

OPTIMIZER

HELPING PUBLIC COMPANIES—AND THEIR SUPPLIERS—DELIVER BETTER AND MORE COST-EFFECTIVE PROGRAMS

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NOW IN OUR 25th YEAR!

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THE TOP-THREE THINGS YOU SHOULD FEAR TO HEAR AT YOUR 2019 MEETING OF SHAREHOLDERS

If there is one thing that will strike fear into the heart and mind of an unprepared Meeting-Chair, it is this question from the floor: "Who counted those votes, Madam Chairman"...and secondly, "how do we know the results are correct?"

Your editor-in-chief has heard this question on many occasions during his long career, where he has supervised Inspectors of Election at literally tens of thousands of shareholder meetings, and served at hundreds of them himself. And it's a question we will be hearing more and more often as proxy votes on contentious proposals become increasingly close.

Worse yet, however, is when the speaker directly challenges the reported results - and even worse yet...turns out to be correct.

THE DAYS OF ALLOWING AN INSPECTOR OF ELECTION TO BE 'SERVED UP TO YOU' BY A SERVICE SUPPLIER ARE OVER

Over the years the *OPTIMIZER* has reported on dozens of incidents like this - at big companies like **Yahoo** ...and **Apple** (twice!) - and at many smaller companies - like the one where the **State of Wisconsin Investment Board** challenged the reported outcomes for the approval of an employee stock plan where they knew their vote was not in the tally because they had "counted the house" ahead of time with other large investors...Or the Canadian company where the company's proxy solicitor was accused of falsifying telephone-votes so the company would win on a comp-proposal, and was quickly found guilty...Or the incident we reported last year, where the prior year's Inspector of Election incorrectly declared two of the candidates for 18 board seats to be among the winners, when they were not. And this year, of course, we had the huge and high-profile proxy fight at **P&G** where it took multiple attempts for the Inspectors to come up with numbers that, while still suspect, both sides were ultimately able to agree upon.

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As we have been reporting regularly, more and more meeting matters are being decided by razor-thin margins these days. And clearly, the level of skepticism about “proxy plumbing” and proxy counting issues has also increased - where investors of all sizes and shapes are concerned. (See the article immediately following this one for more.)

Against this background, there is an increasing - and an urgent need, we say - to have a well-developed action plan, and a carefully worded script in place where your Inspectors of Election are concerned. The days of allowing an Inspector of Election to be simply ‘served up to you’ by a service supplier are over, we think - at least where the savviest companies are concerned.

Please take a few minutes to go to our [Inspectors of Election](#) site where you will find links to a variety of other articles on this subject. Also, please be sure to review the profiles of the CT Hagberg LLC Team of Independent Inspectors of Election and to note that we are ready, willing and able to serve alongside any of the major transfer agents and proxy tabulating agents - and where we already have most, and will have all of the required due-diligence procedures in place and ready to go before your meeting convenes.

OUR ADVICE TO ISSUERS AS THEY PREP FOR THEIR 2019 MEETINGS:

- **First and foremost, make sure that YOU will know how the Inspector or Inspectors were chosen - AND that they have been properly appointed by the board, or by a proper designee, in accordance with your Company Charter...AND that a reasonable amount of due diligence has been done on your part before officially appointing an Inspector - to be sure they will be up to any challenge.**
- **Be sure that your Inspectors have rigorous inspecting processes and procedures in place - AND that they will be able to stand up under scrutiny, and to clearly and succinctly describe their procedures if challenged.**
- **Most important, your Meeting Chair should know who the Inspectors of Election are - and that the Chair - or the Inspectors themselves - will be able to briefly summarize what the Inspector(s) actually did to “Inspect”...and what if anything further will be done to check on “close” or contested outcomes and to report back.**

SEC INVESTOR ADVISORY COMMITTEE BLASTS THE PROXY PLUMBING SYSTEM

If you, like we, have long been frustrated with vexing proxy-plumbing issues, and can set aside about 2 hours to watch and listen - and to learn some rather shocking facts, [go to this link](#):

Skip past all of the opening remarks and go straight to **Ken Bertsch**, executive director of the **Council of Institutional Investors**, who says that “Our members have and continue to lack confidence that their shares are always fully and accurately voted”...that “vote confirmation procedures are working only when the stars are fully aligned”... and that the time has come to “seriously explore distributed-ledger technology or private blockchain operated by a trusted third party.”

Ken’s remarks were followed by **David Katz**, a partner at **Wachtell, Lipton, Rosen & Katz**, and fresh from the **P&G** proxy war front - who called the current system “outdated” - and asserted that the problems “will not be solved with private ordering.”

Katz was followed by **Brian Schorr**, Partner and Chief Legal Officer **Triam Fund Management, L.P.**, who detailed a number of very specific and very serious failures in the vote counting and certification efforts after the polls were closed: At least one large vote wasn’t counted at all, because the fund’s custodian had changed its name, and

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no attempt was made to reconcile the fund's total voting position, or had ever been made, he said, in a contested election. There were numerous instances of over-voting - which we believe were probably reconciled correctly by Broadridge in the initial vote tabulation, but were apparently not reconciled, and were left out as entirely "un-voted" when the Inspector re-tabulated the entire job. The Inspectors apparently failed to investigate and account for the "over votes" as required by the Delaware Code...until the proxy solicitors noticed large "missing votes."

These were far from being trivial mistakes: Readers of our fourth quarter 2017 issue will recall that initially, dissident candidate Nelson Peltz said he was ahead by a half-million votes. Then, P&G quickly claimed victory by a 6.15 million vote margin. But then, after another "recount," the Inspectors of Election proclaimed that Peltz was the winner - by an unbelievably small 42,780 votes out of roughly 2 billion votes cast! But then, after another recount of the recounted proxies (!) some 500,000 votes for the management slate turned up - somehow, somewhere (those 'unreconciled over-votes,' we suspect) - leaving Peltz behind again, the Inspectors said. Come the end, P&G decided to seat Peltz after all - after spending over \$100 million, Peltz estimated, to deny him a seat!

Schorr also blasted what he called "Empty Voting" - specifically, the decision of P&G's Employee Ownership Plan Trustees - where over 10% of all P&G shares were held - to cast the votes of all the un-voted positions in proportion to the votes of actual voters - something that we had reported earlier, and something that surely tipped a significant percentage of all the votes (maybe that 6+ million claimed early-on?) in favor of the P&G slate. More to come on this subject, we hope.

Broadridge EVP Lyell Dampeer did a stalwart job of deflecting comments from six or more presenters that their "monopoly" is, perhaps, a big part of the problem, and that, as several said, "no one likes monopolies" - pointing out that Broadridge is "the most audited financial institution in the world," agreeing that absolutely, a pre-reconciliation process is needed, to determine who is and who is not eligible to cast votes when shares are lent out - and to note, correctly, that "All players must participate" in such an effort, which is clearly not the case now.

Readers; The SEC has scheduled a "Roundtable" on November 15th to further discuss these issues, and is soliciting input from interested parties. The OPTIMIZER will be commenting, as usual, and we will send an e-blast of our comments shortly. We urge issuers to express their concerns as well.

OUR TOP-THREE TAKEAWAYS FROM THE SEC MEETING:

1. For the first time ever, every one of the participants seemed to agree that yes, over-voting IS a major issue - and one that can be, and often is, the deciding factor in close election matters.
2. Over-voting, as participants now seem to understand, is created by major deficiencies in securities lending processes and procedures...as we have been trying to explain for years... and that the only way to prevent investors with short-term goals from capturing the votes of long-term investors, many of whom have "lent out" their securities - and their votes - often unbeknownst to themselves - is to have rigorous and required pre-reconciliation rules, and procedures, before any voting credentials are issued.
3. Somewhat to our own surprise - since the last call for comments was in 2010, and, despite hundreds of comments, nothing happened afterwards - we came away convinced that the SEC must - and will - put "proxy plumbing issues" at the top of its regulatory to-do list. Commissioner Kara Stein made it clear - much as the session itself made clear - that the current system "can lead to erroneous results"... and that "we can and must do better."

BLOCKCHAIN AND THE PROXY PROCESS

Recently, we've received calls and e-mails from a half-dozen readers asking us for input on this subject...and suddenly, following the SEC's Investor Advisory Committee Meeting on the proxy system, interest has grown even more. Here's our current take on the subject:

We agree with **Alexander Lebow**, a speaker at the meeting and co-founder of **SAY** - a new company looking to broaden "shareholder engagement" - that the SEC - and we - "should be very wary of thinking about Blockchain as a 'silver bullet' that will solve all the many proxy-plumbing problems" - as so many of the Committee members seem to think.

For starters, the basic integrity of Blockchain is supposedly assured by the fact that all of the participants in a "distributed ledger system" will have access to all of the data, to keep the system honest. But proxy voting records are among the most sensitive items of data a financial institution has...So...potentially exposing this data to system participants is a total non-starter in our book. In fact, we believe that Broadridge's reputation - and their long track record for securely and confidentially handling this data - is largely responsible for the near monopoly they have maintained in the face of numerous wannabe competitors.

One can, of course, have a "private ledger" Blockchain system, as at least two players do: Both **Broadridge** and **Computershare** have successfully tabulated proxies using Blockchain technology, but at Broadridge, they must continue to tabulate data on U.S. companies in the usual way as well. And, no surprise, the results are exactly the same. As Lebow stated, and as we think Broadridge's Lyell Dampeer agrees, "There is no clear argument for superiority [of Blockchain] over current technology"...so, for now, there's no real point to it, except for maybe 'keeping up to speed'...just in case.

Very important to note, we think, is that Blockchain is not suitable to address the areas where most proxy-contest issues arise - the world of "proxies" - which are executed mainly by individual investors, and which are subject to challenges based on all sorts of alleged technical deficiencies. But please note: Broadridge's tabulations of "Voter Instruction Forms" - and Proxies - have a 99% confidence level, per their auditors, right now.

The most important thing to note, the real problems with the proxy system are not with *tabulating votes*, but with determining which investors have the *right* to vote...and to have their votes tabulated. A much better system is definitely needed to handle this task - and Blockchain might be a good way to assure that all of the entitlements add up, and can't be altered along the way...but that, as the saying goes, is TBD...

*P.S. While the jury is still out on Blockchain-for-proxy, Broadridge was recently granted a patent on a Blockchain application that "will increase efficiency and speed, reduce risk and provide a much more secure record of transaction details in the repurchase agreement [REPO] market for securities," it said, following a pilot with **Societe Generale SA** and **Natixis SA**. The OPTIMIZER believes that Blockchain can produce similar benefits in so-called REORG transactions...and that, ultimately, it will replace most of DTCC's securities netting, clearing and settlement operations...and constitutes something of an "existential threat" for them...TBD...*

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P.O. Box 531, Jackson New Jersey 08527-0531
Telephone (732) 928-6133 Fax: (732) 928-6136
E-mail: cthagberg@aol.com

www.OptimizerOnline.com

AN UPDATE ON “VIRTUAL SHAREHOLDER MEETINGS”

Here's a rather stunning set of statistics from Broadridge Financial Solutions on the growth of VSMs - just as many of you prepare to “book a hall” for your 2019 Meeting:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Hybrid	3	9	18	26	31	40	44	32	24	26
Virtual-Only	1	19	21	27	36	53	90	155	212	274
TOTAL	4	28	39	53	67	93	134	187	236	300

Aside from the steadily accelerating growth - which shows VSMs growing 26% and 27% a year respectively in 2017 and 2018 - with similar growth, we are betting, in 2019 - the number of companies that have been opting for so-called Hybrid Meetings has been dropping dramatically - by 17% in 2016, to 10% in 2017 and to 8.6% in 2018. Makes sense, we guess, since the number-one reason to have a VSM is to avoid having to hire a hall. (If you need or want to have a physical location, you can live-stream the results, or post a video later on your website, and continue to allow voters to vote only in advance - or in person...So no real need for a “VSM” at all.)

Feel free to call us, readers, if you have any questions, or would like to review the pros and cons of a VSM in light of your own situation. Do be sure to read the Broadridge publication on Best Practices for VSMs - and please note our tip that having a knowledgeable Inspector of Election for a VSM is at least as important, and we say, even more important than at a live meeting...since much of the voting is taking place in cyberspace...and someone who is knowledgeable - and totally impartial - needs to be observing - and certifying the results.

ON THE SUPPLIER SCENE - A TRANSFER AGENT SUMMIT MEETING IN “BATTERY GARDENS”

“For the first time” [EVER] “senior executives from the five principal transfer agents will meet to discuss the current state of the transfer agent business and where the industry is heading. Topics will include new technology, proxy, SEC regulations, unclaimed property, the shrinking of the shareholder base, and more”...sponsored by the Shareholder Services Association (SSA)

A truly historic event, for this particular group to discuss these issues - at this particular time, when the T-A industry is facing so many challenges...And we can't resist noting the humor in holding a meeting of such intense rivals at Battery Gardens in Battery Park...although we are pretty sure that civility will mostly reign throughout.

The presenters will be **Paul Conn**, President of **Computershare's** Global Capital Markets unit; **Marty Flanagan**, recently appointed CEO of **American Stock Transfer & Trust**; **Dorothy Flynn**, recently appointed as President of **Broadridge's** Issuer Solutions unit; **Tod May**, CEO of the new **EQ**, following the recent sale of the **Wells Fargo** Shareowner Services business, which he'd formerly headed, and **Steven Nelson**, owner at **Continental Stock Transfer and Trust**. More details to come, we promise, if any real news comes out of the meeting..

MEANWHILE, 'THE BATTERY' TO THE MAIN SOURCE OF T-A REVENUE CONTINUES APACE - AND SEEMS TO BE ACCELERATING AT AN ALARMING RATE:

As we've been noting for years now, the "Registered Shareholder Base" - which is far and away the main source of T-A revenue - has been steadily declining at 5% per year, as individual investors increasingly abandon "registered ownership" - and ditch those DRPs and DSPPs too (which, suddenly, but as we had long predicted, are declining at 9% a year!) - in favor of more convenient, less paper-intensive, and far cheaper ways to acquire and hold stocks than the old fashioned and cumbersome T-A way.

But now, with the number of registered shareholders of record barely over 30 million, every public company that disappears in a merger, tender offer, going private transaction or bankruptcy - where we are seeing all-time record numbers of disappearing firms - is taking a much bigger bite out of the base, percentage-wise, than ever before: When there were 100 million shareholders of record it took a million lost ones to equal a 1% decline in the base... Now, a million shareholders lost from the base translates to a 3% decline. Worst of all, however, is the fact that most of the disappearing companies tend to be among the biggest and oldest U.S. companies, with the largest populations, percentage wise, of old-time investors. All of this, please note, is before the 5% losses to "normal attrition" - due to the sales of stock and/or settlement of the estates of old-time holders. This too, sad to say, has also been on the rise thanks to inexorable U.S. demographic factors.

OUR ADVICE TO TRANSFER AGENTS AS THEY TRY TO LOOK AHEAD, AND IDEALLY, TRY TO WORK TOGETHER MORE EFFECTIVELY:

Here are several things that transfer agents could do - not just to stem the tide but to significantly re-grow the base of retail shareholders...which is currently at its lowest level since the Great Depression...but where U.S. households have more than tripled since then:

- Re-start an "Own Your Share of America" Campaign, which, in the early 1960s jumpstarted an unprecedented level of ownership by ordinary investors and their households in U.S. equities that lasted through the '90s. As a 70-plus-year-old trade association, the Securities Transfer Agents Association (STA) is perfectly positioned to launch such a campaign - and to enlist the support of the SSA too - another 70+-year old trade association that is heavily populated with public company members who care about their retail investors. And given the influence and the reach of social media - which was unheard of in the 60s and 70s - they can reach millions of potential new investors, and link them to a list of companies that "welcome individual investors" - and to sites that will permit direct investment - for practically nothing!
- Work with public-company clients to be sure they understand the many benefits that can be derived from "Growing - and Guarding" a strong base of retail investors. Bone up here and encourage clients to sign up for the Own Your Share of America Campaign.
- Work with prospective clients - especially those in the pre-IPO stage - to show them how much capital can be raised - at very low cost - from customers, suppliers and other 'affinity group investors' via direct outreach to them or via even broader crowd-funding efforts. Bone up here too, dear transfer agents, on programs like Boston Beer's original going-public strategy, where loyal fans subscribed to shares by the thousands, and on Google's going-public program to be sure that shares were made available to retail investors...or on Etsy's successful public offering strategy - where customers-and fans-turned-investors all made serious money, please note.

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- Get up to speed on crowd-funding - and on high-quality crowd-funding platforms that will provide strong marketing support for crowd-funding efforts. (Bone up on “Loyalty Shares” - and on loyalty programs in general [here](#).)
- Think Big: Use the Own Your Share of America Campaign - and especially your corporate connections - to lobby for tax changes that will foster individual investment in U.S. equities and make it far more attractive to buy high-quality stocks as a supplemental retirement plan vehicle: Make all dividends that are reinvested in U.S. equities totally exempt from being taxed as ordinary income. Hark back to the 1980s when electric and gas utilities convinced the congress to do just that, for “qualified companies.” Imagine the effect this would have - at a time when individual savings for retirement are falling so far short of what is needed to secure a “secure retirement” from full-time work -AND where the income gap between the 5% and the 95% of U.S. citizens is widening every day...and WHY? Because so much of our national wealth is being derived from interest, dividends and capital gains that are going almost entirely to the top 5% of all earners!
- Re-think and transform your current DRP/DSPP operating and pricing models: Recognize that many of these plans are NOT convenient or cost-effective vehicles for retail investors any more, vs. what is available from discount brokers. Recognize too that a huge amount of the costs associated with these plans can be completely eliminated by going to e-only participation. And please reconsider our pleas to find a single “clearinghouse” that would deliver consolidated quarterly statements for ALL DRP and DSPP accounts handled by the major transfer agents via email - to greatly lower costs, while greatly increasing the usefulness for plan participants.

THE BEST THING WE’VE SEEN THIS YEAR TO REVIVE INDIVIDUAL INVESTMENT IN EQUITIES...

What great news! **Airbnb** has filed a petition with the SEC, asking them to expand their rules to allow Airbnb “hosts” the same kind of opportunities their employees have to acquire shares in the currently private company - without the company having to make additional financial disclosures as a result of their investments and without having to be sure they are otherwise “qualified investors.” The chance to become Airbnb stockholders - well in advance of any public offering that might and likely will come down the pike someday soon is enough to make us want to list our summer house - and our winter house too!

The bad news here is that the SEC will have to expand its current rules - and put them out for public comment - and as we know, the wheels at the SEC grind slowly...But actually, the Airbnb request is in response to an SEC initiative to try to expand retail investor access to the so-called “gig-economy” so let’s hope they kick this into high-gear. And, btw, why limit this to the “gig economy” - whatever that is??? We want in!

QUOTE OF THE QUARTER

“We are in a difficult political time in our country. I think that will change. In the meantime, we need to continue laying the groundwork for sustained environmental awareness and change. You just have to keep at it and not get discouraged. Sometimes it feels like three steps forward and two steps backward. But that means you are one step ahead.”

Margaret C. (Meg) Whitman, former CEO of Hewlett Packard ...and of eBay. Writing in Nature Conservancy magazine, Fall, 2018

OUT OF OUR IN-BOX:

A COMPLIANCE AND LIABILITY-PREVENTION TIP FOR USERS OF “SMALL TRANSFER AGENTS”: DOES YOUR T-A RECORD PROXY VOTES AS ‘CONTACTS’ TO PREVENT ESCHEATMENT?

A few months ago, our long-term colleague, friend and business partner **Ray Riley** called to tell us about two weird letters he'd gotten from a transfer agent which, after a bit of puzzlement, he figured out were “pre-escheatment letters” - warning, in a somewhat ambiguous way, that maybe he was set to lose his shares because of “lack of contact.” Ray, being Ray, knew that he had faithfully voted his proxies every year, so he called the T-A, and asked them to verify that against their records, because state abandoned property rules consider a proxy vote to be clear evidence of “continued contact.” “Sorry, we have no record of that” he was told...But yes, they would note this “contact” on both accounts and mark him “current” and not “lost.”

This prompted us to dig a little deeper, so we called our trusted sources as the four largest transfer agents to ask if (a) they faithfully mark their records to show “contact” when proxies are voted and (b) whether they faithfully obtain such records - and post them - when an agent other than their own is used as the tabulating agent. All four said yes, they do.

We knew, of course, which agent had flunked this test. The reasons - as we learned from another trusted source - were that (a) if they were to do this job, it would have to be done manually in their shop and (b) they had no interest in doing this job in any event - especially when they were not the tabulating agent.

We feel certain that they are not the only smaller transfer agent to shirk this job - which to our mind (a) constitutes a breach of duty that corporate clients owe to share owners and (b) exposes clients to liability if shares are escheated incorrectly and the owners suffer market losses when they try to recover them. So readers, if you use one of the many “small” transfer agents that are out there - or act as your own T-A - be sure to check into this...

A MONEY-SAVING TIP FOR ISSUERS: “ORPHAN DRPS” CONTINUE TO BEDEVIL INVESTORS AND DRAIN COMPANY BUDGETS - FOR NOTHING...

The above-mentioned Ray Riley - and both of your editors - have been on a campaign over the past year to move all of our DRP and DSPP holdings to our brokers - in order to benefit from a single, consolidated statement of securities owned, with the current and total value, to simplify things for our eventual heirs - and especially to reduce all the associated paperwork that pours in the doors.

Readers may recall that, to cite just one example, your editor-in-chief has six grandchildren who are sixth-generation investors in a well-known consumer products company: In 2017, each of them received four quarterly statements and 12 proxy-fight related mailings each. That amounts to 96 pieces of mail (48 pieces per household) in just one year. And the majority of the proxy packages were mighty bulky to boot. The three eldest grandkids were also enrolled in five other DRPs each. We stopped gifting this way with the last three, because of the paperwork avalanche, but the 15 accounts generated another 45 sets of statements and 15 proxy packages per year...for a grand total of 156 pieces of mail for the Hagberg grandchildren alone!!!

And Ooops... There's more: Three of the grandchildren are third-generation investors in yet another consumer products company, thanks to gifts from the other “grands.” And this company is having an eerily similar proxy fight

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as we write. So these lucky ducks can look forward to receiving another 12 sets of statements and maybe 36 proxy packages this year via the family mailbox.

And Ooops AGAIN... There's MORE! In the vast majority of cases where we have tried to move the assets to our brokers, the Plan Agents move the full shares...but leave the tiny 'fractional shares' behind! So right now, we have a half-dozen "orphan DRPs" - most with a balance like .0020 shares. And YES! We still get quarterly statements and proxy mailings too on most of them!

A final note: We still actually LOVE DRPs and DSPPS. We, and our children and grandchildren are happy and proud to "Own Our Share of America." And over the years, even with a few clunkers in our portfolios, they have created significant financial returns for us all. So...before you make a decision to pull the plug on such Plans, ask your agent about the potential savings from going to "E-delivery only."

Readers: We will be grateful if you'd let us know if you follow up on these suggestions - and what you discovered, and did...in strictest confidence, of course.

OUR ADVICE TO ISSUERS:

- **If your company - or your transfer agent - offers a DRP or DSPP, ask the agent to tell you how many of the accounts have less than a whole share.**
- **While you are at it, ask how many others many have less than say, \$100 worth....or maybe \$250 or even \$500 worth, depending on what you think is a "meaningful investment" in your company. The answers are likely to shock you.**
- **If they do, insist that the Plan be amended to provide that any accounts that fall below, say \$100 or \$250 in value by - or at any time after such and such date - will be liquidated by the agent, with the cash sent to the registered participant.**
- **Make sure you understand who is paying for what - both in terms of per-account fees and out-of-pocket expenses - and that you are getting your fair money's worth. If a registered shareholder signs up for Dividend Reinvestment does that mean you now pay for two accounts? If you have allowed your agent to offer an "Agent-Sponsored" DRP or DSPP do THEY absorb some - or all - of the account maintenance and out-of-pocket expenses...and if they do NOT, decide if your company is getting good value for the money spent.**

ELSEWHERE ON THE SUPPLIER SCENE....

Ipreo, "a leading financial services solutions," known to many of our readers for its IR consulting services, was acquired in August by UK based data provider **IHS Markit** (Nasdaq: INFO), "a world leader in critical information, analytics and solutions" from private equity funds managed by **Blackstone** and from the **Goldman Sachs Merchant Banking Division** ...for an eye-popping \$1.855 billion.

"We are moving quickly to integrate the IHS Markit and Ipreo services across multiple business lines to provide greater value to our customers," said Lance Uggla, chairman and CEO of IHS Markit. "We look forward to seeing them benefit from our combined data, intelligence and work-flows."

We will be watching closely too, to see exactly how HIS Markit will try to earn-out the massive purchase price... and readers, expect you phones to ring and your in-boxes to be filled with new offers over the next few months!

Fast-growing financial printer Toppan Vintage (formerly known as **Toppan Vite**) “has acquired the transaction and compliance business (to be referred to as **Capital Markets and Compliance**) of **Merrill Corporation**, immediately creating a new global powerhouse serving the financial markets around the world. The newly combined company is part of **Toppan Printing Co., Ltd.**, the world’s largest printing group, headquartered in Tokyo with approximately US\$14 billion in annual sales. Over the past several years, we at Toppan Vintage have aggressively grown our financial printing and communications global offering, and this acquisition will accelerate our goal of becoming the industry’s leading solutions provider. With the addition of Merrill’s transaction and compliance business (not inclusive of **Merrill DataSite**), our combined resources will deliver significant investment in technology-driven solutions and extend our product offerings, while leveraging our unparalleled industry expertise and quality service. Toppan Vintage and Merrill’s Capital Markets and Compliance business will ultimately be known as **Toppan Merrill**” said the rather comically name-challenged and name-changing “TV”... “We plan to unveil a corporate re-brand in the coming month” say they.

PEOPLE

Broadridge announced its long-planned ‘succession at the top’ in September: President and COO **Tim Gokey** will be next CEO of Broadridge and current CEO **Rich Daly** will become Executive Chairman of the Board, effective January 2019. Your editor in chief has known Rich since 1978 - when he was the COO of **IECA**, the **Independent Election Corporation of America**, that began to take off when bank and brokerage firm back offices were becoming overwhelmed by the task of furnishing proxy materials to retail investors and tabulating and reporting their votes; onerous tasks that generated very low returns for them on the time and money spent. In 1989, Daly’s then two-person-company was acquired by **Automated Data Processing Corp. (ADP)**. In 2007, Broadridge was spun-off from ADP, with Rich as the CEO, where it has grown to an “S&P fintech leader” - with \$4+ billion in revenue at present. What a truly incredible record of achievement! (Full disclosure; our original investment in ADP - created a cost basis in Broadridge of \$15.55 per share - which has had a 749% ROI as we write.)

Dorothy Flynn, who many readers will know from her stints as CEO at **Keane**, Director of Shareholder Services at **The Walt Disney Company**, and most recently as an important addition to **Broadridge’s Issuer Solutions Division** has been named as the unit’s President, where she is in charge of their retail investor communications, proxy voting and operational services - and its transfer agency business..

Esteemed Securities Industry lawyer **Keir Gumbs** has left **Covington & Burling** after 13 years to become the **Associate General Counsel, Global Corporate, M&A, Securities - and Deputy Corporate Secretary** at **Uber**. While at Covington, Keir served as counsel to **Broadridge** on securities industry matters, and earlier, he’d served at the **SEC** for five years. Let’s hope that Keir will continue to find some quality time to spend on such matters, as the SEC’s attention level seems to be ramping up significantly, at long last.

Bernadette Maffei resigned from a 16 year career at **Comcast**, where she was the Director of Shareholder Services - and from her position as President of the **Shareholder Services Association (SSA)** and she is “excited to relocate to our Savannah home!” (Who wouldn’t be excited by *that*???) She has accepted a position as a Marketing and Communications expert at **EQ** where we know she will make a strong mark, as she always does

Kim Hanlon, the **SSA’s** Chair-Elect, who is the Operations Manager at **Proctor & Gamble Company’s** Shareowner Services unit, advanced her term to begin in the 3rd quarter of 2018 and to run, as previously planned, through 2019, which will assure a good - and smooth transition - for sure.

Joseph (Joe) Spadaford, who recently retired from **Computershare** - and formed his own management consulting and coaching company - has signed-on with **AST** - as “Executive Vice President and Chief Transformation Leader” - where his mission is to focus on “Service Excellence.” Hard to imagine a better and more capable person to do so.

REGULATORY NOTES...AND COMMENTS

ON THE HILL:

A bit of good news???...In the midst of the major distractions and the major political rancor generated by the **Brett Kavanaugh** confirmation process, a bipartisan group of senators wrote to the **Trump** administration in late September, citing an urgent need for legislation that would impose a new and “enforceable standard” for the collection and use of online data. But the cynics among us say the sudden urgency is to preempt much stricter - and more Eurozone like restrictions that are scheduled to go into effect in California in 2019.

AT THE SEC:

The SEC now has a full complement of five Commissioners with the recent appointment of Elad Roisman, former chief counsel to the Senate Banking and Finance Committee to replace fellow Republican **Michael Piwowar**, who stepped down in July. The 37 year old Roisman made a very nice impression, we thought, at the SEC’s Investor Advisory Committee meeting - seeming like a good and thoughtful listener and so far, a refreshingly modest fellow to follow the often bloviating and bombastic Piwowar.

After seemingly throwing the book at Tesla’s Elon Musk for tweeting that he had the desire, and (falsely) the financial backing to take Tesla private - by filing a financial fraud case, and proposing that he be barred from serving as a Director or Officer of a public company - the SEC very quickly settled the case with a tap on the wrist. Musk will step down as the Chairman, but will remain the CEO - and Musk - and Tesla - will pay penalties of \$20 million each. A mere bagatelle, as it now seems...or more accurately, as they say in New York... a mere “bag o’shells” as “punishment.”

The two-year “experiment” to increase the tick size to five cents vs a penny on small-cap stock orders has cost investors about \$350 million, according to the latest study from broker **Pragma Securities LLC** - without doing a damned thing for small caps themselves. Oh well...just another failed experiment at the SEC - and not, actually, a mere bag o shells.

The co-director of enforcement, Stephanie Avakian, is gamely trying defend the 2017 enforcement efforts, which fell by 7.2% vs. 2016, saying that “Any assessment that suggest our effectiveness should be measured by the number of cases we bring over a particular period of time is misguided” - and citing “transition and personnel changes, as well as structural changes” as the problem. But hello...the 7.2% drop was in *dollar terms* - not in “cases” - and the lowest level since 2013...

We had been hoping that the closing of the year at end-September would have hastened the major settlements still expected from the biggest of the ADR Depository Banks...but no...They managed to squeak in a last-minute \$800k settlement - another mere bag o’shells - with **SG Americas**, a registered broker-dealer and subsidiary of Paris-based **Société Générale S.A.** - finding that “the misconduct of predecessor entity **Newedge USA LLC** allowed pre-released ADRs to be issued that were not backed by the appropriate number of ordinary shares” and noting that “Such practices have the potential to artificially inflate the total number of a foreign issuer’s tradable securities, diluting existing shareholders’ equity. In addition, some of the pre-released ADRs were used for short selling that may not otherwise have occurred, which could suppress the price of the issuer’s securities.” This is only the fifth settlement of the huge ADR scandals that still have not come fully to light: SG Americas is a mere bit-player here, and so far the biggest evildoers have still gotten off scot-free. But to date, the SEC has collected \$141 million in fines and penalties related to the scandals here - with a lot more still to come...So maybe Avakian will eventually be proven right...let’s hope.

ELSEWHERE ON THE REGULATORY SCENE...

We have been witnessing some truly amazing developments in the regulatory landscape lately - “sea changes” we think. The recent passage of a strict internet privacy bill in California has been quickly followed by the California legislature’s passage of Senate Bill 826, which requires exchange-listed companies headquartered in the state to have at least one woman on their boards of directors by the end of 2019, and a minimum of two women on boards with five members and at least three women on boards with six or more members by the end of July 2021.. At least 377 companies will be affected. Companies that fail to comply will face fines of \$100,000 for a first violation and \$300,000 for a second or subsequent violation.

Couple this with California’s efforts to more stringently regulate auto emissions, and soon, we expect, to deal more pro-actively with water-quality and hazardous wastes, we seem to be developing a new and powerful regulatory regime altogether. Ordinarily we would expect to see the most conservative legislators and judges cheering on these expressions and expansions of “state’s rights”...but, as our old mentor used to say...Hæ me doots.

WATCHING THE WEB

Web watchers will need to watch their own affairs with greatly heightened vigilance over the next few months, following the huge data breach at Facebook that revealed login information, passwords, telephone numbers - and likely more info - about 50 million Facebook users, including, said the NY Times, **Mark Zuckerberg** and his wife. (More recent reports from Facebook itself indicate that the breach impacted closer to 30 million user accounts... a huge number, nonetheless.)

COMING SOON:
OUR ANNUAL SPECIAL SUPPLEMENT

THE SHAREHOLDER SERVICE
OPTIMIZER

“TRANSFORMING SHAREHOLDER RELATIONS”

“Transformation” seems to be the hot buzzword-of-the-day as 2019 approaches - both at public companies and at their key suppliers too. And actually, we are finding that a lot of it is not mere hyperbole.

Our annual magazine will be packed with fresh information that public companies - and their suppliers too - will want to share - and put to use - to improve their governance, their overall relationships with and service to investors...and to deploy always-scarce dollars in a way that will optimize their spending.

Public companies, and public company suppliers: If you have transformed any of your governance and shareholder relations efforts in a way you’d like to share, please contact the editors - cthagberg@aol.com or phagberg@cthagberglc.com

Thanks much! Carl and Peder Hagberg