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As we pull to the finish line of this very challenging year and head into 2010, one thing we can all use more of is optimism. As defined by the dictionary, optimism is “an inclination to put the most favorable construction upon actions and events or to anticipate the best possible outcome.” We’ve heard of the power of positive thinking and how those with an optimistic outlook live longer and tend to be more successful. In the business world, the ability to see the ‘silver lining’ of an economic storm can become a strategic advantage.



With that in mind, we decided to focus our most recent Spotlight Series Breakfast on reasons to be optimistic and opportunities for growth and investment. Our panel of experts shared tips on how to face the changing economic landscape and to approach its challenges with innovation, creativity and a positive outlook.

Our panelists agreed that the last four to six months have been filled with positive indicators that tell us the economy is leveling off and on the mend. This downturn has provided the opportunity for businesses to transform themselves and to build new capabilities. Sectors showing an increase in activity include technology, health care, natural resource conservation and defense. While concern remains high regarding changes in health care and the high jobless rate, there is still plenty to celebrate as we enter the new year.

From all of us at Pearson Partners International we want to wish you a very optimistic and successful 2010.

Best regards,

A handwritten signature in black ink that reads "Lisa Thompson".

Lisa Thompson



Reasons to be Optimistic: The Opportunities for Growth and Investment as We Enter the New Year



From L to R: James D. Shelton,
Rosalyn T. Mallet, W. Keith Newton, Gilbert M. Cassagne

The U.S. economy grew at a 3.5 percent annual rate in the third quarter of 2009, ending a four-quarter run of declines. While many economic indicators aren't back to normal yet, the growth was yet another signal that we're starting to come out of the deep recession we've battled since late 2007. Along with this positive trend comes a new year, full of fresh opportunities for growth and investment.

To kick off 2010 on a positive note, this Spotlight Series event highlighted some economic areas of interest that are top-of-mind for businesses as we head down the road to recovery.

Our esteemed panel members included:

- ❑ Gilbert M. Cassagne, Chairman, Chief Executive Officer and President, Reddy Ice Holdings, Inc.
- ❑ Rosalyn T. Mallet, President and Chief Executive Officer, PhaseNext Hospitality
- ❑ W. Keith Newton, President and Chief Operating Officer, Concentra
- ❑ James D. Shelton, Chairman of the Board, Legacy Hospital Partners, Inc.

Time for Transformation

Although there have been improvements in consumer spending, investment and global economic activity, a weak job market and tight credit are still creating "formidable headwinds" preventing further recovery, says Federal Reserve Chairman Ben Bernanke. Although those trends are likely to continue into the new year, there are business opportunities springing to life as the economy continues its slow turnaround.

Many great ideas have been born out of the challenges of recessions and tight capital, and as lenders begin to loosen their purse strings, the recovery period is beginning to look like a good time to start a new business that will grow along with the economy. Lenders appear to be willing to take thoughtful, calculated investment risks today, unlike six to 12 months ago, when capital was largely unattainable.

Investors are considering supporting companies that have shown they can weather the economic storm, such as those that have used their resources during the downturn to focus on branching into new markets or building new capabilities. For this and other reasons, the recovery period is a good time to focus on business transformation and cost-reduction through innovation. Companies that find new efficiencies and employ new technologies can not only save money in the long run, they often enhance their own long-term sustainability.

The Pros and Cons of Health Care Reform

While almost everyone agrees that no one in this country should go without health care, there is much ongoing debate about how to fix our nation's fragmented health care system. While Congress debates the pros and cons of providing a "public option," our panelists presented a few other ideas for ways to take costs out of America's health care system, such as means-testing of Medicare recipients, transitioning the Veterans Administration health system into America's community-based hospital system, moving to electronic medical records, and implementing incentives to drive healthier behaviors in individual patients.

Business and industries are paying a disproportionate share of the cost inherent in providing health care to the millions of Americans who don't have health insurance coverage. Employers may also need to step up their efforts to keep their workers healthier, and legislative incentives to do so could go a long way to slowing the progression of some diseases.

The Rise of the Consumer

A big challenge lies ahead for businesses that have attracted consumers through discounting during these tough times. Once consumers have dollars back in their pockets, they'll still be accustomed to getting more for less – and that could be a tough mindset to break.

Because America's economy is largely consumer-driven, a full economic rebound won't be seen until consumers regain the confidence to start buying again. Our panelists are optimistic that as jobs begin to rebound, consumers will get back into their old buying patterns. However, unemployment is expected to remain relatively high for at least the next six to nine months.

Save the Date – Q1 2010 Spotlight Breakfast Series

Mark your calendars now for our next Breakfast Spotlight Series scheduled for March 2, 2010. Details and invitations will be extended in January.

Management and Board Governance: A Look Ahead

At a recent joint meeting of the Pearson Partners International, Inc. Advisory Board and representatives of the University of Texas at Dallas Institute for Excellence in Corporate Governance (IECG)* we posed four questions to the group for an approximate two-hour discussion. The roundtable included CEOs, corporate executives, venture capitalists, and both public and private company board members. The questions included:

1. What is the outlook for the businesses that you are involved with / most exposed to for the next three to five years?
2. What are the major risks that these companies will be facing in three to five years?
3. Given these business outlooks and risks, how do you think the boards of these companies and the CEOs' roles will change in the next three to five years?
4. Given these business outlooks and risks, what do you think will be the new pressures facing these companies from institutional investors and regulators?

Eight general themes emerged as follows:

1. **Technology & Risk:** Boards of Directors of many major companies are woefully uninformed about information technology and what effect technology can have on risk management in areas such as data security. Having the CEO and CFO sign off on Sarbanes Oxley is no longer adequate. Formal education on technology advances and the impact they can have on the board and the business should be part of every board's continuing education program.
2. **Access to Cash:** One of the major risks facing boards today is the unpredictability of the availability of cash. Are banks going to start lending, and when? We could have a zero fed funds rate forever and it won't help the economy if no one is lending money. Are those dollars we are earning today going to be worth 50 cents three to five years from now due to our massive deficit spending, inflation and a continued devaluation of our dollar?
3. **Social Networking:** The Internet and social networks are having and will continue to have a major effect in how businesses market their products and services. Because of the lack of knowledge about IT, it is unlikely that many boards really understand this trend.

For example, Wal-Mart held a series of regional meetings, and thereafter the regional directors got together and created a network group on Facebook. The purpose of this online group was to share ideas since they all have similar challenges amongst the stores, such as same store sales and other metrics that they manage. They were posting internal data on Facebook to compare with each other. Wal-Mart realized the risks of posting data and also the benefit of internal sharing through these managers' collaboration. As a result, Wal-Mart is now teaming up with a company to build its own social network so that these same managers can tie into an internal blog.

Another example cited was that most companies agree that their greatest asset is the relationships they have with their customers and clients. Currently most salespeople do not solely use internal contact management systems to manage their client contacts;

they use programs such as LinkedIn. That way they know that data can stay with them as long as they are employed in sales functions. Therefore, if a company looks to LinkedIn, the company is likely to see every one of its major customers and clients. These customers and clients are in turn tied to hundreds of other people that can also see all of the contacts in the company's client base. The risks are obvious.

4. **PIK Liabilities:** It is unlikely that the majority of board members have a full appreciation of the risk behind the large number of loans over the last several years that have PIKS (payment in kind) terms in them. A PIK loan is a type of loan which typically does not provide for any cash flows from borrower to lender between the drawdown date and the maturity or refinancing date. A PIK is typically structured to accrue a high compound interest rate until maturity or refinancing. Interest on PIK loans is substantially higher than debt of higher priority, thus making the compound interest the dominating part of the repayable principal. In addition, PIK loans typically carry substantial refinancing risk, meaning that the cash flow of the borrower in the repayment period will usually not suffice to repay all monies owed if the company does not perform exceptionally well (as most have not). A PIK is a liability that can potentially bring an entire company down, yet no one talks much about them. Perhaps as many as 50% of the major deals done over the last ten years have PIKs in them, and they are now coming due.
5. **Real Estate Financing:** The economy still faces strong headwinds. Perhaps as many as 1,000 more banks are yet to fail. The drop in commercial real estate values will cause a substantial loan default problem that has yet to manifest itself. It may not be as impactful as the residential real estate mess, but it will be another substantial hit to the economy. Option ARMS will be coming due en masse over the next few years in both commercial and residential real estate. Today the banks are not lending more when the commercial loan is up for renegotiation, but rather asking for more equity. Where is that equity going to come from?
6. **Small Business Impact:** Unfortunately small business will be hit hardest by the loss of more failed banks. It is these very banks that small business relies on for its lines of credit and SBA loans. There will be a bigger shift and much bigger demand for loans from the government for small businesses. With unemployment at over 10% and many predicting it will go to over 13%, why are we not giving tax credits to the 20 million small businesses for hiring when they account for more than half the job creation in the country?
7. **Industry, Ecommerce & Global Trends:** Not surprisingly, businesses that seem to be faring best include medical services, military supplies and security. Of course, the big unknown in health care is the effect of the government's proposed health care plan. Consumer driven businesses remain weak across the board. On a more positive note, there was consensus that middle market and small businesses in general are becoming more vibrant.

However, whatever business segment, it is being deeply impacted by electronic commerce. If you don't have an electronic commerce plan for your business, you are likely to fall behind

(A Look Ahead, continued on page 4)

competition fast. Everyone seems to be looking at reinventing business using new technologies. We are not just dealing with a recession but with the necessity of reinventing your business. By reinventing we would include reverse engineering of products in developing countries all the way to outsourcing manufacturing and product development. To the degree reinventing includes recruiting new senior executives, it is proving to be much more difficult to convince candidates to take on the risk of a new job.

The roundtable members noted that global economic strength will come primarily from China, India and Latin America.

8. **Education Focus:** The University of Texas at Dallas is offering a course called "Risk Management Compliance and Regulation." This is a course principally for accounting students because the kinds of jobs they will be going into will not be traditional accounting jobs but rather compliance officers, risk management officers and ethics officers. The University is also offering courses for MBA students in corporate governance and executive compensation. This is the wave for the future jobs in business in the U.S. and globally.

The closing comments to the meeting primarily reiterated these eight themes. However, there was an almost unanimous feeling expressed that there has been a basic mindset change in the United States.

We're seeing a generational shift in consumer mentality among the 20 and 30 year-olds that have basically had everything handed to them since birth by very successful parents. Families are now going through a process where the parents are selling the house to move into an apartment and not providing for college anymore. Young people are moving back home. Students are transferring to the community college, selling their cars and generally creating a sentiment that they have to start saving. Families are cutting discretionary spending.

For a consumer driven economy, which we were before this big recession, it's going to be a slow comeback. The consumer accounts for 65 to 70% of the economy, so it is heartening to see recent retail sales numbers showing some gains.

**Pearson Partners International Inc. is a global retained executive search firm. The makeup and qualifications of our advisory board can be found at www.pearsonpartnersintl.com.*

The University of Texas at Dallas IECG representatives are Dr. Constantine Konstans, Founding Executive Director; Dr. Mark Anderson, Program Director; and Dr. Suresh Radhakrishnan, Research Director. Information on the center is located at <http://som.utdallas.edu/centers/iecg/>.

Case Study: Reddy Ice

Fast-Turnaround Search Fills Two Highly Strategic Roles at Reddy Ice



Producing about 18,000 tons of ice daily for consumers and businesses, Reddy Ice is implementing a company-wide transformation designed to firmly secure its position as the largest manufacturer and distributor of packaged ice products in the United States.

As part of this organizational makeover, Angie Wallander, chief administrative officer for Reddy Ice, had two newly created jobs to fill: vice president, information technology, and vice president, human resources. With an aggressive timeline to fill these senior-level roles, Wallander began researching executive search firms and was immediately impressed by Pearson Partners International.

"I really liked their approach because they wanted to understand so many different pieces of our business, from supply chain management to accounting," Wallander says. "That helped them understand the culture of our company, who these new people would interact with, our management team, succession planning, and how we work as a business. They didn't look at it as just filling a position; they were looking to fill a long-term spot with someone who will eventually go to the next level."

Both new positions involve highly strategic roles, aligning IT and HR with Reddy Ice's business agenda and goals. For the IT position, Reddy Ice needed someone with both strong technical and strategic skills – a rare combination in a senior-level IT function. For the HR job, which would oversee payroll,

compensation, benefits, recruiting, training and all other HR responsibilities, the company was seeking corporate experience with a manufacturing background. But it also needed this HR leader to jump in quickly and create new programs that would completely transform Reddy Ice's HR agenda.

Pearson Partners pre-screened all candidates to ensure they met these qualifications, presenting them to Wallander along with detailed analysis of their experience, background, education, compensation levels and more.

"Pearson Partners did a really great job with the assessments of candidates and their management style, capabilities and leadership fit," Wallander says. "If a person was too senior or junior, they came forward with a plan to bring that person up to speed or to clarify the risks we'd be taking on. The more I worked with Pearson Partners, the more they got to know my personal taste as well as our business needs. Every candidate they brought forward was a qualified potential candidate."

Wallander interviewed 12 candidates for each job, and as she'd hoped, both positions were filled within eight to 10 weeks. Wallander couldn't be happier with the new hires and the process of working with Pearson Partners to fill these mission-critical roles.

"Pearson Partners did an excellent job, and I would use them again," Wallander says. "They were a pleasure to work with and a great partner to me, and made it easy to focus on my business responsibilities while ensuring I met the need to get new people in quickly."

Pearson Partners' Profile: Kristine Nelson, Vice President

What was your first job, and what was it like?

I was a maid in a local hotel in Hopkins, Minn. I picked the job because it paid more than many of my friends were making – only for me to find out that I had to pay union dues, which of course lowered my hourly rate. The job was especially fun on Sundays because the hotel broadcast the Vikings football games back before the games were broadcast in our homes.

How and when did you get started in the executive search business?

I started with PPI two years ago after several years in executive human resources positions. It was a natural transition for me, as recruiting has been one of my favorite parts of my career for so long.

Why did you feel this was the right field for you?

I get to develop relationships with so many interesting executives, many of whom I had only read about while working at the corporations where I was employed before I came to PPI.

What are some highlights of your career so far? Tell us about your best days or proudest moments.

I'm proudest of some of the young women I've mentored over the years, who have grown into very accomplished HR executives. That's been an extremely rewarding part of my career.

How have you seen PPI grow and change over your tenure?

In the two years I've been here, we've developed a strong partnership with an international firm, added a strong advisory board, and continue to add very talented and experienced principals. What hasn't changed is how well the members of our group work together and help one another.

How has today's challenging job market affected PPI's business? How has the company adapted?

This is one of the things I like most about PPI: we are a boutique firm that is able to quickly adapt to change while maintaining our focus of service to our clients. We work closely with our clients, and can be flexible and creative in our style and approach to match their needs, especially during these challenging times.

What do you think is the key to PPI's repeat business with top companies? What do we do better than anyone else?

We're very hands-on throughout the entire process. We believe it's critical to a successful search to know as much as we can about both our client companies and the candidates we present to them. In other words, there are no "middle men."

What do you like to do outside of the office?

I have a passion for golf, along with plenty of time for exercising, either at the gym or with long walks outside. In Colorado, we have such a great climate for getting outside, so it's hard to come up with excuses for not "just doing it."

What motto do you live by?

Give others the benefit of the doubt. You can't really know what's going on in someone's world until you've walked in his or her shoes.

If you had to make a career change tomorrow, what job would you choose, and why?

I've done what I've loved through most of my career, but if I suddenly became independently wealthy, I'd like to spend a good deal of time volunteering with animal rescue shelters. I love animals and can hardly leave a PetSmart without adopting another animal.



Featured Open Position

We are currently conducting a search for:
Chief Operating Officer for University
Hospitals for The University of Texas
Southwestern Medical Center at Dallas

Search Spotlight

We're pleased to announce a few of our recent placements:

- Director of Quality Control, Genentech Singapore
- Regional Sales Manager, Ocular LCD, Inc.
- Chief Financial Officer, Impact Confections, Inc.

Announcements & News

Active Search Profile: Powering up for the Smart Grid Market

We are currently working with one of our top clients to recruit a leader for their new smart grid initiative. Our search team is scouring the smart grid marketplace to identify exceptional talent in consulting firms, utility companies and meter manufacturers. With power efficiency as an increasingly important issue to both consumers and energy providers, we expect that demand for professionals with smart grid expertise will continue to rise.

Bob Pearson Featured in the *Dallas Business Journal*

The December 11th issue of the *Dallas Business Journal* included an article by Bob Pearson. Bob's commentary titled, "Getting back to the 'good old days,'" argued for a tried and true approach to help cut unemployment rates - giving a tax credit to small businesses for every new employee they hire.

About Pearson Partners International

Find, Retain & Develop Top Notch Talent

Pearson Partners International helps clients build world-class management teams. As a full service retained executive search firm, we secure top talent for some of the most challenging positions in the marketplace. Our track record of success has made us a trusted resource for loyal clients including Fortune 1000 companies, private equity firms and emerging businesses. Our search capabilities are complemented by a professional development assessment and coaching practice to ensure executives reach their highest possible performance.

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