added a spiritual side to the program through scripture verses that will be inserted into the shoes.

"The idea is to plant seeds of encouragement in the lives of women through the sayings in the shoes," she said.

While Turner has not yet given out any footwear, she is getting ready for the program to begin.

Through family, friends and word of mouth, she has already collected 20 pairs,

which she first cleans and disinfects.

Turner decided to use shoes for her program because she is a self-proclaimed shoe addict with about 60 pairs in her closet, she said. She wanted to take something that she loved and turn it into an idea to help others.

Plus, she said, she knew there are women out there with closets full of shoes that aren't worn.

"Let's face it. Women have shoes they don't wear," she said. "Be a cheerful giver and give them to somebody who doesn't have the money to buy shoes."

For the program, Turner is seeking new and slightly used, high-quality dress shoes, she said. The shoes can be pumps, flats, slingbacks or another style, but they must be in good condition and suitable for a professional working environment.

"The more shoes we get, the more we can distribute," she said.

In addition to needing shoes for the program, Turner is searching for other local agencies interested in using her services in conjunction with other programs, she said. She also needs volunteers to collect, clean and package shoes, as well as monetary donations.

"The program is worth investing in if you share the vision of helping women," she said.

On the Net: www.savingsoles.net



CARLOS OSORIO/Associated Press

AN APPLE IPOD is connected to a USB port in a Ford Edge vehicle at the North American International Auto Show in Dearborn, Mich.

Dashboard electronics
may make CDs obsoleteBy TOM KRISHER
AP Business Writer

DEARBORN, Mich. — CD players in automobiles could go the way of eight-track tapes with in-dash systems like one Ford Motor Co. and Microsoft Corp. are jointly producing to link cars with cell phones and personal music players.

The "Sync" system being unveiled today at the North American International Auto Show connects popular iPods and all other digital music players — including Microsoft's nascent Zune — to in-dash software through a USB port. Drivers will be able to pick songs, artists or genres using voice activation or controls on the steering wheel.

The system also links Bluetooth-capable smart phones and personal digital assistants to the car's electronics, allowing the car system to pick up Internet broadcasts.

An electronic voice even will read inbound text messages through the sound

system, complete with a vocabulary of slang abbreviations such as "LOL" for "laughing for loud."

Sync ratchets up the car electronics war as the struggling Ford tries to compete with General Motors Corp.'s OnStar system, DaimlerChrysler AG's MyGIG in-dash hard drive storage system and similar devices offered by other manufacturers.

It gives Ford leadership, at least for now, in what is becoming an increasingly competitive race in cabin electronics, said Kevin Reale, an AMR Research Inc. automotive analyst who has been briefed by Microsoft on the Sync system.

The whole race places the venerable CD in danger of extinction. Sync can even take music off a small USB thumb drive, ending the need to fumble with and store multiple CDs.

In fact, Ford already is discussing whether it needs to offer CD players in future models, said Gary Jablonski, manager of infotainment systems.

Best Buy,
Circuit City
top projectionsBy CHRIS SERRES
Minneapolis Star Tribune

MINNEAPOLIS, Minn. — Just a month ago, many retail experts were predicting a dismal holiday shopping season for Best Buy Co. Inc. and Circuit City Stores Inc.

The nation's two largest consumer electronics chains had been forced to slash prices to compete with an array of new competitors, from discounters to warehouse clubs such as Costco, that had begun selling big-screen televisions, laptop computers and other electronic gadgets.

But fears of a holiday sales crunch proved to be exaggerated. On Friday, a day after many retailers reported disappointing holiday sales, Best Buy and Circuit City surprised Wall Street investors with strong December sales.

Richfield, Minn.-based Best Buy, the world's largest consumer electronics retailer, said December sales at stores open at least 14 months rose 7 percent; Circuit City's climbed 4.2 percent. By comparison, retailers overall saw sales rise 3.1 percent last month, the International Council of Shopping Centers said.

Shares of Best Buy rose 16 cents Friday, to \$50. Circuit City shares fell 71 cents, to \$19.29.

"Consumer electronics appears to have been one bright spot in an otherwise lackluster holiday season," said Colin McGranahan, a retail analyst with Alliance-Bernstein, an asset management firm in New York.

As recently as mid-December, there was widespread concern among analysts that falling TV prices would eat into sales and profit margins. Prices for many flat-panel TVs this holiday shopping season were 30 percent less than a year ago, said Ross Rubin, director of industry analysis at NPD Group.

BRIEFS

Benchmark Medical
names new CEO

MALVERN, Pa. — Benchmark Medical's board of directors recently appointed William R. Floyd as chairman and CEO of the company.

Benchmark's former CEO, Lance Piccolo, said in a news release that Floyd is an "exceptional proven leader" whose "hands-on style" is critical for Benchmark to reach its potential. Piccolo, who will continue to serve on the board of directors, served as chairman and CEO from 2004 to 2006.

Before joining Benchmark, Floyd was chairman, president and CEO of Beverly Enterprises, a provider of long-term care, hospice and home health services in the United States.

Floyd earned a bachelor's degree from the University of Pennsylvania in 1967 and a master's degree from Wharton School in 1969.

Benchmark Medical is the parent company of Indiana-based Keystone Rehabilitation Systems and has 350 points of service across the country.

Greene named to
Pittsburgh chamber

Carson Greene Jr., senior vice president of Community and Government Relations for First Commonwealth Bank in Indiana, has been named to the Greater Pittsburgh Chamber of Commerce board of directors.

Greene has been with First Commonwealth for 10 years and has been an active member of the community. He is a past president and currently serves as secretary of the Indiana County Development Corp. and a past president of the Indiana County Chamber of Commerce. Greene is chairman of the Board of the Pennsylvania Bankers Association Political Action Committee, vice president of the Visiting Nurse Association of Indiana County, and a founding member and president of the James M. Stewart Museum Foundation.

The Greater Pittsburgh Chamber of Commerce, an affiliate of the Allegheny Conference on Community Development, advocates for business climate improvements to create an even more competitive regional environment for new and existing businesses — making regional promotion efforts all the more effective.

Hilliard awarded
optometry fellowship

Keith Hilliard, OD, FAAO, was recently awarded a fellowship in the American Academy of Optometry.

Hilliard received the award at the annual meeting of the American Academy of Optometry in Denver.

More than 4,000 people from around the world attended the meeting.

Professionals who become fellows of the academy must submit extensive written work and pass an oral examination. A panel of leading optometrists and vision scientists must approve both the written work and oral examination.

Less than 10 percent of practicing optometrists are fellows of the academy.

Hilliard graduated from Pennsylvania College of Optometry and has been practicing in Indiana for nine years with Dr. Charles M. Tarnoff. Hilliard and his wife, Traci, have two children, Nicolas, 5, and Melina, 3.

Bon-Ton
reports earnings

The Bon-Ton Stores Inc. recently announced total sales for the five weeks ended Dec. 30 increased 147 percent to \$642 million compared to \$259.9 million for the same period last year.

December sales include \$401.9 million from the Carson's and Parisian stores. Bon-Ton comparable store sales decreased 5.8 percent.

Year-to-date total sales increased 155 percent to \$3.12 billion compared to \$1.22 billion for the prior year period. Year-to-date sales include \$1.95 billion from the Carson's stores from March 5 through Dec. 30 and Parisian stores from Oct. 29 through Dec. 30. Year-to-date Bon-Ton comparable store sales decreased 3.1 percent.

DR. KEITH
HILLIARD