

ASSOCIATION OF CORPORATE COUNSEL

TITLE: Adding Value by Mitigating Risk

DATE: July 17th, 2008

PRESENTED BY: ACC Corporate Compliance & Ethics Committee

SPONSORED BY: Intralinks, Inc.

FACULTY: Frank Alvarez, Partner, Jackson Lewis LLP
Elizabeth W. Stivers, AVP and Senior Counsel, Law and
Regulatory Affairs Department, UNUM

MODERATOR: Kevin J. Mencke, Senior Counsel -- Employment and Labor Law,
International Paper Company

Operator: Just a reminder, today's conference is being recorded.

Female: Welcome to this ACC Webcast. Karen, please go ahead.

Karen Faye: Thank you. My name is Karen Faye and I'm going to be moderating today's Webcast titled, "Adding Value by Mitigating Risk." Before we get started, sorry, before we get started, I would just like to give a quick note on asking questions.

You can interact with any of our speakers today by typing questions in the chat box, which is located at the lower left corner of your screen, then select the Send button located next to the box. If you're experiencing any technical problems as viewing or hearing this Webcast, please send an e-mail to (accwebcast@comparters.com).

I want to begin today by introducing our three speakers for this event. Robert Roach is university compliance officer at New York University. He's also secretary of the corporate compliance and ethics committee of the Association of Corporate Council.

Prior to joining NYW, from 2001 to 2006, Bob served as chief of staff at the New York City Department of Investigation, where he was responsible for oversight of New York City's Ethics and Corruption Prevention programs and conducted investigations into white-collar crimes and public corruption.

Our second speaker is Kimberly White. Kimberly is director of business ethics and senior corporate counsel at Underwriters Laboratories Inc. She is also chair of the Corporate Compliance and Ethics Committee of the Association of Corporate Counsel. Kimberly's legal practice at Underwriters Laboratories focuses on corporate agreements for UL services.

In 2005, she became the first director of business ethics. As director, she's responsible for the management of the organization's Global Ethics and Compliance program. And our third speaker is Alison Shurell, vice president of product marking at Intralinks Incorporated

Alison Shurell has been with IL for three years, focusing on how the company serves the in-house legal community, including their partnership with the Association of Corporate Council. The focus of today's Webinar is on how compliance officers and others view risk management, how they

proactively manage compliance and associated risks, specific principles and guidelines as a framework for analyzing risk, and we'll also talk about best practices, for example, case studies on improving business while lowering risk.

We thought we would start today's Webcast with some questions. Our first question is, "Is there a mandate in your company to develop a risk compliance program?" If you could please respond to this, we'll give you a few seconds.

Great. So it looks like the majority of the individuals who have responded said that, "Yes, they do already have a risk or compliance program in place." There's one other question that we thought we would ask of all of you, and that is, "How much time does your team spend on preparing and responding to audits and insuring compliance requirements are met?"

Too much time, (b); not enough time, about the right time, or you're not quite sure. Give you a few moments to respond to this question. OK, so it looks like most people think either not enough time or about the right time. So this should be a very interesting presentation as we go further into audits and compliance.

I'm now going to pass the baton over to Bob Roach. Bob?

Bob Roach: Hi, good afternoon. I'm Bob Roach and as mentioned, I'm the university compliance officer and NYU and the secretary of the Compliance and Ethics Committee and I just want to take a moment and give a plug to our committee. We're a new committee. We have monthly meetings but telephone conference and we'd recommend that everyone's who interested in compliance and ethics to join our committee and participate.

There'll be a lot of opportunities for work and engaging in committee activities. Essentially, I wanted to start off by talking about what is risk management. And first, here at NYU our compliance program is relatively new and I brought up the concept of doing a formal risk management program here. And some of the managers, at least one of the managers said, "Well I already do risk management."

And I wanted to point out that when we talk about risk management, what we're not talking about is sort of the ad hoc risk management that all business managers do on a day-to-day basis of looking at risk of particular projects.

Rather what we're doing is we're talking about a structured and systematic approach to mitigating or minimizing business risks. There are a lot of models out there. At NYU we follow the COSO methodology, that's the Committee of Sponsoring Organizations of the Treadway Commission, and they published two models.

The first one was the COSO internal control model followed by the COSO enterprise risk management model. And we tend to follow those and it provides a sound structure for systematic looking at managing uncertainty and minimizing the risk that you might face in managing our business or operations.

And when we talk about risk you know risk occurs in a whole variety of ways. External risks you know what we face in terms of economic or market conditions. We have risk related to competition and changing customer needs and desires. Our businesses faces physical risk, such as fires and floods that might interfere with operations. And we have, most of us have legal regulatory risks that are external risks that we need to manage.

And then there's also internal risk we need to consider and manage such as the potential for a financial fraud or an accounting error and other operational failures. And what COSO and other methodologies for managing risk do is they try to first assess, what are the organization's financial, operational, legal and reputational risks?

And this involves assessing you know and going through a broad range of your management business functions and trying to assess what each of the risks that occur in those functions and using a systematic methodology for prioritizing risks.

And then secondly, once you assess the risks and you need to establish internal methodologies for controlling or mitigating those risks. And invariably they involve some type of internal control or tool for mitigating or minimizing the risks. Some internal controls are probably familiar and common to everybody.

For example, in the financial area, we have separations of duties. IT, who we utilize access controls. We place – change management systems in place to track changes in our computer systems. We have separations of duties in the IT area separating program operators from people who have access to databases, have robust passwords.

So all these internal controls need to be developed and specialized for each of the risks that you follow. And then ultimately, you have to get involved in monitoring and adjusting the controls as you need them. At NYU we're particularly concerned about compliance and regulatory risks.

And the standard controls we use here for the regulations that we need to meet are policies that we translate the regulations into a policy format that's understandable for the business people and the academics that need to meet the regulations. And we make sure that there's a manager who's responsible for carrying out compliance. We engage in training around those policies in practices, monitoring and auditing and then correct as action.

In terms of compliance risk, what we don't talk about is strategic risks. Very broad enterprise risk management also includes strategic risk assessments such as, for example, when NYU is opening a campus in China or Abu Dhabi, what are the risks there and should we do it.

And so those risks include opportunities such as risk avoidance – we'll we're not going to open a campus, or just accepting a risk. But when it comes to things like compliance you know accepting and ignoring risk aren't acceptable alternatives. They all need to be managed and controlled.

So why do we manage risks? Well there's a variety of reasons. The first is that increasingly we – there are legal requirements for managing risks. Sarbanes-Oxley section 404, it's implementing regulations and particularly the Public Company Accounting Oversight Board rules, their new standard number five really emphasizes risk assessment and risk management as a legal requirement in operating our businesses and conducting audits of how we're operating our financial systems.

The PCAOD number five in particular emphasizes fraud risk assessments and mitigation through internal controls. Secondly, risk prioritization through a top-down analysis, that is, trying to identify what are the most significant risks that we face in our organization, and a new emphasis on monitoring controls.

But what I think for me, one of the most important things that we want to come away with from the new PCAOD rule is, it now allows both the management in the annual reporting on internal controls and our independent auditors to rely on others within the agency such as managers, such as compliance officers or risk-managers, who assess internal controls as a part of their regular functions.

And so if you develop a compliance program that includes risk management and analysis of internal controls, you will ultimately reduce your cost associated with Sarbanes-Oxley compliance. So that's one set of reasons, the legal requirements.

Also New York Stock Exchange listing requirements in their governance section now require audit committees discuss with management what their processes are for assessing risk and managing it. So more and more we're seeing requirements for organizations to have at least some formalized process for risk management.

Beyond that, there are operational reasons. If we just looked in today's paper with the failures and the mortgage and securitized mortgage industry where proper risk analysis wasn't done and you see shareholders losing value and demanding more from their companies in terms of risk management.

But another practical reason that's tied to that and what we see in that area and other areas, is where we don't manage our risk properly particularly as an industry, you find government intervention and the government institution of regulations which manage the risk for us.

In the university setting for many years, we ignored or at least, if not ignored, did not pay a proper attention to, managing risks associated with conflicts of interest. And in the last year or so, what we've seen as a result are you know attorney general investigations and attorney generals imposing risk management processes on us.

We've seen state and federal regulations regarding conflicts of interest. We've seen administrative investigations by the department of education, research agencies that provide us funding have been investigating and presenting new rules on conflicts of interest and we've even seen prosecutions.

So by managing risk both as a company and as an industry, you will avoid unnecessary regulation of government agencies stepping in and managing the risk for you. Now what are the top risks that we face as corporate council? Well there are a number of surveys that have been done and preparing for this seminar, I looked at surveys conducted by the Association of Corporate Council and other organizations.

And there are a number of areas that they've identified consistently as top risks. One is, and this is consistent and a leader in recent days, is compliance with government regulations. I know here at New York University, compliance with government regulations is our top risk concern. And it's been you know determined not only internally but informed to us by our outside independent auditors.

And it's particularly important for us, and unfortunately in the university we've been a little bit slow to start with compliance and risk-management programs. And an example of this that I can share with you that highlights the need and importance of compliance with government regulations in our industry is, recently, one of my executives asked me to poll universities and explained to him why we need to follow the federal sentencing guidelines.

And in particular, he wanted to compare top research universities. So I examined the top ten research universities. Eight of them had formal compliance programs using the federal sentencing guidelines. Two of them did not and one of those was Yale.

Now when people think of Yale, they think of you know an organization that's been highly successful, not only in academics and research, but they're typically on top of the team when it comes to managing their endowment funds and other performance indicators. But because of the lack of a compliance program, they now are faced with the most significant federal investigation of any university in the country.

There are five IG offices that are investigating them. They've had criminal investigators show up on their campus. At least ten years research administration procedures and records are under review. The president of Yale had to admit publicly that they failed in their stewardship of federal funds. A top researcher was fired.

New administrators were brought in. They were required to bring in a team of lawyers to respond to the compliance problems, hire an outside consultant. And the investigation has gone underway disrupting their procedures for two years.

So you see that there's practical reasons for developing formal compliance programs that regularly analyze risk and set proper priorities for the organization. Another area that is consistently on the top of the list for corporate council is records management, and tied to records management is e-discovery.

Now records management is both a risk area and an opportunity for internal control to mitigate risks. Now why do I say that? It's a risk area in that now days, one, we're having more and more different types of records. We're way beyond the days of just paper records. We have electronic records in all different types of formats. And people are storing these records in more and more different places.

They're keeping them there in business and personal laptops; they're e-mailing records to their homes. And so, proper records management is needed to control this broad variety of records that we're maintaining in so many new different places. That's a risk because if we are missing records or we lose records and they're necessary either because we're being audited or face a government inquiry, it presents a risk.

And there's also a risk of having too many records. Some people believe that records management means keeping everything. Records retention and destruction are important as well because if you have a regular records destruction program and records are destroyed pursuant to that program, then you never have a problem.

But so many times we've seen in litigation where companies have failed to properly follow their own records destruction policy, and evidence of wrongdoing and records that could have been destroyed are now available to civil litigants and the like.

Too many records also present a burden on operations, both in terms of storage and location, and they also represent a cost. On the flipside, good records management cures many of those problems. They provide for adequate information security, they provide for good documentation of our business processes.

And also e-discovery, good records management helps cure problems in e-discovery. E-discovery is a tremendous burden on companies that have engaged in it and particularly, where you don't have records management and you have to look for records in all different types of personal and individual laptops and the like.

So with good records management, we limit the problems with e-discovery. And there are also problems – the third area is information security and privacy. Here in the university setting, universities, I've seen studies that make us the number one target for hackers because we store so much personal and private information, not only about employees, but we have large bases of either students or patients for hospital universities like NYU.

We also have privacy issues. Every day we see instances where large volumes of personal information have been accidentally lost or made public. So information security and privacy is another significant risk area that corporate council are facing. With good records management and e-discovery practices, these are ways that you can reduce your risk.

Good records management practices you know allow you to better manage your information with consistency. It allows for a higher-lever performance organizationally when you can locate the appropriate documentation in an efficient and accurate manner. And it also helps increase the documentation that you have to meet the demands of regulatory agencies.

Good records management policies also help with security and privacy. At NYU, we have just done a program analyzing our information security practices and bringing in new software for records management to help protect our privacy. And then again, as I mentioned earlier, e-discovery and e-discovery good records management help to minimize e-discovery cost and risks of sanctions that we so often see in the litigation context.

OK, with that, we have a polling question and I'm going to pass this over to Karen, our co-leader, to present the polling question. Karen?

Karen Faye: Thanks, Bob. So some of you are ready to start answering, which is great. I think this speaks – this question really goes back to some of the things that Bob was talking about. What risk area is of greatest concern for your organization? Is it (A), compliance with government regulations, (B); records management and e-discovery, (C); information security and privacy or (D); you're not quite sure.

And I'll give you a few minutes, or a few seconds, to respond. OK, it looks by a large margin, most of you feel that, (A), compliance with government regulations tends to be an area of greatest concern for you. We're now going to turn the baton over to Kimberly, and she's going to talk about records management.

Kimberly White: Thank you. Good afternoon, everyone. Perfect. I'm going to talk – taking the approach, given all the information we've gotten so far and the concerns that you have and just ask a very simple question. If you're trying to get a comprehensive policy through your organization, how do you actually do this? How do you actually start?

If you're like most of us in in-house council, you come from the compliance, you come to the compliance function from elsewhere in your daily duties for the company. So trying to figure out exactly where you would pick this up can be somewhat of a daunting task. Well what we did here at UL it at, really we just kind of went out and said, "What's the status quo?"

Find out what's being done right now in various areas. We've had HR compliance audited, we looked at legal documents in terms of what we were doing ourselves in our own department in terms of retention, what types of documents we were retaining, where they were kept, et cetera and finance and some others, and also IT.

It's a time-consuming task, I'm not going to kid you, it's fairly difficult to get it all done and you definitely do need the collaboration of your colleagues to do this. But once it's done, or once you've least got some data in front of you, you have some ideas of what you have.

What you mind find, and particularly looking to establish a global comprehensive risk management and document retention program is that, you might have many or various retention policies and programs going on within your company already in different departments, maybe sometimes governing the same type of documents. When they get them, they have a different approach to the whole storage, retention, location of the documents.

So you might find many schemes in place throughout the company. Some of them may be working cross purposes. Usually none of them are aligned and many of them were created to address a particular business need at the time, either it was retention and retrieval, it was storage or response to some sort of litigation.

But they normally have something in place and trying to get your handle of all of those will be somewhat of a challenge, but you do find that there are a lot of things going on. Often times what you'll find, and Bob said this when talking about the electronic stored information and trying to get that, that a lot of the policies that are in place pre-date all off the issues surrounding electronically stored data.

So what you get is a lot of inconsistency in between your policies and outdated policies. Moreover, these policies really don't necessarily help you in the global context. And I'm thinking specifically now, in our situation, where we've got data, we've got lots of companies over in the European Union, and they have laws in terms of what you can transfer, what you can store and how long you can store and some mandatory purge dates, and making certain that you're in compliance with that.

So I think once we got our arms around this, as we certainly shared the concern about you know complying with all these various laws and making certain that your document retention and your document management system complies with these is somewhat of a challenge.

Another thing that we found is that there may be some limitations in your IP department about locking down data or storing data or even where it's located, if needed for some sort of production at a later date.

So, it's worth taking the time to do this because what you're doing, essentially, is you're sowing the seeds of cross-functional collaboration and sharing knowledge about where documents are housed, who's housing them, who's got responsibility for what part of some policy that they're working on and you're also over-covering any kind of inconsistencies in your internal policies. And by doing so, you can now set out a plan for addressing them.

To really have a comprehensive ((inaudible)) policy, it really does have to be cross-functional. You really do – it can't be legal just kind of leading the charge, because the fact of the matter is we don't know where everything is and if it's an information gathering exercise that will need all of the people and departments involved to really help you not only uncover what's there, who has it, who has responsibility for managing it, et cetera, but also to implement any type of change, if needed, to what's currently going on.

Now once you find out what you have, where it's located and who has access to it, you're also helping yourself create a data map. This is the beginning of creating a comprehensive policy of knowing where your stuff is store, who has responsibility for it, and whether that should be changed. Should it be central rather than out at a location some place?

You've got some data now to support, based on laws and the other things that are driving the kind of retention system that you would need and management systems that you would need. You've got now some steam behind it because you're getting information about what's in place and why it is or isn't working, given the objectives you have for your document management system.

I think there's one more thing that needs to be said with this mission that you have when you start getting your arms around what's there, and that's that you sometimes may find that you can get more economies of scale and get more information in terms of better systems management.

For example, what happened in our case, when we started looking at HR retention of documents, for example, we found that HR and another part of the organization, I want to say it was purchasing, I'm not certain, discovered that we were using the same vendor and they were both getting pricing but they weren't really maximizing it by getting volume pricing.

So working with that vendor and getting something that's a little bit more of a global strategy helped us immensely in kind of getting our arms around some of this. So, let me see. Can you get me to the next slide, please? What I have on this screen here is not so much an equation as it is just a way to think about all of the different aspects in assessing your records management status quo. You've got your objectives of records management and your external drivers which are actually kind of two sides of the same coin, so they're related.

And of course you have your control environment and your current management processes, and these two are also related. What you want to have in both of these is you want to think of course of what the laws, regulations and policies already in place and then what are your objectives and are they meeting these objectives, based on the laws and regulations.

And, if they're not, now you have some information; data to show how it's not, to take to management, and to start now improving that process.

The other thing to think about in the current management process, which is the fourth element down there, is keeping in mind that what you want to do, not only is – is to upgrade or revise or even impose a new management process, if that's what you determine is needed, but you also want to keep in mind the idea of updating, assessing – continuous assessment and continuous improvement on whatever process is either in place or it needs to be upgraded, and this kind of goes to the next point that I want to make.

If you can advance the slide, please. Hello, can you advance the slide, please?

Female: Kimberly, the slides been pushed forward, I think.

Kimberly White: Ah, OK, I'm sorry. I've lost my connection, so if you guys can see what I've got on the next slide, in terms of improving the process. The key is a graduated approach, because what you don't want to do is go for the you know the Cadillac solution.

Because – and most people know this, but sometimes when we get kind of caught up in what's there or not there, sometimes it's very – it's very tempting sometimes to scrap the system and start from scratch, but it doesn't always work.

And in most cases, it doesn't work, as soon as you have a limited amount of financial and human resources capabilities.

In terms of getting buy-in for this, I think it's really important to kind of speak the language of the organization. It's obviously important, and as lawyers, it helps us to use the e-discovery rules and Sachs and other types of legal requirement to explain why what's in place is or isn't working.

It is equally important to get your arms around things that you may be less familiar with. For example, my situation when we came on board, and started this program, we didn't have any kind of working knowledge, OK, so it really wasn't what we did.

But, I have come to love it and understand it a little bit better, because it helps to explain and discuss what's going on with records management and why it's important, within term that the business can understand, and then translate that into policies and procedures that the business can understand.

Because, I think, the biggest challenge you'll face in trying to get your arms around this, is explaining that something needs to be done, because essentially, what people see and experience is a kind of a, it ain't broke, so why do we need to fix it.

The fact of the matter is, it is broken, you just don't know it yet. And so, trying to get people to understand that, it's helpful to kind of couch things in language that they understand.

One more thing that I wanted to point out when it comes to cross-functional collaboration, and getting this down in the improvement and process slide, is that when it comes to – you don't want to wait until there's a problem to advance a solution to this, but, it is helpful to use worse case scenario's with things that you see already.

In other words, kind of drawing the map out for folks, so they can understand why this is necessary. Maybe it's a doomsday scenario, I don't know if I'd like terminology, but it really is saying like, this is the problem and this is what we can see down the road, unless we start moving toward a more comprehensive approach to this.

Moving to the next slide, let me recap a little bit about getting your arms around this. You're documenting what's done. You know what's here. You know what the capabilities are of your IT systems, your HR. You know what you're working with in terms of processes and people in place to manage the system.

The other part of this that's really, really important is education and awareness. Training the organization and using whatever the improvement you come up with is, whatever the tools are, et cetera. They need to understand what they are and you have to constantly make sure they're educated on this.

What you don't want to have happen, is that you go through this incredibly laborious process of assessing your current status quo, you get new protocols or procedures, or policies in place, translating some, the regulations, and then people think it's done, it's fixed, it's OK, and they – and it goes away.

It's fixed, it's gone, we're done. The part of the learning curve of the organization is understand that you're never really done. What you've done is, you've put something in place and now you have to constantly monitor it. You have to constantly assess what's going on and refine, to the extent that – that there are issues going on.

But if you constantly have to look at that status quo. There's too much of a – I think, today, in corporate world, at least in our corporate world, we're trying to change that mindset of, oh, OK, we've got a new process in place. We've got a new a policy. It's all done.

No, it never is. And so, that's the management of expectations, and that's part of the educational part of this. You always have to manage expectations.

You also have to train – and particularly when you're in different departments or you're looking at the document retention system or – of a particular region, where's there's a lot of change or a lot of people moving from different parts of the organization, that constantly has to be reinforced and constantly has to be re-communicated.

And, one of the ways to do this, is start from the top down. I always recommend starting with your senior managers, so that they understand, and so they then make certain that the people that are responsible for the day-to-day, get the message.

Starting with the person on the ground floor, they're good as long as they're there, but when they transfer onto a different part of the organization, there's no follow through or making certain that the next person or the next department, or whoever is the new incarnation, knows about what's to be done or why this is in place.

And you know God forbid, they start changing the processes, and then they'll come back and work with compliance, in terms of making certain that that is also compliant with the legal requirement.

So, it's really important to make certain that everyone's on board, and that that process is constantly being refined and improved.

So, that's really all I wanted to say about you all's experience. We're still doing this.

One more thing I probably should mention, is that if you've got an organization like ours, and we're pretty much spread out over 20-some odd countries, the best approach, I would think, is a more piecemeal approach.

You know start with one region, location, and build out from there, because trying to do this in an en mass sort of fashion, is just – it leads to confusion, and you really don't get anything.

So, really kind of start small and build from there, and then when you get your information, then you can start refining your processes and doing all the great stuff that Bob mentioned in his presentation.

So, that's it for me. I'm going to pass it back to Karen.

Karen Faye: Thanks, Kimberly. So we have one more polling question, before we move to Alison Shurell, and the question is what do you consider the greatest challenge in developing a records management program? Is it A, coordinating cross-functional resources, B, gaining commitment from a leader champion, C, finding budget, D, determining appropriate technology, or E, you're not quite sure?

I'll give everyone a few moments to respond.

Just another moment or two.

Well, it looks like most people felt that, a) coordinating cross-functional resources is one of the greatest challenges, in developing one of these programs.

I'm now going to move to Alison who is going give us an update on some best practices.

Alison?

Alison Shurell: Thank you Karen. Good afternoon, and to wrap up our Webcast, I thought I would just cover some best practices, as it relates to improving business, while lowering risk, as well as sharing some case studies about how people are doing it today.

So, quickly, just to recap what we heard from Bob and Kimberly, so Bob spoke about what are the drivers behind implementing risk management programs?

The two main drivers are you know government regulations and industry standards that are requiring this. So, Sarbanes-Oxely you know the SSC, there's many organizations that are requiring this to be the top of the agenda.

Secondly, we're hearing from our shareholders. They are demanding that companies institute risk management programs, because they want – they want, obviously, to preserve corporate earnings and assets from risk of loss.

So, those are two key drivers that we – we heard from Bob. And then secondly, just to recap what Kimberly shared. You have to have a thoughtful approach around how you go – how you establish a risk management program.

So you know you start by assessing what's currently being done. What tools, what systems, how effective are they, where are the gaps you know where is the information? Then you define you're six recommendations, and build a case for implementation and get buy-in.

And then finally, as she mentioned, you want to monitor and adjust as needed. It's an ongoing processing.

So, taking that approach, you should be left with an effective and efficient records management system, that reduces your risk around regulatory requirements, information security, and privacy.

I also wanted just to recap the insight we got from you guys on the line, today. So, as it relates to people having their risk or compliance program in place, the great news is it looks like the majority of the audience has one in place, or they're putting one together.

As it relates to the amount of time you're spending preparing and responding to audits, it looks like everyone said – there was actually a tie, people said not enough time or about the right amount of time.

As far as the greatest concern – risk area of concern for your organization, the overwhelming majority of the audience indicated compliance with government regulations was your top concern.

Finally, with the fourth question, what is the greatest challenge in developing a records management program, the majority said coordinating cross-functional resources. This insight is actually in-line with what we're hearing from the in-house legal community, around the importance of urgency of having a strong records management system and managing risk.

If you can go to the next slide. Thank you. So, after you go through the exercise described by Kimberly, you'll want to evaluate records management solutions to meet your needs and mitigate risk.

Following are some of the requirements you should consider. So, if you're looking at these systems, it needs to be organized. It should be intuitive, easy to use, and ultimately you know you want to make life easier, not harder.

Secondly, it needs to be controlled. You should be able to control who has access to the records and what they can do with those records when they have them.

Third, security. You know often we take this point for granted, but you really want to make sure that the system you choose for your records management, meets the highest standards for security.

The fourth thing to look for or think about is, auditable. So, certain compliance and regulatory requirements necessitate proof of review or other records handling. So you want to ensure that your system facilitates this.

And finally, you want a system that's scalable. You know obviously, we all hope that our companies grow, and you want a system that's going to easily grow as your company grows.

And then finally, something to think about, and you know Kimberly mentioned that this is a gradual process, but you want to think about centralizing your records. That just makes it you know so much easier to be able to have your hands around everything.

All right, if you can move to the next slide, please.

So, I'm going to share with you three stories from our clients, who have found that an on-line workspace for records management, has helped them improve business, while lowering risk.

So, go to the next slide, please.

So, Memorex' story is a great one and probably one with – with which many of you can relate. Grace Liu is the legal corporate affairs manager at Memorex, and she was literally buried in paper when we talked to her and interviewed her.

I mean, she was covered in paper. The legal department at Memorex was responsible for all of the company's corporate records, as well as those of its affiliates around the globe. And she said, literally tens of thousands of documents, covering everything from regulatory filings, contracts and mergers and acquisitions, to board reports and shareholder meeting minutes.

And Grace is often called upon quickly, to pull together records for colleagues around the world, but records were scattered across many systems, and many documents were sitting in filing cabinets and hard copy.

Literally, just everything was all over the place. You know so clearly, Grace worried about the risks associated with the lack of control that had over all of their records. You know records could get lost, they could fall into the wrong hands.

So when she began looking for a records management solution, she wanted one that could not only handle the volume of data she had, but one that would also accommodate the various functional silos and geographically disbursed business units that Memorex had.

And, this would make it easier for her to share documents with colleagues, in a controlled manner.

If you want to go to the next slide, please.

So, basically the challenge that Grace was faced with, was this distributed paper-based method of storing and sharing all of these documents across many parties, internal and external.

They had their outside counsel. They had you know all the different departments. They had you know their subsidiaries, and they – they just felt a total lack of control.

In Intralinks – they decided to use Intralinks, and what they found was that they could centralize all of their legal documents in a single, online place of record that was intuitive, it was organized, and she actually organized it by region and by matter.

So you know Intralinks is very flexible, so she was able to tell us, how she wanted that be organized, and we set it up that way for her. So, she had it by region and by matter.

And it was all secure. She could invite in who she wanted to see certain things you know put different types of protection around various documents, but she, at the end of the day, had an easy to use master file.

So, with the online workspace you know the authorized individuals all around the globe, could post documents, they could share documents, they could access them, in a secure manner, 24/7, 365, because it is web-based,

So it was able to streamline the work, and enable them to quickly find what they need. All right.

So, similar – if you can go to the next one. Similar to the Memorex story, Simmons was faced with the problem of having key legal documents spread out across the company.

So, the sales department kept the customer contracts. The supply chain group held the vendor contracts, and so on. So, the contracts are ending up – ending up in the business – sitting in the business unit.

To make matters worse, the contracts were not managed in any consistent manner, across these groups. Some of the records were kept on desk tops and share drives. I think it was Bob, who mentioned that that's happening a lot of times.

Then others were kept in paper format, in filing cabinets, making it very difficult for the legal team to keep track of things, and be responsive to the many requests that came their way, which often required pulling these documents together.

Needless to say, Kristen McGuffey, the GC at Simmons, was looking for a way to centralize their records management to mitigate risk, as well as make things easier for her team, as it relates to records management.

In 2003, Kristen and her team were actually forced to pull together a significant number of records for the due diligence related to the – their sale to a PE firm, Fenway Partners. For this transaction, Simmons used an Intralinks online workspace.

It was a secure, organized, and easy to use place for all the records management and due diligence related to the transaction, and afterwards, Kristen realized the value of having all of these important documents in a single place of record.

So, she actually decided to standardize on Intralinks, making it their single place for records management. The great thing about it was that she could still allow the sales team and the supply chain group and others, to access and manage the documents, critical to their business, while allowing the legal team to be able to access any of these records, whenever they wanted.

So they – without taking away anything from the other departments, they were able to gain control, which again, allowed them to have a better grip on all these various documents spread all over the company.

So, today, everyone uses Intralinks at Simmons and Kristen has complete control over the important records. And I think, her quote – oh, actually, if you want to go back the previous slide for a sec, the quote from Kristen, I loved it, because you know she said, "Our message throughout the company is simple. If you have an important document that you need to work with, share, or file, put it on Intralinks, so it's always ready when you need it."

And that kind of sums up the value that she saw in centralizing all of her information in a central records management system.

If you want to go to the next slide then.

So you know again, she was faced with a decentralized, disorganized set of legal information, leaving – leading to fire drillings when they needed to substantiate things or find a document.

She centralized it, and now, everything's at their fingertips, and they can share with external parties, internal parties, as they need, which allows them to rapidly respond to business and regulatory demands.

OK. The next slide – the last case study I'm going to share then, is the – this energy company.

So, obviously, in this industry, it's highly regulated. Compliance with federal, state, and local regulatory agencies is critical. Non-compliance can result in significant fines, penalty, and reputation damage.

Do you want to go to the next slide then?

So, from what we hear, this story is actually quite representative of many energy companies today. So, faced with a continuous stream of audits and compliance requirements, the legal department of companies in this industry, and really probably any highly regulated industry, their constantly in a fire drill mode, trying to pull together all of the information required to demonstrate compliance.

This particular company had records and critical information scattered across several operations in a variety of forms. Again, paper, electronic, et cetera, which contributed to the fire drills every time they needed to pull it together.

Not only did it create a ton of administrative work for the legal team, but also raised several flags as it relates to risk. Are they – you know they were – the questions that it raised to them were you know are they aware of all the material records that are out there?

Were they looking at the latest versions? Where you know are there documents that are missing, et cetera. The GC at this particular company, finally had enough of the madness, and looked to find a records management solution that would solve this problem.

He decided to go with Intralinks for several reasons. Again, it was web-based, so all authorized parties you know across the globe, could access critical records whenever they wanted from anywhere.

Also, it was highly secure and very easy to use. With this solution in place, all critical documents were uploaded onto the workspace and organized the way they wanted them.

So, now the legal team has significantly cut the time and effort it takes to respond to the continuous stream of audits and compliance requests, which allows them to focus on important legal work instead of fire drills.

So – and they also have piece of mind, knowing that all of their final versions of the records that they need are in one place, easily accessible, and quite frankly, they also mentioned that the auditors like to see that their that organized.

So, that's it for me. I just wanted to share those case studies, as some examples of how people are using online workspaces to help mitigate risk and solve their records management problems.

And with that, I will it turn it back over to Karen.

Karen Faye: Great. Thanks so much, Alison. We have one more polling question for you, before we actually get to the audience Q&A. So, if you could please look at your screen and answer the following question.

Currently, where do you house final versions of your records? A, in one central location, managed by the legal team, B, in multiple locations across subsidiaries, departments, and other offices, C, with your outside counsel, or D, you're not sure?

I'll give everybody a few moments to respond.

So, it looks like the majority of you house your documents in multiple locations, across subsidiaries, offices, departments, and the like.

We are now going to get the audience Q&A. I just thought that before we begin, I wanted to give you quick heads up, and will remind you at the very end at the presentation as well, in your links on the left hand side, there is a free book offer for a book entitled "Achieving 100 Percent Compliance of Policies and Procedures." This book is by Stephen Page.

There's a link there that you can click on, fill out some information, and we'll be sure to send that book to you.

And, if you have any specific questions that you'd like to ask our panel, you can use the chat box on the left hand corner of the screen, the left hand bottom corner, and just be sure you click the – click the button so that it comes through to us.

Kimberly White: Karen is just want to – while we're waiting for questions to come in, I just want to make an observation that the book that you are offering is really quite good, and I have my own copy, and it really does give you a nice how-to.

So, I really do encourage folks to pick that book up and use.

Karen Faye: Excellent. Thanks, Kimberly.

So, we do have a handful of questions from the audience, and actually Kimberly while we have you on the phone, how did your organization recognize they needed someone to manage compliance and ethics?

Kimberly White: It actually came about as the branch held their previous general counsel, and our audit committee really wanting to upgrade as we move into the 21st century, although we were already there.

But, we really wanted to make certain that our – our ethics code was up-to-date. It really had not been changed in about 15 years. And so, that was really the kind of impetus that our audit committee of our board of trustees, had entrusted the general counsel to get that done.

And through that, management process of developing this code, and then – which we now call the standards of business conduct, and then disseminating it globally, because we didn't even have a global code, although we've been in various countries for about 20 years now.

Wed did not really have a global code and it was not translated, and it did not speak to you about values, and so from that impetus, we developed our compliance and ethics office and it's taken off from there.

Karen Faye: Great. Thank you, very much.

We have another question from the audience. Can you offer tips to get systems together, especially for a company that is private and about to reverse merge with a public company?

They're actually in a biopharma industry, if that makes a difference.

And I would – I would say anyone of you can answer this question, please.

Beverly: Can you repeat the first part of the question, I think I missed some of it?

Karen Faye: Sure. Can you offer tips to get systems together, especially for a company that is private and about to reverse merge with a public company?

Beverly: Well, I think the first thing you need to do, is to look at the system that you're working with, and I don't know – I'm not really familiar with biopharma, but I would think it's the same concept as looking at what you have, vis-à-vis the compatibility of what the other company that you're reverse merging with.

Or, I'm assuming reverse merging means you're going back to? Did I understand that correctly?

Karen Faye: I think so. I'm not 100 percent sure.

Beverly: Maybe they can clarify, but I really think what you – and particularly when you're looking at different systems, I think you need to figure out what the compatibilities are, and where there – where there's no compatibility, and what's driving the systems as they are currently in place.

Karen Faye: Do you have anything you'd like to add there?

Robert Roach: I think if you're looking at systems that are, I guess Kimberly you were – regarding you know document management systems.

Beverly: Yes.

Robert Roach: Yes. I think in terms of compliance systems, you essentially – hopefully both programs have compliance offices.

And what we did here at NYU is – one of the major things we did as part of our risk management process, was map out all of the major business processes, and identified the major – individual people who were responsible for compliance within those business processes.

So, in the pharma business you know if you look at the different regulations, whether they were FDA regulations or general government regulations, who in your business are responsible for the day-to-day compliance with those processes.

And then, when you're merging you know making sure that those – each of those systems is covered, and that you have identifiable people in the end process to make sure that some of the regulatory risks don't fall through the gaps.

Because the most important thing in risk management, in my view, is it – is identifying the business manager who has day-to-day responsibility for ensuring compliance with any particular regulation.

Beverly: And I would just add to that, often times we've seen as we've grown as a company, is that you want to make certain that you're not working at cross-purposes, and that you – everyone's on the same page with what it is you put in place.

That can be a bit challenging, as well.

Karen Faye: Thank you, Bob and Kimberly.

We have another question. Alison this one's for you. How easy is it to implement an online document management system?

Alison Shurell: Sure. So, as it relates to Intralinks, which is again, a web-based solution, we worked with clients that have had you know any combination of hard copy records, filing cabinets, boxes, also things on share drives. So, the documents are in many different forms.

But, we've actually been able to get a workspace up and running, in a matter of days. So, we partnered with a scanning partner, who will come in a bonded truck, pick up all of your you know hard copy documents, scan them.

We upload them into a index, so they're automatically organized in the way that you specified to Intralinks, how you want them organized you know whether it's by region, matter, et cetera, so that can be done in a matter of days.

So, literally, you can be up and running in a week or so, depending on you know how much you – the time it takes for you to kind of develop your index and how you want those things to be organized.

Karen Faye: Great. Thanks, Alison.

I have another question for either Kimberly or Bob. Can you suggest a method for helping legal – the legal or compliance team ensure that the document retention policy is being adhered to? Any suggestions, such as spot audits?

Kimberly White: Bob, do you want to start?

Robert Roach: I – well I think that's exactly right, is that – in – well, let me just sort of step back, as – as first you know when we do our compliance program you know we identify where our risk priorities are.

And certainly you know if records management and retention ranks high, then you want to make that part of your compliance process.

And what we do is, spot audits. You know we will you know monitor compliance in different parts of the organization, to assure that the records management policy is being attuned – is being followed.

Beverly: Ours is – is just being implemented right now, but yes, that's pretty much what we've – what we've come up with in terms of ensuring that it's being adhered to.

I want to say one thing, and I don't know how other companies are structured, but our experience has been that really even to get something like this off the ground, you need leader – senior leadership supporting and backing.

It kind of – particularly if people are – are used to operating kind of on their own, or in different departments, or in different departments, that having that message come from the top that this is you know — the enterprise that we're investing in.

This is what we're going to, and – because – I think that's the target group that you need to get on board first.

Because even legal has trouble getting people to you know kind of come on board with things, without getting that clear message from senior leadership, as well and getting this done.

And then after that, I think it becomes a bit easier to get our arms around what's there, and then put in solutions. And once you've got those solutions, do things like spot audits and make certain that people are working with you.

Karen Faye: Great.

Alison Shurell: Karen, can I add one thing? I just ...

Karen Faye: Yes.

Alison Shurell: ... another thought came to mind that – with regard to the previous question I answered.

The other thing to keep in mind – so for the initial you know getting your workspace up and running, it's a few days, but, thereafter, the company – the individuals that you permission to do so, can upload documents instantaneously.

So, if there's a document that you want to put into your records management system and share with other people, you can literally – you upload it and it's immediately accessible to those people that you say it's OK for them to see it.

So you know it's kind of an ongoing thing. The initial set up is quick, but it's also once you're up and running, it's very easy to manage, it's a – on demand.

Karen Faye: Gordy, thanks, Alison. That brings us to just about 3:00. I will tell you a couple of quick things you need to know.

Please fill the evaluation forms out for this program. I believe that's also in the links box, on the left side. Yes, on the left side of your screen.

There's also still the link if you're interested in the free compliance book. We'll be sending that out to you for all those who fill out the information and request it.

And for any questions that we were not able to get to, they will be posted up on the ACC site – the responses. We'll be working with the panelists to ensure that we answer all of your questions for this Webcast.

I want to thank Alison and Kimberly and Bob for joining us today, and thank our audience for attending as well. Have a nice day.

END