

Client Focus

A Home for Poetry

The Poetry Foundation's new headquarters is Chicago's latest cultural landmark

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A Transforming Time for
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The Power of Perspective

Perspective is a powerful force in our lives. Your experiences and attitude shape how you interpret the world around you.

When uprisings and revolutions broke out across Arab nations this past year, some saw them as a sign that our world had entered a new era of political turmoil and instability. Others viewed these same events as proof that democracy is spreading and taking root in new soil.

As Europe and the United States have gone through protracted debates about government deficits, some see them as evidence of growing fissures in a weakening financial system. Others view them as an opportunity for both regions to make meaningful improvements to their long-term fiscal health.

Each of these viewpoints is accurate; yet none of them alone tells the whole story.

When it comes to investing, it pays to make decisions based on input from multiple perspectives. This allows you to identify emerging growth opportunities where others see only uncertainty. And it allows you to evaluate risk when others predict unfettered bull markets.

At William Blair, we provide our clients with a global perspective that is informed by the firm's

expertise across multiple business lines and investment strategies. Our financial advisors work closely with the firm's financial planners, equity research analysts, and other professionals to deliver comprehensive advice that addresses the multifaceted aspects of wealth management.

In light of the recent headlines about MF Global's bankruptcy, we want to reiterate our commitment to ensuring the safety of client assets held at William Blair. The security of your accounts is our highest priority, and we take extensive steps to make sure we are fulfilling our duties regarding the safekeeping of your assets. Please visit williamblair.com/safety for an explanation of the internal controls we use to safeguard client assets held at the firm and for information about the firm's financial stability.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Ettelson'. The signature is fluid and cursive, with a large initial 'J' and 'E'.

John Ettelson
PRESIDENT AND CEO

A Home for Poetry

Created through a remarkable philanthropic gift, the Poetry Foundation and its magnificent new headquarters are building new audiences for poetry.

For the past 100 years, *Poetry* magazine has been a leading champion of and advocate for written verse. Founded in Chicago in 1912 by Harriet Monroe, the magazine published the first important poems of T.S. Eliot, Ezra Pound, Carl Sandburg, and other luminaries.

But it was an aspiring poet whose works the magazine rejected who made the most significant contribution to the magazine's legacy. Ruth Lilly, the great-granddaughter of pharmaceutical magnate Eli Lilly, submitted several of her original poems for publication in the influential magazine. Each time, she received a courteous rejection letter from the magazine thanking her for her submission.

Today, those rejection letters are part of the archives of *Poetry* magazine and the Poetry Foundation, which moved into its magnificent new headquarters near downtown Chicago in June. The building, and the foundation itself, was made possible by a remarkable \$175 million gift from Ruth Lilly a decade earlier.

The 22,000-square-foot building houses the foundation's archives of more than 30,000 poetry volumes, but it is more than a library. The building hosts poetry readings in a 125-seat performance room that is acoustically designed for the spoken word. The building, designed by Chicago's John Ronan, is an eloquent fusion of poetry and architecture and a shrine to the two art forms.

Above all, the building is a launching pad for the Poetry Foundation's efforts to—as the mission statement says—“celebrate the best poetry and to place it before the largest possible audience.”

“The building energizes and has a transformative effect on everything it touches and everything we do,” says the Poetry Foundation's president, John Barr. >>

Featuring a library, recording studio, and performance room, the Poetry Foundation's new headquarters in Chicago is one of only three buildings in the United States devoted solely to poetry.



CLIENT PROFILE

Turning a gift into a mission

In 2002 *Poetry* magazine had a circulation of 11,000, a budget of about \$400,000, and three employees. So when the magazine's staff received a call informing them that Ruth Lilly would be making a nine-figure gift to *Poetry*, their first question was a natural one: What are we going to do with all that money?

One of the first orders of business was to hire the right person to guide the foundation—which was created as a result of the gift—in using these substantial assets. In Barr, the foundation found the rare person whose expertise in corporate balance sheets and high finance was matched by his knowledge of metrical patterns and assonance.

Throughout his 30-year career as a utilities investment banker for Morgan Stanley and later for his own firm, Barr Devlin Associates, Barr also wrote and studied poetry. He published six volumes of his work and, upon retiring from Wall Street in 2002, taught poetry at Sarah Lawrence College.

When the recently endowed Poetry Foundation came looking for a leader in 2004, Barr jumped at the opportunity. "I viewed the Poetry Foundation as the fourth start-up of my career," he said. In addition to Barr Devlin, he helped found the Natural Gas Clearinghouse, which later became Dynegy, and Power Company of America.

Barr says his first priority upon becoming president of the Poetry Foundation was to design a blueprint that would carry out the board's desire to use the gift to expand poetry's presence in American culture. This plan would be informed by the results of a study the foundation conducted in 2005 along with

the University of Chicago and the National Opinion Research Center to evaluate American attitudes about poetry.

The results of the study suggested that one of the most effective ways to increase the number of lifelong poetry enthusiasts was to provide school children with more opportunities to read, write, and recite poetry. So the foundation created several programs toward that end.

Building a diversified portfolio

One of the foundation's programs, Poetry Out Loud, is a nationwide poetry recitation contest for high school students. The contestants choose three distinct types of poems to recite and the state winners ultimately advance to the national finals in Washington, D.C. More than 365,000 students across 2,000 high schools competed in the 2010-2011 competition, bringing the six-year total to more than 1 million students since the program's inception.

The foundation has also created a poet laureate program for children's poetry, and the library boasts more than 5,000 volumes of poetry for children. "We are always trying to find ways to get good poetry in front of young people," Barr says.

The distribution of poetry to audiences is another challenge the foundation is trying to tackle. Printed periodicals such as *Poetry* magazine and books have always been the primary vehicles through which readers access poetry, but Barr says poetry's prominence as an art form depends on its ability to adapt to the shifting media landscape.

The foundation's website contains an online archive of more than 10,000 poems that are available for free downloading. The foundation also produces podcasts of poets reading their works.

Another fun way to explore the online archives is through the foundation's free mobile app. Smartphone users can browse poems by author, mood, or subject. If they are feeling adventurous, users can select "spin," and the app will come up with a list of poems for a randomly selected mood and subject.

"We need to create a well-diversified portfolio for reaching our audience. ...We will follow [poetry] readers wherever they want to go."

- John Barr, president of the Poetry Foundation





The Poetry Foundation's 30,000-volume collection is now open to the public thanks to the foundation's sparkling new library.

Resolve amid economic uncertainty

Everyone was affected by the financial crisis of 2008 and resulting recession, but the pain was particularly acute for not-for-profit organizations that rely on investment income or charitable donations as their primary source of income.

The Poetry Foundation purchased land for its new headquarters in Chicago's River North neighborhood in 2007, but the groundbreaking was put on hold when the financial crisis hit, according to the foundation's chief financial officer, Caren Skoulas.

In early 2009 the foundation's endowment was down 30% from its pre-crash highs, and credit markets, which the foundation planned to use to finance the building, were all but frozen. "No one on the planet could have borrowed then," Skoulas says.

By December 2009 equity markets and the foundation's portfolio had recovered much of their losses, and credit markets were beginning to function again. It was then that the foundation decided to move forward with the construction of its new home. It broke ground in early 2010.

William Blair & Company served as underwriter of the \$15 million bond issue that the foundation used to finance much of the \$21.5 million project. John Peterson, William Blair's lead banker on the project, said the foundation showed tremendous resolve in proceeding with construction in such an uncertain economic climate.

"It really is a testimony to their courage and conviction that they went to market when they did," Peterson says. "In addition to being a spectacular piece of architecture, the building plays an important role in fulfilling their mission to promote poetry."

The Windy City's new title

Chicago has never been described as eloquently or as famously as by Carl Sandburg in his poem in the March 1914 issue of *Poetry* magazine.

*Hog Butcher for the World,
Tool Maker, Stacker of Wheat,
Player with Railroads and the Nation's Freight Handler;
Stormy, husky, brawling,
City of the Big Shoulders.*

And now, with the opening of the Poetry Foundation's spectacular new headquarters, Chicago can add one more line to its litany of titles:

A Home for Poetry.

One should not assume that the listed client approves or disapproves of William Blair & Company or the advisory services provided.



Balancing Retirement With Wealth-Transfer Goals

THE CURRENT TAX AND ECONOMIC environments have created new opportunities for people to transfer wealth to younger generations. The Tax Relief Act of 2010 increased the gift tax exemption amount to \$5 million, and current tax rates for capital gains, as well as interest rates, are near historical lows.

But if you want to take advantage of these wealth-transfer opportunities, you might have to act fast. After 2012, the gift tax exemption amount and

the exemption amounts for the estate and generation-skipping transfer taxes are scheduled to drop to \$1 million. Also in 2013, the income, capital gain, and estate tax rates are scheduled to increase.

This impending deadline has prompted many people to consider accelerating their wealth-transfer timelines so they can capitalize on today's favorable environment. When making these decisions, however, it is important not to jeopardize your

financial security and retirement needs, according to William Blair & Company's financial planning experts.

"Ultimately, whether you are able to make a lifetime gift depends on if you have enough for your financial needs now and in retirement," says Sarah Mercurio, a senior financial planner at William Blair.

Core capital versus excess capital

William Blair's financial planners recommend creating two separate buckets to fund your retirement and wealth-transfer goals: core capital and excess capital. Core capital is the amount needed to cover your anticipated lifestyle spending needs throughout retirement, as well as any personal reserves. Once those needs are covered, the amount left over becomes your excess capital, which can be earmarked for gifts to younger generations, philanthropy, or discretionary spending.

"Once you have accounted for your retirement needs, then you can turn your attention to accomplishing your other goals," says William Blair financial planner Melissa Mendoza.

It is important to view your projected retirement needs as an approximation that will evolve over time, rather than an exact target. "You want to give yourself flexibility because the retirement lifestyle you envisioned for yourself as a 35-year-old will likely be different than what you envision as a 55-year-old," Mercurio says. Over time, values such as leaving a legacy for your descendants and contributing to charity may become more important to you.

Capitalizing on today's opportunities

For those who anticipate having significant amounts of excess capital, the current environment presents an opportunity for shifting assets to younger generations while minimizing

transfer taxes and removing future appreciation from your estate.

The most straightforward route is to make direct gifts and take advantage of the \$13,000 annual exclusion amount, which applies each year to gifts made to an unlimited number of recipients. Another option is to use the \$5 million lifetime exemption, which applies cumulatively to all gifts in excess of the \$13,000 annual exclusion. (Keep in mind that any part of the exemption used during life will reduce the estate tax exemption amount available at death.) The exemption amount is scheduled to drop to \$1 million in 2013.

With interest rates near an all-time low, transferring wealth through “estate freeze” strategies is another attractive option for some. Today’s rock-bottom interest rates increase the probability that assets transferred through mechanisms such as a grantor retained annuity trust (GRAT) or an intra-family loan will have a higher rate of return than the applicable interest rates and be effective wealth transfer techniques.

Even for gifts that will be taxable under gift and/or capital gains taxes, there are incentives for the donor to complete the transfer before 2013, when the tax for long-term capital gains (assets held more than 12 months) is scheduled to increase from 15% to 20%, and the estate, gift, and generation-skipping transfer taxes will increase from 35% to 55%.

“It may seem like 2013 is right around the corner, but there is still plenty of time to sit down with your financial and tax advisors and think strategically about how you can take advantage of these opportunities without compromising the security of your retirement planning goals,” says Mendoza.

To listen to a replay of William Blair’s recent webinar on “Balancing Retirement With Wealth-Transfer Goals,” go to www.williamblair.com/PWM-resources.

This information has been prepared solely for informational purposes and is not intended to provide, or should not be relied on for, accounting, legal, or tax or investment advice. Please consult with your tax and/or legal advisor regarding your individual circumstances.

EQUITY RESEARCH

A Transforming Time for Prostate Cancer Therapies

Affecting one out of every six men in the United States over the course of a lifetime, prostate cancer is the most common form of cancer in males, according to the National Cancer Institute. While the disease is generally treatable if detected when the cancer is localized to the prostate gland, the prognosis is much bleaker in cases where the cancer has metastasized and spread to other tissues. About 32,000 men in the United States died of prostate cancer in 2010.

Fortunately, recent breakthroughs from the biotechnology industry will bring dramatic advancements in the treatment of prostate cancer in the next decade, according to William Blair & Company equity research analyst Katherine Xu. In a recent report titled “A Transforming Time for Prostate Cancer Therapies,” Xu examines these new treatments and the investment landscape for that sector of the biotech industry.

“Over the past few years, the prostate cancer field has witnessed an explosion of development,” Xu writes. “With these new therapies and a full pipeline in development, we believe the present time and next decade will be a transforming period for prostate cancer treatment.”

In September, Xu initiated research coverage of three biotech companies that have produced promising new agents in the fight against prostate cancer: Dendreon, Medivation, and OncoGenex Pharmaceuticals. Xu was named the No. 7 overall stock picker* across all U.S. analysts and sectors in the 2011 *Financial Times*/StarMine World’s Top Analysts Awards.

To receive a copy of Xu’s research report on prostate cancer therapies, please contact your William Blair representative. Visit williamblair.com/ResearchCoverage for a full list of the more than 500 quality growth companies covered by William Blair’s equity research analysts.

**Katherine Xu was not employed at William Blair in 2010 when making these recommendations.*

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CLIENT SERVICE

Do Not Adjust Your Screen - There Is a New williamblair.com

Our website, williamblair.com, has undergone a makeover. And the improvements are far more than just cosmetic. Although we hope you like the design of the website, our primary goal was to make it easier for users to find the information and resources they need.

The new site, which will debut this winter, features an intuitive navigation system that quickly guides users to the most relevant content for their financial objectives. Through the “Research & Insights” page, users can access the firm’s library of thought leadership, including equity research analyst Katherine Xu’s report on breakthroughs in prostate cancer therapy and global strategist George Greig’s recent interview on CNBC.

The new website is part of the ongoing evolution of William Blair’s marketing and communication tools. You may have noticed our new logo and the updated look of the materials you receive from us, including this newsletter.

We invite you to take a few minutes to explore the new williamblair.com. Investor Annex users can still log in to their accounts from williamblair.com. Click on the words “Investor Annex” in the top right corner of the screen and you will be taken to a page where you can input your login ID and password. If you have any questions about the new site, please contact your financial advisor.



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