



A Good Board and Its Value

A plethora of highly publicized and corporate scandals and cases of material mismanagement in the past few years has called into question the ability of corporate boards to protect the interest of the company and its stakeholders. Aggressive, reckless, or blatantly improper management actions and accounting practices are by-products of greed, and are often in response to the host of threats facing corporate America, including: foreign competition; mature markets; domestic and global hyper-competition; rising costs of employee benefits; increasing regulation and taxes; rapidly changing technologies, etc.

Companies large and small benefit having quality boards that help design and maintain appropriate controls, and checks and balances in the context of enterprise governance. Of equal importance is the board's role of providing corporate guidance in the company's pursuit of sustainable, high quality financial and operational performance. Given this demanding environment, how best can a board discharge its responsibilities to the stakeholders it serves?

Effective boards provide guidance and oversight and insist on fully developed and diligently monitored systems of internal controls. The board's primary purposes are to provide: i) oversight (the controls, checks and balances element) and ii) guidance (the planning, position and strategic element) for the entity it serves. Both purposes are accomplished via monitoring corporate compliance with governance policies and by assisting company management in decision making.

Profiles of Board Members & Boards:

- Possess reputations of integrity, and have personal and professional accomplishments of relevance to the enterprise.
- As a group, have skills in each of the legal, accounting, finance and personnel areas for which the board is responsible.

Catalyst/Hall specializes in middle market equity and mezzanine debt investments from its offices in Dallas, Houston, Oklahoma City, and Chicago.

Catalyst/Hall provides capital for growth and expansion, recapitalizations of family owned or closely held companies, generational changes in ownership, and management buyouts.

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- Have and commit the time required for their and its tasks.
- Be independent, with a majority being non-management persons.
- Demonstrate a history of being informed of relevant business, political and social issues, including issues of relevance inside and outside the enterprise, such as industry trends, issues and developments, account regulations, tax law changes, trends in governance, current thinking on employee matters, etc.
- Be able and willing to speak freely and question management and management's assumptions.
- Periodically evaluate the performance of each other and the entire group, with the goal of continuous improvement relative to the duties of governance and guidance.

Duties of Board Members:

- Be familiar with the company's mission and governing instruments, such as articles and bylaws, and the annually updated business plan.
- Be familiar with significant enterprise commitments associated with the business plan.
- Attend all general and committee meetings.
- Review and approve operating and capital budgets.
- Conduct financial and operational performance reviews of management and the business.
- Approve all material contracts and financial commitments.
- Review and approve all material accounting policies, practices and assumptions.
- Help establish overall strategies and policies, including timelines for execution.
- Monitor performance regarding strategic and tactical implementation of plans.
- Help establish a code of conduct for management and the organization.
- Evaluate and oversee enterprise risk management policies and practices, including insurance.
- Challenge management assumption underlying all management recommendations.
- Establish committees comprised of qualified members for important enterprise components (e.g., finance, personnel and long-range planning).
- Have meetings (even if just a portion of each meeting) of the outside directors independent of meetings with management directors.

- Maintain open and periodic access to key company personnel, with or without management's awareness.

Elements of productive board meetings include:

- Meeting regularly, at least quarterly, if not more frequently, with the possibility of monthly phone meetings with a prearranged time budget and agenda.
- Circulating regular meeting agendas (including supporting material) no less than 10 days in advance of meeting.
- Adhering to the agenda (including suggested time allocations for segments, as well as prioritizing agenda items), opting to defer non urgent matters, or non agenda matters.
- Preparing detailed written minutes including dialogue, decisions, director follow up items and votes, and distributing them to board members within 10 days of each meeting's end for review and ratification.
- Soliciting active verbal participation from all board members, including interaction with key management participating at the board level.
- Considering a two day annual board retreat to allow time for in depth discussion.
- Providing board members with corporate governance and other relevant training, (e.g., financial accounting for non accountants, current model ethical guidelines for executives, etc.).

Visionary leaders/managers realize the significance and benefits of an effective board relative to the success of an organization. Good boards, providing sound advice and perspective, help ensure the organization's success, consistency and longevity. When assessing the quality of management, start by evaluating the quality and effectiveness of the board.

Sports Clips Update

Sports Clips, Inc., the sports-themed boys and mens hair salon, has ended its 10th year of franchising with a touchdown. They currently have 310 stores open in 27 states and anticipate opening in excess of 120

stores in 2006. Sports Clips recently started franchising in California, Washington and Oregon.

For more information on Sports Clips, please visit their web site at www.sportsclips.com.

Learn more about Catalyst/Hall at
www.CatalystHall.com.

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