



ODX

presents **2009 Outstanding Director**

Douglas A. Warner III

Warner brokered the hotly contentious, then widely praised, sale of **Anheuser-Busch**, culminating years of contributions to the board.

DIRECTOR'S SNAPSHOT

Born

June 9, 1946, in Cincinnati, Ohio

Education

BA (pre-med), Yale University

Career Highlights

Joined Morgan Guaranty Trust Company straight out of college, rising to the role of Chairman and CEO of JP Morgan & Co. Retired after serving as Chairman of JPMorgan Chase.

Hometown

Locust Valley, Long Island, N.Y.

Family

Wife Patsy, 3 children

Most memorable summer job

"1967 at Morgan Guaranty where, for the first time, I thought about becoming something other than a doctor."

Best book this year

The World Is Curved: Hidden Dangers to the Global Economy, by David Smick

Idea of bliss

A summer night with family and friends in northern Michigan

Most admired historical figure

Lincoln for the issues he managed through and the people he chose to do it with. Also, modern day heroes like General David Petraeus and Captain C. B. 'Sully' Sullenberger.

Favorite charity

Memorial Sloan-Kettering

Public directorships

Anheuser-Busch (1992 – 2008), General Electric Company, Motorola



Sandy Warner in the field at a bird shoot, a favorite sport.

Sandy Warner: The Stalwart Director

In the early 1990s, as a highflying Morgan banker in his forties, Sandy Warner entered the corporate director big leagues. After being personally recruited by then Anheuser-Busch CEO August Busch III and then General Electric CEO Jack Welch, Warner signed on to the two iconic organizations, hoping to contribute and hungry to learn from some of the best business people in America. All the evidence says he has done both over the intervening 17 years.

As Anheuser-Busch's lead director, Warner led the decision-making and negotiating processes that resulted in a nearly \$52 billion cash sale of the company to Belgian beer giant InBev in late 2008. His board service at GE and Motorola, meanwhile, has seen Warner stepping up to leadership roles of other kinds.

When credited with leadership on the Anheuser-Busch board, Warner hastens to explain that, according to board practice, he was simply serving his rotation as lead director when "all the fun began."

"Our board had lots of continuity. It was a true team, molded to support the Anheuser-Busch agenda," he asserts.

"We were very fortunate," says fellow director Ed Whitacre, retired AT&T chairman and CEO. "Sandy was the perfect guy to be in that role when InBev approached." He says it was Warner's depth of investment banking experience combined with his ability to frame the pros and cons and help everyone understand the value to shareholders that proved so valuable.

Fellow director Vilma Martinez, partner at Munger, Tolles & Olson, echoes Whitacre's sentiments, adding that Warner was deeply trusted by his fellow directors and management. "Sandy was always a very involved and engaged director but never more so than in the last few years."

InBev came knocking at a time when, although a national powerhouse with rock-solid distribution and many dominant brands, Anheuser-Busch's share price had stagnated for years. Despite a 50% stake in Grupo Modelo and a sharp focus on China, Anheuser hadn't made the global mindset change nor done the deals that competitors like SABMiller and Heineken had.

Rumors of a hostile takeover bid had swirled in the media for weeks. When InBev finally approached in June 2008, it did so with a bid of \$65 per share, which the board quickly rejected. The Busch family's fifth-generation CEO, August Busch IV, was understandably alarmed by the notion of losing the company on his watch. Meanwhile, his uncle, Adolphus Busch IV, strongly supported the sale and led the slate of InBev's proposed new directors should a simple majority of shareholders vote the old board out.

Despite Anheuser-Busch's lackluster returns, Warner stresses that staying independent was a real choice. "We had a lot of confidence in management and an alternative game plan that we were prepared to execute," he states. The plan centered around shifting their relationship with Grupo Mod-



PHOTOS BY: JAY GULLIXSON

Who Steps Up When Needed Most

elo from a passive 50% ownership arrangement to one that was actively managed to take advantage of operating and marketing synergies. But given the headwinds in the economy and the inevitable risks involved in a business transformation, the board decided to engage with InBev.

"I knew our board's decision would be a lot easier if their number started with a seven," recounts Warner of a communication with InBev's negotiators in which he asked for a "best and final" offer within 24 hours. When they countered with \$70 per share, the board hit the bid. Despite fears the deal would come unglued as the financial crisis worsened last fall, the acquisition was completed in November 2008. As "...the scrap heap of broken deals continued to pile higher" (Financial Times, 11/18/08), the InBev-Anheuser deal checked in as the biggest of 2008.

It is impossible to know what a share of BUD would be worth today, but Warner suspects shareholders, including Warren Buffet who took a profit of around \$500 million on his 35 million shares, feel pretty good about cashing out when they did.

While admitting that the board hated to sell this American icon, Whitacre praises Warner's handling of both the pragmatic and emotional issues surrounding the ultimate decision to sell the company. "By being respectful of and helpful to the many interest groups, some which were pulling in opposite directions, Sandy helped the board reach a unanimous decision that was in the best interest of shareholders," he says.

Even before InBev's takeover bid, Warner as lead director faced a challenge of a different sort. Warner actually rotated into the role around the same time Busch IV became CEO in 2006. After 31 years of his father's reign as CEO, chairman or both, it was finally

Busch IV's turn. But, with August Busch III remaining on the board as chairman of the executive committee, implementing a new agenda was a struggle.

"When a retired chief executive stays on the board, it's always hard work," states Warner. "It's exponentially so when it's the father." Warner recalls the previous CEO transition from Busch III to his longtime deputy Patrick Stokes in 2002 as nearly seamless. The pair had worked side-by-side for decades and managed in virtually the same way. Not so of 42-year-old Busch IV who fought to bring in his own team and implement his own ideas about marketing, M&A, cost structures and relationships with shareholders. "Both father and son cared deeply about the success of the company. They just cared differently," recalls Warner who, as lead director, was the principal go-between.

Leader Among Leaders at GE

At the end of a very different CEO succession process where Jack Welch crowned Jeff Immelt winner of the famous horserace in 2000, Warner found himself General Electric Company's longest-serving director and a key voice in the boardroom.

Immelt, chairman and CEO, acknowledges, "Sandy has to maintain a degree of independence from management in order to view the company from the eyes of an investor. But I am always confident he puts the company first."

Indeed, Warner has the rare ability to both demonstrate his fidelity and ask the difficult, penetrating questions, says Bob Lane, fellow GE director and Deere chairman and CEO. "Too often loyal means unwilling to pull back the curtain," he says. "But Sandy does it constantly, framing questions so well I find myself wishing I'd asked them."

Immelt says Warner's exceptional judg-

ment and coolness under pressure were helpful to him when he took over as CEO and have been ever since. These qualities have been critical in his role as audit committee chairman where an innocuous inquiry by the SEC into the way GE accounted for derivatives has escalated into a four-year inquest. "Literally every corner of this enormous company has been scrutinized," says Warner.

Despite having secured prior approval from its external auditors in every case identified, GE has twice restated earnings and made three disclosures about other ac-

CEOs — including the addition of co-CEO Sanjay Jha, who was brought in to run the handset business in 2008 — and has seen its handset market share fall by half. Motorola rode the success of the popular RAZR phone for much too long and was broadsided by the smartphone market. Corporate activist Carl Icahn, who owns over 6% of Motorola stock, came knocking in 2007 and now has two of his directors on the board.

Fellow Motorola director and Corn Products International chairman, president and CEO Sam Scott reports that Warner has

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Ed Whitacre, Retired chairman and CEO, AT&T

counting errors in response to SEC demands. "These are gray areas, and everyone makes a judgment," says Warner of what the SEC has branded aggressive revenue recognition.

Warner laments what the long, arduous process and suggestion of impropriety have done to the many great people at GE who have "worked their tails off to protect the company's long record of high integrity."

"It makes me want to work even harder to make it right," he states.

The investigation is now complete, and a settlement is in the works. Warner's colleagues praise him for his leadership throughout the ordeal. "He goes to the SEC representing all of us," says Lane, a fellow audit committee member. "He makes sure all of our voices are heard and then, taking clear leadership responsibility, applies his judgment."

"Sandy has been a real leader throughout this stressful process," confirms Immelt.

More Stress at Motorola

In Warner's seven years on the Motorola board, the company has had four different

taken strong stands and critical action on behalf of the board during these brutally difficult times. "When Icahn challenged, Sandy led," says Scott. "On all three runs he's taken at us, Sandy stood firm and got a good result."

As nominating and governance committee chairman, Warner drove the decision to replace the struggling CEO Ed Zander with young insider Greg Brown and to appoint former AT&T chairman and CEO David Dorman to the role of non-executive chairman in 2008. With what feels to the board like the right leadership and strategy finally in place, Motorola must now hang on for dear life until the credit markets recover. Regardless, Dorman says Warner will always be "a truly excellent, thoughtful, strategic director" in his eyes and those of the entire board.

— Heather Wolf

Sandy Warner will be speaking about "2008 Train Wrecks: 2009 Directors' Perspectives" on June 18, 2009 at ODX New York. Please call 212.542.1255 for details.

Congratulations to the
2009 Outstanding Directors

These six independent directors have been recognized by their peers as leaders who have gone above and beyond the call of duty, demonstrating judgment, courage and integrity while acting in the interests of shareholders.

Robert D. Biggs

H. Raymond Bingham

William V. Campbell

Ursula O. Fairbairn

Jerre L. Stead

Douglas A. Warner III



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