

Righting The Governance Balance



A Special Supplement
to the Shareholder
Service Optimizer
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Righting the Governance Balance

Dear readers,

As we look forward to 2014 there is no doubt, we'd say, that the number-one change on the corporate scene over the past ten years – and thus, the number-one thing that public companies need to focus attention on in 2014 – has been the seismic shift in the balance of power where the once presumably equal legs of the proverbial “three-legged corporate governance stool” are concerned.

Quite simply, large investors and investor groups have infinitely more power, more leverage – and many more levers to use with management teams, with boards - and with investors of every stripe - than ever before...

And clearly, they are using this leverage more and more every day. How has all this happened – and what should good corporate citizens be thinking – and doing about this?

There are a surprisingly large number of reasons for the seismic shift, we say, that are intertwined in many ways:

It all starts with the rise of institutional investors...all of whom have a relentless and an ever-intensifying focus on financial results: We have written often about the total turnabout of the average company's shareholder base we've been witnessing – from 70% individual ownership in the 1970s and '80s to well over 70% institutional ownership today. Today, at many public companies, 70% or more of the shares are owned by 50 or fewer big investors – where every one of them has to compete more avidly every day, by showing results: The pressures on them to do so have become enormous.

And no, we don't buy that argument that this is all about short-termism: Some of the most active activists these days say they want to be, and will probably be investors “forever” – even though we say they might often make a bigger difference by publicly cutting and running from some investments as the best way to issue a “wake-up call.”

Greater sophistication – and infinitely better analytical tools have played a huge role: The maturity of the “information age” allows investors to quickly, thoroughly and inexpensively analyze, compare and benchmark corporate financial performance in dozens of ways, that were mostly impossible to carry out ten years ago.



It also allows investors to do the same with pay components, and “total pay” vs. any number of “peer-groups.” The same holds true for corporate governance measures.

Put simply, there is really no place for underperformers to hide any more – or maybe, as they used to hope, to be passed over by all those eagle-eyes, in favor of bigger game. We have been warning mid-cap and small companies for ten years now that ‘shareholder activism is coming to your neighborhood soon’ – and that time has surely come.

An unprecedented stash of corporate cash has added fuel to the fire, big-time: In early 2011 we predicted that the unprecedented cash hoard at US companies – now around \$1 trillion – would inevitably give rise to debates on how to deploy it – and to a lot of looks-back-in-anger over past mistakes – and would become “The Next Big Thing in Corporate Governance”: We were surely “on the money” there.

The huge ‘cash stash’ has led to a new - and greatly intensified focus on the board and management stewardship of corporate assets...which is as it should be.

Thus, the sudden rise of “Operational” and “Financial

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Restructuring” and other “Expert Investors”: No big surprise here – and much, much better for investors than the old-time green-mailers – though sadly, some of them are still around too. And it does seem to us that most of the “Financial restructuring experts” are mostly fast-buck investors, who really don’t give a damn about the long-term health, wealth and value creating potential of any enterprise that’s in their sights. But hey, sometimes a bird in hand IS better than a bird in the bush – even if one is a “long-term investor” by nature.

And let’s never forget, though we DO seem in danger of doing so; the financial industry crash went a long way to sharpen the focus of large investors – and smaller ones too...and turned many Americans from being champions of free enterprise and the spirit of entrepreneurialism into people who seriously suspect “big business” of being up to no good....which brings us to...

The press... and the simple fact that public struggles for corporate control, the antics of the relatively few “Imperial CEOs”...and “Imperially Empowered Boards” that still come to light...and usually a few juicy scandals that crop up too in such fights – make for exciting reading these days...

Last and far from least, let’s note the rapid rise of majority voting – which we say is the “ultimate weapon” when it comes to effecting real change in corporate governance – and, increasingly, in the long-term structure of the enterprise itself.

We can all have our own opinions as to whether management teams or activist investors or short-termers have “too much power”...or whether boards are losing important and long-cherished powers to govern...or whether everything is “just right” as is...a debate that has become a rather amusing sideshow of late...or whether the three legs of the governance stool will always balance themselves out in the end...

But as we head on into 2014, please check our cover image again, and take heed too of our favorite adage – that “the only company that really matters in terms of the ‘big picture’ is your own.”

Please don’t get caught with your own senior officers or board members being “tipped off the stool” in a spat over governance...

With warmest wishes for a happy, healthy and prosperous New Year!

A CLOSING NOTE – AND A SPECIAL REQUEST FROM YOUR EDITOR:

One of the most troubling trends we note from our perch as a consultant – and as a friend to so many companies and corporate citizens – and as a publisher too (since newsletters are typically the ‘first things to go’ come a crunch) has been the relentless drive to drive down expenses – and especially the cost of labor.

Every year we note more and more companies that do not have full-time Corporate Secretaries, or Governance Officers, or Investor Relations Officers, or Shareholder Relations Managers, to watch over not just those shareholders, but your vendors too.

So we would ask you to take a moment, and maybe try an old time technique – the “buck-slip” – to circulate this magazine to all of the good folks on your staff who play a role in providing information – and services to your shareowners...

We think there are a lot of very practical tips in this issue – and a lot of articles and ads that will give you valuable insights into the leading suppliers of services to publicly traded companies...including our all-important industry organizations...and there is lots more information on our website too: www.optimizeronline.com

Many thanks!



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THIS SPECIAL SUPPLEMENT TO THE SHAREHOLDER SERVICE OPTIMIZER

is published by

CARL T. HAGBERG & ASSOCIATES

P.O. Box 531 • Jackson, New Jersey 08527-0531

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THE OPTIMIZER EDITOR'S INTERVIEW WITH PAT MC GURN

SPECIAL COUNSEL TO ISS

Pat; it seems to us like you have been a leading player in the Corporate Governance space forever, so we especially wanted to get your perspective on our theme this year.

What do you think of the current balance of power between management, boards and shareholders, and what, if anything, do you think needs “righting”?

McGurn: You're right, I guess, about my history: This is my 19th Proxy Season, which is the way I measure time now - and I think there is a pretty fair balance of power today.

The top questions to ask, I think, are “Who does the board represent, and who has the ear of the board these days?” Our governance model has always been a basically board-centric, rather than a ‘public’ model. If we look back, it seems fair to say that a lot of CEOs thought of the board as “their board” – and many directors referred to “their board” too – which was pretty accurate back then, since they did all the picking and choosing.

I know that ISS is looking more closely at audit committees – and as an investor, I’m astounded at the number of defective audits that the PCAOB has cited – and by the percentage of repeat offenses by three of the big-four firms – and at how little blowback there has been from investors, and from audit committees, which, one would think, should be looking to raise the bar here.

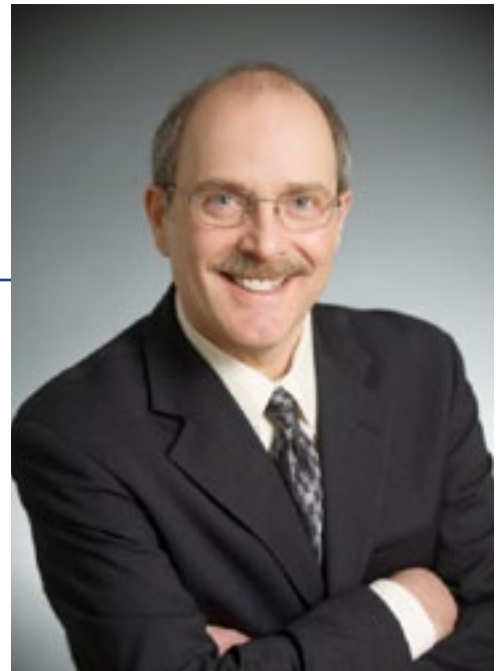
But shareholders have much closer relationships with boards these days, and boards have become much more willing to listen to shareholders – especially their larger shareholders – and to be very responsive. Retail shareholders have moved very much to the sidelines following the financial meltdown, although John Chevedden – whom I call “Gad-Zilla” – is on track to file over 100 shareholder proposals in 2014. But for most companies these are pretty much backburner issues.

What about Social and Environmental proposals? Do you see the same slow-down here that I see?

McGurn: Yes, I see a trend by proponents to link “E&S proposals” to long-term risk assessment programs, with boards being much more willing to negotiate, and agreeing to make greater disclosures. In 2013, 50% of the E&S proposals were withdrawn after negotiations.

Let me ask you about the ISS position to vote no on two directors at Provident National following their bylaw change to prohibit director candidates who would receive “incentive fees” for running for

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election. It strikes me that such arrangements violate two of our most important corporate governance pillars: That directors have a fiduciary duty to represent *all* shareholders – and that directors should not be stepping in as active “managers” in order to get the stock price up, and collect “incentive payments” if the price does go up.

McGurn: I think there will be a great debate here. Provident was a little different in that the bylaw provision was a very broad one – that precluded virtually any kind of potential payments to director candidates – that was not voted on by the shareholders – and where management was not willing to engage in discussions. At Agrium, and at Coke several years ago, and at Hess, directors did indeed surrender such payments before being seated. On the other hand, we need to recognize that agreeing to run on a separate slate represents a significant commitment of time and talent. So this will be an important debate to have.

I know that ISS is looking more closely at audit committees – and as an investor, I’m astounded at the number of defective audits that the PCAOB has cited – and by the percentage of repeat offenses by three of the big-four firms – and at how little blowback there has been from investors, and from audit committees, which, one would think, should be looking to raise the bar here.

McGurn: Shareholder ratification of the audit firm is one of the last “routine items” that remain on the ballot, and I think the SEC is reluctant to tackle this right now. One of these years I feel that it will emerge as a bigger issue – and Ed Durkin of the Carpenters Union, whose model proposal was kicked out by the SEC, has had some success in getting companies to agree to “enhanced audit disclosures.” So yes, I think there will be more to come here, down the road.

In early 2011, when the huge stashes of corporate cash first began to draw attention – but also in light of the truly horrible results produced by most share-buyback programs, and by most acquisitions – we predicted that “The Next Big Thing in Corporate Governance” would be “Holding Directors’ Feet to the Fire Over their Stewardship of Corporate Capital.” Do you think this has come to pass? And, more importantly, will ISS give a lot more weight to this when opining on how to vote on Director candidates?

McGurn: Could anyone have imagined five years ago that Apple would be the subject of today’s “Operational Activism” movement? And yes, many such investors are “second guessing” capital allocation decisions, as they should be. Most of our own institutional investor clients are giving very substantive attention to these issues – and feel very well qualified to do so. But they do want much more information on Directors than ever before, and, at their urging, we are building bigger data-bases about directors, and where they’ve served. Many investors have developed their own “no fly lists” of directors they will absolutely not vote for – and by 2020, I have been predicting that this will be the top issue with operational investors.

What do you think is the biggest threat facing companies on the governance scene these days?

McGurn: Boards need to pay a lot more attention to risk oversight. This is really a core responsibility of board members, and one where they need to be more active, more discerning, and to be a lot more specific in disclosure documents.

And what do you think are the biggest opportunities for Boards, these days?

McGurn: Boardroom succession planning: It’s the absolute Achilles heel of most boards today. Boards really need to improve their game. And while SEC guidelines for “skills matrices” helped considerably a few years ago, many companies have fallen back on boilerplate disclosures.

Anything else that’s high on your radar screen these days?

McGurn: Yes, and it also relates to director elections and to director qualifications and skill-sets: We need to be thinking about the Universal Ballot that the SEC Advisory Group has been calling for. With increasing focus on directors, and the likelihood of more competing slates, many investors want to be able to pick and choose among the management slate and a competing slate – to get the very best blend of skills they can.

ADVANCED EARNINGS-CALL RESEARCH:

Cognitive and Emotion Analysis of Management Representations

REALLY RIGHTING THE GOVERNANCE BALANCE

Back in November, your editor made a special point to attend a seminar on “Cognitive and Emotion Analysis of Management Representations” - given before a joint meeting of the New York Society of Security Analysts and NIRI-NY by Joel Litman, a managing director of Valens Securities, and quite an impressive fellow.

Aside from being a former managing director at firms like Credit Suisse, Diamond Technology Partners (now PwC) and Deloitte Consulting, Joel, a CPA who initially specialized in ‘forensic audits’ has taught or guest lectured on this subject at Harvard Business School, University of Chicago, MIT Sloan and Wharton.

And what an eye-opener the seminar was – both for writers, vetters and deliverers of earnings-calls and other management presentations – and for investors.

There are three basic methodologies to detect what Joel prefers to call “highly questionable statements” rather than outright “lies”... But hey, we say – if the CEO seems to be making a lot of “highly questionable statements” per speech – and on important topics – that sure sounds to us like grounds to sell out – or to quickly sell short:

The first and oldest set of tools are “Visual, Non-Verbal Signals” - based on “facial motion detection” and other signals like ‘big non-verbal gestures’ and other tics, that are very much like the “tells” that savvy poker-players have been using to their financial advantage for years and years. (As Joel spoke, we thought of our own favorite ‘teller’ and tic-er, Richard Nixon, who



Joel Litman
Chief Investment Strategist
Valens Securities

always rolled his eyes skyward when he told a really big lie – to see if his good Quaker mother might be watching from heaven, as our rock-ribbed Republican family opined with horror.)

The next set of tells are linguistic ones: People issuing highly questionable statements tend to use a lot more words than necessary...and to use “distancing words” – like “*That woman*” – to use Joel’s example and to cite yet another president – and to use a lot of extreme words and superlatives – like “the best” or “the biggest and best.” Research shows that all of these verbal tics correlate highly with later financial restatements.

Another big linguistic clue, he says, is the lack of references to “shareholder value” at companies that ‘practice to deceive’.

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The first two methodologies are the most complicated to learn and to apply – and pale by comparison to “Audio Analysis” which Joel said is the most objective by far, the hardest to thwart, the easiest to interpret...and developed by the Mossad, to boot.

Basically, he and his firm take a recording of an earnings call or any other management presentation, strip away all the extraneous background noise, and create an “Electro-Audiogram” of the speech that looks and works pretty much like the printout from a lie detector. Many of these audiograms tend to bear out the old saying that people tell about three lies every ten minutes, Joel says - but most of these “lies” are “social smoothing devices” that are easily identified and basically immaterial to an investor. Other common blips on the deception-detection scale arise from things that are “knowable, but basically unknown” to the speaker - or where the speaker has a low level of personal knowledge about or confidence in the subject matter, or in the ‘facts’ he or she has been given – like forward looking economic predictions and projections.

hedge funds and other “strategic investors” with large long or short positions in a given security.

Perhaps the greatest and least expected take-away from the seminar is this: “Electro-Audiograms are better truth detectors than lie detectors.” Just as they show evidence of ‘deception’ the audiograms can also reveal what Joel called “Excited Confidence Markers” which, when exhibited by the CEO, might, for example, prompt a spooky short-seller to close out a big position – or even to go long.

“We have been pretty much aware that folks like you have been doing what you are doing with earnings calls and other senior management presentations for quite some time” we commented after the program. “And it seems to us that most IR people, and many CEOs one would think, are at least somewhat aware of this too. How come more companies aren’t taking more care to minimize ‘deception markers’ that can so easily be spotted... like maybe vetting the speeches more carefully, deleting subject matter where confidence is low,

Perhaps the greatest and least expected take-away from the seminar is this: “Electro-Audiograms are better truth detectors than lie detectors.”

But if one sees “big deception markers” in connection with issues where the speaker is virtually certain to know the correct information, which Joel calls “super-knowns” – or *should know* it if he or she does not – it is a MAJOR red-flag. So, as Joel pointed out, knowing the context – and the company – and their business, and its key drivers – are very important elements in terms of evaluating the deception markers, and just how large a warning sign they may be providing.

Who is using information like this? A list of companies where Joel has given speeches and conducted seminars - like CalPERS, Fidelity, AON, HSBC and Oracle – provides a hint. But the biggest users – and potentially the biggest winners here are

leaving out, or maybe saying, ‘no comment’ or “We’ll get back to you on that” if potentially tricky subjects come up – and certainly not intentionally deceiving listeners where the stakes are so high?

“And what about Directors? Wouldn’t a board that suspected the CEO of consistently overstating the positives think about commissioning an Electro-Analysis?”

“I think that hubris may play a big role here” Joel responded... “I’m not at all sure that very senior executives pay a lot of attention to what IR, PR and Governance people – or even directors tell them.”

WHAT SHOULD CORPORATE FOLKS BE DOING TO PREPARE FOR, AND IDEALLY TO AVERT, ACTIVIST KNOCKS ON THEIR DOORS?

A QUICK CHECKLIST OF OUR TOP-TEN TIPS ON THINGS TO DO...ASAP

- If your company is not comfortably in the top quartile on most performance measures, jumpstart your engines immediately: Recognize that this is a serious problem in itself these days, regardless of your market cap or prominence, or of any plans you might be “hatching.” It’s a problem that requires an aggressive action plan - and a greatly stepped-up communications plan ... without delay.
- Ironically, if your company is doing very well - say with a big stockpile of cash, a high stock price and a low debt-to-equity ratio - you need to prepare for activists to knock too - and to knock harder than ever in today’s go-go environment.
- If you are vulnerable on points one or two, get professional help immediately - from a market-savvy investment bank you can trust to be brutally rigorous... and brutally frank... from a top-flight investor communications advisor and message-crafter... and from a top-flight proxy advisor.
- Get your board on board and involved... immediately.
- Step up your communications efforts.... without delay... to make sure that you - and your board - are aware of and “on the case” of any and all performance issues, your company’s long and short-term capital allocation plans, and alternatives ... and the overriding importance of having robust, long-term strategic plans in place: “ramped-up MD&A” on capital allocation philosophies, plans and results need to become much more of a daily exercise than an annual one, we advise.
- Conduct a top-to-bottom analysis of your entire investor base - including the number and percentage of shares held by each significant investor, and investor segment ... but remembering all the while that things can and will change overnight - and usually not in your favor - if activists knock.
- Quickly identify the governance hot-buttons of each significant investor and investor segment: identify any “gaps” that activists might seize upon - and do a rigorous pro-forma analysis of likely support for pro-management positions - should that knock on the door come tomorrow.
- Take immediate action to be proactive about “good governance” measures: if you still have plurality voting, a staggered board, or poison pills, consider “making nice” and introducing your own proposals on some or all of these fronts before the door-knockers knock, to minimize your vulnerabilities.
- Have the board take an especially hard look at itself: a really strong board is one of your strongest bulwarks against activist “knocks” of any and all kinds. Weak board diversity - whether in terms of gender, age, ethnicity or industry experience - or too many members who might seem ‘over-boarded’ or with ‘over-long tenure’ can become major strategic and tactical weakness in a fight to exert control over your company’s future.
- Reach out personally to all your larger investors... without delay... to make sure that they are aware of your heightened awareness of potential governance “issues” ... and your willingness to listen to any and all concerns.
- Be sure to do all this before anyone knocks on your door to demand change. Don’t expect investors to take your call if they haven’t heard from you before.





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ProxyPulse™ Reveals Shareholder Voting Trends



By Charles V. Callan and Michelle Jackson

Increased disclosure requirements and greater outreach efforts make it more important than ever for executives, boards of directors, corporate secretaries, IROs and other governance professionals to understand the makeup and behavior of their entire shareholder base, as well as trends related to proxy voting and overall corporate governance.

Early in 2013, a collaboration between Broadridge and PwC's Center for Board Governance was announced that would combine Broadridge's voting data with PwC's insights on governance. The result is ProxyPulse™, a series of reports that provide governance professionals and boards information to benchmark their own company's results to companies of a similar size.

The first ProxyPulse analyzed the 549 shareholder meetings held from Jan. 1 to April 23, 2013. While ownership and voting rates remained consistent throughout the season, the early look showed that on average, institutions own approximately 67 percent of public company shares and retail shareholders own 33 percent of the shares. With respect to voting, the report showed that 70 percent of the street name shares were voted: of this number, 60 percentage points were voted by institutions and 10 percentage points were voted by retail shareholders.

The second ProxyPulse, published midway through proxy season, provided a cumulative analysis of shareholder meetings from Jan. 1 to May 23, 2013, totaling 55 percent of the expected meetings for the full season. One finding focused on say-on pay voting results. Support for executive compensation plans was strong—more than two-thirds of the plans received support from at least 90 percent of the shares voted. The report noted that approximately 10 percent of company plans failed to surpass the 70 percent

support threshold which is closely looked at by proxy advisory firms.

The third ProxyPulse wraps up the 2013 proxy season. It provides a cumulative analysis of more than 4,000 shareholder meetings from Jan. 1 to June 29, 2013. The report compares the 2013 season to the 2012 proxy season, and provides key season-over-season trends, including among others:

- Directors continued to be elected with substantial shareholder support
- Consistent with 2012, 94 percent of directors received at least 70 percent of beneficial shares voted in their favor
- There was a slight increase in directors receiving at least 90 percent or greater support—81 percent in 2013 versus 79 percent in 2012
- About 2 percent (380) directors failed to receive majority shareholder support in 2013, compared to 428 in 2012

While there were 13 percent more say-on pay proposals in 2013 than in 2012, the percentage of companies with favorable say-on pay votes greater than 70 percent remained the same at 88 percent. Only 104 proposals failed to achieve majority favorable vote.

Given the importance of engaging all shareholders in the governance process, ProxyPulse offers questions executives, boards and governance professionals should consider. It also suggests a number of practical ways to better engage with shareholders in order to encourage them to vote.

Some key questions to consider in preparation for the next annual meeting and proxy vote include:

- What is the institutional and retail mix of our company's share ownership?

- Do we fully understand the impact of retail voting at our company?
- How does our company's size and mix of institutional and retail ownership impact the voting participation of our shareholders?
- Does the company have a communication program that allows for adequate engagement with all shareholders?
- How does our company's shareholder support compare to that of our peers?
- Does the company anticipate a close shareholder vote on a sensitive issue?
- Will additional outreach to retail shareholders make a difference on a close or sensitive voting issue?
- Do we understand the concerns of shareholders who may decide to vote against one or more of our directors, and/ or pay plan, and what have we done to engage them?
- Have we done sufficient cost/benefit analysis of our distribution method(s) for proxy materials and their effect on voting participation?
- Have we had sufficient discussions around potential changes to how the company distributes proxy material?

For more information, visit www.proxypulse.com

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Hiring a Consultant to Perform a Governance Audit, Board Evaluation or other Governance Study

Kristina Veaco and Cheryl Sorokin of Veaco Group

The role of boards has become increasingly complex in recent years and investors, academics, legislators, regulators and the general public are increasingly concerned about how effectively boards and individual directors are performing. For both these reasons, many boards are utilizing the assistance of outside consultants to audit or review their governance structures and processes, as well as to evaluate the overall effectiveness of the board and of individual directors.

Boards have a wide variety of consultants to choose from in conducting a governance audit, board evaluation or other governance study because, as interest in corporate governance has grown, many individuals and firms have begun to build practices focusing on governance matters. Some consultants and consulting firms specialize exclusively in corporate governance matters. Others, such as accounting firms, executive search firms, business consultants, management consulting firms, and law firms, offer governance consulting as part of an array of other services.

Governance audits and board evaluations or effectiveness studies are usually conducted under the direction of the board or its Nominating and Governance Committee. The first step in the process is to determine the scope of the project to be undertaken. A governance audit, for example, may consist solely of a written report comparing practices at the company to those of other similar companies, or to a specific set of practices commonly recommended by governance practitioners, investors or academics. It might focus just on certain practices of particular interest to the board or Nominating and Governance Committee. Audits may include recommendations for changes and assistance with implementation. They may or may not include interviews with directors.

Board effectiveness reviews typically require extensive individual involvement of directors, soliciting their views on how the board and its committees function and what changes might improve effectiveness. Board effectiveness reviews may also include director self-assessments of their own individual performance or peer reviews in which directors assess the performance of others on the board. The process may involve written questionnaires as well as individual director interviews, and may also involve short-term or long-term assistance with implementation of changes, and often subsequent reviews of progress.

Once the basic scope of the project is determined, the process of identifying, screening and recommending firms to provide the services desired is often handled by the corporate secretary



Cherie Sorokin (l) and Kris Veaco

or equivalent executive level internal officer working closely with the board.

Determining which firm or type of firm to utilize can be a bit daunting and requires careful planning. Several websites, including Carl Hagberg's www.carlhagberg.com, Broc Romanek's www.thecorporatecounsel.net and the Society of Corporate Secretaries and Governance Professionals' www.governanceprofessionals.org all list firms that provide various types of governance services in their Service Provider sections, and Society members often comment on and recommend firms their boards have used via the Society's members' only "Huddle" networking service. These resources are good places to start when beginning the search for a governance consultant. Board members themselves may also have recommendations for consultants to consider based on their experience with consultants providing such services to other companies on whose boards they serve. Some organizations actually go through (or may be required to go through) a formal and broadly disseminated "request for services" process in order to select a consultant.

Once the field is narrowed down to one or a few possible choices, the following checklist can be helpful in determining which individual or firm best suits the needs of the particular organization for the project in question.

Governance Consultant Checklist:

- What type of governance study does the board want and what is the scope of the project under consideration?

E.g., audit of current practices, analysis of current board effectiveness, review of committee practices and effectiveness, director self-evaluation, director peer evaluation, evaluation of chair, evaluation of committee chairs, evaluation of the board's relationship with the CEO, implementation of recommendations, focus on particular substantive areas, help with a known problem such as disaffected directors or confusion over the board's role, education of the board on governance trends
- What array of services does the firm or consultant under consideration provide in the governance area?
- Is board governance a primary area of expertise and focus, or one area among many others?

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- Is there a particular focus to the firm's or consultant's approach?

E.g., overall governance effectiveness, fiduciary/legal responsibility, compliance, risk management, organizational development, executive compensation, interpersonal skill development or relationships

- How long has the firm or consultant been engaged in governance consulting?
- How did the consultant acquire his/her expertise for the particular service?
- What is the firm's or consultant's approach to conducting governance studies?
E.g., written questionnaires, online or paper process for delivery and responses, oral interviews, surveys or research comparisons with peers or trends, de novo study, building on the company's past efforts, written report of findings, written recommendations, oral presentation of findings and recommendations.
- Is the firm or consultant willing to tailor the approach to meet the company's needs or expectations?
- Is the scope of the work desired a good fit with the experience and expertise of the consultant or firm?
- What is the experience of firm or consultant with different types of boards?
E.g., public, private, nonprofit, government entity, large organization with substantial staff, small organization with few staff
- What is the background and experience of the person or persons who actually will be doing the work?
E.g., legal training, management or human resources consulting, risk management or audit expertise
- What has been the actual boardroom experience of the firm or consultant?
E.g., involved as corporate secretary, CEO or business executive, director, consultant to the board or a committee, general counsel or attorney
- What experience has the firm or consultant had in actually implementing governance processes and practices?
- What is the firm's or consultant's reputation in the corporate governance arena (including in the case of a firm, the individuals it uses to provide governance consulting services)?
- Is the consultant or firm known to members of the board?
E.g., by general reputation, by work done for other boards on which directors serve, as a result of other consulting services the firm or consultant is providing or has provided to the company
- What other companies have been clients of the firm or consultant and what was the nature and scope of the services provided to those companies?
- What is the quality of references provided by the consultant or firm?
- Is the personality of the consultant or the individuals who will actually provide the service a good fit with the board and/or

the CEO?

- How long will the project take?
- What will management's role be?
E.g., will the CEO and other top executives working with the board be interviewed; will results of the work be reported to the management team separately; what role will management have in implementation of recommendations; who in management will assist in scheduling and in responding to both director and consultant questions/needs during the course of the project
- What will be expected of directors and how much of their time will be needed?
E.g., will the board and committee chairs be part of the project design process, are all directors willing to participate, will in-person or telephonic interviews be part of the process, how much time will it take for directors to fill out questionnaires and/or be interviewed
- What is the desired process for reporting results?
E.g., written or oral presentation to the board chair, to the Nominating and Governance Committee chair, to the Nominating and Governance Committee, to the full board, to the CEO, to each committee evaluated, to the management team, and/or, for director peer reviews, to directors individually
- What steps are taken to protect the confidentiality of individual director responses?
- Are the proposed fees reasonable given the scope of the project?

This checklist can be a useful starting point in determining which firm or consultant is the right governance consultant for the particular governance project both in terms of expertise and ability to relate well to the board. Of course, it is well to remember that, depending on the particular entity and project, there may be other considerations beyond those listed above and some of those listed may not be applicable. Additionally, some factors listed will be more important for certain types of projects than others. For example, in our experience, "personality fit" or the ability of a consultant to relate well to both the board and the CEO is particularly important in governance projects since it is the board's own processes and conduct that are at the heart of any governance project. The board must have confidence in and rapport with the consultant chosen. This is particularly true when conducting a board effectiveness study as board members have to be willing to be open and candid with the consultant for the results to be meaningful. The importance of "chemistry" should never be overlooked or underestimated.

You can see more about Veaco Group at www.veacogroup.com.

Contact us at 415-731-3111 or contact Kristina Veaco at kveaco@veacogroup.com.



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Computershare: *Looking Ahead*

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



IN YOUR VIEW, WHAT ARE THE DOMINANT TRENDS AND MAJOR CHALLENGES FACING OUR INDUSTRY?

The biggest challenge is the constantly changing regulatory environment. It's relentless. No sooner do we finish off with the IRS changes related to cost basis reporting than the IRS comes back with FATCA. We updated our security authentication model to meet strict OCC standards. The SEC jumps in with new requirements around Rule 17Ad-17 "unresponsive payees" and the change in how we can present proxy voting options to shareholders. At the state level, laws and interpretations regarding abandoned property and escheatment are continually evolving as well. Add to this the increasing focus on corporate governance, as well as the ongoing evolution of privacy and data security measures that need to stay current.

While all this has been going on, technology has not stood still. The ways in which issuers and shareholders interact has vastly changed. The days of traditional printed stock certificates and paper mail communications are mostly gone, replaced by demands for access to information and services via multiple channels with 24/7 convenience.

What is Computershare doing to help corporate clients achieve their goals in this challenging environment?

A key advantage for Computershare is that our scale, expert staff and proprietary systems allow us to keep pace with all this change, so our issuers can rest easy. We have dedicated technology, compliance, legal, risk, audit and data privacy teams focused on issuer and shareholder needs. Issuers need a partner like Computershare that they can trust to be in full compliance and keep them up-to-date with information and services.

The most important thing we do is listen to our clients. We strive to understand the challenges they face and exactly what they want to achieve. Every issuer is different: whether micro-cap or large-cap, OTC or blue-

chip, these are important and

successful businesses and we are privileged to work with each one of them. Every client we service has a dedicated relationship team, and we aim to partner with our clients to create custom solutions, helping them meet their corporate objectives and interact successfully with their stakeholders.

In addition, we are extremely focused on innovation and continuous enhancement of our products and services. The "voice of the customer" is critically important to us and I'd like to think that every client knows how much we value their input. I include my contact information on alerts and updates we send to clients and personally respond to emails. We also host client advisory board meetings that are open to all clients, regional client dinners and events, and conduct semi-annual satisfaction surveys to solicit more feedback. At the end of the day, people do business with people.

CAN YOU GIVE US AN EXAMPLE OF RECENT SERVICE IMPROVEMENTS?

Sure. Our clients know we're committed to providing the highest quality shareholder service. Again, our scale allows us to continually invest in technology and enhanced service capabilities to meet our clients' changing needs, as well as the needs of their shareholders, and we've recently enhanced the shareholder experience across all channels.

This year, we've expanded our customer service hours to twelve hours per day on weekdays, plus eight hours on Saturdays – making agents available when our clients' shareholders have time to call. We've also enhanced self-service channels for shareholders, for those who want the ability to transact 24/7. Our automated telephone system accepts spoken commands and requests, making it easier to use via mobile phone, as you don't have to pull the phone away from your ear to press buttons. It's safer, too, for those busy shareholders who call from their car!

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Meanwhile, our redesigned investor website allows shareholders immediate access to accounts on their first visit, while also meeting strict OCC security requirements and standards. The site is mobile-device friendly and allows shareholders to pull up proxies through smart phones. To assist shareholders online, we have our virtual agent technology “Penny,” as well as live chat with a service representative to assist with any technical website issues. Shareholder documents can be accessed via the web, and tens of thousands of shareholders have already used our online Transfer Wizard to navigate the myriad requirements of stock transfer.

LOOKING AHEAD, ARE THERE ANY REGULATORY CHANGES ON THE HORIZON THAT YOU FEEL WILL HAVE A MAJOR IMPACT ON THE INDUSTRY?

It can be challenging for issuers to keep up with all the industry and regulatory changes. Many of our clients simply don’t have the bandwidth to be aware of all the moving parts. Therefore, we strive to keep them informed of the items that will impact them. Once again, due to our scale and expert staff, we are able to work closely with government agencies and industry associations to advocate on behalf of our clients and help influence industry changes, rather than simply react to new rules and regulations.

There are a few potentially big changes on the horizon. The current proxy system continues to be scrutinized and we expect there to be a consistent stream of changes, large and small. Dematerialization – the move away from certificates -- is another hot issue. DTC has an initiative underway to reduce certificate inventory, which has reinvigorated discussions around full dematerialization across the industry. Somewhat related is a movement toward shorter settlement cycles – shifting from the current T+3 settlement to T+2 or even T+1, which would require significant changes to existing systems and processes. Tangentially, “crowdfunding,” the new capital raising approach for small businesses created by the JOBS Act, is something we’re watching closely, too – both in terms of how it will be regulated and how it could change the way people invest.

With all these changes underway, what do you think issuers need to look for in their transfer agent?

Well, naturally, I believe Computershare offers a number of advantages that make us the best choice for issuers, such as our service quality, unmatched product suite, talented staff, and commitment to the industry. But stepping outside and looking in, I think the most important thing is for issuers to find a partner they can rely on for the long haul. Speaking to an issuer, I would say first and foremost, your transfer agent needs to assist you in complying with changing regulations

and must be able to adapt as the industry evolves and your needs change. Secondly, you should look for an agent that invests in the technology, systems and processes needed to protect you and your shareholders, including strong data security and privacy programs, comprehensive disaster recovery and business continuity plans, robust controls and rigorous compliance.

LOOKING FARTHER AHEAD, WHAT DO YOU SEE AS THE FUTURE OF THE TA BUSINESS?

We’re excited and optimistic about the future of the industry. As you are aware, we successfully completed the integration of the BNYM Shareowner Services division earlier this year. So, our clients can rest assured that we’re fully committed, long-term. Plus, the integration has made us a much stronger organization, with an unmatched team of experienced and talented staff focused 100 percent on helping our clients achieve their corporate goals.

We expect that regulations will continue to change and that transfer agents will need to comply with ever-stricter standards, likely starting with updated SEC rules for transfer agents. Many think this could lead to additional consolidation, as smaller agents, in-house agents and companies where transfer agency is not their core business look to exit the market rather than invest in the future.

There will be a continued demand for new products and services to meet the changing needs of public companies and their shareholders. Cost control and environmental responsibility will continue to drive new channels of communication. Issuers will always expect excellent service for their registered shareholders, who are often loyal customers as well as investors. Robust technological capability and related data security will be required to meet these challenges.

ANY CLOSING THOUGHTS?

I’m going to close the way I always do. We want every one of our clients to be delighted with our services and willing to recommend us to their colleagues -- not just for transfer agency work, but for any of the services we deliver. Across the board, we’re committed to being the best: offering the best products, delivering the best services, being the best partner. We’re looking forward to building strong relationships with our new clients, including those who joined us with the Shareowner Services acquisition, while continuing to earn our clients’ loyalty by working hard every day to service them.

And for your readers: If there is anything you can think of that we can do to better service our clients or their shareholders, please feel free to email me directly at jay.mchale@computershare.com.

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VOLUME 19, NUMBER 4

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FOURTH QUARTER 2013

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CUT COSTS/REDUCE RISKS: TOO GOOD TO BE TRUE? OUR TOP-TWO MEGA-MONEY-SAVING/RISK REDUCTION TIPS FOR 2014...BOTH OF THEM EASY TO IMPLEMENT TO BOOT!

Definitely sounds counter-intuitive, we know...since in our own long experience, cost cutting strategies tend to create a host of new risks - many of which can lead to actual losses short-term:

Fewer people to handle required tasks and get them right the first time; suppliers having a field day - quietly but quickly moving to ratchet up fees and expenses while undertrained and over-stretched newbies are still blissfully ignorant: Workers fretting about their futures - constantly looking over their shoulders, sharing worries at the water cooler - and taking their eyes and their minds off the tasks at hand.

And yes, in our long-experience, across-the-board staff cuts sometimes lead to subtle and not-so-subtle sabotage - and sometimes to outright thefts, both of tangible and intellectual corporate property.

But there's nothing like that here: Our top two tips for 2014 are simple, easy to act on and yes; acting on them WILL reduce both the costs - and the risks associated with having shareholders.

And most companies will be astounded by the size of the potential savings that will be revealed...So here goes:

1. Ask your transfer agent to produce a list of all your registered shareholders - with any and all dividend reinvestment plan positions consolidated for each holder on the list - beginning with the smallest holdings, please, right on down to the very end.

Transfer agents should also be able to show the totals - and the cumulative totals - and the percentages and cumulative percentages of the shares outstanding that are held by all of the sub-groups; say in the less-than one share group, the 1-5 share group, 6-9 share and ten share group, etc., etc. Thus, you will see at a glance the percentage of your

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total spending budget that is spent on people with “immaterial investments” in your company.

2. Make sure that “lost shareholders” – i.e. where any of their property has been, or might be deemed “abandoned” will be prominently indicated on the list...so you can deal effectively with the “risk reduction” part.

HERE'S WHAT YOU ARE LIKELY TO DISCOVER: *If you are like most of the many public companies whose shareholder lists your editor gets to review each year, up to 80% of all the money you spend on registered shareholders is spent on people who hold less than 4% of your shares! And guess what? Your street-name shareholder profile will often look exactly the same.*

HOW DID THIS TOTALLY WACKY SCENARIO COME TO PASS? The most common cause is when long-term shareholders go to sell and can't come up with some tiny portion of their position – usually a stock certificate issued as a stock dividend, way back when...Another common thing – especially in DRP and DSPP accounts – is when the holder sells all their shares – but Oops – right after a record date. (Who knew??) So the dividend gets automatically reinvested by the TA – and often by brokers too, who offer “automatic dividend reinvestment” to their retail investor clients. And one last thing – a dirty little secret at some TAs – many of them quietly dropped – or simply fail to enforce the old-time clause in traditional DRPs and DSPPs – that when a participant sells all their full shares, the fractional shares will be automatically liquidated, so the account will be fully “off the corporate books.”

NOW FOR THE “RISK REDUCTION” PART: *As we have been warning over and over, over the past 20 years, having “abandoned property” on your books is an inherently risky thing – in not just one but two important respects:*

First, the label alone is like waving a welcome flag in front of thieves. Not only will all sorts of bad people (including some unscrupulous vendors, outside ‘heir-finders’ – and yes, maybe even your own employees) try to steal it away, many of them think they’re doing nothing wrong...since, after all, it was ‘abandoned.’

Second, and this risk is becoming bigger every day, state Treasurers have been ramping up their efforts to declare shareholdings “abandoned” – so they can seize them – and sell the underlying shares – to balance their budgets. At least 30 states are asserting that unless the issuer can prove there has been recent “contact” with a shareholder, the assets can be presumed “abandoned.” So all those folks who are in DRPs or DSPPs, which they think are running on “automatic” are at risk of losing their investments

for lack of “contact” with your company. Same deal for shareholders at non-dividend paying companies – who have no reason at all to “contact” you. Same for non-US shareholders – many of them employees of yours – who don't want to cash smallish checks and/or pay big fees to do so: Delaware, for example, asserts that these “abandoned funds” – plus the underlying shares – belong to THEM!

Worst of all, the vast majority of states will only return the sales proceeds – regardless of how many dividends may have accrued – and how much the stock may have appreciated if and when the rightful owners come forward.

This leaves your company, dear readers, ripe for lawsuits – since some fraction of these people – or their heirs – WILL come forward each year. And here, given the high costs of dealing with them, coupled with the fact that the issuer IS required to ‘do right’ by its shareholders, there is simply no way for an issuer to ‘win.’

NOW FOR THE “IMPLEMENTATION” OF OUR TOP-TWO TIPS:

First, deal quickly and effectively with all those “cling-ons” who do not have a material investment in your company. Do it NOW – in time to book all of the savings that will arise in TA and related Annual Meeting fees and expenses.

For starters, go to our website, www.optimizeronline.com and look under “The Basics” for our discussion and top-ten tips on conducting successful small shareholder buyback offers. Please be sure that any deal you strike with any of the many potential suppliers out there represent a good deal for YOUR COMPANY – and for your shareholders.

Second, engage a truly excellent firm to find as many of the so-called “lost shareholders” as you possibly can. We used to say “don't spend \$10 to find someone with \$.10” but NOW...we see that the dime's worth can actually grow into a big number over time – especially when you consider the underlying value of the shares themselves – and who wants a lawsuit over it? Plus, it's easier and cheaper than ever to FIND lost people, who will mostly sell their forgotten stakes and get off your books and records anyway.

But the biggest reason to find lost people – instead of simply escheating the shares – is to totally deprive those greedy states of the money – so that when they come in for one of their totally over-the-top, all-consuming and expensive “surprise audits”...Surprise! There will be nothing to audit, and thus, no reason for them to ever return!

ANNUAL MEETING SITE SELECTION

Yes, we know that by now, most every company in America has chosen the site of its 2014 Annual Shareholder Meeting. Most companies pick the spot and sign any contracts that are needed almost a full year in advance, and sometimes even further ahead.

But over the past two or three years we've seen many companies decide to make a last-minute change – in light of breaking events or the potential for 'unusual' attendance or activities – or to change up their usual meeting "drill" – which requires a fair amount of frantic scrambling. And we've also wanted to collect the many tips we've published about site selection into a single document...so here we go:

For starters, and as we've said before, we heartily agree with Danette Smith, Secretary to the Board of UnitedHealth Group, that "a corporate site, where the company can be in complete control, is the best choice." This is also an excellent choice for smallish and medium size meetings, where there will usually be a nice "down home" feel, plus a sense of prudent frugality. But sometimes—and typically where there may be potential space constraints, or other potentially more serious "crowd control issues" - there are situations where the company can not easily be in total control of the event on its own, nor should it want to be.

In situations like this, a large hotel tends to be the best fallback provision, since they are used to, and are usually well-staffed for such events. They are also used to working with their clients' security staff – and with local police, and, as we've also noted, they can enforce strict rules about picketing – and where and where not potential meeting-goers can go on their premises. And, maybe best of all, they – and not you and your company - get to be seen as the "bad guys" if really strict enforcement measures are needed. Yet another good thing about using a hotel is that they can usually make some quick adjustments in the space – to shrink it if fewer than expected show up, or supply an "overflow room" – with A-V feed – if you have way more people than expected. And finally, in your editor's long experience, people tend to be on much better behavior in a nice hotel that they might be in a facility they think of as "theirs."

Another of our top tips is to pick a "nice city" – one that is nice to go to, and that is noted for being "hospitable" – and ideally, for being particularly "polite" and maybe even a bit "proper." Another big plus as a rule, is a city where you have many happy employees – and clients – and investors – and local fans. Some of the nicest shareholder meetings we have attended have been in cities like Louisville, KY, where we saw more hats

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REQUIRED READING: Kristina Veaco and Cheryl Sorokin, The Role of the Corporate Secretary: Facilitating Corporate Governance and the Work of Corporate Boards, 96 Corporate Practice Series (BNA)

Quite literally, everything you need to know about the above-captioned subject matter – written in a very clear and engaging style – with a thorough and easy to scan index right up front.

It provides a wonderful and up-to-date overview of the role of the corporate secretary - including a discussion of the necessary skills and personal characteristics needed for the position, practical advice on working with the board - and with shareholders - a discussion of the secretary's role in entity management, supporting subsidiaries and other legal entities – and guidance on many other management, board and administrative functions a corporate secretary is typically engaged in these days.

The text has lots of helpful headings, sub-headings, comments and footnotes...and maybe best of all, a host of Practice Tools – with templates for most every document a corporate secretary is ever likely to need.

Full disclosure: Your editor has known both authors for many years – and thinks they are absolutely tops at what they do, and at what they have done with this invaluable portfolio of information. And he did volunteer to read several sections and provide a bit of input on a few technical and operational issues. But judge for yourselves: We say, "An absolute 'must have' desk reference"...and feel sure you will agree.

on men and ladies alike than we've seen in 30 years, Omaha, NB – a pretty close runner-up in the hat & glove and politeness department, Vancouver, BC... Princeton, NJ and New York City itself, which really is one of the great destinations and one of the most hospitable cities anywhere...unless your company gets creamed that month in the local papers, that is.

A very important consideration in picking a venue – and especially a “nice city” – is to check with the Chamber of Commerce – and with the police etc. – to know exactly what other big events will be taking place in that city the week of your meeting. No way to even *be* in Omaha the week of the Berkshire Hathaway meeting; No need to be caught up in the Earth Day Parade going by your hotel if you might have “environmental issues” for example.

Many companies still try to pick “nice venues” in nice cities – like concert halls, art museums or other local attractions. Interestingly, a “cultural venue” rarely increases meeting attendance vs. last year’s “average meeting hall.” But do think twice on this – especially if it is an “*especially nice*” venue. Despite the fact that such venues have given your editor the opportunity to say that he has “sung on the stage at Carnegie Hall, the Metropolitan Museum’s Grace Rainey Rogers Auditorium, Symphony Hall in St. Louis... and Philadelphia” and many other famous places (way before the meetings began, of course) he is not a big fan of such places IF there are any serious “security concerns”: Most museums and concert halls – and most corporate headquarters buildings too – are simply not well designed to deal with potentially *unruly* crowds.

A really great site if you have a “medium-size” meeting is a university or university hospital teaching center. The best part is that all the otherwise expensive A-V setup you need tends to be built into the auditorium... And here too, people tend to be on their very best behavior.

For many companies that have “smallish attendance” the number-one best site is often a conference room at their outside counsel’s headquarters. Typically, building security is tight as a tick (though not really geared, please note, for a crowd.) Also, the price is right (often a total freebie) and the coffee pot is always on. Usually, it’s easy to schedule Committee meetings before and after – and for Directors to make quick ins and outs.

And let’s not forget CYBERSPACE: More and more companies each year are choosing to have “virtual only shareholder meetings” – which can be especially nice if you have many out-of-town and/or out-of-USA directors. They also leave a neat, permanent and public record of the proceedings, right there on the web.

As a long-term and still frequent Shareholder Meeting-go-er – and still a big believer in the major shareholder value that a well-run shareholder meeting can create (and which, by the way, a badly run meeting can *destroy*, so stay alert) your editor loves the idea of “Hybrid Meetings” where people can come in person if they wish – but where any interested party can tune in to see and hear the proceedings – and check out the management – and yes, hear from shareholder proponents too – and get a good sense of what kind of company you ARE.

ON THE SUPPLIER SCENE:

Index provider MSCI will “review strategic options” for its **ISS** unit - looking to sell or spin it off - they announced in late October. Founded in 1985 and acquired by MSCI in 2010, along with its parent **Risk Metrics** for a whopping \$1.55 billion, ISS has more than 1,700 clients and over 500 employees. The total third quarter revenue for MSCI’s overall governance business was \$29.6 million, accounting for 11% of MSCI revenues. No further info will be released “unless and until a decision is reached on a specific deal or the review is terminated” their press release stated.

Big-Four accounting firm PricewaterhouseCoopers, with some \$32.1 in global annual revenue, is set to acquire **Booz & Co.** – the management consulting company – with approximately \$1 billion in annual revenue in 2012, according to a 10/31 WSJ article. (Booz is no longer related to **Booz Allen Hamilton**, the corporate governance consulting company that peeled off in 2008.) It will be interesting to see how this big new bet on management consulting plays out at PwC – and for its many audit clients – and at their audit committees - since SOX bars many kinds of consulting arrangements with audit clients.

ANOTHER FUN STORY FOR OUR “HISTORY” SECTION: HOW *INDEPENDENT* INSPECTORS OF ELECTION CAME TO BE...WITH SPECIAL THANKS TO MISTER SMITH ...AND MISTER JONES

We’ve been wanting to tell this story for some time, since there are several important lessons here – plus an interesting bit of ‘historic trivia’ – since state laws require that there be Inspectors of Election but are silent on the “Independent” part, assuming, we assume, that the Inspector’s Oath to exercise the duties “with strict impartiality and to the best of my ability” should adequately serve the purpose.

It is an especially funny story, we think if you ever saw any of the colorful cast of characters in action – and one that features the Shareholder Services Association’s beloved mainstay Jim Smith, in whose honor the SSA’s now fully-funded college scholarships for especially deserving children and grandchildren of SSA members is named.

Let’s start with Jim Smith’s version:

The move to having *Independent* Inspectors began either in 1968 or 1969, he recalled, at an ITT annual meeting where the inimitable Evelyn Y. Davis needed 3% of the votes in favor of her proposal to resubmit it the following year.

Up until then, most Inspectors were employees, or sometimes retirees of the company itself. We, at the Old Manny Hanny, used to use our most recently retired Corporate Secretary, assisted by a priest, a nun, a rabbi and a Baptist minister: Can you believe it? They’d come in for a little tour to review and admire the process, after which they would adjourn for a nice lunch. Then, after the meeting - where they’d all been brought up on stage, to be solemnly introduced - there would be a little stipend to take away as a thank you. Let’s also remember that back in those good old days, the typical results were Company: 99%; Proponents: 1%...but we digress...

When the votes were announced, Jimmy recalled, the percentage of the votes in favor of Evelyn Y. Davis’s proposal worked out to be 2.99%.

“Who counted those votes, Mr. Chairman?” she shrieked. “I want to know right now! This has never happened to me at a single other meeting this year!”



*Robert A. (Bob) Byrne and wife Lynn
ca. 1992.*



From left: Jim Smith, Charlie Garske, Hank Beloin of ITT, Ed Maher of Manufacturers Hanover Trust, Kay Hurley, Larry Lyons (ITT) and Joe Unger, also of MHT, who served as Inspector of Election with Eddie at the 1978 Annual Meeting in Oklahoma City.

Here’s the way your editor’s mentor and friend, the late, great Bob Byrne of the “Old Manny Hanny’s” Corporate Trust and Agency Group recounted what came next:

“Immediately, there was a huge flurry of activity around the dais – kind of like a football huddle with only seconds to go. In less than a minute, a note was handed up to the famously fierce ITT Chairman, Harold Geneen. He unfolded it, and – what great stage presence he had – a seemingly genuine smile slowly began to form on his usually scowling face:

“Well, Mrs. Davis, this may sound kind of funny to you at first...but the votes were counted by two employees of our Treasurer’s Office who manage our stock transfer and recordkeeping operation... Mr. George Jones and Mr. James R. Smith.” Even

Evelyn Davis had to laugh” Bob recalled...”Though not in a really nice way.”

But Geneen was totally prepared, before Evelyn could say a single word: *“I can assure you, Mrs. Davis, that even though I feel certain that Mr. Smith and Mr. Jones have done a completely thorough and accurate job, we will double check everything, and will publish the final results in our first-quarter report.”*

And indeed, anyone would bet their own life that Messrs Smith and Jones – who had the legendary Harold Geneen to answer to directly – had done a better and more careful job than any outside TA was doing back then, when the millions and millions of proxy cards that were mailed back were sorted into piles - according to the various ‘vote patterns’ - totally with human eyeballs and totally by hand - before being tabulated.

Of course, no correction was necessary. And Evelyn Y. Davis did what she had to do – and simply submitted a *different* proposal at ITT the following year.

And *that* year, Bob Byrne came back with another Manny Hanny colleague, to serve as ITT’s *Independent* Inspectors of Election - a role they continued to play for many, many years.

And gradually, more and more of the Inspectors of Election at annual meetings were selected to be “Independent” of the company too - although a lot of them are still “inspecting” their own work – which is not really a best practice or a smart one, we say...

And most of them lived happily ever after, except for the few cases each year when something goes wrong – maybe a number is transposed – or even dropped – or the percentage is calculated using the wrong denominator...and nobody notices until it’s too late to fix the “Final Report” – which is still a hanging offense in the corporate world...

Quotes of the Quarter:

“Who’s going to invest knowing they’re set up to lose? If investors don’t have confidence in the essential equity of the markets, there will be no markets...A lot of us here are probably part of the ‘dumb money’ because that includes everyone who doesn’t have a supercomputer capable of flipping tens of thousands of shares in a nanosecond and access to market-moving information just a tiny bit ahead of everyone else.”

Eric Schneiderman, New York Attorney General in the September 28th Wall Street Journal, commenting on the early release of market-moving data to paying customers by Thomson-Reuters and a trader’s characterization in the WSJ of average investors as being the “dumb money.”

“There’s a sense that things are not fair...I think the secondary market that takes advantage of people that have to trade or have poorer information is not particularly warranted or helpful or sustainable. I think the market model is going to change. I think people in the business want the change...”

Jeffrey Sprecher, chief executive of the **IntercontinentalExchange Inc.** on the eve of its takeover of **NYSE Euronext**, as quoted in the November 6, 2013 *Wall Street Journal*

THE SHAREHOLDER SERVICE OPTIMIZER

is published quarterly
by CARL T. HAGBERG & ASSOCIATES
P.O. Box 531, Jackson New Jersey 08527-0531
SUBSCRIPTION PRICE.....\$300 per year

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PEOPLE:

The inimitable, unflappable and mostly indefatigable **Charlie Rossi** has decided to retire from **Computershare** – and as President of the **Securities Transfer Association** – after 30 years of truly outstanding service to the securities industry. Charlie is currently being feted in a series of five or six “retirement parties” around the country this holiday season, and in December, he was honored by the Shareholder Services Association with the Tony Firemen Award, named for one of the SSA’s most devoted contributors and volunteers, and the SSA’s highest honor. And, more good news, the indefatigable Charlie promises to continue to volunteer his efforts on behalf of the shareholder servicing and transfer agency communities from his new home-base in Florida

Several changes involving key personnel at Continental Stock Transfer and Trust... **Les DeLuca** is leaving the stock transfer industry to return to Citibank; industry veteran **Jeanne Schaffer**, formerly of **BNY-Mellon**, joined Continental in December as a Senior Account Manager; **John Ulla**, a former Chair

of the **STA Operations Committee**, and a veteran of **Computershare** and **BNY-Mellon** has signed on as a Senior Operations Manager; sales whiz **Karri Van Dell** has been appointed President of our favorite regional group, **MSTA** (the Mid-West Stock Transfer Association and the sole survivor, we think, of the once many regional STA sub-chapters) and another of our favorite people, industry veteran **Margaret (Maggie) Villani** has been promoted to Director of Account Management, reporting to one-time **Manny Hanny** veteran and Reorg wunderkind, **Mark Zimkind**.

Sad news for long-term **Shareholder Services Association** members and meeting-goers – **Vincent (Vinnie) Cianfaglione**, who accompanied his spouse and long-term **BNY-Mellon** employee **Norma** at so many SSA conferences, passed away suddenly, in late October. Everyone we’ve spoken to said basically the same thing about Vinnie: Always smiling, no matter what - Vinnie served as a one-man welcoming committee at every event he attended. He will be greatly missed.

OUT OF OUR IN-BOX: “DELAWARE, DEN OF THIEVES?”

The eye-catching headline of a November 2 NY Times Op-Ed article by former Treasury Dept. special agent John A. Cassara, asserts that “the money trail” for financial crimes like money laundering, terrorism financing and tax evasion by organized criminals and corrupt politicians worldwide “leads to the American state of Delaware” (and, to a lesser extent to Nevada and Wyoming) where anonymous companies with anonymous beneficial owners are creating a “race to the bottom” as Delaware and other states “try to attract incorporation fees” from criminal shell companies.

“It’s no surprise that officials in Dover and in Wilmington want to protect their state’s status as a corporate registry” the author says – and business incorporation fees amount to roughly 1/4th of the Delaware state budget... “but if that means facilitating criminal activity, their stance is a form of willful blindness. America must require uniform corporate-registration practices if it is to persuade other nations to cooperate in the fight against financial crimes.”

We say that articles like this - when coupled with the truly scandalous behaviors of the Delaware Treasury Dept. to lay claim to purportedly “unclaimed property” – and to seize it and sell it to balance their budgets – and then to refuse to replace the assets in full – despite the fact that less than 2% of all “lost holders” ever come forward...not to mention Delaware’s four-year scam to drum up new businesses via “closed arbitration forums” – finally declared to be unconstitutional – are seriously impacting Delaware’s claim to be the forum of choice for companies that believe in “good governance.” Let’s hope that Delaware wakes up fast, because their vast trove of case law is a national treasure that they - and we - would hate to lose.

THINK YOU HOLD “IRREVOCABLE PROXIES” TO BACK UP VOTING AGREEMENTS WITH LARGE INVESTORS AND/OR DISSIDENTS? THINK AGAIN!

Three times is always the charm for us with respect to potentially troublesome issues – and sure enough, three times in the past four months we encountered “issues” with shareholder meetings where management had trouble perfecting what they thought were “irrevocable proxies” that ran to them.

Yes, you can have a legally binding voting agreement, where one or more voters agrees to vote as management directs on some or all issues, and typically the agreement grants an “irrevocable proxy” to a designated officer of the company, as it should.

But major problems can arise because of the mostly-paperless way that proxy systems work these days: Where IS that “irrevocable proxy” you think you are “holding”? How, exactly, do you go about executing it? And sometimes, dissident shareholders – whether by accident or by design – can breach their agreements undetected!

The first instance we saw this season – at a large-cap company’s first shareholder meeting – set off a mad scramble to straighten out the paperwork and to avoid potentially big double-voting, since all of roughly two-dozen large shareholders who had executed voting agreements held their shares in street-name. And Oops! In the scramble to mail materials, who thought of this? They had all been sent proxy materials and Voting Instruction Forms.

The main task here was to quickly draft something simple to all of these power-hitters that reminded them of the voting agreement – and that, while they were most welcome to attend the meeting, the CEO of the company would be voting their shares, so please don’t bother to vote on the web, or by phone - or mail anything back. Next year, we advised, work with your Broadridge rep – and with your insiders’ bank and broker custodians – to assure that no VIFs are issued for the shares that are covered by voting agreements. The best practice, we say, is to send the Notice of Meeting and Proxy Statement – with a “Form of Proxy” (a copy of an actual proxy card marked “Form of Proxy” works fine) and with a nice note, reminding them that their votes will be cast by someone from management, per the voting agreement.

There is another potential wrinkle to note here, however – when the agreements allow shareholders to vote on certain kinds of items as they wish – which is fairly common. So if there should be proposals like that on the

agenda, a bit of extra communication – and a bit of extra work on your part will be involved – to be sure the voting gets done pursuant to the agreement.

Soon thereafter we encountered another somewhat unusual situation – a shareholder vote to ratify voting restrictions on “control shares” – where there were specific “caps” on the percentage of shares that certain large shareholders could vote on certain kinds of transactions at a shareholder meeting - with the proposal itself being one such example. Here, the “name of the game” was (a) to be sure that all such shareholders were properly identified and (b) to be sure that the votes of all of such shares that were held their bank or broker custodians were properly “capped” - which required much the same drill by the company, the various bank and broker clients of Broadridge, the proxy tabulator and by the Inspector as the “voting agreements” as the earlier case did.

But fast on the heels of cases one and two...check this one: In early December we received a call from an attorney we’d worked with in a proxy fight two years ago, which ended with a ‘standstill agreement’ from the dissident that included a written agreement to vote as management recommended for a period of several years.

“We are pretty certain that the holder has breached the agreement. We noted a vote against two of the management positions that exactly matched the position the dissident holds” he told us. “What do you think we should do?”

“If it were us, we’d send a letter to the holder informing him of what appears to be the case, with a copy of the standstill agreement enclosed. At the same time, we’d send a letter to Broadridge, with the two documents enclosed – and copy the shareholder too - demanding that the tabulation be immediately adjusted to conform to the agreement.” Broadridge, of course, acts only on instructions from its bank and broker clients, but promptly put the company in touch with the proper person at the shareholder’s custodian...so “case closed”...sort of... Actually, as our attorney friend pointed out, the dissident shareholder – whether by accident (??) or by design – was acting in contempt of court – so, at a minimum, a nice “hole card” to have should the shareholder return again, once the standstill agreement lapses.

Something new - and important, we’d say - to add to your Shareholder Meeting Checklists.

REGULATORY NOTES ... and comment

ON THE HILL: Congress acted to avert another government shut-down this year, with related losses of wages and of public access to national parks, monuments and government services – and yet another death-defying market swoon – by passing a two-year budget plan...just in the nick of time, before adjourning for the holidays. The surprisingly large margin in the Republican-dominated House was dampened by last-minute stalling in the Democrat-controlled Senate, where the vote went right down to the wire.

Five – count'em, five government agencies – the Federal Reserve, the FDIC, the SEC, the CFTC and the Office of the Comptroller of the Currency -- signed off at long last on the "Volcker Rule" which prohibits banks from trading in securities, derivatives or futures for their own potential gain, but allows them to trade in order to truly hedge their own positions and to act as a 'middleman' on behalf of clients. Two healthy 'teeth' were added come the end, to require bank CEOs to attest each year that they have in place "processes to establish, maintain, enforce, review, test and modify" a program to comply with the rule, and that compensation plans be shaped so as not to "reward" proprietary trading.

AT THE SEC: The new proxy fee schedule – proposed by the NYSE's Proxy Advisory Committee (PFAC) – and opposed by the STA and NIRI in favor of a fresh new top-to-bottom look before changing anything – was approved by the SEC on October 20th. Overall proxy fees are expected to drop by 4% although fees will likely increase for companies with less than 300,000 beneficial holders in total, according to estimates made by the Securities Transfer Association. This, as we've noted before, seems pretty much the way it should be – since enclosing, mailing and tabulating operations are subject to very significant economies of scale...while truly small jobs are subject to very significant diseconomies of scale. So really small companies get a bit of a break, we think, with the new cut-off point.

AT THE CFTC: Remember when Congress was seriously proposing to replace the SEC with an expanded Commodity Futures Trading Commission, supplemented, maybe, by more Fed scrutiny of financial institutions? Well, the agency's enforcement chief **David Meister** stepped down in early November – with a mighty impressive record of prosecutions and fines under his belt, where he'd nearly doubled the enforcement actions and tripled the sanctions over the past three years (how about LIBOR rigging-related fines of almost \$1.8 billion

or about nine times the agency's \$195 million annual budget?) but with a warning that the agency is "absolutely undersized" relative to the tasks at hand, according to an 11/1 WSJ report on his tenure. The enforcement staff is now down 10% to about 155 officials – vs. 1,200 at the SEC. Meanwhile, the agency is just starting to try to enforce the 62 new rules required by Dodd-Frank...and at least one Republican commissioner is flatly opposed to the request for a \$315 million budget increase. Somebody needs to do the math here...and remember where we were, and how much taxpayer money went totally down the tubes pre-Dodd-Frank...and how much of THAT was due to undersized oversight of financial instruments...and institutions.

AT the PCAOB: Deloitte & Touche got named and shamed again this quarter – as they were last quarter too – and censured – and fined \$2 million this time around, for allowing a partner that had been barred in 2008 from being "an associated person" at any accounting firm for one year to stay on – not as a partner, but as an "expert employee" on "Fair Value/Use of Specialists and Fraud." These "specialties", as a 10/25 NY Times article by **Floyd Norris** pointed out, "were the very areas in which the board had found it [both the firm – and the auditor in question, please note] deficient." So far, **KPMG** has been the only Big Four firm that has not been cited for failure to fix defects.

IN NEW YORK STATE – HOME OF THE FINANCIAL INDUSTRY'S POWERFUL "SHADOW REGULATORS": Citing Detroit's bankruptcy as a "wake up call" state regulators, led by state financial services superintendant **Benjamin Lawsky**, have issued subpoenas to "about 20 companies that help New York's pension trustees decide how to invest the billions of dollars under their control to determine whether any outside advice is clouded by undisclosed financial incentives or other conflicts of interest: according to a November 6th *NY Times* story reported by **Mary Williams Walsh**.

On another front, subpoenas have been issued to two big consulting firms – **PricewaterhouseCoopers** and **Promontory Financial Group**, recently prominent for hiring-up lots of former SEC staff – including former SEC Chairman **Mary Shapiro** – "as part of a broader investigation into the industry's perceived coziness with Wall Street" according to a September 13th *NY Times* story.

And not to be outdone, NY Attorney General Eric Schneiderman, speaking at the Bloomberg Markets 50 Summit, called on Congress to take “comprehensive action” to rein in high-speed traders who have early access to financial info. (See the Quotes of the Quarter for particulars)

IN THE COURTHOUSE: The Supreme Court has agreed to consider whether a 1988 decision, *Basic Inc. v. Levinson*, should be overturned – a case the original victors described as “the cornerstone for modern securities litigation” – and where the Court held - absurdly, and demonstrably untrue, it seems to us - that stock prices will somehow reflect misleading statements by management – so that investors do not have to prove they relied on such statements when they invested. Overturning the *Basic* ruling “would make it much more difficult, and potentially impossible to certify a class and maintain a class action” **Bruce Ericson**, an attorney with **Pillsbury Winthrop** told the *NY Times*, which also reported that between 1997 and 2012 more than 3,000 class actions alleging securities fraud have been filed, generating more than \$73 billion in legal settlements – a disproportionately large amount of which, we say, have been scarfed up by law firms, class-action managers and financial printers and mailers. A decision is expected in June.

A wild and crazy case in Delaware – Red Oak Fund, LP v. Digirad Corp. – that illustrates the perils of

soliciting proxies, carelessly sharing voting info and tabulating and ‘inspecting’ one’s work ...incorrectly: Fortunately for the issuer, Digirad, the Court of Chancery held that their board did not breach its fiduciary duties or create an unfair election process after (1) the company’s proxy solicitor, thinking they were sharing with the client, inadvertently disclosed preliminary voting results to an analyst, who shared it with the opposition, and (2) the results inaccurately reflected a large lead by the company, because the non-vote-able Treasury shares had been incorrectly voted for the management position... Ouch! And double ouch! Both the accidental disclosure and the mistaken disclosure – which plaintiff alleged would have caused it to change its strategy had they known of the mistake – were held to be “immaterial” to “a reasonable stockholder.” Two other interesting issues here: Failure to warn early of declining results – since there is no legal requirement to do so - and the board’s consideration of a poison pill – “inner workings...that are not the proper subject of disclosure” - did not need to be disclosed either to have a fair election.

The Delaware Chancery’s four-year “experiment” with confidential, state-sponsored arbitration proceedings – a nice little money-maker for the state and for the judges – has, at long last, been struck down as unconstitutional by the Third US Circuit Court of Appeals, which noted, “the [First Amendment] right of access to government-sponsored arbitrations is deeply rooted in the way the judiciary functions.”

WATCHING THE WEB: HORRORS! WHAT ONE FAT FINGER CAN DO ON LINKED-IN...

We still love LinkedIn – mainly because it focuses strictly on professional profiles. And we still hate Facebook, since we think it fosters the sharing – and indeed the over-sharing of a lot of stuff that should not properly - much less usefully - be shared with the world at large.

But OUCH! What a wrenching and time consuming experience we went through when we accidentally hit a key or maybe grazed our touch-screen when a list of “people you may know” popped up on our screen: Almost instantly we discovered that we’d accidentally “invited” over 1,000 people to Link-In with us – virtually everyone we’ve ever emailed – or who emailed us!

Among the acceptances that suddenly flooded our in-box – a lawyer who had recently sued my firm, and me, and my good buddy – was suddenly Linking-in. Also, way more than a few people who’d dissed your editor along the

way and where, accordingly, he had previously pounded the “ignore” button with a vengeance – sometimes more than once. Also, many people your editor did not know at all, to the best of his knowledge and belief... like ‘executive coaches’ publicists, graphic designers and administrative assistants galore!

On the good side, however, we heard from a score of old friends – many with nice updates on their doings – and quite a few people we were happy to LinkIn with, based on their profiles, even though we didn’t know them. Also, the numbers of viewers of our profile and visitors to our website soared off the charts...and a bit of fame is good, we guess.

But fat-fingered readers beware: The potential to accidentally “go viral” on LinkedIn is a big one... and we are still hitting delete buttons months after our slipup.

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In all such cases, shareholders are entitled to minor amounts of consideration. By working with claims administrators, ShareGift USA offers shareholders the ability to donate these amounts to charity.
- **Retail Brokerage Accounts**
For many of the reasons outlined above, shareholders find themselves with small amounts of shares. By working with retail brokerage firms, ShareGift USA offers their clients the ability to clean up their accounts and donate small holdings to charity.

The SSA Value Proposition and Why Every Public Company Needs to Have an SSA Membership

Since 1946, the Shareholder Services Association (SSA), a national, nonprofit, professional association, has delivered on its core mission to support and educate corporate issuers in effectively meeting their responsibilities for shareholder recordkeeping and service.

Through a combination of tradition and innovation, the SSA has effectively assisted its membership in successfully meeting new challenges, risks and opportunities as the shareholder services industry has evolved and changed. The SSA is governed by a board comprised of issuers and industry service providers, who volunteer their time, who are committed to finding effective ways to deliver the value of membership to their current and potential members.

Under the current leadership of Karen Danielson, Shareholder Services Manager at The Coca Cola Company, the board has focused its energies on ensuring the SSA can effectively deliver on its motto to “Stay in touch. Stay informed. Always connected”. Karen stated, “we achieved this objective through the board’s ongoing commitment to invest in technology by upgrading our website, holding webinars, and offering on-line educational courses on pertinent industry specific topics”. Karen also noted that “while the use of technology has helped reach and educate members who may not have the opportunity to travel to a meeting, the traditional face-to-face networking will always be the best way to keep our membership connected.”

The SSA prides itself on its long and rich history of creating opportunities where members look forward to coming together in an inviting and friendly environment to share insights, ideas and learn together through effective networking. Such opportunities have been comprised of membership luncheons and the SSA annual conference. These in person meetings are held

around the country in locations such as New York City, Chicago, Washington D.C., Florida, California and Georgia.

SSA networking happens both within formal and informal settings where members are afforded the opportunity to hear from and meet with the “doers” in the shareholder services industry as well as corporate governance professionals – collectively experts on the front line addressing industry issues and getting practical tasks accomplished. The SSA also provides its members the opportunity to meet with representatives from critical regulatory bodies such as, the Securities and Exchange Commission, the New York Stock Exchange, Internal Revenue Service, and other industry organizations such as the Depository Trust & Clearing Corporation. Such encounters offer members effective, first hand insight into existing, as well as pending regulatory issues and trends.

This December, the SSA will be welcoming a new president, Patrick M. Burke, Director of Operations and Assistant Corporate Secretary at AIG, Inc. Efforts to prepare for this transition started in August at the SSA board’s annual planning meeting. Patrick stated, “Karen and the rest of the board have done a great job in positioning the SSA to grow its membership base”. The SSA is financially strong and is investing in the right technology, but most importantly, the SSA board believes it has a win-win value proposition for its members and their respective sponsoring companies.



Patrick M. Burke
Director of Operations
& Assistant Secretary
American International Group, Inc.
and President Elect of the SSA

Over →

SOME ARTICLES FROM THE OPTIMIZER'S ARCHIVE RE: SHAREHOLDER MEETINGS

Simply go to our website, www.optimizeronline.com, click on "What's New" for links to these articles:

- Meeting Admission Criteria
- Annual Meeting Site Selection (In this issue)
- Top Ten Tips for Annual Meeting Security
- "Our Number-One Tip for "Annual Meeting Security" - Having Safe, Sane, Sensible and Scrupulously Fair Rules of Conduct in Place"
- Rules of Conduct for Shareholder Meetings - Revised for Twenty-first-Century Shareholder Activism
- Our Top-Ten Tips for Dealing with Activist Investors, Shareholder Proponents, Gadflies - and Other Would-be Speakers at Shareholder Meetings
- Minding Our Manners: A Little Primer on Meeting Etiquette
- A Primer on Tabulating and Reporting Voting Results at Meetings of Shareholders
- Our Primer on The "Proxy Committee Ballot" - And Why You Need To Have One
- Proxy Fights: What Every Public Company Needs to Know – and to do – if activists "reach out"
- Questions and Answers About Inspectors of Election: The Basics
- What, Exactly, Should Inspectors of Election Actually Inspect? (In this issue)
- Analyzing and Understanding your Shareholder Base: The Basics
- Analyzing and Understanding your Base of Street-Name Holders
- Incentives that will prod investors to vote their proxies... plus the top-three dis-incentives
- Are Your Proxy Chasers Following Smart - And Ethical Practices - In Telephone Vote-Gathering Campaigns?... Some Practical Advice

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The SSA membership value proposition is comprised of providing members and their respective companies with insights, ideas and opportunities to capture cost savings, as well as methods to identify and mitigate risks while affording effective career and leadership development opportunities. The SSA offers effective ways for members to enhance their respective careers and develop their leadership skills by providing opportunities to grow by volunteering to present at association meetings, taking on project assignments or serving on an industry or regulatory panel or taskforce. SSA members are also offered the opportunity to take an active role in the management of the association by serving on a SSA Committee, as a Board member or serving as an elected officer.

Patrick provided one example which clearly showed the effectiveness of the SSA value proposition by sharing the experience of Joan DiBlasi where her SSA membership enabled her to bring value back to her company and at the same time develop as a professional. Joan is the Senior Manager of Shareholder Services at Aflac Incorporated and she has been a long time SSA member. Joan currently serves as Secretary and a member of the SSA board. Through her membership in the SSA, and with her company's support, Joan was allowed to participate in several committees on the SSA board that gave her the opportunity to develop professionally and be hands-on involved in the industry development. Joan served on critical industry committees that worked on the implementation of DRS and most recently Cost Basis. Joan indicated that the experience working with the full spectrum of industry participants, such as the Regulators, the Broker Dealers and the Transfer Agents on both the development of DRS and Cost Basis has been a key highlight in her career that allowed her to share practical development knowledge regarding new regulations with both her company and fellow SSA members. Joan further shared that she believed that the knowledge she obtained through her involvement on these industry initiatives would have taken years to gain if it was not for her industry involvement as an SSA member.

The Board believes that with the SSA's win-win value

proposition for members and their sponsoring companies, every public company will see an SSA membership as an investment worth making since it will serve to generate ongoing dividends in many forms for their company.

The SSA membership is very unique in that it is comprised of a powerful network of issuers, service provider professionals and industry leaders representing the diversity of the shareholder services industry. The depth and breadth of the SSA's membership network provides its members an edge with resources and information that serves to expand their industry expertise and enables them to provide greater value to their respective organizations. As noted by both Karen and Pat, SSA membership promotes the development of long-term industry contacts that can evolve and expand outside of, and well beyond, one's career; a benefit they both feel is priceless. Some of the most interesting and friendly people they both have encountered in their careers are fellow SSA members. Karen and Pat were both proud

to say that some of their closest friendships have come about as a result of their involvement in the SSA.

For the above reasons, Karen, Pat and the rest of the board are committed to doubling their efforts to grow the SSA membership base. The SSA board believes growth in membership will not only serve to further enhance the SSA's value

proposition for its members and their sponsoring companies, but it will serve to propel the association to new levels of effectiveness and success.

As the SSA looks forward and prepares for the changing of the guard, it sees a bright future as it continues to re-assess and reset priorities. The entire board is motivated to meet both the challenges and opportunities it will encounter as it sets out to expand as an organization. The SSA is excited at the prospect that even more shareholder professionals will join the SSA and benefit by being a member of an organization that will help them "Stay in touch. Stay informed. Always connected."

To learn more about the SSA and the benefits of an SSA membership, please visit www.shareholderservices.org.



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Dear Industry Friends and Associates:

As I end my tenure as President of the Shareholder Services Association (SSA), I would first like to take this opportunity to thank the many SSA members, sponsors and friends of the Association that have helped make the past three years a truly wonderful experience. A special thank you goes to my colleagues on the SSA Board for their never ending support and friendship.

The SSA membership is made up of a unique group of shareholder services professionals always willing to share their knowledge and experiences. Our group isn't pretentious or glitzy and we tend not to toot our own horn. However, the fact is what we do is mostly regulated or audited and we are held accountable for the actions and decisions we make to our companies and, ultimately, to our company's shareholders.

I recall having a conversation with a member who mentioned that they don't give out a college degree in the transfer agent business or shareholder services so more than likely you have little or no training, understanding or familiarity with this industry when you accept a position in this area. As a member of the SSA, you have access to individuals and eLearning opportunities to mentor and teach you, as well as continuing education on issues and trends that develop in our industry.

If you are not a member of the SSA, I'd like to invite you to learn more about the Association and consider joining. I have been proud to lead the Association as President for the past three years and I leave the position in good hands to Patrick M. Burke of AIG. Please join me in welcoming Pat to his new position and I encourage you to learn more about the Association as a whole by visiting www.shareholderservices.org.

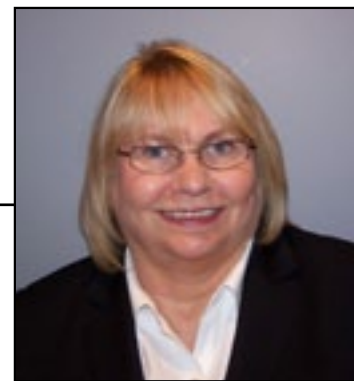
I hope to see you at a future SSA function and be sure to join us at our Annual Conference in Denver, Colorado, July 15 – 19, 2014.

Sincerely,

QR CODE PRIMER FROM EZOnlineDocuments

The Shareholder Services Association (SSA) hosts several webinars each year with high-quality information for members of shareholder service community.

EZOnlineDocuments' CTO, Rich Andrews, recently participated as a panelist in a webinar that discussed the topic of Quick Response (QR) codes. The following primer provides information on QR codes and why companies should consider using them in their documents and voting materials.



Rhoda Anderson

CEO, EZOnlineDocuments, LLC

SSA WEBINAR TOPIC: QR CODES

By Rich Andrews, CTO, EZOnlineDocuments, LLC

WHAT IS A QR CODE?



A Quick Response (“QR”) code is basically a matrix bar code similar to UPC barcodes, but able to contain a great deal more information than a UPC barcode. This ability to contain more information in a similar printed footprint is driving the growth of QR codes.

WHY USE A QR CODE?

Placing a QR code on a document is very similar to providing a web hyperlink (such as <http://www.ezonlinedocuments.com> – see the QR code above) but the QR code can be easily scanned and used to send the person scanning it directly to that web link without having to type it in.

Because of the large installed base of smartphones and tablets and how easy it is to use QR codes for the consumer, QR technology has quickly become mainstream.



Rich Andrews
CTO, EZOnlineDocuments, LLC

IS THERE A LICENSE FEE FOR USING A QR CODE?

QR codes are free to create and to use – and are published as a standard from the International Organization for Standardization:

<http://www.iso.org/iso/home.html>

HOW DO I CREATE A QR CODE?

There are resources online that let you create a QR code free of charge such as: <http://goqr.me/> (note that the white area around the black code is actually part of the QR code itself.)

Of course, your printer can easily manage creating and placing QR codes inside your documents.

You can create QR codes that go directly to your hosted documents (which then have optional links directly to the voting site) or a QR code to go directly to your voting site (which then has links to your documents).

HOW DO I USE A QR CODE?

QR codes require software that can “read” the code and a camera-equipped device. Blackberry and Microsoft have included QR code readers in their phones, but currently Apple and Android smartphones and tablets do not ship with this software built in. But both Apple and Android platforms have apps that users can install to scan and read QR codes.

Once you have the software, simply open the program then point your camera at the code block and the code is read.

CAN YOU TRACK WHO USES YOUR QR CODES?

Since the QR code is just a web hyperlink, you can control where the user goes and thus track actual scans of the QR code. You can then use standard web reporting to gain the same information about who scanned the code as if they had manually typed the address into the browser.

However, you need to take care not to step too far by using cookies or other tracking software when presenting a document (such as a Proxy Statement) that is SEC compliant. For this reason, I recommend you provide only generic links that do not have tracking features at all.

WHEN CAN I ADD A QR CODE TO MY DOCUMENT?

The process is similar to providing a standard web link, so you need to be aware of the same timing issues as you would for the exact link. For example, when creating a Proxy Statement and placing a link (and a QR code,) the key is to know exactly what the link will be beforehand.

ARE QR CODES SAFE TO USE?

Actually, QR codes are simply web hyperlinks and thus can be malicious or viral in nature. And, because the actual link itself is obscured from the person looking at the code, they are harder to detect than normal hyperlinks.

A malicious QR was used in Russia that caused people who scanned it to send premium texts from their phones at a fee of \$6 each. Criminals have also printed their own QR codes and pasted them on top of legitimate QR codes on products – a hard to detect fraud.

So users need to take care with QR codes including having up to

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FUN FACTS ABOUT QR CODES

- QR codes were invented for the Japanese automotive industry.
- Since 2010, QR codes have been used on Chinese train tickets and QR codes are also put on Japanese immigration visas.
- A study in 2011 of the 14 million QR codes scanned in July alone, 58% of users scanned from their homes.
- QR codes can be used to login to some websites - a QR code shows on the screen and the user scans it with their pre-verified smartphone.
- The Smithsonian has QR codes in their Neanderthal exhibit – “Scan here to be part of our MEanderthal exhibit.” Once the person scans the QR code they go to a website they can upload their (or family member’s) photos and they get regressed to be visually Neanderthal.

date anti-virus software and judging the source of the QR code to determine if they should be using it at all.

Of course, for this audience, you would be placing QR codes in your documents and thus be the source –so the QR codes would be safe for your readers to use.

SHOULD YOU PUT A QR CODE IN YOUR DOCUMENTS THIS SEASON?

Absolutely! The mobile user base has skyrocketed and supporting those users is very important. The QR code is a visible way to show that you are aware of the growing trend and want to make getting to your links easier for your readers.

SHAREHOLDER SERVICES ASSOCIATION RESOURCES

Learn more about the SSA including many eLearning opportunities at www.shareholderservices.org

FOLLOW-UP QUESTIONS

If you have any questions about QR codes, feel free to contact Rich at: rich@ezonlinedocuments.com, (973) 236-1576 or at <http://www.ezonlinedocuments.com>



SAVE THE DATES...FOR THESE IMPORTANT INDUSTRY EVENTS

January 22	Broc Romanek's Annual interview with Pat McGurn, for his 2014 Proxy Season Forecast theCorporateCounsel.net
January 29-31	"ESSENTIALS" from The Society of Corporate Secretaries and Governance Profession- als; Disney's Boardwalk Inn, Orlando, FL
June 6	The 2013 End of Annual Meeting Celebration and Benefit, NYC
June 25-28	Society of Corporate Secretaries and Governance Professionals National Conference; Westin Copley Place Hotel, Boston, MA
July 15-18	Shareholder Services Association Annual Conference: OMNI Interlocken Resort, Denver, CO



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“It's been a pleasure to work with UPRR. After giving them what limited information we had about some of our missing royalty owners, they were able to find a substantial amount of them or their heirs overnight using their database technology. For any company looking for lost or missing mineral interest owners, UPRR offers a solution I haven't seen anywhere else.”

- Richard Yukes, Black Bear Oil Corp.

For more information on our proactive program,
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AN INTERVIEW WITH TODD MAY

SVP, Wells Fargo Shareowner Services

Congratulations on leading both industry surveys this year. Can you share some detail around them?

Yes, this year we received the highest ratings in both Group 5's annual survey and Stockholder Consulting Services' among large agents. This is the 15th year of the past 16 that we've led one or both studies. Among large agents, we've won Stockholder Consulting Services' TALON Award for 8 of the past 10 years and have also been awarded with the highest rating 4 years in a row in Group 5's survey.

The team is proud of these ratings because they're based on feedback from our clients. We work hard to deliver expertly for our clients and their shareowners. It is tremendously rewarding to see how much this is valued by those we serve."

How do you keep your service commitments?

To put it simply, service is just the Wells Fargo way. Wells Fargo's vision is, We want to satisfy all our customers' financial needs and help them succeed financially. In other words, it's about building lifelong relationships one customer at a time.

We ensure this model remains top of mind with our team. Earlier this year we rolled out a new mission within Shareowner Services to ensure we are all working toward a common goal.

The goal is striving to be the best – not the biggest – and building strong relationships over time. Longstanding relationships are the norm here. This model has served us well. Our first two clients joined us more than 80 years ago and are still clients today.

You mentioned a new mission and vision, what can you tell us about that?

This was developed by a group of team members to help each team member understand the purpose behind what they do and the importance of always striving to be excellent.

Vision: To be viewed by our clients, prospects, and the Wells Fargo community as the premier shareowner servicing agent in the industry.

Mission: At Wells Fargo Shareowner Services, we contribute to our clients' financial success and help them achieve their goals. We do this by providing guidance, acting as the face to our clients' shareowners, and building shareowner engagement. We provide our team members with opportunities for professional growth and development and reward individuals for premier performance. We achieve all of this while operating within the rules and regulations that guide our business, leveraging the diverse talent and knowledge of our team members, and delivering appropriate returns to Wells Fargo shareowners.

How does your team retain clients and grow your business?

As I shared earlier, we're a service organization. Our relationship managers develop very strong client relationships and clients trust our team to be knowledgeable, responsive, and to deliver as promised.

Our clients see the value we provide. In Group 5's recent study, issuers rated us best among large agents in the fairness of fees we charge to both issuers and shareowners. We may not be the cheapest, but our clients understand that our commitment to service and the resources we provide deliver a value unparalleled in the industry.



That's not only how we keep clients, but how we continue to grow our business. Issuers appreciate our service and the resources of the Wells Fargo enterprise. This is a small industry and word travels. We enjoy the reputation we've earned as a strong provider and appreciate our clients' willingness to share their experiences.

What are the biggest concerns among your issuers today? How is your team meeting them?

Regulatory changes continue to concern our issuers. And, that makes sense, FATCA, Cost Basis, and Escheatment are just a few of the many areas that continue to impact industry participants.

Wells Fargo is highly involved with all aspects of regulatory reform. As one of the world's largest financial institutions we have significant involvement across countless industries and direct contact with many governing entities. Teams of people keep us well-prepared for these changes, and they help us keep clients and shareowners informed on the ways in which they may be affected.

What is your team doing to help encourage shareowner engagement?

We know that shareowner satisfaction is linked to being able to submit transactions anywhere and at any time. Many of our recent activities have been centered on increasing shareowner engagement and educating shareowners about the many benefits of using Shareowner Online.

Online adoption continues to rise and the additional sales features we introduced have gained popularity. Year to date, the new market order option has been chosen on nearly 70 percent of online transactions. The key to both of these activities is giving clients and shareowners choices.

We're also improving our telephone service by upgrading to a new IVR in 2014 that will offer a more dynamic and, friendly shareowner interface. In addition to our online and phone improvements, we've modified our written correspondence to be more easily understood by your shareowners.

What does being part of Wells Fargo mean to your clients and team members?

The bank has its footprint on virtually every aspect of our business. Wells Fargo's scale and commitment to service allow our clients to benefit from so many areas. They include bank controls, balancing, regulatory involvement, phone and print center excellence, and so much more.

Clients and shareowners alike may also already work with Wells Fargo. As a relationship business, we're committed to knowing

our customers and understanding and meeting their needs.

Our team benefits from working within a great organization. Wells Fargo is highly committed to diversity, equality, and community support. Wells Fargo promotes economic development and self-sufficiency through community development, financial education, cash contributions, affordable housing, environmental stewardship, and through the efforts of team member volunteers. In 2012, Wells Fargo invested \$315.8 million in 19,500 nonprofits nationwide. In 2012, for the fourth year in a row, United Way Worldwide named Wells Fargo's annual Community Support and United Way Campaign the No. 1 Giving Campaign.

What has 2013 brought to your business?

We've continued to invest in the client and shareowner experience. To maintain our best-in-class delivery, we are committed to continually improving and routinely implement changes based on feedback from clients and shareowners alike. These have ranged from large-scale efforts such as new sales capabilities to small nuances, but each one focuses on improving the end-user experience.

What will 2014 bring for Wells Fargo Shareowner Services?

We have many efforts underway for 2014 implementation. One of the largest is the new IVR we discussed earlier. While the IVR will be a significant investment, shareowners will still have the ability to opt out to speak with a representative. Shareowners are important to us and we will continue to serve them how they wish to be served.

We are always looking for new ways in which we can improve. We value the feedback we receive from clients and shareowners alike so we can continue to realize our vision: To be viewed by our clients, prospects, and the Wells Fargo community as the premier shareowner servicing agent in the industry.

About Wells Fargo

Wells Fargo Shareowner Services, a division of Wells Fargo, is dedicated to serving its issuer clients and their nearly nine million shareowners. Clients have awarded Wells Fargo Shareowner Services with the industry's highest overall satisfaction ratings for 7 years in a row, and 14 of the past 15.

Together we'll go far



State Treasurers Give Some New Protections to Shareholders Alleged to be ‘Lost’

...but Many Predatory Practices Continue Unabated

An interview with Jennifer Borden, Executive Vice President and General Counsel of UPRR

Optimizer: Unclaimed property laws have always been billed as consumer protection statutes, designed to preserve the rights of property owners. For years the Optimizer has been incredibly concerned about how these statutes end up negatively impacting people, particularly shareholders. For the last two years we have seen changes in laws and administrators’ interpretations that continue to cause consternation for the industry. Was 2013 any better, for shareholders, or corporations?

Borden: Over the last year, we have seen a continuation of a few key trends, both from a legislative perspective, and through litigation. Insurance issues continued to dominate the news, through the audits of the country’s largest insurers, which frequently led to multi-million dollar settlements, to the many states passing legislation mandating proactive identification of decedents, to class actions regarding holders’ obligations, and holder challenges to the over-reaching of the states and their contingent fee auditors. We saw an interesting blend of new laws that both help and hurt consumers and companies, and a smorgasbord of court rulings across the country. The year was certainly interesting for the unclaimed property community!

Optimizer: We’re glad to hear that there were some law changes that were positive! Can you give a few examples?

Borden: There were hundreds of bills proposed, and dozens enacted this year, but some of my favorites were in Michigan, Delaware, and Alabama. Michigan passed a statute designed to standardize audit protocol, so that the corporation isn’t at the mercy of the auditor’s whims. Delaware expanded its voluntary disclosure program as a part of its effort to reclaim its business-friendly reputation, and was rewarded with hundreds of participants. Alabama had a plethora of changes, including ones that eliminated the requirement to escheat automatically renewable investments so promptly; eased reporting requirements for holders; and provided better indemnification for holders who report in good faith.

Optimizer: What about legislation that wasn’t as beneficial?

Borden: I look to all of the abandoned property statutes that now require insurance companies to check the Social Security Administration’s Death Master File, or DMF, frequently to identify policyholders who are deceased as closely as possible to their dates of death. These statutes are designed to accelerate the escheatment of the policies if the beneficiaries aren’t then quickly found.

Optimizer: Figuring out that someone is due a benefit quickly seems like a positive. Why don’t you see these laws as beneficial?

Borden: I completely agree that early identification of entitlement, along with location of the owner, is tremendously positive! I agree in concept, and support insurers’ efforts to pay benefits where due. In my experience, insurance companies are proud of their relationships with their policyholders, who frequently are also their shareholders. Nevertheless, I have four concerns. First, abandoned property statutes should deal with abandoned property. They should not dictate the daily operations of companies in an attempt to increase the population of escheatable property. Second, all of these increased burdens on the insurer have turned out to be a lot of work for minimal benefit. Our clients report that the frequent proactive searches have only increased claims by 1%. A full 99% of claims are still being paid the old-fashioned way – the beneficiary reports the death, and the claim is processed. Thus, we have tremendous burden on the company, without significant benefit to the owner. A troubling side effect of the quarterly searches is that often insurers are reaching out to next of kin about a possible death benefit before the beneficiary is prepared to cope with the administrative realities of the death of their loved one. I know it is a business, but these are human beings we are talking about, and they should be allowed to contact the insurance company on their own time tables. Finally, if a state abandoned property administrator is going to dictate mandatory searches of the DMF to increase escheatment of insurance policies, then what is preventing the states from mandating such searches of a common file? Nothing. It is truly a slippery slope.

Optimizer: Do these issues just impact the insurance industry?

Borden: Definitely not. The states’ contingent fee auditors are already accessing the DMF and challenging the accuracy of the transfer agent’s records based on the results. What we see a lot are deceased shareholders, where the widow continues to cash dividend checks issued in her husband’s name. The auditors’ check of the DMF reveals the

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husband's death, and suddenly instead of a case where the widow is innocently cashing checks that would inevitably pass properly to her, the auditor acts like they have discovered the proverbial smoking gun. The validity of the transfer agent's records is being questioned, the "contact" with the shareholder is suspect, and the issuer has a major headache. These shares are not escheatable property – we know where the widow is, we just need to re-register the shares. But suddenly the account is on an audit report. It is not inconceivable that statutes will soon be amended to require DMF searches for owners of all investments, not just of insurance policies and annuities.

Optimizer: Besides legislation, any other notable developments, like in litigation?

Borden: Over all, I think it has been a pretty good year for holders. The cases being litigated put the spotlight on issues that are fundamentally unfair to corporations, and the media took notice. Vipal Monga of the Wall Street Journal did a great series on how Delaware's execution of its unclaimed property audit program benefits the state and the auditors, but not necessarily the owners of the property. Much of the litigation this year favored holders, and I am grateful for all of the insurers who suffered through litigation that will benefit all companies. Early on we saw a great case in federal court in Massachusetts, and a similar case in state court in Ohio. After many insurers voluntarily agreed to search the DMF proactively, the beneficiaries of shareholders sued insurers for not having reached out closer to the time of death in order to transfer benefits. Both the state and federal courts held that the terms of the insurance contract, which required that the beneficiary notify the insurance company of the death before benefits could be paid, should prevail. The courts held that valid contract terms would be honored.

Optimizer: How does that impact corporations?

Borden: I believe that a valid contract that forestalls the escheatment of an investment, whether we are talking about an automatically renewable CD, or a DRP, or a bond, will be honored if presented competently to the court. In other words, the states will not be able to demand escheatment of a DRP because the owner is not "active", since the contract establishing enrollment in the DRP outlines the terms of the investment, and activity is simply not required. These insurance holdings will be advantageous to the securities, debt, and banking industries.

Optimizer: Any other cases of note this year?

Borden: I am fascinated by the ANICO and Thrivent cases in California state court, and the Select Medical case against Delaware in federal court. In the ANICO cases, the Controller launched a public relations attack on the company in the course of the litigation, and the first holdings could set a dangerous precedent for any company under audit. The Controller is asserting that the unclaimed property statute allows him to look at whatever records he wants whenever he wants, even if the records have nothing to do with compliance with California's unclaimed property law. In the Thrivent case, it is clear from the pleadings that the holder attempted to work with the state to resolve legitimate procedural

issues, and the state responded by threatening that any challenge to the auditors' demands would be met by a lawsuit, and the threat of interest and penalties. The state followed through on this threat and sued Thrivent, who had simply asked for a meeting with the state to clarify the scope of the audit. Clearly this is not governing based on the rule of law.

Optimizer: Wow, what about the Select Medical case? Why does it matter?

Borden: Similar to previous holders, Select Medical ("Select") sued Delaware, alleging various constitutional and administrative issues with the implementation of the state's audit process. In particular, Select objected on constitutional grounds to the state's insistence on estimating its liability, which Delaware alleged would be due to them as Select's state of incorporation. Unlike prior actions, Select was brought in federal court. After an initial flurry of activity wherein the state postured aggressively against the holder and attempted to remove the case to a friendlier state venue, this month we saw a complete about face by the state. In advance of the court's December 19, 2013 hearing, Delaware filed affidavits that provide that they will not estimate the holder's liability, and they have withdrawn their demand that Select make payment to the state at this time.

Optimizer: That seems like great news for the corporation!

Borden: It is good news for Select, although they will still be forced to continue with the expensive and tedious audit to continue to prove that the state's earlier demands were incorrect. The bigger issue is that the audit will continue out of the public eye, without the objective court getting a glimpse of the objectionable audit methodology that caused the action. More importantly, Delaware doesn't want this action to move forward. If the court holds that any elements of the Delaware audit program are invalid, not only would hundreds of audits be called into question – the state could also be subject to refund claims from all of the companies who have paid Delaware hundreds of millions of dollars utilizing what some think is a bogus methodology. The last thing that Delaware wants is precedent that says they can't do estimation. The goose who lays the golden eggs would be killed.

Optimizer: So is this just a Delaware issue?

Borden: No, because if the wild estimations of unclaimed property liability for the state of incorporation are invalidated, the contingent fee auditors will simply switch their methodology of burdensome audits in the name of estimation, to burdensome audits in the names of the other states. The pleadings in the Thrivent case include a letter to the company from counsel for the state which basically says that the contingent fee auditors can do whatever they want, and if the company raises concerns with the state, the state will sue for non-cooperation. I favor a more collaborative approach, and don't find it acceptable to threaten litigation right out of the gate. That is why I am so proud of the work that we do to communicate the issues better to the states, level the playing field for corporations, and most importantly, help preserve the rights of the shareholders. Cross your fingers that the courts remember these principles too!



Unclaimed Property Abroad:

A New Target for Auditors?

By Valerie M. Jundt, Managing Director – Keane National Consulting & Advisory Group

Reflecting our global economy, many shareholders of today's public corporations live in countries other than the United States.

Keane has observed that this population can be significant for some firms, reaching as high as 10% of the investor population. As with all domestic shareholders, international owners must maintain their contact information and activity levels to prevent their shares from becoming dormant. However, when foreign shares become dormant, the challenge of locating the lost or disconnected shareholders outside of the United States is much more complex.

CHALLENGES TO LOCATING FOREIGN SHAREHOLDERS

Awareness is the primary issue. Like the majority of US citizens, most foreign shareholders are simply unaware of unclaimed property laws and the risk that their U.S.-based investments may escheat. Often, these owners just need help understanding the issue. For domestic shareholders, Keane has helped companies address this concern for years through due diligence and communication programs designed to alert the shareholder and avert escheatment.

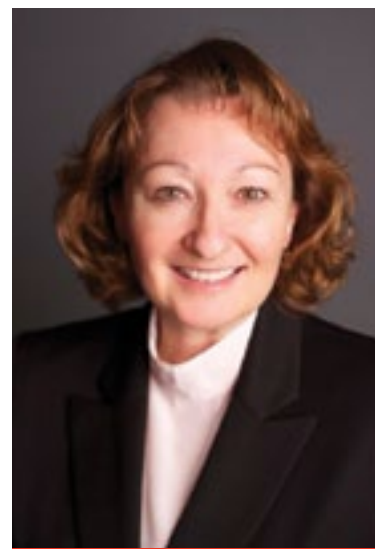
However, communicating with shareholders in non-English speaking countries is far more difficult as the traditional research methods and English-based communications

programs are largely ineffective. This simple fact has led to the escheatment of millions of foreign accounts.

More problematic than the language barrier is the nature of the account data and the quality of the research resources. Unlike domestic accounts, most foreign accounts lack Social Security Numbers. SSNs are an important data point that streamlines the owner location process in the United States. Without this unique identifier, research must be conducted based on other information, such as previous names, addresses, and when available – other vital statistics such as date of birth.

However, most foreign countries lack any type of centralized identification numbers and many have no electronic records of any kind. Physical archives are the common standard abroad. Even then, this information is kept out of the public domain for 50 to 100 years in many places and can only be accessed by licensed investigators or genealogists due to strict personal privacy laws.

Combined, these factors significantly limit the effectiveness of traditional resources and research techniques that are commonplace in the US. Rather, locating foreign



*Valerie M. Jundt
Managing Director of Keane's Consulting
and Advisory Group*

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shareholders requires in-depth genealogical research, which often consists of searching through the archives of churches, courthouses, and town halls to find a missing address, or just the next clue needed to locate the investor. Further, the research is so specialized that it typically requires a specialist who concentrates on a specific country to do the work.

To help our clients overcome these challenges, Keane recently launched a new customizable service for locating and communicating with foreign account owners. The service leverages Keane’s extensive network of researchers and professional genealogists around the globe that can locate missing shareholders, shareholders, and account owners. Through this network research can be conducted in more than 70 countries.

THE NEXT RED FLAG FOR AUDITORS?

Large populations of inactive foreign accounts or shareholders can signal a red flag to auditors and increase audit exposure. Aside from simply locating investors whose shares are at risk of escheatment, an organization’s overall level of unclaimed property compliance can be improved through stronger internal controls by being proactive and locating foreign owners.

While each of these auditors has their own unique tactics, strategies, and processes; you can be sure that they will be examining the status of your foreign investor base as part of an audit. Foreign investors and their shares have become “low-hanging fruit” for the auditors and the states they represent.

Proactive measures can also offer compliance and risk reduction benefits to companies currently facing an audit or participating in a voluntary disclosure program, such as the one being offered in Delaware. While Delaware has had tremendous response to their VDA program, they also benefit greatly from the escheatment of foreign shareholders due to the abundance of companies incorporated there. As a reminder, a foreign investor’s shares would escheat to the state of incorporation if they are unable to be found.

Keane clients are already realizing the value in locating foreign shareholders. Keane was able to locate owners in 24 individual countries across North America, Eastern & Western Europe, South America, Africa, Asia, and Australia. In total, millions of dollars in assets were prevented from escheating. Aside from the compliance value, the company saw significant return on investment as a result of the volume of accounts retained.

We understand that foreign account owners face a distinct disadvantage when it comes to unclaimed property. We hope that companies with foreign shareholders will take advantage of the opportunity to preserve these valuable relationships and protect their assets from escheatment.

For more information on locating foreign shareholders, please contact Valerie Jundt vjundt@keaneup.com or call 1.800.848.8896.



As states grow increasingly more aggressive in their enforcement of unclaimed property statutes, so have the third-party auditors that work on their behalf. Of the numerous third-party auditors in operation today, Keane has identified seven firms that have moved to the forefront of the current escheat audit landscape:

- Kelmar Associates
- Verus Financial
- Unclaimed Property Clearinghouse (Formerly ACS)
- Innovative Advocates
- Audit Services US
- Specialty Audit Services
- Discovery Audit Services

WHAT, EXACTLY, SHOULD INSPECTORS OF ELECTION BE INSPECTING?

Every Inspector of Election signs basically the same oath before an annual or special meeting of shareholders begins – swearing “to execute the duties of Inspector with strict impartiality and to the best of my abilities.”

But what, exactly, ARE “the duties of Inspector” when it comes to actually “inspecting” things?

What, exactly, needs to be “inspected?” How, exactly, should one go about it? And how often should one conduct an inspection of each of the key elements that one should look at before certifying the vote? Let’s never forget that the Inspector is under oath here, so let’s cut straight to the chase:



Members of The Hagberg Team of Inspectors of Election, during their annual due diligence visit to Broadridge Financial Solutions operations headquarters in November 2013, where each year they take stock of “what’s new” on the proxy voting and processing scenes, observe and review the processing procedures, the proof and control systems and procedures and review the internal and external audit reports.

Back in the old days – from 100 years or so ago – when the venerable Inspectors Oath first came into being and through the early 1970s – the specific duties of the Inspector did not need a lot of definition:

Back then, every single vote – whether by proxy, or in person, via a ballot – was represented by an individual piece of paper. The Inspector, and/or his designated assistants (and yes, Inspectors were almost exclusively men back then) were expected to look at and “inspect” each item, one by one:

They would look to see if it was the right proxy card for that meeting - and whether there was a proper signature on it. Then they would sort the valid proxy cards into piles, according to the voting patterns on each one – like FFF (the most common pattern back then), FAF, FAA, AFF, AAF, etc., etc.. (And note, this example is for a proxy card with one proposal only, although most proxies followed a few

fairly narrow voting patterns overall).

Then they’d add up the votes in each pile – originally with an adding machine, with a separate “tape” for each batch. Next, they would have to consolidate all the F and A votes for each proposal that were in each pile. By the 1970s most proxies were on “punch-cards”- which sped up the tabulating a bit, and did a bit more of the math - but the poor Inspector and his helpers still had to sort the cards into the respective voting patterns by hand. And let’s not forget those “Director Exceptions” where separate little individual piles of proxy cards also needed to be made when people crossed out the names or entered the ‘numbers’ of individual directors from whom they wanted to withhold their vote, then continued to vote FFF or FFA, etc., etc., on the proposals, as they chose. With 12 directors and only three proposals with two choices each (there was no Abstain choice back then), the theoretical number of “piles” you could end up with was a daunting 9,216.

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Today, however – where some companies have 12 or more directors and 12 or more shareholder proposals, with three choices on each – about 99% of all the proxy cards and proxy votes are recorded with various kinds of electronic systems – like scanners, telephone and internet voting systems – where the instructions themselves, please note, are totally unobserved by the human eye and untouched by the human hand. If anything, one would think that more “inspection” than ever is in order now. But ironically, many “inspectors” seem to think that all they need to attend to are the few proxy cards and ballots, mostly with a miniscule number of new votes that are handed in at the meeting!

So first and foremost in our own Inspectors’ Handbook is the need to personally inspect each of the kinds of systems that are in use by the company’s proxy tabulator – to see how smoothly they run, the kinds of audit trails they leave behind and the kinds of things that could run amok, and if so, how one would know it.

Thus, and, most important, we say, Inspectors need to assure themselves about – and to actually witness – the kinds of quality control procedures and actual “checks” on accuracy that are employed. Broadridge, for example, requires that a human being double-check every single vote over 50,000 shares and serves-up 1% of all the other votes on a screen, at random, to be double-checked by a person. Most other tabulators we’ve inspected tend to spot-check a given number of cards per meeting, regardless of the size of the vote... which is basically “OK” – most of the time – and some make the effort to double-check all “large” votes.

Equally important, we say, is to understand, and to witness exactly what happens to items that “kick out” – or that otherwise need to be handled or re-handled manually – maybe because they’re wrinkled and torn – or maybe – and here’s where big trouble most often arises – if they are last-minute “fixes” – or faxes – or corrections or, worst of all, reversals... to be sure that (a) they are getting into the tally on time and (b) correctly so.

Another thing that Inspectors should look for – and can rely on pretty heavily if they find such things – are reports from the internal and external auditors on the quality of the proof and control systems that are in place at the tabulator’s shop. Some tabulators have extremely

robust audits in place, while others rely mainly on spot-checks, and then, concentrate mainly on perceived “high risk” tabulations.

The absolute “gold standard” here is to review the outside auditor’s report on System Suitability and the Design and Operating Effectiveness of the tabulator’s overall control environment, commonly referred to as the SSAE-16. Many tabulators are far too small to justify the expense of such an audit report, and many rely on a one-day or limited-period review, rather than a full-year report. Such situations should ideally require a much higher degree of actual inspection by Inspectors – especially if voting on some matter appears to be “close.”

Despite all the above, a good Inspector needs to have a “good sniffer” or a “nose” for situations that don’t “smell exactly right” or look exactly on target. A few years ago, for example, the against-vote on one proposal we looked at seemed to be a bit off the usual mark. An examination of the actual proxies revealed that the “registration” of one segment of the proxy card print-run was a tiny bit out of kilter – causing the scanner to read some Yes votes as No votes. This was corrected fairly easily, and, while no big harm would have been done here, since mostly small, individual investor positions were affected, it could, in theory, have been a disaster.

When there are shareholder proposals on potentially contentious issues – and especially when the Yes and No votes are “close” – Inspectors need to raise the bar even higher where their “inspecting” is concerned. We start with our ‘sniffers’ – to see if the largest voters are voting as we would normally expect. We also look for large un-voted positions – to guard against the possibility that a large investor’s vote somehow got ‘lost in the shuffle’ – or may be arriving at the last minute.

When the voting on any matter is “really close” Inspectors need to raise the bar higher yet, regarding the number and kinds of votes to be inspected closely: Usually we define “close” to be a margin of 1% or less at large-cap companies, and consider others “by appraisal” of the voting population as a whole. Bear in mind too that ½ of 1% voted the wrong way is equivalent to a one percentage point margin. Accordingly, one really needs to look at all



items that are 1/4th to 1/2 of one percentage point of the shares *voted* – and not the shares outstanding. Many times this is not as hard as it might seem at first – if one knows what one is doing. Very often, the top 50 holders account for 50% - 60% of the shares voted.

Another important “trick of the Inspectors’ trade” in a close vote is to know about, and to follow up on any and all apparent “over-votes” – and exactly how they were resolved. Amazingly, many tabulators stop tabulating a given position with any vote that takes the position over 100% of what appears on the CEDE list. This is exactly what an Inspector should NOT allow – since it is the latest vote that counts. And in Delaware, and in most if not all other states too, we say, the Inspector has an affirmative duty to investigate – AND to report on the ultimate “cure” as part of the Final Report on the Voting.

How often should inspectors inspect the overall operation? At least once every 12-18 months, we say, and whenever there are major systems changes.

Last but far from least in today’s environment, Inspectors of Election really need a backup “team” behind them... since something unexpected or never-before-seen seems

to pop up almost every week – and two or more heads are always better than one in such situations.

This is a good way, we think, to introduce our 2014 Team of Inspectors – and to announce that having been sued twice in four years by losers in proxy contests – your editor and his business partner Ray Riley have placed this business in a new legal entity – C.T. Hagberg, LLC.

We have also adopted a new logo for the business – and taken the old, late, great Hanover Bank Trust Division motto – which was drummed into both our heads early-on in our careers – as our own, which we translate into modern English as “Faithfulness and Trustfulness.” This, we believe, is what one should absolutely expect from a sworn Inspector of Election.

We would also like to note that we conduct the kind of due diligence outlined above - not only at Broadridge Financial Solutions - but at numerous other tabulators each year. So if you have a situation this coming proxy season where one of our Inspectors might provide an added level of safety and security where your own Final Report is concerned, please feel free to call us directly, to check on their availability.

Our 2014 Team of Independent Inspectors of Election



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.

If you would like more information about our services, call Carl at 732-928-6133 or email cthagberg@aol.com.



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 300 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 Assistant Secretary, Corporate Secretary’s Dept. at AT&T, then the Director 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.



Francis G. (Frank) Arren has served as a V.P. in the Mutual Funds Services Group of Bank Boston, at Chase Global Funds Service, before moving to Equiserve, L.P. where he served as Director, Client Administration. From 2002-2009 Frank was a Client Service Manager and Chief Compliance Officer at Strategic Planning Group, an investment advisory firm in Needham, MA. Frank has served at numerous shareholder meetings, including Eastman Kodak, General Motors, Gillette and Xerox. He is a graduate of the Stonier School of Banking, the New England School of Banking at Williams College and holds an MA from Burdett College in Boston.

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Deborah Baker, who divides her time between Atlanta, GA and Birmingham, AL, served from 2002-2006 as the Executive Director of Ethics and Compliance and Assistant Corporate Secretary at BellSouth Corporation. She was responsible for all the company's Ethics and Compliance programs, for the Board and Committee sections of the proxy statement, for meeting logistics, materials and minutes, for the Board and Committee evaluation process and for monitoring the company's governance ratings. Currently, she is affiliated with Arcapita, a private international investment bank headquartered in Bahrain, with offices in Atlanta, London, and Singapore.



Gregory P. Denman, based in New Jersey, has worked at J.P. Morgan Shareholder Services, First Chicago Trust, Equiserve, Computershare and Continental Stock Transfer, where he was responsible for over 400 clients and from which he retired in 2008 as V.P. and Customer Service Manager. Greg has served as the Inspector of Election at well over 300 shareholder meetings. Earlier in his career, Greg worked for the U.S. Atomic Energy Commission where he was responsible for the management and control of confidential and top-secret documents.



Kathy Blackwell, MBA, CEP, is a San Francisco-based consultant with almost 20 years of equity compensation experience, including ASC 718 analysis and compliance, SEC financial reporting, and equity plan administration. Earlier, Kathy managed the internal equity compensation function at Charles Schwab, where she developed expertise in executive compensation, corporate and securities law, tax, accounting, and human resources. Her input in the annual proxy process, and in annual and quarterly financial reporting, was highly valued. Kathy is a graduate of Oberlin College with a bachelor's degree in biology. She received her MBA from the Haas School of Business at UC Berkeley and is a Certified Equity Professional



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. Clients included Rockwell International, Fluor Corporation, Computer Sciences Corporation, Hilton Hotels Corporation, Harman International Industries, Imagine Films Entertainment and Corporate Express.



Gene A. Capello, Esq., based in Westchester County, NY, was Assistant General Counsel and Assistant Secretary at Pfizer Inc. from 2006 – 2012, where he specialized in corporate governance, securities transactions and was counsel to the audit committee. Earlier, Gene was Managing Director for Policy at Proxy Governance, Inc., where he was co-head of policy development. From 1985 through 2004, he was VP and Assistant General Counsel at J.P. Morgan & Co., and later at J.P. Morgan Chase & Co. He holds a J.D. from St. John's University, (a member of the Law Review) an M.S.W. from New York University and a B.A. in Business Administration from The City College of New York. He is a member of the American Bar Assoc., the



Susan Edwards, MBA, based in Boca Raton, FL is a former Stock Transfer Operations V.P. and Department Head of Manufacturers Hanover Trust Company, where she managed over 500 employees in multiple locations. She has attended numerous annual meetings and served as Inspector of Election for small, medium and large cap companies throughout the U.S. After relocating to Florida, Susan founded Rockwell Communications, an international telecommunications business which was subsequently sold to a publicly traded company.

Association of the Bar of the City of New York and the Society of Corporate Secretaries and Governance Professionals. He is currently co-chair of the Practising Law Institute's annual Audit Committee Workshop and serves on several non-profit boards.



Rhonda L. Carroll, based in Houston, TX, has over 25 years of experience in corporate governance, having served as the Chief Governance Officer and Corporate Secretary of Encore Bancshares, Inc., a NASDAQ listed financial holding company, until its merger in 2012. Rhonda managed the governance, legal and compliance areas of the organization where she supervised the preparation and distribution of proxy solicitation materials and coordinated all aspects of shareholder meetings. She is currently the President and Managing Director of Governance Resource, LLC, a consulting firm which provides corporate governance, regulatory compliance and project management services. She currently serves



Dan Fahey, MBA, a lifelong resident of the Boston area, has been in the securities processing business for over 35 years. He served as a senior level executive at Bank of Boston, Boston Equiserve and Equiserve, where he acted as Inspector of Election for numerous clients. Subsequently, he served, and continues to serve as an expert consultant for companies in the investor relations space. Dan earned his undergraduate and graduate degrees from Boston University.

on the Board of Directors, Executive Committee and Policy Advisory Committee of the Society of Corporate Secretaries and Governance Professionals and is Chairman of its Educational Programs Committee.



Peter Friz, MBA, based in the Washington DC area, has been involved in the shareholder communications and proxy voting businesses for 15 years. Much of that time was spent at Institutional Shareholder Services (ISS) where Peter ran the Voting-related Businesses and was responsible for teams that interacted with Institutional Investors to assure that their votes would be properly and timely lodged with the various intermediaries involved in the proxy voting process. Peter is an expert in U.S. and non-U.S. “proxy-plumbing systems.” He is well versed in today’s hot button governance and proxy voting issues, and has been closely involved with some of the most high profile public-company proxy fights to take place over the past 15 years.



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.



Leah Grant, who is based near Seattle, WA, has over 24 years of experience in the biopharmaceutical/medical device industry, the last 10 of which were spent in Investor Relations and Corporate Communications. She is the President of Fluididea, Inc, a firm she founded in 2007, which provides communications and IR consulting services to companies in the biopharma & medical device industries. Leah holds a BS from Western Washington University and an MBA from Seattle Pacific University. She is an active member of NIRI; a past president of the Seattle Chapter and a charter member of NIRI’s Strategic Communication and Reputation Management Roundtable.



Aubrye Harris-Foote, based in southern California, is the founder and principal of Cretum Communications in Newport Beach, working with public and private companies on Investor Relations, Public Relations and Market Outreach programs. Earlier, she served as the Director of Investor Relations at several public companies and as the Senior Market Intelligence Executive of a Los Angeles IR agency. Aubrye holds a BS degree in Business Management from the University of Laverne, CA. Currently, she serves on the Board of the National Investor Relations Institute’s Orange County Chapter.



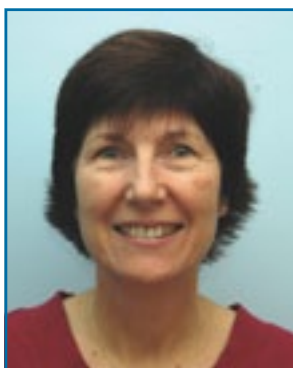
James D. Gaughan, Esq., based in Houston, TX, has over 25 years experience with Fortune 500 companies, serving in corporate governance positions where he supervised the preparation and distribution of proxy solicitation materials and coordinated shareholder meetings from solicitation to vote tabulation. Jim is a long-time member of the Society of Corporate Secretaries and Governance Professionals, having served in a number of officer and committee positions with the New York and Houston Chapters. He also served as a member of the Society’s Securities Law and Corporate Practices Committees.



Trish Hodson, who is based in the Dallas, TX area, has served as Inspector of Election at numerous shareholder meetings – both in the U.S. and Canada. She spent seven years in relationship management and sales at CIBC Mellon Shareholder Services in Toronto, Canada, followed by five years as a Vice President and Relationship Manager in the BNY Mellon Shareowner Services Dallas, TX office, before joining our Team of Inspectors in early 2010.



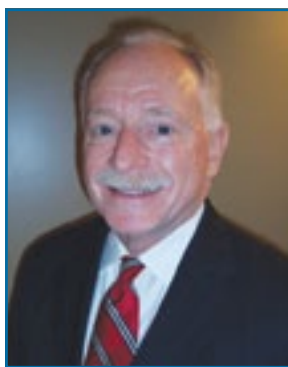
Anna G. Hagberg, who is based in New Jersey, began her career as an Inspector of Election in early 2010 by attending annual and special meetings of a wide variety of small, mid-cap and large corporate issuers. Prior to that, she was an Assistant Manager Regulatory Coordination at Merck & Co. She holds a B.S. degree from La Salle University in Philadelphia, Pennsylvania. Besides serving as an Inspector, Anna coordinates the schedule of the roughly 500 annual, special and contested shareholder meetings, handled by the Hagberg Team.



Patricia Hoffmann has held senior management and senior customer relations positions in various areas of the financial services industries. Prior to joining our team, Pat managed a team of Stock-Option and Employee Ownership Plan Professionals at Citigroup’s Smith Barney unit. Earlier, she served as a senior relationship management officer in the Stock Transfer divisions of Citibank, Manufacturers Hanover Trust Company and Mellon Investor Services. Pat has been responsible for coordinating annual meeting services and for serving as an Inspector of Election at well over 200 annual and special meetings. She is a graduate of The State University of New York at Oswego.



Chandi Neubauer-Jackson, based in Corona Del Mar, CA has had extensive experience as a retail analyst – at ITG Investment Research, Hunter Global Investors and Trivium Capital Management. Chandi is also a retail marketing, merchandising and public relations specialist who wrote regularly for Women's Wear Daily and appeared on CNBC and Fox Business News. Chandi holds an MBA from Babson College, an ME from The Bank Street College of Education in NYC and a BA from the State University of NY at Stony Brook.



Victor W. LaTessa, Esq., based in Charlotte, NC, is a former member of the Greyhound Corporation legal department and has over 30 years of experience in the stock transfer industry. Vic was a Vice President and Team Leader in the corporate trust departments of KeyBank, Wachovia, and National City Bank, and recently retired from American Stock Transfer & Trust. He has assisted hundreds of clients in the coordination of annual and special meetings and has served as Inspector of Election at over 300 meetings. Vic is a graduate of Case Western Reserve University and the Boston University School of Law.



Mary Denise Kuprionis, Esq., the former V.P., Secretary and Chief Ethics and Compliance Officer of E.W. Scripps Company, is currently President of The Governance Solutions Group, a firm she founded in 2011. Based in Cincinnati, OH, it serves public company and nonprofit boards and private company owners. Currently, Denise serves as a Trustee of the Cincinnati Children's Hospital Medical Center, the College of Mount St. Joseph and as a committee member at the Cincinnati USA Regional Chamber of Commerce, the YWCA and the United Way of Greater Cincinnati. She is a member of the American and Cincinnati Bar Associations, the Direct Women Board Institute, the Goering Center of Family and

Private Business, the NACD and the Society of Corporate Secretaries and Governance Professionals. She holds a B.S. in Management from Northern Kentucky University and a J.D. from the Salmon P. Chase College of Law.



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.



Robert Lamm, Esq., is a principal of Robert B. Lamm, P.A. in Boca Raton, providing legal and advisory services in securities law and corporate governance. Bob serves as Chair of the Securities Law Committee of the Society of Corporate Secretaries and Governance Professionals, and as a Senior Fellow of The Governance Center of The Conference Board. From 2008 to 2013, he was Assistant General Counsel and Assistant Secretary of Pfizer Inc. Earlier, he served as VP and Secretary of W. R. Grace & Co. and Senior VP Corporate Governance and Secretary of CA, Inc. Bob has served on the Society's Board as Chair of its 2004 National Conference, and is a recipient of the Society's Bracebridge H. Young Distinguished

Service Award. Bob is a member of the NY State Bar, The Florida Bar, and the American Bar Association. Bob received a B.A. from Brandeis University and a Juris Doctor from the University of Pennsylvania School of Law.



Joseph MacLelland, based in South Yarmouth MA, retired in 2009 as the Operations Manager for the Computershare Proxy Group, which he had been managing since 1985. During his career there, Joe was responsible for all the activities necessary to design, produce, mail and tabulate proxies and to certify the vote at over 1,500 Annual and Special Meetings a year. He led or assisted on projects designed to implement developments such as Householding, Notice & Access and IVR and Web-based proxy voting. Until his retirement, Joe was a member of the STA Proxy Committee. He holds an Associate degree from Cambridge School of Business and attended Williams School of Banking.



Gerald K. Lane, based in Deerfield, IL, is a long-term industry veteran, having held senior management positions at U.S. Bank in Chicago, in the Chicago office of Wells Fargo Bank's Shareowner Services unit, and earlier, at Harris Trust and Savings Bank, where he managed a team that served 120 public company clients. Gerry holds a BBA from Pace University and an MBA from Long Island University. He is a Director and the Treasurer of Camp One In A Hundred, Treasurer of Special Kids Foundation and is a member of the Society of Corporate Secretaries and Governance Professionals and the Midwest Securities Transfer Association.



Gregory Malatia, 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 is a former 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 Professionals and the Shareholder Services Association. She is the co-author of the SSA's Guide to Annual Meeting Preparation.



Sarah McDaniel is an investor relations manager, based in Northern CA. She has served as Inspector of Election at over 200 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. Since then, Sarah has served as the inspector from our team at over 100 Annual Meetings, mostly for companies in California, Oregon and Washington. Sarah is a graduate of the University of California, Riverside.



Ray Poplasky, based in Jupiter, Florida, retired as an Assistant Vice President and Senior Relationship Manager at BNY- Mellon Shareholder Services. After more than 35 years experience in the Stock Transfer and Shareholder Relations industries – starting at U.S. Trust Company, where he managed the U.S. Trust account, among others, then at Bankers Trust, Manufacturers Hanover Trust and BNY-Mellon. He has served as Inspector of Election at over 300 Annual meetings, including companies such as Hess Corporation, Honeywell Corporation, Sallie Mae and U.S. Air.



Pat Scatena, Esq., based in San Francisco, has been providing legal advice to public and private companies on corporate and securities matters for over 20 years. In 2008, Pat founded Scatena Legal, a law practice advising clients, including public company Boards of Directors, on corporate governance matters, SEC reporting and compliance, compliance program design and risk assessment, venture capital investment and other corporate transactions. Earlier Pat was a member of the in-house legal team at Intel Corporation, with responsibilities ranging from corporate governance, securities law compliance annual stockholder meeting coordination, to handling complex financial transactions as lead counsel to

Intel's Treasury group and, in her final stint, as Group General Counsel of Intel Capital.



Tod Shafer is located outside of Chicago, IL. Recently retired from Computershare Investor Services, Tod is a seasoned securities professional, having spent over 39 years in the stock transfer industry. His first 15 years were spent in operations with the last 24 years in relationship management. He has acted as Inspector of Election at well over 100 stockholder meetings, including meetings for FPL Group, Maytag, PNC Financial Services and US Cellular.



Barry Shapiro, who is based in New York City, is the founder of Applied Consulting & Logistics, a shareholder relations consulting firm. Barry 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. Barry is the Treasurer of the NYAKORA Foundation, a non-profit organization that provides clean water to hospitals and neighboring communities in Africa, and is also a director of the Stevenson School in NYC.



David L. Siddall, Esq., based in Scottsdale, AZ, has served as a legal officer, chief governance officer, chief compliance officer and corporate secretary of two Fortune 500 energy companies, Anadarko Petroleum and El Paso Corp. Currently, Mr. Siddall is a partner with the McQueen & Siddall, LLP law firm in Scottsdale, Arizona, where his law practice consists of estate planning, elder law, business succession planning, "outside" general counsel services, executive compensation, governance, compliance and board consulting and other related areas. David holds a BA in Business Administration from Graceland University, Lamoni, Iowa, a JD from the University of Iowa College of Law, and an L.L.M. from the University of Miami School of Law in Coral Gables FL.



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 a past President of its Northern California Chapter and is a member of the Advisory Board and a member of the ABA Business Law Service, Corporate Governance.



Gary Wozniak is a Long Island, NY based consultant to the shareowner services industry. Gary brings four decades of financial services industry experience in all phases of Corporate Trust Group Services, with an emphasis on managing large, complex clients and transactions. He has helped organize numerous annual meetings and has acted as an Inspector of Election at over 250 routine and contested meetings. Most recently a First Vice President at The Bank of New York Mellon, earlier Gary worked at Marine Midland Bank, Manufacturers Hanover Trust and Harris Trust Company. He is a graduate of Pace University.



Carol Zepke, based in Santa Barbara, CA, was Sr. VP & Corporate Secretary of Pacific Capital Bancorp (2000 - 2013) and earlier at Hercules, Inc. (1982-2000) with responsibility for board meetings, annual meetings, proxy statements, proxy solicitation, equity programs and shareholder relations. Carol served as a Director, Society of Corporate Secretaries and Governance Professionals, and is a past president of the LA Chapter. She holds a B.S. in Human Resources and a Paralegal Certificate.

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2013 END *of* ANNUAL MEETING SEASON CELEBRATION

HONORING
KATHLEEN E. SHANNON

HOSTED BY
Cal Donly, Carl T. Hagberg, Ellen Philip
Bob Irvine, Barry Shapiro and Brendan Sheehan



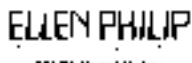
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THE TENTH “END OF MEETING SEASON CELEBRATION AND BENEFIT” DRAWS A RECORD CORPORATE CROWD ...TO SUPPORT A TRULY AMAZING ORGANIZATION



2013 Benefit honoree Kathleen Shannon, former Senior VP and Deputy General Counsel of American International Group - and a major collector of works by Fountain Gallery artists - flanked by Gallery Director Jason Bowman, event hosts Cal Donly, Ellen Philip and Carl Hagberg, the evening's member-artist and speaker, Marty Cohen and Broadridge C.E.O. Rich Daly who presented the award to Kathleen

This June, well over 200 people thronged the art gallery that industry leaders Ellen Philip and Cal Donley have been creating out of their NYC work space over the past ten years – to honor Kathleen Shannon – a long-term patron of Fountain Gallery artists, who recently retired from American International Group after a long and distinguished career.

Over 20 works by Fountain Gallery artists were sold that night – along with two pieces that were donated by prominent outside artists Jason Rohlf and Harriet Sawyer. Just shy of \$160,000 was raised to benefit the Gallery – a unit of NYC's Fountain House that has become the “premiere venue for artists around the world who are living with mental illnesses.”

Richard Daly, CEO of Broadridge Financial Solutions – which has been a major benefactor of this event since its beginning – and who has known and worked with Kathleen over many years – presented this year's award – noting Kathy's many contributions to the industry, and noting especially how important it is to have meaningful work.

Aside from supporting the Gallery, Broadridge (beginning 20 years ago with their original parent

organization, ADP) - has been, and continues to be a major employer of Fountain House Members, through the groundbreaking Transitional Employment Program, where Rich has become a leading spokesperson, and where he recently became a Fountain House Director.

Every Fountain House event also features a Member-speaker, and artist Marty Cohen was the obvious choice for many reasons: Marty was one of the original founding members of the Gallery – and he is one of Kathleen's favorite Gallery artists - and fittingly, the cover-artist for this year's catalogue. His was the first piece of Fountain Gallery art that Kathy acquired – and she has since acquired several more – along with works by other Gallery artists. And, that night, a new work by Marty was specially commissioned for her by a senior officer of AIG to recognize Kathy's service. Marty,



Over →



Benefit guests mingle - and get to bid on the art works electronically - creating a unique NYC-buzz of excitement

who holds a Master of Fine Arts degree from Carnegie Mellon - and who, like all Fountain House Members lives with a serious mental illness explained in his speech how member-driven and member-run Fountain House, and Fountain Gallery - with their "work-ordered day" - have contributed to his long-term stability, professional growth and productivity. Marty's work has been acquired by Estée Lauder Companies, Inc., Eli Lilly and Company and by Citi. In 2012 Marty was a winner of the Wynn Newhouse Awards, a prestigious program that provides grants to artists of excellence who happen to have disabilities, which also came with an exhibition of his work in a 'featured artist show' in NYC this year.

One benefit attendee, when asked about the strong connection that has been formed between the financial services and Corporate Governance communities and this event, commented as follows:

"... for most people, work is key to a sense of well-being and identity. The professionals at this event are all very hardworking and focused, and they've come to appreciate the industriousness and dedication of these artists in making art and running Fountain Gallery as a cooperative business. It's gratifying to watch people as they enter - or re-enter - the working world. And demonstrating what these individuals can do, whether it's painting a canvas or filling a more conventional job slot, is effective in combating the stigma that surrounds mental illness."

Readers should also know that in addition to making art, and helping to staff and run the Gallery - and participating in the Transitional Employment Program - at Broadridge, Estée Lauder and numerous NYC area law firms, for

example, which many Gallery artists also do - Fountain House members help to cook and serve healthy breakfasts, lunches and dinners to fellow

Fountain House members. Members of the Horticultural Unit care for the houseplants and their beautiful outside gardens. They buy and arrange flowers to decorate the Clubhouse - and grow salad greens hydroponically - and help to grow flowers, vegetables, and, more recently, eggs and chickens - for the dining program, at Fountain House's Highpoint Farm in northern NJ. They greet



Floral arrangements made by members of the Horticultural Unit graced the rooms

visitors, answer phones, staff the Wellness Center and the gym, and the Walk-In Clinic, reach out to members who live independently, mop the floors, systematically repaint the walls, learn new office skills, publish a weekly newsletter...and continue their education at NYC area colleges and universities. To find out even more - or best of all, to take a tour of Fountain House facilities, and to learn more about the T-E and internship programs, feel free to contact your editor...

BE SURE TO SAVE THE DATE FOR THE NEXT END OF ANNUAL MEETING CELEBRATION: JUNE 6TH 2014. AND STAY TUNED FOR MORE INFORMATION: YOU WILL NOT WANT TO MISS THE 2014 EVENT!

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