



Governance Risk Assessment Prior to Merger or Acquisition Could Save Billions

FOR IMMEDIATE RELEASE

Portland, Maine; February 9, 2009 – A new [report](#) from The Corporate Library, an independent corporate governance risk research firm, demonstrates how incorporating an assessment of corporate governance risk into due diligence prior to a merger or acquisition could save billions of dollars in shareholder value. The report examines key governance indicators that signaled elevated risk at AOL and Time Warner in the period immediately prior to their merger.

“The lessons of the last 10 years should surely be sufficient to demonstrate that no merger or acquisition should even be contemplated without a thorough governance appraisal,” said Senior Research Associate Paul Hodgson, author of the report.

In addition to executive compensation and board composition concerns, the report cites the treatment of stock options and other equity awards upon the merger as a “warning sign” of failure at AOL and Time Warner. One such risk indicator is the pre-merger treatment of options for AOL executives Stephen Case and Kenneth Novack, which were changed so they vested immediately on consummation of the merger despite the fact that the AOL equity incentive plan provided they vest either according to schedule or within a year of the merger.

The report also examines The Corporate Library’s [governance risk ratings](#) of both AOL and Time Warner prior to the merger and how the ratings signaled material weaknesses in the deal.

According to a December 2009 survey by [Agenda](#), boards are paying more attention to mergers and acquisitions (M&A) now than in the past year. Meanwhile, environmental, social and governance (ESG) issues have become key risk factors among investors. M&A failures such as AOL and Time Warner have demonstrated that neglecting these risks could result in significant losses. The report shows how The Corporate Library’s unique expertise in finding “red flag” areas of ESG risk could help M&A strategy professionals as they conduct due diligence.

“How Governance Could Have Saved \$100 Billion: AOL and Time Warner” is available as a free download from The Corporate Library’s [online store](#).

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About The Corporate Library

For ten years, The Corporate Library has been the leading independent research firm providing corporate governance information products, research services and data to a broad variety of clients including institutional investors, corporations, D&O liability insurers, law firms, accounting firms, executive search firms, academic institutions and the media. The Corporate Library produces the definitive ratings of U.S. corporate boards of directors, allowing businesses that subscribe to the service to evaluate governance as an element of investment and other risk. The Corporate Library is also a leading publisher of corporate governance reports and studies, including reports on CEO employment contracts, governance practices, mutual fund proxy voting, and executive and director compensation, which its analysts compile using its extensive database of over 3,200 public companies and over 47,000 executives and directors. Additional information

on The Corporate Library and its suite of online corporate governance data and analysis products can be found on its website at www.thecorporatelibrary.com.

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