



Final Project Corporate Governance

GROUP MEMBERS

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SUMMARY OF JACK SERIES 04 – The Mystique of Board Meetings

Preparing for the First Meeting:

About two months after agreeing to join Mega's board, Jack Wright received a set of documents for his first board meeting in April, shortly after the annual meeting he was due to be held. elected. The package arrived Friday afternoon, and the two-day meeting is scheduled to begin next Tuesday, with committee meetings. A social dinner was scheduled for Tuesday night, and a board meeting was scheduled for Wednesday after the morning annual meeting. Although he was not technically elected until the annual meeting, he was asked to join the audit committee meeting to which he was invited to sit. Key items on the audit committee's agenda are to review the audit firm's management letter for the previous year, examine the impact of the Sarbanes Oxley act, and discuss the intern auditor's plan for the year. next. Although this was not a familiar topic, he felt that the management's response was not very straightforward and that there was a fundamental disagreement between listeners and management. Regular board meeting records include a tentative agenda, final meeting minutes and financial statements for the quarter and year to date, as well as capital allocation requirements. He noted when he asked the company's legal counsel about Mega Corporation's standards for the inclusion of items in minutes. CAR seems to have a return on capital margin, and he wants to know more about why this makes sense. 5 million compared to the size of the company, so it's not something he would pose a big deal about.

The first meeting:

On the bus from the airport, Jack shared a car with Phil Agee, chairman of the audit committee. A remarkable coincidence is that Jack's son is married to the daughter of one of Phil's neighbors and college brothers. Phil said that while he has great confidence in CEO John Rock's ability to run, he is not an expert on big numbers. While he thinks Bond may be very good at the treasury function, he seems weak in the control function (managing and controlling operational finances). At the audit committee meeting, Phil acted as chairman and chief financial officer Jim Bond represented the management. Jack was greeted and introduced to the other two members and other participants. He was familiar with the business because he was the primary source of credit in its early years and a longtime friend of the President. Chief Accountant Mary Moore and Internal Auditor Alison Thompson were also present at the meeting. The partner commits to introducing the topic and turns the discussion over to the contract manager for details. If the price of the coin at the time of purchase compares with the price at the time of the trade in which he would normally buy the hedge, he has won three times and lost once. While the amount is moderate, the committee is more concerned with practices which could expose the company to significant risks outside of normal business operations. The Commission then considered other items on the agenda, the impact of the Sarbanes Oxley legislation and the Internal Audit Plan. The Sarbanes Oxley report states that not all the rules have been published; it's like a work in progress. Jack Wright was impressed with her thoroughness, and especially Phil and Sally's mastery of detail. Sam is the son of the company founder and still owns 15% of the business. The evening was purely social and a pleasant, if somewhat formal, meeting for Jack's taste. Jim Bond, the chief financial officer, was also present. The program is very simple. Sam Bigger chaired the meeting and conducted the legal proceedings to establish a shareholder quorum present or representative.

He then said the only business was to elect directors and asked if any shareholders wanted to vote in person. The Secretary did so and announced that there was a majority vote in favor of all the directors named on the mandate.

The Board Meeting:

The agenda:

1. Quorum
2. Approval of Minutes
3. Consent Agenda Regular Dividend Approval of CAR. Committee reports
4. President's Report Review of Financial Statements
5. New acquisition strategy
6. Other Business
7. Executive Session
8. Adjournment

The Chairman opened the meeting and, as all but two Directors were present, he announced the number of delegates. The Consent Log is designed to be an effective way to deal with common entries where copying or posting doesn't require much discussion. He sees capital credits as an opportunity to learn more about business and understand management's priorities. He also believes that the investment of the company's capital is an important responsibility that requires the active participation of the board of directors. The chairman called for a discussion about the consent program, and Jack wondered if this was the time to raise his concerns. The chair describes the issue raised by the listener, the process used to investigate the matter, and concludes that there was no serious wrongdoing. He describes the policy the committee has initiated, under which currency transactions should be pure monetary transactions with no prediction of time, which exposes the company to additional risk.

He also reported on the ongoing discussions about the impact of the Sarbanes Oxley legislation and the fact that the committee approved the internal audit plan. She supports this policy but emphasizes that management must understand that visibility is important, and that management should not aggressively seek opportunities that are not directly related to its business without fully disclosed and approved by the board of directors. The chairman then gave a report on the affairs of the company. The outlook is bright, he said, although there is some risk that a large account at a large company could shift some of its business to an overseas supplier at a lower cost. Do not copy or post. He says it could be the start of a trend that is being watched closely. He believes the board should look at some broken down numbers that will help them understand the problems and opportunities in the branches, and then ask management to discuss a plan to address them. He's not ready to propose yet but wants a reaction to the concept. Following the report, there was no further business and the board of directors met briefly with outside directors.

Jack's Reflections on the Meeting:

Jack made it very clear to Jack that long-term directors like Bill Monday, Joe Cummings and Bob Workman, as well as Howard Bigger, would be very reluctant to go the same way as Sam Bigger. But he also feels that some of them might be open to new ideas, and perhaps provide a way to reach Sam. She's passionate about the platform, and therefore interested in everything. affect her. Two venture capitalists, Abrams and Oldster, are also independent, but he is unsure of their motives. He also made it clear that Sam and Sally, with control of 40% of their shares, would win any proxy battle, unless their stance was so irrational that it opened the possibility. shareholder lawsuits. The question for him is how to energize the board to tackle the problems it is facing. On the way back, Jack considered what he had seen and what to do. Is there any evidence that the board ever seriously challenged Sam or the CEO? Why is he so reluctant to ask questions, especially about CAR? After all, he's just one of many directors, and the newest.