

TRANSFORMING SHAREHOLDER RELATIONS



THE 24TH SPECIAL SUPPLEMENT TO THE SHAREHOLDER SERVICE **OPTIMIZER**

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TRANSFORMING SHAREHOLDER RELATIONS

Dear readers,

Welcome to the 24th annual Special Supplement to our quarterly newsletter, The Shareholder Service *OPTIMIZER*, which is now entering its 26th year.

We hope that a few moments spent on decoding this year's cover will give you a chuckle, and get you thinking about how many things have changed in the shareholder relations arena over the past few years:



Remember those marches on Washington? Those pitched battles over “SOX” and Dodd-Frank? The “Occupy Wall Street” movement? The demands of investors to have more Say on Pay? And all those no-votes? Remember all the ‘sharply-pointed attacks’ on public company policies by activist investors, where, for so long, the advice of proxy advisors and prominent law firms was to “Just say NO!”

No doubt; the biggest transformation we have witnessed over the past five years - by far - has been the growing willingness of public companies to “engage” with investors - in a far more proactive and constructive manner than they did in earlier years.

And, in just the past year, we are witnessing a second big transformation on the investor relations scene: a fast-growing trend on the part of individual investors - and, very strikingly, employee investors - who formerly backed the “management position” on governance matters without question - to actively support many of the environmental, social and governance issues that activist investors are increasingly bringing to the forefront. Most surprising perhaps, many public companies - including many of our biggest banking institutions - have become the biggest “change agents” of all - having come to realize that issues like social, economic and environmental responsibility, sustainability - and just plain good-citizenship - are good for businesses.

The third big trend we see - and actually it is a wide-ranging set of changes - has to do with technology: Not so long ago, most public companies, like those poor folks on our cover, had little in the way of tech-support to support, much less enhance their relationships with shareholders. They, and most of their service providers, were relying on mostly manual paper-pushing steps, press releases and occasional phone-calls to keep up their relationships - supported, if at all, by shaky old “legacy systems,” balky old hardware and second-rate, off-the-shelf software.

Today, we are seeing massive technological changes at the best service providers - designed to meet a major sociological change in the way that information is being disseminated to and assimilated by investors:

Not so long ago the Internet was strictly for the younger generation. Today however, the Internet has become the number-one way for people of *every generation* to obtain and review information, and to analyze and assess information. It is fast becoming the number-one way for people to *share* information with others - and to *act* on information.

Another huge change; more people have mobile devices with internet connectivity than laptops or PCs these days! And they are using them to transact business - as fast as new apps can be launched.

All of these developments are having profound effects on the suppliers of services to publicly-traded companies, as you will discover as you peruse this issue:

Let's start with the seemingly old-fashioned financial printing business: Oddly enough, despite the importance of Internet and mobile communications, the printed page has become more important than ever in the battle for the hearts and minds of investors. Public companies - and the best and brightest financial printers - are realizing that they need to do a much better job with graphics, charts, useful headings and sub-heads in investor-oriented documents.

But as you will also learn in this issue, the best and brightest financial printers - a fast-shrinking group because of Notice and Access - and the best and brightest public companies too - are now designing documents to be equally accessible, and *searchable*, and *useable* via the web - and via mobile apps too.

The old-time “proxy chasing business” has been totally transformed by the corporate governance movement: There has been a mini-explosion in the number of providers, but, as you will see in this issue, the competition has transformed the best of them into indispensable advisors.

In the transfer agency world, the move away from paper stock certificates, paper checks and even paper proxies to a large degree - and the development of better self-service apps - have reduced workloads, improved services to shareholders and lowered costs for all concerned. But this has created significant excess-capacity in the industry that has fostered dramatic consolidation - and sometimes, disruptive moves to reduce staff and “downsize” in other ways.

Sometimes this had lead to significant knowledge and service gaps.

No surprise that two of the largest transfer agents recently appointed senior-level “Transformation Officers.” There is a real need for ‘transformation’ in this industry.

So no surprise at all that we have been seeing a rise in the number of “small transfer agents” - where their smallness and low overhead has some real appeal. We urge you to review the information about transfer agents in this issue and on our website with special care: The risks of using an agent without the right financial and human resources are huge.

Still another area undergoing big changes; we are seeing a truly extraordinary explosion in the number of new entrants in the universe of unclaimed property service providers: This is being spawned by greatly increased efforts by state governments to generate funds from this source, and to up the ante significantly by launching extensive audits of public company records and increasing fines, penalties and interest rates imposed on companies that have not been in complete compliance with state abandoned property laws. Where not long ago there were two dominant providers, now we count more than twenty! Here too, the risks of choosing a weak provider are frighteningly large ones, as the “Primer” - on our website describes.

Last but far from least, CFOs and General Counsels have experienced two of the very biggest “transformations” we have seen over the past five years: The CFO has become the primary IRO where large investors are concerned - and the General Counsel has become deeply involved in corporate governance and an ever-expanding number of “shareholder-engagement” issues.

We hope that this year’s theme - and the many articles on how and why so many “transformations” are taking place - and on what your company needs to do to be on the leading edge in terms of your relationships with shareholders - and with suppliers - will engage and reward your attention.

We also hope that you will use our website - and our Directory of Pre-Vetted Service Suppliers to find timely background information about essential products and services - and our tips on *selecting* service providers.

We especially hope that you will want to share this magazine with everyone on your staff who is involved in the care and feeding of investors of every description.

With all our best wishes, *Carl & Peder Hagberg*



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Alliance Advisors Highest Rated In Proxy Solicitation Study Receiving 100% In Overall Client Satisfaction

The 2018 Group Five Proxy Solicitor Benchmarking Study includes responses from 239 U.S. public companies. The purpose of the study was to provide independent, unbiased information on the loyalty and satisfaction of corporate issuers by measuring their opinions of the service their company receives from their proxy solicitor. The study included responses from clients of the world's leading proxy solicitors and **Alliance Advisors was the only proxy solicitor in history to receive a 100 percent satisfaction for all of the service elements measured in the study!**

2018 CLIENT RATINGS OF PROXY SOLICITORS

The table below shows the ratings for all of the service elements measured in the study.

	Industry Average	Alliance Advisors
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Reporting of Voting Results	97	100
Knowledge of Proxy Advisory Firms	96	100
Assistance in Negotiating with Proxy Advisory Firms	92	100
Forecasting Proxy Advisory Firm Recommendations	94	100
Expertise on Compensation Matters	93	100
Expertise on Governance Matters	96	100
Advice on Shareholder Activism	91	100

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How a 132 Year Old Financial Printer Is Transforming Shareholder Communications

Your Editors met recently at the state-of-the art New York City production facility of the Fitch Group with CEO William B. Contessa, who recently acquired the company, and Executive Vice President, and well known industry veteran Joe Barrett, to learn about the innovative ways this 132 year old printing and communications business is transforming both itself -and the services it provides to clients - to help them transform their own shareholder communications as we go into the 2019 proxy season.

Peder: Bill, let me mention that when I was in the Mutual Funds Unit of Bankers Trust Company, we were very frequent visitors to the "old Fitch." It was right across the street in downtown Manhattan, and there were many late-nighters, all-nighters, and sometimes long-weekenders - not just for financial documents but for our most critical "pitch-books."

So, what attracted you to make an investment in the Fitch Group?

First off, there is a lot of history behind Fitch - and outstanding brand-name recognition in the marketplace - especially in the financial sector. More important, there is a legacy of very long-standing relationships with clients who've trusted the Fitch Group for many decades to produce high-value, high-impact and highly time-sensitive printed communications. Fitch, which was founded in 1886, is one of New York's longest-running printers, and one of the few printers still producing high quality work from our production facility right here in New York City...and, we are all native New Yorkers.

I first became involved with the Fitch Group as a mergers and acquisitions advisor, working with the Fitch family to facilitate the sale of the company to a group of outside investors. The deal fell apart at the 11th hour, but since I knew so much about the company, and had background in document production, I decided to make the investment myself, along with John Fitch IV, the great, great grandson of the founder, and a European investor.



Fitch, founded in 1886, is one of New York's longest-running printers, producing high quality work from our production facility right here in New York City...

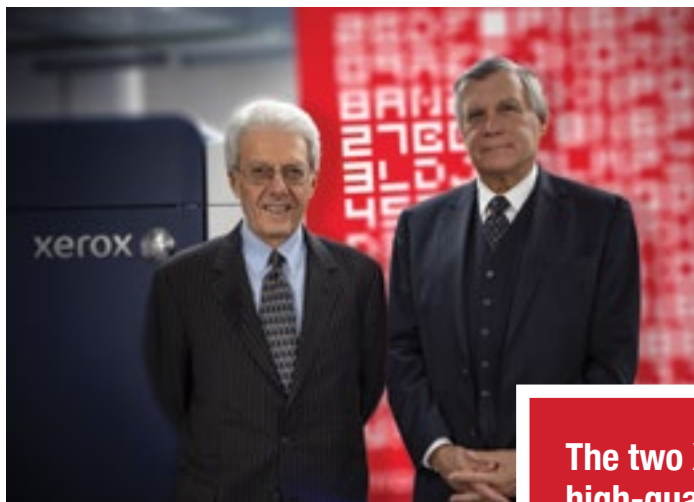
Bill Contessa, CEO and members of the Fitch management team

There's an extremely powerful story here....a real New York story. Can you share a bit more of the Fitch history with us?

Fitch Group was a fixture in the Wall Street community and, as you noted, was located downtown on Cedar Street. The September 11th attacks had a devastating impact on the company - and on many of its customers. It might have stayed closed forever, had it not been for the incredible loyalty of those long-time customers, some loans and payments from NYC and from FEMA - and the sheer grit and dedication of the Fitch family and its truly outstanding employees. This commitment enabled Fitch to stay in business and propelled its move to our state-of-the art digital printing facility located at 229 West 28th Street.

The new Fitch floor plan is smaller than the pre 9/11 space you remember - thanks mostly to newer, far

more compact, and much better printing technologies. With our strong infrastructure, expertise, and strong reputation in the market, we are well on our way to growing Fitch into a omni-channel customer communications company, larger than ever - and we're committed to do it right here in Manhattan.



Bill Contessa-CEO, Joe Barrett-EVP of Sales

Bill, we know you are a Marine Corp Veteran. Is Fitch a veteran-owned company?

Yes, it is a veteran-owned company and we are committed to supporting our military veterans - and we're very pleased to see that so many of our clients are doing the same. Millennials are not seeking jobs in the printing industry, so veterans are a ready, willing and available labor pool. With a veteran, you get someone who knows how to wake up, show up, and work hard when they get there!

It's interesting to hear that Fitch is investing in new capital equipment while so many other commercial printers are either slimming down, or merging - or exiting the print business entirely. What are some of the recent investments you've made?

We're extremely excited to have recently acquired two Xerox Iridesse® Production Presses, giving us the high-quality color output and digital embellishment capabilities needed to pursue our ambitious 20 percent annual growth targets.

When we saw the Iridesse, we knew it was the perfect fit for our operation - so much so that we acquired two. It was an easy decision as the presses enable us to enter new markets and to offer enhanced applications for our existing customers, many of whom are asking for high-end color printing and

highly specialized print jobs that will really make an impact. Interestingly, the Fitch relationship with Xerox goes all the way back to the beginnings of Xerox - when it was known as the Haloid Photographic Company. Of further interest, I, as a then Xerox salesman, sold some of Xerox's earliest products and I'm now working with the most advanced product in Xerox's portfolio.

About 80 percent of the Fitch Group's business is with financial firms and a growing number of other public companies, processing sensitive financial data to produce SEC filings, proxy statements and annual reports - much of it as traditional monochrome output. But as you saw, we also do a lot of highly specialized work for advertising and marketing firms,

The two Xerox Iridesse® Production Presses, give us the high-quality color output and digital embellishment capabilities needed to pursue our ambitious 20 percent annual growth targets.

where the design and overall look of the piece - and fast turnaround too - are all extremely important. The new Xerox printers elevate the game significantly for new and existing customers who want to enhance the appeal, and the look of their printed materials.

The Iridesse Production Press is the only digital press that can print metallic gold or silver, CMYK, clear or white dry ink in a single pass. In addition to providing the color image quality and embellishments, the press's new long-sheet capability (13" x 47") will enable Fitch Group to produce banners and multi fold covers among other customized applications we previously turned down or farmed out. Printing at 120 pages per minute, the new presses boost productivity and contribute to the faster turnaround that our customers demand.

Every job we've run on the Iridesse® so far has been met with unanimous approval from existing clients.

Carl: Joe, you and I go back a very long time. Back in my old banking days, we were big clients of yours - and you were our main go-to guy. Tell us what these new investments mean from your perspective - and from the perspective of your customers - especially as they plan for the 2019 proxy season.

The Fitch Group has always been known for producing high-value, high-impact, and time-sensitive printed communications for its clients. As you saw during the tour, we also do a lot of custom design and custom binding jobs for clients, right here in-house. We have an unparalleled staff of designers, prepress experts and highly skilled proofreaders who are familiar with complex financial and other corporate documents.

The new digital presses are the perfect complement to our advanced offset printing hardware, which has long allowed Fitch Group to print and deliver extremely high volumes of time sensitive material through our network of print and mailing facilities in Manhattan, Long Island and New Jersey.

Fitch Group has always been known for producing high-value, high-impact, and time-sensitive printed communications for clients.

Most important, the new presses allow us to run much more customized, full color and highly stylized print jobs that we couldn't handle beforehand. Many companies, as you know, are increasingly requesting enhanced graphics, attention-getting and engaging look to their materials - especially with their proxy materials. This is even more important in proxy fights or contested situations where the design, quality and overall look of materials are important keys to increasing shareholder engagement and voting actions.

Very important to know, the Fitch Group continues to be a leader in offering clients enhanced interactive documents to improve shareholder communications. As the viewing of proxy materials continues to shift from paper-only versions to tablets or desktops and increasingly to mobile devices, designing and delivering interactive documents is a critical key to improving shareholder engagement. Our team specializes in supplementing printed materials, and in replacing static PDF documents with interactive and easily searchable Annual Reports, 10-Ks, Proxy Statements and Sustainability Reports; materials that will deliver a much better user experience - whether on paper, PCs, tablets or mobile devices - and, most importantly, will generate investor engagement and voting.

And, oh yes, one thing will never change: We still get a lot of late-Friday calls - and breaking events on Saturdays too - that require us to spring into action right away - which has been the Fitch hallmark for 132 years.

Carl: Joe, you've been in this business a long time. Why should a company choose the Fitch Group for their printing and mailing needs?

I've been involved in the business for over 40 years so have been part of the evolution of traditional financial printing into the full-service business it's become today. I'm proud to represent a well-known company like Fitch that continues to invest in its business, its technology and its people to provide clients with the most current suite of services available on the market.

I consider each job we do for a customer a 'Financial Project' rather than just a print and mail job. Whether it's a few million pieces, or just a few thousand - or a company's complete annual proxy materials, or more specific reorg, or proxy contest documents - customers trust Fitch to see their work through the entire project lifecycle.

Fitch removes the fear factor many customers have by facilitating the entire process from the time we receive files, to copywriting, typesetting, graphic design, printing, and the on-time delivery of important financial documents through our network mailing facilities, plus the creation of interactive documents to further improve shareholder communications.

Most importantly, we always work with realistic time frames and realistic budgets so customers will always have the confidence that the price they are quoted is exactly what is billed.

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YES, RETAIL ENGAGEMENT MATTERS.

Five Ways Corporate Issuers Are Transforming Shareholder Engagement and Participation.

Recent proxy contests are painful reminders of the importance of effective shareholder engagement. With activists managing more than \$200 billion in assets, the stakes couldn't be higher. Consider that in the first half of 2018, 416 directors failed to receive at least 70% support and 50 failed to receive majority backing.¹

The challenge for corporations is that turnout among retail investors is typically quite low. The numbers tell the story. More than 90 billion retail shares were not voted during the 2018 proxy season. Last year, retail investors only voted 28 percent of their shares; institutional investors, by contrast, voted 91 percent.²

That's why corporate issuers are looking to new strategies and technologies to reverse low retail participation rates. Increased retail shareholder participation can boost long-term loyalty, provide valuable feedback and help advance management proposals. Below are five innovations transforming the landscape.

1 Data driven shareholder engagement.

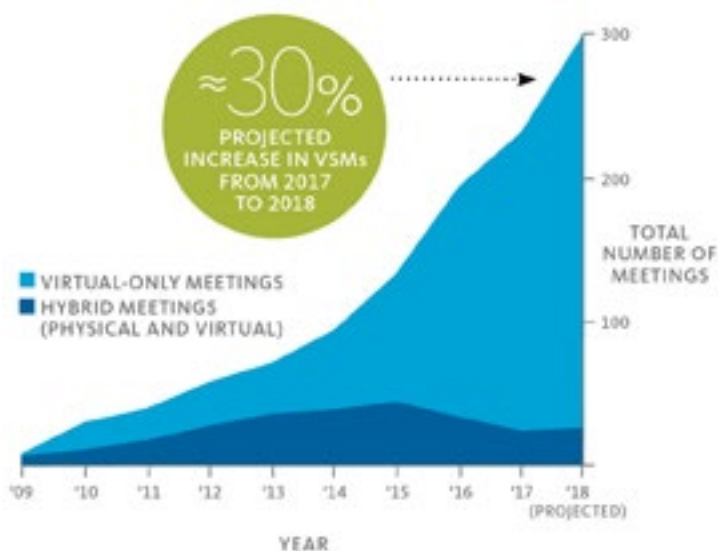
Engaging with retail shareholders starts with understanding who they are. New tools enable better analysis of shareholders' information needs and voting habits, so that companies can better tailor communications and ensure they are cost-effective at the same time. Analytics and visualization tools can project how voting might turn out, giving companies advance warning of potential deficiencies in their communications, and enables them to refine their outreach strategy.

2 Enhanced communications get the message out.

One thing we know for sure: Plain proxy statements often go unread. For a few years now, some corporate issuers have been using enhanced proxies, replete with visuals and engaging content, to encourage shareholders to participate. Enhanced packaging, which includes adding visual elements to the envelope or displaying targeted messages through clear packaging, can boost open rates and generate a better response. Incentivizing shareholders with Vote Thank You programs can further improve participation.

Of course, it's not just about print. Today, best practices suggest supporting traditional, paper-based

THE RISE OF THE VIRTUAL-ONLY SHAREHOLDER MEETING



communications with more engaging assets, such as video, as well as next-gen digital tools, like interactive proxies, to improve outcomes and lower overall costs. Industry leaders are finding that synchronized multi-channel shareholder engagement is the future. The key is to leverage the full arsenal, including social media, virtual shareholder meetings and mobile voting.

3 Social media outreach increases engagement and brand interaction.

According to the Pew Research Center, roughly two-thirds of U.S. adults (68%) now report that they are regular Facebook users. Platforms like Facebook contain a vast, mostly-untapped reservoir of potential shareholders issuers can target with pinpoint accuracy (thanks to extremely rich user analytics).

Sophisticated proxy campaigns use social media to tailor communications to specific shareholder segments. For example, a campaign might focus on shareholders with more significant share holdings and modify messages based on demographic factors, such as gender or location. Facebook is shown to be especially effective at reaching wealthier, older, college-educated investors.

The biggest advantage: Social media is a cost-effective way to engage on a long-term basis—not just during proxy season. Likes and shares represent powerful tools to boost ongoing brand loyalty and visibility.

4 Virtual shareholder meetings increase access and participation.

Another tool gaining traction is the virtual shareholder meeting (VSM). VSMs employ advanced technology that enables boards to host annual meetings on web-based platforms. Virtual meetings operate just like traditional shareholder meetings except that board members and executive leadership don't convene in a physical location.

New regulations, improved technologies, and broadband Internet speeds have made it easier than ever for organizations to transition to virtual formats. Thirty states currently allow virtual-only shareholder meetings; twelve permit the hybrid format (i.e., holding a physical meeting that is also broadcast virtually); and nine prohibit VSMs. As a result, VSM use has significantly increased since it was introduced in 2009. Expect the upward trend to continue as participants get more comfortable with the virtual format and as stakeholders recognize the benefits, which include:

- **Accessibility:** VSMs enable boards to boost participation, maximize transparency, and provide greater opportunity for every shareholder to contribute. Many retail investors prefer the convenience of a VSM, as it alleviates the need to travel.
- **Relevance:** Some directors believe that VSMs can generate an innovative, forward-thinking brand image. In a technology-driven world, VSMs convey digital savvy.

HIGHER PARTICIPATION FROM RETAIL INVESTORS WILL MORE ACCURATELY REFLECT THE SENTIMENT OF ALL SHAREHOLDERS



WHY DOES IT MATTER?

When you have a potential close vote, higher participation from retail investors can make the difference.

A Fortune 500 company working with Broadridge saw retail voting participation increase by 50% after using data and technology to engage with shareholders.

- **Efficiency:** VSMs streamline the proceedings and save costs associated with planning and coordinating a physical event.

5 Mobile voting maximizes convenience for shareholders.

Consumer expectations are changing as fast as technology itself. Everything must be quicker, easier, more intuitive. Shareholders want the same kind of experience they're getting everywhere else. So, in order to maximize participation, issuers must make it easier and more convenient to vote.

Digital access is a key piece of the puzzle. Based on our analysis of the beneficial (i.e., "street name") proxy communications processing and voting for the 4,108 shareholder meetings that occurred between February 15 and June 29, 2018:

- 76% of all positions were marked for e-delivery, up from 75% last proxy season
- 95% of shares were voted electronically
- 1.89 million retail positions were voted via a mobile device, up from 1.7 million last proxy season
- 2 million+ positions were cast directly through brokerage firm websites, up from 1.8 million last proxy season

To further accelerate digital adoption, Broadridge has built a unique API, (application program interface) that brokers and intermediaries can use to make the voting process easier for shareholders. Instead of receiving proxies by mail the old-fashioned way, shareholders can simply log in to their broker's app to view regulatory documents, corporate actions and vote entitlements. Alerts and notifications remind shareholders to vote. Then, voting itself involves only a few swipes and clicks within the app.

Ultimately, transforming retail engagement involves a get-in-front approach. Corporations work to get in front of the market by standing out and finding ways to distinguish their brand. They also look to get in front of investors with powerful communications and convenient voting options. Finally, they aim to get in front of innovation, putting tomorrow's technologies to work today.

More than half of all retail shares can now be reached electronically through broker-dealer communications platforms and digital channels. Corporations are only just beginning to unlock that potential.

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The Ellen Philip Associates team with over 140 years of combined industry expertise: Cal Donly and Ellen Philip (foreground), Rose Da Silva, Bill Grisi, Myrna Gutierrez and Bill Baumann (l-r)

TRANSFORMING EMPLOYEE VOTING

Our annual interview with Ellen Philip produces a challenge to issuers - and numerous processing suggestions and highly practical tips - to launch a much-needed transformation with a huge payoff.

Carl: Tell us first about why you think a transformation is needed with respect to employee voting in corporate elections.

Ellen: As we both know, most public companies have six to ten percent of their shares outstanding held by employee-stock-ownership plans, or by employees directly - and often, much more. But, as we both have been regularly pointing out, employee-owners typically vote only five or ten percent of their total positions - unless some “special efforts” are made.

This, to me, is a serious issue in and of itself. But it is even more concerning because individual investors are the “deciding voters” in extremely close and/or closely-contested votes. And most employees tend to support the management positions on most if not all voting matters - especially on matters where the long-term direction of the company is an issue.

Another big concern, most often, corporate issuers tend to make their special efforts to turn out the employee vote in the eleventh hour - when it is far too late to make the difference that a good outreach plan could make. So, to me, a major “transformation” is needed to change the dynamics.

Carl: What makes you think that such a transformation can actually happen?

Ellen: Five things, actually: First, it’s because we know for a fact that companies that have the right plan - and make the right moves early - can boost employee voting significantly.

Second, in my experience, most employees want to be, and will be ‘good citizens’ when given opportunities to quickly and easily cast their votes. They will do so, when there are well-crafted and easy to use systems and procedures in place.

Third - and the most important thing to note - issuers have the most important keys to success in achieving a “transformation” right in their hands; namely, the e-mail addresses of most if not all employee-plan owners. This allows issuers to email the information that employees need to vote - ideally along with a written or video message from the CEO that stresses the importance of voting, in a friendly and well-crafted manner - and, most important - that instantly serves-up a way for the employee to go straight to the information they need to vote and then, to seamlessly toggle back and forth between the information and the voting application itself. In other words, it allows the

issuer to quickly “close the marketing loop” that remains so hard to close when one relies only on sending printed materials - or even worse - sending only “Notices of Internet Availability” which, as we have all been seeing, have been producing lower voting results every year.

Fourth - and something that I think has been little noted, but which truly has the potential to transform employee voting - the Internet is the number-one way for the younger generation to access information - and to act on it: The very opposite of the way our older “registered holders” tended to obtain information and take action - but even they are steadily changing their ways.

Fifth - having the e-mail addresses allows issuers to send “reminders” to non-voters in a timely manner, and at a fraction of the cost of mailing printed reminders, or making phone calls - and in a way that allows recipients to vote at once - whether on the web or on a phone line. Last year, we handled a meeting for a large trade association where every single vote was cast over the Internet!

Carl: So tell us a bit more about what your “transformation plan” actually entails.

Ellen: First, we are still believers in mailing hard-copy materials to employees as step-one. For many employees, company stock is the only stock they own, so voting a proxy is not a routine event for them. More importantly, employees are more inclined to want to see the annual report - and to read the Chairman’s letter, and the management discussion and analysis, and to review the photos and bios of the directors and top managers - than non-employee owners are, we think. We also know that recipients of hard-copy materials vote about seven times more often than shareholders who receive “Notices of Internet Availability of Materials” alone. So the up-front investment in mailing hard-copy materials is very well warranted, quite aside from its role in employee education and in helping to foster a more solid commitment to the company and its goals.

The mailing of hard-copy materials very nicely sets the table for step-two - which is an e-mail from the

Chairman. What employee would fail to open an email labeled like this? As I mentioned earlier, the e-mail should say that important meeting materials have been mailed - so be on the lookout for them - and then to explain how important it is for employees to be heard on such matters. It needs to do so in a way that will motivate employees to act - and that will make it quick and easy for them to cast their votes then and there.

Carl: Can you share some of the specific best-practice tips that companies should be following?

Ellen: Perhaps the most important thing to convey to employees is that their votes will be strictly confidential: that no company employee - and certainly no member of management - will ever have access to the actual voting records. This, by the way, is extremely important to Plan Trustees too.

Many times, an employee will be in sympathy with a social or environmental proposal where management recommends a vote-No. Sometimes they just don’t want to vote for a particular director. It’s only natural to fear that perhaps they will be labeled as not being “team players” if they vote their conscience - so the safest and best thing to do is not to vote at all.

If, as we suggest, the management wants to email “reminders” to non-voters, as indeed they should, they should take special care to remind them

that while they are sending reminders to people who have not voted yet - they will never know how any employee actually votes - and will not “take notes” on anyone who fails to vote by the meeting date.

As mentioned, we especially like the idea of a video-message from the Chairman or CEO. Having the Chairman or CEO personally involved adds a very nice “personal touch” - and a wonderful way to “connect” with employees. It is also the best way, we think, to provide assurances as to confidentiality.

But the biggest payoff in the e-mail will be four links that will (1) allow recipients to review all the proxy materials online if they wish to do so - with well-indexed and easily searchable materials an absolute “must,” and (2) to zero-in on a summary of all the matters up for a vote as they wish...and (3) to review

Many times, an employee will be in sympathy with a social or environmental proposal where management recommends a vote-No.

the profiles of all the director candidates [which is typically the number-one page that online viewers visit] ...and (4) - to allow readers to go straight to the voting site to cast their votes if they are ready to do so. It is also smart to invite readers to dial an 800-number to vote by phone then and there if they prefer.

Issuers should make sure that one set of actions - whether returning a signed proxy, or voting on the website, or by phone - will vote all employee-plan shares, and all registered shares too, to the fullest extent possible: If an employee is in three ownership plans - and is also a registered holder - even in a joint account - as long as we have TINs on the file that we can match against - and as long as the TINs match - a single vote will vote all four positions.

We also love the idea of donating \$1 to a charity that will resonate well with your employees for every single position that casts a vote. The 49% increase in retail voting over a two year period that you wrote about earlier provides impressive proof of what can be achieved this way. We are all set, systems-wise, to track this accurately.

Carl: Any final thoughts or tips to add?

Ellen: Start preparing your employee outreach plan early - well before you write and design the materials. Always remember that carefully designed printed materials - and very carefully designed web-based materials - materials that are easy to understand, and even easier to act on - are the major keys to success... along with those timely “reminder notices.”

Do consider offering real incentives for employees to cast their votes. Also, do realize that while a lot can be done in year-one, Rome wasn't built in a day: Having a long-term approach - and systems and procedures that are easy to use - and consistent from year to year - are very important keys to success. And last but far from least, use employee-plan-voting experts!

If you are ready to take on the challenge of transforming your employee-plan voting, call Ellen at 917-733-3519. She, and her team of seasoned employee-plan experts, will help you at every step of the way.

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SAY

Say wishes a Happy New Year to all of our friends and partners. We look forward to continuing to modernize and transform interactions between shareholders and issuers in 2019.

Say is a full-service proxy voting and materials distribution intermediary for broker-dealers.

To ensure full coverage of your street-name shareholders, please include Say Communications LLC on all “broker search” distribution lists providing notice of upcoming record dates.

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TRANSFORMING BOARD EVALUATIONS

BOARD EVALUATIONS 2.0

by Kris Veaco & Cherie A. Sorokin, Veaco Group



The purpose of board evaluations is to engage boards in a critical review of their own effectiveness, with the expectation that the review will provide continuous improvement in how boards operate; will position them to more effectively exercise their fiduciary duties; will help them better address current and changing organizational and business challenges; and, in the case of public companies, will facilitate board consideration and/or adoption of evolving governance practices and a board composition investors believe will increase boards' ability to deliver long-term, sustainable shareholder value.

While board evaluations can be an important tool to increase board effectiveness, they cannot be seen as a rote “check the box” exercise (for example, using the same questions and format year after year). To meet investor expectations and to increase their own effectiveness, boards need to examine and potentially transform the way their board evaluations are being conducted. Board culture needs to accept evaluations as a useful tool. The right questions need to be asked. Board members need to feel comfortable identifying problems or issues impeding effectiveness. They need to be willing to speak up and also to have confidence that their comments will be heard. And, most important, issues identified in the evaluation process need to be addressed.

Lack of follow-up undermines the value any board evaluation. Yet, the 2018 PwC Annual Corporate Directors Survey, *The Evolving Board Room: Signs of Change*, reported that 34% of those responding indi-

cated there had been no changes to their board practices in response to their most recent board or committee evaluations. The 2018-2019 NACD Public Company Governance Survey also reported only 58% of board evaluations “were translated into actionable findings.” Such percentages would seem particularly odd given the current level of business, political and societal disruption facing businesses and the increased pressures on boards to deal with such issues. The amount of time required of board members has increased exponentially. The need for regular adjustments in board practices, even perhaps as simple

as changing the format of materials presented to the board to make them more accessible and to the point, would seem to be a given. (In the PWC survey, 44% of directors responding asked for materials to be reduced in volume and include executive summaries.)

Evaluations need to become more robust to really address board functioning

and director effectiveness. In some cases, evaluations and individual director assessments can be effectively handled internally by the corporate secretary or general counsel, or even by one of the board members. Alternatively, board evaluations conducted by an experienced corporate governance expert are one way to transform the board evaluation process from a “check-the-box” exercise to a more exhaustive process on board effectiveness. Investors increasingly call for the use of independent governance consultants to conduct the board evaluation, at least from time to time. The practice is growing but is still less common than might be expected. Not

To meet investor expectations and to increase their own effectiveness, boards need to examine and potentially transform the way their board evaluations are being conducted.

only does an experienced governance consultant bring an outside perspective to the process, but human nature being what it is, directors can often be more candid with a trusted governance consultant than they might be with the corporate secretary, the general counsel, or another board member, and a governance consultant may also have an easier time being candid with the board and individual directors when delivering the results of an evaluation. Governance experts also bring their perspectives and experience from having worked with a number of boards. They have a broader view of governance practices and how other boards are addressing governance issues and can, therefore, help directors get to the “heart” of practices or issues that may be impeding effectiveness and offer advice on how to address them. They can also be helpful in the development of proxy disclosure about the board evaluation.

Investors are intently focused these days on board composition and refreshment, the level of individual director expertise, and the overall adequacy of the mix of directors serving on corporate boards. For that reason, it is imperative that a review of individual director effectiveness be included in the board evaluation process. Interestingly, the recent PWC Survey reports that 45% of directors think at least one director on their board should be replaced. More than 21% think two or more directors should go. This sort of information is not often captured in written board evaluation questionnaires or in evaluations that do not include peer reviews.

Investors are beginning to ask for greater transparency in proxy disclosures and during engagements about how boards and their directors are functioning, particularly when company performance is at issue. They want to understand not just whether, but how, the board is evaluating its own performance. They want to know that boards are focused on the most important matters and that as a group they have board members with the right mix of skills and competen-

cies necessary for the particular company and industry. While it would be inappropriate to disclose the specific results of board and individual director evaluations, at the very least, investors want some disclosure that demonstrates the overall board evaluation is taken seriously by the board, explains how it was conducted, and indicates that individual effectiveness of board members was part of the process.

Because board evaluations can be a catalyst for “refreshing” the board as new needs arise, disclosing more information on the evaluation process in the company’s proxy statement can serve as a complement to existing proxy disclosures relating to indi-

vidual directors’ skills and experience and the mix of directors on the board. Nonetheless only 10% of respondents in the PwC survey indicated their company had some disclosure re the board evaluation process in their proxy statements, although that may be changing.

To transform the outdated and rote “check-the-box” approach to board evaluations, boards and those who work with them need to explore approaches oth-

er than written multiple choice questionnaires. A robust process would include interviews with individual directors, director self-assessments and peer reviews. Questions asked should be thorough and tough, focusing on how the board operations facilitate (or don’t) the board’s ability to address issues facing the company, how the board spends its time, and how effective the board, as well as individual directors are. Consideration should be given to using an experienced governance consultant to allow for greater candor in the process. Disclosing the form of evaluation and the process would also demonstrate to investors that the board takes the process seriously and is committed to continuous improvement. Perhaps the “sunshine” that may result from the disclosure will also help make “Board Evaluations 2.0” a more effective tool in improving overall board effectiveness.

... board evaluations conducted by an experienced corporate governance expert are one way to transform the board evaluation process from a “check-the-box” exercise to a more exhaustive process



INSPECTORS OF ELECTION: Time for a Transformation At Your Company?

Carl T. Hagberg, Team Manager at CT Hagberg LLC, Inspectors of Election

If you have been following our recent articles on the razor-thin voting margins we have been witnessing of late - and our predictions that there will be many more such cases going forward - we think you will agree that a fresh new look at who your Inspectors of Election, and probably, a transformation in your approach is very much in order.

Our former advice, that using company officers to serve as Inspectors is basically “OK” as long as there are no controversial issues on the ballot is *not* so OK these days, given the rising potential for unpleasant, last-minute surprises and for situations that are “too-close-to-call.” Here’s a quick test: If your employee-Inspector does not know the difference between a proxy card and a VIF, and can’t immediately summarize the “duties of the Inspector” - and explain exactly what they did to “inspect,” you are risking a major PR disaster.

Our former warnings that an employee of your proxy solicitor should never be appointed as the Inspector, given the clear conflicts of interest - is also more important to note than ever, as the number of razor-thin margins seems certain to increase.

Lately, we have been seeing a surprising surge in the number of people - and firms - that have been putting themselves forward as Inspectors...but who would never pass our own sniff-test when it comes to their actual procedures, much less their real-world expertise.

So here’s our updated advice, and some articles on Inspectors where you would be wise to bone up before your 2019 shareholder meeting: Please think about having one or more expert and truly independent Inspectors from our team as a part of your company’s own shareholder meeting team.

WHEN SHOULD A PUBLIC COMPANY CONSIDER APPOINTING AN INDEPENDENT INSPECTOR OF ELECTION?

- If investors are voting on one or more “material items” – like a merger, recapitalization or a bylaw change that requires shareholder approval
- If you think you may have one or more matters on your shareholder meeting ballot where the outcomes could turn out to be close or contentious
- If you are planning to have a Virtual Meeting - where everything takes place in cyberspace
- If you want to be sure that any firm or individual inspector that you and your board appoints has rigorous procedures in place – and actually follows them – and that the inspector(s) can stand up and be effectively counted on themselves if challenged
- If you want to follow “best practices” when it comes to inspecting the election and certifying the final results...using Inspectors who are totally independent

Visit our website to review [*“Questions and Answers about Inspectors of Election”*](#)... [*“What, Exactly Should Inspectors Be Inspecting?”*](#)... [*“Who’s Counting Those Votes, Madam Chairman?”*](#)... our list of [*“Best Practices in Selecting and Appointing Inspectors of Election”*](#) - and to review the profiles of our current team of Inspectors.

To reserve an Inspector for the 2019 proxy season please call Team Manager Carl Hagberg at 732-778-5971 or email at cthagberg@cthagbergllc.com. And do please remember that April, May and June get booked-up mighty fast these days.



www.Inspectors-of-Election.com

TRANSFORMATIONS IN THE TRANSFER AGENCY WORLD

An Update on the Number-One Question Your Editors Get: “What’s Up With All Those Transfer Agents?”

The Transfer Agency industry, as most long-term readers know, has been undergoing a rapid and rather massive transformation for well over a decade now. The latest view from the bridge, in a nutshell, remains the same: “The dealin’s in this business are from over.”

The main driver of change has been a truly massive shrinkage in the number of registered shareholders - the main ‘billable item’ at most T-As - due to social and demographic factors that are irreversible in our view:

The world of ‘registered holders’ has declined from a peak of roughly 100 million in the early 1990s to around 40 million today, as older holders pass away and as their heirs - and new investors in stocks as well - opt almost exclusively for street-name registration.

In our last update on T-A market share, we noted that the long-term trend - an annual 5% decline in the number of registered shareholders - seems to be accelerating of late - as older Americans, who were and still are the backbone of retail investing, get their affairs in order and look to consolidate their paperwork, and the number of entities where they maintain accounts.

Particularly disturbing for providers of services to registered investors one would think, the number of participants in transfer-agent-managed Dividend Reinvestment and Stock Purchase Plans is declining at an even greater 8%+ rate per year, partly because of the heavy paperwork burden they impose on participants, and partly because most retail brokers offer reinvestment for free. But so far, TAs have been blithely unfazed, and uninterested in cooperating with one another to offer consolidated DRP statements on a quarterly basis - via the Web - rather than by making up to six mailings to each participant per year.

Another set of developments has been taking an even bigger toll on TA profits of late - the constant disappearance from the scene of big, old-time companies, due to M&A activities and, recently, to actual or threatened bankruptcies. Big, old-time companies have not only been the source of the biggest retail investor populations, they have long been the largest users of TA services in general, such as dividend

payments, DRP and ESPP accounts - and of M&A services where, formerly, they tended to be the survivors rather than the victims of change. In 2018 we saw companies like Aetna, Express Scripts, Rockwell Collins, Time Warner and Toys R Us departing from the scene, plus a massive flight of retail investors from the formerly formidable GE. So far this year we see hundreds of thousands

of retail holders in PSE&G and Sears Holdings in danger of being wiped out in potential bankruptcies and/or other reorganizations.

No wonder, thought we, that last year, the then brand new EQ took out three pages in our magazine to herald its plans for “Transforming U.S. Shareholder Services” - and that two other of the largest TAs recently designated official “Transformation Managers.” But this year?

No news for readers at all from EQ, which also pulled all of its listings in our Directory of Service Providers... And no news from Computershare in this issue either! The best construction we can put on this is that their “Transformation Plans” are not ready for roll-out just yet. But YIKES! This is truly a do-or-die competitive environment, where currently, there are just four “Big Agents” that would readily pass muster with mid-cap, big-cap and mega-cap boards - and where, rather astonishingly, all but one of them (Broadridge) are owned by non-US entities!

**The world of ‘registered holders’
has declined from a peak of
roughly 100 million in the early
1990s to around 40 million today**

No wonder then that suddenly... there has been something of an upsurge in the number of "Small Transfer Agents" and an upsurge in interest in them. A few of them have been steadily "making hay" at the expense of the big guys - especially in the IPO market - and some are starting to bite around the edges at larger and already public companies as well.

And frankly, the idea of having a smaller, nimbler and lower-cost agent - without the big infrastructure and bureaucracy it takes to handle a long list of "big and demanding companies" - seems to have a great deal of appeal to issuers. And the idea of being a much bigger fish in a much smaller pond has appeal in and of itself.

But look carefully before you leap, dear readers: Please note that the former number-six agent, Registrar and Transfer Company, was bought out suddenly, on the heels of shocking SEC audit findings just a few years ago. Only a few months before that, the then number-seven agent, Illinois Stock Transfer and Trust Co. was shut-down completely by the SEC. And guess what? We looked back to the last article we ran on "small agents" a few years ago, and

discovered that one of the three other "small transfer agents" we'd written about back then was snapped up by AST - and the other two have literally fallen off the radar screens!

So for now, the advice is to try to develop a warm and loving relationship with your TA, while keeping a close eye on the newspapers and the industry newsletters for more consolidation that is certain to come.

But if you are one of the 'disaffected' companies, or feel 'dislocated' or 'disrespected' after all the competitive reshufflings - or if your corporate policies mandate you to go out for a look - here are three articles on our website that will help you:

- [What to Do if You are Not Satisfied with Your T-A](#)
- [Selecting a Transfer Agent](#)
- [Transfer Agent Liabilities - Underestimate Them at Your Peril](#)

If you DO decide to look around a bit, please remember our promise and give us a call!



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Hot Topics, Trends, and Tips for Transforming Shareholder Relations in 2019



Michael Mackey, President, Alliance Advisors

Some practical advice, cost savings tips, and details of the hot topics and trends in the field of proxy solicitation and governance advisory work: As a proxy firm, our business brings us in contact with the most influential institutional investors in the world and millions of individual investors each year, so we offer the following:

Practical Advice

- Know your shareholder profile by category and share holdings (institutional, retail, registered).
- Have up-to-date contacts at each institutional investor and know their voting policies.
- Shareholder engagement off the annual meeting cycle is now the norm (70% of S&P 500).
- Lead the conversation with the right people on the phone (Legal, IR, HR).
- For critical proposals we advise calling institutions from the bottom up so questions/objections from smaller institutions will sharpen presentations to your largest investors.
- In call campaigns to retail investors do not hesitate to drop share range levels to gain support. Once a share range has been “dialed” multiple times it is time to move to greener grass in the form of shareholders who have not been solicited.

Cost Savings Tips

- Consider Notice & Access (N&A) if it is right for your shareholder profile and proxy agenda.
- Utilize N&A only to certain shareholder groups or stratify by share range as an alternative.
- Consider combining 10K & PS into one, to consolidate printing and to provide “one pass” mailing.
- Reminder mailings to retail investors should not be via the old “Letter from the CEO”; but rather an

oversize postcard with the use of imagery, color, call-out boxes and an 800 number to call: Higher response rates will eliminate calls and more than cover the additional print costs.

- Use Marketing Mail rate instead of First Class postage when ample time is built into schedule.

Hot Topics/Trends

- Today most governance issues have either been widely adopted or addressed through the shareholder engagement process, although resolutions calling for amendments to existing by-law provisions for proxy access will continue.
- Evolving views of institutional investors, particularly index funds, will bring Environmental and Social proposals to the forefront and will dominate the shareholder proposal landscape.
- Environmental issues include emissions reduction, sustainability reporting, reduce greenhouse gas, coal ash risk and climate change concerns.
- Social issues include board diversity, lobbying, political expenditures, the opioid crisis, drug pricing, gun violence and corporate culture.
- Board diversity and composition (female and minority) are laser-focused issues for some institutions particularly BlackRock, SSGA and CalSTRS.
- Opposition to Virtual-Only meetings will continue with NYC Pension Funds at the forefront.

Technology That Improves Shareholder Meeting Management

John Dunn, Vice President, Broadridge's U.S. Corporate Issuer Sales

Companies are often looking for ways to streamline and improve the shareholder meeting planning and process, to deliver a successful event.

One growing area is the use of a shareholder registration tool that makes it easier for shareholders to register and attend the shareholder meeting. Companies can monitor who and how many shareholders have registered to attend, simplifying logistics planning, and keeping the board informed. Printable, scannable confirmation tickets expedite verification and admission on meeting day and enable companies to know precisely who is in attendance for added security and control.

Improve the voter experience

Whether a shareholder is voting online or by mail it's critical that the information is clearly presented and the form is easy to use to encourage more voting. Broadridge recently updated the Vote Instruction Form for beneficial shareholders to create a better shareholder experience.

The control number is larger, graphics help the shareholder clearly understand their voting options, and proposals are described in full so shareholders don't have to cross reference other materials to know which item they are voting on. A simplified layout helps the reader navigate through the content quickly.

Increase retail engagement

With the recent increase in activism, we see the need for companies to engage retail shareholders more often, as they are a potentially overlooked audience but critical towards driving up vote participation. Retail investors typically account for 30% of a company's outstanding shares, yet in the 2018 proxy season only 28% of retail shares were voted. One of the ways we've seen companies increasingly work to improve participation is with vote "Thank You"



New Vote Instruction Form Design & Highlights

New Vote Instruction Form is easier to read and intuitive

Issuer name more prominent

Larger, more identifiable control number icons in place of text for vote options

Voting instructions specific to the agenda

Separation of proxy card from voting section

No abbreviations of shareholder proposals

Voting is simplified for better user experience

programs. Companies use incentives such as tree planting, charitable donations or gift cards, prominently displayed on the voting materials, to encourage shareholders to vote. This same program can be used to incentivize shareholders to switch from paper to e-delivery.

Improve operational efficiency

The market continues to express a need for comprehensive solutions that seamlessly work together for greater efficiency. In 2018 we entered into a partnership with Workiva which combines our distribution capabilities with the Wdesk financial reporting platform. The integrated system streamlines the print and distribution of the proxy statement and annual report and eliminates time-consuming and costly reworking of the file for print.

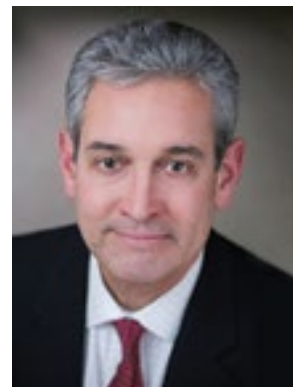
Stay in touch with shareholders year round

Connecting with shareholders outside of proxy season drives engagement and can increase shareholder loyalty. This can save money in the long run, as those investors may be more likely to vote with management during the proxy process. Non-proxy communications help remind the shareholder of why they own that company and the benefit of their investment.

HOT ISSUES

FOR 2019 PROXY SEASON PREPARATION

By Ron Schneider, Director, Corporate Governance Services,
Donnelley Financial Solutions (DFIN)



The 2019 proxy season is likely to feature ongoing or intensifying focus on major issues from 2018. To prepare for 2019, let's review what those major areas of focus were.

Intensifying focus on board gender and other forms of diversity: A range of investors, including State Street Global Advisors, CalSTRS, and the New York City Comptroller's Office continue to lead others in pressing portfolio companies to add women to their boards, as well as other individuals with critical skills sets, to support companies' current and future strategic needs. The major proxy advisors also announced new policies for 2019 in which they will recommend "against" votes targeting nominating and governance committee heads or committees at companies lacking board gender diversity. These policies are rooted in data from studies that show that companies with diverse boards outperform those without diverse boards.

Investor interest in how both the board skills mix and the executive compensation program tie in with and support the company's business strategy - and if that strategy is evolving, are the board skills mix and the executive compensation program evolving as well? With respect to boards, they are asking not just for skills matrices detailing which directors possess which skills, but also some discussion of why each such skill is important for a given company. With respect to executive compensation, "how pay supports business strategy" is a question a range of investors have been asking for years, even prior to CD&A's and Say on Pay proposals. And if strategy is evolving, is the pay program similarly evolving (including incentive plan vehicles, targets and/or weightings)? Over the past two years we are seeing more companies effectively and credibly discuss both board skills, and executive pay programs, in the context of the business strategy.

Environmental, Social & Governance (ESG), Corporate Social Responsibility (CSR) and sustainability in an era of climate change: Long term or "permanent" investors want to understand the ESG-related risks and opportunities facing the company, and how "sustainable" is the company and the value of their investment. They are

looking for decision-useful, quantitative information on ESG elements that are material for a given company, and for board level governance of E&S risks and opportunities. Companies that publish detailed CSR reports on their websites are incorporating highlights of this content in their proxies and referring interested readers to the full reports. Companies that have not yet published their first CSR reports or are in the process of pre-

paring them, nevertheless are including some relevant ESG highlights in their proxies.

Ongoing implications of pay ratio disclosures: In contrast to these intensifying issues, following several years of angst and concern about the costs and complexities of calculation and unknown impacts of CEO to median employee pay ratio disclosures, most of these initial disclosures in 2018 proxies were met with relative quiet. After all, the "new news" of pay ratio disclosures was not the CEO pay figure (which already was public), but information on who that "median employee" is and the insight it provides into the company's business model and related staffing. Because "year one" was relatively quiet, and since most companies can use the same "median employee" figure for up to three years, it is anticipated that most companies will follow or make minor tweaks to their year-one disclosures. A notable exception may be, given aver-

Companies that publish detailed CSR reports on their websites are incorporating highlights of this content in their proxies and referring interested readers to the full reports.

age CEO tenure in the US is now under 7 years, approximately 15% of all companies may have a CEO transition in any given year. Non-recurring sign-on or “make whole” payments can inflate that year’s reported pay as well as impact the ratio, so these companies may include supplemental ratios that “normalize” these one-time payments.

Who holds the decisive “swing vote”? Particularly for largely institutionally-owned companies, there continues to be intense focus on proxy advisors, their role and influence. But the ongoing concentration of ownership in major indexed or “passive” investors (in particular BlackRock, Vanguard and State Street Global, often referred to as “the big three”), who practice active “stewardship” over their investments means this group may in many situations have more influence than do the proxy advisors. For many companies, these three investors alone may control 20 percent or more of their voting stock.

As we consider proxy advisor impact, it is important to not conflate “coincidence” with “causality.” In measuring the impact of proxy advisor recommendations, it is easy to correlate the direction of vote recommendations with the magnitude of votes cast in line with those recommendations. However, on “black and white” governance issues such as classified boards, Board Chair/CEO roles, majority voting, rights to call special meetings, the proxy advisors are reflecting the views of their investor clients, not the other way around.

On more nuanced or contextual issues such as Say on Pay and contested board elections, while certainly some investors do typically follow the proxy advisor recommendations, the larger such investors including the “big three” tend to use the proxy advisors as screening tools or data aggregators, and then use the company proxy as a reference document, ultimately casting what they believe is a thoughtful, company-specific vote. It is understandable that companies on the receiving end of negative votes may not see it that way. Here, we are seeing companies make concerted efforts at telling their story, whether on board governance, compensation, sustainability and other issues, as clearly and credibly as possible. Companies doing so effectively may see this somewhat mitigate the impact of negative proxy advisor recommendations.

For other companies, the “retail” vote may constitute a significant swing vote. Whereas institutional investors are highly likely to vote - the question being “how” they will vote – retail investors, if they vote, are highly likely to support management’s voting recommendations. Here, there has been a marked correlation between use of Notice & Access and significant decline in retail voting participation.

Broadridge’s most recent annual publication titled “Analysis of Traditional and Notice & Access Issuers:

N&A Adoption, Distribution and Voting” indicates that when receiving full sets of printed proxy materials, 30.9 percent of retail holders owning 40.9 percent of retail shares vote. When receiving mailed Notices of Internet Availability, those figures drop to 5 percent of retail holders voting 21.7 percent of retail shares. While the 5 percent rate of retail holders voting upon receipt of Notices has remained remarkably constant over the past decade, there has been a meaningful improvement in retail shares voting over this period, from 14.5 percent to 21.7 percent. Still, this means that 19 out of 20 holders receiving a Notice will not vote, and this cuts retail voting participation almost by one half when compared to traditional full set mailings.

In this environment, what should companies be doing?

Maintain or initiate engagement with major institutional investors on corporate governance, executive compensation and sustainability issues, including with indexed investors who may not be as tuned in to the company’s ongoing investor relations outreach and disclosures as the “actively-managed” firms. This can help you to understand their informational needs and preferences, which are not limited to SEC-required data points, and to develop relationships you may need to call upon if faced with an activist situation or challenging proxy vote.

Review the proxy disclosures of “governance leaders” as well as your peer companies to benchmark where your disclosures, their clarity and impact lie. This can provide useful ideas that can be applied to a company’s own particular situation.

If your proxy is still in traditional “14A” format, consider adding company branding, color, graphics and

N&A Adoption, Distribution and Voting” indicates that when receiving full sets of printed proxy materials, 30.9 percent of retail holders owning 40.9 percent of retail shares vote.

other visual elements that can both draw the reader to key content, and make it more compelling and digestible. This can include graphs, callouts, checklists, process flows, timelines and other visual devices.

Consider whether your company should use more “plain English” as opposed to a more lawyerly writing style. Also consider the sequence and placement of key information. Can substantive CEO and/or board cover letters help to convey major messages and humanize these leaders? Should a proxy summary and/or CD&A executive summary be added to the document? Does the content have a logical flow, and is there a consistent hierarchy of major, secondary and tertiary headings? Does the table of contents (including possibly a supplemental CD&A roadmap) have the right degree of granularity to aid readers in locating the content of interest to them quickly?

Consider whether your company should use more “plain English” as opposed to a more lawyerly writing style.

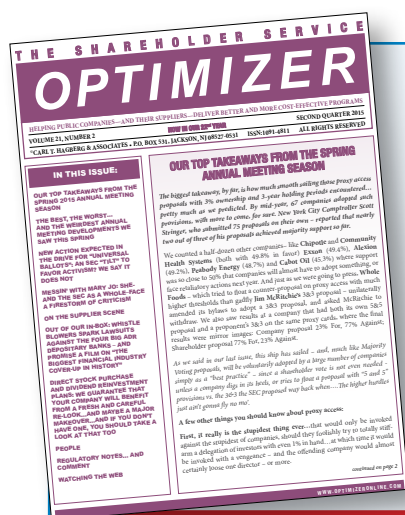
Are you drawing a direct line between company strategy, and your messaging about board skills and diversity, executive compensation and sustainability?

For institutional investors, consider hosting an enhanced interactive proxy on your company’s website. For retail investors, re-evaluate the mix of Notice versus Full Set delivery strategies and related stratification

on a yearly basis, factoring in the significance of various proposals, their vote approval requirements, vote projection analyses and solicitation strategy.

To view examples of innovative and shareholder-friendly proxy disclosures, please download and view the DFIN Guide to Effective Proxies, at Guide to Effective Proxies - DFIN 6th Edition

To discuss these and related issues, please contact the author, Ron Schneider, at ronald.m.schneider@dfinsolutions.com



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“Never fails to provide something I can use to update service and/or reduce cost”

10 Shareholder Relations Trends to Look Out For in 2019

John Wilcox, Chairman of Morrow Sodali



2019 will be another year of transformative change in relations between companies and shareholders. Here, in alphabetical order, are ten trends that are altering both the expectations of shareholders and the ways that companies are viewed in the marketplace:

1. ACTIVISM

Now defined as an asset class, shareholder activism is here to stay, focusing attention on companies with poor performance, weak governance, or unclear business strategy.

2. BOARD ACCOUNTABILITY

After 30 years of governance reforms, the board of directors now has a clear list of responsibilities for which shareholders hold them directly accountable.

3. COMPENSATION

The perennial governance issue, compensation, is viewed by shareholders as a window into the boardroom and even more deeply into the character and values of the business enterprise.

4. CORPORATE REPORTING

Institutional investors want companies to “tell their story” in a holistic narrative that goes well beyond the traditional disclosure framework of quarterly reports and 10Ks.

5. ENGAGEMENT

In addition to traditional Investor Relations road shows, companies are now expected to conduct governance road shows that reach out to institutional stewardship teams as well as portfolio managers.

6. ESG

No longer viewed as “soft” or “moral” issues, environmental, social and governance practices are now defined in terms of financial risk and long-term sustainable performance.

7. INTEGRATED REPORTING

The International Integrated Reporting Council (IIRC), a global movement attempting to transform both how companies think and communicate, is gaining support from U.S. companies and investors.

8. REGULATION AND LEGISLATION

The SEC will likely begin a process of restructuring the U.S. proxy system and increasing oversight of proxy advisory firms.

9. STEWARDSHIP PRINCIPLES

Institutional investors are now exercising fiduciary care in their oversight of portfolio companies and their proxy voting decisions, increasing the importance of the annual meeting and proxy voting.

10. TECHNOLOGY AND SOCIAL MEDIA

Companies face new challenges and risks in the form of robo-brokers, millennials investing (and potentially voting) through digital devices, high-frequency trading, cybersecurity concerns and social media commentary on corporate behavior.

HOW SHOULD COMPANIES RESPOND?

They should consider developing an internal “Communications Clearinghouse” that organizes their internal capabilities into a united front that can identify and understand their owners, monitor market trends, assess their governance and ESG practices and assemble an effective program of communication and engagement. Addressing shareholder expectations and telling the company’s story in a convincing narrative will help prevent targeting by shareholder activists.

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A TRANSFORMATION IN ESG ACTIVISM

Bruce H. Goldfarb, CEO of Okapi Partners

These days it seems as if a new activist investor campaign launches on a daily basis. But under the radar of those headline-grabbing campaigns a shift is occurring in how major institutional investors, who control a substantial amount of shares in U.S. public companies, view their role in pushing for changes at companies.



Over the last several years, these investors have become increasingly intent on holding public company boards of directors and management teams accountable to higher environmental, social and governance (ESG) standards. Admittedly, investors have focused on the “G” in ESG for some time; shareholder proposals related to corporate governance, such as separating the Chairman and CEO positions or eliminating staggered boards, have been appearing on proxy ballots for years. What’s new is the emphasis on “E” and “S” issues, with a growing belief among major institutions that such issues are intrinsic to the way companies run their businesses and create shareholder value.

SHAREHOLDER ACTIVISM DRIVEN BY ESG PRINCIPLES WILL BE A FACT OF CORPORATE LIFE GOING FORWARD.

As a result, companies in nearly all sectors will see increasing demands from investors to address these issues. Energy companies, as an example, can expect more shareholder proposals related to the environment and consumer products companies will likely see more activism around ethical supply chain policies.

One need look no further than ExxonMobil’s annual meeting on May 31, 2017. At that meeting, a proposal by the New York State Common Retirement Fund, requiring the company to publish an annual assessment of the impact of global climate change policies, was approved by more than 62% of ExxonMobil shareholders. Among the large investors believed to have supported the proposal – over the objections of the company’s board – were BlackRock, Vanguard and State Street, some of the largest asset managers in the world.

A TALE OF TWO PROXY VOTES

A comparison of the voting results of ExxonMobil’s 2017 and 2008 annual meetings shows how the tide is turning. In 2008, several ESG-related shareholder resolutions were on the proxy ballot, including one to divide the Chairman and CEO roles (proposed by members of the founding Rockefeller family), as well as measures to increase renewable energy research, reduce greenhouse gas emissions, and adopt employment policies to prohibit discrimination based on sexual orientation and gender identity, among others. While several institutional investors supported the proposal to separate the Chairman and CEO positions, it failed by a vote of 60.5% to 39.5%. The other ESG proposals were defeated by even greater margins.

In contrast, the recent ExxonMobil shareholder vote is a clear wake-up call to public company boards and managements: shareholder activism driven by ESG principles will be a fact of corporate life going forward. That the measure was supported by major institutional fund managers also marks a dramatic shift among investors who traditionally were once seen as reliably company-friendly. Other active investors are following suit; Blue Harbour Group LP has stated its intention to consider “material ESG issues throughout the investment process.”

Boards, C-suite executives and their advisors therefore should expect and prepare for a new wave of ESG activism, centered not only on environmental priorities, but also on such issues as diversity, customer data security, and corporate governance (with board tenure as a particular hot-button). As of the start of 2017 proxy season, shareholders had filed 430 resolutions related to “E” and “S” issues, up from 370 a year earlier.

THE DRIVERS OF ESG ACTIVISM

The sharpened focus on ESG activism has several catalysts, including the strong interest in these issues among millennial investors, and the pressure on traditional active investors to demonstrate their value versus robo-advisors and index funds. In addition, many investors now see a connection between ESG policies and stock performance. A Bank of America Merrill Lynch study in November 2016 found that companies that scored in the top third on ESG characteristics relative to their peers outperformed stocks in the bottom third by 18 percentage points.

Proxy advisor Glass Lewis introduced an enhanced ESG Profile in early 2017 with metrics that compare a company's ESG performance to its industry peers. Glass Lewis notes that its ESG Profile, "can be efficiently used by clients as part of their process to integrate ESG factors across their investment chain, including effectively aligning proxy voting and engagement practices with ESG risk management considerations."

WHEN DISCUSSING ESG ISSUES WITH SHAREHOLDERS, YOU SHOULD BE ABLE TO CITE TANGIBLE PROGRESS, SUCH AS LOWERING CARBON EMISSIONS OR INCREASING THE PERCENTAGE OF WOMEN AND MINORITIES IN EXECUTIVE ROLES

Given the likelihood that companies may face increasing environmental, social and governance activism in the future, what can public companies and their boards do to avert a potential ESG proxy showdown?

COMMUNICATE WITH SHAREHOLDERS ON ESG ISSUES

The most important step is to create a program of shareholder communication around ESG issues that is not just limited to proxy season. In a document that provides a blueprint for investors on how to engage companies on ESG issues, BlackRock in 2015 teamed with Ceres to suggest actions such as direct conversations with companies, collaborating with other investors, and soliciting shareholder proposals (among others). This effort, and additional attention from other managers, clearly shows that your shareholders are thinking about ESG all year-round, and that the board, C-suite and investor relations officers must do the same.

Elements of a comprehensive ESG-oriented shareholder communications effort should include the following:

- **Understand your shareholder base.** Conduct research on the ESG policies and voting practices of your largest investors.
- **Reach out to shareholders regularly on ESG issues.** Companies routinely hold talks with investors on topics such as corporate strategy, stock performance and executive compensation. Relevant ESG issues also should be on the agenda for such discussions.
- **Articulate your strategy.** Each company should be able to communicate a clear and cogent strategy on ESG issues that relate to its business (e.g. climate change for energy firms, water usage for manufacturers, supply chain and labor issues for tech companies and retailers, etc.).
- **Provide proof points.** When discussing ESG issues with shareholders, you should be able to cite tangible progress, such as lowering carbon emissions or increasing the percentage of women and minorities in executive roles, just as effectively you would demonstrate improvements in sales, ROE or margins.
- **Achieve results through relationships.** Companies that actively engage institutional shareholders and demonstrate progress on ESG issues may avoid the reputational impact of a shareholder proposal – either because investors will choose to vote with the board and management, or because they may see no need to submit ESG resolutions in the first place.

In any event, the rising tide of ESG resolutions is unlikely to ebb. A survey of 320-plus institutional investors found broad support for ESG-related themes, as more than 80% of the respondents agreed with four statements: that CEOs should lay out long-term board-reviewed strategies each year; that companies have not considered environmental and social issues as core to their business for far too long; that generating sustainable returns over time requires a sharper focus on ESG factors; and that ESG issues have real and quantifiable impacts over the long term.

While ESG issues may not have tipped the balance for many proxy contests to-date, they are likely to become more significant factors in the near future – and boards and managements would be well advised to plan for this eventuality.



An Interview with Joe Spadaford

Chief Transformation Leader, AST



Editor: Joe, tell me a bit about your background.

JS: I joined the management team at AST a few months ago with the title of Chief Transformation Leader, after a rather long career in the financial services industry and the transfer agency (TA) space in particular.

Editor: That's an intriguing title. Can you tell me more about your role?

JS: The title comes with a challenging mission, but it is aligned with a transformation strategy that has been in play for several years at AST. One of the biggest questions I face is, How does one go about “transforming” a successful and well-established business in a bedrock industry like stock transfer—and help it excel? Fortunately, AST has a culture of innovation and there is momentum here that is propelling my work forward.

Editor: What attracted you to this organization in particular?

JS: Well, I joined AST because I was impressed with the talent and passion of the team here—along with some of the recent innovations they have developed. A prime example is AST's new proxy voting solution, which is powered by blockchain technology, and enables far greater transparency and analytics throughout the process. Then there's Issuer Central®, a unique platform focused on capturing our clients' holistic share ownership information including both registered and street ownership data. These are powerful levers that many of our clients have already begun to appreciate.

AST remains customer-focused and seeks to deliver outstanding service to our clients and their shareholders, and a big part of my mission is to work with our teams to find the best pathways to further enhance our delivery of that value. There is no doubt in my mind that we will further strengthen our core capabilities while we innovate in new and exciting ways.

Editor: From a practical perspective, how do you approach transformation? Which areas of business are transformed?

JS: With a background in operational excellence and six sigma, I have historically focused on process, and ways to optimize it without much dependence on technology. With the new tools that technology makes available—robotic process automation and artificial intelligence, for instance—new operating models suddenly become possible by eliminating unnecessary complexity. In addition, the introduction of automation and technological innovation that can take care of certain processes allows our team to focus on service excellence and customer focused solutions to enhance value to our clients.

Editor: The Transfer Agent space has already undergone a lot of change in recent years, so why is your work in this industry so important right now?

JS: There has been a great deal of consolidation in the Transfer Agent space over the past several years, with the top four agents (including AST) managing about three-quarters of public issuers. Among these top four agents, there is a lot of healthy competition, which is driving creativity and innovation.

Transfer Agents provide services that are essential to life as a public company—services that are highly visible to the board, investors and often employees. As such, issuers want to work with established, experienced agents who can maintain consistency and quality. They are receptive when those providers leverage technology to boost efficiency and transparency. That is why focusing on transformation within this space is so important right now.

Editor: Anything else you would add?

JS: I am excited to part of this evolving story and to work with the talented team at AST to envision a future that helps transform how we serve our customers and continue to lead, within an industry that continues to transform itself. While the full story is yet to unfold, it's well underway at AST.

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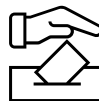
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THE HOTTEST NEW ISSUES ON ACTIVISTS'
2019 MEETING AGENDAS

The number-one new issue for issuers to focus on as they prepare for their 2019 proxy disclosures, and their all-important "early engagement" activities is - and we say this with very mixed emotions - your company's management of "Human Capital."

On the one hand, the fast-emerging recognition that a company's management of its human capital is at least as important as the management of its financial capital is a very good thing. And yes, in recent years we have seen way too many companies that are totally mismanaging their human capital - via massive but under-studied cost-cutting campaigns, sudden moves to other states or countries, "early-retirement programs" aimed at senior staffers, massive lay-offs, drastic cutbacks in staff-training and development efforts and a wide variety of other "financial-engineering moves" where long-term employees are concerned.

But on the other hand - and here's where things get scary - "Human Capital Management" can and does mean an awful lot of different things to different people:

How's this for starters: The impending publication of a new human capital reporting standard - ISO 30414 - by the **International Organization for Standardization**, which will, reportedly call for companies to publicly report on 23 specific metrics, grouped into nine different categories, and to report internally on an additional 36 (!) metrics such as "organizational culture" and "succession planning." The publicly reportable metrics are grouped into these nine categories:

- **Ethics** (number and type of employee grievances filed, number and type of concluded disciplinary actions, percentage of employees who have completed training on compliance and ethics)
- **Costs** (total workforce costs)
- **Workforce Diversity** (age, gender, disability, and "other indicators of diversity" - and diversity of the leadership team)
- **Leadership Trust** (to be determined by employee surveys)
- **Organizational Safety, Health, and Well-Being** (lost time for injuries, number of occupational accidents, number of fatalities during work)
- **Productivity** (human-capital ROI; revenue per employee)

CONT'D →

- **Recruitment, Mobility, and Turnover** (average time to fill vacant positions, average time to fill critical business positions, percentage of critical business positions filled internally, turnover rates)
- **Skills and Capabilities** (total development and training costs)
- **Workforce Availability** (number of employees and full-time equivalents)

Meanwhile, the **Human Capital Management Coalition**, led by the **UAW Retiree Medical Benefits Trust** and including 25 asset owners like CalPERS, CalSTRS, CtW, NYC Comptroller and the Teamsters, filed a **rulemaking petition with the SEC on July 6th** - calling for new rules on nine slightly different areas, to require qualitative, quantitative and principles-based disclosures by issuers on their human-capital-management policies, practices and performance measures, arguing they warrant disclosure because they are “fundamental to human capital analysis.” Here are *their* nine areas:

1. **Workforce Demographics** (number of full-time and part-time workers, number of contingent workers, policies on and use of subcontracting and outsourcing)
2. **Workforce Stability** (voluntary and involuntary turnover, internal hire rate)
3. **Workforce Composition** (diversity, pay equity policies)
4. **Workforce Skills and Capabilities** (training, alignment with business strategy, skills-gaps)
5. **Workforce Culture and Empowerment** (employee engagement, union representation, “work-life initiatives”)
6. **Workforce Health and Safety** (work-related injuries and fatalities, lost day rate)
7. **Workforce Productivity** (profit/revenue per full-time employee, ROI)
8. **Human Rights Commitments and their Implementation** (principles used to evaluate risk, constituency consultation processes, supplier due diligence)
9. **Workforce Compensation and Incentives** (bonus metrics used for employees below the NEO level, measures to counterbalance risks created by incentives)

Our advice, as you gear up for your 2019 engagement efforts, is to begin by reviewing BlackRock’s commentary on engagement at the following link:

<https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-human-capital-march2018.pdf>

One thing is for sure: we guarantee that human-capital management initiatives will produce a bottomless supply of new rules, disclosures and “engagement opportunities” - and longer and denser proxy statements every year.

THREE MORE HOT NEW ENGAGEMENT-ISSUES ARE EMERGING: PAY RATIOS, AUDIT TENURE...AND “PLASTICS”

Last year, we noted that the new pay ratio disclosures were largely a non-event...a yawn. Now, it seems we were wrong on this: A Willis Towers Watson blog disclosed that recently, Fortune 500 company compensation committees began receiving a letter from a group of 48 institutional investors, noting that “*disclosure of the median employee’s pay provides a reference point for understanding the company’s workforce*” and that companies should move “to help investors put this pay information into the context of your company’s overall approach to human capital management” with more expansive disclosure.

Commenting separately, on behalf of the **New York State Common Retirement Fund**, and adding a few new angles, New York State Comptroller **Thomas DiNapoli** noted that “*We’ve seen a growing disparity in corporate income in the United States for years, with CEO pay rising dramatically while wages for most other company employees have remained flat. We are encouraging companies to adopt policies that take their entire workforce into consideration rather than setting CEO pay solely by benchmarking it against other CEOs. Overall employee compensation and executive pay has been and will continue to be a key factor for how we engage with companies going forward.*”

As to Auditor Tenure, last year, following the disclosure of 75-100-year auditor tenures at audit-issue-plagued companies like GE, P&G and Wells Fargo - and given the impossibly long odds that careful comparison by audit committees would have yielded so few changes - we predicted we will see increasing challenges to companies that have used the same auditors for super-long periods. Here, we seem to have been right: The

CONT'D →

investment committee of the **California State Teachers' Retirement System (CalSTRS)** approved new corporate governance initiatives in November that will target companies that have continued to use the same auditor for many decades.

Aeisha Mastagni, a portfolio manager with the CalSTRS corporate governance unit, said CalSTRS investment staff will engage with approximately 40-50 companies with lengthy auditor tenure of 75 years or more in 2019. Issues related to auditor independence, audit reporting, and disclosure will be discussed. *"Currently, in the US, companies are not required to periodically rotate their auditors. As a result, many companies have established long relationships with their auditor, some extending for many decades, causing concerns of potential independence issues with the extended relationship."*

(Also, while their long list of older engagement topics is still alive and well, CalSTRS will also engage with - and, we think, will likely take some actions against - companies that hold virtual-only annual meetings, without the option of an in-person meeting. And, oh yes, they have their own new draft of new investment principles on human-capital management that they intend to adopt in April, in time for meeting-season.)

The hottest new engagement issue on the horizon, we think is *PLASTICS*:

First, a tip of the hat to **Liz Dunshee**, of **TheCorporateCounsel.net** who recently blogged that **Walden Asset Management**, in collaboration with **As You Sow**, wrote to the CEOs of nine companies - arguing that membership in trade association "**PLASTICS**" conflicts with their companies' publicly stated corporate values. The nine companies were **Becton Dickinson** (which then withdrew from PLASTICS) **Clorox**, **Coca-Cola**, **John Deere**, **ExxonMobil** (which, as a maker of key ingredients in plastic bags, dug-in its heels), **Ford**, **General Motors**, **ITW**, and **PepsiCo**.

Walden requested that each company leverage its industry standing in **PLASTICS** to demand that it cease lobbying for state preemption laws to get around local prohibitions of plastic bags, stating that "investors have a financial interest in maintaining strong share value and not alienating customers or employees through prohibition of the rights of local communities." A copy of the June 2018 edition of National Geographic magazine with the headline "Planet or Plastic" and a plastic bag iceberg on the cover was included with each letter.

"Several of the companies have public commitments to support the UN Sustainable Development Goals (SDGs), including **SDG 14 - Life Below Water**. Support of preemption laws on bag ordinances is not consistent with SDG 14 which calls for conservation of oceans, seas and marine resources. In the 2017 International Coastal Cleanup, more than 757,000 plastic grocery bags were collected from beaches around the world in a single day. Preemption of local bag ordinances prohibits local communities from enacting proven approaches to reduce bag litter." Based on the publicly available **PLASTICS** committee member lists 23 other major companies are also members.

Yet another tip of the hat to **Broc Romanek**, who prevailed on Liz to include his favorite movie quote, from "**The Graduate**" (1967)... when **Mr. McGuire** took young **Benjamin (Dustin Hoffmann)** out to the pool to offer career advice:

Mr. McGuire: I want to say one word to you. Just one word

Benjamin (Dustin Hoffman): Yes, sir.

Mr. McGuire: Are you listening?

Benjamin: Yes, I am.

Mr. McGuire: *Plastics*

Benjamin: Exactly how do you mean?

Mr. McGuire: There's a great future in plastics. Think about it. Will you think about it?

Right now, we think a great future absolutely requires us to clean up the millions of tons of plastics that are clogging our oceans, killing fish and other wildlife, and, reportedly filling our bodies with millions of "micro-plastics"...and to stop releasing tons of new plastics into the environment every day. (It might be possible that those micro-plastics are "plasticizing" our heart valves and creaky joints in a way that may make "plastic surgery" unnecessary someday... though we think not.)

*We think that **PLASTICS** will and should turn into one of the hottest "engagement topics" out there....Think about it... Will you think about it?*

MAYBE THE BIGGEST BREAKTHROUGH EVER, WE SAY, TO INCREASE RETAIL INVESTOR VOTING

In mid-November, Broadridge Financial Solutions announced that big retail broker Raymond James Financial is all set to effect “mobile integration of shareholder voting...to enhance the investor experience...and simplify shareholder voting” for the upcoming meeting-season.

Does this mean what we think it means? Will this allow Raymond James - and Broadridge - to “push” voting information - along with an immediate way to vote - directly to voters...instead of relying on the current “pull-method” for e-delivery...that so rarely lures people to voting sites these days?

Our inquiry was quickly returned by Martin Koopman, President of Broadridge’s Bank Broker Dealer unit, and the answer is YES. Even better, a second, “very large broker-dealer” is in the final testing stages and on-track to be ready this season too, he told us - and eight others want to do the same, and are in various stages of beta-testing, hoping to be ready for this season as well.

“Eureka” thought we: At long last, we are on the verge of solving the real problem with the “Notice and Access Model” - by serving-up everything a shareholder needs to have to cast a vote - along with a quick and easy way to do so.

When we first heard about mobile-voting, we were major skeptics. Who in the world would use their mobile device to review proxy materials - much less to cast votes? Guess what? Five years ago - when mobile voting was new - .07 percent of the votes cast were voted from mobile devices. By 2017 the numbers rose to 7 percent of all votes cast. And, as noted elsewhere in this issue, we believe that a major social change is underway in terms of the ways ordinary people access and act on information - even where members of the ‘older generation’ are concerned.

We also think that the “mobile-device” angle is only half the story here: Among the few real insights that came out of the two SEC “Roundtables” on proxy voting were the comments made by **Larry Conover of Fidelity Investments**, who made it clear that they are already serving up such information to their retail voters, and providing an easy-to-access internet portal that allows them to cast their votes then and there - and the comments of **Dannette Smith**, Board Secretary of **UnitedHealth** - who explained how the Fidelity brokerage site she uses automatically reminds her of upcoming shareholder meeting vote-deadlines whenever she logs-on - and makes it easy for her to vote right away over their voting-app. No need to have a proxy or Notice in front of your nose. No need to have a password, or worse, multiple passwords for each issue either, since the app knows it’s you when you log in to your account.

There is still one big fly in the ointment however: Yes, you can push voting information to prospective voters - and give them a link straight to the voting site as well. But unless the information is delivered in a highly searchable and reader-friendly manner (which only a minority of issuers take the trouble to do these days) voters will lose patience, despite their best initial intentions, and drop off before taking action - as indeed they have been doing.

Issuers...the burden is on you to step up to the plate with reader-friendly materials if you really want to increase your retail investor vote!

BEST PRACTICES TO MAKE YOUR MEETING DAY RUN SMOOTHLY - AND SUCCESSFULLY

Your editor-in-chief has been commissioned by Broadridge to write a white-paper on this subject - based on his 50+ years of observing hundreds of smooth - and not-so-smooth shareholder meetings - and to help assemble an all-star cast of experts from the corporate and institutional Investor worlds to offer their comments and suggestions on the draft. The final version will include a host of practical and tactical tips and is expected to be published in February, so readers, watch your inboxes.

SECOND SEC PROXY ROUNDTABLE GENERATES MODEST HEAT BUT LITTLE OR NO LIGHT: WHAT'S NEXT?

Except for the two speakers mentioned in our article on e-voting, above, we were disheartened - and rather shocked - but not surprised, by the lack of facts - and of focus - during the second SEC "Roundtable." Who but the SEC would ever think that almost four hours of twenty-odd televised "talking heads" - in a largely unstructured format - would ever produce a meaningful result?

And ouch again! The only major player to have followed up in writing to date, as best we can tell, has been **BlackRock** - which weighed-in with a few specific and sensible suggestions for moving forward - followed by a scathing summation of the largely fact-free session.

"We recognize that the technology space changes rapidly. Rather than advocating for blockchain or any specific solution at this time, we recommend the SEC host a multi-disciplinary working group to identify potential solutions.

"This group should include issuers, investors, custodians, broker-dealers, technologists, transfer agents, tabulators and existing and emerging intermediaries in the voting process to ensure multiple perspectives are reflected in the solutions.

"This working group would conclude by offering one or more recommendations for the Commission to consider for modernizing proxy plumbing regulation.

"In addition to technology, we recognize that a system-wide change will require direct regulatory involvement as no single market participant (nor even a small subset of participants) can independently solve this problem.

"Fact-Finding on the Current Process: As interest in the proxy process has increased, a number of misperceptions have emerged in the ongoing dialogue. Changes to the proxy process should be grounded in data, not based on speculative statements. A robust discussion would benefit from some basic fact finding and level setting in advance of contemplating changes."

But then, sad to say, a pretty weak conclusion: "We recommend further assessment of: (i) actual voting records, (ii) shareholder proposals, and (iii) registered fund processes"...which does not seem to be much help from our perspective:

What happened to the critical issues that were raised about over-voting? What became of the information about stock-lending, and about current "reconciliation procedures" that seem not to pass the sniff-test as currently performed? And what about "mirror voting" - and the clear potential it has had to influence outcomes - in totally unpredictable ways - when shares that are not cast by actual voters are voted instead by Employee Plan Trustees?

We hate to say it, but our initial optimism about solving these very real problems has largely evaporated.

PREDATOR ALERT: STATES PLAN TO GRAB "UNCLAIMED" IRAS/401-Ks: HUGE NEW LIABILITIES FOR ISSUERS - AND THEIR AGENTS...

WHAT YOU NEED TO KNOW - AND DO

At a December seminar on unclaimed property hosted by Georgeson & Co., and featuring the top officers from Delaware and New York State's unclaimed property divisions, co-editor Peder Hagberg and our long-term colleague Ray Riley learned that beginning in 2020 state unclaimed property administrators would begin to demand that IRAs and 401-k accounts with invalid addresses. And probably, accounts with "no activity" are to be turned over too - because normal reinvesting and compounding of Plan income does not count as "activity" with most states - are to be turned over to them directly - where the assets will be quickly sold off.

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Equally startling, the IRS would be demanding that 10% of the value be turned over to them - as a penalty for “early withdrawal.” “Wait a minute!” Ray jumped up to note: *“For one thing, what right does the IRS have to assume that an ‘early withdrawal’ has occurred? Maybe the owners are over 50 - or maybe they are disabled - where such penalties do not apply.*

“And what happens when the assets are sold-off by the states? Normally, a total sell-off would create “ordinary income” for the true owners! What happens if and when the true owner comes to light? Would the account suffer a loss of up to 45% - thanks to not-necessarily-so ‘early withdrawal’ penalties - plus a tax bite on the ‘income’ of, say, 35% more? Plus a loss of the compounded value as well?

“How, exactly, would owners be made whole if and when they come to light, as many owners, or their heirs, are likely to do? The dollar amounts at issue here can easily be a million dollars or more, per account! Someone needs to be working on this right now!”

Ray knows whereof he speaks: As a former STA president he worked tirelessly and for many years with the IRS - and, more importantly, he noted, with the Treasury Department - on “TEFRA” - and on early attempts to impose “backup withholding” on interest and dividend payments, which, fortunately, were ultimately imposed only on accounts without valid Taxpayer I-D numbers on file.

“Someone needs to get the Treasury Department on this case immediately,” he warns.

One thing seems certain to us: Public companies will very likely be holding the bag here - if they, or their IRA and 401-k agents and Plan Trustees fail to locate the true owners of accounts that get escheated and sold off. (Also, several dozen large companies currently offer IRAs and 401-ks through their dividend reinvestment plans, where owners assume that their investments are quietly compounding along. Ouch!)

Issuers - and their agents - need to jump on this issue right away! Meanwhile, every holder of potentially “abandoned” IRAs and 401-ks - and every public company that offers IRA and 401-k-plan accounts - should spare no efforts to locate the owners of or heirs to such accounts - well before the ‘official’ escheatment dates kick in.

ANOTHER PREDATOR ALERT! MORE ON THE SCANDAL OF “MINI-TENDER-OFFERS” ISSUERS! ... WAKE UP! ... AND YOU TOO, SEC!!!

Back in our 2nd quarter 2017 issue we warned issuers about the dangers of giving up shareholder records to offerors of so-called Mini-Tender Offers, following a sudden upsurge in such requests, that we had discovered via the invaluable “Society Huddle.”

At the time, we noted that such offers tend to crop up periodically, from little-known entities - and were (in our experience, as of then) “mostly confined to thinly-traded issues” where offerors could make a fast and easy buck by bidding low, capturing the dividend, then “selling high” - and at normal commission rates - vs. what they paid out to small and inexperienced holders. We were WRONG in several respects - as you will see in a moment:

Lo and behold, in October 2018, a so-called Mini-Tender-Offer cropped up right close to home - in the mail box of your editor’s sister, who is also the **OPTIMIZER**’s subscription manager. It was addressed to your editor’s brother-in-law (and our co-subscription manager) from a firm none of us had ever heard of, **Baker Mills, LLC**, incorporated in Delaware, but with a business address in Australia: It was an offer to purchase his shares in a large and rather prominent and actively traded company - **Principal Financial Group** - at a discount of 20.14% from the closing price on the day of the offer.

This was NOT such a “mini-deal” at all - at least to them. He had received 201 shares of Principal stock when they de-mutualized several years ago, thanks to an insurance policy he had in force at the time. After a few years of cashing smallish dividend checks, he enrolled in the Dividend Reinvestment Plan, accumulating just shy of eight more shares. On the day the offer was made, Principal stock closed at \$58.86 - so the shares were worth \$12,300. But when he did the math, he would receive only \$9,823 thanks to that 20.15% haircut - a whopping “effective commission” of \$2,478. A few days later, we discovered, the stock had risen to \$60.65 per share - so, as opposed to selling that day - on his own - he’d be

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forking over another \$2.21 per share, or another \$462 to the offeror - or nearly \$3,000 in total. ***How did the company allow such an outrageous offer to be made to them, they wanted to know.***

Another thing worth noting, these “mini-tender-offers” are not made pursuant to the more common “odd-lot tender offers” that SEC rules and regs allow. And indeed, these shares would not qualify for such an offer. But current SEC rules make an exception to the normal rules for tender offers where the total shares being bid for are less than 5% of all the shares then outstanding.

So the first big question here is WHY the SEC allows offers like this to be made at all - when its own website cautions investors that they are being made by entities “hoping that they will catch investors off guard if the investors do not compare the offer price to the current market price”? (The SEC’s cautionary advice to investors on mini-tender offers is available at: <https://www.sec.gov/investor/pubs/minitend.htm>)

But that brings up the second big question: How would unsophisticated investors even know to look there??

And guess what? SEC rules do require companies to notify shareholders of such offers - and to render an opinion as to whether shareholders should be tendering - or not. And, sure enough, Principal did render its advice - NOT TO TENDER. But they did so in a press release, that few if any individual investors would ever see!

The biggest question of all in our book: What ever possessed a large, retail-investor-oriented company like Principal to fork over their shareholder records to an outfit like Baker Mills in the first place - then fail to notify their shareholders that it was a BAD DEAL for them, as the press release they never got did indeed note?

And, surprise again! The never-mailed press release noted that “This offer follows four similar offers by Baker Mills this year to purchase from certain PFG holders up to 50,000; 60,000; 125,000; and 110,000, respectively, PFG shares. These previous offers resulted in the purchase by Baker Mills a total of 222,566 PFG shares” - where, we estimate, Baker Mill netted a cool \$2.6 million - essentially risk free - at the expense of small and naïve shareholders! Ouch!

But oh no...there’s more! What ever possessed Principal’s transfer agent - that manages an agent-sponsored dividend reinvestment and stock purchase plan - to release *those* records to these bounders? And far worse, in our book, to fail to disclose that those very same shares could be sold through *their* plan - with just a bit of effort on the shareholders’ part - at the market price - then and there - for a mere \$25, plus \$.15 per share in brokerage commissions...or \$56.35 in total, vs. the nearly \$3,000 cost of selling via the Baker Mills offer that Principal and its T-A were facilitating!

And WOW! There’s even more: When we dug further, we discovered that in 2018 Baker Mills had made numerous other offers to holders of other normally upstanding, consumer-oriented companies, at similarly deep discounts, to wit: **American Express @ 20.4% less; Colgate-Palmolive @ 18% less; Conoco Phillips @ 17.9% less; Emerson @ 20.5% less; Halliburton @ 17.2% less**

Issuers: Let us remind you yet again: You are under no obligation whatsoever to hand over shareholder records to companies like Baker Mills just because they ask you for them.

Doing so, in our opinion, is just not fair to your smaller and less-sophisticated shareholders, or to shareholders who may simply be “less-sharp” than they once were. Aside from being an unethical thing to do, it is an outright breach of duty to one’s shareholders in our opinion. All just to save a few bucks a year on maintaining small shareholder accounts??? -

Principal Financial Group: Please read your own, never-sent press release again, and ask if your behavior with respect to investors - many of whom are customers of your as well - comports with your own mission statement repeated therein: “Principal helps people and companies around the world build, protect and advance their financial well-being...Our employees are passionate about helping clients of all income and portfolio sizes achieve their goals - offering innovative ideas, investment expertise and real-life solutions to make financial progress possible.” REALLY??

Transfer Agents...How stupid of you - and how immoral - to facilitate such outrageous offers... and at the expense of your very own sponsored Plans besides!

Dear friends at the SEC: You should move to strike the totally unwarranted exemptions from SEC rules, regulations and disclosure requirements that you currently allow for so-called mini-tenders... immediately!

PEOPLE:

Donna Ackerly, who had, for many years, been one of the busiest, most popular and most client-oriented people at Georgeson, has signed-on as a **Senior Vice President - Business Development at Laurel Hill Advisors**. **We are so happy for Donna, and for Laurel Hill as well, and we wish her all our best!**

Joseph B. (Jake) Amsbary, Jr. recently moved on from **UPS** in Atlanta to become the Vice President and Corporate Secretary of **Walgreens Boots Alliance, Inc.** in Deerfield, IL. A great move for Jake, who is also the current Chair-Elect of the **Society for Corporate Governance** - and a great move for Walgreens Boots!

Tom Cronin, who is one of the best-connected people anywhere in the realm of “community oriented” public companies where proxy fights tend to break out - like regional banks and family-founded companies where the “third generation” of owners often have their own ideas on how the firm should be run - has left proxy solicitor **Laurel Hill** for **EQ** - which plans to add “Information Agency” services - and likely, we’d guess, full-blown proxy solicitation services too, down the road - to its list of offerings.

Evelyn Y. Davis, gadfly extraordinaire and self-styled “Queen of the Corporate Jungle” passed away in November at the age of 89. For 50 years she was one of the most complex, contentious, self-centered - and in many ways one of the *saddest people* on the corporate scene. But ultimately, she became one of the most *highly successful people* on the corporate governance front, and something of a financial success to boot.

Your senior editor first encountered her at the very beginning of her long career, and regularly thereafter, until she retired from the scene a few years ago. He has written down some of the less-known, and a few never-before-printed EYD stories for the *OPTIMIZER*’s History section, which can be found in our 2019 special supplement.

Tom Kies, the popular and long-running industry veteran of firms like **Laurel Hill Advisors**, where he was a co-founder, **Georgeson**, **Computershare**, **D.F. King** and **Morrow & Co.** (and, full disclosure, **Manufacturers Hanover Trust**, where your senior-editor recruited him in 1987 to start the first ever T-A-run proxy solicitation and stock-watch unit) has left **AST**, where he will become an “industry consultant”...until his non-compete runs out, we’d guess. We’re sure there is more to come here...so watch this space...

Ellen Philip, who founded **Ellen Philip Associates** 40 years ago - which we consider to be the nation’s premiere provider of Employee Plan Voting Services - was presented with the **Tony Fireman Award** - the **Shareholder Services Association**’s highest honor - at their holiday luncheon in December. No one in the SSA is more deserving of this award than Ellen. She - and her firm - epitomize the ideals cited on the award: “Character, Integrity, Commitment, Leadership.” In 1979 Ellen became one of the very first female members of the old **Corporate Transfer Agents Association**, or CTA, which evolved into today’s SSA, and she has been a trusted advisor, mentor and friend to more SSA members than we can count. Well done! Three cheers!

In a wonderful related development, the SSA planned to donate its half of the traditional 50-50 raffle to NYC non-profit **Fountain House** - the world’s leading provider of supportive services to people with serious mental illnesses - in Ellen’s honor: Regular readers

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will recall that twenty years ago, Ellen and her partner **Cal Donly** decided to turn their famously well attended Christmas party into “A party with a purpose” - that would raise funds for Fountain House’s Fountain Gallery. To date, the “End of Annual Meeting Celebration” has raised over \$1 million from members of the financial services community to support member-artists who live with, and succeed in spite of serious mental health issues. Three years ago, Ellen and Cal were awarded the **Esther Montanez Leadership Award** for their support of Fountain House Gallery and its member artists. When the winner of the second 50% was drawn, winner **Brian Permenter** - who had attended the Celebration just a few weeks before, where he was among the donors, and where his company, **Computershare-Georgeson** has been among the sponsors for 20 years - immediately donated the other \$510 to Fountain House as well. What a great guy! And...a holiday miracle...the \$1,020 magically turned into \$2,040 - thanks to an anonymous donor who matched every donation made to Fountain House in December dollar-for-dollar...up to \$100,000.

On a sad note, **Pepper**, the **Ellen Philip Associates** mascot - and perhaps the most famous rabbit in the world, after Bugs Bunny - passed away peacefully at year-end, at the amazing age of 13. Pepper was better known in some ways than Ellen herself. Last year, we got a call from a reader in the U.K. who was looking for “someone who is an expert in employee-plan recordkeeping...I can’t remember her name, but she had a rabbit.” When it came to producing business, Pepper was not only a steady generator of inquiries, but she was an infallible predictor of the outcomes. “If people started asking about Pepper, and talking about their own pets, we knew we had the job,” Ellen said. “And whenever we had a meeting at the office, people would ask, “What can we bring for Pepper? - and they would come with a bunch of parsley or some carrots with the tops still on.” Your editors’ most vivid memory of Pepper was the major crush she had on the **UPS** guy. The moment he came through the door, the normally shy Pepper would make a bee-line for him, and joyfully rub against his legs. RIP, Pepper...we will miss you.

Anne Sheehan, who recently retired as Director of Corporate Governance at the **California State Teachers’ Retirement System (CalSTRS)** has joined **PJT Camberview**, a unit of **PJT Partners**, as a Senior Advisor. Anne, who is the current Chairman of the **SEC’s Investor Advisory Committee**, is one of the most accomplished people in the corporate governance world: She served two terms as the Chair of the **Council of Institutional Investors**, was a board member of the **NASDAQ Listing Council** and as a member of the **International Corporate Governance Network**. She is a founder of the **Investor Stewardship Group**, serves on the Advisory Board of the **Weinberg Center for Corporate Governance** at the University of Delaware and has been named one of the 100 most influential people in corporate governance by *Directorship* magazine.

Patrick Tracey - one of the best-known and best-liked public figures in the transfer agency space, and a former president of **NIRI-NY** - has left **Computershare** to join **Carta** - a relative newcomer to the T-A world, but already a big provider of recordkeeping services to the very picky private-company universe, where founding families - and many times, an entire workforce of share-owners - still place a high value on having top-flight shareholder recordkeeping and related functions. (More full disclosure; your editor-in-chief hired Pat away from **Morrow & Co.** - way back in the 1970s - to help launch a “de-mutualization business” as mutual savings associations, and later, mutually owned insurance companies went public on a grand scale - granting stock to millions of depositors, borrowers and insurance policy owners in the process - and where we went from being very-late-entrants to becoming the market-leader in an incredibly short span of time.) A big win for Carta, for sure.

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REGULATORY NOTES...AND COMMENTS

ON THE HILL:

A bill has been introduced in the Senate, with bi-partisan support, “To amend the Investment Advisers Act of 1940 to require proxy advisory firms to register as investment advisers under that Act, and for other purposes.” Seems harmless enough at first glance, and we do think that something will eventually pass both houses, even though, as the smart money all agrees, the actual influence of proxy advisors is GREATLY exaggerated.

Our bet is that corporations will get what they wished for, and live to regret it, as so often happens to them where new regulatory matters are concerned. This will, we bet, cause proxy advisory firms to knock louder and more often on corporate doors - and to raise the prices on data that issuers need and want from them - to keep advisors’ profit-pots on full-boil.

AT THE SEC:

Chairman Jay Clayton outlined his top priorities for 2019 in a December speech, as follows:

- **Reviewing ownership & resubmission thresholds for shareholder proposals** – including whether there are factors in addition to the amount of money invested and length of holding periods that would “reasonably demonstrate” the shareholders’ interests are aligned with those of long-term investors
- **Proxy advisor reforms** – including transparency, conflicts of interest, whether certain matters should be analyzed on a company-specific basis, rather than market-wide, and investor access to issuer responses to reports (His work may well be cut out for him, or maybe mostly done for him by Congress)
- **Proxy plumbing** – focusing on improvements to the current system, rather than a major overhaul (Yah, sure... We’ll believe it when we see it.)
- **Cybersecurity** – including disclosure controls & procedures, insider trading policies, risk factor disclosures, and the SEC’s own cyber-risk profile
- **Brexit & LIBOR disclosures** – The SEC is monitoring these risks, Clayton says, and whether the impacts (assuming there will *be* a Brexit) are being adequately disclosed
- **Coin Offerings** – and continued efforts to protect (so-called) “investors.”
- **Quarterly reporting & guidance** – studying the current regime to determine if it can be improved
- **Capital formation & access to investment opportunities** – expanded testings-of-the-waters - and making Regulation A available to public companies...and, we hope, recognizing that JOBS ACT I is hurting, rather than helping investors.

A very ambitious agenda, for a greatly over-burdened SEC....

On the day after Christmas, just in time to close out the 2018 penalty-books, the SEC announced that JPMorgan Chase Bank will pay more than \$135 million to settle charges of improper handling of “pre-released” American Depositary Receipts (ADRs) - the last of the big-four ADR Depository Banks to settle, after a long-running investigation.

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The SEC's order found that JPMorgan improperly provided ADRs to brokers in thousands of pre-release transactions when neither the broker nor its customers had the foreign shares needed to support those new ADRs. Such practices resulted in inflating the total number of a foreign issuer's tradeable securities, which resulted in abusive practices like inappropriate short selling and dividend arbitrage that should not have been occurring. "With these charges against JPMorgan, the SEC has now held all four depository banks accountable for their fraudulent issuances of ADRs into an unsuspecting market," said **Sanjay Wadhwa**, Senior Associate Director of the SEC's New York Regional Office. "Our investigation continues into brokerage firms that profited by making use of these improperly issued ADRs."

So far, the SEC has collected \$375 million in fines, penalties and disgorgements from the four big ADR banks and four smallish brokers. While this is well below initial estimates - due to statutes of limitation that severely limited the expected recoveries - our whistleblower friend estimates that when the SEC is done, they will collect over \$1 billion in total...but still, a mere "bag o'shells" vs. what ADR investors actually lost due to the scams.

As to ADRs themselves, we believe the market for them is essentially dead: For the past 30 years - where investors have been easily able to buy actual shares of non-US issuers - there has been no real need to have them at all - except as vehicles for Depository Banks - and brokers - to charge outrageously high fees, and to benefit from currency exchange rates that allow them extra and unwarranted bites at the investors apples. And once the whistle was blown on the pre-release scams, which were the major moneymakers here, the incentives for new ADR programs are pretty much nonexistent. Good riddance to them all!

WATCHING THE WEB

On October 17, 2018 the SEC issued a Section 21(a) Report on "CEO Impersonator Emails" which should be required reading for corporate officers everywhere.

The report covered nine unnamed public companies with "deficient internal controls" - that permitted "spoofers" to turn the companies into victims of cyber-fraud, called "business email compromises" - in response to fake e-mails that bore often-convincing "hallmarks" of legitimate business transactions from legitimate business partners and managers in what is known as "executive impersonation."

In response to e-mails that employees think have come from senior officers at the company - or from senior officers at legitimate suppliers - employees, typically lower-level ones, but who have often been contacted directly, by name - wired large sums of money and/or paid fake invoices, and, very often, wired money directly to foreign banks - to the tune of at least \$1 million. Two of the nine companies lost more than \$30 million. Losses for the nine companies totaled nearly \$100 million, almost all of which has not been - nor is likely to be recovered. Many of the frauds lasted a long time - and were not discovered until real vendors complained they hadn't been paid yet.

This, we think, is fourth report we have published on these scams, and the interesting new thing here is how effectively the scamsters have been able to fool mid-level employees - by coming up with their names and e-mail addresses. Earlier scams were mostly directed to over-busy senior officers - who were notoriously susceptible to hitting the "approve" button, and forwarding the fake bills for payment.

QUOTE OF THE QUARTER

"Our own information - from the everyday to the deeply personal - is being weaponized against us with military efficiency. These scraps of data, each one harmless enough on its own, are carefully assembled, synthesized and sold. This is surveillance. And these stockpiles of personal data serve only to enrich the companies that collect them. This should make us very uncomfortable."

Tim Cook, CEO of Apple Inc., speaking at a European Union privacy conference in October, where he urged the U.S. to enact privacy rules similar to those of the E-U.

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EVELYN Y. DAVIS

GADFLY EXTRAORDINAIRE AND SELF-STYLED “QUEEN OF THE CORPORATE JUNGLE” PASSES AWAY ON NOVEMBER 3, 2018 AT THE AGE OF 89

One of the most complex, contentious, egotistical, infuriating and relentless people - and in many ways one of the saddest people on the corporate scene - due, perhaps, to her terrible experiences as a Holocaust survivor, which were rarely mentioned until late in her life...

But in the last decade or so years of her career, she changed her tune - and her tone - and ultimately became one of the most highly successful people on the corporate governance front - and a financially successful person to boot.

A few first-hand EYD stories from the OPTIMIZER's editor-in-chief:

“Evelyn Davis was at the very first shareholder meeting I ever attended - at the then-new, post-merger Manufacturers Hanover Trust Company. A callow youth in the mid-1960s, I was pressed into duty because I was good at long-division. The only ‘calculators’ back then, other than human ones, were mechanical monsters that weighed about 75 pounds and made ear-shattering noises as they literally ‘spun their wheels’ to come up with percentages.

“From the moment Evelyn Y. Davis grabbed the mike, in the old American Stock Exchange auditorium, I knew this was a business I wanted to stick close to.”

Davis had just begun to branch out from her first-career in the world’s oldest profession - and what a first impression she made on the audience. All of them but her were in their best business attire, as was the

custom then. She was wearing what was *her* best business attire back then - a tight black sweater with a plunging neckline, a mini-skirt that was 10 or 11 inches long at most, black net stockings, thigh-high black boots, and a short chinchilla jacket.

Her opening remarks were to fawningly compliment the Chairman - and to ask if she could come up on stage, sit on his lap, and give him “a big juicy kiss.” Our then Chairman, Jeff McNeill, was an incredibly strait-laced, old-school Sothern Baptist, with a big old-fashioned Florida drawl - and when he recovered himself sufficiently to politely demur, she turned on him with a vengeance, peppering him with one question after another, never pausing to wait for the answer, which was her usual habit at all meetings. Her loud, high-pitched voice, and the sarcastic-sounding tone she favored during the first half of her career - screeched through the air like a jagged knife-blade on a blackboard. After a few minutes, people in the audience began to shout, “Sit down! Shut up! Go home!”



Evelyn Y. Davis in an early “call-me” get-up.

“You’re all just jealous of me” she shrieked... “Especially you women! Men! Meet me outside... I’ll take on every man in this room!”

The audience was totally stunned into silence - but I was totally hooked - on shareholder meetings that is.

Throughout her career, if a CEO was not too terribly old, reasonably good looking (to her) and reasonably fit for his age, she loved him. She would address him by his first name or nickname, and shower him with smarmy compliments, flirtatious remarks and softball questions. It always seemed obvious that she was trying to follow the advice of the original female gadfly, Wilma Soss - to marry a rich businessman if at all possible - but without much in the way of Wilma’s good looks, natural charm or “class” (*See the article on Wilma in our History section.*) And, not the greatest way to win over a man, we’d say, she had an uncontrollable desire to take charge, and to come out on top on every point she’d bring up. Sometimes she would hand the chairman a check, to open an account for her - and one time, to pay for draperies she had ordered (!) where she asked the chairman to personally make sure they would arrive promptly, and be installed to perfection.

If a CEO was old or plain, or short, or dumpy - or worst of all old - *and* dumpy - as many were in those days - God help him: She would question him unmercifully. One such CEO at a Connecticut-based company, after years of being tortured at his annual meeting, finally came up with a way to bell the cat: He moved the meeting from headquarters to a hotel - and opened the proceedings by reading a section from the

local town ordinances that prohibit “a convicted prostitute from entering upon the second floor, or a higher floor, of a public hotel.” Then he pointed his finger and sternly warned, “Mrs. Davis, if you do not behave yourself properly we will promptly adjourn this meeting and reconvene it on the second floor.” Yet another stunned audience - and the only time ever, we think, that EYD was completely silenced.

Most of the time, Evelyn was totally nonplussed by her 1963 conviction, or by any of the shouted comments, jeers and boos she elicited at most meetings in her early days. For Evelyn, there was no such thing as “bad publicity” - and, as she often admitted with respect to her long list of “issues” - “it is all about keeping my name up front.”

At the 1973 Bristol Meyers meeting in Wilmington, Delaware’s plush and proper Hotel DuPont, she stood by, totally at ease, while the crowd literally gasped - when the Gilbert brothers asked the Chairman to note “An historic moment - the tenth anniversary of Evelyn’s conviction for prostitution!” Then, Louis and John went up and down the aisles, passing out copies of the old New York Post centerfold of EYD being led away in handcuffs from her “Shareholder Research and Secretarial Center” (with bed) in a midtown Manhattan hotel...And then, Evelyn proceeded with her questions as usual. (Thirty years later, in 2003, she told the Washington Post that her conviction was a “vicious corporate frame-up” - an effort, she said, to silence her at shareholder meetings...but no, not really.)

One of Evelyn’s top pet peeves was if a Chairman referred to her as Miss, or “Ms.”...“I am MRS. Evelyn Y. Davis,” she would loudly proclaim. “I have had ‘x husbands” (inserting a number between two and ultimately four.) “Ms. is for women who can’t even get ONE husband” she would huff, inadvertently giving away her fear, we thought, that listeners might think of her as somehow ‘unsuitable’ for marriage.

Very sad to say, but impossible to ignore in any history of EYD - and in stark contrast to Wilma Soss, who was a true champion of women - for most of her career Davis hated to have even a single woman anywhere near her.

Worse, she went out of her way to single-out prominent women, especially attractive ones, and to be incredibly rude to them. If a female Corporate Secretary was on the dais she would belittle her appearance, broadly

hint that she must have slept her way to the job and flatly refuse to speak with anyone but the CEO. Everyone else - even most of the senior men, unless they struck her fancy, she referred to as “flunkys.” She would not let a woman take her to her pre-assigned seat - or hold the microphone when it was her turn to speak - something that most companies knew about, and, shamefully - but understandably, we guess - they simply caved in to her.

One year, at another Old Manny Hanny meeting, she began her remarks by wildly waving the proxy statement and screeching that “There is a *significant* and *fraudulent misrepresentation* in this document!” Once again, the audience - and especially our big bevy of lawyers, who frantically grabbed proxy statements and started turning pages - were stunned into silence: “Look at page ten,” she said, where there was a photo of our only woman director - that was probably 10 to 15 years old. “Then look at that old hag!” she shouted, pointing directly at our highly distinguished nominee... “**A FRAUD!**”

Another thing about Evelyn that is very sad to note, many companies not only tolerated but actually *indulged* her most outrageous behaviors and remarks. Some of this was probably because they did not know how to keep her in check. (Today - thanks in large part to Evelyn Davis herself - all smart companies have Rules of Conduct to keep professional gadflies under control.) But most of the long and very free-rein they allowed her, we think, was to use up time on petty issues that might otherwise be devoted to truly serious and potentially more difficult questions from other attendees.

Many companies sent cars to pick her up at airports and train stations and take her back. And some, we know for sure, even picked up her hotel bill. Rumor had it that a major auto maker would give her a new car every year - as a “test-driver” And, for certain, when she first bought a Jaguar, in 2003, Ford’s then chairman William Ford (whom she had earlier called “my king, Bill Ford”) delivered it to her personally, at her Watergate-complex residence in D.C. - following which (and what a thank-you!) Evelyn triumphantly

told the press, “*This is my secret, manipulating the male ego, playing one against the other.*”

At the same time, many other companies did everything they could think of to avoid the appearance of EYD at their shareholder meetings - by scheduling them on the busiest meeting days and in cities they knew she was not likely to get to - or get to on time.

Back in the 70s and 80s our old Manny Hanny meeting was always held in New York City in the morning, while the Merrill Lynch meeting was in Princeton NJ, in the afternoon. Merrill Lynch would send three or four staffers to our meeting - all armed with train schedules, synchronized watches and stacks of quarters, to keep an open line between at least two phone booths outside our auditorium and their Princeton office. When EYD went on too long to make the train to

Princeton - which she often did - a huge cheer would rise up from the MLPFS staffers stationed just outside the room.

Another very common EYD-keep-away tactic was to buy multiple copies of her “newsletter” - “*Highlights and Lowlights of Annual Meetings*” - which she published annually from 1965 to 2011 - and which secured her a White

House press pass! The subscription rate was a whopping \$600 per copy - with a two-copy minimum order - and buyers hoped it would dissuade her from filing shareholder proposals with them.

The early issues were published via her own hand-cranked “mimeograph machine” - which most readers are too young to remember - but a very early self-publishing vehicle, notable for its smudgy, purplish-red ink. (For history buffs, this is also how the “Pink Sheets” got their name - where pricing indications on ‘unlisted’ company stocks were originally mimeographed and circulated to brokers on a daily basis.)

Evelyn did an amazing job of keeping the contents a deep dark secret from everyone but subscribers - which was actually easy, since none of them wanted to admit to *being* subscribers. The content was roughly divided



Evelyn Davis with Bill Ford in 2003. Photographer: Dennis Brack/Bloomberg

between glowing reports on *her remarks* - and the remarks and personal qualities and accomplishments of CEOs and their companies that fawned over her - and scathing reviews of CEOs - and companies - that resisted her blandishments and refused to buy her newsletter and/or gave her a hard time at meetings. Many people, including the Gilbert brothers, called it an “extortion racket” which, basically, it was.

In 1980, two public companies filed complaints with the SEC, alleging “abuse...and subversion of the proxy solicitation process for personal gain” when she filed proposals with them immediately following cancellations of their subscriptions to Highlights and Lowlights. In response, the Society of Corporate Secretaries filed briefs with the SEC to support the two corporate filers and Evelyn immediately added a new item to the hot buttons on her meeting hit-list: a demand that companies cancel their membership in the Society. The Gilbert brothers, one or both of whom were invariably at the same meetings EYD attended, always rose to support the Society and explain the “extortion racket.” Before long, Evelyn realized that this reinforced the personal grievance issue - which also caused her to pull-back a bit on her previously relentless sales campaigns. But, despite the seamy history, and the scanty contents of “Highlights and Lowlights” - as late as 2011, when she had to give up on the newsletter due to failing health, Goldman Sachs was reportedly buying 60 copies per year!

Interestingly, EYD’s first big shareholder meeting victory was sort-of a “gender diversity issue” - the first ever raised at a public company. Within a year, all the major airlines - which were previously hiring only “stewardesses” as flight attendants (and only pretty, slim and young ones, which drove Evelyn especially wild) - quickly agreed to hire stewards too, following demands from Evelyn that she wanted to be waited upon only by MEN. And, lest you think this was a progressive idea on EYD’s part, only young and handsome men should be hired, she insisted.

Evelyn did an amazing job of keeping the contents a deep dark secret from everyone but subscribers - which was actually easy, since none of them wanted to admit to being subscribers.

And, oh yes, her frequent remarks about over-old photos of directors were soon duly noted by the officers and directors at most of the publicly traded companies that were favored with Evelyn’s annual visits.

Another big EYD achievement early on; she was singlehandedly responsible for a big move to use Independent Inspectors of Election at Shareholder Meetings - when she demanded to know who the Inspectors were, after narrowly missing the re-submission threshold on a proposal at ITT Corporation - and hearing (Who could believe it???) that the Inspectors were “Mr. Smith and Mr. Jones” - both ITT employees. The news elicited derisive shrieks from EYD but uproarious laughter from the audience - and most smart companies soon stopped using their own employees as Inspectors (or a group of nuns, priests, rabbis and an AME bishop, as we had been doing at Old Manny Hanny) and began to hire independent experts.

Perhaps the highlight of Evelyn’s 50-year career - from Evelyn’s own perspective - was the time during the Reagan administration when she was finally allowed to use her press pass to ask a question, and to be shown on TV during a Ronald Reagan press conference. She wore a bright red suit, which, as she flirtatiously remarked to Reagan for openers, was “the reason you could not resist calling on

me - because I know it is Nancy’s favorite color.” (The back story, which we have from an impeccable source, is that the Secret Service prepped her sternly, and well in advance, to ask only one predetermined and totally innocuous question - with no follow up permitted. They warned her that if she said one extra word the mike would go dead - but not the camera - and she would be physically removed on the spot. (Still not a bad tactic to have in mind at shareholder meetings, we’d opine.) We’d also bet \$100 that Evelyn was thinking, “I’m about Nancy Reagan’s height - and quite a few years younger - and I’m wearing a beautiful and very expensive bright red suit. Who knows what might happen when Ronnie calls on me?”)

In the last decade of her career, however, perhaps as a result of the life-changing White House experience, Evelyn totally changed her tune - and her tone - and



Evelyn Davis stands in front of her tombstone in Rock Creek Cemetery in Washington, D.C. in 2000. Photographer: Linda Spillers/Bloomberg

her overall demeanor - and began to rack up some big successes on issues that are still important ones today.

Between 2001 and 2009 her proposals to “de-stagger” corporate boards won majorities at 36 companies, according to activist James McRitchie. Since then, the annual election of all directors - instead of what the Gilbert brothers used to colorfully and sometimes aptly call “the stagger system” - has become the best practice at most of the S&P 500 companies. And the march to de-stagger boards - especially where the most obvious “staggerers” exist - continues apace. Many other of her pet issues - such as better disclosure of executive comp - and of corporate political donations - which she wanted to ban entirely - have been gaining a lot of traction in recent years. Our great friend Steve Norman, the former Corporate Secretary at American Express, and the longest-serving Corporate Secretary ever, summed her up perfectly: “She was absolutely relentless.”

In the last decade of her career, Evelyn also spruced up her wardrobe and her overall appearance significantly - ditching the wacky and sometimes trumpy-looking outfits in favor of expensively tailored suits - and

clearly spending serious time and money on regular personal “makeovers” to keep her in the game.

Most amazingly, she completely reformed her attitude toward other women. Two years in a row, at the SAKS meeting, she went out of her way to be nice to the young and attractive female Inspector of Election (full disclosure, my daughter-in-law Anna.) And at both meetings, she peppered the Chairman with probing, but friendly and *knowledgeable* questions about fashion - and for details on the more exclusive brands they were carrying. Suddenly, she also became courteous, and even somewhat collegial, where female corporate officers were concerned!

Over the last ten or so years of her life, she began to position herself as a philanthropist - with surprisingly little ballyhoo, considering the source - making well over \$1 million in gifts to the George Washington University School of Business and the School of Medical Science. Some of the money was earmarked to foster women MBAs! To no one’s surprise, all of the gifts require that a plaque be installed permanently to acknowledge each gift - to be polished regularly, for as long as the institution survives...to “keep her name out-front.”

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At InvestorCom our clients benefit from the advantage of consistent high-level interpretative analysis, not just data distribution. This difference is what we call "Shareholder Intelligence." Unlike most of our competitors, InvestorCom is an independent firm providing the balance of a broad range of services in a focused team-driven environment.

Areas of expertise

- **Proxy Solicitation**
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- **Corporate Governance Consulting**
- **Investor Relations**



MacKenzie Partners Inc.
105 Madison Avenue
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MacKenzie Partners, Inc. is a full-service proxy solicitation, investor relations and corporate governance consulting firm specializing in mergers-and-acquisitions related transactions. Our extensive work and experience in corporate control contests keeps us at the forefront of the leading issues in corporate governance and how they affect both management and the investment community.

We provide background research and analyses on shareholder proposals covering a broad area of governance issues, including but not limited to, cumulative voting, director compensation, classified boards, shareholder rights plans and how various institutions tend to vote in these situations. We also counsel management and the Board as to whether a proposal is likely to pass and develop vote projections to support our views.

MORROW
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Morrow Sodali's Corporate Governance Consulting helps place a Company in the most advantageous position possible to avert potentially contentious matters that are avoidable and to effectively address those that must be confronted. We provide our clients with insights and updates on governance-related matters on an ongoing basis, including the assessment of best practices and emerging trends as they relate specifically to each client's circumstances. As part of our consulting engagement, we analyze each client's shareholder profile, provide guidance on the full range of compensation and governance matters, and most importantly, anticipate potential corporate governance challenges to minimize the risk of activism. As we assess potential risks from emerging

trends or changes in ownership positions, we provide strategic, practical and insightful advice to help clients make informed decisions. Our subject matter expertise covers environmental, social and governance (ESG), including sustainability, executive compensation, and board composition and evaluation. A significant component of our comprehensive consulting is providing our clients with critical insight into the voting practices of key institutional investors. We also review changes in institutional voting policies and practices, (highlighting the impact of changes on specific company matters), analyze the likely returns on key board and shareholder proposals, and develop shareholder solicitation strategies to achieve the desired outcomes.



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Veaco Group is a corporate governance consulting firm founded by Kristina Veaco in recognition of a need for practical governance support for the boards and senior management of both for-profit and non-profit entities. We have direct and personal experience implementing governance processes and we have worked closely with boards as their trusted advisors as governance consultants and previously in our Corporate Secretary roles. As lawyers we understand boards' fiduciary obligations and the support board members need to meet those obligations. This practical and legal experience sets us apart from many governance consulting firms. We provide independent board evaluations in recognition of the increasing desire of boards to have a trusted third party provider with our particular experience design a process suited to their particular needs and to conduct their annual evaluations.

Our Services include:

- Board Evaluations/Board Effectiveness Studies
- Board Skills Assessments
- Governance Audits
- Corporate Governance Consulting and Advisory Services
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If you're an investor relations or corporate governance professional looking for new ways to engage with your shareholders, contact us at hello@say.com.

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Many public companies do not realize how much they need data-management, data-conversion-and-consolidation and, above all, "data-optimization services" these days; Services that will OPTIMIZE the many ways that shareholder data is presented and distributed to diverse shareholder audiences...and to overbusy and very impatient readers... [READ MORE ONLINE](#)



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Denise Kuprionis
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No matter how experienced your directors are, in order to fulfill the board's fiduciary obligations, it should have a director education plan in place. **GSG** can design a continuing education program for your Board that ensures directors stay on top of their game. Education plans include regular updates from in-house executives; periodic in-boardroom discussions, facilitated by experts, around topics that include current marketplace activity, future trends, regulatory changes and governance updates; and periodic attendance at independent board seminars. Call Denise Kuprionis at The Governance Solutions Group and use her 20 years of C-suite and in-boardroom experience to give your board a credibility advantage.

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Whether one is drafting Annual Meeting materials – or, even more critically – gearing up for a merger, acquisition, tender offer, small-shareholder buyback program or some other kind of “reorg job” – the content, design and overall understandability of the documents you deliver to shareholders is a truly critical element.

Transactions that involve employee-plan holders tend to be particularly tricky – since often, multiple plan agents or trustees will be involved – and, very often, the share amounts will change between the mailing and effective dates: So a seemingly little thing – like asking plan holders to indicate a share-amount in a tender offer rather than a percentage-of-holdings amount can lead to big processing issues. Being able to consolidate the holdings of multiple plans – and including the registered shareholder positions as well – can lead to big savings in paper, postage and processing costs... if handled correctly...but can lead to processing snarls and ringing phones, and angry holders if the document design and delivery process has not been meticulously thought-through – and meticulously processed...

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We're a valuable resource to have in your corner. As independent tabulators we've been part of the shareholder services community for close to 40 years. Our principal focus is on employee plans, not only on regular pass-through voting but on the processes associated with non-routine situations such as proxy contests, tender offers and other corporate actions.

You'll find that we have a blue-chip reputation, that we're flexible and responsive, and that our practices are set to the highest standards.

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



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Ten or fifteen years ago, the vast majority of stock option plans covered only the top five or ten people in the firm. And, for that matter, most of the money in 'regular employee' stock ownership plans belonged to the top tier too. Then came the technology boom, and soon, the dot-com boom - and a mad scramble to attract the 'best and brightest' with stock options and awards...and with it, a huge boom in "Global Plans" - where options were issued to all employees - including employees that, increasingly, are located all over the globe... [READ MORE ONLINE](#)



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AST was originally founded as a transfer agent in 1971. Through organic growth and strategic acquisitions, AST pioneered a new model of integrated services in the industry. Our affiliates now include AST Trust Company (Canada), D.F. King & Co., Inc., and Donlin, Recano & Company, Inc. Together, we lead the industry with a comprehensive portfolio that includes transfer agent and registrar services, corporate governance and advisory services, issuer and mutual fund proxy services, equity plan solutions, restructuring services, and class action and mission critical services.

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

FINANCIAL PRINTING

Since we did our first review of products, services and service-providers in 2007 the universe of financial printers has shrunk by more than half. This has been mostly due to a dramatic drop in demand for printed matter, thanks to the growing use of Notice and Access - but also to an ever-growing belief that the web is the best - and certainly the fastest and the cheapest place from which to disseminate important corporate info...And, of course, you can't not be there. Now, however, issuers are taking an entirely new view of printed matter... [READ MORE ONLINE](#)

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Fitch Group has been a leader in on-demand digital printing since the technology was introduced. Today, our two Xerox® Iridesse™ Production Presses enable us to achieve Ultra HD resolution of 2400x2400 dpi and speed benchmarks of 120 color pg/min. This lightning fast production makes "rush" jobs more manageable, while the full color and metallics inks provide the visual embellishments necessary to get the attention.

Since most black and white printed jobs are imaged on two sides, we incorporated Océ's Gemini duplex printing technology into our operation. Not only is the Océ 6320 fast, but it's also flexible, running a vast variety of paper grades and weights. Our Prepress department will preflight your files and contact you with any potential print problems before your project travels down the production pipeline. **The result is a printed piece of the highest quality - every time.**

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Large volumes, last-minute edits, and mandatory mail dates can make it challenging to get critical communications into the hands of investors on budget, on time, year after year. Now you can streamline this process and ensure a smooth transition from printing to distribution. Let the one firm you trust to process your investor communications handle the print production as well. With a single-source, full-service solution, you can eliminate costly shipping charges, expedite processing and ensure you print only the quantity required—to exact specifications.

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Clear back poly wrap packaging. Make an impression with a personalized, full-color, full-page insert that shows through even before an envelope is opened.

Encourage voting, target messaging, promote your brand, and turn retail shareholders into your best brand ambassadors.

Windowed notice envelopes. If you're a Notice & Access adopter, you can also achieve more with every mailing. Colorful, double-sided inserts can be customized to your needs. Whatever your goal, you can help ensure that your message is read.

Interactive print. Interactive print takes your shareholder beyond the printed page to an engaging, digital experience. With traditional QR codes or with the no-cost Layar application that triggers an augmented reality experience, drive traffic to your website, social media asset, video or landing page. Enable your CEO to speak directly with each retail shareholder. Or, bring them directly to a page where they can vote online.



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Donnelley Financial Solutions is dedicated to service. Our global, 24/7/365 customer-service team is available whenever and wherever you need help. Each client is assigned an experienced deal manager to serve as your "go-to" person for all questions and concerns, ensuring there are no surprises around document specifications, costs, or deadlines. Our EDGAR filing experts are unmatched in their regulatory knowledge and sustained record of filing accuracy. In fact, Donnelley Financial Solutions handles more than 160,000 EDGAR filings each year—more than any other filing agent. Leverage our global network of manufacturing locations, including digital presses, for quick-turnaround projects, premium color services, state-of-the-art technology, and expansive logistics services. We own our facilities, and our service team ensures your documents are produced accurately and delivered on time.

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Virtually every public company is required by their State charter, or by their bylaws, to have one or more Inspectors of Election to oversee and certify the voting at their annual meetings. Over the past five years, more and more companies are looking for Inspectors who are completely independent, who can serve as a reliable check-and-balancing system with respect to a company's proxy tabulators, and who have regular procedures that will stand up to any challenge... [READ MORE ONLINE](#)



Inspectors-of-Election.com

If investors are voting on one or more "material items" – like a merger, recapitalization or a bylaw change that requires shareholder approval...

If you think you may have matters on your shareholder meeting ballot where the outcomes could turn out to be close or contentious... If you want to follow "best practices" when it comes to 'inspecting the election' and certifying the final results...

If you want to be sure that any firm or individual inspector that you and your board appoint has rigorous procedures in place – and actually follows them – and that the inspector(s) can stand up and be effectively counted themselves if challenged...

Please think about having one or more expert and truly independent Inspectors as a part of your company's official shareholder meeting team. Please visit our website to review some "Questions and Answers about Inspectors of Election"... "What, Exactly Should Inspectors Be Inspecting?"... "Who's Counting Those Votes, Madam Chairman?"...and to review the profiles of our current team of Inspectors.

LEGAL SERVICES



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Jeremy L. Goldstein is a partner at **Jeremy L. Goldstein & Associates LLC**, a boutique law firm dedicated to advising compensation committees, CEOs, management teams and corporations in executive compensation and corporate governance matters, particularly as such issues arise in the context of transformative corporate events and sensitive situations. Prior to founding his own firm, Mr. Goldstein was a partner at a large New York law firm and has been involved in many of the largest corporate transactions of the past decade.

Mr. Goldstein is chair of the Mergers & Acquisition Subcommittee of the Executive Compensation Committee of the American Bar Association Business Section. He writes and speaks frequently on corporate governance and executive compensation issues and is listed as a leading executive compensation lawyer in Chambers USA Guide to America's Leading Lawyers for Business and The Legal 500. In addition, Mr. Goldstein is a member of the Professional Advisory Board of the NYU Journal of Law and Business and a member of the Board of Directors of Fountain House, a charity dedicated to the recovery of men and women with mental illness. Mr. Goldstein has a J.D. from New York University School of Law, an M.A. from the University of Chicago and a B.A. cum laude and with distinction in all subjects from Cornell University.

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Kelley Drye Warren LLP is an international law firm with more than 300 lawyers and professionals practicing in seven offices throughout the United States, Brussels, Belgium, and an affiliate office in Mumbai, India. We assist clients in accomplishing their business goals by providing practical legal advice and solutions in more than 30 areas of the law. We are proud of the long-term relationships established with clients. These are based on the principles of delivering efficient service, right-sized staffing, the use of state-of-the-art technology and acting as trusted partners of our clients.

Kelley Drye's National Corporate Practice Group understands the fundamental principles of helping clients facilitate complex transactions and protecting the value of our clients' deals. We focus on understanding clients' business goals and strategies while simultaneously navigating industry issues and regulatory challenges. Coupled with our strong legal acumen, we bring meaningful strength and a strong bench of seasoned corporate attorneys with significant experience in mergers & acquisitions, private equity & venture capital, emerging companies, capital markets & securities, finance & lending, corporate governance and investor relations, as well as other niche areas such as corporate trust, SBIA funds, and public-private partnerships.

Tollefsen
Business Law PC
 (425) 353-8883
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Stephen Tollefsen helps smaller reporting companies find affordable solutions in dealing with corporate governance, shareholder activist and proxy issues. A major emphasis of his practice has been enabling smaller reporting companies comply with the requirements of state and federal securities laws in a cost-effective manner. Mr. Tollefsen has successfully represented both shareholder activists seeking representation on the board of directors, as well as issuers defending against insurgent attacks and hostile takeovers.

Mr. Tollefsen also serves the needs of start-up, developmental and emerging growth companies, and facilitates OTC shareholder liquidity for issuers which choose not to be listed on an exchange. Mr. Tollefsen is a member of the Small Business Issuer Subcommittee of the Federal Securities Committee of the American Bar Association, the ABA State Regulation of Securities Committee and the Business Law Section of the Washington State Bar Association. Mr. Tollefsen serves on the board of Aboki International, a charity helping distressed communities in rural Nigeria.

Industry-oriented Membership Organizations are, without a doubt, the most powerful tools a corporate citizen has at his or her disposal when it comes to finding a key fact, solving a pressing problem, looking to network with and gain best-practice tips from peers, or seeking out strong and reliable service-providers.

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Founded in 1946, the **Society for Corporate Governance, Inc.** (the "Society") is a non-profit organization (Section 501(c)(6)) comprised principally of corporate secretaries and business executives in governance, ethics and compliance functions at public, private and not-for-profit organizations. Members are responsible for supporting their board of directors and executive management in matters such as board practices, compliance, regulation and legal matters, shareholder relations and subsidiary management.



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NIRI is dedicated to advancing the practice of investor relations and the professional competency and stature of its members. Founded in 1969, NIRI is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts and other financial community constituents. The largest professional investor relations association in the world, NIRI's more than 3,300 members represent over 1,600 publicly held companies and \$9 trillion in stock market capitalization.

NOTICE & ACCESS SUPPORT SERVICES

The "Notice and Access system" has saved literally billions of dollars for public companies to date, by eliminating hundreds of thousands of tons of printed shareholder meeting materials and millions of dollars in postage each year.

Approved by the SEC in 2007 the amended proxy rules allow companies to provide proxy materials to most of its shareholders over the Internet. (Please note that some employee-plan trustees insist that some kinds of plan participants still need to receive paper documents, but most plans are OK with N&A)... [READ MORE ONLINE](#)



Broadridge supports all proxy communications options, including Notice and Access. We will work with you to determine which distribution model offers the greatest combination of benefits for your particular situation. Many issuers will choose a hybrid approach, sending full packages to certain shareowners, while sending the Notice to others.

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In addition to creating an individualized project plan, timeline analysis and notice design, print and mailing, your Broadridge representative will help you determine the breadth of services you require for implementing Notice and Access, which may include:

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- Customized shareowner landing page and portal
- Web hosting
- Inventory management, warehousing and fulfillment
- Online options to collect shareowner future delivery

preferences; paper or electronic

- Cost benefit analysis
- Customizable Notice templates and forms
- Windowed notice envelopes that can showcase colorful, double-sided inserts with messaging customized to your needs
- Voting through proxyvote.com for beneficial, registered and employee shareowners
- Shareowner stratification analysis based on shares, geographic region and voting criteria
- Pre-record date shareowner mailing to identify paper or electronic delivery preference



**Notice & Access
made easy**

Harness the **Donnelley Financial Solutions** regulatory expertise, service excellence and online toolset to simplify your annual meeting process, help you better connect with your shareholders, and take full advantage of the SEC's Notice & Access rule.

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A single point of contact throughout your proxy event streamlines the process.

- A dedicated project manager partners with all members of the working group to expertly manage every aspect of the issuer's event, and determine quantities and requirements under the Notice & Access rule
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- Custom-hosting sites are SEC-compliant, touch/tablet enabled, and designed to auto-fit wide screens, and link to social media and voting sites; they also include interactive components, such as visual image sliders, tabbed panels, reminder/info fly-outs, embedded video, and Google maps
- Telephone voting services include a dedicated 1-800 number with a customized greeting
- Real-time, online reporting provides up-to-the-minute updates and an evaluation of voting results
- Master tabulator services included
- Choice to log in to the online tabulation tool or receive scheduled reports via email
- Online system reflects both voted and un-voted results

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THE OPTIMIZER'S DIRECTORY OF PRE-VETTED SERVICE SUPPLIERS

Stop number-one for public companies these days is Broadridge Financial Solutions— which distributes proxy materials and voting instruction forms (VIFs) - and tabulates and reports on them for virtually the entire “street-name” universe of shareholders. (They have a couple of small competitors who work with a handful of brokers - and a handful of those pesky “respondent banks” still need dealing with as well, but these are mostly minor matters, which Broadridge mostly handles for you too, in a relatively seamless fashion.)... [READ MORE ONLINE](#)



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Broadridge provides companies with the strategic approach they need to effectively reach both registered and beneficial shareowners. We uniquely have the capabilities to cover all of the details of your proxy distribution - from initial planning through proxy mailing to vote tabulation and reporting of your annual meeting -- while you focus on increasing investor confidence and reducing your bottom line.

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As the largest processor of beneficial proxies for publicly traded companies in the U.S., Broadridge process over 2 billion in investor communications annually -- more than 80% of all outstanding shares voted in the United States

For those issuers utilizing Broadridge for both the registered and the beneficial shareholders for their proxy mailings, we provide complete vote tabulation and reporting services. Using Broadridge as your tabulator will ensure that you have fully reconciled and audited vote reports delivered on time, on a daily basis, covering the registered, beneficial and employee shareholder segments.



Donnelley Financial Solutions provides an unrivaled, networked print platform, delivering world-class service across the globe with distribution capabilities to match. We are also committed to meeting your proxy statement needs, including color printing, separate covers and the utilization of special paper stock, in a timely, accurate and efficient manner.

Ron Schneider
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Donnelley Financial does our part to reduce, reuse and recycle. Our FSC- (Forest Stewardship Council-) certified plants help companies easily execute eco-friendly plans without having to trade cost effectiveness for being environmentally friendly.

Custom-branded electronic voting and document-hosting sites enhance your shareholder communications:

- Branded sites reflect an issuer's image and corporate profile and complement the stylized proxy
- Custom-hosting sites are SEC-compliant, touch/ tablet enabled, and designed to auto-fit wide screens and link to social media and voting sites. These sites include interactive components, such as visual image sliders, tabbed panels, reminder/info fly-outs, embedded video, and Google maps
- Interactive documents have enhanced functionality for easy navigation, full-search capabilities and access on all devices for download, email and print
- Telephone voting services include a dedicated 1-800 number with a customized greeting



(212) 807-0477
ellenphilip.com

We're a valuable resource to have in your corner. As independent tabulators we've been part of the shareholder services community for close to 40 years. Our principal focus is on employee plans, not only on regular pass-through voting but on the processes associated with non-routine situations such as proxy contests, tender offers and other corporate actions.

You'll find that we have a blue-chip reputation, that we're flexible and responsive, and that our practices are set to the highest standards.

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



(646) 817-5888
reports@say.com
say.com

Say's mission is to connect shareholders with the companies they own. We provide services to broker dealers, shareholders and issuers. **Broker Dealers** - We are a full-service voting and shareholder communications intermediary for broker dealers providing a superior experience for your customers.

Issuers - We are developing tools to transform interactions between shareholders and issuers.

If you're an investor relations or corporate governance professional looking for new ways to engage with your shareholders, contact us at hello@say.com.

PROXY SOLICITORS & ADVISORS

Not so many years ago we were almost ready to declare this a dying industry: The last thing that anyone wanted -- whether they were a big institutional investor or a nice Mom or Pop, sitting down to dinner or the TV -- was to have their proxy “solicited” by an old-time proxy chaser... [READ MORE ONLINE](#)



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Alliance Advisors is a multi-faceted shareholder communications and governance advisory firm specializing in proxy solicitation, corporate governance consulting, proxy contests, market surveillance and proxy management. We are an independent, management-owned firm that provides our clientele with year-round consultation and analysis of institutional investors, the proxy advisory firms as well as the ever-changing governance and activist landscape.

Founded in 2005, Alliance has an extensive client roster of more than 500 corporate clients, which includes some of the

most prestigious names in American business. We distinguish our firm by having a staff of senior proxy executives, four former ISS professionals and a complimentary suite of products and services. Alliance has vast expertise in dealing with all corporate transactions and management initiatives including: executive compensation, contested elections, mergers and acquisitions, tender offers and governance and shareholder proposals. Our success is based on a combination of our proxy experience, sophisticated databases, client service levels and the firm's collective commitment to flawless execution.

CONTINUED

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An AST Company
(212) 269-5550
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D.F. King, an AST company, is a globally-recognized leader in proxy solicitation, financial communications and corporate governance consulting. With unparalleled experience in merger votes, proxy contests and tender/exchange offers for corporate control, the firm has advised corporations, shareholder groups, investment bankers and securities attorneys for over 70 years. Internationally and domestically, from cross-border acquisitions to bankruptcy reorganizations, D.F. King has played a role in many of the highest-profile corporate transformations.

As best practices and regulations evolve, D.F. King supports companies by providing critical information to stay informed and mitigate potential concerns. D.F. King offers a full suite of proxy solutions to help deliver favorable vote outcomes and keep your board apprised of the latest trends and changes to the corporate governance landscape so that positive momentum stays intact.

InvestorCom
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Investor-Com.com

InvestorCom is one of today's leading independent full service shareholder intelligence firms serving publicly traded companies worldwide.

Underlying InvestorCom's formation is the notion that no two companies' shareholder compositions are alike, and therefore each company requires the consulting services of a firm that can penetrate the veil of "street name" beneficial ownership and apply this intelligence through a variety of services to increase shareholder value.

At InvestorCom our clients benefit from the advantage of consistent high-level interpretative analysis, not just data distribution. This difference is what we call "Shareholder Intelligence."

Unlike most of our competitors, InvestorCom is an independent firm providing the balance of a broad range of services in a focused team-driven environment.

Areas of expertise

- Proxy Solicitation
- Shareholder ID and Stock Watch Services
- Corporate Governance Consulting
- Investor Relations

LAUREL HILL
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(516) 933-3100

The **Laurel Hill Advisory Group** is North America's only independent cross border Shareholder Communications Advisory Firm. When a response from a shareholder base is required -whether as simple as a routine meeting or as complex as a hostile takeover or addressing escheatment matters, Laurel Hill makes certain the required response is attained. On both sides of the border we are regularly engaged in high profile, complex and contentious situations involving M&A, restructuring, and corporate governance issues. Our team's experience includes the best proxy fight win record of any firm since our inception eight years ago. Our independence means we focus solely on serving our clients interests as we are not subject to the conflicts that arise within other proxy firms, which have transfer agent ownership.

Cross border operations allow us to effectively reach shareholders regardless of their location – Canada, the US or globally. We have offices throughout North America, giving our clients first rate cross border capabilities that specialize in contested or annual meeting solicitation, information agent services, Mergers and Acquisitions, special meeting solicitation and shareholder asset recovery programs. We also provide Depository and Escrow services. Our state of the art Asset Recovery Center provides the ability to reach retail shareholders in an efficient and controlled manner. We believe that public issuers need to be proactive rather than reactive. If you agree, give us a call.

MACKENZIE PARTNERS, INC.
MacKenzie Partners Inc.
105 Madison Avenue
New York, NY 10016
mackenziepartners.com
800-322-2885

MacKenzie Partners, Inc. is a full-service proxy solicitation, investor relations and corporate governance consulting firm specializing in mergers-and-acquisitions related transactions. MacKenzie's Proxy Solicitation and Mergers & Acquisitions Services Group provides advisory and execution services for annual and special meetings and in corporate control contests - such as unsolicited tender offers, proxy fights and consent contests.

Annual & Special Meetings - In our work with annual and special meeting proxy solicitation clients, MacKenzie Partners is often asked for an analysis and recommendation regarding the probability of passing specific proposals, and for the development of the most cost effective solicitation campaign that ensures a successful outcome.

Proxy Contests - Whether we advise a dissident shareholder or incumbent management, one of our key strategic roles is to frame the issues and shape the message to be delivered to a company's shareholders. The goal is to convince shareholders to vote their proxies in favor of our client and against the opponent.

We also provide advice regarding the timing of proxy material mailings, press releases and advertising to receive maximum impact, to respond to the opposition's communications with counter-arguments, and to try to "get in the last word" before the annual meeting takes place.

MORROW SODALI
Tom Skulski
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morrowsodali.com

The cornerstone of a successful solicitation is viewing it as a year-round commitment. The knowledgeable and dedicated teams at **Morrow Sodali** handle all aspects of your solicitation including an initial analysis of your shareholder profile, and reviewing your preliminary proxy statement to highlight potential issues with respect to the proxy advisory firms. Combining our global reach and years of experience, we furnish our clients with information on corporate governance, SEC and SRO rule changes, and emerging governance issues in real time.

OKAPI PARTNERS
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Okapi Partners LLC is a strategic proxy solicitation and investor response firm providing a full range of solicitation and information agent services. Okapi Partners represents clients including activist investors, corporations and mutual funds and provides expert consultation and advice as well as superior service, top intellectual capital, established industry relationships and outstanding execution capabilities. Headquartered in New York City, the experience of our senior management team working with clients on both sides of mergers, proxy fights, hostile tenders and rights offerings gives us unrivaled insight into how investors respond to formulate a successful campaign.

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Leading the way in Proxy Solicitation, Mutual Bank and Credit Union Conversions, and Proxy Fights.

Always remember: "What works on Wall Street doesn't always work on Main Street".

We are THE EXPERTS at what will work on Main Street.

Here's what we wrote in our 2007 issue on "Essential Tools": "What a big boom there's been of late in 'corporate reorganizations' and in other deals that are known as 'reorg jobs'...like spin-offs, mergers and acquisitions, Dutch Auction Tenders and multi-billion dollar long-term stock- buyback programs."

And now – wow – reorg-jobs are consistently at or near all-time-high levels. And many of the biggest deals of all are international or even multi-national ones, which greatly adds to the complexities - and to the very serious operational and financial risks... [READ MORE ONLINE](#)



**Independence
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restructuring, and corporate governance issues, giving our clients first rate cross border capabilities that specialize in contested or annual meeting solicitation, information agent services, Mergers and Acquisitions, special meeting solicitation and shareholder asset recovery programs. We also provide Depository and Escrow services.

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800-322-2885

MacKenzie Partners, Inc. is a full-service proxy solicitation, investor relations and corporate governance consulting firm specializing in mergers-and-acquisitions related transactions. We are called upon frequently to apply our expertise and capabilities in tender and exchange offers and proxy solicitations for clients who wish to have their investors or creditors participate in a restructuring of the company. This type of project also frequently involves the skills we employ in our securityholder identification and market surveillance work.

The 1980's and the 1990's generated companies that needed to be restructured and the lessons learned from those situations are being used to solve these new recent problems. This constantly evolving dynamic field requires a proxy solicitation firm at the forefront of these developments. MacKenzie Partners has been involved in some of the most complex and difficult reorganizations over the past nine years. In our work in this area, we are utilized to solicit approvals for proposed or competing restructuring plans from one or more classes of creditors as well as security holders.

SHAREHOLDER IDENTIFICATION & STOCK WATCH PROGRAMS

We have been a consistent booster of shareholder identification programs from our very first issue: It's simple: You cannot possibly communicate with investors effectively if you don't know who they are...and what their top issues are.

We are much less enamored with those so-called "investor targeting programs" however, mainly because where large and/or sophisticated investors who don't own your stock are concerned, there is usually a reason for it - and THAT is what you really need to know – way before you try to treat them as "targets."

As we also been remind regularly, your shareholder profile can and will change – virtually overnight – if there's an "issue" or a potential "fight"...And, please note, there are limitations on how much it is legally/ethically possible to know in a timely and reasonably accurate way.

If you have a decent "baseline" of information however, you can almost always detect potentially troubling activities such as large sales – or accumulations – and potentially troubling short positions. And you can, of course, reach out to investors you'd like to have in your stock, to find out why they are not there. The best "Shareholder Identification" firms will also have a very good idea of how your major shareholders usually vote on proxy proposals, and will usually know the best people to contact if you want to "engage" – as well as the folks who probably won't want to engage with you at all... [READ MORE ONLINE](#)



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Market Surveillance by Alliance Advisors provides corporations with a clear grasp of the capital markets, in-depth knowledge of the investment community and enhances their overall investor relations efforts. This program provides our clients with a thorough understanding of who owns their stock and the institutional investors that are buying and selling on a real-time basis. Our Senior Analysts possess the knowledge and resources to uncover major position changes by utilizing our comprehensive database of institutional and custodian data,

investor profiles and proxy process methodology.

Alliance also offers a cost-effective **Ownership Insight** program which is a weekly reporting service for the investor relations officer to keep track of the ownership changes within the shareholder base. Rather than depending on stale 13F data, the report provides institutional positions changes, stock performance, share flow analysis, activist warning and the influence of the proxy advisory firms.



(877) 814-9687
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American Stock Transfer & Trust Company, LLC (AST) is a full-service, tech-enabled professional services firm that helps companies and shareholders across North America maintain momentum through the use of secure corporate data, analytics, advisory services, and a strategic approach to every interaction.

AST was originally founded as a transfer agent in 1971. Through organic growth and strategic acquisitions, AST pioneered a new model of integrated services in the industry. Our affiliates now include AST Trust Company (Canada), D.F. King & Co., Inc., and Donlin, Recano & Company, Inc. Together, we lead the industry with a comprehensive portfolio that includes transfer agent and registrar services, corporate governance and advisory services, issuer and mutual fund proxy services, equity plan solutions, restructuring services, and class action and mission critical services.



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Unlike most of our competitors, InvestorCom is an independent firm providing the balance of a broad range of services in a focused team-driven environment.

Areas of expertise

- **Proxy Solicitation**
- **Shareholder ID and Stock Watch Services**
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- **Investor Relations**

MORROW SODALI

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Public companies face multiple challenges to navigating their shareholder profiles. To effectively engage with shareholders and make informed decisions that consider the perspectives of key investors, a company first must identify its current shareholders. With the advent of technological advancements spurring high frequency trading and T+2 settlement, tracking institutional ownership has become increasingly complex. **Morrow Sodali's** Strategic Stock Surveillance Group offers expertise and insight that dramatically enhances a company's knowledge of its shareholders. Along with our peer group analyses and assessments of relevant institutional investment, our clients are provided more context into their ownership profiles that helps them more effectively shape their investor engagement and communication strategies.

Since inception over 40 years ago, Morrow Sodali has been helping clients by combining superior data analysis and technology with strategic consulting to assess institutional ownership. With emphasis on block trades and an intimate knowledge of trading activity, we provide a deep level of insight backed by years of experience tracking and analyzing stock movements, including activist accumulations, institutional sell-offs, short selling as well as other unique and often nuanced situations that result in stock price fluctuations. Our analysts partner with clients to provide real-time insight into what is taking place behind the scenes within their ownership profiles. Our level of sophistication and precision makes a critical difference for clients, who look to us as their trusted advisor to interpret stock movements and offer an integrated view of all shareholder activities.



Okapi Partners LLC is a strategic proxy solicitation and investor response firm providing a full range of solicitation and information agent services. Okapi Partners represents clients including activist investors, corporations and mutual funds and provides expert consultation and advice as well as superior service, top intellectual capital, established industry relationships and outstanding execution capabilities.

Headquartered in New York City, the experience of our senior management team working with clients on both sides of mergers, proxy fights, hostile tenders and rights offerings gives us unrivaled insight into how investors respond to formulate a successful campaign.

STOCK TRANSFER AGENTS & AGENCY SERVICES

These businesses have been undergoing a massive consolidation for over ten years now – driven mainly by dramatically falling unit volumes as older shareholders pass away and/or otherwise migrate to 'street-name' - and more and more old-time companies, with large numbers of retail investors pass away too in the M&A and Chapter-10 games. The result; a do-or-die competitive environment. The result: a need for "transformation in this industry and a do or die competitive environment."

Transfer agents take a lot of heat – from shareholders – and from their clients too (though, after all, that's what you really pay them to do) – and sometimes from the Optimizer as well. But if you stop to think about it, you'll realize that they probably wield more tools on your behalf than any other supplier you have.

This business, as most readers also know, has been undergoing a massive consolidation for over ten years now – driven mainly by dramatically falling unit volumes as shareholders continue to migrate to 'street-name.' The result; a do-or-die competitive environment.

Just a few years ago we saw Mellon Bank merge with Bank of New York – to pass up former number-one transfer agent Computershare's once commanding market share by a country mile. And then, rather amazingly, Computershare bought out the BNY-Mellon business to take a basically insurmountable lead...And then – as so often happens with rapidly consolidating businesses – came a new entrant, Broadridge Financial Solutions, which promised to follow a 'disruptive' business model. And then, just a few years ago, we saw one of the two largest agents in the mid-sized-agent category, Registrar and Transfer Company, also sell its business to Computershare. And then...one of the largest of the 'smaller agents' – Illinois Stock Transfer, was shut down by the SEC...And then, just a few months ago, another of the biggest 'small agents' – albeit a tiny one – was snapped up by AST... [READ MORE ONLINE](#)



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AST was originally founded as a transfer agent in 1971. Through organic growth and strategic acquisitions, AST pioneered a new model of integrated services in the industry. Our affiliates now include AST Trust Company (Canada), D.F. King & Co., Inc., and Donlin, Recano & Company, Inc. Together, we lead the industry with a comprehensive portfolio that includes transfer agent and registrar services, corporate governance and advisory services, issuer and mutual fund proxy services, equity plan solutions, restructuring services, and class action and mission critical services.

Call (877) 814-9687 or email newbusiness@astfinancial.com for more information regarding our services.



It's time to take a fresh look at your Transfer Agency program and make sure you're getting the most out of it. You want a partner that can handle all your shareholder communication needs. One that taps into opportunities to create efficiencies and increase engagement with your shareholders. One that offers you a more simplified approach, more flexibility based on your needs, and more insight into your shareholder base. That partner is Broadridge.

broadridge.com/corporateissuer

Get the most out of a Transfer Agent relationship with Broadridge:

- A single source solution tailored to your needs from the only Transfer Agent that can support both beneficial and registered shareholders.
- Superior shareholder and client service with a dedicated Relationship Management Team, Broadridge-staffed and US-based Call Center, and a secure, easy-to-use portal that offers unique features such as client alerts.
- A customizable Shareholder Portal that offers everything your shareholders need to access and manage their accounts - personalized with your branding to differentiate your company and enhance loyalty.
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