THE SHAREHOLDER SERVICE
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IN THIS ISSUE:

THE DEATH OF RETAIL INVESTING: SHOULD YOU CARE?

In our second quarter issue we noted the growing number of retail investors who believe our securities markets are being run for the sole benefit of short-term traders and speculators—and who have, as a consequence, been exiting the stock markets in droves.

We also noted the growing number of industry observers who believe that the damage being done to our once-huge base of retail investors is being accelerated—and understandably so—by fears of flash-traders, robo-traders and runaway computer systems.

Many observers seem to think that the damage that has been done to overall consumer confidence in the equities market is permanent, and beyond fixing. We promised to do a little digging into what's really happening – and to provide our own perspective on retail investors.

We need to start, we think, with the dot-com crash of 2000—followed all too soon by the devastating financial industry crash of 2008/9—from both of which, many investors will never recover—ever. Then there was the "flash crash" of 2010…followed fast by the BATS and Facebook IPO crashes in 2012, where robo-trading ran wildly amok (again)…followed by the "mini-flash-crash" in May, set off by Knight Capital's "rogue algorithm".

No wonder that no less an authority than Bill Gross, the co-founder and co-chief-investment officer of Pacific Investment Management Co. proclaimed that "the cult of equity investment is dying." And here's a quick recap of third-quarter sound-bites that add fuel to the firestorm:

"IPOs Dry Up Post Facebook" a June 11th WSJ headline shouted.

"When Will Retail Investors Call It Quits?" asked WSJ columnist Jason Zweig, in his Aug. 2 column, The Intelligent Investor, which reported on the chaos following the Knight Capital robo-trading debacle, that "hit a broad swath of the household-name stocks that investing households favor, like **American Express**, **Harley Davidson** and **Nordstrom**—and even Warren Buffett's **Berkshire Hathaway**," adding that "The swoon is likely to accelerate the exodus of individual investors from the stock market. Almost continuously since 2008" he noted, "retail investors have been dumping

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mutual funds that invest in U.S. stocks. More than $129 billion gushed out of U.S. stock funds in the past 12 months ending in June…In July, another $7 billion leached away…Make no mistake" he added, "The hearts of many small investors have been broken by the serial setbacks of the past few years."

A mid-year report from Broadridge Financial Solutions noted that "After years of steady growth, the number of positions owned by individual shareholders has declined from 151.9m in FY 10 to 142.5m in FY 11" – a 6% decline, year-to-year. ,

The same report noted—more significantly, we think—that "the number of shares held by individual shareholders has declined from 233b in FY 10 to 205.9b in FY 11"—an 11.6% decline.

***Scarier yet for public companies**, the percentage of positions voted at annual and special meetings by individual investors—which used to be in the high 70s, back in the '80s - and which are still overwhelmingly in favor of management positions—declined another percentage point from FY 10 to FY 11—to a mere 14.5%—although, some modestly good news; the number of shares voted by individual investors ticked UP 2 percentage points to 29% of the shares held by them.*

***Scarier yet, if you are a supplier to publicly traded companies —or seeking employment with a public company**—the number of "listed companies" has fallen from 8,500 in 2005 to a mere 5,000 today…with no replacements in sight - and with the likelihood of even more corporate mergers, going forward.*

Still scarier—if you are a Transfer Agent, printer, proxy solicitor or any other supplier of services to "registered holders"—we believe that the number of registered holders has fallen from the 100+ million there were, back in the 1990s to way-less than 50 million today. And worse yet; if one were to really look at what, exactly, remains in the registered holder universe, we'd find that a huge percentage of the "positions"—up to 90%+ at many companies—are made up of people who hold less than 2% of the company's stock in the aggregate.

***Not a pretty picture…** and even worse if one notes a few other social and demographic factors that make a rebound seem highly unlikely: First and foremost, the huge wealth transfer that took place from the Depression-era and post-WW II savers and investors to the baby boomer generation is essentially over.*

Further, those baby boomers were hurt worse than anyone in the dot-com—and in the financial industry crash. Many of them have no money to come back into the market with—even if they wanted to—which many of them clearly do not want to do…at least for now.

Still further, we think that the big money baby boomers lost in employee ownership plans during these crashes—or thanks to the host of wealth-destroying mergers and acquisitions we've witnessed – or to other seismic economic changes (think big-bank and car company employees, or those poor H-P or Yahoo employee investors, for eg.) have forced individual investors to totally rethink the "old model" of investing in their employer's stock plan… So another big market segment in our "space" has been badly and maybe permanently damaged.

So…should we care about all of this? Yes, of course – if you are a supplier of products, services or advice and counsel to publicly traded companies – and there are LOTS of them.

***And yes—of course—if you are one of those publicly-traded-company employees who is charged with overseeing investor relations and/or investor servicing, and managing relations with service providers:** Currently, we see a literal four-alarm fire here—where public companies are trying to "piece out" the oversight of shareholder relations functions among a host of low-level staffers—or cutting the job out altogether: Recently, we saw a Fortune-100 company lay off its shareholder relations manager—who oversaw more than a dozen suppliers—and spending of well over $12 million a year—and replace him with no one!*

***We can guarantee that companies that blindly slash their spending on shareholder relations programs will end up paying more money to poorly-supervised suppliers**—for programs and services to investors that are often inferior besides—and that will sometimes require even more expensive re-dos and remediation efforts than they will ever save in salaries. Meanwhile, they are badly short-changing their individual investors… and, more importantly, sending them a message, loud and clear, that they are "not important."*

We think that publicly traded companies should be seriously concerned about these "strategies" and trends—for long-term business and strategic reasons that really are critically important:

U.S. prosperity has been built to a very important degree on individual ownership of securities—and on the willingness of "average individual investors" to invest for the long-term: Every successful new idea we can think of—has been funded – and driven to a great extent—by the promise of long-term stock market gains. But who will buy those IPOs if individual investors decide that the stock market is no place for them to be—or worse—is intentionally

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OUR TOP-TEN REASONS TO GROW—AND TO GUARD—YOUR COMPANY'S RETAIL INVESTOR BASE

1. ***Individual Investors are LONG-TERM INVESTORS:*** Seven years is about the average for all companies, with 16-20 years for "better than average companies." And many investors in companies with the best-known brands—or among the "most admired companies"—are second, third, or even fifth generation investors, as your editor's grandkids are, in P&G. What's the big deal about this? A hard core of long–term investors is a ***must*** if your company is to have the time it needs to successfully execute its long–term strategies…so please read on:

2. ***Individual Investors WILL continue to follow the "Buffett Principle"*** *—and to buy—and hold stocks—in companies they know and admire; with products and services that they know and admire…* despite short-term buffetings in your stock price, and the blandishments of brokers (who only make money when you buy and sell and buy again) to take profits now, in order to buy the next-big-thing. But they will only do so if you continue to *cultivate them*, and to treat them, and communicate with them, as valued, long-term partners in your success.

3. ***Smaller-cap companies take note: If you do NOT have a fairly large and solid core of long-term owners, or foolishly blow them off, you will NEVER get on, or back on the radar screens of Institutional Investors:*** None of them can AFFORD to buy and hold your stock if making a "meaningful investment" will cause the price to spike—and if an attempted withdrawal will cause it to tank.

4. ***A solid core of individual investors automatically moderates stock price volatility.*** *This is good for all investors: Some degree of volatility* is good for your stock—especially those upticks —and no volatility is no good—because you'll fall off, or never get on, the traders' radar screens. But let's face it; all investors—or their heirs—will have to sell some day. And usually, it's because they need the cash now. And, when that day comes—whether you're a regular stockholder—or an employee stockholder—or the Chairman of the Board—you don't want to see the stock off 20% that day because earnings fell one cent short of institutional "expectations."

5. ***Individual investors provide a mighty floor to support your stock price****—especially in distressing times:* It's not just because they continue to "buy on the dips," because their modest buying power can usually be outgunned big–time by bearish institutions… who can always re-buy later and lower. *It's because most individual investors have a "floor" of their own; lower than which they simply won't sell.*

6. ***A strong and loyal base of retail investors grows—and preserves—a company's all-important Brand Equity:*** *This represents REALLY BIG MONEY:* Experts on "brand equity" estimate that a company's brand accounts for at least 5% of its total stock price—and often more (think **Apple**—or **Coca-Cola**, or **Hershey**—or **Merck**, or **Pepsi**). Strong brand equity also helps to ***preserve*** shareholder value when troubles strike. It's no cure all, for sure (look, for example, at the way **BP** stock tanked after the big oil-spill—or what's happened to **BofA**'s stock) but think where they'd be if their individual investors gave up and moved on… and took their business with them.

7. ***If you have 38% or more of your stock in "safe hands" (and please note that virtually all these hands belong to long–term individual investors) it is virtually impossible for impatient institutions or vulture capitalists to wrest control of your company strategy, or your company as a whole, away from your board:*** Will it make your company takeover proof? Of course not. Long–term investors will disinvest, and even the most patient will tender to a raider if they ultimately lose faith in your long–term vision. But note well; typically, it's the walking away of long–termers that gives "investors" both the idea, and the critical mass to "take your company out" at a consequently distressed valuation.

8. ***Companies with the right mix of individual investors have a lower cost of capital than companies that are thinly held or over–loaded with impatient investors. This represents BIG MONEY too:*** Lower volatility and strong brand equity (i.e., much less risk to investors) translates to a "premium price" for your stock—and to lower borrowing costs too—vs. your peers. As in any auction market, the bigger and the happier the crowd of bidders you have, the higher your market premium will be.

9. ***Without a really solid core individual investors, your company's stock can become constantly whipsawed by volatility or, just as bad, can get permanently stuck in the mud:*** As noted above, "good" institutions won't touch it if a meaningful investment on their part will send your price soaring—or if a sell decision will drive your price down by five or ten percent. But speculators will have a field day when your stock is too thinly owned, or over–owned by short–termers.

10. ***Individual investors will provide your company with huge amounts of extremely low cost long–term capital DIRECTLY—if you let them:*** Savvy electric utilities, for example, have been using DRPs and ESOPs to raise half or more the total equity capital they've needed for the past 35 years. And, they've raised it for pennies per share, vs. the 6–7% they'd have to pay over to the underwriters in a public offering. When major U.S. banks needed to dramatically boost their capital base in the eighties, they did the same. We are constantly amazed by the number of companies who could use 'free money'—but fail to tap into this easy and cheap to tap pipeline.

THE TOP TEN WAYS TO DISRESPECT YOUR INDIVIDUAL INVESTORS—AND TO GET PERMANENTLY "DE-FRIENDED" BY THEM

1. Reduce your communications with retail investors to the lowest levels the law requires: True friends will really appreciate your thriftiness, no?

2. When you DO communicate, be sure to stick to "legalese" for the lawyers and to "B-School-speak" for the analysts, arbs and academics. Drop that old-fashioned AR, and the "family photos" you used to send to your individual investor friends to stay in touch and show you care; Just send the 10-K. And why waste valuable time trying to make it "reader friendly"? No one *important* will notice—or care—right?

3. Mark all your written communications with slogans—like "Important Information Inside"—or "Your Vote Is Important"—but send investors nothing they can act on easily, then and there: Why haven't we stormed the SEC to call a halt to these money-wasting "Notices" ...and to let us send a short summary of the issues—along with a proxy or VIF? Simple; no one seems to really *care.*

4. If individual investors DO find their way to your website, given all the spare time they have these days, be sure to make the information they need to vote as hard to find and as opaque as possible. Make sure it's impossible to navigate within the document, or from the document to the voting site: Hey, that might cost *money!*—And, above all, *do not forget tips one and two.*

5. Be sure to tell callers to your shareholder help sites that "Your call is important to us": Remind them every 30 seconds, as they wait on the phone for up to 25 minutes.

6. Make it as hard as possible for shareholders to find their way to a real person who might help them: Bury this option deeply in your phone and web sites, and offer them self-help tools and "contact us" buttons instead—so they will do all the work that YOU, or your Agents, used to do for them.

7. NEVER check your Agent's call center or web-based help center to see how well or how badly it may be working. Why trouble trouble? Your *true friends* will understand that *nothing* really works the way it used to.

8. Change your DRP or DSPP—not just to make participants "pay their way"—but to pay *more than their way*—and ideally, more than they'd pay a discount broker for the same services: The biggest trick here, so you don't miss it, is to charge a *percentage of each dividend* for "automatic reinvestment." ***SO WHAT*** that it costs the Agent way less to automatically reinvest dividends and post them to the accounts than it costs to print, mail and reconcile checks, and deal with the lost, stolen and un-cashed checks to boot. ***SO WHAT*** that most retail brokers reinvest dividends for FREE: After all, these are your friends: They, or at least the dumbest among them, won't miss the money, will they?

9. Send DRP & DSPP statements once a year at most, instead of quarterly: This virtually guarantees that your Plan will drop off investors' radar screens—so you and your Agent won't be bothered much with "optional cash investments"—and it will add every year to the number of "lost accounts" when owners forget to tell you they've moved. Then you can escheat them, and get them off the books altogether!

10. Start charging shareholders who may want a stock certificate: Make it as hard to get one as humanly possible—and charge them through the nose: Once they understand about the Direct Registration System, and how dumb they are to want a certificate, they will surely thank you...Or maybe they will gladly pay $30–$100 for something a modern transfer agent can initiate with a single click on their computer...and thank you for THAT.

"BUY AND HOLD" INVESTING DYING, OR MAYBE DEAD? LET'S CHECK WITH THE GRANDKIDS

Long-term readers of the OPTIMIZER may recall our series of experiments with buy-and-hold investment —mainly via DSPPs (Direct Stock Purchase Plans managed by transfer agents)—that began when our first grandchild was born in 2003 and continued through grandkid # 3 in 2005, after which came the dot-com and financial industry crashes, which led us to sit the sidelines on this strategy through grandkids 4, 5 & 6 as we waited for the smoke to clear.

So it's more than time to see how buying and holding, and systematically reinvesting dividends for them actually DID:

For little Emily Sophia, here's what we bought in January, 2003, and the current value:

$1,000 Bank of America..Thanks for buying Countrywide, BofA. What a bad bargain! $330
$1,000 Walt Disney…Triple the money+! Thanks much, Uncle Walt.. $3,449
$1,000 Pfizer…Overpaid hugely for Warner-Lambert & lost even mo' mojo afterwards.............. $1,211
$1000 Southern Company…Thank you, Southern ladies and gentlemen!...................................... $2,540
$1,000 3-M..(Had to buy the 1st shares thru a broker – which cut Em's return by $100) $1,525

TOTAL FOR EMILY'S $5K after 10 years $9,055
(+81% or 8% per year: Emily would have doubled her money if 3M had a DSPP!)

For Ava Elizabeth, now 6, here's what we bought in February, 2005 – and how she did:

$1,000 Ameren…It's been a rocky road here: yield rose but stock fell faster $982
$1,000 BP……Oi! Oi! That oil spill!.. $717
$1,000 Bank of America…Most of Ava's $1k has gone to money heaven... $230
$1,000 Pepsico…Hasn't really 'hit the spot' for Ava.. $1,341
$500 Merck.. $800
$500 Pfizer $648

TOTAL for Ava's 5K after almost 8 years.. $4,718
(-6% total, or -.75% per year)

For #-2 son's first-born, here's what we bought for little William Hagberg, in July, 2005:

$1,000 BP……..Oi! Oi! Oi! Oil spill $717
$1,000 IndyMac Bancorp…Oi again! Seemed so smart a Co, but went to ZERO! ....-0-
$1,000 Pfizer…(Should'a split w Merck, like we did for Ava!).. $1,360
$1,000 Southern Company (A dandy return on investment – esp v. Ava's Ameren) $1,700
$1,000 YUM! Brands…(YUM! Very tasty indeed!).. $2,733

TOTAL FOR WILLIAM'S 5K after 6 1/2 years $6,510
(+30% or 5% per year)

QUOTE OF THE QUARTER:

"We think that 10 years from now, investors will wish they had stayed in stocks—or added to them."

—Seth J. Masters, Chief Investment Officer of Bernstein Global Wealth Management, in his July 2012 position paper, "The Case for the 20,000 Dow."

SO WHAT CAN WE LEARN HERE ABOUT THE "BUY AND HOLD MODEL"?

- Stock selection is everything in this game…and a few really good picks can offset the clunkers - even a total bust like IndyMac, which was more than bailed out by YUM.
- It truly pays to pick the absolute "best in class": All of the companies here were "pretty great brands" when we bought'em—and we had pretty good diversification too. But just imagine we'd not chased the yield so much, and substituted Chevron or Exxon for BP or JPMC for BofA…or stuck with Southern instead of trying to eke out a few extra basis points of yield on Ameren.
- Timing is an important factor too: Emily came along just as the nice and nicely sustained post-dot-com stock market rebound began. Stocks like Pepsico & Pfizer (not to mention the cursed BP & BoA) were pricier when Ava came along…but there's still hope that "dollar-cost averaging"—where she's accumulating more shares of her now-low Ameren & BP & Pfizer—and the passing of time—will allow her to rebound a bit, and get her over breakeven.
- Virtually all the bad news, please note – which sent a lot of the money to permanent "money heaven" —came way too fast to do much about, so the "hold" part hardly applies here…
- But the biggest lesson about "Buy and Hold," is to think of it as "Buy and MAYBE Hold"…The best advice we ever got about when to sell was this: Every three to six months, ask yourself (1) if the reason you bought this stock is still valid and (2) if the company itself is still among the best in class. If no to either, SELL AT ONCE.

Here's another very important lesson we learned during our historical review: These plans generate way too much paper—that busy parents of young kids have no time or patience to deal with: BP for example (a perfect case study we say of what happens when no one is watching the "retail store" anymore) terminated its Dividend Reinvestment Plan, though not its dividend, after the oil spill in April 2010. But they continued to offer a "scrip dividend" in lieu of cash—that could have been posted automatically to the old DRP account …but instead, the "default" was to cash. Busy parents had no time or inclination to read all the stuff that came in the mail—or to sign papers for scrip… so along came a steady stream of small checks, that never got cashed, or reinvested in anything. What a total waste of time - and money! And what a mess to clean up now! If there WAS a Disney or a YUM statement sent (and apparently there were both) or a BP statement—where it seems that NONE have been sent since 2010—busy parents could not find a current one: Wait 'til you read our reports on the calls to call centers we had to make—and the mostly dreadful info we got, after mostly endless waits…in our next issue.

Over five years ago, your editor approached the STA about launching a new model for DRP/DSPP statement delivery, where we'd work with our good friends at Ellen Philip Associates – who deal with TA records every day of the week: The proposal was to offer consolidated statements for ALL DRPs and DSPPs offered by the leading TAs—with the idea that non-leaders would soon be forced to follow too. Investors would still be able to opt for paper statements if they wanted them—but most, we believed then—and believe more strongly now – would opt for a month-end email that would tell them their consolidated statements were available—with a link to a secure site they could visit to see and print them whenever they desire. What a huge money saver—for TAs and public companies alike! What a huge convenience! And what a major service improvement, said we…BUT NO INTEREST AT ALL on the part of TAs.

After our recent "bookkeeping review" of the DRP/Dspp Plans that were opened for our grandkids, we DO plan to go back to them and try again. Issuers: You should weigh in on this with your own TA too, we say.

Meanwhile, we are giving very serious consideration to moving all of our OWN DRP accounts to our broker—so we can see everything in one place, and where the dividends, please note, can be automatically reinvested at NO CHARGE!

TWO SEMINAL PROXY CASES:

HOORAY FOR OUR SIDE: WA. JUDGE RULES THAT THE DELIVERY OF PROXIES AND PROXY TABULATIONS "DID NOT LEGALLY CONSITUTE THE CASTING OF A BALLOT"

Readers of our last issue noted, we hope, the pending lawsuit by serial proxy-fighters Stilwell Value Partners v. First Financial Northwest, Inc. and our long-term business partner Ray Riley, who served as Inspector of election at the contested meeting in WA.—where the Stilwell Group failed to cast their votes by executing a ballot—and where our article warned, yet again, about the need for proxy holders to execute a "Ballot of the Appointed Proxies"—sometimes called a "Master Ballot"—in order to legally cast the votes that run to them.

Well, Hooray for Ray—and for the judicious and common sense reading of the plain appointing language that appears on every proxy card or VIF we've ever seen—which authorizes the designated proxies to vote, but leaves it to them to do so: Just as we went to press, WA. Superior Court Judge Beth M. Andrus denied Plaintiff's motion for Summary Judgment and granted in part (as described in the headline) but denied in part Defendants' cross motion for Summary Judgment. A two-day trial is contemplated in January on a few "issues of fact" she's still wrestling with – in order to bullet-proof her final ruling, we think, against a potential appeal…in a matter that, as we noted, has never come before a court…because, we say, the correct answer as to whether proxy cards "vote themselves" is so obvious.

SUPREME COURT IN BRITISH COLUMBIA SWATS DOWN "MOSQUITO"; SETS ASIDE MEETING RESULTS AND ORDERS COMPANY TO CALL A NEW MEETING FOLLOWING TELEPHONE VOTING MISSTEPS

In a landmark case that will, no doubt, influence proxy voting procedures here in the U.S. as well, a British Columbia judge ruled in favor of the Petitioner - International Energy and Mineral Resources Investment Ltd. —a Hong Kong company that was seeking to oust directors of Mosquito Consolidated Gold Mines Limited— "setting aside and declaring the Dec. 16. 2011 AGM invalid and all resolutions passed at the AGM null and void, and an order that Mosquito convene an Annual and Special General Meeting within 60 days" of the judgment.

It was only a matter of time, as we'd long been predicting, before someone blew the whistle on some of the slipshod telephone voting practices we had ourselves been subjected to over the past few years. Who'da thunk it would be a Canadian case that blew the lid off some of the dirty little secrets—and the very real questions of transparency, and basic fairness that can arise with telephone voting campaigns?

And, as we'd also predicted, no one involved—except the whistleblower, whose fame and fortune will, no doubt, grow considerably—ended up better off as a result.

For a full discussion of the case, including the Judge's ruling, go to **www.laurelhill.com/byrdwatch**
For our own quick take on practical—and economic—and fairness issues, see page 8.

ARE YOUR PROXY CHASERS FOLLOWING SMART AND ETHICAL PRACTICES, MUCH LESS "BEST PRACTICES" ON THE PHONE?

Some practical advice on what to ask about…before you authorize a telephone-voting campaign:

- Recognize up-front that there are some serious conflict of interest issues when paid "solicitors" of votes become both the "judges"—and the "recorders" of how people vote.

- Get a complete and thorough understanding about the way the campaign will be carried out; exactly who will be called—and when—and by whom. Badly timed and crudely executed campaigns will actually induce shareholders to vote against you.

- Determine exactly what results are being promised or promoted—and exactly what the tab is going to be. We have seen more big time and money wasting campaigns than we can count—where every shareholder that can be identified gets a call, regardless of how small their holdings may be…with phone bills that break the bank …AND that fail to produce good results—much less the "touted ones."

- Check the 'out of pocket expenses' per call and per minute that they plan to charge, which are rarely disclosed up-front.

- Give serious thought as to how likely it may be that the election results are officially challenged: If you are in an official proxy contest – or if there is any matter that is of concern to important investor segments—and especially if any of the matters may be "close"—maybe you do not want a telephone voting "campaign" aimed at the "mass market" at all.

- Be sure to review and approve the "script" in advance and insist that callers are not allowed to go "off script."

- If a shareholder says that he or she is not sure they received proxy materials – or is are not familiar with the issues—no votes can properly be solicited and recorded in our book!

- Review the actual vote-casting and recording protocols with special care: In the Mosquito case, solicitors decided that they were speaking to authorized voters if they could give their postal code. And the solicitors themselves were deciding whether a vote had actually been authorized, and what the vote WAS.

- In potentially close or contested situations, be sure that there is a proper "electronic signature"—AND, especially, we say, that the vote-chasers do NOT have access to it. In most U.S. states—and in Canada too it seems—a valid electronic signature has to be a PIN or "personal identification number" that is unique to each voter, and thus known only to the voter—or to the voter's authorized agent or attorney in fact.

- Make sure that adequate records of the date, time and "signatures" are created, properly backed up, and easy to access.

- If there are to be actual conversations with voters, make sure they are recorded and can be easily reviewed.

- If paid chasers are soliciting - and taking votes via a telephone conversation—be sure to "sample the cooking" yourselves—and at an early date.

PEOPLE

Sam Berrios, who was a "new hire" at the old Shareholder Communications Corp. when your editor first met him, many moons ago, is now the Marketing and Sales Manager at **Milestone Corporate Services**.

Cara Burke received the 2012 James R. Smith Scholarship at the Shareholder Services Association's annual conference in San Diego. Cara, who is attending Penn State—where her twin brother and older sister are also attending—is the daughter of **Patrick Burke**, the Director of Operations and Assistant Secretary in the Corporate Secretary's Office at **American International Group**. This is the 8th year the $1500 renewable scholarship that was established to honor tireless SSA volunteer and unofficial historian Jimmy Smith, ex of ITT has been awarded. To date, every one of the stunningly qualified recipients has qualified for the award for their entire four-year college career.

At the risk of bragging—but also at the risk of failing to properly acknowledge the honor that comes from being awarded the **SSA's Tony Fireman Award**—we feel obliged to report that the 2012 recipient of this award was, to his total surprise… your editor. The SSA named this award with great good reason: Tony was truly a gentleman-scholar of the old school; an inspiration to all who knew him or watched him work and a role model that still guides the way the SSA goes about it business and fulfills its important mission. He knew the shareholder servicing businesses inside and out. He worked tirelessly to stay current, and to stay "always connected," as the SSA's motto urges, to new developments and to members, new and old. He shared his knowledge unstintingly—and in an unforgettably quiet, modest and very thoughtful way - and with great style. Most important—and something we all need to work harder on—Tony always put shareholders first.

Richard Kretz, who for many customers and prospects was "the face of **Continental Stock Transfer**" resigned at the end of September after 16 years there (!) and will become the Mid-west sales and marketing representative for **Registrar & Transfer Company**.

REGULATORY NOTES...AND COMMENT

ON THE HILL:

Treasury Secretary Tim Geithner urged the newish Financial Stability Oversight Council to push forward with regulatory orders of its own, following the SEC's failure to agree on tighter rules for money-market mutual funds.

Senators Jack Reid (D., RI) and Mike Crapo (R., ID) took aim at fast-trading tools and strategies in hearings that were bolstered by a wide variety of traders, investors and fast-trading experts. "Who is this speed for?" asked the head of trading for T. Rowe Price: *"We don't think it's for investors."*

AT THE SEC:

Chairman Mary Schapiro ended the plan to release proposed new rules for money-market funds for public comment—after over a year of effort and after Democratic Commissioner Louis Aguilar—a former mutual fund lawyer who had been heavily lobbied by a parade of industry visitors to his office this year —said we would not vote for the release—ostensibly because Schapiro released the (previously widely discussed) contents to Congress.

Yet another "Roundtable" was held—this time on fast trading, and the need for "kill switches" – and perhaps for better regulations on exchanges that make monster money on fast-trading platforms. Meanwhile, as the *NY Times* headline trumpeted, "*As U.S. Discusses Limits on High-Speed Trading, Other Nations Act.*" In Canada, for example, regulators began to impose new fees on fast-trades this spring, and in mid October new rules to limit dark pools will kick in. Australia, Germany and most of the EU are also way ahead of us, having already issued draft rules for early implementation.

Meanwhile, the SEC allowed the NYSE to settle a civil action that cited them for "compliance failures" that allowed favored customers to receive trade data before the general public (!)…for a paltry $5 million; the first time a penalty has ever been levied against a securities exchange.

IN THE COURTHOUSE:

A U.S. District judge struck down the Delaware Court of Chancery's two-year program to serve as arbitrators in closed-door hearings—where no public records were created—ruling that the so called "judicial arbitration procedures" were the equivalent of a civil trial—where the First Amendment requires public access.

WATCHING THE WEB:

Our phones rang off the hook in August after **Computershare**'s web-portal went down for 2 ½ days and competitors phoned in to make sure we knew… and to see what we thought.

"Rejoice not when your adversary stumbles" we advised, because it has a way of coming back to haunt you (the "ficklefinger of fate" we call it).

"Things like this seem to be an inevitable part of the web-world these days" we noted. And yep! Within days, cyber-hackers had jammed the banking websites of **BofA**, **JPM Chase**, and **Wells Fargo**, among others, blocking access to our own online banking records and transacting capabilities. (Computershare's outage arose from a glitch during a "routine maintenance activity" rather than from cyber-hacking, which seems like relatively good news for clients, and, in any event, seems not to have generated much blowback…but as we went to press the cyber-banking hacks were attributed to Iran…Yikes!)

THE DEATH OF RETAIL INVESTING

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rigged against them? Do we really believe we can continue to innovate the way we've done by compensating innovators—and their employees—with salary dollars alone and maybe a 401(k) that's full of bonds yielding less than 2% for "safety's sake"?

Now for the sixty-four-dollar question: Given all the developments outlined above, do WE think that individual ownership is dying…and maybe dead?

Somewhat to our own surprise, we say NO: *Rather amazingly—despite the gloom and doom about the global economy that naysayers are trumpeting, the stock market has been hitting high after high. Recent data from the Fed on U.S. Corporate Issued Equity Ownership shows that U.S. households still own 38% of all equities by market value. And let's face it; if a householder wants to save for retirement, and to outpace inflation, the only place to look is really the equities market, like it or not.*

What makes us most confident of all about the future of equities is that individual investors have a compulsion to sell at the lows and to buy at the highs that seems to be genetically wired in: *When they see stock markets begin to tank—or to soar—they have, historically, been incapable of holding back. So to an optimist and very long-term investor like your editor, the big pullback from stocks is actually a bullish indicator.*

So what should companies be doing to right the boat where their own individual investor ownership is concerned?

We say that individual investors need to be given the same degree of respect—and attention—that companies gave them pretty much through the 1990s…before the short-term, quick-buck investors took over, demanding constant budget cuts in any activities that did not have an immediate payback. It's time to realize, we think, that long-term, individual investors are really our BEST and MOST VALUABLE FRIENDS … and that the quick-buck folks are truly our worst and most insidious enemies…and to ACT ACCORDINGLY. Start, we say, by reviewing our top-ten reasons to grow – and to guard – your company's retail investor base. Comments and reactions would be most welcome!

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A REPORT ON OUR CALLS TO T-A CALL CENTERS
FRESH TIPS ON GEARING UP FOR THE 2013 PROXY SEASON
OUR SHORT LIST OF "HOT ISSUES" AND "FAST EMERGING PROXY ISSUES"