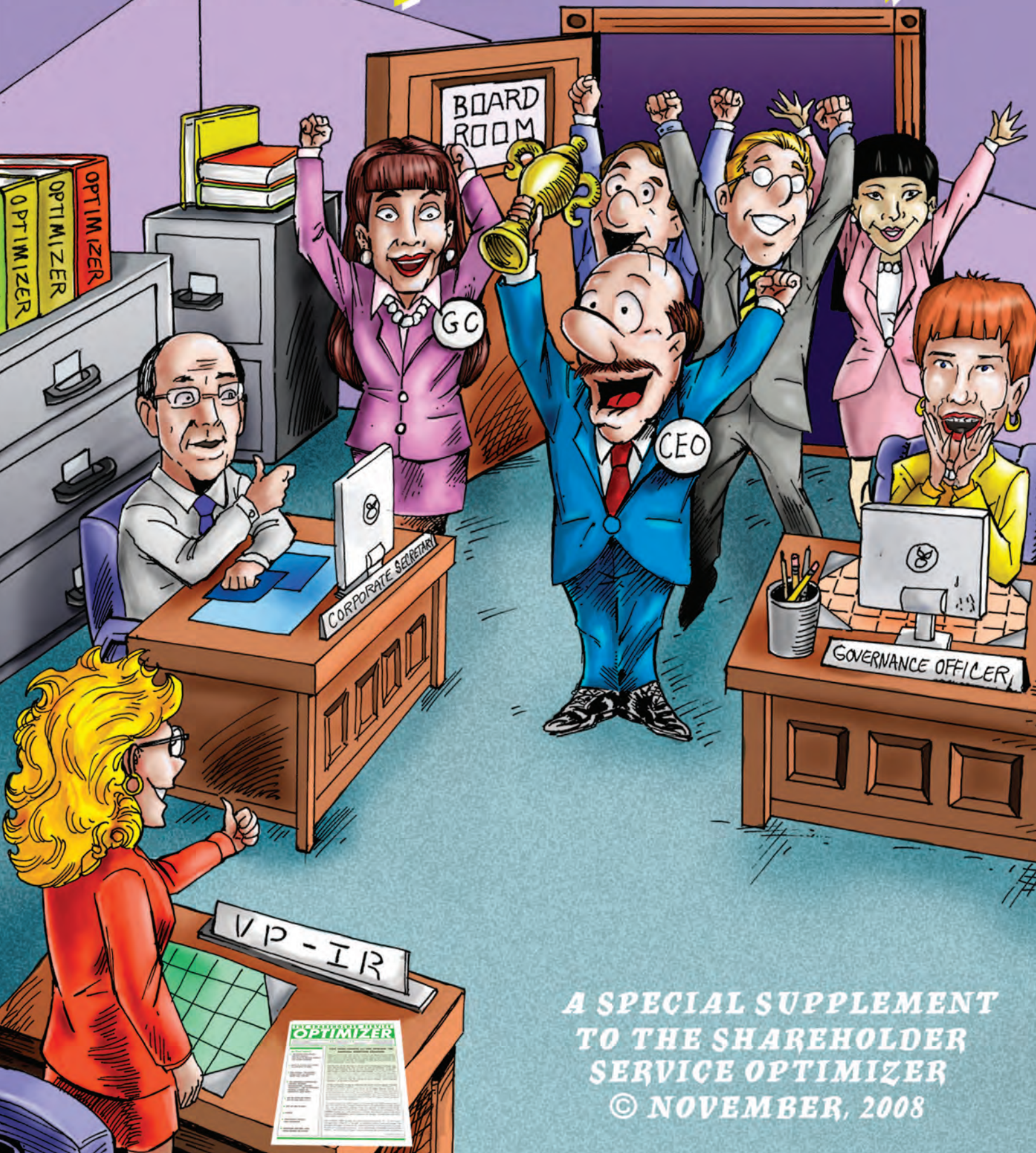


PULLING IT ALL TOGETHER



A SPECIAL SUPPLEMENT
TO THE SHAREHOLDER
SERVICE OPTIMIZER
© NOVEMBER, 2008

STAY ON TOP

Corporate
governance
issues

Shareholder
activists

Institutional
proxy advisors

Apathetic voters

Conditions are rough out there. Georgeson, the world's leading provider of strategic proxy and corporate governance advisory services, can help you overcome the obstacles you face by offering:

- › Vote projection to predict the outcomes so you can decide the best course of action before the vote ever happens
- › Seamless global expertise – unlike any other solicitation firm
- › Unique TeleVote® program to maximize the number of votes secured during a call campaign
- › Expert industry insights on key trends; publishing the Annual Corporate Governance Review since 1987

To find out how Georgeson can help you prepare for your annual meeting, contact us today at 800 445 1790 or visit www.georgeson.com

Georgeson

A COMPUTERSHARE COMPANY

CERTAINTY

INGENUITY

ADVANTAGE

Always lead, never follow



While others are jockeying for position, Computershare continues to set the pace in the industry, with "first" after groundbreaking "first." Among our investor services innovations:

- › First print-on-demand stock certificates
- › First fully integrated notice and access solution
- › First international currency payments for overseas shareholders
- › First market-order sales for book-entry shares
- › First proactive lost-shareholder asset reunification program

Our track record of delivering innovative solutions and outstanding value assures our clients they have picked a proven winner. The stakes are high. Bet on Computershare and you'll find yourself in the winner's circle.

Contact us today at 888 404 6333 or email busdev@computershare.com.

www.computershare.com

CERTAINTY | INGENUITY | ADVANTAGE |

 **computershare**

An hourglass with golden sand, symbolizing the passage of time. The sand is flowing from the top bulb to the bottom bulb.

Time is running out.

Don't forget the SEC Mandatory Notice and Access rule goes into effect on January 1, 2009 for non-accelerated filers.

Feeling a little anxious about the deadline? Get started today. The mandatory rule stipulates that issuers required to file, post their annual meeting materials on a public website at the time of their mailing. Broadridge's web hosting solution can help you meet the requirements of the new regulatory standards. We'll keep you ahead of the curve, before deadline.

Broadridge simplifies the entire communications process, including proxy distribution, vote tabulation and reporting. We simultaneously distribute materials to registered, beneficial and employee shareowners for over 1,000 public companies. We secure your data and assist you with your changing compliance requirements. We'll make it easy. Stop worrying about the deadline and contact us today. Broadridge—complexity simplified.

www.broadridge.com

1 800 353 0103



Broadridge™

Accurate | Dependable | Efficient

© 2008 Broadridge Financial Solutions, Inc. Broadridge and the Broadridge logo are trademarks of Broadridge Financial Solutions, Inc.

"Pulling It All Together"

Dear readers,

This is the twelfth issue of my annual Special Supplement to the *Shareholder Service OPTIMIZER*... which itself, I am pleased and rather amazed to note, is entering its 15th year.

If you have anything at all to do with providing information or service to investors – or if you deal with stakeholders in general – as all the 10,000+ people who are getting this magazine do – you will quickly see that there is no shortage of things to write about – and to read up on this year.

Many of the topics that are covered here will require urgent attention on your part in 2009, I'm sorry to say, and as I know you will discover here if you haven't realized it already.

Of course you don't need this magazine to tell you that 2009 will be a year like no other in recent memory. But you do need this magazine, we think, if you are searching for solutions...or simply to cover your bases better; or to somehow pull together all the interrelated issues that are suddenly jumping to the forefront on the corporate governance, corporate communications and shareholder servicing scenes

And in 2009 we say, it will be more important than ever to make sense of all the change that is taking place on the increasingly tumultuous and confusing supplier scene, and to be absolutely sure that you have your own 'act' properly pulled

together there too.

As we've done for 12 years now, we've searched out some of the smartest people we know – to get their thoughts on the biggest issues that are facing issuers of securities. This year we're trying to reach out to the biggest non-public companies too – most which are facing the same kinds of issues where their most important stakeholders are concerned.

We've also sought out some of the smartest and best suppliers of products and services to the public company and large company universe – to learn what's new with them, and how they can help us cope with the many challenges that will be facing us in 2009. And we've also included a brief checklist of the most critically important suppliers, and tools a public company needs to have – with a few comments on the 'state of the industry' and what you need to watch out for as you go into 2009.

As always, we strive to keep the keenest focus on "what to do"...and on "exactly how to do it." And this year especially, we are trying to focus on how to "pull it all together" in a winning way.

As you will also note if you are a long-term reader, this year, my little cast of cover-characters is CELEBRATING the joys of "pulling it all together" – instead of struggling to cope, as they've usually done. When I first started to think about



this year's theme, and to kick around a few ideas with my cover-artist, my wife was already sensing the early stages of the incredibly difficult times we now find ourselves in. "Don't you think a celebration is really not the right theme for this year?" she asked ...And for a few seconds, I almost resolved to switch gears, and themes.

But readers, if ever there was a time to be celebrating the fact that you "pulled it all together" in 2008, it's surely now. And I certainly do believe that companies that had their act properly pulled together in 2008 – and corporate citizens too, who had their own little corner of the corporate universe properly pulled together – are entering 2009 in much better shape than their peers who did not have their houses in such good order.

So as we gear up for the year ahead, and for the enormous numbers of issues and challenges that we'll need to confront, let's resolve to "pull it all together" in 2009. And let's resolve too, to "pull together" with our colleagues, and

Continued on page 7

Make sure you have a Winning Team!

Victory in a horse race requires a smart jockey, an experienced trainer, a strong, sound horse and sometimes a little luck. Don't rely on luck in your corporate proxy election campaign, tender offer or merger battle. **Call on MacKenzie Partners and ask us to join your team so that you too will cross the finish line first.**

With the experience, resourcefulness and tenacity of MacKenzie Partners on your side, you can be sure to get to the finish line first every time. Find out for yourself why our firm is recommended by more leading corporate attorneys, investment bankers and public relations advisors to provide counseling and solicitation services to their clients in crucial proxy campaigns, corporate governance matters, proxy fights and tender offer battles.

MacKENZIE PARTNERS, INC.
105 Madison Avenue
New York, NY 10016
(212) 929-5500 or (800) 322-2885

228 Hamilton Avenue
Palo Alto, CA 94301
(650) 798-5206

MacKENZIE PARTNERS (UK) LTD
17 Cavendish Square
London W1G 0PH
+44 (0)20 3178 8057

Please call: Daniel Burch *Chief Executive Officer*
Mark Harnett *President*
Jeanne Carr *Executive Vice President*
Larry Dennedy *Executive Vice President*
Robert Marese *Executive Vice President*
Keith Parnell *Managing Director—London*
Email: proxy@mackenziepartners.com



Special
Meetings

Proxy
Contests

Shareholder
Vote Analysis

Corporate
Governance
Consulting



Tender and
Exchange Offers

with our key suppliers – recognizing that we'll have to “pull together” harder than ever before.

Most important I think, as we think ahead to 2009, is the fact that we need to “pull together” with our shareowners - and with our other stakeholders - and yes, even with our regulators.

With all my best wishes for 2009...And readers, if ever we might help you with any of the issues covered here, or in our quarterly *Optimizer* – with a bit of free advice, or to steer you to someone else who might have the answer you need – please don't hesitate to call me.

Carl Hagberg

**THIS SPECIAL SUPPLEMENT
TO THE
SHAREHOLDER SERVICE
OPTIMIZER**

is published by
CARL T. HAGBERG & ASSOCIATES
P.O. Box 531
Jackson, New Jersey 08527-0531

ALL RIGHTS RESERVED Reproduction or transmission of this publication, in part or whole, by any means whatsoever, is prohibited unless the permission of the publisher is first obtained. Such requests are welcome and permission will be liberally granted.

Questions, comments or letters to the editors about material in this supplement are also most welcome.

Carl Hagberg, Publisher and Editor
Telephone: (732) 928-6133
Fax: (732) 928-6136
e-mail: cthagberg@aol.com
WEBSITE: www.optimizeronline.com

Co Editor, Rhoda Anderson

Telephone: (609) 371-5631
Fax: (609) 371-5632
e-mail: randerson@rhodaanderson.com
WEBSITE: www.rhodaanderson.com

Cover: Illustration by Guy Dorian,
(732) 833-0136

Art direction by
Janice Clark of Arts Unlimited
(918) 283-2014

IN THIS ISSUE...

For Openers; We Ask Some of the Smartest People We Know About the Top Issues They Foresee for 2009 – And For Their Advice On What We Should Be Doing About Them	p. 8
AccuBasis: A Just-In-Time Solution to a Looming and Rather Scary New Business Requirement... An interview with Lori Trezza, V.P. Product Management at DTCC.....	p. 11
“Career-Makers...or Career-Breakers?” - A Check-List of Hot Products and Services You'll Need to Address in 2009 – and a few tips on what to watch out for as you shop	p. 13
Computershare – Committed to Service Excellence...An interview with Jay McHale, President, U.S. Equity Services, Computershare	p. 17
Continental Stock Transfer & Trust Company: “We Are Very Focused On Cost-Effectiveness and Technology – But We Still Believe In The Primacy of Service...An interview with Steve Nelson, Chairman and President of Continental Stock Transfer & Trust Company	p. 19
Wells Fargo Shareowner Services: “We Want To Get Bigger By Being Better”... An interview with Todd May of Wells Fargo Shareowner Services	p. 21
Corporate Secretaries, IROs and their Key Service Providers Celebrate the End of a Grueling Proxy Season... To Benefit a Worthy Cause.....	p. 23
Difficult Times Call For Drastic Measures...An interview with Eric Van Aalst and Kevin Penzien of Citco Corporate Services	p. 27
Executive Compensation: The activist battleground and THE big issue in 2009... as The Altman Group's Reid Pearson, Managing Director explains in depth	p. 29
An interview with Richard C. Ferlauto, Director, Corporate Governance and Pension Investment, American Federation of State, County and Municipal Employees – AFL-CIO: “We Are Looking for Fundamental Changes to the Corporate Governance Playing Field”	p. 33
Goodbye EDGAR Brick Road; SEC Mandate to Post Proxy Materials Online Brings Benefits... But Heed These Cautions...Practical tips from Rhoda Anderson, Co-founder of EZOnline Documents.....	p. 35
Information Security...A Primary Concern for Most Clients...An interview with Dorothy Flynn, CEO and Peter Teuten, CTO of The Keane Organization on one of the hottest topics out there	p. 37
Laurel Hill Advisors, LLC: “There is no denying that the times have changed. And there is no denying that the role of the proxy solicitor has most definitely changed.”	p. 39
Memberships: The right memberships are the most powerful tools you'll ever have, we advise:	
The Shareholder Services Association...A letter from the SSA President, Jim Alden, Director of Shareholder Service at The Walt Disney Company on the many benefits of SSA membership	p. 41
The Society of Corporate Secretaries & Governance Professionals...A letter from Society Chairman Craig Mallick, Corporate Secretary and Assistant General Counsel of United States Steel Corporation, Society President David Smith, and Society Membership Chairman Douglas Chia, Senior Counsel & Assistant Corporate secretary at Johnson & Johnson	p. 43
Notice and Access: The First Year...Chuck Callan, Senior Vice President at Broadridge Financial Solutions shares the key numbers, and his insights on “pulling it all together” going forward	p. 45
“Pulling It All Together” As You Prepare To Tackle Employee Plan Voting in 2009...Proxy experts Ellen Philip and Cal Donly of Ellen Philip Associates share their many practical insights, and practical tips	p. 47
“Still Crazy After all These Years”...Rich Scotti, President of Scotti Graphics, reflects on the crazy world of proxies, and offers some very timely tips.....	p. 57
A Turnkey Solution for the Proxy Process...An interview with Michael Mackey, Managing Partner, Alliance Advisors, LLC	p. 51
The State Of Unclaimed Property: The Chaos Continues...Bob Irvine, President of Unclaimed Property Recovery and Reporting fills us in on the chaos...and on the “state of the States”...and provides some practical advice on how to cope. Plus...a “Sleeper Development” wakes up NASPP Conference attendees.....	p. 53
Three Good Reasons Why You Need To Have Chris Logan, Paulette Wheat and Personnel Touch in your BlackBerry...Plus, Three Points to Ponder	p. 62
“Who Counted Those Votes, Madam Chairman? What Are Their Qualifications?” ... Introducing The 2009 “Hagberg Team” of Independent Inspectors of Election	p. 59
And Finally...A Special Offer to Readers of this Special Supplement Who Are Not Yet Subscribing to our Quarterly Newsletter, The Shareholder Service OPTIMIZER...in honor of its 15th Anniversary.....	p. 61

We ask some of the smartest people we know for their thoughts on the biggest challenges they foresee in 2009, and for their advice on what to do about them...



Lydia Beebe, Corporate Secretary and Governance Officer, Chevron Corp.

Insuring a reasonable regulatory structure in the securities area is, in my view, the top issue that public company corporate secretaries will be dealing with in 2009. Both in Congress and the SEC, there will be great pressure to adopt new oversight and reporting requirements.

Some action is clearly needed in this arena, but I think it will be critically important for public companies to participate in the development of any new regulatory structure, in order to insure that it is workable and avoids unintended consequences."



Broc Romanek, Editor, TheCorporateCounsel.net

"The Trust Has Left the Building - Repairs Needed: The biggest issue companies will have to deal with in '09 is credibility.

Investors have lost faith in serving as shareholders - and in many cases, rightfully so. Wall Street has not behaved honestly and investors will grow increasingly angry as the crisis continues to grow.

"Investors - both large and small - will have trouble believing boards that claim they are actively managing the strategy and risks of their companies. The board-centric model of managing corporations will repeatedly be attacked, with the first salvo in the form of a "say-on-pay" bill that will be adopted by Congress.

Executive compensation is the low-hanging fruit on the poor governance practices tree, partially because this is one area that was not impacted by Sarbanes-Oxley and the Exchanges' governance reforms of 2002.

"What can you do? Helping companies provide more transparency about how their boards govern is the first step. This not only includes better disclosure in SEC filings, but a 360 degree change in perspective of engaging shareholders in meaningful dialogue.

Face-to-face meetings obviously are an important part of this rehabilitation process, but IR departments and senior managers can only do so much. Leveraging IR web pages should be a vital part of this process, including the use of blogs, e-forums and video."



Stephen P. Norman, Corporate Secretary and Governance Officer, American Express Co.

"In normal times I would be offering lofty thoughts on how issuers and shareholders can seek common ground on creative new governance initiatives. Not this year.

The year 2009 presents greater economic uncertainty than any of us have experienced in our lifetimes. To be sure, a number of banks, securities firms, automobile manufacturers and retailers are fighting for their very survival.

So for my company, the 2009 goals are:

1. Stay liquid
2. Stay profitable
3. Protect the credit rating
4. Pursue selected growth initiatives.

Moreover, as many of us find our stock prices at multi-years lows, we must reassess our vulnerability to hostile takeovers. Even shareholders who may want management change do not want their companies acquired on the cheap. The priority of 2009 will be to defend the enterprise."



Richard Grubaugh, Senior Vice President D.F. King & Co., Inc.

"The 2009 proxy season is shaping up to be the most contentious ever. Compensation issues will dominate the season.

Investors of all kinds; unions, institutional, hedge and retail holders are out for blood while most executive teams are sitting on a pile of under-water options. Fireworks are guaranteed.

"Although the clout of hedge funds has been deflated and private equity deals are few and far between, issuers still need to be wary of the old fashioned, opportunistic bids from their rivals.

Despite the frayed relationship, it is more important than ever to keep up the dialog with your investors."

Continued on page 9



Paul Washington, Senior Vice President, Deputy General Counsel and Corporate Secretary, Time Warner

A key challenge facing almost all managers during the coming year will be to inspire employees to achieve ever-higher levels of performance when the short-term financial rewards are limited. People may feel lucky to have a job, but that's probably not enough to motivate them to achieve the level of performance that's required.

On the governance front, I see two needed changes. The first is that, as governance matters become increasingly political, it's critical for those of us who labor in the field to become even more professional. We need to look at every governance issue in a rigorous, objective, non-ideological manner - and provide our insights to policymakers whether at our own companies or in Washington, D.C. Second, we should be entering into a new era of governance. We are probably reaching the limit of what can be achieved by ratcheting up the responsibilities of directors or shifting authority to stockholders. The key to company performance rests with senior corporate management, and so companies may want to look at the way in which executives make decisions to ensure that companies have processes that provide for clear responsibility and accountability.

Margaret (Peggy) Foran, Executive Vice President, General Counsel and Corporate Secretary, Sara Lee Corporation:

"Get close to your shareholders. Open dialogue and communication were always important, but with majority voting, access to the proxy, say on pay, loss of the discretionary vote, outrage on executive compensation and all of the other changes that we know are on the horizon, we, and our boards, need to continue to improve our communication.

"Remember, shareholders do not have a window into our board room. With the absence of actual knowledge, some shareholders will make their own analysis based on information that will not correctly reflect the long-term view, diligence and hard work that is taking place."



Tim Smith, Senior Vice President and Director of Socially Responsible Investing, Walden Asset Management:

"Public companies face a plethora of issues in the next year, obviously chief among them the economic crisis facing business and citizens alike. However the crisis doesn't mean that other issues fall by the wayside or wait until better days.

On the governance front, companies will be urged to adopt policies on executive compensation from clawbacks to proving investors with an Advisory Vote on Executive Pay. The latter issue is receiving huge shareholder votes averaging 44% and may well become the law of the land under a new Congress.

On the environmental front, climate change and reducing greenhouse gas emissions inevitably rises to the top of the list as companies face pressure from investors and a new administration to lessen their carbon footprint and work to be part of the solution.

In addition, companies who have not yet done so, will be urged to be transparent and publish Sustainability or Corporate Responsibility reports describing their CSR policies, practices and record.



Finally as exemplified by Wal-Mart's China summit, companies will be asked to dig down into their supply chains to ensure that the products they bring to market are not made in substandard sweatshop conditions.

In the midst of the crisis, issues like these continue to be front and center.



John Siemann, Partner, Laurel Hill Advisory Group, LLC

"Borrowing from the movie "Jerry Maguire," shareholders in 2009 will be demanding that managements "SHOW ME THE MONEY"! With most stocks losing anywhere from 25-75% of their value in recent months, the overriding concern for most investors, both institutional and retail, is: how to deal with executive compensation in a down market. Issues such as "say on pay", pay for performance, re-pricing/ resetting options, caps on severance packages and "claw back" provisions, which had enjoyed selective support from labor funds and other activists in recent years, will likely gain a whole new impetus in 2009. This impetus will be demonstrated not only through higher votes on shareholder proposals dealing with these issues, but through an increased number of "Vote No" campaigns against directors.

"Increasingly, it will be the Board, rather than the CEO, whom shareholders focus on to demand accountability on this issue. For most issuers, 2009 will, quite simply, be a year filled with anxiety. To deal with these troubled times, issuers will need to prepare, prepare, prepare! Know your shareholders, know the impact of third-party advisors, know your holders' position on key proposals, explain beforehand the possible consequences of particular actions by your Board and their respective committees."



AccuBasis: Taking the Chill out of Cost-Basis Compliance



Cost-basis legislation signed into law on October 3, 2008 is sending chills down the spines of issuers.

Failure to report accurate cost-basis information to your investors and the IRS can result in stiff penalties.

Let AccuBasis take the chill out of cost-basis compliance. It's accurate, fast and cost-effective.

Want to know more about the legislation and AccuBasis? Contact Joyce Rosen at jrosen@dtcc.com or 212.855.3935



The Logical Solutions Provider

AccuBasis is a service offering of DTCC Solutions LLC, a wholly-owned subsidiary of The Depository Trust & Clearing Corporation, and NetWorth Services, Inc.

www.dtcc.com

AccuBasis...A “Just-In-Time Solution” to a Looming and Rather Scary New Business Requirement for Publicly Traded Companies... and their Agents...

*An interview with Lori Trezza,
V.P. Product Management at DTCC*

Q. Lori, tell us first about the current status of the long-dreaded legislation that will require public companies – or their agents – to maintain and to furnish all sellers of securities with up-to-date cost-basis information.

The legislation passed and was signed into law just a few weeks ago, as part of the “Emergency Economic Stabilization Act of 2008”, affectionately known as “the bailout bill.” Basically, it will require publicly traded companies – or their agents – to maintain cost-basis information about individual shareholder accounts – and to send cost-basis information to any of their shareholders who sell stock on or after January 1, 2011 – and, of course, to send copies of the reports to the IRS. Effective January 1, 2012, all mutual funds, and all dividend reinvestment and other stock purchase plans will also be covered by the Act, and on January 1, 2013 other kinds of securities will also be covered.

Q. When the Optimizer last wrote about this, there were a tremendous number of details to be worked out. Isn’t this still the case, or did someone work a miracle here?

You’re right; there are still an enormous number of details to be decided in terms of administration and processing procedures, the basic “mechanics” of making this all work. The Treasury Department will take the lead here, as most observers hoped they would. But the most important message, I would say – and one that was really driven home at the recent Securities Transfer Association meeting – is “Don’t wait. Start to get ready now.” And, very much worth noting, the Act calls for big penalties where there are instances of non-compliance.

Q. This brings us to AccuBasis, which certainly seems to present a “just-in-time” solution to a very complex and very pressing problem. Is this really the case in your opinion?

A year ago, most securities issuers, and their transfer agents, looked at AccuBasis as a potentially “nice to have” service. Most of our issuer clients had signed up because they wanted to provide exceptional service to their investors. But with the new legislation, AccuBasis is starting to look like an absolutely “must have” product. We are really excited to be so far ahead of the curve.



Q. Tell us a little bit about the way public companies have been using AccuBasis now.

Until recently, most companies have simply ‘pushed out’ the availability of AccuBasis on their investor-oriented Websites. Shareholders who need cost-basis information can simply access AccuBasis on their own, enter their own information as to when they bought stock, and the system does the calculations. A few companies, like AFLAC for example, have customized the AccuBasis model to take the particular rules of their DRP or employee stock purchase plan into account.

Q. Can you mention some of the companies that are already offering AccuBasis to their shareholders?

Sure. Aside from AFLAC, and The Walt Disney Company, who were among the pioneers, there are a large and growing number of energy companies – like Alliant Energy, Duke Energy, First Energy, Hawaiian Electric, OGE Energy and Otter Tail. Companies like these

Continued on page 12

tend to have a lot of very long-term investors, and dividend-re-investors - and strong local and employee ownership. So they tend to place a lot of emphasis on shareholder service - as do a fast growing number of banks and financial institutions, like Union Bank & Trust, Sterne Agee & Leach, Trustmark National Bank, H&R Block - along with a growing number of other companies, like Johnson Controls, that pride themselves on providing excellent service to their shareholders.

Q. What about going forward? Many savvy investors would like to be able to manage their cost-basis by designating specific blocks of shares for sale. Can AccuBasis compute and report the cost-basis for each block of stock acquired by a given investor?

Absolutely. AccuBasis has the ability to take a specific account, make any and all adjustments due to stock splits or spin-offs, and record the actual cost-basis for each block of stock acquired - whether through subsequent purchases or dividends reinvested. We are discovering that many issuers - and many of their transfer agents, past and present - do not have all the historical pricing information, and possibly lack long ago corporate action information, all of which are imperative to a shareholder for accurate cost-basis reporting. The AccuBasis database goes back as far as 1925 and, as the 2008 Forbes Investment Guide noted, "The information is definitive."

Q. Let's talk a bit about dividend reinvestment plans, employee stock purchase plans, so-called mandatory exchange and tender offers, and spin-offs. All of these products and situations would seem to present pressing needs for accurate cost-basis information - even without the legislation. Can't AccuBasis calculate an investor's actual cost-basis right up front, and send it to them, in lieu of the incredibly compli-

cated verbal descriptions they send now, that always end with "consult your own tax advisor"?

Yes. It's very easy to do in a merger or spin-off, and it's only a little bit harder in the case of DRPs and employee plan holdings, where there tend to be many individual purchases, including shares acquired through reinvested dividends. It is worth noting that these kinds of transactions generate a lot of inquiries about cost-basis, over a very long period of time. We're also told that this is one of the largest sources of complaints that companies get about "shareholder service". So it can really pay off to handle this proactively.

Q. What about the costs involved, and who absorbs them?

In some cases shareholders will pay a standard fee per inquiry - but some companies have negotiated discounts for their own shareholders. Companies can also absorb part or all of the fee themselves, as a "shareholder service" - bearing in mind that many companies are already spending time and money to provide basic information to shareholders about stock prices and dividend payouts on various dates so they can try to calculate their cost-basis on their own. For example, Johnson Controls told us that after they offered AccuBasis to their shareholders just before the 2007 tax reporting season, the volume of cost-basis inquiries they handled dropped 50 % from the same time a year earlier. That is an impressive cost savings.

As far as cost, so far, not too many companies have been interested in absorbing or sharing the costs, but I think this may well change in light of the legislation. In the case of a merger or spin-off it would certainly seem to make sense to calculate and to proactively send out the actual cost-basis to each shareholder up-front.

We are also talking with many agents who see that this service can help them win business. And, increasingly, given the new legislation, many companies - and their agents - are seeing this as a shareholder service that is becoming critically important. Some brokerage firms, for example, want their brokers to be able to see the client's cost-basis information when it's time to make a sale. Many DRP agents may also want to have this kind of information more readily available to shareholders than it is today.

Q. It surely does look as if AccuBasis is indeed a service that has come along "just in the nick of time". Where do you see it going next?

With the new legislation looming, securities issuers - and their transfer agents and plan agents - will have to make a decision whether to build, to partner or to buy some kind of cost-basis reporting service. AccuBasis is ready to fill-the-bill for any of those business models. We have the historical pricing and corporate action and dividend data and the calculation engines that will drive the production of 1099 forms for sales, whether the shareholder chooses average cost basis or a specific method. Carl, we're ready now.

For more information about AccuBasis, contact Joyce Rosen at 212-855-3935, or jrosen@dtcc.com. Or visit www.Accubasis.com





CAREER-MAKERS... OR CAREER BREAKERS?

WE FOCUS ON SOME OF THE HOTTEST TOPICS, AND SOME OF THE HOTTEST PRODUCTS OUT THERE - AND ON TWO UNDESERVEDLY "COLD ONES" - and offer some practical tips on things to do and what to watch out for as you shop the marketplace...

Abandoned Property Experts: Call it "abandoned"...or "unclaimed property", or property of "lost shareholders"...or whatever you will; The fact is, as we've been warning our readers for years, if you have a file called by any of these names, you might as well re-label it with a big "STEAL ME" sign, 'cause that's what'll happen, we guarantee, after watching more such scams unfold, year after year, than you'll ever know.

Last year, for example, a Fortune-50 company hired an "expert" on the strength of a pitch letter, and a quick scan of his website, that cited "over 100 years of experience"...only to learn shortly thereafter that the "finder" had run off with all the money himself! Talk about a career-breaker! Yikes!

That's not to say you should hunker down and do nothing. Quite the contrary; As the UPRR article in this issue makes clear, doing nothing can expose you to audits, fines, penalties...and lawsuits, not to mention your continued vulnerability to thieves and "masqueraders" who are often your own fellow employees. "After all", they rationalize, "it was *abandoned*, so why let it just sit there when I could use it?"

As if this isn't enough already, the publicity surrounding the Taylor v. Westly case is suddenly bringing a large number of people out of the woodwork who lived and/or worked in California

- or elsewhere - and who are asking, "Didn't I have XYZ or PDQ stock? And did I maybe lose track of it?" And sometimes they DID.

So make sure you do tackle this issue - but that you know who and *what* you're dealing with, we warn yet again...And make sure they ARE really "experts". And the best - and the safest thing to do, by far, is to FIND the lost people - or their legitimate heirs - and give them what they are rightfully due.

Data Security – Safety, Sanity Testing and Red-Flag Programs:

WE think this is one of the HOTTEST TOPICS OF ALL for publicly traded companies - and for their key suppliers too. A failure to have proper safeguards in place is something that can, quite literally, BURN YOU TO DEATH, as readers will learn in our next issue. (We wrote extensively on this - and about what you should be doing - and asking your key vendors about - in 2005, and again in our 3rd Quarter '08 issue. If you'd like to see copies of the articles, email the editor, cthgberg@aol.com)

Director Communications Tools:

As we've all been noting over the past few years, Directors have been having *more* and *longer* meetings than ever before. And lately - no surprise - the numbers are increasing faster than ever. And lately - no surprise here either - Directors have been asking for much

more information than ever before - and demanding that it *arrives* faster than ever.

So one would think that those automated "Board Book Systems" would be growing like Topsy - and that increasingly, even the stodgiest old-school Directors would be looking for online delivery of materials - if only to have their A-As print them out and hand them over - to get a jump on the paper packages.

But no...this doesn't seem to be the case at all, even though WE, the eternal optimists, believe that a simple, well-designed product - with low-key but impeccable tech-support - would prove to be a major *Career-Maker* for the Corporate Secretary and/or Governance Officer who delivered the goods.

Is the potential *Career-Breaking* aspect of offering something that Directors would consider a too-complex offering - or a weak and wimpy offering - the problem here? Are the many vendors simply "selling what they have" instead of what Directors really need? Are corporate citizens concerned that the overcrowded space, and the rather confusing array of offerings, presents too big a risk that the vendor they choose might fold? A real *career-breaker*, *that!* Tune in again next year for an update on this "theoretically hot product." And readers,

Continued on page 14

if any of you have had an exceptionally good experience here, please let us know.

Employee Stock Plan Agents:

A few months ago we attended a NASPP session where the moderator asked, "How many people in the room are fairly well satisfied with the kind of 423-b Plan services that you, or your suppliers are providing for Employee Stock Ownership Plans?" Not one hand went up. "How many of you are dissatisfied to extremely dissatisfied?" she asked. About 250 hands went up.

Wow! Sad to say, this is pretty representative of the current state of satisfaction with Stock Plan services - whether one uses an outside vendor, or does all or most of the work in-house! We always say it's partly because "you're dealing with all the wrong people." Employee owners DO feel a sense of entitlement to good service...and gripe like mad at perceived shortcomings...even when a lot of the "problems" are due to their own oversights, and/or to their own general lack of understanding of the way the Plans are meant to work.

Another big problem is that it's only natural for issuers to want to concentrate ALL their Stock Plan activities in one place. But sad to say, there's no single vendor out there that WE know of who's good at all of the fast growing Plan varieties, wrinkles and complex, customized bells and whistles that gum things up the most.

And most vendors have failed - quite seriously - to either tell the client "No...we can't keep doing one-off deals that our automated systems are not geared to handle" (the industry even has its own name for this; "workarounds") - or to make the investments that are needed to handle oddball plan provisions in a safe and sound manner. Sad to say, we don't see a good solution to this in sight anytime soon. So "shop before you drop" we

say...and go the "single-vendor route" at your own peril.

And while we're on the subject of Employee-Owners - who, after all, really DO deserve red-carpet treatment from us - and whose proxy votes can be critically important to achieving one's corporate objectives - please don't fail to read the article from Ellen Philip Associates on Employee-Plan voting...with lots of practical tips on how to handle it with the punctilious attention to the fine details that should be "givens".

Financial Printers: We were deeply disappointed that so many printers from our usual circle of advertisers in this rather beleaguered industry decided to pull back their advertising this year...*AT THE VERY TIME THE PRINTED WORD IS MORE IMPORTANT THAN EVER TO PUBLIC COMPANIES*, we say!

We're all in favor of Notice and Access - and of NOT pushing paper to people who say they don't want to have it, whether by officially registering this preference with you - or of "registering their preference" with their behaviors - like not voting their proxy two years in a row, let's say. We're OK too with pushing paper to investors as a plain-paper 10-k or with a plain-vanilla "wrap"...If there is nothing terribly important on your annual agenda, that is.

But if your company really needs to "tell its story" in a way that will maximize the chance that people will actually *listen* - and come away with the facts and figures you think they really need to have about your company - and maybe about the way you'd like them to vote too - there is absolutely NOTHING that will do so as effectively as a well-written, well-designed and well-printed "package" of information.

Law Firms: Astoundingly, law firms seem to be consolidating, restructuring and simply going out of business even faster than financial printers and transfer

agents these days. And the bigger and more famous they are, the more likely they seem to be to run into trouble as 'deal books' dwindle and public companies look to pare down the big expenses that tend to come with big and famous outside law firms.

We know from long experience that having a long-term partnership with one or two really good law firms can and should be a huge time-saver...and a huge money-save too, all things considered. But with so many big firms folding - and with so many of the survivors slimming down and/or narrowing their focus - and with so many of the survivors willing to work harder than ever - and with a keener eye than ever on costs - to win your business, it really makes sense to shop the field. A great place to start - and something that will repay your subscription to the *Optimizer* many times over - read the article on "Bidding Out Your Legal Work" (it's on our website, www.optimizeronline.com)

Memberships: Of all the tools a corporate citizen needs to have in his or her toolkit in order to succeed, memberships in the right industry organizations rank at the very top of the list.

Please read the letters in this issue from the Society of Corporate Secretaries and Governance Professionals - and from the SSA. And if you do not have a member from your company, take our advice and sign someone up in both of these organizations at once.

We guarantee that you'll earn your full membership back in one quick swoop - the first time you take one of their courses - or tune in, or better, attend a meeting in person, where you will NEVER leave without learning something really valuable - or if you call on a fellow member for information - or pick up a moneysaving practical tip. Btw, another membership that's really a

Continued on page 16

SECURE

AST Partnerships:

Where exceptional service and reasonable fees intersect.



Innovative Products & Trusted Solutions

Stock Transfer Services

Dividend Disbursing &
Reinvestment Plan Administration

Employee Plan Services

Restricted Stock Administration

Initial Public Offerings

Corporate Actions

Escrow Services

Our purpose is simple with one goal in mind: to strengthen your relationship with your employees and shareholders – and build a trusting relationship with you. Through our consultative approach and flexible solutions, we deliver proven results that maximize your satisfaction.

AST's platform and systems are developed and maintained in-house. Our technology is dedicated to stock transfer transactions and is adaptable to changing client needs. Our solutions simulate a network connecting you to your data and your shareholders to their accounts.

AST has pioneered a unique, customer-driven approach to comprehensive transfer agency services. Innovative technology, an all-inclusive flat monthly fee and old-fashioned customer service are key to this success.

To learn more, contact us today at 888-AMSTOCK or kstaab@amstock.com



AMERICAN STOCK
TRANSFER & TRUST COMPANY, LLC

must if you are involved in Employee Stock Plan administration is the NASPP.

Proxy “Distribution Agents” and Voting Agents: The SEC requirement that every single public company will have to post their Annual meeting materials on the web this year has turned this into a HOT ISSUE, even before one starts to ask about Notice and Access, and what kind of distribution strategies will work for you...instead of delivering an unpleasant surprise instead.

As we’ve been reporting in the *Optimizer*, many “distributors” or “convertors” of printed proxy materials that are being hired to produce *online materials* are doing a horrendously bad job of posting readily searchable and reader-friendly materials...and doing so in a cost-effective and timely manner.

While the *better transfer agents* are well prepared, some of the others are simply not geared to posting all the necessary materials in a first-class manner for *all their corporate clients* - although, as usual, the “squeaky wheels” will usually get greased. But sometimes, please note, it’s the issuers themselves who fail to “deliver the goods” to their data-conversion agents and/or their proxy voting agents in a timely and proper manner.

So readers, we urge you to bone up on *all* the many articles in this issue that deal with the new SEC rules - and with N&A - and with the fine points of creating and converting documents - to make sure that YOUR agents, and your in-house people too, are adequately prepared for the 2009 proxy season...as all our authors and advertisers clearly are, by the way.

Proxy Solicitors and Advisors: A few years ago, we predicted that old-time proxy solicitation was essentially a dying industry. Most shares were held by institutional holders who HAD TO VOTE - and most of them HATED being “solicited” or being otherwise pestered,

nagged or cajoled by old-time ‘proxy-chasers’. And individual investors - who typically hold an immaterial number of shares at most big companies - were hardly worth the chasing anymore. And in any event, they HATE being chased-down as much as the big voters do. And to top it all off, it seemed to us then that “check the box governance issues” that made up most of the shareholder proposals back then had basically run their course.

Did we ever imagine, in our wildest dreams, that proxy solicitors and advisors would become a HOT TOPIC?

We’d *like* to say yes...because we did indeed point out that it was the “old-time proxy-chasing business” that was dying...even while the need for strategic and tactical advice, and for hard information about the potential swing voters - and for people who understood the “mechanics” of proxy voting systems - and more importantly, for people who could look around the corners, and think outside the box - was growing. But even we, we must confess, are amazed about how complex the proxy voting arena has become. And who *ever* could have envisioned the financial and governance catastrophe we’re witnessing as the 2009 proxy season begins?

Three or four years ago, only 20% or so of the 8,000 or so companies that had an annual meeting hired a proxy solicitor. And most of THEM did so mainly to stay in “fighting trim”: Most of them didn’t have a management proposal - or a shareholder proposal - that was even slightly controversial. Well those days are surely gone: The HOTTEST TICKET in today’s marketplace, we think, is a “guaranteed good seat” with a really good proxy solicitation firm.

Subsidiary Management Systems: Who ever would have thought that THIS would become a

HOT TOPIC? Well, thanks to the waves of M&A activity that public companies have engaged in over the past few years - and thanks to SOX - and thanks too to the fact that more and more companies now have operating entities all around the globe - and thanks especially to the fact that NO company can be caught “unprepared” in this day and age, it IS. And, as you’ll learn in this issue, managing your subsidiary records in a highly systematic way - with good, and proven systems (and, fair warning, there’s a lot of vaporware out there at some of the newcomers to this space) - and with a focus on cost effectiveness - can save you some mighty big bucks besides.

Transfer Agents: As we near our press-time, the word on the street is that one of the world’s biggest transfer agents is all set to sell to another of the world’s biggest agents...And apparently, in a move we expect will backfire on them big-time, they’re looking to “run the clock down” to a point where customers will be over a barrel time-wise, and will have to stay on whether they want to or not.

If the news breaks before our mailing date, we’ll try to insert a bulletin with our “quick take” on it. But in any event, we will plan to analyze the state of the industry, and what it means to public companies going forward, in our 4th Quarter issue of the *Optimizer*.

Meanwhile, we are very pleased to have VERY STRONG STATEMENTS from most of the strongest transfer agents - that seem to us to provide a lot of insight into what makes them different from one another, what their respective strengths really are - and that will help to steer you in the right direction if, like so many companies each year, you decide you MUST shop around for a new agent. (P.S. We also have an excellent checklist of ‘shopping tips’ on our website).

Computershare – Committed to Service Excellence

*An interview with Jay McHale,
President, US Equity Services, Computershare*

Jay McHale joined Computershare as President of US Equity Services in August 2007. In an interview with the Optimizer in November 2007, Jay indicated his goal was to grow the business by providing outstanding service to issuers and their shareholders.

Looking back over the past year, how would you rate your success?

At Computershare, we measure success through client satisfaction, client retention and growth. Excellent shareholder service, along with the delivery of several new and enhanced products, has contributed to steady increases in client satisfaction with Computershare. Client

retention and loyalty has been very strong.

As you know, we have a phenomenal client roster, including 60% of the Dow 30 and 45% of the Fortune 100, which means we service some of the most demanding clients in the industry. By meeting the demands of these top clients, we have raised the level of service we provide to every client. We're pleased that when our clients are required to go through the RFP process, due diligence proves Computershare to be the best choice.

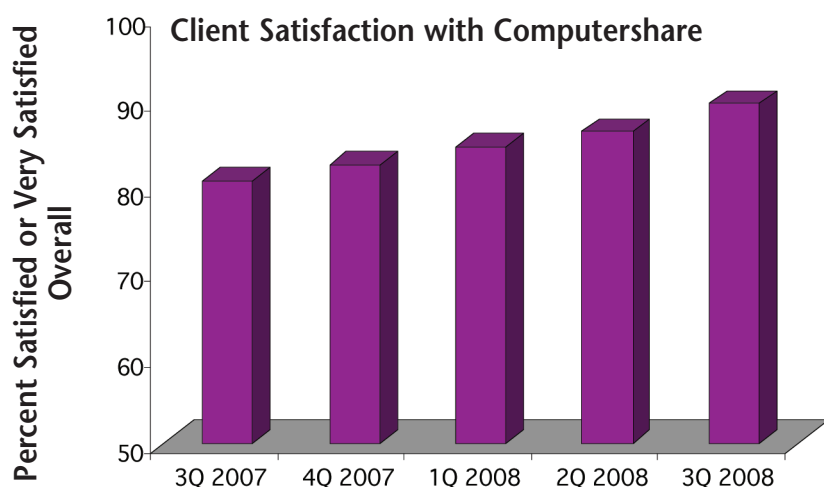


Has shareholder satisfaction with Computershare been as strong as client satisfaction?

Throughout 2008, shareholder satisfaction with Computershare services has not only been higher than industry average but has also continued to increase. We're performing at historically high levels on key service measures. In fact, in the Q2 2008 Optimizer review of tax season shareholder servicing performance, our customer service representatives and our systems were noted for their superior service and responsiveness.

Are there some key quality initiatives that have contributed to the high levels of customer satisfaction?

We have established a permanent infrastructure for continuous quality improvement. Most importantly, we listen very closely to our clients and shareholders, through surveys, daily client interactions, and open communication with our Client Advisory Board. We have also implemented a Lean Six



Source: Client service evaluations conducted by National Quality Review

Continued on page 18

Sigma program, established dedicated resources to drive service improvement – such as our Business Solutions Group and quality monitoring teams – and invested in the latest technology, such as our state-of-the-art call quality monitoring system. This focus on service excellence and our product management approach have been key drivers of customer satisfaction.

Can you provide some more information on your product management approach?

We're committed to providing unique, end-to-end solutions to our clients. This includes increasing the products and services options that our issuers can offer their shareholders, as well as providing alternatives that allow issuers to create custom programs that are aligned with and support their corporate goals.

Over the past year, Computershare has successfully rolled-out an expanded ProxyAccess solution to take advantage of the new e-proxy rules, an international currency exchange option which allows shareholders to receive dividends and sales proceeds in over 75 different currencies, and an expanded market order plan sales option for registered holders. We are also leveraging our enterprise capabilities, working with other Computershare businesses. For example, we've pioneered a Shareholder Cleanup service in cooperation with Georgeson.

What is your primary focus for the next twelve months?

Listening to our clients, our focus has to be on supporting issuers' needs during this difficult economic period. That means helping issuers control costs, as well as assisting them in raising or retaining capital, where possible. At the same time, we will continue to focus on providing excellent service and enhancing our already unmatched product

suite. In our opinion, the market volatility had made high quality shareholder service more important than ever.

What solutions do you have that will help clients control costs?

Issuer costs include much more than their transfer agent fees. In fact, for most issuers, the transfer agent fees are only a small percentage of their overall IR budget, with the bulk of their spend related to printing, postage and annual meetings. We can help our issuers reduce expenses across their budget.

For issuers with dividend reinvestment plans, Computershare will work with clients to optimize the structure of their plan. We can also work with issuers on campaigns to reduce costs related to managing their register mid-term and long-term, through odd-lot and Post Merger CleanUp™ programs. We can help issuers reduce printing and postage costs through Computershare's eTree® program and the electronic delivery of shareholder materials, which is environmentally friendly and enhances an issuer's corporate social responsibility profile. Our ProxyAccess solution allows issuers to take advantage of the new proxy rules and significantly reduce the printing and postage costs related to annual meeting materials.

What solutions do you have that will allow clients to retain or raise capital?

Computershare can help issuers raise or retain capital through their dividend and dividend reinvestment plan options. Issuers can explore using stock dividends in place of cash dividends.

Issuers can raise capital by switching from an open market plan to a treasury-based plan, by switching to a direct stock purchase plan from a traditional reinvestment plan, or through implementing waiver plans. We understand that different companies face different challenges and are prepared to help create a unique strategy that works for each of our issuers.

Last year you said your goal for Computershare's registry business is that your customers become your best source of referrals. Where are you with that?

Our recommendation rate is now at four out of five clients. We'll only be satisfied when it's five out of five, and it stays that way.

Any closing thoughts for our readers?

At Computershare, it is our mission to be the premier company and provider of choice in the industries we serve, delivering best-in-class service to the marketplace and creating unique, end-to-end solutions.

If an issuer hasn't talked to us lately, they don't know what they're missing. Let us help design a custom solution for you. Come tour our operations and communications center. We are confident you will be impressed.

To learn more and find out how Computershare's best-in-class transfer agent solutions can support your company's objectives, contact us today at 888 404 6333 or visit www.computershare-na.com/upclose



"We are very focused on cost-effectiveness and on technology – but we still believe in the primacy of service"

An interview with Steve Nelson, Chairman and President of Continental Stock Transfer & Trust Company



When we last interviewed Steve Nelson, he indicated that he believed that companies had a clear choice among agents, and that Continental offered a distinctively better approach. Today, his feelings on the matter are even stronger. "Given the ongoing trend toward greater consolidation in the industry and the renewed focus the large agents have on big accounts, it's important that companies have an alternative - one that's cost-effective, technologically oriented, but still values the primacy of service. I believe our company represents an excellent, service-oriented, low-cost alternative to some of the mega-agents today, particularly for small and medium-sized issuers."

Q. Steve, it sounds like you don't totally embrace the efficiencies that consolidation has brought to the industry lately.

No, it's not that. I would be among the first to say that our industry had too many players and that consolidation has led to more efficiency in servicing the very large issuer. Now, however, we have a situation where client companies are losing the option of getting personalized service. This plays out in a couple of ways. First, as the three large agents get bigger and bigger, they have naturally attempted to "streamline" their processes. They necessarily offer one model - with no or few exceptions -

regardless of a client's preference. I just don't believe that one size fits all. The size of these mega-agents also dramatically affects how service is delivered.

Q. What do you mean?

If you are an agent that must manage multiple 100,000+ shareholder accounts, you must hire, train and continuously motivate dozens and dozens of fairly entry-level employees or invest in complex and impersonal technology, or go with some combination of both. Employees represent an ongoing cost and tend to leave high volume entry-level positions. Hence, we've seen a recurring pattern of rotating service employees and force reductions among the larger agents as they've moved toward technology solutions. And, all too often, clients see that the most experienced employees are the first to go. Service levels soon suffer because of it.

Q. Isn't this merely the way of the world?

Without question we all need better and better technology. At Continental we constantly invest in it, as does SunGard, our provider. It's the balance I question. Sometimes I wonder if a few of the agents haven't simply become mailing houses and/or telephone call centers; and, in some cases, their tele-

phone centers are overseas, usually in the Far East.

Look, ours remains a service business. In my mind, this means you have to have a rock-solid core of key, service-minded individuals and make those people available to clients and shareholders who depend on their expertise. At Continental we are blessed, really, to have experience at every level and in each department.

Q. How does this experience help?

Bottom line - you still need someone to read the shareholder inquiry letter or letter of instruction, and you need someone on the phone that knows how to help the client or the shareholder. All the slick technology in the world won't get the job done; and merely filling a large room in Asia with telephone reps doesn't always address the real need. People do the work; and better, more experienced people do better work.

At Continental, we actually answer all calls with people who actually know something about our accounts. This is in stark contrast to the mega-agents that use machines to answer calls, or have phone reps who know only what they see on a computer screen about any transaction.

Continued on page 20

Q. So exactly how do you use technology?

At Continental, I've tried to give all our employees the best in technological tools so that they can personally assist our clients and their shareholders. I like to say that we use e-mail and our 24/7 web service as a tool to improve communication, not as a means to avoid speaking directly to our clients and their shareholders. From my perspective, it's a matter of how you view technology - it's either a cost-cutting device or a way of serving your clients better.

Q. You seem to tilt toward a personal approach to client relations. How do you personalize your service?

There are several ways. But, let's look at what's really involved. As a transfer agent, the majority of work we handle is routine and needs little special handling. We interface electronically whenever possible, and our fine SunGard technology is recognized as the Gold Standard in our industry.

What I'm really talking about are those "other" areas. In Compliance, for example, no one model for all will do; every transaction is individually handled, and we often engage in discussions with brokers, issuers and counsel to ensure that sensitive items like option exercises, DWACs and large block-restricted transactions are handled precisely as desired by the issuer. Also, take dividends. Some clients want their dividend check to reflect their image. We offer clients their choice of checks - size, color, logo, whatever. Even our technology moves reflect this. Soon, clients will be able to customize our ContinentalLink service to reflect their own corporate identity and nuances in many important and distinctive ways.

Most importantly, our clients get to deal directly with our experts. We have more experience and less turnover than any agent in the business, and we leverage

that expertise. I've avoided voice response systems in favor of having our staff answer the phone to resolve a question or issue immediately. This is both more personal and more efficient; no one likes telephone tag or endless time waiting on hold. People are rightfully frustrated by the annoying trend where service providers (e.g. cable companies, credit card companies, and governmental agencies) require their customers to do their work for them through IVR and manual prompts accompanied by endless waits. We believe that the public is sick of this trend, and that the pendulum is swinging back in favor of personalized service.

Q. Has this approach led to any particular successes?

I'm glad you asked. First, I count our client retention rate as a particular success. Our loyalty index, as measured by industry surveys, has remained over 99% for years. The ability to retain your clients is a fair measure of service; and don't you really owe the folks paying the bill your absolute best? Beyond this, we continue to attract new business as we always have, with IPO's and conversions from other agents. Also, as I believe you know, we have become the dominant processor of SPAC transactions, having been appointed for over 140 SPAC IPO's over the past several years, aggregating more than \$15 billion dollars. These transactions involve bulge bracket underwriters and the best law firms in the country. Obviously, they believe that Continental offers the best mousetrap.

Q. In sum, what does this mean to a company making an agent choice?

It's simple, especially for a company with record shareholders ranging from but a few up to 50,000. In my most blunt terms, I'd say, choose the big agent and get adequate service, pay more and learn to deal with IVR voice mail and e-mail. Choose Continental and I'll personally assure you that we'll manage your needs very effectively, provide all the technology and tools you'll need to make you effective in handling your shareholders in the best possible manner and receive personalized, tailored services. You'd be surprised how many of our clients and their counsels have my personal cell number and those of our account administrators. We answer urgent calls at night all the time. Try to get that service at the mega-agents!

Q. Any final thoughts?

You know that Continental is a family owned business; it's MY family and I care about those that become a part of it - both clients and employees. I recognize that the large agents have been successful and some very successful. There always is, however, more than one way to approach a business. The mega-agents are the right choice for large accounts, but they are not necessarily a good choice for most small and medium-sized accounts. You simply cannot be all things to all people.

At Continental, we've made a deliberate decision to be the best possible choice for the company with less than 50,000 shareholders of record - the agent that will give flexible, personal attention and pick up the phone with a smile. My everyday goal is to work with our team to be the best agent possible for our market niche; our accelerating growth over the past five years suggests we must be doing something very right.



17 Battery Place
New York, NY 10004

"We want to get bigger by being better. We're not believers in the idea that you can somehow get better simply by getting bigger."

*An Interview with Todd May,
of Wells Fargo Shareowner Services*



Q. Todd, it's been just about a year since you came on board as head of the Wells Fargo Shareowner Services business. Tell us a little bit about your background prior to that.

For the previous thirteen years, I was involved in merger and acquisition activities at Wells Fargo, where I was involved in over 80 M&A deals - both in an advisory capacity and in terms of doing deals - in businesses such as commercial real estate, commercial banking, the broker/dealer world and insurance.

Q. So - and please pardon my bluntness - what, exactly, does that bring to the party?

A good question to ask, the stock transfer business itself was not really much a part of my prior experience. What I really learned in the M&A world is how to bring products and services and capabilities together - and how important it is to do so in a way that makes financial sense - and in a way that also makes strategic sense.

Q. Tell us a bit about Wells Fargo's interest in the stock transfer and shareholder servicing businesses.

We're very interested in these businesses. We've been involved in them since 1929, via one of our ancestors, the old and successful Norwest Bank. We see them as an important part of our overall relationship approach to our clients in general.

We know from experience that getting satisfied customers to buy new services from us is a lot cheaper than adding new clients by buying businesses and paying acquisition costs. So I think, we see these businesses as important parts of WFB's overall strategy of cross-selling - in a "relationship manner."

We're believers in getting bigger by getting better. We're not believers in the idea that you can somehow get better by being bigger. We believe that spending time and money to improve our products and our overall capabilities will keep our customers very happy, making it easier to sell to new customers.

Q. You mentioned your "banking" perspective. What, exactly, does that bring to the party?

We want to be sure that our customers and prospects know how much our banking perspective, and our global scope, actually bring to the table for them. In a deal earlier this year, for example, we sent thousands of wires and billions of dollars to shareholders in over 119 countries around the globe.

But there are a lot of other very important advantages to being part of a bank, I think - especially in today's challenging environment. For one thing, we at Wells Fargo operate in a very heavily regulated environment. We have internal auditors, external auditors or someone from, the OCC or the SEC here almost every day. The need to have a very tight control environment and a strong compliance program is sort of baked-into our mentality. We see all this as providing a very strong framework for earning the trust of our customers, and their shareholders.

Continued on page 22

Q.Are there any other areas that you feel are particularly important in terms of the control and regulatory environments?

Yes. Our compliance group reports to the Corporation, and when building controls for a new product or procedure, they are very involved in providing oversight. They can then monitor and balance and constantly test controls at least annually and they are integrated in developing detailed project plans for every new undertaking.

We're better leveraging the bank in the technology arena. Wells Fargo has a robust global payments system that moves billions of dollars and we have strengthened those lines of communication to enhance our own delivery model.

We're also very concerned about outsourcing arrangements. We're careful about what we outsource, and it's not just the dollar-hurdles we worry about. We don't want to outsource any customer-facing activities for example – and we don't want to miss important real-world experiences, just because they take place in the 'back office'.

Additionally, information security is a very big issue for us. We see it as critical in terms of the way we manage risk, and our banking perspective allows us to leverage the proactive approach of the bank. We have lots of dollars focusing on this all the time.

We're very concerned about identity theft and we always want to stay ahead of the latest schemes, and the latest batch of crooks.

Q.Are there any other critically important areas from your perspective?

For sure: the people component. We have a really solid team. We also enjoy very low turnover, and we want to keep it that way. We see people who are knowledgeable, and who care, to be absolutely critical to our ability to deliver the first time, and in the right way. So we've been doing a lot of things to ensure our people are always in fulfilling jobs - like establishing cross-functional teams, allowing people to rotate jobs – or not – and recognizing that one doesn't have to step into a management job in order to grow, by establishing subject-matter experts.

Q.What's different about the Wells Fargo Shareowner Services unit after your first year?

We're better leveraging the bank in the technology arena. Wells Fargo has a robust global payments system that moves billions of dollars and we have strengthened those lines of communication to enhance our own delivery model.

We have a global technology team that has helped us demonstrate a lot of capabilities to the marketplace I think, and we've added some large and very complex clients – like VISA, and their global shares, and their huge, global redemption process, where \$19 billion was raised and \$14 billion was distributed to shareowners around the world.

We also began to provide services for a new client's large, complex and truly global ADR business.

We opened a new call center, in a fabulous location, with great technology and a great environment. We wanted it to be as close to headquarters as possible because it's critical to have our operations within close proximity to each other and we were able to keep all of

our personnel.

Q. So what's your growth strategy going forward?

We are going after the market in a pretty aggressive manner – as part of Wells Fargo, and its growth strategy. And we are adding clients in a disciplined, "one-at-a-time-like manner".

As part of that disciplined approach we've already opened a new office in New York.

We'll continue to steadily add new tools, and focus primarily on service – and on service quality.

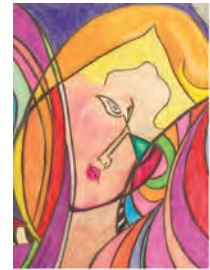
And we're constantly looking to raise service quality to a new level.

This has proven to be a very good recipe for success for us, and we expect it will be even more effective in the challenging environment we see today.

For more information on Wells Fargo Shareowner Services, contact Scott Nelson, SVP 651-552-6985

The Wells Fargo logo, featuring the words "WELLS" and "FARGO" in a bold, yellow, serif font, stacked vertically on a red background.

Corporate Secretaries, IROs And Their Key Service Providers Celebrate The End Of Another Grueling But Basically Successful Annual Meeting Season... To Benefit A Worthy Cause



A productive annual meeting season is a science. Celebrating its completion is an art.



How many nights can you go out for an evening of genuine Belizean food, and made-to-order Sushi, we'd like to know? Not to mention cocktails, music, beautiful flowers, beautiful art, and beautiful people, everywhere you look?

And how many nights will you discover that the huge crowd of people soaking up the fun is made up of a lot of people you've known and worked with over many years...often under the most unforgettable circumstances... since the Annual Meeting, and maybe a contest or a close vote was somehow involved...and where, for sure, an end-of-season Celebration is always in order? And how many nights will you make a lot of new friends too...and meet a lot of people you've dealt with on the phone – face to face for the first time?

And what if we told you that another, very important purpose of the evening-out was to generate support for a wonderful non-profit organization; one that, for 60 years, has had truly amazing success in improving the lives of individuals living with mental illnesses?

Well, dear readers, we're here to tell you that the Fourth "End of Annual Meeting Celebration" ...to benefit Fountain House - and Fountain Gallery – a member-run "clubhouse" and the artists' cooperative it runs for members who are struggling with mental illnesses, many of whom are highly skilled and highly schooled artists...was the biggest success ever. And the 2009 Benefit will be even bigger; and better yet, we promise.



Beth Cullum, a guest of sponsor PSEG, wins an artwork of her choice, donated by Ellen Philip and Cal Donly



Benefit guests swarm the sushi bar



Art buyers swarm one of the exhibit areas



Benefit co-chair Cal Donly and guests check out another section of the art exhibit

Continued on page 24

Over \$62,000 was raised, thanks to the generosity of the Corporate Sponsors and their many guests, and 17 art works by member artists were sold during the evening.

On a very serious note, there wasn't a dry eye in the house as the member-spokesperson for the evening, Fountain House member and artist Mercedes Kelly explained the many ways that Fountain House and Fountain Gallery have helped her to achieve a useful and fulfilling life. "I promised myself that I would never find myself wandering down a hall in paper slippers...ever again".



Fountain Gallery artist, and member-spokesperson for the evening Mercedes Kelly, with some of her art work.

Special thanks are due, we should note, to all of our sponsors, who added even more to their generosity, and to the fun of the evening, by bringing out lots of their customers, co-workers and other guests.



Artist Michelle Cohen with some of her work

PLATINUM SPONSORS

Georgeson

Computershare

Innisfree
M&A Incorporated

GOLD SPONSORS

CARL T. HAGBERG
AND ASSOCIATES

AIG

Broadridge

dg3

ELLEN PHILIP
ASSOCIATES INC.
Data Management Solutions

UPRR

SILVER SPONSORS

BNY Mellon Shareowner Services
Carey Weiss Fine Photography
Currents Magazines
D.F. King and Co.
EZ-Online Documents
Group Five, Inc.
Integrated Software Solutions
Laurel Hill Advisory Group, LLC
MacKenzie Partners, Inc.
Personnel Touch Resources, LLC
PSEG
Sandra Greer Real Estate Inc.
Wells Fargo Shareowner Services

AN "O HENRY" MOMENT...

This year, figuring that it would add to the fun – and generate some additional art sales – we drew tickets for "Monopoly money" that could be used toward the purchase of any of the artworks on sale.

Toward the end of the evening, an attractive young couple approached one of the benefit chairmen and asked if he'd give their \$200 of Monopoly money away to someone who'd be interested in buying, since the one work they'd fallen in love with was 'a bit beyond our budget right now.' "I'll take it!" one of the bystanders piped up, and she promptly rushed off to conclude her purchase.

An hour later, the young couple sheepishly approached the co-chairman again. "There's an artwork here that we really, really love...but we're remodeling our apartment and money is very tight right now. Do you think - that if the work doesn't sell tonight - the artist might be willing to take a little less?" "Why wait? And maybe lose your chance. Let me ask him right now. What would you like to offer?" "If he'd take \$200 off, we'd buy it in a heartbeat." So off he went to find the artist. "We have a young couple here who love your little watercolor, but they're on a tight budget. Do you think you might take something off the asking price?" "Sure; How about \$200?" The co-chair was stunned by the exactly-matching offers. The buyers beamed from ear to ear too...And the artist was even more thrilled to make such a nice personal connection with his buyers.

Continued on page 25



Your editor and Ellen Philip draw names for Monopoly-money that could be used to buy any of the artworks on display. Jason Bowman, the Director of Fountain Gallery is in the background



Lauren Fedders and Robyn Marks, of Fountain House welcome the corporate sponsors, their guests and other attendees at the door



Ellen Philip and Fountain Gallery artist Leonard Aschenbrand, M.D.

For more information about Fountain House, go to www.fountainhouse.org
For information about the Gallery, and to browse the art;
www.fountaingallerynyc.com

For more info about the Benefit, and about Fountain House's amazing Transitional Employment Program, go to www.optimizeronline.com and click on "Doing Well By Doing Good"

SAVE THE DATE:

Friday Evening, May 29th, 2009
FOR THE FIFTH END OF ANNUAL
MEETING CELEBRATION...

And, potential new sponsors, we'd love to hear from you!

WHAT DO YOU WEAR TO WORK?

Shielding you by helping to ensure corporate compliance is what Bridgeway's Secretariat® is all about. It was designed by corporate secretaries for corporate secretaries.

Bridgeway's best practices will help transform and align your department with corporate business objectives.

- Mitigate risk
- Ensure compliance
- Optimize resources
- Contain costs
- Manage your department's performance

Bridgeway understands the challenges you face every day in ensuring corporate compliance. Armed with our technology solutions, you'll become your corporation's knight in shining armor.



888.272.4699 WWW.BRIDGE-WAY.COM

Secretariat®

eCounsel®

LawManager®

Corridor™





REGISTRAR AND TRANSFER COMPANY

“Stock Transfer Services Since 1899”

Highest rated mid-size transfer agent
in the country for the past three years
for **overall client satisfaction**

For more information contact: William J. Saeger, Vice President
(800) 456-0596 ext. 2502 or wjsaeger@rtco.com



COMMERCE FINANCIAL PRINTERS CORP.

An affiliate of Registrar and Transfer Company

EDGAR

www.cfpprint.com

Commerce Financial Printers

Founded 1983, Commerce Financial Printer (CFP), an affiliate of Registrar and Transfer Company, provides state-of-the-art financial printing, EDGAR and web hosting services for shareholder meeting materials. Our unparalleled quality, responsive turnaround, reliable service and competitive straightforward pricing are a few of the reasons why our loyal customers won't go anywhere else. We look forward to serving all your financial printing and EDGAR needs! Contact us today for your competitive quote.

CFP - The name you can trust!

For more information please contact Betty "BJ" Saby at (800) 866-1547 ext 3305 or email edgar@cfpprint.com.

"Difficult times call for drastic measures"

Recently, we sat down with Eric van Aalst and Kevin Penzien of Citco Corporate Services Inc. (part of The Citco Group of Companies, "Citco") to talk about the ways their clients are coping with the current global economic environment in terms of foreign subsidiary management.



Eric VanAalst of Citco's New York office and Kevin Penzien, who recently located to Citco's San Francisco office, "man-the-booth" at the Society of Corporate Secretaries and Governance Professionals 2008 Annual Conference

Q: Both of you have substantial contact with a large number of public companies based in various states of the U.S.A. What trends have you observed recently?

With an economy that is now recognized as in recession, there is tremendous pressure on corporate America to cut costs. Also, a relatively weak US dollar has made it significantly more expensive for US public companies to engage foreign legal counsel for "routine" corporate secretarial matters or to recruit their own legal support staff overseas. In particular, the strong Euro has forced US public companies to keep a close eye on their legal expenses in Europe (whether internal or paid to outside counsel). Furthermore, many companies have imposed hiring freezes and other measures that make it challenging for Corporate Secretaries and General Counsels to operate their departments effectively.

Q: Understood, but doesn't a weak economy adversely impact Citco's business as well?

Not necessarily, since the current economic environment forces in-house counsel to critically examine existing processes and re-tool them if required.

In many cases, it turns out that corporate secretarial work relating to foreign subsidiaries of US public companies can be done much more cost effectively by Citco than by internal staff or by foreign legal counsel.

At a minimum, engaging Citco to handle foreign corporate services can be budget neutral. But in many cases we actively work with our Fortune 500 clients to reduce the costs of managing their portfolios of overseas subsidiaries. Since we offer our clients a very scalable outsourcing option for corporate services, they have a much better handle on overall compliance costs than in cases where they would engage foreign legal counsel. For most annual maintenance work connected with foreign subsidiaries, we charge on a fixed fee basis and we often agree on annual all-in fees with our Fortune 500 clients for their total portfolio of overseas subsidiaries.

Q: Outsourcing to trim costs sounds like a very smart option these days. What is your biggest challenge in growing your business?

One of the biggest challenges is to have our clients quantify the total costs of their international subsidiary manage-

ment. In many cases no such quantification has been done and many costs associated with subsidiary management are either hidden in the bills of foreign legal counsel for transactional work or are paid by overseas offices of the multinational company. Thus, they become essentially "invisible" at corporate headquarters in the USA.

Also, US public companies typically do not put a dollar amount on the extra time that is spent by their staff because of inefficiencies in their dealings with a multitude of foreign law firms and other agents they use for foreign filings, document retrieval and transactional matters. The 'one point of contact' that the Citco global client desk offers public company clients frees up valuable time for the Corporate Secretaries and their departments - time they can then allocate to more productive activities.

Q: It seems like a "no brainer" – and very sound business practice to me – to re-visit existing processes in a time of recession and to out-source functions to generate cost savings wherever one can.

You are absolutely right. And many US

Continued on page 28

public companies are actually going through the exercise that you have suggested and are working with us to actively reduce costs of their foreign subsidiary management. When clients outsource functions to Citco, we, in essence, become an extension of their organization. We work closely with the Corporate Secretarial Department to ensure that foreign subsidiaries are kept in good standing, filings are done on a timely basis and business processes run efficiently. In terms of business process, it's important to note that we provide a full range of accounting and reporting services and can also assist with the provision of temporary staff, dedicated office space, and other business process outsourcing in foreign countries.

Q: Does Citco cover the whole world these days?

As you know from interviews in previous years, we have steadily added offices to our global network of self-run operations to accommodate the expanding needs of our Fortune 500 clients. There is no single organization with offices in every country around the world, but our *modus operandi* allows us to effectively cover most of the jurisdictions where our clients need our services.

We offer our public company clients a "single point of contact" through our global client desk, which then interfaces with our own offices around the world – as well as an established network of highly experienced agents in countries where we do not yet have an office presence – in order to execute the requested service. At the end of the day, Citco will monitor all work and ensure the quality of our service. This model is very similar to the *modus operandi* of international law firms who subcontract with overseas agents and local counsel where necessary. But the main benefit we offer our public company clients – other than the single point of contact – is the cost savings,

since we have a fixed-fee pricing model and significantly lower fees for foreign corporate secretarial services.

Q: Where has Citco added to its international network in recent years?

Australia, Brazil, Japan and Uruguay have been added and we are in the process of expanding our footprint in Asia and elsewhere in Latin America.

To complement our representative offices in New York City and Miami, we have also based a client representative in San Francisco for clients based on the West Coast. Clients are encouraged to visit our website (www.citco.com) to receive up-to-date information about our services and office locations.

Q: So how, exactly, do clients interface with Citco?

Just like in any other type of modern business, most client interaction takes place these days via e-mail. Between our US offices and our global client desk, clients have 24/7 support for their glob-

al corporate secretarial needs. As our clients will confirm, the responsiveness of Citco is unsurpassed. We will happily provide client references upon request. This high degree of satisfaction is a result of the long tenure of our staff, as well as the time that we have invested to train them. Remember, Citco has been providing international corporate services for over 65 years and is still owned by its founding family. We take a long term view and the quality of our staff is a direct reflection of the vision and the values of our organization.

Q: How can multinational public companies learn more about Citco and its services?

In addition to a visit to our website (www.citcotrust.com), we hope they will contact one of us directly.

The e-mail addresses of our US representatives are: evanaalst@citco.com (Eric van Aalst, New York City) kpenzien@citco.com (Kevin Penzien, San Francisco) and wsarries@citco.com (Walter Sarries, Miami).

Citco's history and the scope of its global services

The Citco Group of Companies ("Citco") began at the outbreak of World War II, when Dutch multinational companies were under the threat of having their corporate headquarters fall under enemy control and their assets subject to seizure. Our founder Mr. A.A.G. Smeets - then a lawyer and civil law notary in Curacao in the Netherlands Antilles - provided urgent assistance to these firms by relocating their official corporate headquarters to the Netherlands Antilles in order to protect their assets.

For over 65 years, Citco has been assisting multinational corporations with a broad range of corporate, accounting and reporting services to help them manage their international subsidiaries, using a network of dedicated staff members around the world. Citco's independence, our decades of experience, our global reach, and our impressive Fortune 500 client list speaks to our reputation for quality service and industry leadership.



EXECUTIVE COMPENSATION – The activist battleground for 2009...

*By Reid Pearson
Managing Director
The Altman Group, Inc.*



Executive compensation has always been an important issue in investor's minds. However, many corporations will experience a new level of scrutiny on their compensation practices in 2009. In the court of public opinion many people blame excessive compensation and pay-for-failure models as one of the causes of the current financial turmoil. Despite the fact that the vast majority of compensation committees and executives performed their duties with the best interests of shareholders in mind, many of these same parties will be under increased shareholder pressure this coming proxy season. Many companies will experience increased activism in the form of shareholder proposals and targeted campaigns against the Compensation Committee members and possibly new regulations

Say on Pay

One of the hottest governance topics over the past few years has been say on pay, which appears in the form of a shareholder proposal requesting an advisory vote on executive compensation.

This advisory vote would be included in the company's proxy on a yearly basis, and would give shareholders the ability to express their approval of a company's compensation practices. A similar practice has existed in some Western European markets for a number of years. On the one hand, supporters of say on pay argue an advisory vote would give shareholders a greater voice in pay related issues. On the other hand, opponents argue that such a vote does not provide the company with any detail as to the areas of the pay practices with which shareholders find fault.

Say on pay is a fiercely debated topic between its proponents and opponents. While many corporations were willing to adopt majority voting (another recent hot governance topic), they are digging their heels in when it comes to an advisory vote on pay. To date, approximately eleven companies have adopted a say on pay policy. As noted below, voting statistics for say on pay shareholders proposal have stayed relatively flat in 2007 and 2008:

	2007	2008
Total # of Proposals	56	80
Average Support Level	38.9%*	39.1%**
Total # Passed	7	7

Data from ISS Voting Analytics *Data still pending for 3 companies ** Data still pending for 9 companies

It is expected that support levels for say on pay proposals will rise in 2009, but will they rise enough that we start seeing the same degree of widespread support that majority vote proposals have received in recent years? There are two signs that point to yes.

First, the two largest proxy advisory firms – RiskMetrics Group and Glass Lewis – support say on pay shareholder proposals. In contrast, several of the largest institutional investors that have their own internal proxy voting guidelines have shied away from supporting the proposal in recent years. If one or two of these large institutional investors change their policy and start supporting these proposals, the overall support levels for these proposals will increase dramatically at many companies. In recent conversations with The Altman Group, several of these institutional investors have stated they are reviewing their policy with respect to say on pay proposals and may support them in the future. Although that is no guarantee of a policy switch, it presents a strong argument for companies to start preparing for an advisory vote on their compensation practices.

Second, much of this institutional shareholder sentiment might be attributable

Continued on page 30

to recent political developments. With Barack Obama's stated support for say on pay and little, if any, appetite for organized resistance in the current economic environment, it will almost surely become a regulatory mandate.

In fact some companies have begun to take matters into their own hands. In a unique response to say on pay, Schering-Plough will send shareholders a survey on executive and director compensation with its 2009 proxy material. The results of that survey will be available in the company's 2010 proxy statement. While the survey will provide some level of detail to the company as to investor sentiment on the various components of its compensation practices, it has nonetheless received a very lukewarm "it's a good start" response from many supporters of say on pay.

Activism – Shareholder Proposals

Many compensation related shareholder proposals decreased in both number and average support levels in 2008. Do not expect this trend to continue in 2009. With the financial turmoil and subsequent bailout package, many activist investors feel that now is the time for major changes in the compensation arena. In addition to say on pay proposals, we are likely to see more shareholder-sponsored proposals such as pay-for-performance, pay-for-superior-performance, and claw-backs for "unearned" bonuses.

The traditional pay-for-performance shareholder proposal requests that companies adopt either performance vesting options or indexed options. These proposals have been around for a number of years and have fared well. In 2007 there were 28 proposals with an average support level of 31.4 percent. In 2008 there were 6 proposals with an average support level of 33 percent.

The pay-for-superior-performance proposal is a recent variant of the tradition-

al model. The proposal asks the company to define a very specific peer group and performance metrics and requires that the company outperform its peer group in order for bonuses to be paid. One criticism of the traditional pay-for-performance proposal is that it is not specific enough, which cannot be said about the pay-for-superior-performance proposal. In fact, the pay-for-superior-performance proposal is criticized as being too restrictive on the company. In 2007 there were 37 of these proposals with an average support level of 30.8 percent. In 2008 there were 21 proposals with an average support level of 26.8 percent.

We are also likely to see a significant increase in the number of claw-back proposals, which request that the company reclaim "unearned" bonuses in the face of a financial restatement. This is one of the provisions in the bailout package and several labor union affiliated funds are expected to sponsor a number of these proposals in 2009. Claw-back proposals first appeared in 2004 as the options backdating issue came to light. There were 10 proposals in 2007 with an average support level of 28 percent. In 2008 there were 6 proposals with an average support level of 10.3 percent. One reason for the major drop in the average support level was that in 2007 backdating was still a major issue with a number of institutions. By 2008, backdating had become yesterday's news and was no longer on the radar screen of the major institutional investors.

Claw-back proposals have once again become a hot topic. At the October 10th International Rectifier annual meeting, shareholders approved a claw-back proposal. Surely the vote was amplified because the company was involved in a proxy contest; nonetheless, given the current environment we expect average support levels for claw-back proposals to increase.

Activism – Targeting Compensation Committees

In addition to shareholder proposals, activists are also targeting compensation committees with "just vote no" campaigns. Although these campaigns are not as common as shareholder proposals, we expect to see more of them in 2009 as governance activists scored a number of successes in 2008.

In 2008, Change to Win Investment Group (CtW), a labor union affiliate, targeted Washington Mutual with a "just vote no" campaign against two of the directors. Another labor union targeted four other directors. The complaint of these activists was that the company planned to eliminate subprime losses from the equation when determining executives' bonuses. The vote no campaign was successful for the activists. Mary Pugh, chair of the finance committee for the company, received a 49.9 percent withhold vote and resigned. Two other directors received withhold votes totaling over 40 percent.

Washington Mutual's decision to change its bonus pay-out formula is something shareholders do not like even in the best of times, but doing so in the current environment is one reason the vote no campaign was so successful. Companies need to be aware that changing performance metrics during the performance cycle will be problematic from the point of view of most shareholders.

The Bailout

One thing that all sides of the pay debate can agree upon is that the financial turmoil has changed the pay debate. Proponents of pay reform argue that excessive pay played a large part in the current financial mess and thus change is needed. Companies in the banking sector will worry about how to keep top talent from leaving for hedge

Continued on page 31

funds and private equity firms. Companies in other sectors will be concerned about how increased shareholder scrutiny will impact their ability to get equity plans approved.

Firms participating in the bailout must conform to certain restrictions on executive pay: no golden parachutes, no tax deductions for compensation over \$500,000, claw-back features will be in play, and incentive compensation cannot “encourage unnecessary and excessive risk that threatens the financial institution.” There is uncertainty around these new restrictions. On the one hand, experts argue that the restrictions are vague and hard to enforce. On the other hand, the very vagueness of the restrictions may allow the government to have a greater say in the company’s pay practices.

One thing is certain: companies are still going to have to face shareholders who will be able to gauge their pay practices. Shareholders will still apply pay tests of cost, dilution, burn rate, and pay-for-performance. Firms that do not meet these tests will be faced with irate shareholders who will vote against compensation plans or against the re-election of compensation committee members.

Underwater Options

Given the recent downturn in the market, many companies are faced with underwater employee stock options (where the exercise price is below the market price thus making the options worthless). In 2009, companies will be faced with how to address these underwater options as they seek to attract and keep high performing employees.

Companies are tackling the issue in a number of ways, including: greater use of employee stock purchase plans, targeting performance grants, and greater use of cash bonuses.

One of the most common inquiries that The Altman Group receives is how shareholders will react to an option exchange program, also known as options repricing. In an exchange program, plan participants exchange current underwater options for another option with a lower exercise price, restricted stock unit, or cash. Given that shareholders cannot reduce their cost basis when a stock declines, exchange programs are viewed with some skepticism.

However, if the exchange program is properly structured, it will generally receive shareholder support. The “must-haves” to any exchange program include:

- Senior executives and directors cannot participate in the program;
- The exchange must be value-for-value, which means the aggregate value of the awards immediately after the exchange must be the same or less than the value of the options before the exchange; and
- The company must demonstrate that the exchange program is not a knee-jerk reaction to a sudden drop in stock price. The company must also show that the drop in stock price is industry-specific and not just company-specific.

One unknown at this point is how the current financial turmoil will impact institutional investor’s views on exchange programs. In talking to a number of large institutional investors The Altman Group has found some indication that these shareholders will take a more critical view of these programs.

Conclusion

What are companies to do in this current environment? Unfortunately, there is no magic answer to this question. However, The Altman Group feels there are three broad themes that companies should include in pay related decisions:

- Understand who your shareholders are and how they are likely to view pay issues.
- Good disclosure of pay practices is paramount. Make sure that shareholders can understand the disclosure and that it is written in plain English.
- Companies should link pay to performance. Disclose the goals and what the pay-out will be if those goals are met.

Regardless of industry, companies’ pay practices are going to be under increased scrutiny in 2009. Quality disclosure, linking pay and performance, and engaging your shareholders are ways to help minimize the scrutiny.



1200 Wall Street West, Lyndhurst, NJ 04071

World's Best Online Documents



- ✓ Tab-based navigation
- ✓ Identical to printed version
- ✓ 100% accessible
 - Works in all browsers
 - No software installations
 - No plug-ins
- ✓ 100% online on-time
- ✓ No proofreading
- ✓ Complete portability
- ✓ Cross-document searching
- ✓ Web Site integration
- ✓ Environmentally friendly
- ✓ Enhance Company Image
- ✓ Cost Effective
- ✓ 10 Years of Experience
- ✓ Meets the Requirements of the new SEC Rules

Will Your Proxy Materials Meet the New SEC Rules?

The SEC requires that your materials must be presented on the Web site in a format:

- Convenient to read online
- Convenient to print on paper
- Is fully searchable
- Looks essentially the same as the hard copy

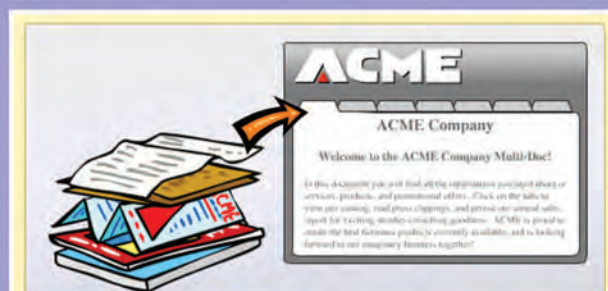
EZOnlineDocuments (EZOD) has been a leader in the field of converting financial documents with 9 years experience and 100% on line on time record of service

EZOD documents have:

- full word search capability
- looks exactly like the hard copy version
- html and pdf versions linked together (readability and printability)

Also:

- can be used by any computer without plug-ins
- no word by word proof reading required
- adjusts to reader's screen setting
- 2-click navigation with pull down tabs



*Creative and clever solution that will
WOW your shareholders!*

When planning your online financial documents ask your service provider for EZOnlineDocuments. For more information contact Rhoda Anderson 609 371-5631

EZOnlineDocuments: Your Experts in Online Financial Documents

(973) 236-1576

FAX: (973) 236-1578

www.EZOnlineDocuments.com

"We are looking for fundamental changes to the corporate governance playing field. We want much greater accountability on the part of directors. And we want to be seated as adults at the dinner table."

*An Interview with Richard C. Ferlauto
Director, Corporate Governance and Pension Investment
American Federation of State, County and Municipal
Employees, AFL-CIO*

Q. Tell us a little bit about yourself, Rich, and exactly what you do at AFSCME.

I'm responsible for representing public employee interests in the public retirement systems where their retirement assets are invested. We have 1.6 million members in 48 states, the District of Columbia and Puerto Rico, and they have over \$1 trillion dollars in assets, which are held in over 150 public pension systems. And this is the key to all the Corporate Governance activities we engage in: Our main focus is on creating value and preserving the value of our members' investments.

I've been with ASFCME for seven years. Before that, I spent 15 years at ISS. Prior to that, I was with a mid-sized think-tank in DC that focused on State-based economic policies, where I specialized in and consulted on economic development. Prior to that, and kind of interesting, maybe, in today's environment, I was a housing expert - at a New Jersey think-tank at Rutgers. Currently, I serve as liaison to public pension systems and, aside from working with them on corporate governance issues, I work with many of them on their internal investment policies.

Q. Before we get to the really juicy stuff - your plans for 2009 - tell us a little about what you did, and how you did in the 2008 proxy season.

We've been submitting about three dozen proposals a year on average, where we target the poorest performers in our portfolios. Our main effort has been to expand the corporate governance debate - and to bring innovation to the corporate governance space. We try to promote market-based innovations, and specific actions that will improve corporate performance.

Our two "signature proposals" have been Say-On-Pay and Proxy Access. Frankly, we are looking for fundamental changes to the corporate governance playing field. We want much greater accountability on the part of directors. And we want to be seated as adults at the dinner table. So, in addition to two new initiatives we plan for 2009, we plan to continue to push for shareholder access, and we plan to submit 90-100 Say-On-Pay proposals.

Q. Why more Say-On-Pay proposals, when Federal legislation seems so likely now?



We don't think it will happen before proxy season, and we want to be sure there's continued momentum here.

Q. And what about the Proxy Access issue? It seems to many observers that what we've ended up with - as a result of the big move to majority voting - is a much more powerful weapon than proxy access when it comes to effecting board changes.

Majority voting has given us a powerful hammer, for sure...

Q. Isn't it more like a wrecking ball, in terms of how easy it is to oust directors that are perceived to have been out-of-line in some way?

Maybe so; Majority voting can be used rather easily to punish failed boards. But the goal of Proxy Access is not to punish boards, but to place change agents on weak boards, which is why we feel it's so important to have.

Q. So let's hear about the two new initiatives you have up your sleeve for 2009.

Continued on page 34

The credit crisis caused us to tear up our old game plan. We looked at the executive pay restrictions in TARP, and we realized that there should be restrictions on pay incentives that end up promoting high levels of risk. Companies need much better definitions and discussions of the risks they take, and there needs to be a much better alignment of pay and risk.

[Q. So what, exactly, will you be proposing in 2009 that's new?](#)

The first proposal - it's kind of like 'golden handcuffs' - or a better name, maybe, is 'Retention Beyond Retirement.' We'll be proposing that companies will have to require executives to retain significant portions of their pay for two years after they retire. Exxon Mobil, by the way, has a ten year retention policy for senior executives, and Citi also has a surprisingly good retention policy. We expect to file retention proposals at a dozen or so companies next year, sort of as a test, and we will review and revise them going forward.

We're calling the second new proposal we'll be submitting "Bonus Banking", where short-term bonuses would be escrowed, and paid out over three years. We expect to file a half-dozen or so of these.

We will also file a few proposals addressing 'golden coffins'. And, while we hate them, they're more of a nuisance, rather than being something that amounts to the kind of structural change we want most.

[Q. How does your status as a union pension fund influence the selection of companies, and of the proposals you submit? Do 'union issues' come into play here?](#)

We represent public employees - so there's no relationship at all with any company that might get a proposal.

There probably are other proponents in the pension world that take these kinds of issues into account, but that's not us. Any companies that get a proposal from us are fully deserving of reform. And, although it's probably correct that there are 'other issues' at many of these companies too, that's not our focus.

[Q. Tell us a little more about how you target companies for proposals.](#)

We have had a very big focus on financial firms, where there was extraordinary executive comp, and where, well before the credit crisis, there were many troublesome risk indicators. We will continue a strong focus on this industry.

We also pay particular attention to the poorest performers in our portfolios. But it's really all about directors. We do a lot of "Director Mapping" where, at our poor performers, we trace relationships at other companies, and often find similar troubles there. We focus a lot on the comp-committee and nominating committee directors, and we have been putting a lot of emphasis on peer assessments of directors by third parties.

[Q. Since it sounds like you may give 'brownie points' here, do you find companies being more receptive to the idea of peer reviews of individual directors?](#)

No. I spoke to a group of 50 or so directors the other day, and there's still a strong reluctance to do this - despite the potential 'hammer' or 'wrecking ball' aspect that comes with having a weak director where there's majority voting - and even while many directors ask about 'problem directors' and what to do. But we are looking for much more disclosure from nominating committees as to the nominating process, and exactly what they do - and exactly what inputs they get, and from where - and much more disclosure as to the qualities they look for in new directors.

We would also like to see much more disclosures from new nominees about the evaluation process, and, instead of the usual company drafted bio, a statement from new director nominees themselves.

[Q. Are there any other "hot buttons" for you as we look ahead to 2009?](#)

We still aren't filing proposals yet, but the credit crisis will probably be a very big factor. We're looking for full disclosure of risks - and for a much better discussion of risks in the MD&A. Climate risks are becoming increasingly important. There is a very big price here at many companies.

[Q. Tell us a bit about your process. Do you file first and ask questions later? Is having a dialogue, and maybe looking to negotiate things out with target companies a big thing for you?](#)

It's a combination - probably about 50-50, although now we are engaged in dialogues with so many companies...and maybe we have been a little more successful lately in negotiating things out, but mostly we are focused on our core proposals.

[Q. Do you have any advice to companies that want to stay in your good books - or simply to fly under your radar screen?](#)

To keep in our good graces, we want to see increasing accountability, increasing transparency and "good governance" - where companies act responsibly, over the long term. We have never been for "check the box" corporate governance. And, as I said earlier, we want to empower share owners...we want them to have a voice with directors...we want the ability to nominate new directors...and we want the ability to fire as well as hire, and to have a bigger voice in strategy.

###

Goodbye EDGAR Brick Road SEC's Mandate for Posting Proxy Documents Online Brings Benefits ... But Heed These Cautions

By Rhoda Anderson,
President, Rhoda Anderson Associates,
and Co-Founder, EZOnlineDocuments

The upcoming proxy season is the first in which the SEC is requiring all corporate issuers to post their annual reports and other proxy documents online. But the SEC took away an easy path many corporations previously used when it set up new and detailed online document requirements as part of the "notice-and-access" rules.

In fact, it's "goodbye EDGAR brick road" – Issuers can no longer send their shareholders on the path to the Securities and Exchange Commission's Electronic Data Gathering and Retrieval database for any proxy documents in order to comply with the rules.

For Issuers that are publishing their proxy materials online for the first time, and as a review for experienced Issuers, let me address the three key issues: **cost**, **privacy**, and **compliance**. And I'll give a few cautions from 10 years experience with publishing online proxy materials.

Cost: The good news is that notice-and-access can save public companies substantial amounts of money. Since corporate issuers are now required to have the proxy documents online anyway, they can reduce printing costs using the "notice" part of this rule. By providing "notice of Internet availability

of proxy materials" (proxy statement, annual report, and filings such as 10K statements) Issuers can reduce hard copy print runs by as much as 95% (based on the experiences of the accelerated filers already using "notice and access"). In other words, Issuers can save the cost of printing and mailing materials to up to 95% of their shareholder base. Presumably, online access will also push more shareholders to vote online rather than via mail, which also can save return postage costs.

Caution: Unless the SEC makes changes for the coming proxy season, you are required to have materials live on the web 40 days prior to your meeting. Knowing that you also need more days to convert these documents, review the online version and activate URLs, your annual meeting planning calendar will undoubtedly need to be changed, to give yourselves time to comply.

I have been talking about the cost-benefits of online proxy documents and the need to make them user friendly for over 10 years. Now that the SEC is requiring proxy materials to be available on the Web, the need to focus on the quality of your online documents is even more critical. This upcoming season, millions of shareholders will get a



small envelope with information on where to find their online annual report and proxy statement - and how to get printed copies if they really want them - rather than the bulky shareholder package of years past.

Caution: The new rules have very specific requirements for online documents, so read on.

Privacy: The SEC has mandated a new layer of shareholder privacy. Issuers (and, importantly, their vendors) are prohibited from logging, tracking and analyzing data about viewers and users of the online documents. This "no cookies" rule means that no electronic tracks from user visits can be collected.

Sounds easy - until you recall that cookies have been an integral part of corporate Web publishing for more than a decade. All the data that corporations routinely capture on their Web logs (page views, entry pages, browser type, etc.) is banned for online shareholder materials.

These new privacy rules raise a lot of logistical questions - especially when you're using a variety of posting and voting sites, as many companies do.

Continued on page 36

Caution: Don't assume internal Web programmers, third-party hosting providers, and Web design consultants know the new notice-and-access privacy requirements. You need to review the final online version of your documents and know they are being hosted cookie-free.

Compliance: Major corporations have for many years published annual reports online, but in regulatory terms that's been on a voluntary basis. Those published reports, however, did not have to meet notice-and-access standards.

For issuers to comply with the new standards, the online documents themselves must be:

- 1) searchable,
- 2) printable...and
- 3) substantially the same as a printed copy.

(I reviewed these requirements in depth in last year's Shareholder Service Optimizer. E-mail my office at randerson@RhodaAnderson.com for a copy of that article.)

So for the first time, ALL of this year's annual reports will be subject to the searchable/printable/same-as-printed standard found in the Notice and Access rule.

In the past, many corporations published the annual report on their own Web site with a link to the 10k and proxy documents on the SEC's EDGAR database. The notice-and-access requirements expressly prohibit this use of EDGAR going forward.

Caution: Beware of using only PDF files. My company did a study (prior to the notice-and-access requirements) that illustrated that Web users prefer HTML, which is immediately available to all web users. Not surprising, 94% of people pick HTML versions of annual

reports when given the choice between PDF and HTML.

The use of PDF-files-only can dramatically affect shareholder voting. When shareholders can't readily access PDF documents - because of 'software issues' or long download times, for example - it's highly unlikely that they'll go on to vote. The fact that most PDF documents are not readily "navigable" - so that browsers have to page backwards and forward to find the sections they want - is another, major source of frustration that will turn off your voters.

Here's further proof: Last year, there were 232 million Internet users in North America, according to InternetWorldStats.com. By contrast, the most recent version of a popular PDF reader (Adobe Acrobat) had been downloaded only 35 million times. Unlike PDF, all Web users can view HTML.

For the 10 years that EZOnlineDocuments has been receiving PDF files of proxy materials for conversion to HTML we've seen an increase (not a decrease) in common but easily preventable mistakes. For example, PDF files that...

- are not the final approved draft
- have printer designated markings on pages which are not picked up in printing but are on the PDF file and are therefore visible online
- are missing late changes that one party thought another party was going to fix
- have incorrect page placements
- have changes made by the printer or design firm that were not checked by the client

How do these mistakes happen? Mostly for one reason: corporate secretaries and legal counsel are placing *blind faith in financial printers* - and not checking. It happens easily: the issuer sends drafts to the printer; the printer formats the

corporate documents and sends them to the issuer for checking; changes are made and new files are created. In the haste and pressure of getting the printed version ready (mostly for internal corporate executives, by the way), someone loses track of which file is the most recent. Voila: an older, out-of-date PDF file is e-mailed to another third party (the Web hosting provider).

Online documents and processes need a lot more human attention than many professionals are allowing time for. This is a huge trap for issuers that -- in an economic crisis that is bringing greater scrutiny to corporate financial statements -- corporate secretaries and lawyers need to address proactively and diligently.

Once it's time to publish on the Web - given the SEC's very tight rules as to timing - it's the 11th hour or beyond. Issuers need experienced vendors for converting the documents into HTML - vendors who will give them sufficient opportunity to carefully review and sign off on the final online version before it goes live.

My firm EZOnlineDocuments, which is a wholesale supplier of internet document conversion, has seen a rush over the past six months from Transfer Agents, printers and other third-party vendors to be able to provide our services to their clients. We can work with any of your agents, so be sure to request EZOnlineDocuments by name from your agent or third party service provider.

Rhoda Anderson is president of Rhoda Anderson Associates (www.RhodaAnderson.com), a corporate governance consulting practice; and CEO of EZOnlineDocuments. She can be reached at randerson@RhodaAnderson.com / Rhoda@ezonlinedocuments.com or (609) 371-5631

"Information security is a primary concern for most of our clients. The focus is not just on physical security, but also on data integrity and preventing unauthorized use of data."

An interview with Dorothy Flynn, CEO and Peter Teuten, Chief Technology Officer at The Keane Organization

The Keane Organization has experienced another year of record growth. We interviewed two of their leaders, CEO Dorothy Flynn and CTO Peter Teuten to learn more about their business and their unique risk management philosophy.

Dorothy, what are the two dominant trends you see in the industry?

DF: Driven by the high volume of reported data breaches and new regulations like the FACTA "red flags" rule, information security is a primary concern for most of our clients. The focus is not just on physical security, but also on data integrity and preventing unauthorized use of data. This leads to the wider concept of risk management in general. Given our difficult financial times, companies are required more than ever to address growing enterprise wide risk and compliance concerns in the context of regulatory oversight and transparency issues. Overloaded with policies, procedures and oversight requirements, they're looking to automation to provide clarity and consistency to the many processes involved.

How is the Keane Organization positioned to help clients with these issues?

DF: We have significantly broadened our capabilities over the last six years. Today, we have four operating divisions and a staff of more than 150 employees serving clients in the US and abroad with a range of compliance and risk management solutions. Our team includes industry experts in a variety of disciplines including risk management, investor services, unclaimed property and retirement. We continue to impress clients with the depth of our team's experience.

Is there a theme that links these disparate areas together?

DF: Absolutely. We're an independent partner that brings a focus on risk awareness and mitigation to every service we provide. We help our clients reduce risk and minimize their costs by measuring, managing and monitoring their business in clearly defined and transparent ways. Regardless of whether we're working for the corporate secretary, the chief compliance officer or the operations team, we are able to facilitate measurable risk reduction



Dorothy Flynn



Peter Teuten

and performance improvement. That can occur in many ways, for instance by increasing operational efficiency, identifying and mitigating fraud risk, streamlining or automating compliance efforts, or by helping to avoid or minimize fines and penalties.

What are you most proud of as the CEO?

DF: There are many things, but first and foremost our innovation. Our **Investor Data Quality** program has changed the way that corporations and investment companies identify risk and opportunity within their registered

Continued on page 38

shareholder base. It's about a lot more than just lost shareholders.

With our objective viewpoint, we're able to help concerned shareholder service and IR professionals take a proactive stance against identify theft and fraud. Because we were the first company in our industry to provide clients with a risk management approach to compliance, to date, we've analyzed the records of more than 300 public corporations and financial services companies.

Our Unclaimed Property Services Division continues to attract Big-4 consultants and is recognized as the leader in educational excellence and up to the moment news on state and Federal legislation. And we are continually innovating this field with new revenue recovery solutions and risk assessment technologies.

Keane Retirement Solutions is simplifying the administrative complexities of defined benefit and defined contribution plans. We are helping plan sponsors, third party administrators, and record keepers reduce costs and compliance risk while navigating difficult issues such as missing participant communication, and plan terminations or abandonments.

In each of these businesses, our proprietary SCORE risk management technology is driving and monitoring the processes, providing our clients with transparency into our services and an auditable trail of our activities. But I'll let Peter talk to you about SCORE since he invented the technology.

So Peter, when you developed SCORE did you envision that it would be used in so many ways?

PT: Yes, that was the intent from the beginning. One of SCORE's key advantages is its ability to adapt to any situation or process in which the key meas-

ure, manage and monitor elements apply. Flexibility and ease of use in any operating environment are what allows us to implement automated solutions for our clients' unique and specific compliance or risk management challenges.

When you spoke at the Shareholder Services Association Annual meeting, you encouraged companies to take a "risk-based approach" with regard to data breaches. Can you explain what that is?

PT: What I shared was my view of how risk management can help us address any business challenge, by establishing processes through the operational cycle that minimize the likelihood and potential impact of negative events. Using this risk-based approach enables clients to bring policies and procedures to life. Ideally a company is continually measuring, managing and monitoring adherence to requirements or best practices through a set of automated easy to follow steps and processes. When failures occur, the risk-based approach ensures that controls are in place to correct the shortcoming before a negative event occurs.

Why should a company consider automating compliance activities and risk assessments?

PT: There simply isn't adequate time or money to manually oversee or audit every process. Automation enables dynamic measurement of the degree to which a process is compliant or problematic. Objectively comparing issues based on the risk they represent allows a company to appropriately delegate resources— such as the attention of their internal auditors— to areas that create the greatest concern.

Compliance and risk professionals know that simply having policies and procedures is not enough to protect an organization. You need a process to

assess, implement, test and measure the efficacy of each policy on an ongoing basis. Considering the volume of compliance activities that companies must undertake, automation is an extremely attractive alternative. However, many of the world's largest companies still conduct assessments and share complex information by creating and updating an endless sea of static spreadsheets and documents. This is highly labor intensive and inefficient. Automating with an internet-based technology like SCORE not only eradicates these inefficiencies quickly, but it also facilitates collaboration across a company or across the world. We use technology for what it does well – aggregating, distributing, compiling and managing large amounts of data among many different stakeholders – so that business leaders get the results and the decision-supporting information they need.

Is there tangible return on investment?

PT: In my experience with SCORE, absolutely. When we improve process, data management and communication efficiencies we help compliance officers or process owners keep up with ever increasing requirements in less time, with less travel, and without increasing staff. And when the ability to track, score, measure, and compare compliance activities is automatically facilitated, greater value is extracted from the process.

For more information about The Keane Organization and our innovative compliance and risk management solutions, visit www.keaneco.com or call 1-800-848-8896.



Keane
Beyond compliance.™

"For Laurel Hill, there is no denying that the times have changed. And there is also no denying that the role of the proxy solicitor has most definitely changed"

*An Interview with Tom Kies and John Siemann,
Partners at Laurel Hill Advisory Group, LLC*

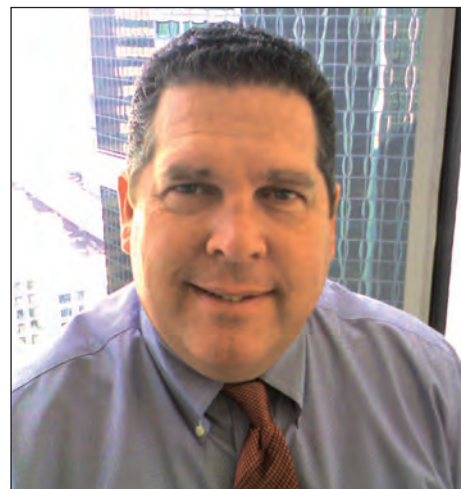
The Editor: John, let's start with you: What led you and your group to form Laurel Hill?

Siemann: As you well know, over the past five years, the proxy process has become increasingly complicated. Each year, it seems, issuers are confronted with a new wave of corporate governance initiatives, regulatory changes and shareholder activism. Almost overnight, phrases such as "Just Say No," "Say on Pay," and "Notice and Access" have become part of any proxy dialogue. And, while we didn't know it at the time - although we did kind of expect it to a degree - it certainly appears, given the current environment, as if the proxy process will get even more unsettled in the future.

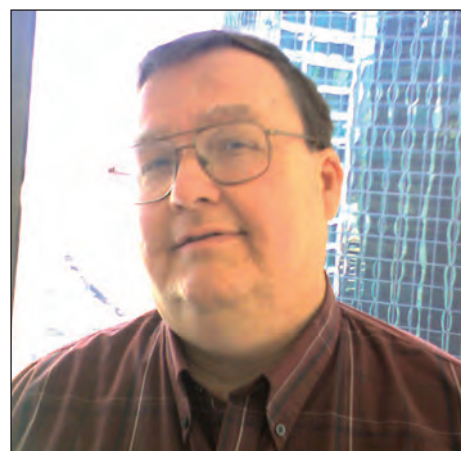
Against this backdrop, a group of senior proxy solicitation executives began questioning whether issuers were receiving all the help they could from their proxy solicitor. Surveying the solicitation landscape, we identified the fact that most proxy solicitors interacted with their clients only for a brief period - typically between record date and meeting date - and then went silent

until the following year, when the cycle started over again. Information about corporate governance developments or likely voting outcomes was made available only if the issuer specifically requested such information and, typically, only at additional cost.

Believing that the rise in shareholder activism, together with the ever-changing directions of corporate governance reform, warranted a change in the way proxy solicitors interacted with their clients, this group of executives created a new firm in the fall of 2007, Laurel Hill Advisory Group. For all of us in this group - all proxy veterans and each of us with more than 20 years experience in the industry - Laurel Hill needed to be more than just another traditional proxy solicitation firm. Instead, this group was committed to the notion that Laurel Hill should fill the role of a year-round consultant, fulfilling all the traditional distribution and collection functions during the solicitation period, but, equally important, providing specific corporate governance information and consultative advice proactively in the months prior to the solicitation.



Tom Kies



John Siemann

Editor: Tom, in the interest of full disclosure, I guess I should tell my readers that I, and my chief lieutenant back then - who has since gone on to be a major player at yet another big proxy solicitation firm - recruited you to start up a stock watch and proxy solicitation business back in the 1980s, at what was then a major bank. So let me ask you; what, specifically, do you do that makes Laurel Hill different?

Kies: Reflecting the commitment of our management team to fully utilize its

Continued on page 40

broad range of industry expertise, and to provide truly comprehensive strategic consulting to all its clients, Laurel Hill offers services that are truly unique in the current proxy arena. These include:

- Meeting with our clients on a quarterly basis
- Reviewing the latest corporate governance developments with them
- Providing a detailed breakdown of our clients' institutional shareholders, identifying those that will follow third party recommendations (such as ISS) and those that will use in-house guidelines
- Providing detail on what institutions' in-house policies may be on particular issues
- Providing proactive advice on the various alternatives that are open to our clients regarding a particular proposal, in order to help them make the best choice

Equally significant, Laurel Hill is committed to offering these services in a truly cost-effective manner, typically for a fee very similar to what most issuers pay for their "traditional" solicitation service alone.

Editor: Anything you'd like to add, John? I know you're a former football coach, and it does strike me that proxy solicitation is becoming quite a lot like a football game.

Siemann: You're right; there are a lot of similarities. There's a lot of heavy work, and a lot of basic blocking and tackling that's needed in both arenas. And, for sure, proxy solicitation, like football, can be a bruising game. Having the right game plan, and the right strategy, and really knowing your opponents, and what they are likely to do - and, most important, knowing how to outplay them - are key components of both of these sports. And, to be successful in

either game, having a strong team - and having very strong teamwork is absolutely essential.

Editor: As you know, I'm a big fan of your ads. They certainly seem to me to have helped to put you on the map big-time. How do you come up with them?

Siemann: This is something of a team effort too. A lot of us are film buffs, which many of our ads reflect - and Jamie Catacosinos has been one of our leading creative directors - and we've had a lot of fun with the ads. This reminds me that being creative - and trying to think outside of the box - and having fun too - is a big part of being successful in any business, but it's particularly important in our business I think.

Editor: So how has your first year gone for Laurel Hill?

Kies: Fast forwarding to the fall of 2008, the response of corporate issuers to this new approach has been both immediate and highly positive. In less than one year, Laurel Hill has added more than 65 new clients, including such well-known names as American Airlines, Aflac, Goodrich, Southern Company and Waste Management. Whether dealing with shareholder proposals, implementing equity compensation plans, or deciding on Notice & Access, issuers have been especially responsive to the year-round, hands-on, consulting approach introduced by Laurel Hill.

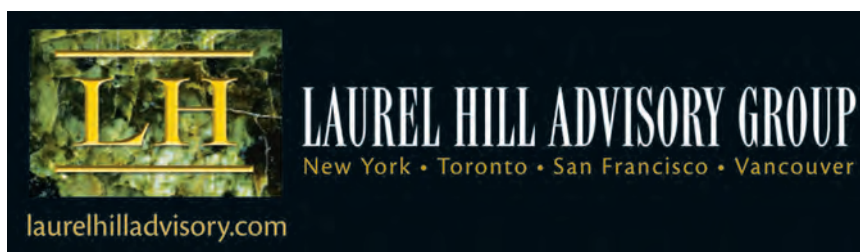
Especially significant, Laurel Hill has also become active in making formal presentations to our clients' Boards and their related committees, helping to clarify governance alternatives for the group that's being most prominently targeted by activists these days.

Last, but certainly not least, the experience and expertise of the Laurel Hill team has translated to activity in the proxy contest and M&A arenas, where the firm has been successful in representing a number of regional savings banks in proxy contests and was, most recently, brought on to assist Bank of America in its acquisition by merger of Merrill Lynch.

Preparing to enter the 2009 proxy season, Laurel Hill Advisory Group has grown to a staff of more than 25 highly trained professionals, with offices in New York City, San Francisco, Toronto, Vancouver and Jericho, NY, and the firm is poised to enter into what it feels will be a truly pivotal era in both the proxy process and management-shareholder relations. For Laurel Hill, there is no denying that the times have changed. And there is also no denying that the role of the proxy solicitor has most definitely changed.

For more information about Laurel Hill Advisory Group, LLC, go to www.laurelhilladvisory.com

Or contact Tom Kies, at 917-338-3180 - tkies@laurelhillag.com or John Siemann, at 917-338-3191 - jsiemann@laurelhillag.com





Founded 1946 (Formerly CTA)
PO Box 1997 New York NY 10116-1997



BOARD OF DIRECTORS

JAMES R. ALDEN, President
Director, Shareholder Service
The Walt Disney Company

JONI AESCHBACH, Vice President
Manager, Shareowner Services
Alliant Energy Corporation

JOAN M. DIBLASI, Secretary
Sr. Manager, Shareholder Services
AFLAC Incorporated

CHRISTOPHER G. DOWD, Treasurer
Sr. Managing Director
Georgeson Shareholder

GASTON B. ALVARO
Director, Client Relations
Citi Securities and Fund Services

ANTHONY H. BATTISTA
Manager, Shareholder Services
Public Service Enterprise Group

PATRICK M. BURKE, CPA, MBA
Director of Operations & Assistant
Secretary
American International Group, Inc.

KAREN V. DANIELSON
Manager, Shareowner Services
The Coca-Cola Company

E. RAY DUNN
Managing General Partner
Dry Valley Advisors, LLC

KEITH H. ECKE
Assistant Corporate Secretary
Wisconsin Energy Corporation

JAY A. ERNST
Manager, Shareholder Services
Procter & Gamble

KENNETH R. KAMINSKI
Manager, Shareholder Services
BP p.l.c.

JANE KEISTER
Manager, Shareholder Services
StanCorp Financial Group, Inc.

ELLEN PHILIP
President
Ellen Philip Associates, Inc.

KATHRYN J. SEVCIK
SVP and Head of Operations
Wells Fargo Shareowner Services

CHARLES E. SKIPPER, Assistant Treasurer
Supervisor, Shareholder Services
SCANA Corporation

JOSEPH J. TREZZA
Vice President, Asset Services
The Depository Trust & Clearing
Corporation

KARL H. WAGNER, Assistant Secretary
Assistant Secretary
Merck & Co., Inc.

The Shareholder Services Association (SSA) is a professional organization whose purpose is to support corporate issuers in effectively meeting their responsibilities for shareholder record-keeping and service.

Dear Industry Colleague:

Recently, I came across an interesting quote – “Change does not necessarily assure progress, but progress implacably requires change. Education is essential to change, for education creates both new wants and the ability to satisfy them.”

Last year, when I wrote this piece for “The Optimizer” I touched on an array of topics consistently on our collective radar screens. Topics ranging from Notice and Access, The Proxy Working Group, newly proposed DTCC rule changes, and pending revisions to the Transfer Agent rules. Now, more changes are on the horizon for DRS, and our world encompasses such things as cost-basis reporting, Reg S-P, and FACTA, which will require us to broaden our focus on shareholder data privacy while continuing to mitigate risk.

If any of these issues impact you or your company directly, or you are responsible for servicing shareholders, you, or someone in your organization should be a member of the SSA. We have the resources to help you successfully navigate through these and other issues affecting your company and your shareholders.

The breadth and depth of SSA membership is one of our strengths. Consider joining a powerful network of hundreds of issuers and service provider professionals who have decades of experience and are actively shaping the future of shareholder services. Members include issuers of all sizes, including nearly half of the companies comprising the Dow Jones Industrial Index. Membership is also comprised of industry service providers including the leading commercial transfer agents, abandoned property compliance firms, financial printers and industry consultants. The association provides members ready access to these professionals who not only can provide guidance and expertise in servicing the day to day needs of securities' holders but can also educate you on how to address emerging issues and trends.


Education is a priority of the SSA. At our e-Learning Center at www.shareholderservices.org, members can take web-based training courses **free of charge**. Non-members may take the training for a minimal fee. Recently, we added our newest course, Introduction to Unclaimed Property Reporting, to complement our already successful Introduction to Shareholder Services class. More than 325 students have enrolled in these courses, including many who are not SSA members. Both Federal and State employees have found our latest course extremely useful. More courses are planned.

Additionally, our annual conference offers you the opportunity to hear from industry professionals on the latest topics while networking and sharing day-to-day experiences with your fellow colleagues. This year's conference in Historic Williamsburg experienced record attendance and received extremely high marks from attendees. Members of the Institute of Certified Bankers who attended were eligible to receive 13.75 Certified Securities Operations Professional (CSOP) credits and 13.75 Certified Corporate Trust Specialist (CCTS) credits. Our 2009 conference will be held on July 15th – 18th at The Coeur d'Alene Golf & Spa Resort, in Coeur d'Alene, Idaho. Come join us and see what we are all about!

To learn more, visit www.shareholderservices.org. Our current dues are only \$495 annually. If you have any questions about our organization, please contact me or one of our directors.

Stay in touch – Stay informed – Always connected. Please consider joining our organization today.

Sincerely yours,



Ready to do anything to get accurate
shareholder identification?

Make sure you're prepared!

Are you frustrated by your solicitor's inability to give you accurate information about your shareholders? Are you having a devil of a time figuring out how important RiskMetrics is to your vote? The Laurel Hill Advisory Group understands how vital having comprehensive intelligence can be. Because having the right solicitor can make all the difference.

The Laurel Hill Advisory Group is the turnkey solution to keep your Company prepared and ready. With a commitment to customer service and over 100 years of solicitation and advisory experience and the best operations team in the business, Laurel Hill Advisory Group is the right choice to prepare and protect your business.



LAUREL HILL ADVISORY GROUP

New York • Toronto • San Francisco • Vancouver

laurelhilladvisory.com

A LETTER TO CFOs, GENERAL COUNSEL, CORPORATE SECRETARIES AND GOVERNANCE OFFICERS, AND OTHER READERS WHO ARE RESPONSIBLE FOR COMMUNICATING WITH AND PROVIDING SERVICES TO INVESTORS... INCLUDING OUR NEARLY 4,000 MEMBERS

From Craig D. Mallick, Chairman of The Society of Corporate Secretaries & Governance Professionals and Corporate Secretary & Assistant General Counsel of United States Steel Corporation, David W. Smith, Society President and Douglas K. Chia, Society Membership Chairman and Senior Counsel & Assistant Corporate Secretary of Johnson & Johnson

Dear colleagues and friends,

As we look ahead to 2009, we in the public company community see that we are being impacted by a series of events that will have far-reaching and long-lasting impacts on public companies, on the way we do business, and certainly on the way we relate to shareholders, regulators, and the public at large.

Quite understandably, we are witnessing extremely high levels of shareholder interest and concern about corporations, and about corporate officers and directors. And it seems certain that our regulatory systems - and our internal governance systems - will be undergoing thorough review, and possibly some very far reaching restructuring.

Accordingly, we want to be sure that you are familiar with the Society of Corporate Secretaries and Governance Professionals - the largest professional network of its kind, with over 3,500 members from approximately 2,600 companies - and with the many important programs and new initiatives we currently have underway.

This Fall, we surveyed a large percentage of our membership - along with the entire Society leadership team - to see how well we are living up to our mission statement - to provide services that enhance the professional skills of our members, who are business executives involved in duties normally associated with the corporate secretarial function and corporate governance - to see how well the events, programs and activities that Society members consider to be the most important ones are living up to member expectations, and, in particular, to identify areas where we could be doing better. The results very clearly indicated how important the Society is in the eyes of our members, who take strong pride in the Society and also value networking with colleagues and peers as one of the most important benefits of Society membership, illustrating that there is "strength in numbers".

If you take a few minutes to visit our website www.governanceprofessionals.org, for example, you will discover that we have a treasure trove of sample resolutions, board and committee charters, director and board committee evaluation programs and other documents that corporate citizens like yourselves are likely to be revisiting and revising on a regular basis going forward. In our experience, you will more than pay for your membership in full, the first time you use our online library.

Our membership also places high value on our core programs. Our annual three-day seminar covering the "Essentials" of the corporate secretarial practice - with an optional extra day devoted to breakout issues that go "beyond the basics" - receives top marks from attendees, year after year. Each year, our National Conference draws some of the best known

Continued on page 44



Craig Mallick



David Smith



Douglas Chia

and most knowledgeable experts anywhere, on the theory, but more importantly on the *practice*, of “good corporate governance”. It is another program that receives top marks year after year. Our teleconferences and online tutorials make Society programs easy to access – in a highly convenient and economical manner – and are used each year by literally thousands of members, and their company colleagues.

The Society has also been committed since its founding, over 60 years ago, to being an advocate through the use of highly informed and carefully reasoned presentations and position papers – not just on the important “governance issues” of the day, but on the fine points of regulatory matters, and on the even finer, and harder to understand practical points that arise from changing rules and regulations, and changing technologies. Here too, it is especially clear to us, and to our current members, that there is indeed “strength in numbers”. And we, of course, want to be absolutely sure that the views of all publicly traded companies - large and small - are represented in our advocacy efforts. The Society’s relationships with regulatory bodies, like the SEC, the NYSE, and the NASD run deep and inure to the benefit of all of our members.

With all of this in mind, we are asking for your help - so that we can be an even better and more effective organization than we are already:

- If you are already a member of the Society, we are asking you to commit to recruiting at least one other person as a member in 2009. We feel we can guarantee that your friend or colleague will be grateful to you if you do so.
- If you are not a member, and especially if no one from your company is a member, we are asking you to please consider joining the Society - or designating one of your colleagues to become the member from your company.
- If you are a supplier of services to public companies, we know you can be especially helpful to us in identifying potential members - introducing them to our Society, and maybe bringing them to one of our local chapter meetings – and showing them firsthand how valuable membership in the Society really is.

The next few years may be the most challenging years we will ever experience in our corporate lives. But they also have the potential to be the most rewarding ones for us, as long as we remain well prepared, outspoken and keenly focused on the issues that are truly important. This is where Society membership can be especially valuable.

We know that the Society can, and hope that it will, will be a major resource for you - and for your company - as we move ahead.

Sincerely,



WITH ALL THE BIG CHALLENGES FACING PUBLIC COMPANIES IN 2009, ARE YOU FULLY PREPARED TO “PULL IT ALL TOGETHER”...AND TO HELP YOUR TOP MANAGEMENT, AND YOUR BOARD TO DO SO TOO?

IF YOU ARE NOT ENTIRELY SURE, PLEASE READ ON:

- 1. IF YOU ARE NOT ALREADY A MEMBER OF THE SOCIETY, GO TO www.governanceprofessionals.org:** Take a tour of all the resources the Society has to offer. Review the many benefits of membership - and please take note of the discounted rates if your firm already has a member.
- 2. ASK A COLLEAGUE, OR ONE OR TWO OF YOUR KEY SUPPLIERS, ABOUT THE BENEFITS OF SOCIETY MEMBERSHIP:**
Members consistently say that the Society is one of the best organizations they’ve ever belonged to.

3. MARK YOUR CALENDARS, SO AS NOT TO MISS TWO OF OUR MOST IMPORTANT, INFORMATIVE and, in fact, ESSENTIAL EVENTS:

The annual ESSENTIALS SEMINAR:
January 28 – 30, 2009
Arizona Grand Resort, Phoenix, AZ
(You can register online – now)

The 2009 NATIONAL CONFERENCE:
June 24 – 28, 2009
Hotel Del Coronado, San Diego, CA

Notice and Access: The First Year

By Chuck Callan
Senior Vice President
Broadridge Financial Solutions

When the U.S. Securities and Exchange Commission adopted Notice and Access, there was much interest in gathering information on how well the rules would accomplish their intended objectives. Based on statistics for the first full year, the outcome is somewhat mixed.

Efficiencies are up, but individual shareholder participation is down. It is clear there are opportunities for improvement. To what extent have the rules met the SEC's intended objectives? Here, we offer a high-level assessment based on statistics gathered by Broadridge in the first year.



Objective 1: Provide an alternative method for companies to furnish proxy materials.

The Notice and Access method has been up and running since July 1, 2007, and during the first year it was used by companies for over 1,000 registered and beneficial shareowner distributions. In total, 9% of U.S. firms chose the new method, though adoption rates vary by company size. Over 35% of the largest firms and less than 4% of smaller firms chose the new method. Larger firms can realize larger savings.

Companies Adopting Notice and Access vs. Companies Not Adopting Notice and Access By Distribution Size Range (i.e., number of beneficial shareowners) (7/1/07 – 6/30/08) Source: Broadridge Production Statistics								
Size Range	<1,000	1,000 – 4,999	5,000 – 9,999	10,000 – 49,999	50,000 – 149,999	150,000 – 299,999	300,000 +	Total
Number of Beneficial Meetings	1,945	2,077	935	1,442	484	169	151	7,203
Adopters	20	82	107	219	119	52	54	653
Non-Adopters	1,925	1,995	828	1,223	365	117	97	6,550
Adoption Rate	1%	4%	11%	15%	25%	31%	36%	9%

Objective 2: Allow companies to establish procedures that result in greater cost-efficiencies.

As a result of mailing a simple Notice of Internet Availability -- instead of a full package of proxy materials -- we estimate that Notice and Access adopters realized total incremental savings on printing and postage of over \$140 million in the first year.^[1]

The savings attributable to the new method are in addition to record levels of efficiency from other rules and technologies. During the 2008 proxy season, more than 54% of all physical mailings were eliminated by Broadridge as a result of householding, e-delivery, and specialized account processing. As a result, we estimate that savings to corporate issuers, excluding Notice and Access, will top \$1 billion in calendar year 2008.^[2]

Objective 3: Provide a disclosure process that results in greater use of the Internet for voting proxies.

As a group, Notice and Access adopters saw lower rates of voting participation among individual investors than did non-adopters. In the first year, adopters mailed Notices to 33.6 million retail accounts and 12.5% of these accounts voted. During the same time period, non-adopters mailed proxy materials to 77.2 million retail accounts and, of these, 20.5% voted.

Continued on page 46

Voter Participation With and Without Notice and Access – Individual Investors (7/1/07 – 6/30/08) Source: Broadridge Production Statistics		
	Without (Non-adopters)	With (Adopters)
Total Number of Individual Accounts (millions)	77.2	33.6
Accounts that Voted	20.5%	12.5%

In addition, analysis of over 812,000 individual investors who received mailed Notices indicates that fewer than 4% accessed proxy materials on the specified URL. “Eyeballs” data capture was implemented as of June 1, 2008. It includes all forty meetings through September 26, 2008.

Number of Notice Recipients	Number of Notice Recipients that Visited the Specified URL and Selected “Read Materials”	%	Number of Notice Recipients that Visited the Specified URL and Selected “Vote”	%
812,772	2,593	0.47	21,115	3.25

The Path Ahead

A Broadridge committee of industry participants, including representatives of companies, broker-dealers, banks, and institutional investors, is developing suggestions to mitigate some of the impact of the rules on participation and facilitate use of the new method. The committee is working with a design consultant on ways to make the envelope more appealing, so that more investors will look inside. In addition, the Notice itself is being redesigned to make information clearer and more user-friendly.

The learning curve has been steep and companies are also benefiting from the experiences of each other, including in such areas as making web-based documents more searchable and readable.

Down the road, SEC initiatives with interactive data hold potential for innovations aimed at improving investors’ online experience with disclosure information. If offered as additional points of access, consistent with current defaults and preferences, these innovations could encourage more individuals to use the Internet for accessing disclosure information.

Pulling It All Together

Notice and Access rules add complexity to a company’s proxy distribution and voting process, and in return they offer incremental savings. Hundreds of issuers have gained experience during the first year, and many indicate they will choose it again, although they are concerned about voter participation.

Broadridge has helped issuers and nominees implement the rules, providing support for such requirements as responding to investors’ choice of paper or electronic delivery as well as providing both traditional paper and electronic voting channels. Our knowledge of the new communication, distribution and voting requirements -- combined with our dedicated team of client service professionals -- creates an efficient overall framework to manage the proxy process. Broadridge can assist issuers and provide the necessary levels of support and guidance in order to meet the challenges of simultaneous proxy communication methods.

For more information about Broadridge and to speak to a local sales representative please contact John P. Dunn at 800-353-0103 or visit www.broadridge.com and click on “Notice and Access Resource Center” to learn more about how we can help you choose what proxy distribution model best fits your needs.

[1] July 1, 2007 – June 30, 2008; net of service fees. Includes beneficial distributions processed by Broadridge.

[2] The unit savings is based on information from NIRI and Broadridge internal data. It represents an average printed material cost of \$4.38 across all beneficial meetings. Postage is calculated at \$1.26 and is based on Broadridge actual data for the 2007 proxy season.

"Pulling It All Together" As You Prepare To Tackle Employee-Plan Voting in 2009

*An interview with Ellen Philip and Cal Donly
of Ellen Philip Associates*



Ellen Philip and Cal Donly in their New York Office

Carl: Ellen and Cal, I think this marks the 10th annual interview we've done with you on areas that you see as being critically important for public companies to address as we look toward the next year. What are some of the most important issues you think issuers will have to address in 2009?

Ellen: With all the turmoil and uncertainty in financial markets of late, I can't imagine a more appropriate time for public companies to re-assess their approach to shareholder services in general - and those relating to employee plans in particular. There's a big crisis in confidence out there. For a plan participant - or for any shareholder for that matter - there's a great need to know that best practices are in place. You have a lot less anxiety and frustration when you see that things are being done the way they should be done - and when you sense that your interests are being well cared for. This isn't new, but in the 30 years I've worked in the shareholder services community there's never been a time with such a crying need for reassurance.

Carl: Why single out employee plans?

Ellen: For one thing it's because, as independent tabulators, that's where we concentrate a great deal of our time and energy. It's something we know a lot about. It's also because we believe that since plan participants are both shareholders and employees, they have a strategic value that's often out of proportion to the number of shares they might hold. As a distinct and important shareholder constituency, they merit special attention - and now more than ever. You've been making this point too, for some time.

Cal: The fact is that issuers can ill afford to neglect or undervalue their employee-plan constituency, especially at a time when the non-street proxy vote is declining. And Plan shares, as we know, are not always a mere drop in the bucket. Sometimes they represent a very sizable percentage of the total outstanding. Sometimes they even outnumber the registered shares. On many occasions we've all seen plan shares play a pivotal role in winning approval on an important issue...or losing it. Another very important issue, I think, is that plan trustees, as fiduciaries, are held - and generally hold themselves - to a much higher standard of care when dealing

with employee plan voting, as indeed they should.

Carl: That being said, what can an employee-plan specialist contribute, especially in this climate of general uncertainty? Of what help could a plan specialist be, for example, to a plan sponsor and/or to a plan agent who might be going through a re-assessment of procedures and trying to pull it all together?

Ellen: A key benefit for plan sponsors is that we provide a pass-through voting process that is completely insulated from the voting process for other types of shareholders. It's safe. It's secure. It's a best practice, in that it provides strong reassurance on the confidentiality issue, which is vital to plan participants - and to Plan trustees too. It keeps the process free from even a whiff of suspicion.

Carl: There are those who say the risk is minimal and that it really doesn't matter. What would you say to the substantial number of issuers who throw plan participants into a big melting pot with other types of shareholders, ostensibly to cut costs?

Continued on page 48

Ellen: I'd say straight out that the practice is not a prudent one. It's an accident waiting to happen. It's a practice that would be hard to defend, in retrospect, if something were to go wrong. If an employee-shareholder were to raise a question, or if the tabulation were to be challenged by anyone, all those savings – which are actually pretty minimal ones these days, given the ability to deliver materials to plan participants electronically – would seem to be a pretty poor trade-off. Any savings would fast go up in smoke.

Carl: But tabulations can be kept separate, surely? How might things go wrong?

Cal: If I'm a plan participant, and I also hold registered shares, and you, as the company's plan administrator, are entitled to know how your registered holders have voted, then you can, if you are interested, find out how I voted. That you would want to do so might not seem highly likely, perhaps, but the possibility is there. As Ellen said, it's an accident waiting to happen. I'll never forget how a plan participant, years ago, ran into retaliation after having voted against management. She had been picked out from a vote summary because her account included an identifiable fractional share. It was Murphy's Law in action. What could happen did happen.

Carl: Sadly, I have seen this happen too. And if company employees have access



Ellen and long-term lieutenant Myrna Gutierrez map out a new project

to this information, the fact that they have it gets all around the company fast. This can be a bad thing in terms of employee morale – and as a basic issue of “trust” – even if no one is misusing the information. But are there other advantages in treating plan participants as a distinct and separate shareholder group?

Ellen: Another very important benefit is the communication possibilities that open up when you address plan participants as a distinct group. If they're not mixed in with everyone else you can be more specific than general in the way you address them. You can zero in on their particular interests and concerns. You can also set up procedures that accommodate any particular needs plan participants might have. It's good shareholder relations and good employee relations at the same time.

You've always said, Carl, that a company's employee-shareholder constituency is a natural first priority for management in efforts to build a core of long-term support. Having the platform you need for a two-way flow of information is central to such an effort.

Carl: What would be some examples of focused treatment for plan participants?

Ellen: One thing might be giving a distinctive look to the voting instruction form itself, and to use language that's targeted specifically to employees. The participant notice that might accompany the voting instruction form is another opportunity for focused communication. You might want to provide for re-mails when participants say they didn't get the proxy package, or for kid-glove handling for a VIP sub-group. It could be analyses or special reports. There are any number of initiatives that will come to mind once you have a vehicle that makes them possible.

Carl: What other pay-offs might a plan sponsor expect from a specialist company such as yours?

Cal: A big advantage is that we're quick off the mark. This is particularly important in the so-called special situations we're known for – proxy contests, tender offers and the like. Timing is always critical. You have to act almost instinctively. This past season, for example, we were brought into a complex project on a Friday afternoon and were able to mail the following Tuesday. In the interim we helped develop documents, coordinated responsibilities with other key players in the process, loaded the master file and also built customized Internet and telephone data-collection sites and an online, real-time reporting site.

Carl: How is it that you're able to move so quickly?

Ellen: It's long experience, for the most part. As a team that's been very stable over the years we've put in a lot of mileage together. We usually understand what must be done and how to do it. We often know we'll be going down a road we've traveled before, and while the specifics will be different the basics will stay the same. We'll understand at the outset what makes a process work and how its components must be brought together. We'll also know where common procedural traps lie, and how to steer clear of them. Ours is a good brain to pick, so we play a very useful role in planning, coordination and document development. We don't describe ourselves as consultants, but consulting is a significant part of the role we play.

Carl: It strikes me that at times you'll have clients who are dealing with a particular corporate event for the very first time – say a Dutch auction, which most managers might encounter once in a career, if that. There's also the impact of high turnover among seasoned managers in many financial institutions. I imagine your store of know-how is a big plus in many situations.

Ellen: That's very much so. Not infre-

Continued on page 50

All The Winners Have One Thing In Common

Royal Bank of Scotland, Banco Santander, and Fortis for ABN Amro Holding NV

Pogo Producing Company by Plains Exploration & Production Company

Archstone-Smith Trust by Tishman Speyer & Lehman Brothers

Hilton Hotels Corporation by Blackstone Investment Funds

Sun Capital Securities Group LLC for Kellwood Company

Transocean Inc. for Global SantaFe Corporation

Textron Inc. for United Industrial Corporation

Dow Jones & Co., Inc. by News Corporation

Rexel SA for Hagemeyer NV



D. F. King & Co., Inc.

A Sage Holdings company

Proxy Solicitation and Financial Media Relations

New York
48 Wall Street
New York, NY 10005
212 269 5550

London
2 London Wall Buildings
London Wall
London EC2M 5PP
+44 (0) 20 7920 9700

www.dfking.com

www.sageholdings.com

quently we're brought into projects that others have specifically said they want no part of – for a variety of reasons. We're able to quickly bring focus and a sense of direction. Not every wheel needs to be re-invented. The information we have on tap facilitates planning in general. It also helps in planning specific procedures – as an example, the way issues are worded on the instruction form.

Carl: Give me an example of this type of practical input.

Cal: Take tender offers. A piece of advice we invariably give is to make sure participants are directed to express their tender election as a percentage of their total plan holding, instead of giving an instruction to tender a specific number of shares.

Carl: Why is this important?

Cal: It's important because of a tricky peculiarity in employee plans. A participant's holding on the expiration date – and it's in book shares, as you know – might be different from what it was on mailing date. That's because certain plan activity, including distributions and share acquisitions, can take place while the offer is open. A participant might issue a tender instruction today, for example, and take a distribution or borrow against the same shares a week from now.

It's our job to ensure that a participant's position at expiration is accurately tendered. The neatest, most elegant way of doing this is to have tenders expressed in percentage terms. When this has been done, any activity in the plan during the course of the offer can be automatically accommodated. One hundred per cent of zero is zero. It avoids confusion and saves precious time at expiration.

Carl: On a different practical issue, you frequently tabulate both sides in contested situations, either in a proxy contest or a hostile tender offer. What's the

benefit in having a single tabulator for all plan participants?

Ellen: For a plan trustee, who can take no action without a tally that has taken into account activity on both sides, there's a tremendous advantage in saved time. With all data flowing into a single tabulation system, which decides by a totally impartial algorithm which vote or election counts, we're able to provide the trustee with a fully reconciled tally for both sides, immediately upon expiration. Naturally this can only be done with agreement between both sides.

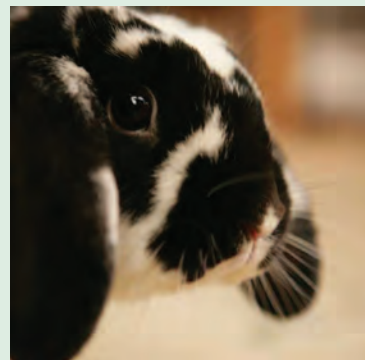
Carl: What does a tabulator really do? Could you share some thoughts on the tabulation process?

Cal: Every process involving a number of players must have a principal orchestrator, in the same way that musicians need a conductor or actors a director. There must be someone who's in a position to see the process as a whole; to make sure that the pieces come together in the most advantageous way, and to make judgment calls where necessary. That's the role of the tabulator – either in a proxy or a corporate action. It's not a passive role.

As tabulator you're not in a position to control everything, but whatever control you have has to be sufficient to enable you to make a good-faith certification of the results. This goes a lot deeper than merely providing a tally. The tabulator has to be sure that everyone eligible to participate has an opportunity to do so; that everyone not eligible to participate has no possibility of doing so; that procedures are sound and fair, and that they hang together in a watertight, cohesive way. Above all, the tabulator must understand what practical implications deadlines have for each player in the process, and what has to be done by each if deadlines are to be met. It's a pretty complex role.

Carl: Are there key guidelines you follow?

Ellen: Every project has its own realities, and these dictate specific practice. But there is something that influences our approach in planning a tabulation. Since a challenge to the tabulation would be the worst-case scenario, we assume right up front that there will, in fact, be a challenge. And we plan accordingly. We ask ourselves how comfortable we'd feel if an investor, or an inspector of elections, such as you wearing one of your many hats, were taking a hard look at how we did things. It's a safe approach, and a best practice. And frankly, as we look toward the 2009 proxy season, we are expecting many more close results, and many more "challenges" as to the outcomes than ever in history.



Need to do a better job of rounding-up, consolidating and tabulating employee-plan votes?

Need to get employee-plan participants to give instructions pronto, so you can tabulate the results and submit everything in the nick of time...and where there's no room for mistakes? Say to enroll in a new plan, or to participate in a tender offer?

Got another kind of "breaking event" to deal with in a rush?

Need to mix, match and merge files, but find them in a mess?

When you need to pull a rabbit out of a hat...

Call Ellen Philip...at Ellen Philip Associates, Inc.

Tel: (212) 807-0477

Expect the best...but don't expect Pepper to come to the phone.

"A Turnkey Solution for the Proxy Process"

*An Interview with Michael Mackey, Managing Partner,
Alliance Advisors, LLC*

Q: Michael, please describe the role of Alliance Advisors, LLC in the shareholder meeting process and some of the benefits for our readers.

Michael: As proxy management consultants, Alliance Advisors orchestrates the filings, financial printing, mailing and distribution of shareholder documents, proxy solicitation and vote tabulation. With the adoption of the Notice and Access rule, we have expanded our services to include the conversion and posting of annual reports and proxy statements, hosting on an approved website and the fulfillment of materials for one year. What differentiates the work we perform is the level of analysis and advice we provide the client. This includes fee comparisons, operational recommendations, confidential bidding, cost projections and invoice processing. Our role begins with consultation, followed by the management of the entire shareholder meeting process for the client.

Q: What qualifies Alliance Advisors, LLC to perform so many different functions?

Michael: Simply, our experience. As former executives of CIC, a proxy solicitation firm that provided print through solicitation solutions, we know the mechanics and costs of all of these services and how to best manage the entire process. CIC also had the largest client base of any

proxy firm so we have the advantage of having worked with thousands of corporations each year. Perhaps even more important is the network of industry partners we utilize, each of whom have their own qualifications in their respective fields. Since Alliance Advisors manages so many aspects of the process, we are far more involved with the client now than we ever were as a proxy solicitor.

"Alliance Advisors, LLC provided a single source solution for all of our shareholder/broker-dealer AGM communication and proxy needs"

*Mr. Benjamin Leboe, Chief Financial Officer
Uranerz Energy Corporation, Vancouver BC*

"Alliance Advisors, LLC was able to completely manage our first shareholder meeting from card design to printing to proxy solicitation to vote tabulation"

*Mr. Joshua Hauser, President and Chief Operating Officer
Odyne Corporation*

Q: Has Alliance Advisors, LLC managed "Notice and Access" for corporations?

Michael: Yes. Approximately one-third of our clients chose to implement Notice and Access this year and with great success. Once again, we provided them with detailed analysis including timelines, cost comparisons versus full-set and variations using a blended approach, where some shareholders receive hard copy while others are mailed only the notice. Since we utilize actual price quotes and not industry averages or assumptions, the



client is better prepared to make an informed decision. Alliance Advisors also offers corporations three choices for document conversion and posting with different levels of navigability making the materials much more interactive for shareholders. Since companies may save considerable money with

Notice and Access, it can be a sound business decision to reinvest a tiny portion of these savings to provide shareholders with more searchable documents. For other companies who will continue with the full set delivery option the basic format for conversion and hosting can suffice.

Q: What impact do you see "Notice and Access" having in the future?

Michael: Based on the low participation rate this year, it's evident that many large-cap companies had a

Continued on page 52

wariness of the concept even with the guarantee of substantial cost savings. We now know that retail voter participation is down considerably when Notice and Access is employed and many companies also had difficulty with the 40 day time requirement. Next year companies under \$700 million in market capitalization (small-cap companies) will have to comply with the rule and make a choice between the "Notice Only" or the "Full Set Delivery" options. Considering that 75% of all public companies fall into this category, the rule will impact far more issuers than this year who may not be as fluent on the process. The cost savings for these companies are also much less obvious and will require detailed calculations - especially considering the additional fees from Broadridge. Small-cap companies will also have the added work and cost of converting and posting the shareholder documents, website hosting and the fulfillment of requests.

Historically, small-cap companies do not have a lot of institutional ownership - and therefore, a significant reduction in retail voting will have much more of an adverse effect on them when seeking support for a non-routine proposal. All of these factors will have to be carefully considered in order to make a strategic decision and reap the benefits of this model. Eventually, the potential savings and advantages of e-proxy will compel all size companies to consider the implementation of Notice and Access, even if it is on a year to year basis.

Q: Why is the business model you offer so beneficial to corporations?

Michael: Primarily because of all the new regulations and changes relating to the shareholder meeting process. Over the years, corpora-

tions have been faced with Sarbanes-Oxley, new compensation disclosure rules, the loss of discretionary voting on compensation proposals, broker proportional voting, financial reporting in XBRL and now Notice and Access. These revolutionary changes have made the execution of a shareholder meeting the most complex event on the corporate calendar. To assist the client, Alliance Advisors utilizes value engineering to police the process while interfacing with all suppliers, from financial printers to web hosting firms. This business model offers

Michael: As confidential strategists, Alliance Advisors continues to improve procedures and streamline the shareholder meeting process for our clients. We have also maximized cost savings and we do so whenever it is possible and practical. Based on the number of projects we conduct, Alliance Advisors is able to provide corporations with preferential pricing from our industry partners for multiple services. As former proxy solicitors, we counsel clients regarding their shareholder constituencies, particularly from a voting perspective, and provide advice

"The experience of Alliance Advisors with printing, proxy processing, Notice and Access and everything in-between is invaluable"

*Mr. Daniel Reynolds, Chief Financial Officer
Calloway's Nursery, Inc.*

"As our confidential strategists, Alliance Advisors looks out for our interests through every step of the proxy process"

*Mr. Douglas K. Hudson, Director
Corporate Communications & Investor Relations, Brown & Brown, Inc.*

issuers a single point of contact to manage the entire shareholder meeting process, thereby reducing the workload on the client.

Q: What kinds of companies do you have as clients?

Michael: In addition to managing Notice and Access for several large issuers, the majority of our clients, to date have been small and mid-cap companies. These corporations typically do not have the resources of their large-cap counterparts and the logistics of coordinating a multitude of suppliers can be overwhelming. Our clientele also includes a number of transfer agents and law firms who recommend Alliance Advisors to their clients for various corporate transactions, including shareholder meetings, tender offers and information statement distribution.

Q: What does Alliance Advisors, LLC bring to the table?

on the need for solicitation services. Essentially, Alliance Advisors is an advocate for the client - ensuring that all procedures are properly executed, all timetables are met and the process is professionally managed with a view toward financial efficiencies. Whether the client selects "Notice Only" or "Full Set Delivery" Alliance Advisors has proven that our pioneering concept and turnkey approach produces proxy management - at it's best.

**Alliance
ADVISORS LLC**

The Shareholder Meeting Strategists

209 Cooper Avenue
Upper Montclair, NJ 07043
(973) 655-9200

Michael Mackey
mmackey@allianceadvisorsllc.com
www.allianceadvisorsllc.com

"The State of Unclaimed Property: The Chaos Continues"

By Bob Irvine, Unclaimed Property Recovery and Reporting, LLC

Uniformity. Predictability. Consistency. These are three attributes of effective, reasonable regulatory law and policy. Unfortunately, when one considers the national landscape with regard to unclaimed property regulation and policy, these terms do not apply. Recent legislation, policies and court cases have obscured the landscape more during the past few years.

Unclaimed Property as a Revenue Source

Despite the claim by many states that their unclaimed property law is designed to provide consumer protection, states are continuing to focus on unclaimed property as an increasing revenue source. Ideally, state unclaimed property or "escheat" laws were enacted to safeguard abandoned assets for their owner or the owners' heirs for claim by them in perpetuity. However, many state legislatures consider unclaimed property receipts as an increasing source of state revenue.

Consider that for the state of Delaware, unclaimed property is the state's third largest source of revenue at \$375 million dollars in FY2008 according to Delaware's Economic and Financial Advisory Council's Revenue subcommittee's background estimates released September 16, 2008. States such as New York and California have significant annual unclaimed property revenues as well: \$597 million and \$670 million dollars, respectively.¹

Further indication that states consider unclaimed property a significant revenue source is that states have used unclaimed property funds to prevent budget shortfalls or to fund particular programs. During the last two days of its legislative session in late June, the Delaware legislature and Governor quickly passed and approved a securities dormancy period reduction. This action occurred in an effort to increase Delaware revenue needed for the new Delaware budget. Some estimate that reducing the dormancy period could provide Delaware with \$90 million dollars in new revenue.

Some states use a portion of the unclaimed funds they collect for special programs such as Virginia's use of unclaimed funds for its Literacy Program or Tennessee's use of unclaimed funds for its Health Access Incentive Program. Another example is North Carolina's investment of unclaimed funds and its use of the earnings for college scholarships. The investments are normally in low risk vehicles. However, a couple years ago, the North Carolina legislature passed a new law which changed the investment strategy to permit a portion of the funds to be in non-fixed income securities (such as real estate, private equity, or public equity).² Even though altruistic, such use of escheated funds reinforces the idea that the state legislatures have forgotten that the states merely, "stand in the shoes of the



owner" and are supposed to act as "custodian" of the funds for the true owners or their heirs.³

More evidence of the lack of "owner" focus and the emphasis on unclaimed property as revenue are the revelations caused by the Taylor v. Westly⁴ case which is pending in California. In Taylor, plaintiffs, Chris Taylor and Nancy Pepples-Gonsalves, challenged the constitutionality of the California Unclaimed Property Law.⁵ Taylor is a resident of England and former Intel employee who owned Intel stock. Pepples-Gonsalves, a California resident, was a TWA flight attendant and owned TWA stock. The plaintiffs' stock was escheated to the California Controller's office as required by the California Unclaimed Property Law (UPL). The Controller sold the stock and deposited the sales proceeds into the state's general fund.

On June 1, 2007, an injunction was ordered by the United States District Court which prohibited California from receiving any more unclaimed property until the State Controller devised and implemented a scheme that would meet the Due Process requirements of the US Constitution by providing appropriate notice to owners. The District

Continued on page 54

Court, echoing the Ninth Circuit, stated "It is clear.....under the presently existing scheme, California does not give constitutionally adequate notice before accepting or taking title to property, or selling, converting to cash, or destroying property under the UPL."⁶ Following the injunction numerous radio shows, newspaper articles and television news spots described incidents of seemingly premature "takings" of owners' property by the state when owners could easily have been found.⁷

Dormancy Period Reductions

Consistent with the states' increasing focus on unclaimed property receipts as state revenue, states continue to decrease their dormancy periods, particularly those that apply to securities property types. By reducing the dormancy periods states receive unclaimed property remittances sooner and get a one year windfall in the first year of the reduced period. During 2008, the following states have decreased securities dormancy periods:

1. **Delaware** - SB 334 Effective Date: 7/1/2008 - Reduced the securities-related dormancy periods from 5 years to 3 years (except SC20 - credit balances which remain at 5 years).

2. **New Hampshire** - HB 1533 Effective date: Approx. 8/3/2008 - Securities dormancy periods (including underlying shares) reduced from 5 years from 3 years.

3. **Oregon** - HB 2104 Effective Date: 1/1/2008 - Reduced the dormancy periods from 5 to 3 years for property held by banks, financial institutions, and life insurance companies and for securities including dividends.

4. **South Carolina**: SB 741 Effective Date: 4/15/2008 - Reduced the securities dormancy periods from 5 years to 3 years.

More Business Burdens

Either in reaction to Taylor v. Westly or

in an effort to increase revenue and/or trim costs, states are placing more burden upon business. For example, note that California's new owner notification scheme which was approved by the District Court by its lifting the injunction in October, 2007, requires holders to file two reports per year instead of one as required by most states. In the first report the business must provide a listing of the owners and their addresses, etc., but does not remit any property. The state then reviews this list, uses state resources to find better addresses, and sends letters to the owners. The letters advise the owners to contact the business holding the property in order to retrieve it. A few months later, businesses are required to reconcile the first report with the claims on the items that have occurred in the interim and file a second report and remit the corresponding property.

Also, as a possible reaction to the Taylor case and in an attempt to shift liability to business, states are changing regulation or policy with regard to due diligence. Consider the following Florida regulation which seems to suggest that a business should take greater measures when a due diligence letter is returned from the post office as undeliverable:

"Holders of inactive accounts having a value of \$50 or more shall, not more than 120 days and not less than 60 days prior to filing the unclaimed property report, send written notice to the apparent owner's last known address informing the apparent owner that the holder is in possession of property subject to Florida's Disposition of Unclaimed Property Act, Chapter 717, Florida Statutes. *However, if the holder has in its records an address for the apparent owner which the holder's records disclose to be inaccurate, the holder shall use due diligence to locate the apparent owner.* "Due diligence" means the use of reasonable and prudent methods under particular circumstances to locate apparent owners of

inactive accounts using a taxpayer identification number or social security number, if known. *Reasonable and prudent methods may include, but are not limited to, using a nationwide database, cross-indexing with other records of the holder, or engaging a licensed agency or company capable of conducting such search and providing updated to addresses*."⁸

In addition, note that some states have changed their required report cover sheets so that the business must attest that it has complied with the states' due diligence requirements. Examples are:

Illinois - The business is asked to check "Yes" or "No" in the box on the cover sheet after the question, "Did you perform the due diligence for this report?"⁹

North Carolina - Includes specific certification language on the cover sheet, "Further, I certify that notices pursuant to North Carolina's General Statute 116B-59 were sent to the owners at their last known address. This notarized certification is an affidavit attesting that the holder has complied with North Carolina General Statute 116B-59."¹⁰

Stepped Up Audit Programs

Many state unclaimed property units include unclaimed property auditors who routinely audit businesses located within the state to assess compliance with the state's unclaimed property laws. For example, consider that in FY 2006 - 2007, the state of California added 15 new auditor positions and initiated 50 audits of businesses in 23 industries.¹¹

In place of or in addition to these auditors almost every state (including California) contracts with at least one private audit firm that performs audits of businesses throughout the United States on behalf of the state. The use by states of these "third party" auditors is

Continued on page 55

growing dramatically and many states use more than one firm to provide these services in order to perform more audits and achieve more revenue via past due liability and penalties.

Note that the “third party” auditors often charge the state a fee that is contingent upon the amount of past due unclaimed property that they find. Often this fee is extracted or “netted” from the past due property they claim is due from their audit. Some speculate that this arrangement has caused the “third party” auditors to develop questionable techniques designed to inflate the amount of unclaimed property they find and hence, inflate their fees. For example, when the audit firm represents the state of incorporation of the business being audited, the auditor may impose an extended “reach back” period as a part of the audit scope. Often, the business being audited doesn’t have records as far back as the extended reach back period. In those instances,

third party auditors use extrapolation/estimation to determine the property that would have been past due for reporting during the periods for which there are no records. As this estimated property is “owner unknown” it is considered to be due to the state of the incorporation of the business.¹² In some cases these “estimates” or “extrapolations” are based on faulty samples, methods or logic.

In addition, some third party auditors are creating new property types such as “cash over receipts”. This trumped up property type results when the records of a business indicate it received more product than it ordered and for which it paid the seller. In some cases the seller shipped “extra” product due to its experience with breakage or the “extra” resulted from a concession for past product defects that was not properly reflected in the buyer’s records, etc.

The Chaos

Many states are continuing to treat unclaimed property as revenue and lack an “owner” focus in spite of the looming warnings of the Taylor v. Westly proceedings. On the other hand, states that seem to be heeding the warnings are passing more of the liability and burden to business. Add to this mix the fact that unclaimed property audits are becoming more prevalent and complex to defend and the result is that:

The Unclaimed Property Chaos continues... To discover how UPRR can help your business navigate the “chaos”, contact Bob Irvine at 212-971-3333, ext. 12...

or birvine@uprrinc.com or visit our website at www.uprrinc.com

UPRR
When experience counts

1 State Treasury Activities and Function, Seventh Edition, Table 120, pp 295-6. Published by the National Association of State Treasurers, November 15, 2006.

2 “Escheat Funds: An Overlooked Source of Public Capital for Business Development in North Carolina”, Michael Stegman and Aaron McKethan, University of North Carolina, Center for Community Capitalism.

3 Connecticut Mutual Life Insurance Company v. Moore, 333 US 541 (1948). See also, The State of New Jersey v. Sperry & Hutchinson Co., 56 NJ Super. 589; 153 A.2d 691 (1959).

4 Taylor v. Westly, No. Civ. S-01-2407 WBS GCH (U.S. Dist. Ct. E. D. Cal. June 1, 2007). This decision was based on a decision and remand by the United States Court of Appeals for the Ninth Circuit.

5 California Code of Civil Procedure, Section 1300 et. seq.

6 Taylor v. Westly, No. Civ. S-01-2407 WBS GCH (U.S. Dist. Ct. E. D. Cal. June 1, 2007) at pg 7.

7 “California’s Asset Grab: The State Should Make a Better Effort to Notify Owners of Unclaimed Property Before Seizing It”, L.A. Times. July 10, 2007.

8 “Call Kurtis: Not-So-Safe Deposit Box”, Kurtis Ming Reporting for CBS 13, July 16, 2007.

9 Florida Administrative Code Section 69I-20.031 (emphasis added).

10 <http://www.treasurer.il.gov/programs/cash-dash/pdf/HolderPacketRvsd2008-08.pdf>

11 <http://www.nctreasurer.com/NR/rdonlyres/D7FA0409-43C0-4C54-8EE7-453119503B02/0/ASD159.pdf>

12 Annual Report to the Legislature on Unclaimed Property Audits, December 10, 2007.

13 Delaware v. New York, 507 US 490 (1995)

“A SLEEPER DEVELOPMENT” WAKES UP NASPP CONFERENCE ATTENDEES, WITH A START...

Jennifer Borden, Esq., a partner in the M&A group of Holland & Knight, LLP and a former General Counsel to the Massachusetts Abandoned Property Division, startled Stock Plan Professionals to a high degree of wakeful attention with her analysis of this “Sleeper Development”: State Abandoned Property Administrators are eyeing Employee Stock Ownership Plans of every description with rapidly accelerating interest. They are stepping up their audits to include these plans, where often, Plan trustees and administrators have been giving “lost” participants scant attention. And they are imposing fines and penalties where administrators are found to have been remiss in diligently escheating ‘abandoned property’ to State treasuries.

Ironically, the stock that the State of California sold off, and later refused to replace at current market value - and which set the stage for the seminal Taylor v. Westly case - belonged to a retired employee, who was also the spouse of a still-employed, and very senior level staffer when his shares were sold off. More ironically, Plan trustees - and corporate plan sponsors too - have a clear fiduciary duty to ‘do right’ by Employee Plan owners - specifically to find them if they get lost, which isn’t all that hard to do, as she, and Gerry O’Leary of UPRR, who was also on the panel explained. “Start looking for them right away, before the trail gets cold...use professionals...vet them thoroughly, since there are scamsters out there...protect yourselves, and your companies from losses, fines, penalties...and costly lawsuits” they advised.

You completed
your merger.

Now you
need UPRR
management.



Mergers have unintended consequences. Some involve lost and inactive holders who remain on your records as unexchanged holders. Our expertise is to locate these



holders and motivate them to take action on their investments and, as a last resort, to perform appropriate unclaimed property reporting. Our services include:

- Expert Location Services
- Decedent /Estate Identification
- Simplified Communications
- Unclaimed Property Reporting

Our Maximum Return Program (MOR) combines these services to provide a process that reunites assets with investors, preventing unnecessary escheatment. And we do so in a manner that maximizes participation.

Find out more, or get the UPRR team started for you today.

Call 212-971-3333.

UPRR

Unclaimed Property Recovery & Reporting

When experience counts.

450 Seventh Avenue, Suite 1300

New York, NY 10123

www.uprrinc.com

"STILL CRAZY AFTER ALL THESE YEARS..."

An interview with Rich Scotti of Scotti Graphics

Rich Scotti: This is the twelfth year that you and I have been talking about and writing about PROXIES... So I'd like to turn the tables, and start the interview for a change... and to say straight out that I think the headline should be "Still Crazy After All These Years"

The Optimizer: OK...but just so our readers know, who or what is crazy here?

Rich: Well first off, it probably is me, at least a little bit. The creation - and specifically the designing, laying out, proofreading, correcting, tweaking, printing and delivery of what I've often called "the humble proxy card" is a huge part of our business at Scotti Graphics. We are still the largest printer of proxy cards in the country - as we've been for very many years. And, beginning with my Dad, who founded the business 33 years ago - in 1975 - we have been consistent innovators here. So yes, to say that I'm crazy about proxy cards is really correct.

Also, as everyone who's associated with the proxy season knows, it is a crazy business - and a business that has a way of making issuers, and all the annual-meeting-related suppliers they need to have, kind of crazy too.

But the thing that drives me really crazy is how little most people seem to have learned from history - about the many perils of proxy cards, about how to avoid them, and about the wide variety of best practices that can keep us all

from going crazy during the annual meeting season.

The Optimizer: We've been telling readers that the 2009 proxy season seems certain to be the craziest ever - initially because of the mass-migration to the Notice and Access model we expect. But now it seems certain that 2009 will be crazier yet - because of the credit crisis, the meltdown in stock prices - and to the fact that a lot of investors are crazy-mad at companies and corporate officials. What do you think?

Rich: Crazier than ever? Absolutely! Let's start with Notice and Access, because it is something new to the majority of issuers, but also because issuers are going to need proxy votes from their "friendly" or basically "understanding" investors than more ever before.

Historically, the proxy card itself has been a key element in motivating people to vote. And it has been a key vehicle that lets people vote, and/or tells them how they can go about casting their vote. This is still true, I believe. But now we have the "Notice" that goes with N&A. And I believe that the design of this document is at least as critical, and maybe more critical than the design of the proxy card itself. Many people reportedly think that the Notice IS the proxy... But many others are clearly put off by all the information the Notice contains, and how complicated it seems to cast a vote 'the new way'. The numbers speak for themselves here.



The Optimizer: So what kind of advice do you have for our readers?

Rich: Design, layout, overall readability, reader-friendliness - and clarity - are the key words here. Plus, the document needs to look important... and make you want to read it. It also needs to leave you with a clear understanding of what you need to do to cast your vote - and in some cases, to understand 'what comes next' - since many companies will want to - or will discover they have to send an actual proxy card if they want the average shareholder to cast a vote.

The Optimizer: Got it; but what does this mean in practical terms?

Rich: Start with the envelope this year. Make sure shareholders will actually "Notice" - and will actually open it and look at what's inside. Here's where the layout, the wording, maybe your company "branding" - like the use of your logo and your company colors - can make a world of difference, on the envelope alone.

As to the actual Notice, the same concepts apply. But here, the layout itself -

Continued on page 58

the choice of typefaces and type sizes – and the use of color to separate, or join, and especially to highlight key sections of important information can be critical elements of success, or failure. The same is true, of course, when it comes to the proxy card itself.

There are four other issues that are likely to be very big, and very important ones in 2009: First, many companies will need a lot more space than ever before – just to cover the election of directors – thanks to the big move to majority voting.

To make us crazier yet, there are likely to be more shareholder proposals than ever – many of them at companies that have never even had a shareholder proposal before.

Especially important to note – it will be more important than ever before to lay-out all the proposals in a way that makes it crystal clear to stockholders whether checking a box is voting “for” or “against” the company’s recommended position on each issue. There is absolutely no room for confusion here. So having real design and lay-out experts on your team – and having people who really understand the proxy process on your team – is more critical than ever.

Last, but far from least; time will be particularly “of the essence” in 2009. This is partly due to the very tight filing, web-posting, mailing and fulfillment deadlines that come with N&A. But let me also point out; there’s absolutely no room for mistakes...And sadly, rushing around at the last minute – and especially if you have a lot of “neophytes” on your team – is the root-cause of most of the costly mistakes we see people make – year after year – in the crazy world of proxies.

The Optimizer: Do you have some other practical tips to offer readers here?

Rich: You bet...And this takes me back to something that makes me really crazy – the fact that most of my tips on “best practices” go back a very long time.

My number-one tip – I call it the first commandment of proxy printing – is to have only one captain. Oddly, more and more companies seem to forget this rule with every passing year. I think it’s because more and more people – from more and more places – seem to be involved in the process than ever before. So maybe it’s harder than ever to decide who “the captain” is or should be. But break this rule and you risk being dead in the water.

My second, and related tip, is to make sure that everyone is literally “on the same page” – by using a common “tool”; one that is shared by everyone on the team, but where only the captain can approve the “final version” of your document.

Last – and another interrelated tip – is to make sure that what your captain is approving is exactly what will print out. Amazingly, thanks to all the new participants that seem to be involved in the process these days, coupled with all the versions of and variations on the kinds of software they’re using, many people have been going backwards instead of forward here: What you see on your screen – and even on a pdf – is not necessarily what will print out anymore.

The Optimizer: You began by saying you’re an innovator: Anything new this year?

Rich: Yes, indeed. We’re working on a new tool – which will be ready well in advance of the 2009 season – that will allow everyone on the proxy team to review the schedule, the progress to date and the documents themselves from anywhere – and to propose changes and edits – as long as they have a BlackBerry. This will take a huge amount of craziness right out of the system – not just for issuers and their advisors but for their transfer agents, web-hosts and the printers and mailers too. Currently, for example, we have daily conference calls with most of our key clients and partners...where maybe a dozen people are on the call, most of them waiting for ‘their meeting’ or ‘their issue’ or ‘their important change or correction’ to come up for discussion...or maybe just for a status report. You tell me: Is this crazy, or what? So here’s to a safer – and saner 2009.

Let me also mention that the new document tracking system we’re developing is not just for proxies. It will track, and will contain “alert” features, and “live” status updates on the production of any document, and it will also incorporate state-of-the-art security features.

Separately, we are working on a new process to produce booklets, statements, multi-color letters and other items containing variable, account-specific data – on demand. I should also mention that we now have the capability to produce up to 200,000 forms or letters with account-specific data imprinted on them, and we can mail up to 150,000 pieces per day. Now more than ever we are ready to handle your design and printing programs, as well as your mailing needs.

**The Scotti Companies**
163 Varick Street • New York, N.Y. 10013 • (212) 691-6644 • fax: (212) 691-9013 • www.scottigraphics.com
“At Scotti Graphics, details make the difference.”

Scotti Graphics, Inc. • Scotti Financial Data Services • MICR Encoding Company

• BINDERY	• CUSTOM PROGRAMMING	• IMPRINTING	• OFFSET PRINTING
• CHECKS	• ENVELOPES	• MICR ENCODING	• PROXIES
• CONTINUOUS FORMS	• GRAPHIC DESIGN	• NUMBERING	• TYPESETTING

Toll Free: 1-800-582-5551 • E-Mail: production@scottigraphics.com • www.scottigraphics.com

**"WHO COUNTED THOSE PROXY VOTES, MADAM CHAIRMAN?
"WHAT ARE THEIR QUALIFICATIONS, WE WANT TO KNOW...
"WHAT DID THEY ACTUALLY DO TO 'INSPECT'?
"AND HOW DO WE KNOW THEY GOT IT RIGHT?"**

INTRODUCING THE 2009 "HAGBERG TEAM" OF INDEPENDENT INSPECTORS OF ELECTION...

For over five years now, the OPTIMIZER has been warning companies to expect pointed questions, like the ones in our headline, to pop up from the floor of their Annual and Special Shareholder Meetings - and to be prepared... with some very good answers to all of them.

In 2008 we saw questions like these make front-page news...at companies like CSX, WAMU and YAHOO, to name just a few...and to pop up at virtually every meeting where the final results were "close".

In 2009 we expect even more questions like these to arise - thanks in part to majority voting for directors - coupled with increasing shareholder pressures for greater corporate and individual director 'accountability' - coupled with a huge increase in investor skepticism about *everything* a public company does and says these days.

Give us a call at 732-928-6133 to learn more about how we might help you, and to secure the kind of coverage you really need to have on your all-important Annual Meeting date.

Accordingly, we beefed up our 2009 Team of Independent Inspectors of Election big-time. We also tuned up our written procedures, our Presumptions as to the Validity of Proxies, our little 'script' that describes what we do - and we beefed-up our entire due-diligence process a bit too, although it was mighty robust beforehand.

Please take a minute to review the truly exceptional qualifications of our Team. We think you will agree that having one or more of our members on YOUR team will provide you with strong support - and with a strong and much needed feeling of confidence - during the planning stage, at the meeting itself, and all the way through the Inspectors' Final Report and Certification. Please remember too that those much-favored Tuesday and Thursday meeting dates get booked up fast.



Carl Hagberg serves as general manager for the Independent Inspectors Team. He has served as Inspector of Election at over 400 Annual and Special Meetings and in numerous proxy contests. Carl is considered to be one of the country's leading authorities on Annual Meeting matters and on automating - and auditing - the proxy voting and tabulating processes.



Raymond (Ray) Riley, a Brooklyn-based consultant specializing in systems and procedures, serves as co-manager of the IIOE Team. Ray has acted as Inspector of Election at well over 100 routine and contested meetings. While serving as the chief technology officer for the Corporate and Institutional Trust and Agency group of Manufacturers Hanover Trust Company, Ray developed the securities industry's first fully-online proxy tabulation and reporting system. Ray is a former president of the Securities Transfer Association.



Rhoda Anderson, based in Cranbury, NJ, guided two of the world's largest companies to record voting levels - first as Director, Corporate Secretary's Dept. at AT&T, then as an Assistant Secretary at Lucent Technologies - before founding her own company, which helps companies automate the *delivery* of annual reports and proxies and to better automate their voting processes.



Jane Ludlow, MBA, CPA, based in Dresher, PA, is an independent consultant specializing in corporate governance and compliance. From 1984-98 she was Executive Director - Corporate Governance at Bell Atlantic, where she supervised the creation of materials and the logistical and voting arrangements for the Annual Meeting, where typically, over 500 of the company's 2 million investors attended.



Don Hager, Esq., based in Oklahoma City, OK, and currently Of Counsel to DeBee Gilchrist, is a former Assistant General Counsel and Assistant Secretary of Kerr-McGee Corporation. Don served as Chairman of the American Society of Corporate Secretaries Public Company Affairs Committee, as Chairman of the Membership Committee, and in 2003 received the Bracebridge Young Award, the Society's highest honor.

Continued on page 60



Keith Berkheimer, MBA, is an independent consultant based in Palm City, FL. Keith recently retired from Public Service Enterprise Group after 39 years there, where he held various management positions as an Assistant Treasurer, including responsibility for PSEG's in-house Shareholder Services unit, and for overseeing the annual proxy solicitation effort. Keith is a former President and Board Member of the Shareholder Services Association, formerly known as the Corporate Transfer Agents Association.



Michael Dzieciolowski, based in Santa Clarita, CA, has over 35 years experience in brokerage and banking operations and in client services. As a former Assistant Vice President and Relationship Manager for BNY Mellon and its predecessors, Mike coordinated transfer agent activities and served as Inspector of Election for over 400 annual and special meetings of shareholders of small, medium and large companies. Clients included Rockwell International, Fluor Corporation, Computer Sciences Corporation, Hilton Hotels Corporation, Harman International Industries, Imagine Films Entertainment and Corporate Express among many others



Gregory Malatia, who is based in the Chicago area, retired from LaSalle Bank in 2008 after managing Shareholder Services there for 11 years, where he was responsible for interfacing with the Bank's corporate clients, coordinating annual meeting requirements and acting as Inspector of Election at numerous annual and special meetings. Earlier, Greg spent 26 years at Harris Bank, ultimately becoming the operations manager for stock transfer, reorg, tax reporting, dividend disbursement and proxy production, mailing and tabulation activities. Greg has been a director of the Securities Transfer Association and a director and past president of the Midwest Securities Transfer Association.



Belinda Massafra, MPA, CPA, based in Atlanta, Georgia, is president of Shareholder Services Consulting LLC. Prior to starting her own company, she served as Director of Shareholder Services for BellSouth Corporation from 1998 - 2007. Her responsibilities included coordinating BellSouth's annual and special shareholder meeting process - from proxy statement creation and delivery, to final vote tabulation covering BellSouth's 1.4 million shareholders. Belinda is an active member of the Society of Corporate Secretaries and Governance Officers and the Shareholder Services Association.



Sarah Mc Daniel is an investor relations manager, based in Mountain Ranch, CA. She has served as Inspector of Election at over 100 Annual Meetings - as a representative of Bank of America, Wells Fargo Bank and Manufacturers Hanover Trust Company of California - prior to signing-on to our Team in 2003. In 2008, Sarah served as the inspector from our team at over a dozen Annual Meetings.



Barry Shapiro, the founder of Applied Consulting & Logistics, a shareholder relations consulting firm, spent more than 30 years with Mellon Investor Services and its predecessors as a Vice President & Senior Relationship Manager. He has served as Inspector of Election at more than 200 Annual Meetings, including those for BellSouth, Fannie Mae, The McGraw-Hill Companies, and Yale University Trustee Elections.



Kristina Veaco, founder of Veaco Group in San Francisco, has been advising public companies on securities law compliance and corporate governance for over 20 years. Kris ran the Office of the Corporate Secretary at McKesson Corp. for seven years, where she was also responsible for securities law, SOX compliance, stock plan administration and subsidiary records management. Earlier, Kris had similar responsibilities at AirTouch Communications and at Pacific Telesis. A former Board Member of the Society of Corporate Secretaries and Governance Professionals, Kris is the current President of its Northern California Chapter and is active in the National Association of Corporate Directors.



Thomas Watt, who is based in Staten Island, NY, is a former Vice President and Senior Relationship Manager with BNY Mellon and its predecessor companies, a career that began with Manufacturers Hanover Trust Co. in NYC in the late 1960s. Over the past 25 years, Tom has attended meetings and acted as Inspector of Election for many of the Banks' most important clients. Tom holds the record on our Team, we believe, for the most-miles-traveled to annual meetings and for most meetings attended.

THE SHAREHOLDER SERVICE

OPTIMIZER

**"HELPING PUBLIC COMPANIES TO SHARPEN THEIR TOOLS,
TO CHOOSE NEW AND BETTER TOOLS...AND TO SAVE BIG MONEY...
WHILE CONSTANTLY IMPROVING SERVICES TO INVESTORS...SINCE 1994"**

HERE'S WHAT READERS SAY ABOUT THE OPTIMIZER:

"The Optimizer produces the absolute best value for our money. I have learned more 'tips' in one issue than I generally get from an army of consultants. Pithy, informative and practical – my kind of 'periodical' ...

Peggy Foran, Executive Vice President,
General Counsel and Secretary,
Sara Lee Corporation

"No other publication covers the issues important to a corporate secretary better than the OPTIMIZER... A 'breath of fresh air' compared to more traditional publications"...

Lisa Fries Gardner, Vice President, Secretary and
Chief Compliance Officer, Foster Wheeler, Ltd.

"The best reference I know of to learn how to effectively manage the 'administrative' side of investor relations"...

Tom Peck, Senior Vice President, Investor
Relations, Duke Realty Corporation

"Never fails to provide something I can use to update service and/or reduce cost"...

Ray Dunn, Director, Shareowner Services,
The Southern Company

"Useful information in a very readable format. This is the one publication I read on arrival; the others I **intend** to read and too often don't"...

Stephen P. Norman, Secretary,
American Express Company

A SPECIAL OFFER FOR READERS OF THIS SPECIAL SUPPLEMENT WHO ARE NOT YET SUBSCRIBING TO OUR REGULAR QUARTERLY NEWSLETTER:

Fill out the Subscription Form below. Fax it or mail it back before Feb. 1, 2009 and we will take \$25 off the regular one-year rate – OR, if you subscribe for two years, we will take \$125 off the regular two-year rate.

And remember, the OPTIMIZER comes with a full money-back guarantee if you decide it's not for you.

Name _____

Title _____

Company _____

Address _____

City _____

State _____ Zip _____

Telephone (_____) _____

Fax (_____) _____

Email _____

Signature _____

☐ Send me a full year, at \$275 (regularly \$300).

☐ Sign me up for two years at \$475 (a \$125 saving).

☐ My check is enclosed.

☐ Please bill me.

☐ Charge my credit card (see below).

☐ Add me to the HAGBERG HOTLINE (at no extra charge)
to receive special bulletins and news flashes via fax or email.

Fax your order to: (732) 928-6136 OR

You may phone in your order to: (732) 928-6133 OR

Mail to: The Shareholder Service Optimizer

P.O. Box 531, Jackson, NJ 08527-0531

You may pay using: ☐ Mastercard ☐ Visa ☐ American Express

Credit Card Number

Expiration Date

THREE GOOD REASONS WHY YOU NEED TO HAVE CHRIS LOGAN, PAULETTE WHEAT AND PERSONNEL TOUCH IN YOUR BLACKBERRY...

PLUS... THREE POINTS TO PONDER...



Chris Logan and Paulette Wheat in the lobby of their New York City office.

REASON # 1: *Personnel Touch* - as regular readers of the *OPTIMIZER* know - is a certified MWBE employment agency. Why should you care? In order to qualify for many State and federally funded programs - and to bid *successfully* on many State and Federal contracts - vendors are often required to show that a percentage of their company's business is awarded to "small and minority-owned businesses" - and sometimes, specifically to "Minority-Women-owned Business Enterprises", or MWBEs.

More to the point for most readers, many publicly-traded companies have rules of their own to make sure that small businesses and minority owned businesses get a fair share of the total business they award...simply because it's part of good corporate citizenship, and the right thing to do...and sometimes so *they* can better qualify to bid on State and federal projects. So, when you use a MWBE, you can increase the kinds of companies you're eligible to do business with...and you often stand a much better chance of winning bids, since many buyers award "extra points" to MWBEs in the evaluation step.

REASON # 2: *And very much more to the point if you're an OPTIMIZER reader*, for over 20 years now, Personnel Touch has had a very special "niche" in the shareholder relations and shareholder

er servicing world. They have been suppliers to many of the biggest, best and most demanding transfer agents, reorg agents and proxy solicitation firms in America. Having 'temps' and 'temp-to-perm' candidates who actually understand these incredibly complex businesses - along with the unique and specialized securities-industry "lingo" - and who can hit the ground running - is a HUGE money-saver in terms of shorter training times, lower turnover and higher productivity.

REASON # 3: Because they know how to add that special "*personal touch*" - whether they're phone reps, securities processors or trouble-shooters - and because their skill-sets are closely matched to the job beforehand - *Personnel Touch temps* will deliver exceptional levels of high-quality service.

THREE POINTS TO PONDER:

1. Are you "on the beach"...or do you have a friend or colleague who has worked in the securities industry, or in the Corporate Secretarial or Corporate Governance space who's "on the beach" ...and who might be interested in working once in a while?

2. Are you still active in the Corporate Secretarial and Corporate Governance world, and expecting to

be 'short-handed' during proxy season, or in order to complete all the important tasks on your ever-growing task list?

3. Are you a *provider of services* to Corporate Secretaries and Governance officers...where sometimes you may need someone with a senior level of industry knowhow... and absolutely top-flight interpersonal and communications skills...like in a tough proxy campaign, or a complex reorg deal, where the person who solicits a proxy, or serves as "information agent" really knows what they are talking about, and how to explain it clearly to an average investor?

Personnel Touch has expanded its long-running strategic alliance with Carl T. Hagberg and Associates to help put together people with senior-level job requirements and people with senior-level skill-sets - whether on a temporary, "temp-to-perm"...or strictly on a "project basis". Please feel free to call Chris or Paulette at the numbers below...or call Carl, if you'd like, at (732) 928-6133...whether you need highly skilled workers, or would like to work a bit more yourselves.

Personnel Touch Resources, LLC
295 Madison Avenue,
New York, NY 10017
(212) 545-8758
PTResources295@aol.com

**WELLS
FARGO**

Wells Fargo Shareowner ServicesSM

SUPERIOR SERVICE

PUT US ON TOP.

CONSISTENCY

KEEPS US THERE.

Wells Fargo Shareowner Services is driven to deliver the highest level of service to our customers and their shareholders. We consistently achieve top ratings industry-wide and lead our competitors by wide margins in the delivery of overall client satisfaction spanning the last 10 years.

Our superior service is backed by a seasoned sales and support team with an average of 15+ years of experience. Our commitment to the transfer agent business dates back all the way to 1929.

See why *Wells Fargo Shareowner Services* soars above the rest, call Scott Nelson at 651-552-6985.

For 7 of the last 8 years, *Wells Fargo Shareowner Services* has won the TALON award for the transfer agent ranked highest in *Overall Satisfaction with Your Transfer Agent*.



Score a Bulls-Eye in Governance.

**When
Employee Plans
Are on Your Mind,
Think
Ellen Philip Associates**



Put Your Plans in a Specialist's Hands.

We're a good resource to have in your corner. As independent tabulators, we've been part of the shareholder services community for almost 30 years. Our principal focus is on employee plans, not only regular pass-through voting but processing requirements in non-routine situations such as proxy contests, tender offers and other corporate actions. You'll find we have unusual experience and a blue-chip reputation.

We work hand in glove with plan trustees, administrators, record-keepers, transfer agents and proxy solicitors. We've been through the mill. We understand the detail of the process and are quick off the mark. We help in planning. Our procedures have withstood challenge over time and meet the highest standards of corporate governance. Ours is a flexible, tailored-to-your-situation service that includes whatever you need in document development and printing and mailing, also a state-of-the-art system for telephone and Internet delivery of voting instructions, together with online, real-time tabulations and reports.

In a different context we develop telephone (IVR) and Internet self-service facilities for participants in employee investment and

benefit plans, including interactive features and multi-lingual options. Applications include:

- Plan enrollments/benefit updates.
- Beneficiary designations/changes.
- Investment, contribution and deferral elections.
- Grant option acceptances.
- Fund transfers/allocations.
- Surveys/questionnaires.

www.ellenphilip.com

**For more specifics visit our new expanded website
or contact Ellen Philip.**

e-mail: ephilip@ellenphilip.com

Phone: (212) 807-0477

ELLEN PHILIP
ASSOCIATES, INC.
Data Management Solutions

134 West 26th Street, New York, NY 10001