THE SHAREHOLDER SERVICE
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HELPING PUBLIC COMPANIES - AND THEIR SUPPLIERS - DELIVER BETTER AND MORE COST - EFFECTIVE PROGRAMS
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IN THIS ISSUE:

OUR 2010 MEETING SEASON ROUNDUP

WHAT, IF ANYTHING, CAN WE LEARN - TO BETTER PREPARE FOR 2011?

What a surprise! After more than a year of whining, wailing and gnashing of corporate and proxy-solicitor teeth about the loss of the broker vote, the Spring 2010 Annual Meeting Season turned out to have less activism and far fewer unpleasant surprises than usual.

Maybe all that whining and wailing paid off, and made companies and their solicitors tune up their vote-getting act…But just as likely, as Pat McGurn of ISS suggested, activist investors were focusing a lot of efforts elsewhere, on all the new rules and regulatory actions the Dodd-Frank Act will engender. And maybe, as he also suggested in his remarks at a recent SSA conference, most of the big activist objectives have been achieved, since, as he also pointed out, correctly we think, most companies have really cleared the decks of practices that are most likely to draw fire from activist investors:

The average number of votes cast against directors actually declined – by a full percentage point according to ISS stats – to 6% in 2010 vs. 7% in 2009. Only one Fortune 500 director failed to get a majority vote, McGurn said, while 70 directors – a few more than last year, but all from small and mid-cap companies – got less than a majority vote in favor of reelection.

In most instances the "failing directors" were elected anyway, because a plurality voting standard applied: But, as we keep reminding, these numbers don't mean a thing if one of YOUR directors gets dumped on…especially if it comes as a surprise to them. And, despite the *averages*, we saw more small-cap companies than ever before where the no votes and withheld votes against comp committee directors were in the 30% - 40% range. This is really a bad sign, which needs to be addressed when planning for 2011. ***Make no mistake; small and mid-cap companies will be undergoing more scrutiny than ever before - mainly because the big guys mainly "got it" - but those activists need to stay in business.***

Proxy fights were way down too – around 48 vs. last year's 84 or so – mainly due to pre-meeting settlements, which was sad news to proxy solicitors, most of whom were expecting more fights than ever.

Nonetheless, there were a few other warning flags waving, that smart compa-

continued on page 2

SEASON ROUNDUP....*continued from page 1*

nies will want to take into account when planning for 2011: The biggest bad sign from our perspective was the fact that three big companies – **Motorola, Occidental Petroleum** and **KeyCorp** – failed to get their pay-plans ratified in their first year with a Say-On-Pay. With say-on-pay now certain to be mandatory going forward, thanks to Dodd-Frank, and with all 13-f filers having to disclose their votes on executive comp proposals too before too long, and with the provision that companies will have to disclose the ratio of CEO pay to average pay, the focus on executive compensation is sure to increase. But most institutional investors say that they are much less interested in the *levels* of pay than they are in tying comp to long-term performance. So the biggest challenge is simply to get a passing grade on the essay question…and to studiously avoid any plans or perks that might attract the attention of increasingly attentive investors.

Don't be surprised, however, if the level of focus on executive comp suddenly ratchets up – especially if the economy flags or your own results lag: The multiple of CEO pay to average-worker pay is still extraordinarily high by historic standards. And CEOs are still taking an overwhelming share of the pay and bonus pool at most companies, despite earlier calls for "internal pay equity," which seem to have fallen on deaf ears, as have the earlier calls for boards to consider "total wealth accumulation" in awarding pay. Many people say the gross amounts of pay that top execs get at many companies are…simply gross…and asking, "isn't enough *enough* already?" Other executive pay hawks – like Warren Buffett – have also been questioning how much of the profits are really due to the performance of one single person – and whether there are really so many CEO jobs out there that CEOs will "walk" if not constantly rewarded with more pay.

Another issue to watch, and ideally to address up front in next year's proxy statement, is succession planning: About 10 proposals were floated this year for more disclosure on the process, and on the specifics of the plan itself - which is kind of problematic - and the numbers were *much bigger* than first-year proposals usually get; somewhere in the mid-30% range.

Expect investor demands for even more risk-management disclosure…and new calls for crisis-management-plan disclosure…thanks to BP: We think this will be a major "new frontier" for institutional activists and "social and environmental activists"…and probably a *good thing* for investors, and companies too, to focus on more rigorously.

A closing note: There was a noticeable uptick in unruly meetings this year…and a return to picketing and noisy demonstrations (mostly outside the meeting hall, thank goodness) at a level we haven't seen since the bad old days, so be prepared: This is a good time, we think, to read our article below on Meeting admission procedures…and the article on our website about Annual Meeting Security…and to think about Virtual Meetings too – not just as a crowd-control and space-control measure, but as a way to size-up a the hot issues, and to discuss them in a robust and civilized and well-managed way…and to assure that safety - and sanity - will prevail at the physical meeting site.

GREAT NEWS...FRESH COMPETITION TO BRING SHAREHOLDER AND ANALYST MEETINGS TO LIFE...

Computershare Investor Services is now offering a "Virtual Meeting Solution" that will allow issuers to stream audio, live video and to move seamlessly between live-audience broadcasting and "presentation viewing" modes. It also offers a Q&A forum for pre-meeting and at-meeting questions and comments and a secure voting platform for online/real-time proxy voting…all at what seems to us to be a very low price (based on our request for a ballpark estimate) relative to potential savings.

NASDAQ OMX Group also announced a joint venture with **ICR,** "a leading global financial firm specializing in investor relations and corporate communications" to offer "competitively priced live audio and video webcasting and professional support services …on location, at alternative locations and at NASDAQ MarketSite" from their NYC studio, to support earnings conferences, Annual Shareholder Meetings, press conferences, product launches, internal meetings, conference events et al... No online voting capabilities, however, at least for now.

Regular readers will be familiar with the groundbreaking work done to foster Virtual Shareowner Meetings by **Broadridge Financial Solutions**, and subsequently, by **Wells Fargo Shareowner Services.** (See more on V-Ms elsewhere in this issue).

And, in the "small world/three-degrees-of-separation category" we were recently introduced to two delightful people from MIG - Multi Image Group, New York – Scott Kerr and his wife and colleague **Meghan Bourke** who also work in this space. And this reminded us that professional prepping, writing, staging, rehearsing and broadcasting of corporate meetings has quite a long history. MIG, for example, was founded in 1979…And we ourselves worked to bid-out a big, international A-M broadcasting program over 10 years ago - helping our client to achieve a big-six-figure cost saving. **The big takeaway here is that YES, smart companies CAN deliver better and much more cost-effective Annual Meetings… and other "virtual" services to their shareholders…And, especially great news, competition is making it a better and more cost-effective thing to do with every passing day.**

SOME NOTES FROM THE VIRTUAL-MEETING FRONT

So far this season, there have been 20 "Virtual Shareholder Meetings": About half were "totally virtual meetings" – held totally in cyberspace – and the rest were so-called "hybrid virtual meetings" where non-management shareholders were provided with a physical place where they could attend if they wanted to.

We are big fans of Virtual Meetings – because we believe that, when properly conducted, they fulfill our own vision statement as to what public companies should always strive to do: "Provide better and more cost-effective services to investors."

Here are a few statistics and a few notes on meetings in general, which your editor discussed during a recent Forum on VMs hosted by Gary Lutin: (the full conference is available on the Forum website)

- **3,368 Annual and Special Meetings Held between February 15 and May 1, 2010 (Source: Broadridge Financial Solutions)**
- **Broadridge projects that over 13,800 annual and special meetings of shareholder will be held this year**
- **20 "Virtual Meetings" this year, with an equal number projected for the second half of the year**
- **CTH&A Inspectors served at roughly 250 of the 2010 meetings to date…including two "Virtual-Only" meetings and four official "proxy contests" (The two virtual meetings our Inspectors attended and one we listened in on were all conducted quickly - and without a hitch.)**
- **The statistical "mode" re: the duration of the meetings our reps attended was one-half hour: More than two-thirds of them lasted one-half hour or less, and several dozen lasted less than five minutes**
- **Attendance at shareholder meetings was up modestly this year, after many years of year-over-year declines, but at the vast majority of meetings we attended there were fewer than five non-management shareholders in attendance…and in at least 10 meetings our team attended, there were NONE**

These statistics indicate that there are *huge opportunities* for public companies to save money on meeting logistics and on the meeting sites themselves – while making the meeting accessible to a much greater audience than a physical meeting place normally attracts.

We especially like the "investor forum" feature - that allows actual, "system-validated" investors in the company (and non-investors too, if the company wishes to hear from them) to ask questions and exchange views well in advance of the meeting. This gives companies a much better understanding of the things that are truly important to investors. It gives all participants time to formulate and answer questions thoughtfully, and to ask thoughtful follow-up questions. Best of all, the Q&A can be shared much more widely than a physical meeting would normally permit.

We still believe, as we've said from the get-go, that *sometimes* there are circumstances where investors want to speak *directly* to the company management team, and to directors, and to other investors too. But we see no real problems with accommodating such investors - whether they wish to appear at the meeting site in person, or by a telephone hookup, or via a live or prerecorded video transmission.

Two websites to visit if you wish to have a better understanding of the cost-saving and information-sharing opportunities that are out there:

For a "virtual only meeting" – which had only two "routine matters" to be decided (as the vast majority of meetings do), a 92% quorum – and where not even one question was asked - and which took a mere 10 minutes from start to finish, go to ***www.warnermusic.com***

For a wonderful example of how to reach out to - and connect with - a much wider audience than an in-person-only meeting could possibly attract in a cost-effective manner, go to ***www.bestbuy.com***

A RECORDBREAKING NUMBER OF GLITCHES CROSS OUR DESK IN THE SPRING 2010 ANNUAL MEETING SEASON…INDICATIVE, WE THINK, OF A SERIOUS LEVEL OF "INATTENTION TO DETAILS" AND A SERIOUS INDUSTRY BRAIN-DRAIN

Where to begin? This year, through June, your editor and his team of Independent Inspectors of Election attended over 250 Annual and Special Meetings of Shareholders. And in his 30+ years of attending meetings, he has never seen so many oddball situations.

Let's start with one of the most basic requirements of an Annual Meeting; the state law provision – a universal one, we think – to have a properly certified list of shareholders at the meeting and available for inspection. This is the first thing the Inspector should look for upon arriving since it is the Inspector who is charged under most state laws with determining the number of shares entitled to vote at the meeting: Our group attended roughly a dozen meetings where the Transfer Agent failed to send any list at all. At two meetings, the list was not properly "certified" by an authorized officer of the transfer agent as being "complete and correct"…And in both of these instances, there were no TOTALS! At two meetings the list bore a date that was *not* the record date. One list was over a month stale. Ouch!

Of the 236 meetings where there was a certified list, more than a dozen of them had totals that differed from those that were reported in the companies' proxy statements: One very large company discovered that roughly 10,000 names and 9 million shares were missing from the list they'd received. Most of the numerical discrepancies encountered were fairly minor ones however, and most seemed to be due to timing differences, where the company had repurchased some securities around the record date that had not yet settled when the list was prepared. (We have written about this before, and we are constantly amazed at how many different places some companies use to stash their non-voting Treasury shares…and wonder how anyone *ever* proves their books.) A few were due to known "bookkeeping differences" that were, reportedly, in various stages of investigation, and which were, fortunately, not big enough to change any of the outcomes.

At three meetings the differences in the "shares outstanding" were fairly large ones, though still not material in terms of the final outcomes…at *these* meetings. Here, the Inspectors were told they were due to Stock Appreciation Rights, or SARs, or maybe to restricted shares: We ourselves have never heard of holders of *anything* getting *voting rights* unless the shares were "issued and outstanding"…And SARs clearly did not meet these criteria. Nor could we find any "restricted shares" anywhere on the shareholder list. Here, we think the comp-consultants, and their lawyers, simply did not know what they were doing when they drafted the terms and conditions of the SARs. Nor did they recognize that "restricted stock" is *stock*…and *should be* "issued and outstanding" - albeit with a "restricted legend" - in which case, they'd be ON the shareholder list…We will leave that to the lawyers themselves, and their clients to decide. **But in at least one instance there was a large enough number of "unissued" and "non-outstanding" "stock" that was presumed to have voting rights to create an issue if there was a close vote on something.**

At one meeting, our Inspector called the client to warn that there might not be a quorum present, only to learn… "No worries, we have a second class of closely held stock that will assure a quorum." "Who *are* these folks, and where are they mentioned in the proxy statement?" our Inspector asked. (Mentioned in passing on page 198 as it turned out, and not included in the statement as to the number of shares entitled to vote at the meeting!) "And did

continued on page 5

RECORDBREAKING ....*continued from page 4*

they get a proxy card?" (No, as it turned out, but some just-in-time scrambling took place to save the day).
At four other meetings we discovered that there were classes of stock that HAD a vote on some items, but where no proxies had been distributed (mostly because they were closely held, and folks assumed [?] the owners would be there to vote in person.) Yikes!

We encountered one company that had "time-weighted voting" – something that had a brief surge of popularity back in the 1980s – and where the draft proxy statement and proxy card stated the qualifications for extra votes essentially backwards: It took about 10 hours to discuss, then to parse the confusing language of the old bylaw provisions phrase by phrase, before everyone was convinced that yes, the last condition was one of six conditions that conferred super-voting rights…and it did not *negate* the previous five conditions, as most readers originally thought.

At five of the meetings we attended, we discovered multiple and conflicting statements in the proxy statement as to what, exactly, it took to "pass" one or more proposals: At one company, their outside counsel, relying on what the model code for the state of incorporation said, insisted that a proposal needed a "majority of the voting power present at the meeting in person or by proxy"; i.e. the quorum. By that standard the proposal had only 47% of the quorum in favor, and would fail. But if one looked at another paragraph in the proxy statement, the proposal needed a majority of the *votes cast* – and by this standard, and because of the big number of abstentions and broker non-votes there were - the proposal would pass handily, with 68% of the "votes cast" Counsel insisted that the state code trumped the company bylaws…Fortunately, though we did not agree, this was not the Inspector's dogfight. He or she needs only to report the numbers. Then - out of the blue - someone remembered that the bylaws had been amended, well before the meeting, to require a simple majority of the "votes cast" - and that this amendment did indeed trump the model code. A few red faces, but problem solved!

One of the weirdest vote-counting conundrums we encountered was similar to the situation immediately above and involved what we think is an unintentional wording mistake in the NYSE rule book. Here, outside counsel insisted that NYSE rules required abstentions to be counted as "votes cast" (an anomaly that was being aired just then on one of Broc Romanek's blogs, and yes, that's the way the rule reads.) …And counting *that way* would cause the proposal to fail. "It's not really our dogfight," said we, "but if one goes by the *SEC's definition* of a 'vote cast' – or the plain English definition of an 'abstention' – as something that is distinctly and intentionally different than a 'vote cast' – the proposal is passing handily. WE think the SEC trumps the NYSE…but if they, or anyone else object, you could simply delist." Cooler heads prevailed here too.

We personally observed one of the least satisfying outcomes of the season - from both a common-sense and a fairness perspective - where abstainers decided the result: The company, which suspected they'd have a harder than usual time attracting new directors in the current environment, and which was happy with those they had, had a proposal to extend the retirement age for directors by two years. The actual *voters* were heavily in favor of the idea; about 60:40 as we recall. But, because there were a lot of abstainers, and because two institutions that had said they'd vote yes voted no on the morning of the meeting, the proposal was missing the mark by roughly one-percent. The company was able to reach one of two institutional investors, and rather quickly convinced them that a yes vote would be OK after all. But ouch! Because the meeting was already in progress by then – and maybe because the company feared the press might jump all over them for "arm twisting" – of which there really was none – they let the proposal go.

All told, we encountered weird and/or unexpected problems with the "fine details" at 44 of the 250 meetings our team attended in the April-June period - 17.4% of the meetings our team inspected: An all-time record number of glitches in our long experience. As we keep reminding, at annual and special meetings, the devil IS in the details…so let's all resolve to pull up our socks, and make our vendors do so too next year.

TIME TO TAKE A LOOK AT YOUR BYLAWS, WE SAY…TO MAKE SURE THEY DO NOT HAVE CONFLICTING VOTING PROVISIONS…AND MAYBE TO CONSIDER MOVING TO A "SIMPLE MAJORITY VOTE" TO PASS ALL BUT THE MOST ECONOMICALLY IMPORTANT PROPOSALS

A lot of speculation went on last year and this about the potential effect of the "broker may NOT vote rule"…which turned out to be mainly a non-issue for most companies.

But one thing seems clear, as the examples above illustrate: It is increasingly hard to pass *anything* that requires "a majority of the voting power present at the meeting in person or by proxy"…commonly known as the quorum.

It will be increasingly tough to meet this standard as fewer and fewer individual investors vote each year… AND as a growing percentage of the voters who vote on *some matters* decide to abstain on others…And these matters, please note, are typically the "trickier" or more important issues on the agenda.

Quite a few companies have adopted new bylaw provisions of late, to allow a "simple majority"…of the *votes cast*…to decide the outcomes of most proposals, whether proposed by management or by shareholders. It's simple, easy to understand, and to handicap…and to calculate…It is eminently FAIR, we think - and will seem so to most voters too. A few companies we've seen say "votes cast with respect to *the matter being voted on"* which seems even better.

P.S. Most state codes – and stock exchange rules too – recognize that *some proposals* require a higher standard, of course – like a majority of the outstanding shares in favor – in order to properly protect minority interests - and to protect long-term holders from short-term traders and raiders. So clearly, a "simple majority" of the *quorum* – which can be as low as 50% of the outstanding plus one share – is *not* always in order.

"DOFRA", "DODFRA", "DIRECT ACCESS" AND THE "PROXY PLUMBING RELEASE"… GET OUT THOSE PLUMBERS-HELPERS PRONTO!

Whether you call it "DOFRA" as Pat McGurn calls it, or "DODFRA", to give Dodd and Frank equal billing, the Dodd-Frank act passed both houses of congress as we were drafting this issue and will likely be law before we go to press.

A lot of "plumbers-helpers" will surely be needed to push all the "stuff" that's called for through the legislative and regulatory pipelines: A total of 243 regulatory actions will be required, according to a **Davis Polk and Wardwell** tally, with 95 of them flowing into an SEC pipeline that was severely backed-up with "stuff" beforehand.

We are betting, however, that Direct Access will be among the very first things the SEC will enable, now that they have the legislative "cover" – and in fact, a mandate now, to do it. We are hearing that they will take action by August 3rd – and will call for a 3% ownership threshold and a 2 year holding period, which will represent a *modest victory* for common sense vs. earlier threshold proposals – plus an exemption for "small companies" who, clearly would have been the major targets of small-time, short-term-investor troublemakers, looking to use the company proxy statement simply to stir the pot. Most people are now conceding that Direct Access will largely be a non-event…aimed strictly at the most egregiously tone-deaf and defiant companies…though, for sure, there will be a "test-case" or two…and maybe that "stuff-stirrer" **Carl Icahn** will give it a go or two, since it's free.

Meanwhile, the SEC issued its Concept Release on the U.S. Proxy System – which, at a quick glance, seems to be a pretty thorough and useful discussion of what have become known as "Proxy Plumbing" issues. This is a great name, as we've been saying, and a useful analogy, in that it addresses a very old, complicated and rickety system, with many pipelines - many of them with serious clogs and leaks. Fixing it will take hard work. And it will be a very messy and a potentially dirty job…And guess what; just like a real plumbing job, there IS the potential for things to go badly wrong, and for us hapless plumbers to get seriously mucked up if we're not careful. So sit down and read the Release…and vow to follow the discussions that will ensue…and to weigh in with the SEC if you believe, as we do, that some important changes are required. Watch this space for a deeper discussion and some "stuff-stirring" of our own in the next issue.

MEETING ADMISSION CRITERIA – ONE OF THIS YEAR'S HOTTEST TOPICS

So far this year, we've gotten more questions about annual and special meeting admission criteria than about any other topic…except that is, for the perennial question "what's up with those transfer agents?"

The answers, we always hasten to point out, are clearly not black and white ones: Really good admission criteria vary widely in our experience – not only from company to company - and from city to city - but often, from one year to the next…in light of the circumstances that may be surrounding a given company or industry, and sometimes in light of the size and location of the meeting venue.

So we say, think of a broad spectrum of criteria – between the two extreme models for admitting people to the meeting – that we call the "Y'all come" and the "We vet your life" models.

The vast majority of companies that have annual and special meetings follow the "Y'all come model": They tend to be small and mid-cap companies, based in smallish towns, but often with a surprisingly large audience of loyal followers - like employees, retirees, customers – and especially if they're a regional bank or utility, or make some kind of iconic product. Many of them WANT stockholders to come – and want to make it an enjoyable experience – and frankly, whether a big crowd (for them) shows up, or just a few folks straggle in, there's not much need to set up an elaborate vetting or signing-in process.

There are still quite a few large companies however – like Berkshire Hathaway, 3M and Wal-Mart for example – that *want to draw* and *do draw* huge crowds – and where the need for proper admission credentialing is essential, for the safety and sanity of all concerned – but who still want to preserve that Y'all come, welcoming feeling. Many of these meetings are multi-generational outings, with children and grandchildren very often in tow. Typically, there is heavy coverage by the press corps too…And the last thing such a company wants is to vet your life.

The number of "vet your life" companies is on a decided upswing, however: Some of this is due, quite understandably, to post-9-11 concerns for safety…and for the desire to have safe and orderly crowd-control. Many vetting procedures, especially when the meeting is held on company premises, are in perfect alignment with internal vetting and building admission criteria, which is as it should be, we think. But there has also been a noticeable upswing in the number of special interest and protest groups – many of whom may NOT be shareholders, or legitimate representatives of shareholders, and who are there, quite frankly, to disrupt or hijack the meeting.

So here are a few tips and proven best practices to make the vetting and admission process go as smoothly and quickly as possible, and to strike exactly the right balance for your company between being as open and welcoming as possible but also being both safety-conscious and respectful of the rights and privileges or the real owners of the company:

- **Be sure to state your admission criteria - prominently - and explicitly - in the materials that are delivered to shareholders:** A very good place is on the back of the proxy form and VIF, where the time, date and place of the meeting are prominently stated, and where there are directions to the meeting site… and parking info, which always seems to get careful attention.

- **Every person who wants to attend your meeting should, at a minimum, present some form of positive identification and sign in. Ideally, these procedures should take place outside of the general assembly area – which, ideally, should be a separate**

continued on page 8

MEETING ADMISSION CRITERIA.... *continued from page 7*

area from the meeting room itself. Good tips to speed things along; allow people with a pre-printed admission ticket to simply hand it in to an attendant at a spot for "Admission Ticket Holders"… and walk right in. If space is ample and good security staff is in place, and no trouble is expected, *consider* letting guests of admission ticket holders walk in with them too. If employees are encouraged to attend, and if space is ample, allow them to walk in too…as long as they are wearing their security badges. Otherwise, see the next b-p.

- **Have two to three registration tables to properly vet "People Who Need Admission Tickets":** Each such person should be asked to provide personal identification, satisfactory evidence of share ownership, and should be asked to print their name on an attendance roster. Staff should ask if people are "registered holders" or if they hold stock through a bank or broker, or through an employee plan. Registered holders should be checked against a copy of the shareholder list.

- **If people can not be found on the list of registered holders, or are coming as guests of holders, or simply as "interested observers" you need to have a clear-cut plan and clear-cut procedures as to exactly what you will require:** Most companies insist on seeing a VIF or a copy of a brokerage statement, at least for the head-of-household. But if you have good security staff in place, if no trouble is expected, if there is ample seating room, and if a reasonable reason for wanting to be there is offered, you may decide to allow people in without ownership credentials. But be aware that you will have to enforce this policy uniformly. Increasingly, we see such people being turned away – or sometimes directed to a separate TV room – with a polite explanation that *"if we let YOU in, we would have to let EVERYONE in, so, as we're sure you will understand, we can't make exceptions."*

- **In recent years, steadily increasing numbers of people bearing "Legal Proxies" have been showing up at meetings:** Be sure that your admissions-desk staffers are familiar with the way the form looks – and with the fact that once they have shown identification that matches the name on the Legal Proxy they ARE entitled to admission, and they are entitled to speak too.

- **There has also been a recent uptick in the number of people holding "proxies" and demanding admission. Sometimes the proxies are simply signed letters from registered holders, designating a "proxy" of their own:** This is often a sign that the bearer is attending in order to raise an issue that you may not think is a proper matter for consideration at your meeting – or maybe that they intend to "demonstrate", filibuster, or otherwise be disruptive…so have security keep a special eye on them. If the proxy form bears a name that is not that of the bearer, and has not been properly *assigned to the bearer,* it does not entitle the bearer to be admitted. But if a "proxy letter" is signed by someone who can be found on the registered holder list, and delegates voting authority to the person who presents it, it IS a valid proxy, and that person is entitled to speak, we believe, on "matters that are before the meeting"…but only when they are (i) "before the meeting" and (ii) within the guidelines and time limits that the Chair has prescribed.

- **Apropos, a "best practice" in the current environment is to personally hand a copy of the official Rules of Conduct to each and every person who is admitted to the meeting room:** This document should, among other things, put attendees on notice about the rules for being heard…and the rules for being ejected from the meeting for failure to observe the guidelines.

- **Admitting the press:** In the old days, most of the larger and better known companies would have elaborate press rooms…with lots of phones and fax machines, copiers, and audio and sometimes video feed…plus coffee, snacks and other amenities. Today, of course, reporters are all on their IPhone, texting

continued on page 9

MEETING ADMISSION CRITERIA.... *continued from page 8*

away… if they're there at all. Nonetheless, we have been surprised at the number of meetings we go to where press coverage is strictly verboten. But please note well: such strictures often backfire on companies big-time - by sending a signal that the company has something to hide, as often they do, which makes the press look harder for it. But really, there is no reason why the press can't stay in their press room – and clearly, a lot of troublemakers act up even more if they can play to the press, so keeping them in the press room makes good sense. And back to those IPhones and other gizmos: shareholders DO have privacy rights, and should not be recorded, or have their pictures taken without permission at a shareholder meeting…So ban recording devices, cameras and, of course, cell-phones in the on-position…for ALL meeting attendees.

- **REALLY vetting people's lives:** Sometimes, current circumstances make it prudent for prospective attendees to go through a metal detector…And sometimes, as noted earlier, this is in accordance with normal company procedures. No one really minds a security agent who looks through briefcases or purses anymore…and big items really *ought to be checked* …and stored in a checkroom. But do this in a cheerful and super-courteous manner, please. The last thing you want attendees to think is that you're scared of something. Another thing we like to see where there's a big and/or potentially troublesome crowd - having *everyone* wear a badge, once they're properly vetted.

WATCHING THE WEB:

One real smart thing, one kinda scary thing and one really dumb thing crossed our desk last quarter… Re: the web that is…

- **RAGAN.com** emailed us some superb info about **Pepsico's "Sound Bites"** and what Pepsi believes is the "perfect formula"; seven minutes of four to five interesting, conversational questions and answers with company leaders or topic experts. Regular surveys say that a whopping 91% of listeners find them useful and, while most employees listen at their desks, the number of IPod listeners has risen to 14%. What a great and highly cost-effective way to communicate with shareholders and with other affinity groups too, we think - and to develop a real following here!

- **Here's the scary item: How about "XBRL Spy for the IPhone"???** Now in beta testing, this gizmo will let you "follow, discover, track and share the financial information found in US SEC Corporate Filings" according to their press release…and, yippee…have even less phone-free and work-free time than you have now! (Thanks much to fellow Linkedin Shareholder Notice and Access member **Elizabeth Gooding** of **Insight Forums** for this tidbit).

- **And how's this for *really dopey*: The Library of Congress,** "the 210 year old guardian of knowledge and history," in the words of *New York Times* reporter **Steve Lohr,** "will archive the collected works of Twitter…whose users currently send a daily flood of 55 million messages…"

QUOTES OF THE QUARTER...

"Whenever you have a lot of money, a lot of change, little or no transparency, and therefore, no regulation, you have the potential for a market disaster. That's what we have in high frequency trading."

Senator Edward E. Kaufman, Democrat, Delaware…speaking of the flash-crash in the New York Times

"We need to ensure that SEC officials are more focused on regulation and enforcement than on getting their next job in the industry they are supposed to oversee."

Senator Charles Grassley, Republican, Iowa…in a June letter to the SEC's Inspector General, calling for a review and tightening up of the SEC's "revolving door" in the wake of a top Division of Trading and Markets official's departure for a high-frequency trading firm.

MORE FROM OUR IN-BOX…
SOME SCUMMY STUFF ON THE "SUPPLIER SCENE"

One of our readers from the supplier universe called last quarter to rat-out a competitor for a really scummy abandoned property scam: He - an abandoned property "finder" - and the subject company's Transfer Agent - were both bidding for the business of one of the few companies left in America that had never complied with any state escheatment provisions. As a result, the company had over $20 million of abandoned property on its books - mostly in the form of un-exchanged or un-received stock - and was looking especially for "forgiveness" of any potential fines and penalties that states might well impose on them.

The T-A rep told them; "Do not do *anything* to locate the lost shareowners. We will escheat everything and get the states not to impose any penalties or fines." What they did NOT mention was (a) that they themselves stood to collect 4% - 6% or so of the value of the property that would be escheated…as much as $1.2 million (!)…and (b) that the company might well be liable for damages, down the line, if the true owners were to come forward - and were no longer able to collect any price appreciation that may have occurred in the interim, as is usually the case – and were able to convince a judge or jury that the company had a fiduciary duty to "do right by them"…and failed to do it. ***This, dear readers, is an example of the blatant conflicts of interest – and of the abject failure to make proper disclosures to corporate clients – that the SEC has been noting in this area, and promising to address… for over 10 years now. P.S. We're told the good guy won here.***

Another supplier – a Transfer Agent this time – called to rat-out a competitor that was trying to hold a company's toll-free number for ransom: The company in question was moving its TA business from the real rat to the ratter-out, and wanted, of course, to keep its long-standing toll-free telephone number. The old TA wanted $20,000 to transfer the number (!!)…OR…get this, $5,000 a month to host a message and reroute any calls to a new number. The corporate client, coached by the new TA, pushed back with vigor: After all, THEY had paid to obtain the number…it was associated with THEM…and THEY had paid all the phone bills, and probably then-some…and the TA ultimately caved. ***What deafness and dumbness to the real world of ruthless TA competition made the rat-T-A think they would get away with this? But guess what…they tried the same thing on another lost client the very next month! That client pushed back successfully too.***

So caveat emptor when changing agents…since the rats must be stealing the cheese at least some of the time, or they'd give up trying. But the news is out there, and in this industry it will travel far and wide...and people will soon know who you ARE you dummies. And what do you think this says to the world about your corporate culture, and your sense of ethics?? Scary!

ELSEWHERE ON THE VENDOR SCENE…
BIG DOIN'S IN PROXY-LAND:

Proxy superstar John Siemann has left Laurel Hill Partners to form a new company, "Phoenix Advisors, LLC", taking 20+ staffers with him, including the long-term and indefatigable industry veteran **Tom Cronin** and "man-about-town" and reorg expert **David Bobker**. As noted in our last issue, Laurel Hill took off like a rocket under Tom Kies, who recently left for AST, and Siemann – growing from a standing start just two short years ago to a 125-client powerhouse, serving 15% of the Fortune 500.

Laurel Hill lost little time reacting; promptly hiring **Sam Berrios** – a veteran of **Alex Miller's** old **Shareholder Communications Corp**. - and **Georgeson** - which Al, and "Shareholder" acquired way back when, before re-selling it - and abandoned property expert **Wilton Davila** – also ex-Shareholder-ex-Georgeson…and both of them now ex-**Talon Financial.**

PEOPLE:

James Alden, the younger, has changed his business affiliation and address ...to the **Keane Organization,** where he'll continue to work from the west coast, in sales. As we told Jim's boss, and his well-known dad too, young Jim has "it" – and Keane is sure lucky to have found *him* for their search and other businesses.

Iris Brown, *another* of the best-known and best-liked people in the lost-shareowner space, has had an "address correction" of sorts too… and can now be found as a Vice President at **Venio**…Those lucky "finders"…She has "it" too in our book.

As predicted in our last issue, two of the top people riffed by **BNY-Mellon** in the first quarter (and both with big "it factors" too) landed great new jobs well before the second quarter was over: **Barbara Robbins** and **Ed Timmons,** well-known and well-regarded relationship managers both, were quickly snapped up by **AST**. Barbara is now running a new AST office in Texas, to help them "grow [their] footprint from Florida across to Texas and up the middle of the country to Chicago" and Ed will serve as SVP Strategic Planning, reporting to **Tom Kies.** AST also hired the dapper **David Weeks** (who has a lot of the "it-factor" too) from **Laurel Hill** to help build their southern business base. Barbara and David will report up to **Ken Staab**, the head of sales. In mid-June, AST also hired **Bob Carney, Sr**. – a 30-year veteran of ***Mellon Investor Services*** – who came aboard as Executive Vice President of Product Management. "Having Bob on our team represents a real coup" AST President & CEO **Mark Healy** crowed in the press release. "His knowledge…gives us a huge competitive advantage going forward…"

BNY-Mellon added a senior industry veteran to its own team: **Lennie Kaufman**, the former head of the **Wells Fargo Shareowner Services** business, and a very popular guy, who'd been mostly "on the beach" the last few years, has signed on as Manager of Transfer Agent Services for their 17-state Central Region where he will manage staff in Chicago, Dallas and St. Louis from his base in Minneapolis. .

Broadridge Financial Solutions landed *another* of our favorite people in the TA industry to its roster; ***Marlayna Jeanclerc***, formerly of the top-rated-former-T-A, **National City**, to fill out the Broadridge T-A team.

David Smith - who served as president of the **Society of Corporate Secretaries and Governance Professionals** for nearly 20 years - the longest-serving president in its history - stepped down in July at the Society's national conference, where he was awarded the Society's highest honor, the **Bracebridge R. Young Award**. Topmost among his many achievements; his early recognition that Corporate Secretaries needed to be recognized as Governance Officers, the successful re-branding of the Society (without which, we think there would be NO Society today) and, once he was given a green light, a major increase in the Society's traditionally quiet and mostly under-the-radar advocacy efforts. David, a lawyer and a former Corporate Secretary himself, can get a high-level hearing at every public company in the country, we think, so we will be watching with interest for his third career.

Steve Walsh – another person that almost every public company in America knows from his 30-year stint at the NYSE – has joined **Mediant Communications** as their Director of Industry Relations and Industry Affairs. Just in time for the proxy plumbing debate…where Steve has long been actively engaged.

We are deeply sorry to report that **Tom Newton** – the veteran Shareholder-ID and DRP/DSPP expert at **Computershare** for many years – and a *young veteran* – passed away in June after a courageous five-year battle with ALS. Donations in his memory, to fight ALS, can be made to ALSTDI (www.als.net), Ride for Life, where Tom rode regularly (www.rideforlife.com) or A Midwinter Night's Dream (www.amnd.org).

Many readers will also remember the inimitable T-A veteran **Henry (Hank) Walsh**, whose career began in the pre-computer era, soared during the paperwork-crisis era and who passed away in June. Hank wore his heart and soul on his sleeve for **J.P. Morgan**… and for the **STA**…and for "his" customers in a business he truly loved…and for his family. Condolences may be sent to his family at 28 Inverness Lane, Jackson, NJ 08527.

REGULATORY NOTES...and comment

ON THE HILL...

Congress is *singing*: "Dofra, Dodfra, gimme a piece o'pie f'a… a few moments of my time, you tender and delicious lobbyists" who, reportedly, are swarming like flies on a pie on a hot DC day…in light of all the tinkering, legislating and deal-making that DoFra/DodFra will generate.

AT THE SEC...

Reacting to the Flash-Crash, Chairman Schapiro and the staff moved fairly quickly to come up with new circuit breakers – that have already been tripped three times by fat-fingered flash traders – and a scheme to give "identifying numbers" to flash-traders that rent seats from brokers with real capital, in order to track their trades…post hoc, it seems…Plus… a plan to build a data-base that "would allow us to rapidly reconstruct trading activity and to quickly analyze both suspicious trading behavior and unusual market events," Sorry, but it sounds like pie in the sky to us - with a multi-billion-dollar price-tag, and a delivery date nowhere in sight..

The 300 staffers charged with reviewing IPO filings will now go back to reviewing all of them, according to Corp-Fin Director Meredith Cross…after the *New York Times* ran an expose on nine Russian and Ukrainian based IPOs with no revenue, no operations and no assets, all launched without an SEC look-see. Remember the NINJAs? (No income, no jobs, no assets) …Maybe, in light of the heavily ex-commie management teams and styles, these IPOs – and their SEC watchers too – oughta' be branded as the "NinComPoops"

Hedge-fund Pequot Capital and former owner/advisor Arthur Samberg settled SEC charges that they'd hired away a Microsoft employee and traded based on inside info… for $28 million…A case against the employee is still pending…**Moving to cover its own shabby record…the SEC then settled a $750,000 claim from the SEC employee who was fired for failing to back-off the original Pequot investigation.**

Each of the original 33 porn watchers still on staff has "been disciplined or is in the process of being disciplined. Some have already been dismissed"… according to an SEC statement in April. No other details have been published about how many *were* still on staff, or how many got canned…and - really poor disclosure - no info as to whether any of the porn-addicts *liked* being disciplined…

Still more flak from the Inspector General: an examination of the SEC's bounty system led to nine recommendations on how to explain, expedite, and better incentivize the whistle-blower program, and track progress…Another report, on the Ponzi scheme run by **Allen Stanford** of Texas, indicated that the SEC had info on the scheme for ten years (!) before taking action..and concluded - four times between 1977 and 2004 - that Stanford's business was a fraud…but did nothing…except, that is, for the SEC investigator to try to get hired on by Stanford himself!

But a good day in May, as the SEC collects $450,000 from Goldman Sachs (split 50-50 with NYSE Reg.) for Goldie's repeated failures to borrow or buy-in shares to cover short positions.

IN THE COURTHOUSE...

The Supremes rule…on several big cases; saying that **Peekaboo** (aka **PCAOB**) is constitutional, after a few small tweaks they made themselves; that "business methods" are patentable…sometimes…and Ouch! They send back to appeals courts a bevy of high-profile convictions…folks like **Jeff Skilling** of **Enron** fame, **Richard Scrushy**, ex of **HealthSouth,** and ex-governor **Don Siegelman** of Alabama…because of issues they found with state "honest services" laws.

A Denver-based lawyer filed suit against the SEC in Denver Federal Court, accusing the agency of violating federal law by not disclosing the names of 33 current and former employees who were viewing porn on the taxpayers dime…and demanding the names.

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