

AAR CORP  
Form DEF 14A  
September 01, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**AAR CORP.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**One AAR Place  
1100 North Wood Dale Road  
Wood Dale, IL 60191**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON WEDNESDAY, OCTOBER 13, 2010**

**To Our Stockholders:**

You are cordially invited to attend the 2010 Annual Meeting of Stockholders of AAR CORP. to be held on Wednesday, October 13, 2010, at 9:00 a.m. (Chicago time), at AAR CORP.'s corporate headquarters located at One AAR Place, 1100 North Wood Dale Road, Wood Dale, Illinois 60191. At the meeting, you will be asked to:

Elect three Class II directors to serve until the 2013 Annual Meeting of Stockholders;

Approve the AAR CORP. Section 162(m) Annual Cash Incentive Plan;

Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2011; and

Transact any other business that may properly come before the 2010 Annual Meeting or any adjournment or postponement of the meeting.

This year we are again providing access to our proxy materials over the Internet. We mailed to all stockholders a "Notice of Internet Availability of Proxy Materials," which provides instructions on how to access our proxy materials over the Internet or, alternatively, how to request a paper copy of our proxy materials. We believe that Internet access reduces the cost and environmental impact of printing and distributing proxy materials for our Annual Meeting.

By Order of the Board of Directors,

Robert J. Regan

*Vice President, General Counsel and Secretary*

September 1, 2010

**Your vote is important. We hope that you will attend the Annual Meeting in person, but even if you plan to attend, we encourage you to vote your shares as soon as possible, over the Internet, by telephone or by completing and returning the enclosed proxy card in the postage-paid envelope provided. You also may vote your shares in person if you attend the Annual Meeting.**

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**One AAR Place  
1100 North Wood Dale Road  
Wood Dale, IL 60191**

**PROXY STATEMENT FOR THE  
2010 ANNUAL MEETING OF STOCKHOLDERS**

Our 2010 Annual Meeting of Stockholders will be held on Wednesday, October 13, 2010, at 9:00 a.m. (Chicago time), at AAR CORP.'s corporate headquarters located at One AAR Place, 1100 North Wood Dale Road, Wood Dale, Illinois 60191. We invite you to attend the Annual Meeting and ask that you vote on the items described in this Proxy Statement.

**I. VOTING INFORMATION**

This Proxy Statement and the related proxy materials are first being provided to stockholders on or about September 1, 2010 in connection with the solicitation of proxies by the Board of Directors for use at the 2010 Annual Meeting of Stockholders.

This year we are again providing access to our proxy materials over the Internet under the Securities and Exchange Commission's "notice and access" rules. To that end, we mailed to our stockholders a "Notice of Internet Availability of Proxy Materials," which provides instructions on how to:

access and review our proxy materials over the Internet;

submit your vote over the Internet; and

request and receive a paper copy of our proxy materials.

**What matters are stockholders voting on at this Annual Meeting?**

Stockholders are voting on three matters:

the election of Norman R. Bobins, James E. Goodwin, and Marc J. Walfish as Class II directors for a term expiring at the 2013 Annual Meeting of Stockholders;

the approval of the AAR CORP. Section 162(m) Annual Cash Incentive Plan; and

the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2011.

The Board of Directors unanimously recommends that stockholders vote "FOR" each of these matters.

**Who is entitled to vote?**

The Board of Directors fixed August 19, 2010 as the record date for determining who is entitled to vote at the Annual Meeting.

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If you were a stockholder of record (i.e., you held your shares in your own name rather than through a broker, bank or other nominee) at the close of business on August 19, 2010, you may vote your shares at the 2010 Annual Meeting.

If you were a street-name stockholder (i.e., you held your shares through a broker, bank or other nominee) on the record date, you are considered a "beneficial owner" of the stock. To vote those

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shares at the Annual Meeting, you must give voting instructions to your broker, bank or other intermediary who is the "nominee holder" of your shares. Effective January 1, 2010, your broker is no longer permitted to vote on your behalf in the election of directors unless you provide specific voting instructions to your broker. The Company has directed brokers, banks and other nominee holders to obtain voting instructions from their beneficial owners. Proxies submitted by nominee holders on behalf of beneficial owners will count toward a quorum and will be voted as instructed by the beneficial owners. You will receive additional instructions from your broker, bank or other nominee explaining how you may vote your shares held in street name.

A list of record stockholders entitled to vote will be available at the Company's offices, One AAR Place, 1100 North Wood Dale Road, Wood Dale, Illinois 60191 for 10 days prior to the meeting and at the meeting location during the meeting.

On the August 19, 2010 record date, 39,264,712 shares of common stock of the Company ("Common Stock") were outstanding. You will have one vote on each matter to be voted on for each share of Common Stock you owned on the record date.

**How do stockholders vote by proxy or in person?**

Stockholders of record at the close of business on the record date may vote on the matters that are before the Annual Meeting by proxy by completing, signing, dating and returning the enclosed proxy card, by voting by telephone or over the Internet, or by attending the Annual Meeting and voting in person.

**How do stockholders vote by telephone or over the Internet?**

You are encouraged to vote either by telephone or over the Internet. This will eliminate the need to sign, date and return your proxy card. You can vote by telephone or over the Internet 24 hours a day, seven days a week, until 10:59 p.m. (Chicago time) on the day prior to the Annual Meeting. Specific instructions for using the telephone and Internet voting methods are set forth on the proxy card. If you vote by telephone or over the Internet, please do not return your proxy card.

**How do stockholders revoke a proxy?**

You may revoke your proxy at any time before it is exercised, but only by:

    sending a written notice of revocation to the Secretary of the Company at the Company's address listed on the first page of this Proxy Statement;

    voting in person at the Annual Meeting;

    submitting another proxy by telephone or over the Internet; or

    delivering a later dated, signed proxy.

**How will the proxy holders vote shares?**

The proxy holders will vote shares in accordance with instructions on the proxy card. If no instructions are specified, the shares will be voted *FOR* the election of the nominees for Class II director designated by the Board; *FOR* the approval of the AAR CORP. Section 162(m) Annual Cash Incentive Plan; *FOR* the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm, and upon any other matter that may properly come before the Annual Meeting in the discretion and best judgment of the proxy holders. If any





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director nominee becomes unavailable for election for any reason prior to the Annual Meeting vote, the Board may reduce the number of directors to be elected or substitute another person as nominee, in which case the proxy holders will vote for the substitute nominee.

**How will the votes be counted?**

All votes cast in person or by proxy will be tabulated by the inspectors of election appointed for the Annual Meeting. A majority of the outstanding shares of Common Stock entitled to vote, present in person or represented by proxy at the Annual Meeting, will constitute a quorum.

The inspectors of election will treat directions to withhold authority, abstentions and broker non-votes (i.e., where a nominee holding shares for a beneficial owner has not received voting instructions from the beneficial owner with respect to a particular matter and such nominee does not possess or choose to exercise his discretionary authority with respect to such matter) as shares that are present for purposes of determining a quorum. Directions to withhold authority will have no effect on the election of directors because directors are elected by a plurality of votes cast. Abstentions and broker non-votes will be disregarded for purposes of determining whether a matter has been approved because they are not considered votes cast. It is not anticipated that there will be any broker non-votes on the ratification of the appointment of KPMG LLP since brokers will have discretion to vote on this proposal even if they do not receive voting instructions from their beneficial owners.

**Who is the Company's proxy solicitor?**

The Company has engaged D. F. King & Co., 48 Wall Street, New York, New York 10005, to assist the Company in soliciting proxies at a total estimated cost of \$11,500, plus reasonable out-of-pocket expenses. The cost of soliciting proxies will be paid by the Company. D. F. King & Co. may solicit proxies by mail, telephone, facsimile, e-mail, or in person. Certain officers, directors and employees of the Company may also solicit proxies for no additional compensation.

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**II. PROPOSAL 1 ELECTION OF DIRECTORS**

The Restated Certificate of Incorporation and By-Laws of the Company provide that the Board of Directors shall consist of between three and 15 directors, with the exact number of directors to be set from time to time by the Board. The number of directors is currently set at 11. The members of the Board are divided into three classes, each having a three-year term that expires in successive years: Class I (three directors), Class II (four directors), and Class III (four directors).

The Board of Directors has nominated three directors to be elected in Class II at the Annual Meeting, each to serve a three-year term expiring at the 2013 Annual Meeting or until the individual is succeeded by another qualified director who has been duly elected. The nominees for director in Class II at the Annual Meeting are Norman R. Bobins, James E. Goodwin and Marc J. Walfish. Gerald F. Fitzgerald, Jr., a director of the Company since 2006, has elected not to stand for re-election, and, effective as of October 13, 2010, the Board reduced the number of directors to 10, with Class I consisting of three directors, Class II consisting of three directors, and Class III consisting of four directors.

Each nominee is currently serving as a director of the Company. Each nominee has been determined by the Board to be "independent" within the meaning of the New York Stock Exchange ("NYSE") rules. Under Delaware law and the Company's By-Laws, the three nominees for director who individually receive the greatest number of votes will be elected directors of the Company.

**The Board of Directors recommends that stockholders vote "FOR" all nominees.**

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**III. INFORMATION ABOUT THE DIRECTOR NOMINEES AND CONTINUING DIRECTORS**

Information about the director nominees and continuing directors whose terms expire in future years is set forth below:

	<b>Director Since</b>
<b>DIRECTOR NOMINEES:</b>	
<i>Class II Directors whose terms expire at the 2010 Annual Meeting:</i>	
NORMAN R. BOBINS, 67: Since 2008, Non-Executive Chairman of The PrivateBank and Trust Company - Chicago (a financial services company). From May 2007 until October 2007, Chairman of the Board of LaSalle Bank Corporation. From 2002 to 2007, President and Chief Executive Officer of LaSalle Bank Corporation. From 2006 to 2007, President and Chief Executive Officer of ABN AMRO North America. From 2002 to 2007, Senior Executive Vice President at ABN AMRO Bank N.V., the Dutch parent of LaSalle Bank Corporation. Current public company directorships: The PrivateBancorp, Inc., SIMS Metal Management Limited and Nicor, Inc. The Board of Directors concluded that Mr. Bobins should serve as a director of the Company based on his 42 years of banking experience, his financial and accounting knowledge, his service as a director of other public companies, and his civic involvement as a director of various not-for-profit organizations.	2007
JAMES E. GOODWIN, 66: Since 2009, Chairman of Federal Signal Corporation (a safety and security products manufacturer). From 2007 to 2008, Interim President and Chief Executive Officer of Federal Signal Corporation. From 2001 to 2007, an independent business consultant. From 1999 to 2001, Chairman and Chief Executive Officer of UAL, Inc. and United Airlines, Inc., from which he retired after 34 years. From 1998 to 1999, President and Chief Operating Officer of United Airlines, Inc. From 1992 to 1998, Senior Vice President of United Airlines, Inc. Current public company directorships: First Chicago Bancorp, Federal Signal Corporation and John Bean Technologies Corp. The Board of Directors concluded that Mr. Goodwin should serve as a director of the Company based on his airline industry experience and expertise, including his leadership positions at UAL, Inc. and United Airlines, Inc., his management experience and his financial expertise, as well as his global consulting experience and his service as a director of other public companies.	2002

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	<b>Director Since</b>
<p>MARC J. WALFISH, 58: Founding Partner of Merit Capital Partners (a mezzanine investor company) in 2003. From 1991 to 2003, partner at William Blair Mezzanine Capital Partners. From 1978 to 1991, various positions at Prudential Capital Corporation, most recently as Senior Vice President.</p> <p>The Board of Directors concluded that Mr. Walfish should serve as a director of the Company based on his experience in the finance industry, including as a founding partner of Merit Capital Partners, a mezzanine investor company, his knowledge of the capital markets and his expertise in corporate finance, strategic planning and risk management.</p>	2003
<b>CONTINUING DIRECTORS:</b>	
<i>Class III Directors whose terms expire at the 2011 Annual Meeting:</i>	
<p>RONALD R. FOGLEMAN, 68: Since 1997, President and Chief Operating Officer of B Bar J Cattle Company (a consulting company). From 1994 to 1997, General, Chief of Staff, Headquarters United States Air Force, Washington, D.C.</p> <p>Current public company directorships: Alliant Techsystems, Inc.</p> <p>Other public company directorships held in the past five years: World Air Holdings, Inc.</p> <p>The Board of Directors concluded that Mr. Fogleman should serve as a director of the Company based on his leadership skills and record of accomplishment during a 34-year career with the United States Air Force, his business experience and business relationships gained through his senior management positions at two consulting organizations and his understanding of the government defense and services markets.</p>	2001
<p>PATRICK J. KELLY, 55: Since 1986, Managing Director of KMK &amp; Associates, LLC (a private equity firm with interests in companies operating in the food, distribution, technology, financial services, real estate and energy industries).</p> <p>The Board of Directors concluded that Mr. Kelly should serve as a director of the Company based on his leadership and operational experience at various businesses, his background as a long-term chief executive officer and his business expertise gained through his experience at a private equity firm with a diversified portfolio of operating companies.</p>	2006
<p>TIMOTHY J. ROMENESKO, 53: Since 2007, President and Chief Operating Officer of AAR. From 1994 to 2007, Vice President, Chief Financial Officer and Treasurer of AAR. From 1991 to 1994, Corporate Controller of AAR.</p> <p>The Board of Directors concluded that Mr. Romenesko should serve as a director of the Company based on his current leadership position as President and Chief Operating Officer of the Company, his experience in various accounting and financial capacities during his 28-year career with the Company and his knowledge of the Company's commercial aviation and government and defense services markets.</p>	2007

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	<b>Director Since</b>
<p>RONALD B. WOODARD, 67: Since 2003, Chairman of MagnaDrive, Inc. (an industrial torque transfer equipment company, which he co-founded following his retirement from The Boeing Company after 32 years). From 1995 to 1998, President of the Boeing Commercial Airplane Group. From 1991 to 1994, Vice President and General Manager of the Renton Division of Boeing Commercial Aircraft. From 1987 to 1991, President of deHavilland Aircraft. Prior to that, Vice President and General Manager of the Materiel Division of Boeing Commercial Aircraft, and various other management positions.</p> <p>Current public company directorships: Coinstar, Inc. and Continental Airlines, Inc.</p> <p>The Board of Directors concluded that Mr. Woodard should serve as a director of the Company based on his original equipment manufacturing experience while at The Boeing Company, his knowledge of the commercial aviation industry and his experience as a director of other public companies, including Continental Airlines, Inc.</p> <p><b><i>Class I Directors whose terms expire at the 2012 Annual Meeting:</i></b></p>	2004
<p>MICHAEL R. BOYCE, 62: Since 2005, Chairman and Chief Executive Officer of PQ Corporation (a specialty chemicals company). Since 1998, Chairman and Chief Executive Officer of The Peak Group (an operating and acquisition company). From 1990 to 1998, President and Chief Operating Officer of Harris Chemical Group, Inc. (a chemicals company).</p> <p>Current public company directorships: Stepan Company.</p> <p>The Board of Directors concluded that Mr. Boyce should serve as a director of the Company based on his experience as Chairman and Chief Executive Officer of two leading global organizations, his insight into global manufacturing, supply and distribution practices and his international business development skills.</p>	2005
<p>JAMES G. BROCKSMITH, JR., 69: Since 1996, an independent business consultant. From 1990 to 1996, Deputy Chairman and Chief Operating Officer of KPMG LLP (a global accounting firm), where he retired after 31 years.</p> <p>Current public company directorships: Alberto Culver Company and Sempra Energy.</p> <p>The Board of Directors concluded that Mr. Brocksmith should serve as a director of the Company based on his leadership position at KPMG, his knowledge of corporate accounting, tax and compliance practices and his expertise in financial and accounting issues relevant to the Company's businesses.</p>	2001

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	<b>Director Since</b>
DAVID P. STORCH, 57: Since 2007, Chairman of the Board and Chief Executive Officer of AAR. From 2005 until 2007, Chairman of the Board, President and Chief Executive Officer of AAR. From 1996 to 2005, President and Chief Executive Officer of AAR. From 1989 to 1996, President and Chief Operating Officer of AAR. From 1988 to 1989, Vice President of AAR.	1989

Current public company directorships: KapStone Paper and Packaging Corp. and Unitrin, Inc.

The Board of Directors concluded that Mr. Storch should serve as a director of the Company based on his current leadership position as Chairman and Chief Executive Officer of the Company, his leadership and management skills, his understanding of the Company's businesses gained during his 32-year career with the Company and his knowledge of the commercial aviation and government and defense services markets.

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**IV. CORPORATE GOVERNANCE**

**General**

The Company has an ongoing commitment to good governance and business practices. We regularly review our policies and procedures, giving due consideration to current developments and "best practices" in the area of corporate governance. We believe that we comply with all applicable Securities and Exchange Commission ("SEC") and NYSE rules and regulations and have adopted additional corporate governance practices that we believe are in the best interests of the Company and its stockholders.

Copies of the following corporate governance documents are available on the Company's website at [www.aarcorp.com](http://www.aarcorp.com) under "Investor Relations/Corporate Governance":

Corporate Governance Guidelines

Categorical Standards and Policy for Determining Director Independence

Code of Business Ethics and Conduct

Audit Committee Charter

Compensation Committee Charter

Nominating and Governance Committee Charter

Executive Committee Charter

All of these corporate governance documents are also available in print to any stockholder upon written request to the Secretary of the Company at the Company's address listed on the first page of this Proxy Statement.

The Company maintains an Ethics Assist Line through a third-party provider to receive confidential complaints, information, suggestions or recommendations concerning the Company, its officers, directors and employees, policies, procedures, employment and business practices, accounting or audit matters, financial reporting or compliance with other Company policies or applicable regulatory or legal requirements. The Ethics Assist Line is toll-free and permits callers to identify themselves or remain anonymous at their election.

**Director Independence**

A majority of the members of the Board of Directors must be independent directors under the criteria established by the Board and under applicable NYSE rules. The Nominating and Governance Committee and the Board of Directors review each director annually and make a determination concerning independence after consideration of all known facts and circumstances. The Board has established categorical standards to assist it in determining director independence. The Company's "Categorical Standards and Policy for Determining Director Independence" include all of the elements of the applicable SEC and NYSE rules with respect to director independence, as well as those of the Company, and are attached as Appendix A to this Proxy Statement. Based on these categorical standards, its review of all relevant facts and information available, and the recommendations of the Nominating and Governance Committee, the Board, at its meeting in July 2010, affirmatively determined that no director has a material relationship with the Company that would impair the director's ability to exercise independent judgment and, accordingly, that each director is an independent director, except for David P. Storch, due to his status as Chairman of the Board and Chief Executive





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Officer of the Company, and Timothy J. Romenesko, due to his status as President and Chief Operating Officer of the Company. Under the NYSE rules, a director employed by the Company is not an independent director by definition.

**Board Leadership Structure**

The Board of Directors determines the leadership structure for the Board and the Company in a manner that it believes best serves the interests of the Company's stockholders. As stated in the Company's Corporate Governance Guidelines, the Board has no fixed policy with respect to combining or separating the offices of Chairman of the Board and Chief Executive Officer. Currently, the Company's Chief Executive Officer, David P. Storch, is also Chairman of the Board. The Board believes this structure is the most effective and appropriate leadership structure for the Board and the Company at this time for the following principal reasons:

Mr. Storch has served the Company in senior management positions for over 20 years (beginning in 1989 as President and Chief Operating Officer of the Company and continuing through his current position as Chairman and Chief Executive Officer). See "Executive Compensation Compensation Arrangement with Chief Executive Officer" on page 39 for information relating to Mr. Storch's 32-year career with the Company.

A combined Chairman and Chief Executive Officer has the ability to formulate and implement a strategic vision for the Company and to pursue business initiatives in support of that vision.

The Board of Directors, particularly the non-management directors, provides substantial independent oversight of the conduct of the Company's business. The Company does not have a lead director in title, but Ronald R. Fogleman, the Chairman of the Nominating and Governance Committee, acts in that capacity and chairs all executive sessions of the non-management directors. The non-management directors meet regularly in executive sessions, including at every regularly scheduled Board meeting, after which Mr. Fogleman briefs Mr. Storch as appropriate.

**Risk Management Oversight**

The Board of Directors, directly and through its committees, is responsible for overseeing management's process for assessing and managing the Company's exposure to risks. In that role, the Board regular