THE SHAREHOLDER SERVICE

OPTIMIZER

PROVIDING STRATEGIC AND PRACTICAL ADVICE - AND MONEY-SAVING TIPS…SINCE 1994

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IN THIS ISSUE

A CALL TO ACTION: BRING BACK THE "OWN YOUR SHARE OF AMERICA" CAMPAIGN!

In mid-July, during an open Q&A session your editors attended at the SSA annual conference, this question from a member popped up on the screen: "With the number of public companies declining every year - and with the number of individual investors shrinking every year too, - what is being done - or what can be done to improve this situation?

At least 20 seconds of stunned silence ensued, after which, someone correctly observed that every single person in the room (and every reader of the OPTIMIZER too) derives their pay, and their position, from providing service to shareholders. So yes, this is clearly an issue that needs addressing... with vigor, and with a sense of urgency.

Your editors have a "big idea" we think - something we had raised before - but now, the moment has surely come to rise to the challenge: Revive and reinvigorate the Own Your Share of America Campaign. This program was initially started by Merrill Lynch Peirce Fenner & Smith - back in the mid-1950s - as the U.S. economy was rebounding from the war, and patriotic spirits - and entrepreneurial spirits too - were rising with vigor. That alone sounds like something our country could use more of these days. But most important to note, the campaign struck a strong chord with the American public - as we believe it still will - and kicked off a period where the vast majority of American households DID decide to own their share of America …which kicked off a long and unprecedented period of rising stock markets, that created untold wealth for ordinary American households. (In fact, it was the unprecedented individual investor activity - coupled, of course with the need for extensive and expensive paper-pushing back then - that kicked off the "Paperwork Crisis" of the mid-60s and early 70s.)

Very important to note, the Securities Transfer Association and the Shareholder Services Association are in a perfect position to lead the charge, as trade associations - along with their strongest and best public-company members - most if not all of whom DO value their

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individual investor base. So what we propose is for both Associations to officially re-launch, re-market and widely publicize the campaign - with the sponsorship of leading U.S. companies: All that's needed is to simply publicize a "List of Publicly-Traded Companies that Value Individual Investors" - along with links to the sites where investors can find information about each company, and a way, or ways, to make their first investment, and, ideally, to reinvest. We will be writing to both Associations as soon as this issue hits the street - and copying other "influencers" - and also copying our own list of companies and company contacts who, we know, DO value individual investment.

There is a LOT of evidence to show that this will be a huge success: Since the financial-industry crash of 2009 (which wiped out all of the investors who sold out in a panic) those who held on have seen a 300% + increase in the S&P 500. This has enriched investors by $21 trillion dollars!

As we see when there are IPOs of "hot stocks" - individual investors still queue up in droves, even as old-line banks and brokers shut them out, while a few, more enlightened underwriters (like JPMC) reserve shares for "friends, family and fans" in order to broaden and stabilize the investor base. A recent report from Bank of America showed that individual investors had allocated $15 billion to individual stocks through May, on top of $22 billion last year, where before, tens of billions of dollars had been flowing out of stock since 2008. And please note too, that our population of "qualified stock buyers" has risen by nearly 130 million people since 1969, when our markets could not keep up with individual buying and selling.

We have a lot more information to share, but for now, we urge you to go to this link for more information on why a strong base of individual owners is so important to publicly-traded companies …Much more will be forthcoming, we promise.

THE BEST, WORST AND WEIRDEST THINGS WE'VE SEEN IN THE 2019 MEETING SEASON TO DATE

LET'S PUT THE WORST BEHIND US FIRST: The return of those perfectly awful "floor votes" - led this season by the equally awful "Burn More Coal" lobby at meetings of at least four electric utility companies. We've warned annually about the foolishness of allowing floor votes, since (a) they fly in the face of a company's invaluable Notice Provisions (b) companies are downright wrong about thinking they can automatically cast opposing votes for street-name voters - unless, that is, they have added a box to be checked (or not) that will allow such votes to be tallied, with actual numbers to be reported and (c) we have seen several instances where floor-vote sponsors were able to quietly generate enough votes from supporters via an "exempt solicitation" to actually oust company directors and take control of the company!

But this year's saga has had a pretty happy ending: At two companies - **Ameren** (which *had* added a box to check to give the company the authority to vote on "all other business") and at **Southern Company** - where there was no time to do so, but which prompted a fresh and careful new look at meeting admission criteria - the proponents failed to show up…so no votes were tailed for them. At **Exelon**, the proposal from Burn More Coal fans garnered a mere 1.6% of the votes cast. And Southern took our advice, we're happy to say - and was able to amend its bylaws to drop the ill-considered floor-vote provision - without the need for a shareholder vote to do so.

NEXT, LET'S CELEBRATE AND LEARN FROM THE BEST THINGS WE'VE SEEN THIS SEASON…Bank of America is the hands-down winner again this year, continuing to grow its retail investor vote - and its quorum too - from largely pro-management voters - by donating $1 to charity for each shareholder account that casts its votes. Over three years, with gifts to the **Special Olympics**, **Habitat for Humanity**, and this year, the **American Red Cross**, BofA has increased the number of

> ***Dear readers, please DO check your bylaws and if you have a provision to allow "floor votes," try to eliminate it ASAP…even if it does require a shareholder vote.***

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retail voters by well over 50% - a truly amazing feat. This year, its quorum of "actual voters" grew yet again - despite a move to reorganize and simplify its Employee Plans, where they decided to eliminate proportional voting (more kudos for them!) This had the effect of reducing the number of votes that were formerly "represented" when Plan Trustees used proportional voting provisions to fully vote the shares in the Plan, even while the voters had, in many cases, chosen NOT to vote. But, happy day, new voters in 2019 more than made up the difference!

Readers: Be sure to review the BofA Annual Report and Proxy Statement with special care as you start your own engines for 2020 to see how and why it is so effective at getting out the vote. As we did so ourselves, we realized that it was not just the charitable donations that did the trick - though WOW, BofA donated over $1 million this year: It was the way their materials "set the table" for voters to vote - and made them feel that it's a company that "gets it" - and made them feel that the strong and diverse management team and board - AND their values - and a strong social conscience - make it a company that deserves a vote of confidence. And, P.S. - BofA did another very smart thing this year: Within two minutes following adjournment of the meeting, Chairman Brian Moynihan e-mailed a 20-second video, thanking investors for their interest - and for voting in time for the meeting: An easy and inexpensive thing to do - and, as we have been advising for years, a fast and gracious Thank You is one of the best ways ever to acknowledge - and to reinforce desired behaviors…Take it to the bank!

NOW FOR ONE OF THE WORST - AND THE WEIRDEST THINGS WE SAW THIS SEASON -

A court-ordered vote at small-cap Harbor Diversified:

It's always a bad thing for a company when a shareholder goes to court and successfully petitions for a court-ordered meeting because the company has not had one within the state designated guidelines - often as little as 13 months. But here's the first weird part: Normally, the successful petitioner has the right to put any proposals he or she wishes to propose on the ballot - and the quorum is literally "whatever votes show up" - no matter how few they might be… But here, the Delaware Chancellor - normally one of the court's brightest lights - missed a beat in our opinion - maybe because he did not understand the many "proxy-plumbing" issues - and instead of allowing the proponent to put one or more candidates on the ballot, allowed them to have a "write-in line" om the proxy cards and VIFs where holders could not only write in a name (or names) but express a "vote" on a proposal to resume annual meetings. But Oops…it may have been because the proponent shied away from the costs of a full-blown proxy fight and thought they'd found a better, cheaper way forward. But then…and one of the weirdest things we've ever seen, the proponent's lawyer managed to garner a very significant number of votes by contacting a few large registered holders - and somehow gathering votes from clients of large "retail brokerage firms" - like Ameritrade, Charles Schwab and others! Four people wrote in their own names, but most took the time and the trouble to write in the name of the proponent's candidate! Interestingly, the proponent's lawyer may well have won at least one of the three open board seats, had she launched a "regular" proxy fight…and included the candidate's name on the card. After all, shareholders of companies that have "gone dark" - and where they have not issued updates for more than three years, - and where the business results were not terribly encouraging, it seemed - could easily be persuaded to vote for one new board member. But as we told her when she called to challenge the results, she had only herself to blame since (a) and largely because she did not understand the proxy plumbing system, she failed to win a plurality, as she herself admitted, and (b) she failed to know and to understand and observe the "rules of proxy" in that (c) she failed to show up at the meeting to cast the votes that ran to her - a fatal breach - and (d) we, as the judge of elections considered that any rights she may have had to challenge the results were lost in our view, when she failed to show up at the meeting, or to send a "proxy" of her own.

MORE WEIRDNESS: THE CASE OF THE NON-RESPONDING - THEN OVER-RESPONDING "RESPONDENT BANKS": At one of the meetings where a member of our team served as the Inspector of Election this season, the company - a fairly small-cap one - had a proposal to effect a reverse-split, and another for a name change - plus

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two other proposals deemed non-routine on the ballot - but no "routine proposal" at all. As a result, with no "broker votes" eligible to be cast, they were more than ten percentage points short of a quorum on the meeting date. So they adjourned the meeting and set another date for thirty days later. While their proxy solicitor was beating the bushes for more votes, the company remembered that they had a German investor with nearly half a million shares, so they reached out to him directly and asked him to contact his local bank or broker and instruct them to cast his votes, which he was perfectly willing to do. But his local custodian was unable to help him: They did not know where the shares were held, much less who to call for the answer. Brilliantly, we thought, the company asked the Inspector of Elections if he would consider accepting a sworn statement, with a power of attorney from the investor, swearing to his ownership and authorizing the company to cast his votes for the four proposals. And the investor promptly filed his statement in German and in English! And yes, why would an Inspector disenfranchise a sworn bona-fide owner? And then - in another helpful development - the NYSE agreed to rule that two proposals (but not the two critical ones) could be considered "routine" ones - so broker-votes came in that put the tally much closer to a quorum, but still not there. So another adjournment had to be teed up.

Readers; a very important set of points to note - especially if you have not held a shareholder meeting in 13 months or more - which can sometimes happen at solvent and otherwise compliant companies that have had technical or other delays in filing a 10-k. on time. Also, we felt sure that the proponent's lawyer - a very bright and charming lady - is bound and determined to learn more about the rules of proxy AND to make a career out of finding and pursuing and often taking full control companies whose meetings are way behind-times…. a fairly easy thing to determine…

Meanwhile, the proxy solicitor reported that they had "votes in hand" that would put the proposals over the top… So, as the company, the tabulator and the IOE asked, "Where are they?" The independent tabulating agent had searched the un-voted accounts - but when they checked every one of the "respondent bank" positions, they were unable to identify a single un-voted position of that size. (What IS a "respondent bank"? one may well ask. It is a foreign banking or custodial institution that can't justify the expense of direct membership in DTCC - so they hire a US. entity - usually **Bank of New York** - but sometimes **State Street**, and sometimes a client of tiny **Mediant** - to hold their shares in the U.S. and to be their clearing agent and proxy distribution/voting agent.) But, as the unhappy issuer soon discovered, "respondent banks" - and their non-U.S. clients - who rarely if ever respond to anything as a rule - seem to have "over-responded" - i.e. over-voted - since no open positions could be found! Everyone accepted that the German citizen owned the shares in question, but no account could be found from which to cast the votes! So yet another adjournment was needed.

Ten days or so later, more broker votes came in, and it was agreed to count the 400,000+ shares toward the quorum - but, from an excess of caution, to vote them for the two routine proposals only. It is also worth noting that votes against the two tough proposals were minimal - and - since only a majority of the quorum was required - the two main proposals squeaked by on the third try.

ANOTHER INCREASINGLY COMMON HURDLE FOR ISSUERS, PROXY TABULATORS and INSPECTORS IMPACTED OUR TEAM OF IOEs THIS SEASON: First, a meeting where 77 investors had signed voting agreements at the time of the IPO, but where proxy cards and VIFs had been mailed to them. How to tell if they'd honored the agreements or not? As we've written before, situations like this require a SWAT Team to spring into action pronto - to identify all the signers of such agreements - and how and where they hold their shares - and here, to back out the votes that were cast - and to have the owners execute ballots that conform to the voting requirements. A momentary panic ensued at the company when Broadridge backed out the restricted votes that had already been tallied - and the numbers dropped well below the quorum. But the IOE was able to assure everyone that she had enough votes in hand - on ballots - that would indeed be "present at the meeting" - and more than enough for a quorum.

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AT ANOTHER MEETING - WHERE THE COMPANY ITSELF AND ANY OTHER HOLDERS OF 5% OR MORE - WERE LIMITED BY THE BYLAWS FROM VOTING MORE THAN 9.9% OF THEIR HOLDINGS, WITH THE REST TO BE VOTED PRO-RATA, BASED ON THE FINAL VOTES OF ALL OTHER INVESTORS. This required complex and *last-minute calculations* - by the tabulator, since all the votes needed to be in to do the pro-ration, and each director had different numbers of For, Against and Abstain votes - and the Inspector - who often has to do these calculations on his or her own - and, at a minimum, needs to double-check them, to honor his or her Oath. And YIKES! The first set of numbers appeared to be off! Turned out the company had handed the IOE an "evening-before-meeting" report instead of the Day of Meeting Report, so on the second go-round on the math, all the calculations were A-OK.

"PHANTOM VOTES" - ANOTHER SCARY FINDING FROM TWO OF THE MEETINGS MENTIONED ABOVE: At both of the meetings with "quorum concerns" the same proxy solicitor claimed to have "votes in hand" that the inspector should count in. But when pressed for the source of the votes, and for the actual voting instruments, they "came up short." Shades of the bad old days! Readers beware!

Readers; please note that when retail investors fail to vote, many proposals fall short of the required margins, and fail. And, despite the often sky-high fees for "emergency proxy solicitation efforts" many shareholder proposals, where companies recommend a Vote-No, often pass. This is especially true were there are a lot of Abstentions, and even more true when there are 30% or more "Broker Non-Votes" - and where a proposal needs a majority of the quorum - or harder yet to get - a majority of the outstanding shares. Do remember that institutional investors cast their votes 100% of the time … so if there are a lot of Abstentions - and Broker Non-Votes - retail investors will often be your only way to eke out a victory. Please re-read the second section, above, on how to cultivate your retail voters and get them to vote!

HERE'S ANOTHER WEIRD DEVELOPMENT: At a Fortune-100 Company where we Inspected, Glass Lewis changed its recommendation at the very last minute, to endorse the company position. And quite a few vote-changes were filed the day of the meeting. But Oh, woe for Glass Lewis and its clients - By the time the changes were received, the polls had closed, and the meeting was over - at about 8:15 a.m. (No harm was done, since the company position was upheld handily without the late votes…but Glass Lewis really should have known and done better!)

ONE LAST LOUSY PRACTICE ONE OF OUR IOEs SAW THIS YEAR: A meeting where the required certified list of shareholders was not only out-of-balance with the numbers in the Proxy Statement, but where the list was neither officially signed - nor "certified" by the Transfer Agent! Just as bad, if not worse, some T-As - who lose the tabulating job to a rival firm - completely fail to deliver any list at all….unless the issuer specifically instructs them to do so! Stay alert, dear readers, since a certified list of holders is required to be at your meeting, - and available for inspection by shareholders!

Readers; if you have any voting agreements with specific investors - or if you have rules that call for vote-cutbacks - and/or proportional voting on certain types of proposals - start your engines early. And do NOT mail proxies or VIFs to these folks at all: Send them the info they need to honor the agreement(s) and a ballot, as we did in this case. Lastly, make sure your IOE knows what he or she is doing - and does it!

HOW'S THIS FOR A GRAND FINALE - THE MAN WHO LOVES VOTING PROXIES: At the Verizon meeting, the IOEs were handed a proxy from a voter who "dances" while he "Raps his Palace of Peace" by voting on line - and who neatly printed the following poem, and laminated the entire form, front and back:

"Do not pervert my Mecca; my remaining Temple Wall/ I need to text some friendship & I need to make a call/ I step aside the chaos & connect with brotherhood/ A cyberspace to give me a true place of grace and good/ Escaping Helter-Skelter & the twisted life I face/ With silicon my shelter, I rebuild my carbon base/ Do not prevent my Mecca; my remaining Temple Wall/I need to text some friendship; I need to make a call".

MORE MEETING NEWS TO PONDER: THREE INDIVIDUAL INVESTORS SUBMITTED 37% OF THE 2019 PROPOSALS SUBMITTED BY THE TOP-TEN PROPONENTS

It's easy to understand why issuers get upset about "gadflies" - and would like to see the ownership thresholds increased for submissions of shareholder proposals - and to see the actual vote-getting totals thresholds increased substantially for re-submissions. As the following table from a Sullivan & Cromwell client memo shows, just three entities submitted by the top ten proponents in the first-half of the 2019 meeting season.

	Primary or Secondary Filers	ESP	Governance	Compensation	Total	% of All Proposals
1	John Chevedden	10	134	0	144	23%
2	NYC Comptroller	33	15	4	52	8%
3	As You Sow Foundation	46	4	2	52	8%
4	James McRitchie/Myra Young	13	30	2	45	7%
5	Kenneth Steiner	0	44	0	44	7%
6	Mercy Investment Services	32	1	6	39	6%
7	NYS Common Retirement Fund	24	0	4	28	4%
8	Sisters of St. Francis	19	3	2	24	4%
9	Trillium Asset Management	13	12	2	27	4%
10	Arjuna Capital	18	1	0	19	3%

Collectively, John Chevedden, Kenneth Steiner, and James McRitchie and his wife Myra Young submitted 233 proposals, including proposals jointly as co-filers. (After discounting the overlaps, they submitted 210 unique proposals, or 31% of all proposals submitted (up from about 27% in 2018…and still a LOT!) The memo also noted that McRitchie announced in December that he and his wife would turn their attention to collaborations with As You Sow Foundation and the Center for Political Accountability as proponents for proposals in the ESP area. So maybe there will be fewer proposals in total in 2020, but we would not bet on it.

As we've written before, a great many of the proposals commonly submitted by small shareholders have won company support - often after very long periods. And they serve not just as reminders that shareowners are OWNERS, but often, as valuable early-warning systems to corporate managers and boards about issues that warrant attention. Issuers, in our opinion, would be wiser to just grin and bear it, rather than to raise the rumpus that some super-excitable issuers have done - and also to note that for legal, governance and shareholder-service staffers they actually enhance their roles - and give them some useful visibility. And as to raising the thresholds for re-submissions, who's kidding who? Proponents who fall short will simply move on to another company - or to another proposal!

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MORE NEWS: ARE THREE BIG INDEX FUNDS ON TRACK TO VOTE 34% OF ALL SHARES VOTED BY 2030?

Research by **Lucian A. Bebchuk, Harvard Law School**, and **Scott Hirst, Boston University School of Law**, and reported in the **Stinson Corporate & Securities Law Blog**, indicates that "three key index fund advisors could cast 34% of votes in the next decade at S&P 500 companies, and about 41% of votes at S&P 500 companies in two decades. The key index fund managers are **BlackRock, Vanguard**, and **State Street Global Advisors**."

While noting that "Extrapolations of the make-up of the public securities markets 20 years into the future are often notoriously unreliable…the magnitude of the statistic is eye-opening and perhaps someday it will be viewed as akin to an early warning of global warming."

"There are at least two possible outcomes of this voting concentration should it occur. Research theorizes [that] investment managers will excessively use the power that comes from their large ownership stakes." (The likeliest outcome, in the *OPTIMIZER*'s opinion). "On the other hand, Professors Bebchuk and Hirst theorize the index fund managers will be excessively deferential to corporate managers. Their concern is that the substantial proportion of equity ownership with incentives towards deference will depress shareholder intervention overall, and will result in insufficient checks on corporate managers." A highly un-likely outcome, we'd opine; only an idiot would have power and fail to use it.)

We say…all the more reason to try to add more long-term individual investors. Increasingly, they are the swing voters in highly contested matters - and tend to give management proposals the benefit of the doubt - as long as their investment has performed 'reasonably well' - or management can make a good case that they are on a good path.

ANOTHER WILD CARD IN THE VOTING ARENA - VANGUARD TO CEDE SOME VOTING RIGHTS TO PORTFOLIO MANAGERS…

Vanguard, which manages $5.3 trillion in assets said in April that by year-end it will delegate the voting rights on $470 billion, or (9% of its holdings), to the portfolio managers. Wellington Management will get nearly half the new voting power, with the rest divided among 24 other managers…Our own bet, since "activist investing" has been such a lucrative strategy for managers, is that this will significantly increase the number of votes for "activist agendas."

QUOTE OF THE QUARTER

"Forty years ago, our rules said, 'tell us about your plant, property and equipment; tell us about your hard capital assets and what they mean to your business. If I'm an investor, looking at businesses today, I want to know what you're doing with your human talent — how you're growing your human talent, how you're accessing new talent, how you're retaining existing talent, how you're enhancing it."

SEC Chairman Jay Clayton, speaking at the Investment Company Institute's 2019 Annual Membership Meeting

OUR TOP-TIPS ON CREATING WRITTEN MATERIALS THAT SHAREHOLDERS WILL READ - AND ACT ON

Your editor-in-chief was pleased to be part of a panel at the SSA's annual conference in July on "Communicating Effectively with Shareholders" where he focused on writing and design tips, based on his many years as a writer, designer, sender and recipient of shareholder materials in his years as a Transfer Agent, and what, in his experience, worked best - and worst. Here's a summary of our top-tips - that include some great tips and insights from other panelists as well:

- **Target materials to the specific audience you want to reach. (Separate mailings, or separate "packages" with different, targeted enclosures work best, by far)**
- **Materials must grab the recipients' attention!**
- ***Your company* - and not an "agent" -should be the "sender" and the "writer"**
- **Don't cheap out on paper – or design**
- **Use color - especially for the company logo (this increases "opening rates" and response rates by 5 -7 times)**
- **Follow the KISS principle religiously: Keep It Simple, Stupid!**
- **Emphasize the *benefits* of taking action - to the shareholder and to the company**
- **Make it easy for recipients to take action *right away***
- **Provide multiple response channels - mail, phone, Internet & mobile (use QR codes!)**
- **Review materials with all agents you will use – and with your legal team - but don't let them "drive the bus"**
- **Test-drive materials with co-workers, family members, friends and other non-subject-matter experts**

CAN WE DO AWAY WITH PAPER DIVIDEND CHECKS?

A month or so ago, Liz Dunshee, one of the three wonderful bloggers on the incomparable thecorporatecounsel.net blog, e-mailed the following question to us, that she'd received from a subscriber:

"Has anyone implemented plans to eliminate (or reduce) your stock transfer agent costs associated with issuance of quarterly paper dividend checks? Have you passed the paper check charges along to your shareholders, or implemented mandatory electronic deposit, or mandatory DRIP enrollment, or some other idea? Can you point to any legal issues that need to be reviewed before "eliminating" paper checks? Thanks!"

Here's what we wrote back: ***Wow! And how timely! In the last issue of the Shareholder Service OPTIMIZER, we asked readers if they are paying "high 20th-century prices" for services that are totally outmoded in the 21st century. See this link.***

The paper dividend check should, perhaps, be "People's Exhibit A" for ways a company can reduce and/or re-orient their shareholder-servicing budget, by thinking in a 21st-century manner - and by paying attention to "details".

For starters, when it comes to dividend disbursements, the biggest potential cost-saver - by a country mile - is to move from a quarterly to an annual disbursement schedule: Many public companies are paying $.25 per check for issuance and another $.55 or so per item for the check itself, postage, a "stuffer" and the envelope. So a company can save at least $2.40 per-shareholder per year this way. But, in addition, paper checks generate added costs - that are usually embedded in transfer agent fees schedules or in their "flat-fee arrangements" - for things like replacing lost, destroyed or outdated checks, to account for and follow-up on - and eventually having to escheat - funds left-behind by careless and/or truly "lost" shareholders...So be sure to negotiate appropriate fee reductions if you move to an annual or semi-annual disbursing schedule.

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In addition, most companies pay "hidden" check-reconcilement costs - which are typically paid-for by the earnings-on-balances the agent gets to earn on the check-float. This brings us to the biggest potential money-saver of all: With an annual disbursement schedule, the company not only cuts its disbursing costs by three-quarters, it gets to hang onto a growing "pot" of funds for 365 days a year. The ability to retain and use them as working capital will often cover most if not all of the company's short-term financing needs! (A small note of caution here: There are still a few companies whose founders, senior officers, retail shareholders and retirees receive dividends in amounts that are significant - to *them* - and sometimes in the aggregate. If that is the case you can consider a semi-annual schedule and still reap significant savings.)

As to the questions about eliminating checks altogether, or passing along the costs, let's remember that companies DO owe 'fiduciary duties' to their shareholders, so this would not be a good way, or a fair way to deal with shareholders in our view. Also, in our non-lawyer's opinion, it would not withstand - much less be worth inviting - a legal challenge. Plus, we think, it would almost certainly generate a public-shaming in the bargain.

Lastly, as to those DRPs...No, you can NOT make them mandatory...Nor would you really *want to*, we think, once you review the alternative solutions - and the perils of having "orphaned DRPs" to pay for: We continue to get two statements each quarter - despite our best efforts to eliminate them - from two "orphaned DRPs" - where we moved all the full shares to our broker years ago, but where the "fractional interest" that remained could not be moved through "the system." So eight statements a year - plus, most years, proxy materials too, where we have way less than $100 worth of stock in total!

And...OUCH AGAIN: we continue to get quarterly dividend checks - for a whopping $.52 each - from a company that eliminated its DRP a few years ago, but where the agent did not automatically cash-out the fractional interest that we had to leave behind....thanks to "the system" - and maybe as an easy way to make a bit of easy money…for nothing of value. The teller laughs when we go to the bank to cash a check that is equal to the postage on the envelope - and that takes the teller's time - and the banking system's time - and ours - and that is a total waste of the company's money besides! But when we call the T-A's call center, as we do periodically to stop the annoying and resource-wasting checks - we get told each time that the fee to sell the fractional interest is $15 - $25 - no exceptions...But yes, they would take a *bit less* - specifically the entire sales proceeds - rather than send us a bill for the "privilege" of cashing-out if our holdings are worth less than their fee!

So on to the subject of ACH disbursement - which, really is the 21st-century way to deal with the costly and totally outmoded 19th and 20th-century payment methods: Even old grandpas like your editor-in-chief are using the web to check our bank balances, pay bills and move money these days...And, increasingly, shareholders don't need or want to take a trip to the bank - UGH! - no matter how young or old they are.

Plus, we always get our money in good funds on the payable date! So please read down for our Top-Five Tips to eliminate checks:

WHY HAS EVERY STOCKHOLDER NOT SIGNED UP FOR ACH DIVIDEND PAYMENTS??

HERE ARE OUR TOP-FIVE TIPS TO GET RESULTS:

1. **Make sure the invitation to sign-up comes from your company - not from the transfer agent - and that it comes in an eye-catching and reader-friendly way.**

2. **Response rates will be highest when a brief but carefully written letter to check-getters is made - and when the letter is signed by a company officer. Including it with the check is a good way - and the most cost-effective way to go. But often - especially if you have mailed many "statement stuffers" on this subject - a separate mailing will yield better results, that will pay back the expense right away.**

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3. **Carefully explain the many *benefits* of ACH delivery - both to shareholders and to the company itself; safety, security, convenience, privacy and timeliness for the shareholder, environmental "friendliness" - and significant cost savings for the company.**

4. **Make sure that your disbursing agent will clearly identify the dividend payment as what it is on their outgoing ACH payments - so you can assure stockholders that the payments will be clearly identified on their bank statements. (Some sending banks stink at this! And this, in our own experience, is a major reason for NOT signing up for ACH payments.)**

5. **Most important: Make sure the "required forms" are easy to follow - AND require a minimum amount of time and effort on the part of shareholders: Here's another aspect where a separate mailing will pay for itself: consider pre-filling the account name - and allow the shareholder to simply attach a check marked VOID, rather than requiring - and coaching them to locate and "Enter the Bank Routing Number" - and the holders' Checking Account Number - and then allow them to simply "Sign Here"...**

COCA-COLA RE-INSTITUTES "QUARTERLY REPORTS TO SHAREHOLDERS"- IN A MODERN WAY

We were delighted to get this link to the Coca Cola Quarterly Report to Shareholders from Karen Danielson, Coke's incomparable Shareholder Services Manager, following the SSA discussion on "Better Communications With Shareholders." www.coca-colacompany.com/newsletter-sign-up Go there and take a look!

It starts off with an announcement that Coke is extending its partnership as a sponsor of the International Olympic Games by 12 years - for a record-breaking 114 years of sponsorship! Then, the 2nd Q Earnings Recap - with links to the entire release and to the web-cast if you have a mind to look and listen. Then, a fun blurb on the brief return of "New Coke" (remember that?) and news on intriguing new products in Europe, and on Coke's eco-friendly BYOB initiative (Bring Your Own Bottle for refills)…And finally, a very important reminder to Keep Your Account Current to avoid the dreaded ESCHEATMENT.

Until 15 years or so ago, every public company in America sent a printed, quarterly report to its individual investors, Some even sent a fifth "Post-Meeting Report" - at the instigation of the gadfly Gilbert brothers. Then came a host of corporate-wide mandates to cut expenses - and, of course, the Internet - and printed quarterly reports disappeared almost entirely from the scene, while there were few shareholder emails on file if one WANTED to send quarterly news that way.

But WOW! What a wonderful and cost-effective way to use modern technology - to make permanent friends and fans of retail owners. Plus, dear readers, this is a perfect example of what can be done with the new approach we have been advocating with respect to the vexing and outmoded NOBO-OBO system. We call this "permission marketing." It's time, we say - and the technology is here - to offer every shareholder a range of options - not just for receipt of various kinds of written materials - but to give permission to issuers to "reach out directly" to them, say, in the case of contentious proxy matters.

ON THE TRANSFER AGENCY SCENE:

Huge news at Computershare - the acquisition in April of the Microsoft transfer agency business. As we write, Microsoft is the largest company in the world by market-cap - a major leader in the high-tech world, of course, which has, so far, and permanently we'd hope, stayed out of the growing lines of fire that have been issuing in the Congress - with a huge base of "retail investors" - both registered, in "the street" - and with a huge employee-ownership base to boot. A HUGE win for Computershare, for sure - and a major loss we'd say, for all of the other top-four agents, ranked by size, all of whom, we're sure, were hoping to retain or seize the prize.

Somewhat mystifying news from Equiniti Group; a May 30th press release saying they are "delighted to announce completion of the technical separation of its EQ US division from Wells Fargo" from which they'd recently acquired the transfer agency business. *"This technical separation allows the realization of operating synergies which are being delivered in line with expectations, and provides the foundation to scale operations to support growth. All business functions are now administered on Equiniti's infrastructure and systems in Minneapolis, Milwaukee, Chicago and New York, and EQ US's clients and customers will benefit from the latest web and mobile-optimized portals for both issuers and shareowners…Completing the separation is an exciting milestone for Equiniti's business in the world's deepest capital market. It provides an opportunity to transform our US operations into a market-leading, technology-enabled business with a broad range of transfer agency and supporting services.*

"Equiniti's growth is underpinned by strong client retention and blue-chip new client wins. This internationalization of the business positions Equiniti well for future growth with the opportunity to share expertise and cross-sell services to existing and prospective clients on both sides of the Atlantic." **Todd May**, *the CEO of EQ US, noted that "the separation will bring further benefits to our clients and their shareholders as we adopt Equiniti's sophisticated technology and industry-leading servicing capabilities. This includes our new innovative shareholder platform, EQ Insight, which we recently released. Our clients are already seeing benefits and we will continue to enhance this platform and many more."*

We must confess that we were unable to understand exactly what has been done, and whether, as we think, most clients will have to undergo some sort of records-conversion/records-enhancement processes along the way. It still sounds to be very much a 'work in progress' - and we will continue, of course, to dig for and report more info on their "transformation" as we get it.

Meanwhile, Broadridge continues to grow its Virtual Meeting business at a 15% rate, that's been compounding annually. A big and noteworthy jump this year in VSMs of Fortune 500 companies - up by 19%. Since 93% of all VSMs are Virtual-Only, this is bad news for competitors - who are unable to offer a Virtual-Option to street-name holders.

Bad news for legitimate Transfer Agents - and for issuers too - from the SEC: "Alerts" - but mostly diddling at the SEC - where much-needed Transfer Agent Regulations are concerned:

- **We are fast approaching the 30th year (!!!) since SEC Transfer Agency Rules were last revised** - despite at least two attempts to collect info and recommendations for action, and a "discussion draft" that outlined potential areas for SEC action, but so far has produced nothing!.

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- **We were very pleased to see the SEC issue a "Risk Alert" in February**, warning TAs - and TA clients who *may* have seen the Alert, but likely did not, even though they themselves are at risk if a TA spends or runs off with their money - about the need to segregate funds due to shareholders - and not spend or invest it. And several TAs have been caught doing just that in recent years.

- **Also in February, the SEC sued broker-dealer Spartan Securities and Island Capital Management**, which does business under the name **Island Stock Transfer**, for helping to manufacture deceptive float at public companies from December 2009 to August 2014. Both firms have publicly denied any wrongdoing, and we'd bet that Island Stock Transfer would not have any funds at all to settle, much less to make restitution or to pay appropriate fines or penalties in any case if found guilty. ***The need for firm rules to govern the handling of unregistered and/or otherwise "restricted" securities has been identified by the SEC itself as one of the most important concerns to safeguard investors for 30+ years now…***

- **But as we learned at the SSA conference, no action at all is expected this year (due in part to the government shutdown, and resulting backlogs) and MAYBE something will be done in 2020 - though it sure sounded unlikely. *The SEC is really playing with fire here, in our book.***

ON THE PROXY SOLICITATION AND ADVISORY SCENE:

EQ hires Margaret (Peggy) O'Keefe as Managing Director, Corporate Governance, to beef up its new proxy business: *"Peggy brings more than 20 years of experience to EQ. Her experience in corporate governance and executive compensation consulting and research will support EQ's proxy business, specializing on matters of corporate governance"* its 5/20 press release announced… *"Peggy worked at **The Manhattan Institute for Policy Research** on corporate governance and shareholder activism for more than seven years. [Earlier] she consulted on executive compensation and corporate governance at **Pearl Meyer & Partners**…at **The Proxy Advisory Group** and at **Morrow & Co.** [She] is an attorney and graduate of **St. John's University School of Law** [and] received an LL.M. in financial-services law from **New York Law School**"*

Morrow Sodali made a major new hire in June, announcing the appointment of Daniel Oh as Managing Director in its U.S. Corporate Governance Consulting Group…*"to advise corporate clients with respect to governance practices across the full range of environmental, social and governance issues. Mr. Oh has more than 19 years of experience in a diverse range of roles, covering corporate governance, equity research, investor relations, investment stewardship, financial valuation, portfolio management, and business strategy. Daniel joins Morrow Sodali from **Barrick Gold Corporation**, where he served as Senior Vice President, Investor Engagement and Governance, leading Investor Relations and shareholder engagement on governance…[Earlier] he was Vice President, Investment Stewardship for **BlackRock Inc.**, where he was responsible for managing corporate governance and ESG issues of more than 1,300 North American and European companies and advising BlackRock investment teams on corporate governance and sustainability practices. He also led BlackRock's shareholder engagement efforts, including engaging with company management, board members, chief sustainability officers, general counsels, and corporate secretaries. Prior to joining BlackRock, Daniel held senior corporate governance roles at **State Street Global Advisors** and Institutional Shareholder Services (ISS). Earlier in his career with **Bear Stearns** and **Citigroup**, he conducted equity research for both the buy-side and the sell-side.*

OUT OF OUR IN-BOX

"THE PEDGARNEY FILE": We were very pleased to get an e-mail from **Jerry Breslow**, the former Corporate Secretary of **COMSAT** - originally **Communications Satellite Corporation** - with a fascinating tale. COMSAT's IPO in 1964 - at a highly-affordable $20 a share - was then the largest ever. And initially, individual investors came out in unbelievably large numbers to own a piece of its highly-promising plan to launch a global network of satellites, and a whole new way to communicate quickly and on a global scale.

"I have been working on my memoirs and have gotten to COMSAT. As you may recall, CQ had many individual shareholders with small amounts of shares. There was one such shareholder, however, who had accumulated enough shares to become the individual with the most shares, at least as of when I retired in 1994. His name was Alex Pedgarney. He attended all the shareholder meetings, and I was instructed to take care of him. I met him in 1967, and we developed a close relationship over the years. Whenever he came to Washington, along with his wife until she died, Harriet and I went to dinner with them. Often Alex would call me up for a quick lunch when he was passing through town.

"When Alex died, as a WWII veteran he was buried in Arlington National Cemetery, and I attended the funeral. Sometime thereafter I was informed I was a beneficiary under his will, and his bequest permitted me to pay off my mortgage.

"I do not know whether this has been a common experience. Thus, my question for you is, based on your years of contact with corporate secretaries, are you aware of any other corporate secretaries who've been as fortunate as I?"

What a great story! And what a wonderful bequest, totally out of the blue! This is surely a "first" for us. And a reminder that treating individual investors with respect is always important to do, if we want to do our jobs in a good way…And further proof, as we still wishfully believe, that "what goes around comes around."

We have a somewhat similar story - but in reverse - about the eminent long-term Corporate Secretary of Manufacturers Hanover Trust Company, Stanley VandenHeuval - who recommended your editor-in-chief (who'd "retired early" from the bank) as a Director of two newly-forming mutual funds. Not quite enough money to pay off our mortgage, but one of the most interesting, and intellectually stimulating experiences ever! Readers: If you have any stories like these, we'd love to print them, and record them in the History file on our website.

THE CLASH OF THE HESTERS

We were startled to read the impassioned and rather impetuous - and basically fact-free remarks - on the ESG scene by SEC Commissioner **Hester Pierce**, speaking before the **American Enterprise Institute** - analogizing the trend toward branding company ESG standards as "good' or "bad" to the shunning and shaming meted out to "that other famous Hester" - **Hester Prynne** in Nathaniel Hawthorne's classic, ***The Scarlet Letter***:

"We are seeing a similar scarlet letter phenomenon in today's modern, but no less flawed world. In these remarks, I will focus specifically on the way in which corporations are being assessed according to Environmental, Social, and Governance (ESG) factors. Here too we see labeling based on incomplete information, public shaming, and shunning wrapped in moral rhetoric preached with cold-hearted, self-righteous oblivion to the consequences, which ultimately fall on real people. In our purportedly enlightened era, we pin scarlet letters on allegedly offending corporations without bothering much about facts and circumstances and seemingly without caring about the unwarranted harm such labeling can engender. After all, naming and shaming corporate villains is fun, trendy, and profitable."

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Gee, Hester, who *are* these bad people? And hey! We don't get the analogy at all: Hester Prynne knew the law, and that she was breaking it, and knew the punishment too if she was to get caught. The only "injustice" we see here is that the *other adulterer* got off scot-free. We Google'd her up, just to check our own recollections, and here's an excerpt from Wikipedia's crib-notes: "The early chapters of the book suggest that, prior to her marriage, Hester was a strong-willed and impetuous young woman…(Hmm…Sounds kind of familiar, no?)…She remembers her parents as loving guides who frequently had to restrain her incautious behavior…But it is what happens after Hester's affair that makes her into the woman with whom the reader is familiar. Shamed and alienated from the rest of the community, Hester becomes contemplative. She speculates on human nature, social organization, and larger moral questions." Gosh, Hester II, this sounds like a *good thing* to do. And it DOES seem, to us at least, to take "naming and shaming" to reform bad corporate behaviors.

What a joy to have received an e-mail with a question on proxy-voting and an update from Stanley Siekierski, Vice President and a Senior Relationship Manager at **AST**: *"As you can see, I am still working in Stock Transfer. February 2019 was my 54th year working in the industry."* Stan started in February, 1965 - at the height of the industry's paperwork crisis - in **Marine Midland Bank**'s stock transfer unit - *"drawn by the magic word to a newlywed and young father…OVERTIME. In the mid-1960s through the early 1970s I worked 40 hours of overtime per week."* (!!) Stan worked there through the 1971 joint-venture with **Bradford National** until 1983, when, with Bradford faltering and Manny Hanny zooming, he came to **Manufacturers Hanover Trust** as a relationship manager superstar. He stayed on through the **"Chemical Mellon"** and **BoNY-Mellon** ventures - and through the sale to **Computershare** in Dec. 2011. In 2013 he was recruited by AST - by **Mike Nespoli**, his old boss at MHT and successors - and another industry super-star. *"I will be 74 years of age in August and commute [to Brooklyn] each day, to and from Wappingers Falls, NY where I have been residing for most of my career."* ***Hats off and all best wishes to Stan! And we can say from long personal experience that ANY public company would be super-lucky to have him as their relationship manager!***

MORE ON "PEOPLE"

Chief Justice Leo Strine announced his retirement in July after more than twenty years on the **Delaware Court of Chancery** and ***Supreme Court of Delaware*** - "two of the most important courts for our markets and our investors" as **SEC Chairman Jay Clayton** noted in his own public statement.

"Chief Justice Strine deserves our thanks for bringing his unparalleled combination of energy, intellect, experience, legal knowledge and pragmatism to the bench. His contributions have extended well beyond the courtroom and the Commission has benefited substantially from his willingness to engage with us on a range of topics important to our investors and our markets. Finally, and critical to the work of the SEC, it is clear to me that the interests of our Main Street investors have always been at the front of Chief Justice Strine's mind" - sentiments the OPTIMIZER heartily seconds.

Paul Washington, who for 15 years was Corporate Secretary of **Time Warner Inc.** has succeeded **Douglas Chia** as the new Executive Director of **The Conference Board ESG Center.** *"With a background spanning the corporate, academic, governmental and non-profit spheres," Doug posted, "Paul is a well-recognized leader with a distinguished track record in the ESG space and perfectly positioned to strengthen The Conference Board's commitment to ESG" - and we heartily second that too.*

REGULATORY NOTES…AND COMMENTS

ON THE HILL:

- **Great news, as the Senate finally votes to confirm three directors to revive the Export-Import Bank, and make America competitive again.** The *New York Times* reported that "About $40 billion of export deals [!!] have languished since the board lost its quorum, four years ago."
- **Great news (maybe) for Internet users: Senators Josh Hawley (R-MO) and Mark Warner (D-VA) have introduced a bill that would force companies that collect data on users to report on what, exactly is collected, how much money they make, both in the aggregate and by users…and - maybe - pay us our fair share…When pigs fly, we'd guess.**

AT THE SEC: Some nice fat fines get collected:

- **State Street will pay $88 million** in fines - after reimbursing clients with interest - to settle charges that they'd billed clients $170 million for "expenses" in moving money for them, without disclosing "secret markups" that went directly to the bank.
- **KPMG will pay $50 million** - one of the largest settlements ever against an audit firm - to settle charges (that they admitted to in the settlement) that they'd illegally obtained "sneak peeks" of the areas to be explored by **PCAOB** auditors - and violated Peekaboo rules that require it to "maintain integrity" as it carried out its duties.
- **In the fourteenth fine to date over abuses in the ADR world, Wedbush Securities, a minor ADR player, will pay $8.1 million**, in what we expect to be a long series of settlements by a host of firms over the next year or so. To date, SEC fines total $432 million - only a fraction of what would have been due if the SEC had brought actions sooner - after they were first tipped off to illegal ADR practices.

WATCHING THE WEB

- **Regulators in the EU, UK and now the U.S. have, at long last, been swarming all the big web players over privacy issues - and anti-trust issues too. We are hoping, but we're still skeptical, that the U.S. will adopt the tough EU privacy standards, and even more skeptical that web-users will ever get a fair share on the data that big firms collect and sell…but hope springs eternal.**
- **Another HUGE data breach at Capital One rocks our world…and makes us skeptical that ANY data can be protected from hacks these days.**
- **And… for all the believers that blockchain technology is the answer… Binance, one of the world's largest bitcoin players, recently announced that $40 million - 2% of its total assets - had been hacked away. The WSJ article reporting on the hack noted that "More than $1.7 billion has been publicly reported stolen over the [few] years" that bitcoins have been out there.**