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Marco Consulting Group

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Proxy Votes on Auditors

The most routine, automatic vote cast by even the most dedicated proxy-voting agent used to be for the ratification of "independent" auditors. Why would anyone doubt the credentials of the very reputable accountants normally submitted to shareholders?

In 2001, however, the SEC required companies to disclose how much they pay their "independent" auditors for audit work and how much they pay them for "other" work. Suddenly, shareholders learned that most of their "independent" auditors were being paid on the average three times more for "other" work than for their audit work. For example, AOL Time Warner paid its "independent" auditors \$7.9 million for audit work and \$51.1 million for other work. As the Wall Street Journal asked: "How objective can an accounting firm be in an audit when it is also making millions of dollars providing the client with other services?"

MCG reacted immediately in 2001 by voting against auditors who received such substantial amounts for other work at the company they were auditing that it gave the appearance of a conflict of interest. As a result, MCG was the only proxy voting agent who voted against Arthur Andersen as Enron's auditor in 2001 because Enron paid Andersen \$27 million for other work in addition to \$25 million for audit work. Overall in 2001, MCG voted against auditors at 1,568 companies because of their receipt of substantial payments for other work.

In 2002, a group of Taft-Hartley benefit plans (a number of whom are MCG clients) filed shareholder proposals at companies to eliminate auditor conflicts of interest by limiting auditors to only audit work. MCG has voted in favor of these proposals.



New President of the ISCEBS

Michael Joyce has been chosen to serve as this year's president of the International Society of Certified Employee Benefit Specialists (ISCEBS). Michael is a Senior Consultant in MCG's Boston office. The ISCEBS is recognized as the preeminent organization of benefit professionals. It is open to professionals who have earned the CEBS designation, the employee benefit educational program sponsored by the IFEBP and the Wharton School of the University of Pennsylvania. The Society has over 4,000 members. Michael has served on the Governing Council of the ISCEBS the past three years and has earned Fellowship status in the Society. Michael received his CEBS designation in 1991. Other MCG employees with the CEBS designation include Tom Mitchell, Sr. (a member of the charter class), Michael Cairns and Jack Taylor.



Mark Your Calendars!

MCG 2003 Client Conference
January 24-29th
The Westin Diplomat Resort and Spa
Hollywood, FL

MCG Introduces New Product

The Marco Consulting Group is proud to introduce a new product, the Custody Evaluation Profile (CEP), which will replace our quarterly Custodian Verification Report (CVR). You will receive this new report on an annual basis, based on information that we collect quarterly. Your consultant can let you know when to expect your copy.

We developed this product in response to changes in the custodial environment, which include considerable improvement in many of the functions that were the focus of our CVR. Accordingly, we have shifted our focus from the detail level to the custodial bank's processes and procedures related to each functional area. These functional areas include:

- Organizational Data
- Security Pricing
- Settlement
- Cash Management
- Reporting Capabilities
- Security
- Securities Lending
- Investigations/Litigation
- Industry Developments

We will continue to provide you with the Equity Commissions Report, which will henceforth be included with your quarterly Performance Report.

We look forward to reviewing our new Custody Evaluation Profile with you, and we are confident that you will find it very useful and informative. If you have any questions, please do not hesitate to contact your consultant.