THE SHAREHOLDER SERVICE

OPTIMIZER

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

VOLUME 27, NUMBER 2 NOW IN OUR 30th YEAR! SECOND QUARTER 2021

IN THIS ISSUE

ESG Voting Far Exceeds Our Own High Expectations For 2021

Our 2021 Special Supplement, available only at OptimizerOnline.com, featured nearly a dozen interviews with prominent shareholder meeting observers - all of whom - including us - predicted record-breaking success for ESG proposals this season - although we're not sure that *anyone* recognized just how big it would turn out to be.

As we look ahead with 2022 in mind, we are convinced that we will be seeing more and more shareholder proposals next year than ever before - and many more "wins" by proponents than ever before - especially on ESG issues - and probably an upsurge of proxy fights too.

We also see a major "tipping point" where VSMs are concerned - not just due to the ability to reinstate in-person meetings in 2022 - but also due to some serious failures at many large-cap companies to successfully produce a satisfying experience at their VSMs. In far too many cases, large and mega-cap companies seriously disenfranchised investors in terms of their ability to participate as they were able to do at in-person meetings… all of which we will try to address in this issue.

Let's begin this issue's traditional meeting-season review with excerpts from Georgeson's excellent "Early Look at the 2021 Proxy Season" report - comparing proxy voting results for Russell 3000 companies through July 1, 2020 to the 2021 numbers as of June 2. It notes a ***"Fundamental shift in investors' view of climate risk…****Notably, 12 of 33 environmental shareholder proposals that reached a vote have passed…a pass rate of over 36% [that] is double the number of such proposals that passed in the entire 2020 season."*

In early 2020 the *OPTIMIZER* had flagged "PLASTICS" as the newest, and, we predicted, soon to be recognized as one of the biggest environmental issues ever. As Georgeson noted

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"the proposal at **Dupont** regarding plastic pollution received more than 81% support...[where] a nearly identical proposal at Dupont received only 6% support in 2019" - which was, we would note, its first year out of the box... A truly stunning result this year, we'd say.

"Similarly" the Georgeson report continues, "a 2020 proposal at **Bloomin' Brands** regarding emissions within the company's supply chain received approximately 26% support [while] This year, a broader proposal that referenced supply chain emission concerns in the broader context of climate reporting received more than 75% support."

Georgeson also noted that *companies themselves "appear to be shifting their views concerning the materiality of risks presented by climate change.* At both **General Electric** and **Bunge Limited,** the company recommended that shareholders vote in favor of proposals relating to greenhouse gas (GHG) emissions and deforestation risk respectively, resulting in near-unanimous shareholder support for the proposals. In response to the global Say on Climate campaign that emerged this proxy season, **Moody's** and **S&P Global** each submitted management-sponsored proposals requesting that shareholders approve their respective climate transition plans. Both received shareholder support well in excess of 90%. Further still, the number of withdrawn environmental proposals nearly doubled, with 82 companies reaching agreements on the subject matter of proposals with proponents."

"On the diversity front, both workforce and board diversity proposals received strong support, including one board diversity proposal at **First Solar** that received record-high support, in excess of 91%. Of the 91 workforce diversity-focused shareholder proposals submitted this season, only 13 have or will be voted upon; as of June 2, 12 such proposals have been voted upon, and six of those (50%) passed. In addition, while none of the racial equity audit proposals received majority support, half of those voted upon received support in excess of 30%, which is notably high for first-time proposals." These proposals will continue to gain steam in 2022, we predict - as truly seems appropriate.

"Proposals seeking reporting on political contributions and lobbying payments were also prevalent this season and strongly-supported. Eight such proposals have passed – more than double the number that passed in the [entire] 2020 season. Notably, a political contributions proposal attracted record-high 79% of support at **Chemed Corporation.**"

The *OPTIMIZER* thinks that, hands down, the Exxon Mobil Meeting produced the most astonishing results of any meeting season your editors have ever witnessed: The ouster of three sitting board members by a new and tiny activist group - where Exxon had to pause the shareholder meeting for an hour - in order to accommodate last-minute vote switchers, which Exxon seemed to think, wrongly, would be in their favor. (We believe that a May 26 page-one *New York Times* article - the very day of the meeting - citing the cavalier and totally tone-deaf way in which the CEO repeatedly treated investors who had sought to "engage" and negotiate with the company - was the proximate cause of the last-minute vote-switching - which temporarily "swamped the system" - and was also the proximate cause of the management's big and humiliating and, we say, well-deserved loss). But as **Engine No. 1** noted in an interview following the meeting, *"ExxonMobil was an obvious target in some ways. Even amongst the Oil Majors it is an outlier with respect to how little it has done to evolve its business in a changing industry and world...Ten years ago, ExxonMobil was the largest company in the world by market capitalization and the #1 company in the Dow Jones Industrial Average (DJIA). Today, its market capitalization has been cut in half and it has been kicked out of the DJIA; neither is true of its closest competitor,* ***Chevron.****"*

We were further astonished by how long it took to declare a third dissident candidate to be a winner - and how much longer it took to certify the final result, where Engine No. 1 indicated it would have more to say but hasn't yet...and also at the cost of the fight ($35 million for Exxon and $20 million for Engine No. 1 - *before*, we'd note, the costs involved in the long-drawn out recount).

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Equally noteworthy, two shareholder proposals passed, against the recommendations of Exxon management, by impressive margins: One on lobbying disclosure, which passed with 56.1% in favor and one on "Climate Lobbying" that got a whopping 63.8% of the votes in favor. Another proposal, calling for a report on "Scenario Evaluation" garnered 49.4% of the vote, which we would consider a "statistical tie" - with over 2.8 billion shares in the quorum. In any event, investors should certainly expect the company to respond before next year with a properly responsive action plan…which we expect a properly chastened and much-enhanced board will do.

Shareholder Activism: Fast Going Global

We also think that the 2021 meeting season marks a major change in terms of the way shareholder activism has taken on a major global dimension - starting with the action of a Dutch court that ordered **Royal Dutch Shell** to lower its carbon emissions by 45% by 2030, and shortly thereafter, Shell's promise to give shareholders a "Say on Climate Change Policy" - followed that week by the election of two dissident directors at Exxon Mobil who have roots in non-US oil companies (and where, notably, Exxon had added two new directors with international energy-industry experience on its own - shortly before the Meeting date - hoping to fend off the dissidents) - and then came the unexpected ouster of **Toshiba**'s Chairman, only a year in his tenure - following the earlier ouster of the CEO and four directors - all largely sparked by activism of non-Japanese investors who bought in to the scandal-ridden, formerly Japanese-dominated company, with the aim of righting the ship. Still another development worth noting is the rise of the **Super-Stonkers** - a big and globally diverse mix of Gen-Z "vigilante investors" who have been making big waves on the governance scene, as described elsewhere in this issue.

Another noteworthy development this year was the large number of Shareholder Meeting leaders who spoke with British, Spanish - and even an especially-editor-friendly Swedish accent - in a field that had been dominated almost completely by old, white American men:. Welcome signs of the increasingly "global outlook" that business leaders need to have these days.

VSMs - At A Tipping Point We Say - Our Predictions For 2022

Now that the U.S. economy is ready to open up for public meetings once again - and with plans for the 2022 Shareholder Meeting Season already needing to be considered - there has been a lot of speculation on the ultimate fate of Virtual Shareholder Meetings. Here are own predictions, with a b it of advice for moving forward:

- **We feel 95% sure that virtually all of the micro-cap, small-cap and mid-cap companies that went completely virtual in 2021 will plan to do so in 2022: *Virtually all of the nearly 400 VSMs we and our team of Inspectors participated in so far this year went off without a hitch.***

  While a few companies griped about the perceived "high cost" of running a VSM, they saved HUGE AMOUNTS OF MONEY - in terms of time and travel expense for corporate staffers, directors' travel, security staff, travel expense for their Public Accountants, and usually for the Inspector of Election too. Plus…no need to rent a hall, with the typically super-high A-V setup expenses, or to fret about refreshments.

  Most important to note - at the overwhelming majority of these meetings there were no controversial issues on the agenda, or in the press - no shareholder proposals, no shareholder questions, no votes at the meeting…so the 'mean' time for smaller-company meetings - from start to finish - was less than a half hour.

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- **Large cap and mega-cap companies are another story altogether:** ***At virtually every large company meeting we listened in on - and at a lot of mid-size companies too - we heard the same closing message; "We look forward to seeing you in person next year!"***

  As we have been saying regularly, at a lot of companies - from giant **Berkshire Hathaway** on down to local banks and S&Ls - CEOs actually ENJOY their shareholder meetings - and see them as producing valuable customer and shareholder loyalty, sales of products and services - and overall brand-value, which…hello…is a very significant component of a stock's *price*.

  And even at the best-run VSMs, many of them now in their second year, senior managers still get "the willies" about the reliance on VSM technologies, the large number of platforms one needs to juggle to produce a smooth and seamless and useful meeting - and the ability of the numerous meeting participants to use them without embarrassing glitches. And far too often this season, their fears have been warranted, as our next section of reports-from-the-front will illustrate.

  So our bet is that there will be a lot of big-company drop-offs next year, which is really too bad in our book.

- **As to the fate of Hybrid Meetings, we have been truly shocked about the way they have been Pooh-Poohed by people who ought to think more deeply:** We think they offer "the best of both worlds" to public companies, their officers and directors, shareholder proponents and activists - and to ordinary shareholders too.

  We also think that the actual costs - whether of offering an in-person venue to coincide with the VSM - or to offer a Virtual component (maybe with no online voting) to supplement a mainly and legally in-person event - have been grossly exaggerated - even before evaluating the many *benefits* of Hybrid Meetings - by 'talking heads' who have no clue as to the actual math.

- **Let's put the cost-benefit analysis aside for a moment and focus on what we think are the real issues overhanging the future of VSMs:**

  WHY have so many large companies suddenly decided to pinch pennies on their Annual Meeting of Shareholders - and to chintz-out so badly in terms of the time expended on planning for and producing a good and useful Shareholder Meeting? And to suddenly stop treating so many shareholders with the traditional deference and respect they traditionally got - and deserve to have, we say, as share owners? And to suddenly play "beat the clock" and race through their VSMs… and to make a farce of the question and answer periods, as so many have done this season? And to all of you aiders and abettors out there - don't you realize how much you are marginalizing your own roles?

  The most important thing to think about, we say, as you make your 2022 Meeting plans: How likely will investors be to let so many of these slam-bam events continue unchallenged?

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With All Of The Foregoing As Background, Let's Continue With An Overview Of The Best, Worst And A Few "So-So" VSMs Of 2021 - And What To Learn From Them:

To get a good idea of how to run a well-run, shareholder-friendly and useful VSM, start, we say, with our run-throughs of this year's VSMs of last year's winners - UnitedHealth Group and UPS...

UNITEDHEALTH GROUP's Board Secretary **Dannette Smith** once again guided us smoothly and swiftly through the business part of the meeting, which began promptly at 8:00 local time, 11:00 Eastern - preceded by a photo of a beautiful blue sky for early-birds to look at, some jaunty march music, with happy horns and trilling flutes quietly playing in the background, and a nice welcome from a very well-spoken announcer from **Broadridge-partner Chorus Call**, which flawlessly managed the call-in process and the "audio" for speakers and shareholder proponents.

When the polls opened at 11:05 there were 83 attendees - who grew to 99 by the time the polls closed at 11:14. Adhering to best practices, the company took questions on the proposals and allowed ample time for general questions during a separate Q&A period once the business of the meeting was done. There was just one question on the proposals (whether the metrics for CEO pay were changed due to Covid: No).

Chairman **Andrew Wiffy**'s remarks on the business, and his responses to the relatively few questions received (No expertise on Voting Rights issues - but full support for employee voting) - and on "Increased use of Algorithms and A-I" (increases in investments but high reliance on physicians and clinicians) were crisp and on-the-money.

The meeting was all done in a nifty 28 minutes - without a single glitch, or any rushing at all - and with more than ample opportunities for shareholders to participate in the Q&A. Just over 2 million votes were submitted at the meeting - an unusually high number, indicating more-than-usual shareholder engagement via the meeting app, we'd say - but basically immaterial vs. the roughly 854-hundred-million shares that were voted in total. (Last year there were only 62 attendees, so a nice uptick, and a really negligible number of votes cast at the meeting.)

Do bear in mind, of course, that companies that normally do well on the business side usually have the best and smoothest meetings - and usually the fewest number of shareholder proposals - and the fewest number of "other issues" to deal with. If your company is not like this, start preparing extra-early - like now, we advise.

The UPS Meeting Was Also An Exemplary One Again This Year:

Roughly half of all the meeting matters to be covered had been pre-recorded, and UPS again followed a detailed written playbook - and conducted a full "all-hands dress rehearsal" that made clear exactly who was to do what - and exactly when - which allowed everything to run like clockwork.

Precisely at 8:00 a.m. a telephone operator opened up the phone lines for all key participants, welcomed everyone politely, and clearly, then turned the meeting over to UPS Investor Relations Officer **Scott Childress**, whose opening remarks, introductions of all the key participants and a quick review of the agenda were entirely pre-recorded. Then he turned the meeting over to the Non-Executive Chair, whose opening remarks, and the intros to the first four items of business had all been pre-recorded too. Then he went "live" for the introduction of the five shareholder proposals, two of which were presented live, over the phone, two of which were presented via pre-recorded statements and one - where the proponent was unable to call in at the appointed time for some reason - was introduced by the Chair. There were five shareholder questions on the official business, which was formally concluded only 28 minutes into the meeting.

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Next came "the closing of the polls" - with brief instructions on how to vote or change a vote if desired, then a pause to allow final voting. Then the official closing.

Then, the Inspector of Election (full disclosure; your editor in chief) delivered the Preliminary Report on the Voting (another best practice in our opinion, to have the IOE do this) then came the formal adjournment and a *"transition to shareholder questions [where] we have received several hundred questions and have categorized them into various topics [and] will do our best to address all of the topics raised"* - and an invitation to "contact Investor Relations if anyone submitted a Q that we did not respond to."

We counted 16 topics, all of which struck us as good and mostly "probing" ones - with "politics" and political contributions - and "sustainability" as "top of mind." The Chair answered all of the governance-oriented items, and Carol Tomé, the CEO, answered the business-oriented Qs - all very thoughtfully and thoroughly we thought. Interestingly, there were 106 shareholders on the line at the start of the business portion and the audience grew to 113 by the close of the general Q&A. The meeting concluded, with pre-recorded closing comments by CEO Tomé at 8:52 - comfortably ahead of the scheduled time.

Another Excellent VSM - Which We Failed To Report On Last Year - Was Verizon's May 13th Shareholder Meeting:

Corporate Secretary **Bill Horton** smoothly introduced the three usual management proposals as he did last year, asked if there were questions or comments on each one (there was one, on total CEO pay in 2020 vs. 2019) and disclosed the preliminary votes on each item as they came up, which is a very nice thing to do in our book - as long as there are no close items and where the likelihood that votes at the meeting could change any outcomes, even in a small way, is statistically zero, as at Verizon.)

There were three shareholder proposals; one on Written Consent from **Ken Steiner**, one on Clawbacks, from the **Bell-Tel Retirees**, where there was a question submitted on what IS "misconduct" in this context, and one from retired employee **Jack Cohen**, to Expand Shareholder Approval of Equity Awards, with no questions raised.

During the general Q&A that followed, we counted a dozen of them - on topics like a dividend increase, Executive Comp design, "Stakeholder Capitalism and Shareholder Balance," the "Digital Divide," the Verizon Brand, Stock Ownership Guidelines, Vaccination Policies, Assessment of Board Effectiveness, Media and Entertainment and plans for expansion/contraction there - with the business Qs answered very thoughtfully by the Chairman & CEO Hans Vestberg and the Governance Qs fielded fully and ably by Horton: A very robust 28 minute Q&A period and a very timely adjournment by 10:51.

A very interesting observation - which your editor was able to see as the Inspector of Elections - shareholder attendance, which began at 218 - continued to climb steadily as the meeting progressed - reaching a peak of 270 by the time the meeting ended after 51 minutes. Usually, attendance tends to drop steadily during the Q&A period, unless there are fireworks (none here). Also, only 47 attendees - of Verizon's roughly 1 million retail holders - voted at the meeting (where there used to be box-loads of proxy cards at the in-person meetings) casting around 55,000 votes of the 3.46 billion votes (!!!) cast in total.

ANOTHER BIG WINNER WITH US THIS YEAR - COCA COLA: We visited the "Audiocast" especially to get some insight into a VSM that was powered by Computershare technology and staff, and came away very impressed indeed: 46 minutes of fact-packed content, including a very robust and enlightening Q&A period - although we would have liked to have seen an added call-in option for a company with as many individual investors as Coke has.

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Chairman and CEO **James Quincey** opened the meeting with a pre-recorded statement - delivered in a very crisp and clear British accent - and with excellent audio quality - the best we've heard to date. They also provided a very nifty technological touch - closed captions - that worked to perfection and kept up perfectly with the spoken words.

Like most of the best VSMs we've found this year, the company did an excellent job of leading off with most of the most pressing ESG issues in their business segments - beginning here with Diversity and Inclusion, actions to decrease Packaging and to increase Recycling - and Coke's special 5x20 Outreach to create job opportunities for women. He also noted Coke's 135th anniversary. Cheers for that!

Corporate Secretary **Jennifer Manning** moved briskly through the four items of business, and noted [the Best Practice we say] that the polls would be open until the conclusion of the Q&A period - introducing the three usual ones - Director Elections, SOP, Auditor Ratification - then introducing the proponent of a shareholder proposal calling for a report on Sugar and its Effect on Public Health, where the proponent noted "the high negative impact that sugar has on people of color" and said that Coca Cola "gets a failing grade." Chairman Quincey gave a fulsome response we thought, on company commitments to reducing sugar, year after year, and noted that no added information is needed, in light of the extensive info published annually by an international, independent non-profit authority, **AccessToNutrition.org.**

The first question during the general Q&A period came from a former Coke employee - familiar to many of our readers, we know - **Karen Danielson**, Coke's former manager of shareholder relations. She asked a question that most companies are wrestling with these days; if corporate engagement in political activities - like "making political contributions, or deciding whether to say more, less, or nothing about political issues" - is "worth the risk" - which the chairman answered, as one would expect of pre-asked questions, in a thorough and thoughtful way.

Much as we love to hear totally unexpected questions over an open phone-line - and the way they are answered - we must take note of how much the questions sent in in advance contribute to fuller, more precise, more succinct, more thoughtful, better-worded and far clearer answers.

Quincey acquitted himself brilliantly on every item, fielding additional questions on the business impacts of Covid, Diversity, Inclusion and Equity, providing a brief but fact-filled report on PLASTICS, and Coke's very high and ambitious goals for re-using, recycling, reducing the use of virgin plastics. He ended on a very high note with us - and with other long-term investors too we're sure - by stating that after considering expenditures to maintain and grow the business, "growing the dividend" was Coke's number-one priority...with share repurchases their last priority. AAA+ with us.

PEPSI vs. COKE: After our review of the Coca Cola VSM we figured we should catch up with Pepsico - which has long been one of your editors' best performing investments - but which, sadly, revealed a surprising number of mostly minor but annoying glitches - and one big faux pas near the end.

The Pepsico meeting re-play was preceded by a brief snippet of Baroque Processional Music - which normally we love, but which was scratchy-sounding, and which cut off abruptly. Then came a recital of the stultifying SEC disclaimer language, and here, the sound had a hollow, echoing quality, all of which started us off on an off-note.

Chairman and CEO **Ramon Laguarda** opened the meeting with a pre-recorded message - no video - no photos - but with a very upbeat report on the surprisingly good growth during the pandemic, with an even better uptick in the 4th quarter - all of which he attributed to Pepsi's wide-ranging "Creating More Smiles" initiatives. Way cool! His Spanish accent came as a nice surprise to us too - and a reminder of how important a "global perspective" really is these days. He too did an excellent job of touching on the hottest ESG issues in their biz upfront - their "Racial Equality Journey" that he said would favorably impact 500 million people and "reduce systemic barriers

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to economic opportunity" - their worldwide commitment to "sustainable agriculture" and to reducing greenhouse gas - getting to net-zero emissions by 2030 - 10 years earlier than the world-wide goal - and to use 100% recycled plastics by 2022! Wow!

Next, he introduced Pepsi's EVP, GC and Corporate Secretary who reviewed - in a nicely plummy *British* accent - "How to Vote on the app" then urged listeners to submit questions early and to include their names and affiliations and then to say, "one question or topic per shareholder" - which seemed needlessly restrictive to us as long as the total meeting time was still within bounds. (A quick aside: British accents were almost as common, and as welcome this year as was the unusual abundance of women speakers last year, and again this year, at truly excellent VSMs.)

Then - oh woe - news that the polls would close as soon as all the proposals had been introduced; A bad - and totally unnecessary rule.

And then, when it was time to introduce the first shareholder proposal on reducing the threshold to call a special meeting, **Jim McRitchie**, who was representing **Ken Steiner** - there was dead silence for 15-20 seconds, where normally an "operator" - or *someone* would say without prompting, "Mr/Ms X, the line is open."

McRitchie urged the company to keep the polls open for a "reasonable time" and that failing to do so "made shareholder participation "meaningless" - which we must emphatically agree is true.

The second proponent, on "Sugar and Public Health" also experienced a long silence before realizing that she was on the air. And, even before the 20 second warning that her 3 minutes would soon be up, she raced through her speech and had to wrap up abruptly. We think she deserved a "credit" for the phone delay - and also, that so strictly enforcing a slim 3-minute limit on speaking about complex issues is unseemly - and comes across as downright rude. (Readers, please see our advice on dealing with speakers and wannabe speakers at Shareholder Meetings. Treating them with kindness, and graciousness, and cutting a bit of slack is a "winning tactic" in our long experience. And, after all, they are share owners - who are entitled to consideration - and NOT to a rude-boot!)

The third shareholder proposal was on "External Public Health Costs" - and here again, the proponent had to break a long silence by asking, "Am I on?" - and then had to rush her presentation, and go faster yet at the 20-second warning. But then - a huge breach of meeting etiquette in our book - and a breach of the Rules of Conduct by the company itself, in our book - when they cut her off at 3 minutes, then took 3 1/3 minutes to rebut.

To their credit, the company took pre-submitted questions on board size and composition, targeted payouts vs. performance goals and "reputational issues" surrounding KPMG audits, and auditor rotation, which basically they dodged...Then, thanks to Jim McRitchie, they kindly asked if there were additional questions - and left the polls open for about 26 seconds more - which allowed the nimble-fingered listeners among us a "reasonable time" to change any of their votes if desired.

But in the Coke vs. Pepsi VSM faceoff? AAA+ for Coke and a B- at best for Pepsi - and maybe even a "non-gentlemen's C-minus" where respect for shareholder attendees is concerned.

GENERAL MOTORS, **last-year's number-one VSM by far, slipped to number-5 this year**, due, we think to the departure to **HP** of last year's Corporate Secretary and Meeting Impresario and 'Ringmaster Extraordinaire' **Rick Hansen**. But it was and still is well worth a shareholder's trouble to tune in.

We had to tune in the replay on the Investor Page and were somewhat taken aback to be greeted by what ultimately turned out to be *nine* "50-second docs" - i.e. "commercials" for various GM products and programs like Hands Free

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Driving (where most of the drivers in the exuberant videos had no hands on the wheel at all - which we thought was condoning a legal no-no at worst but rather dumb at best to feature so prominently) and a few celbs - like the highly personable former tennis star **James Black**, now apparently a GM employee, who said, rather incongruously we thought, *"Cadillac wants to raise everybody up"* and Rap-star **Killer Mike**, with a similar message.

(On our first try we logged off, thinking that we were on the wrong page. Then we tried again and hung in for almost nine full minutes until the actual meeting started. A warning notice - or a tab to fast forward - or the abridgment or deletion of the entire series of commercials - which were clearly designed to entertain early-bird live-meeting attendees - would have been a huge improvement to the replay - and a blessed relief to most replay viewers.)

We had been hoping to see GM up its VSM game in light of last year's huge success, but sad to say almost the entire show - all but the Q&A - was taped ahead of time, starting with a disappointingly small video of the very telegenic Chairman **Mary Barra** - at very low volume, even after we pounded our volume+ button to the max - and with no photos of the directors and no slides, other than links to printed materials.

The new Corporate Secretary then took over the business portion of the meeting - and noted that the Board was holding its first in-person meeting since the pandemic began....that very day. Ouch! Couldn't you even flash their photos? Or better yet, get them to smile and wave via a live or pre-recorded Google or Zoom meeting app as they were introduced? Not rocket science as we have been noting - and both cheap - and easy to do!

But GM redeemed itself big-time in our book, by again allowing shareholders with questions or comments to dial in to a queue via a toll free number, which they repeated several times during the webcast.

The Secretary quickly and efficiently went through the management agenda, then had the line opened for **John Chevedden**, who was given 3 minutes to introduce his proposal re; action by written consent. He was very hard to hear on the replay, and likely on the live broadcast too:

Sound-Checks Please, In The Future, Dear Readers - For Both The Live And Rebroadcast Versions!

There were also three interesting sets of buttons on the replay screen, which we noticed and tried out rather late in the game: a tab for LOW and STANDARD Audio - but not the much needed HIGH. There was a somewhat helpful ability to skip ahead to each "section" of the meeting (even though the usual movable bar, to advance or go back, worked perfectly well - and lastly, the weird option to slow the playback rate to .5x (for the slow learners?) or to increase to 1.5x - for the bored, we guess - or to an Alvin-the-Chipmunk rate of 2x.

The second and last shareholder proposal, on Greenhouse Gas Emission Targets, was introduced by a representative from proponent **As You Sow**, who, as best your editor could hear, seemed to tag GM as the only laggard here among eight auto companies, which management did not address in its response.

Another quibble vs. what WE think of as best and required practices, there was no call for questions or comments on any of the five items up for a vote after they were introduced - OR - if there were none, a statement to that effect....and the Secretary, after an announcement that there were 230 shareholders and guests in attendance, moved immediately to announce the preliminary results of the voting, although they very properly kept the polls open until after the general Q&A period... which came after a short, pre-recoded update on the business. (A very pleasant surprise to us when we looked it up in the prior issue of the OPTIMIZER, attendance was up nicely from a fairly robust 180 last year - a handsome jump.)

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The first question was from **Tim Smith** of **Walden Asset Management**, *"A proud owner of a new Volt"* - who threw them a somewhat hard-hitting triple-header of Qs - asking for "a description of your climate lobbying practices"...comments on actions regarding GM's memberships in the Chamber of Commerce and the Nat'l Association of Manufacturers (where official policies were in conflict with GM's)...and a closing softball - on "Policies to support EV infrastructure" (like charging stations) which last, was the only question really answered as best we could hear.

Then "With no other questions in the [phone] queue" - which came as a surprise and a disappointment to us - they took a time-wasting write-in Q on GM's policy on the permissible number of board memberships, where the answers were in the proxy - and two slightly harder-hitting Qs from attendees on the app - the relative merits of **Ford**'s electric pickup truck vs. GM's and the outlook for a shortage of chips at GM going forward...which seems to us to be a problem for Ford, but not, they said, for GM...

Lastly, brief closing remarks and a nice thank-you to attendees: All done, mostly in a very nice manner, in one hour, eleven minutes (not including those opening commercials).

The Citigroup Meeting: Worth A Listen For Flubs To Avoid, Very Good Q&A Periods And - Especially - For A Star-Turn By New CEO Jane Frazer

We wanted especially to attend the Citigroup Meeting this year, and to cast our votes - partly to test the technology and the way Citi used it, but largely to check out the brand new CEO. So we tuned in extra early. Good thing we did! The URL we used brought up so many unrelated sites we were completely buried by them. (Maybe our fault for choosing the wrong search-box? Or browser?) So at 8:49 we started again and found the right page. We entered our control number, as prompted - but No Good! We tried again, eliminating the spaces between the numbers and we were in at long last, only to be greeted by horrible guitar-and-sax music with a maddening tick-tock beat. Over and over. Yech! Then, mercifully, a segué to slightly less annoying keyboard/xylophone music to fill the 10 minutes 'til show-time.

The Independent Chair ran through the agenda, mentioning the other attendees - CEO Frazer, the GC and Corp. Secretary, KPMG partners and the IOE - none of whom, except for Fraser, ever said a single word!

Then he noted, weirdly, for sure, that "Recording is prohibited." (How could one possibly prohibit or prevent this at a VSM? And...DUUHH...a recording is indeed available to all comers - courtesy of Citi - if they search hard enough). Then...a long period of dead air, making us fear we had been cut off completely. Jane must have missed her cue to begin giving "The State of Citi" - and actually, there was no cue that we heard. ***So far, we thought, an awful lot of rookie-errors, and a lot of sloppiness in the overall meeting drill.***

Once unmuted (or could this have been pre-recorded?) Frazer began her remarks in a crisp and highly audible and highly understandable British accent. She cut straight to the chase in no-nonsense fashion: A commitment to have all clients at net-zero emissions by 2050; "Systemic Inequity" as a worldwide problem, where they had committed $1 billion to "Action for Racial Equality" in partnership with the Urban League, and described Citi as "an anti-racist institution." Then - *beautiful music* to the ears of long-suffering investors - remarks on "Closing the return gap with peers" and the need to "Modernize infrastructure" and to "increase talent."

Next came the introduction of the four management proposals and shareholder Qs on them, which were introduced by Assistant Secretary **Shelley Dropkin**, a former **Society** Chair whose voice we recognized, and who did a masterful job of pronouncing a boatload of unusual shareholder surnames. But she, as best we could tell, was never introduced herself! We counted nine, mostly very pointed questions and comments on the size of the board, the "late recognition" of shortfalls in compliance with a court consent order, eliciting a promise of a "Transformation" in the risk-control environment; "Inappropriate rewards" to a mostly unchanged board;

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Clawbacks, in light of "the Revlon fiasco;" a comment that "shareholders have paid the biggest fines" by far; high CEO pay vs. average employees and much-muted references, we thought, to KPMG's audits, given what we'd say is their deplorable track record at Citi and in general. A Season-record, we think, for comments on the management proposals. ***(For the record, KPMG garnered only 88% of the votes in favor of ratifying their appointment vs. the normal "mode" of 98-99% - and that is WITH roughly 18% of the total votes being "gifted to them" via "broker votes" where there were "uninstructed" retail votes, which brokers are still allowed to cast on this proposal. So - in reality - only 70% of the real-shareholder votes were voted FOR the ratification of KPMG's appointment.)***

At 9:39 it was time for the six shareholder proposals to be introduced. One was a new one on us at U.S. companies - a proposal from **Jim McRitchie**, to add an employee director to the board, which, he said was "an opening move, which he would have gladly withdrawn had there been any response from Citi to his offer to engage in a dialog on this." Another proposal, which oddly seems to be spreading, asks that Citi convert to a Public Benefit Corporation. What mentally and economically rational stock holder would ever consent to such a stupid idea, we'd ask. (Good news, it got just 2.5% of the votes, although at UPS, whose employee-shareholders have been very well-rewarded, it managed to garner a scary 3.4% of the votes cast.)

Then came a wide variety of mostly very-pointed questions - 25 by our count - including two from your editor - where Frazer acquitted herself very well indeed. We were extremely impressed by her clarity, cogency and familiarity with the issues - with the *facts* - and with the action plans being put in place. (One of our typed-in questions was why Citi had failed to engage with McRitchie as he had asked them to do, which prompted an apology and a commitment to do so. The other was how many attendees there were (320) and how many votes were cast during the meeting - (a minuscule 35,000).

By 10:40 however, we were praying for an adjournment... which took until 10:48 - nearly two hours from start to finish - to wrap-up and announce the votes: Way too long we must say to stare at one's laptop, even when most of the Qs were good ones - but a huge improvement over Citi's formerly interminable Q&A sessions - and a truly splendid job by the CEO.

Please see out little squib on Betting the Jockey, where, at long last, Citi has a strong one in the saddle). But Oh....Ouch! There was one final blooper in their script - a call for "All in favor?" of adjournment - a motion where there was no one there to vote, and no WAY to vote - and no NEED to vote...but where attendees were told there were "two Ayes."

The Worst Mega-Cap VSM By Far - From Normally Admired Merck: What Were They Thinking?

We were bound and determined to attend the May 25th Merck VSM live, and as a stockholder - in part to observe Chairman Kenneth Frazier, whose statements and actions on racial issues had impressed us mightily over the past year, and in part to vote against one of their very long-term directors who, as a former CEO, was one of the biggest destroyers of shareholder value ever, who clearly does not belong on any board.

We tuned in early, and received a recorded greeting and some advice on what to do if the meeting app went down: "Wait ten minutes." But then what?? Hmmm... In any event, we logged in successfully as a shareholder and felt ready to vote when the time came.

The sound was very low. Our own volume button was maxed out and no further help was in sight on the app. The agenda and photos of the scheduled speakers were so tiny we had to press our nose to the screen and still could not read them clearly. No way to expand or to zoom in that we could find.

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To make things worse, there was an atrocious attempt at "music" - a clangorous and loud piano, insistently banging out the same set of chords over and over: Bang-bang-BANG, Bang-Bang BANG, Bang-Bang-BANG! Not a propitious beginning.

A few seconds before 9:00 came a video thanking employees and describing Merck's Covid-19 response, followed by a pre-recorded "business review" from President **Rob Davis**, focusing on Ketruda, Oncology, Vaccines and Animal Health - and a few words about the spin-off of **Organon**. The speed seemed to be on fast-forward mode and we could barely hear or make sense out of what the speaker was saying, or how this dog's breakfast of undigested and indigestible info came together. And Yikes! This was accompanied by the same, insistent Bang-Bang BANG! Bang-Bang BANG! - which started each section on moderately loud, then got somewhat softer as one section ended and the next section approached, making us think each time that maybe someone was fixing this, but no: Much of the info and all of the Organon discussion was drowned out completely. ***Clearly, no one at Merck was monitoring this pre-recorded proceeding at all - at least no one who might have and should have been able to adjust the speed and volume of the playback - and especially that maddening Bang-Bang-BANG.***

Then came a recorded presentation by Dr. Roger Perlmutter, accompanied by slides that were way too small for normal humans to read, They made his calls for "next slide" a total joke - and were so boring - and so time-wasting - we decided to check out the "additional materials" tab - and lost the meeting entirely.

After a feverish attempt to find the right place to log in again, the Shareholder Login app was DEAD. But, we were able to enter as a guest, and thus became ineligible to enter a question if indeed, there WAS such an ability, since we had seen no tab for that on our first login.

The "business before the meeting" began around 9:28, and here, the audio quality was better, although somewhat scratchy. This section too was entirely pre-recorded until, we think, the comments of the two shareholder proponents - John Chevedden who presented the Steiner proposal on action by written consent - at barely audible volume - and one on "Global Access to Covid-19 Products" presented by a Capuchin Friar who came through loud and clear, after which, at 9:42, the polls closed immediately. No calls for questions or comments, and, apparently, no way for shareholders to make any - and no chance that we saw or heard to vote online. Then came a "Selection of questions" - about seven of them - all pre-selected by the management, with all of the answers pre-recorded.

We were astonished - and very much offended as a shareholder - by the slapdash way this "Meeting" had been put together, and so poorly delivered by a company like the normally admired Merck. All we can think is that with the Chairman retiring after the meeting, and the prospective Chair perhaps preoccupied with other matters - and probably not thinking of this as "His Meeting" - no one really took charge of this carelessly patched together, ill-conceived, badly delivered and inadequately monitored event. (We tried to double-check all of our reporting, only to find (no surprise) that a re-play was not on the company's investor page.)

QUOTE OF THE QUARTER

"I argue that we need a Dow Jones of Happiness that tells us how our nation is doing in terms of engagement at work, trust in our neighbors, life satisfaction and positive emotions"

Edward Francis Diener, PHD; July 25, 1946 - April 27, 2021; *"the leading researcher in the science of measuring happiness, or as he called it, 'subjective well-being'"* as noted in his *New York Times* obituary. Developer of numerous 'happiness measurement' scales and author of hundreds of articles on the subject and, with his son Robert, a "must read" book, **"Happiness: Unlocking the Mysteries of Psychological Wealth"** (2008).

"Betting The Jockey" Via VSMs

One of your editor-in-chief's most revered and important mentors was the late Mark Appelman, who, among his many other accomplishments - as a writer and editor, a much-sought after Hollywood and Broadway "script doctor" - and later, as a much-in-demand top-executive and strategic-planning/crisis management coach - was one of the first securities analysts at a major brokerage firm - and maybe, we think, the first ever.

While Mark was a Graham and Dodd scholar - who knew how to analyze the numbers inside and out, and did - he was a huge advocate of "Betting the jockey" rather than the horse. It's a practice that we favor too, and that has served us very well as investors - helping us to recognize top-talent and opportunities for big growth early-on - and also to bail out quickly, to preserve gains and minimize losses when a new, or newly emboldened "jockey" looks as if he may be recklessly running the "horse" - however strong and powerful it may look on a given day - into a ditch.

This is one of the many reasons that we like in-person shareholder meetings so much - and why we are so wary of "over-scripted" presentations - both at live and virtual meetings - and of pre-asked and pre-selected questions, with their pre-canned answers. And it's why we have been so insistent that companies should give shareholders the ability to call-in with questions at VSMs - and to ask them exactly as they would be able to do at an in-person meeting. The answers give savvy observers a truly invaluable opportunity to size-up the jockey - for better or for worse.

Many of the VSMs we reviewed this season prove our point, we think, where even in the absence of a "live" presentation - and of live, totally unexpected questions at most meetings - the super-star jockeys stand out big-time - as do the less able ones - and where those who do not sufficiently respect their shareholders as they should stand out prominently too, as stinkers.

VSMs on "Autopilot"… Is that Legal?

Several Shareholder Meeting experts have been noting the fact that many meetings this season have clearly been largely and sometimes totally "on autopilot" and musing on whether this is "Legal" - including our friend and fellow meeting devotee Doug Chia, who concludes that it is "a novel & unsettled question."

Doug notes, correctly, in our non-lawyer's opinion, that "When a specific set of people are required to meet to accomplish a specific thing on a designated date and at a designated time, to me that means all of those people have to convene, or be invited to convene, and do what needs to be done at the *same time*, even if it's on a teleconference or video-conference instead of in the same room. As we know, the laws of most states (including Delaware) allow companies to hold a shareholder meeting "virtually" (i.e., with no physical meeting place) if certain requirements are met. But, even if everyone is together only in cyberspace, they still have to be there *at the same time*."

So for starters, the *OPTIMIZER* says that so-called "Shareholder Meetings" that run completely "on autopilot" - AND that do not allow shareholders a "reasonable opportunity to participate" - by being able to ask a question, and get an answer in real time is NOT holding a "Legally Conducted Meeting" - even before considering state laws that make it clear that shareholders must have the ability to VOTE at a Virtual Meeting while the Meeting is in progress…which totally auto-piloted meetings did not allow for at all.

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Doug notes that *"As I've said many times before, there is no legal requirement for a corporation to have a Q&A session at an annual meeting."* - and here we do not quite agree: While there is no "black-letter law," for sure, the idea that a share-owner who comes to a "meeting" to vote could be prohibited from asking "reasonable questions" before voting on "the business before the Meeting" would never be upheld if legally challenged, in our book - based not only on common sense, and on any careful analysis of what a "meeting" *is* - where the ability to speak on the business at hand is a *given*, we say - and has been for 150+ years.

While we agree that the right to ask "general questions" is not really 'a given' from a legal perspective, the question of whether meeting procedures are "legal" or not, is not really the question to be focusing on, however - especially in light of the many breaches of protocol that have occurred this year:

Rather, public companies - and their share owners of every size and description - need to be asking whether the meeting as a whole is properly respectful of the fact that share owners are the owners of the business - and, more importantly, we think, if you are an issuer - how likely they are to rise up in revolt if public companies do not give them what they think is the respect and consideration they have by-and-large received, for nearly two centuries. We say it's a very big risk indeed...

Revenge Of The Super-Stonkers: New Gen-Z Investors De-Pants The Naked Shorts - And "Apes" Pick Their Pockets For $9+ Billion

We think this is one of the most astonishing, important - and least-reported developments on the investor relations scene - where a totally new brand of individual investors have been able to move our markets in major ways. More surprises from the Apes are still to come, we predict.

Who are the Super-Stonkers? A band of super-engaged, mostly first-time individual investors - and mostly rapid-traders in so-called 'meme stocks' or "Stonks" to them: Think **GameStop**, **AMC Entertainment**, **Hertz**, **Bed Bath and Beyond** and **BlackBerry** (remember *them*?) - which most market plungers left for dead - or, more accurately, where naked short sellers were hell-bent to kill them off entirely, so as never to have to come up with the shares they'd borrowed, then sold in waves, to drive-down the prices further - but where they'd never *repaid their loans*. Simply put, they expected to owe ZERO when the Stonks tanked completely, and to walk away laughing.

But hold on: Thanks to the Stonkers' tech-savviness with rapid-fire mobile trading platforms, their expertise as "gamers" - and as expert Internet users - and savvy and super-committed communicators with like-minded peers - and thanks especially to zero-brokerage commissions, and maybe to pandemic-induced boredom too - there are currently about a quarter-million of them, who communicate fast and furiously over **Reddit**. Most of them - as a way to signal their proudly plebeian origins and attitudes as investors in an ironic way - as well as their "tribal affiliation" - refer to themselves as "Apes."

The really big news here, the Apes have thoroughly beaten the old-school short-sellers at their own game: In the first few months of 2021 short-sellers lost over $9 billion (!!!) trading "borrowed" meme stocks - thanks to the Apes, who bought the meme stocks in large and well-coordinated waves, forcing the price up - and forcing the short-sellers to "cover" by buying-in at higher prices than what they received when they sold short.

Another important thing to note, the Apes have begun to call themselves - and to act as - "Vigilante Investors" - and as committed VOTERS - and to get truly amazing results: They have been actively

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and concertedly contacting the companies they own - and the trading platforms, brokers or other custodians that hold their shares - and the regulators too - when they discover, as many of them did - that they had not gotten any voting credentials. Many of the problems have been caused by the fact that short sellers often traded 100% of the "float" or more on a given day - where, thanks to the un-settled trades, there were not enough real shares and real votes to go around. **AMC Entertainment** canceled its May 4 Meeting and set a new record date - and a July 29 Meeting date to allow their true owners to vote. Concerted buying sprees have also allowed many of the meme stock companies to raise considerable amounts of equity capital at good rates. And, thanks to the strong retail-support, the stock prices have mostly held up well.

Many of the Apes were told that their fully-paid shares were "on margin" - and not eligible to vote - whereupon they promptly moved their shares to other agents. A very large number of Apes reside in the UK, or in Germany, Holland, the Scandinavian countries and in Eastern Europe - where they discovered that their agents did not have any systems or procedures in place to cast votes in the U.S. Several custodians moved quickly to fix this when the Apes said they'd move shares - and their business - to other service providers. And now, the Apes have been calling loudly and concertedly for the regulators to act.

Since the mid-1990s we have been writing, and pestering the SEC to recognize the existence of "phantom shares" caused by uncovered short-sales that serve to drive down stock prices - and the related abuses of mostly-invisible but unconscionable "over-voting" that perverts our voting system. Thanks to the Apes, we are staring to believe they actually will act.

For more background info see: r/Superstonk Live - Carl Hagberg, Retail Shareholder Rights Expert - May 12, 2021 - YouTube & Chatter #155 - Carl Hagberg on Naked Short Selling, Counterfeit Shares, and Shareholders Rights - YouTube

Huge News - Number-Two Transfer Agent EQ Sells To VC Buyer: Number Three Quickly Follows: The 'End Game' For The Overcrowded T-A Biz At Long Last?

In something of a bombshell announcement, Equiniti Group PLC - the UK-based owner of US Transfer Agent EQ - announced on May 27 that it has agreed to sell its entire portfolio of business to Earth Private Holdings, LTD - a newly-formed company owned by funds managed or advised by Siri Capital Group, LLC for approximately £673 million (roughly $934 million USD) on a fully diluted basis - a very hefty sum.

Then, on July 6th came a second bombshell: News that Siris Capital will also acquire the number-three U.S. T-A - American Stock Transfer and Trust Company - from Australia's largest private-equity company, Pacific Equity Partners - for a reported $630 million USD.

Most of our readers will no doubt recall that **Wells Fargo Bank**, the prior owner of the EQ U.S. business, agreed to sell it to EQ in the 3RD quarter of 2017 - for $227 million USD - a deal that closed in mid-2018. Quite a short ownership term for sure. At the time, the *OPTIMIZER* observed as follows:

- ***"A major challenge for Equiniti going forward will be, of course, to convince US issuers that they have a significantly "better mousetrap" than their long-entrenched US competitors have, which strikes us as a formidable challenge indeed."*** It was. And this, of course, did not happen. In fact, the need to convert most of their existing computer-systems to US standards - and especially to build US-only applications with the strongest possible crypto-security - represents a very big-dollar investment that hangs heavily over the head of the business.

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- ***"Equiniti is also banking on the idea that they will be able to cross-sell many of their other products and services to US issuers…but so far, we at least, do not see any big synergies in Equiniti's current product lineup."*** This observation turned out to be very much on the money.
- ***"Two last observations; Equiniti's entry comes at a time when corporate mandates to periodically review large outlays are being laid down by a lot of US companies - and where many of the biggest US companies, whose stocks are 'fully valued' these days, are calling for billion-dollar-plus cost cuts to turbocharge their earnings. Many of them seem to be mandating a zero-based budgeting approach across the boards. As a result, the WFB exit will open many new doors for AST and for Broadridge we think - and it's surely not the best timing one could think of for a 'new kid on the block' in an overcrowded playing field."*** Much of this has turned out to be true, although transfer agency RFPs have been few and far between since then - partly because most corporate citizens have been very wary of switching agents in today's clearly unsettled competitive environment - and also because most companies have much bigger fish to fry on the cost-savings front. But also, by decimating its once powerful and well-connected US sales force, EQ has been unable to crack the giant small-company market, which Wells Fargo had studiously avoided. And meanwhile, U.S. and global giant Computershare has pulled up its competitive socks in a major way - toughening up the competitive field significantly since 2018.
- ***"To end on a happier note for Equiniti"*** we noted back then, ***"they seem to be*** [and actually are] ***a major provider of Employee Stock Ownership and numerous other Retirement Plan Services in the UK - an important and growing area where companies are more willing to spend their money, but where US transfer agents have failed to keep up with other kinds of Plan providers. So if Equiniti is able to make the needed investments here, they could yet rule the day in the Transfer Agency wars."*** But yes, while EQ has made some fairly significant investments here in dollar terms, they came to naught, when their inability to compete with the largest and best US providers - Mutual Funds, insurance companies, big brokers and assorted others - became apparent to them as we warned early-on. And, oh yes, they lost even more money by investing fruitlessly in "digital services" - and a poorly negotiated purchase of a small T-A which also came to naught - plus a few ventures into related businesses that barely cover the cost of capital, if at all.

Our initial conclusion was that while the EQ business will be in far stronger hands after the deal is concluded, and while it still has some of the very best workers in the business, where we wish them our very best for success, there are major challenges on the horizon, and some major obstacles for Siri Capital to overcome.

But then… Lo and behold…came the prospective AST acquisition, which will very likely solve the EQ systems issues - and add considerable scale to the combined EQ/AST portfolio - basically tying the new entity with Computershare in terms of the number of clients served - and maybe passing it by a bit. It will also tighten up - considerably - the huge revenue gap that existed between CPU and both the number-two and number-three payers.

Do we think this will mark the "end game" for the serious over-capacity that exists in this still-shrinking business? When only EQ was in the game, we thought probably not. But with the AST business in the pot, we think it's a real possibility. We think that CPU and the upcoming combined Siri entity will have close to 90% of the entire Transfer Agency industry's gross revenues.

Do we think the recent governmental interest in anti-trust issues will stand in the way? With several hundred transfer agents still registered with the SEC, we think not.

The double-acquisition - and the complex integration of people and systems that will be necessary - will, however, be a very daunting task to pull off smoothly and successfully…So readers, "watch this space."

Out of Our Inbox:

MANY MORE INVESTMENT-WORTHY COMPANIES THAN WE THOUGHT EXISTED were revealed by a recent post from **OTC Markets Group**, noting that its **OTCQX Market** just reached a 500 company milestone with addition of its first Danish company, **Astralis**. Their post also noted that "OTC Markets Group operates the **OTCQX Best Market**, the **OTCQB Venture Market** and the **Pink Open Market** for 11,000 US and global securities." (We, and most other stock market listing-observers had been primarily focused on the **NYSE** and **NASDAQ** listings, which had been steadily shrinking, while the OTC MARKETS listings have been quietly growing apace.

A HUGE CROWD OF NEW INDIVIDUAL INVESTORS IN INDIVIDUAL STOCKS CONTINUES TO SOAR, AS WE'D PREDICTED: Through June, individual investors bought nearly $28 billion of stocks and EFTs - and opened 10 million new brokerage accounts, according to **Vanda Research**'s VandaTrack. This on top of the over 10 million new accounts that retail investors opened at brokerage firms in 2020...and the 18 million individual accounts claimed by newcomer **Robinhood**.

GEN-Z INVESTORS ARE MUCH MORE "ENGAGED" AND MUCH MORE LIKELY TO VOTE PROXIES: Individual investor respondents to a recent **Broadridge** survey said that social issues, such as diversity and environmental issues regarding how companies are managing climate change, are the two matters they are most interested in expressing their opinion on through proxy voting. Sixty-seven percent of investors surveyed believe that companies they invest in should take active steps to address environmental concerns, such as climate change, and 62% believe those companies should address social challenges, such as gender, ethnic, and racial diversity and inclusion.

Most notably, the survey found that 46% of millennial investors (ages 25-40), the highest percentage of any generation, say they will vote their proxy in 2021.

INDIVIDUAL INVESTOR UNIVERSE PROMISES TO GROW BIGGER AND FASTER YET AS BABY-BOOMERS PASS ON THEIR WEALTH: As a WSJ article reported, "At the end of this year's first quarter, Americans age 70 and above had a net worth of nearly $35 trillion" - which amounts to 27% of all U.S, wealth and equal to a whopping 157% of GDP - "unleashing a torrent of economic activity [and providing rocket-fuel for stocks, we'd note]...Older generations will hand down some $70 trillion between 2018 and 2142" with $61 trillion going to heirs - increasingly millennials and GenXers - with the balance going to philanthropy."

(Very hard cheese, we say, for traditional transfer agents - who ignored our advice - and our offer of free help - to help them catch part of the giant new waves here - but, for sure, a big boon to Broadridge on the proxy-distribution and voting side.)

AT LEAST 18 COMPANIES WITH QUORUM PROBLEMS CROSSED OUR PATH in 2021... EXACTLY AS WE'D WARNED...due to decisions by **Charles Schwab** and **Ameritrade** to no longer cast "broker votes" on "uninstructed matters" (primarily on Auditors, where we predict the ability of any brokers to vote on this, unless specifically instructed to do so by the account owner - is not long for this world...nor should it be) A few companies eked out votes in the last minute, but several had to adjourn and reconvene their meetings three times!

Readers: Be sure to check the DTCC "Position Listings" as soon as you get them...and to take action immediately if you see Schwab or Ameritrade with big positions. (One client belatedly discovered that Ameritrade was holding 40% of the outstanding shares!) We feel sure that other brokers will adopt a non-voting policy too before next proxy season.

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NEW INDIVIDUAL-INVESTOR GIANT - ROBINHOOD - PREPS FOR ITS IPO - WITH A BIG LOSS, A MASSIVE FINE AND A BOATLOAD OF REGULATORY ISSUES IN THE BACKGROUND: While revenue was up four-fold in the first quarter, they booked a loss of $1.5 billion, thanks to $3.5 billion in new borrowing and big losses in the wake of the meme stock roller coaster ride…plus a record-breaking $57 million fine from **FINRA** and an order to pay $12.6 million, plus interest, to individual investors for a wide variety of infractions. As the *WSJ* noted, their prospectus says “they expect to be the subject of investigations, actions and settlements…and highlighted class action lawsuits related to outages, securities fraud, hacking and the trading halt this year.” And, oh yes, the State of Massachusetts is looking to revoke their license to do business in the state. On a much brighter note for them, however, they currently have 18 million individual investor accounts on the books! Let’s hope they do not continue to live up to their new trading name - “HOOD”

(Note to proxy-system watchers, Robinhood is not a Broadridge client, in a bid, we think, to make up the losses on zero-commissions with proxy processing fees.)

Financial Services Sector Extends Its 20+ Year Support For Mental Health

A quick shout-out to the 11 firms from the Financial Services Sector who have been supporting Mental Health Champion FOUNTAIN HOUSE and its FOUNTAIN GALLERY for over 20 years now.

AST | BDO | Broadridge

Bloomberg | CBRE | ELLEN PHILIP ASSOCIATES, INC. | CT HAGBERG LLC INSPECTORS OF ELECTION SINCE 1962

Innisfree | OKAPI PARTNERS | THE SHAREHOLDER SERVICE OPTIMIZER | WARBURG PINCUS

This year, what was to be a huge 20th Birthday Bash had to be held as a VSM - But no big worries - most of the loyal supporters attended - and kicked in generously to make the event a big success.

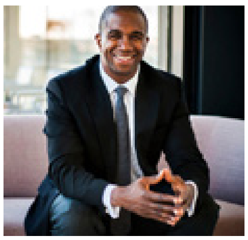
To date - by making part of the event an “End of Annual Meeting Season Celebration” - industry leaders have raised roughly $1.5 million to support the Fountain House artists, where this year, 100 works were exhibited in a “Virtual Art Gallery” and where many of the artists were interviewed along-side of their art works and/or in the Fountain Gallery studio - which the Financial Services Community helped hugely to found and fund.

In 2022 we are moving the date to less-event-crowded February - and will bill it partly as a “Pre-Annual Meeting Season Bash” - and we are already planning on a LIVE EVENT - the biggest and best ever. So please save the date - February 24, 2022 - and plan to attend!

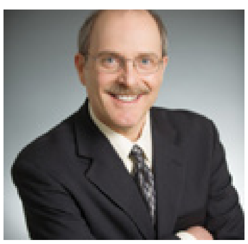
People

We were very pleased to note that industry star **Donna Corso** has been promoted to **Managing Director** at **Morrow Sodali.** So well deserved! Three cheers!

At quarter-end, Morrow Sodali hired tech-expert **Adam Frederick** as **Global President**, a newly created position. He "will be responsible for leading the business and growth strategy with a priority focus on the US and Morrow Sodali's global business lines, including M&A/ Activism and Debt Services," according to their press release. "Frederick most recently served as Co-founder and CEO at **Samurai Data Analytics**, where he led the firm's launch and expansion of an award-winning, AI-driven, financial technology platform that provides proprietary data and analytics to global financial institutions." Earlier, "Frederick was Head of Global Market Intelligence for **Q4, Inc**., where he led innovations in Big Data, AI, and Machine-Learning... As Co-founder and CEO of **Oxford Intelligence Partners**, Frederick built an innovative FinTech and Advisory firm which was acquired by Q4. Prior to that, Frederick was a Managing Director, Corporate Solutions, for **Nasdaq** and held leadership positions with **Bloom Partners** and **Thomson Reuters**.

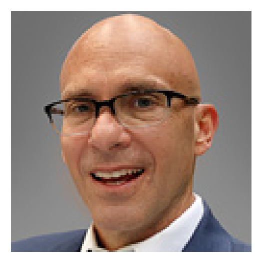


The wonderfully accomplished **Keir Gumbs** will join **Broadridge** as **Chief Legal Officer**, on July 27th where he "will oversee the legal, compliance, and physical security teams and will serve as the primary legal advisor to senior management and the Board of Directors. He succeeds **Adam Amsterdam**, who will be taking his first step toward retirement after leading our Legal function for 27 of his 30 years with Broadridge... Keir will join the Broadridge Foundation Board; Risk Committee; and Environmental, Social, and Governance (ESG) Committee. Additionally, Keir will serve on both the BR 3.0 Team and the Executive Leadership Team" and will report directly to Chairman **Tim Gokey**. Keir was a Partner at **Covington & Burling** LLP for many years, where, among many other assignments, he very ably represented Broadridge. Earlier, he held positions with the SEC, including serving as Counsel to an **SEC** Commissioner. Most recently he served as Deputy Corporate Secretary and Deputy General Counsel of **Uber Technologies**, where he played an active role in their going-public activities.



News from **Patrick McGurn**, the widely regarded Corporate Governance and ESG Guru at **ISS**, who's been a force at ISS since its very beginnings - in his recent LinkedIn post:

"All good things must come to an end. After a quarter of a century of working to build Institutional Shareholder Services into the world's leading proxy advisory firm, I decided my 25th Work Anniversary at ISS was the perfect time to step down to pursue the remaining items on my professional punch list. I plan to stay active in the corporate governance and ESG space, so I look forward to crossing paths with all of my friends."



The irrepressible workaholic **Broc Romanek** has been named **"Strategist"** at widely-regarded law firm **Perkins Coie,** where he lost no time in coming up with a series of posts, blogs and seminars on hot topics in the legal and corporate governance world.

The estimable UK-based **Cas Sydorowitz** has been named **Global CEO of Georgeson**... just as cross-border deals and the increasing globalization of corporate governance trends seems to be gaining steam every day. A wonderful move for "G" we say.

Regulatory Notes… and Comment

AT THE SEC: New Chairman Gary Gensler has gotten off to a very fast start - and with a mighty big agenda - all as we'd expected: beginning with reviews of trading rules, trading platforms, payment for order flow, increasing "gamification" of markets - in the wake losses in the $10 billion "implosion" at **Archegos Capital Management**, massive, volatility in meme stocks, and an explosion of **SPACS**, where $100 billion has been raised in the first six months of 2021, with "insiders" drawing down huge sums immediately and where "It may be that the retail investor is bearing much of these costs," Gensler noted. (*Maybe?* Come on, Gary.)

Gensler also promised to review two of our own pet regulatory issues: the need for far faster and far more transparent disclosures of short-selling, including, we hope, rules to force timely settlement of "uncovered short-interest" (which we have been imploring the SEC to fix since the mid-1990s) - and rules to greatly shrink the time by which investors must disclose accumulations of 5% or more of a company's stock, where he noted that *"Those* [50-year old] rules may have been appropriate for the 1970s, but I have my doubts about whether they continue to make sense given the rapidity of current markets and technologies."

Huge kudos; Gensler very quickly moved to oust the Chairman, and the entire Board of the Public Accounting Oversight Board (PCAOB), whose weak and ineffectual "peek-a-boos" into audit firms we have long railed against here; following an "independent investigation" citing *"bad communications and bad chemistry"*and letters from over 30 former regulators, academics and prominent investors saying (quite correctly) that the PCAOB was *"more focused on protecting audit firms than protecting investors."*

In response to a directive from SEC Chair Gary Gensler, Corp-Fin announced on June 1 that it is considering whether to recommend that the Commission revisit the proxy advisor rules that were adopted last summer – which (otherwise) would require proxy advisors to meet new conditions beginning December 1st of this year – and the Commission-level interpretive guidance that was issued the year before. Meanwhile, the Staff won't recommend enforcement action to the Commission during the period in which the SEC is considering further regulatory action. In the event that new regulatory action leaves the 2020 conditions in place with the current December 1, 2021 compliance date (not likely, say we) the staff will not recommend any enforcement action based on those conditions for a reasonable period of time after any resumption by **Institutional Shareholder Services** Inc. of its litigation challenging the 2020 amendments and the 2019 Interpretation and Guidance.

IN THE COURTHOUSE: Short-seller admits blasting out fake news to tank a stock - repays 'a multiple' of his profits - A "first" we think - as reported in a June 21 article form ***Reuters:*** "A small Texas investor who caused shares of a real estate investment trust to plunge 39 percent in a day has agreed to pay the company restitution to settle a lawsuit against him, a rare development that could embolden other companies to pursue such claims. Quinton Mathews, who published his research on companies online under the pseudonym Rota Fortunae, will pay **Farmland Partners** Inc.... "a multiple" of the profits on his short bet in 2018, according to the terms of the legal settlement... His research had helped wipe as much as $115 million off Farmland's market value....Farmland shares traded around $12.50 on Monday afternoon, up from around $5 after the short campaign....Farmland's litigation against a hedge fund firm that paid Mathews for research, **Sabrepoint Capital Management** LP, continues.

WATCHING THE WEB

Good news this quarter, the FBI knows how to "watch the web" - and managed to retrieve over $2.3 million of the $4.4 million in ransom money that had been paid by Colonial Pipeline to unlock its systems.

Especially worth noting, it was the public BlockChain Ledger that gave them the info (so much for the idea of its 'strong data security') and also, the statement from the FBI that "You can't hide behind Cryptocurrency."

IN OUR NEXT ISSUE: OUR DETAILED "PLAYBOOK" TO ASSURE A SMOOTH, SUCCESSFUL, RESPECTFUL AND REWARDING "VIRTUAL EXPERIENCE" FOR INVESTORS: DON'T MISS IT!