THE SHAREHOLDER SERVICE

OPTIMIZER

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

VOLUME 20, NUMBER 2 OUR 20th ANNIVERSARY ISSUE - PART 1 SECOND QUARTER 2014

IN THIS ISSUE:

THE SHAREHOLDER SERVICE
OPTIMIZER
is published quarterly by
CARL T. HAGBERG & ASSOCIATES
P.O. Box 531, Jackson New Jersey 08527-0531
SUBSCRIPTION PRICE: $300 per year
Questions, comments or letters to the editor about material in this newsletter are also most welcome.

Telephone (732) 928-6133
Fax: (732) 928-6136
E-mail: cthagberg@aol.com
www.optimizeronline.com

A QUICK LOOK-BACK AT "SHAREHOLDER SERVICE", "SHAREHOLDER RELATIONS" - AND THE SECURITIES INDUSTRY AS A WHOLE OVER 20 FAST-CHANGING YEARS – ALL LEADING UP TO TODAY'S "GLORIOUS DAYS OF THE CORPORATE GOVERNANCE MOVEMENT"

Your editor found it almost hard to believe that he has been editing and mostly writing The Shareholder Service OPTIMIZER for 20 years now. Testimony, we guess, to his innate stubbornness, but equally due to the fact that trying to "optimize" the time and money spent on providing services to shareowners IS an important thing, he believes. And the total dollars spent on such services – while much, much less than what companies were spending in 1994 – are still mind-bogglingly large amounts.

So we thought it would be a good idea to "follow the money" over the past 20 years – and how our mutual priorities – and the corporate and supplier-community budgets of time and money have shifted along the way – to see what lessons we might learn. This will be the first of a two-part "Anniversary Issue" – the second to come as part of our year-end special supplement, when we can devote more space – and we hope, more time to graphics, and to our "History" section than we usually do in our quarterly issues.

The first thing that strikes us as we look back is how much bigger the shareholder servicing business was 20 years ago, both in terms of "units of work" and in terms of the number of "suppliers" of various services it supported: Back in 1994 there were well over 100 million registered shareholders, vs. fewer than 40 million today – a number that continues to shrink by 5% or more per year. There were also about 8,500 'investment-worthy" public companies back then, vs. only 5,000 or so today, thanks mostly to M&A and "going private" activities.

Virtually every interaction one had with the hundred-plus million – plus the 200-plus million street-name holders (a number that has

continued on page 2

stayed relatively stable over the last two decades) involved printing and mailing paper documents of one sort or other – which generated truly mind-boggling "units of work" – mostly intensely labor-intensive and accident-prone work – and monstrously large piles of printed matter: The 100 million or so registered holders gave rise to about 150 million stock certificates per year back then – all typed-out, folded, inserted into envelopes and mailed, mostly by hand – to fulfill transfers of ownership. Today, thanks to book-entry-ownership programs, we doubt the entire industry issues even a million certificates a year.

Come annual meeting time, the AT&T annual reports alone required eight jam-packed railroad cars, and sometimes more, to transport them to the mailing-house…And that's before the then separate Notice of Meeting and Proxy Statement, a paper proxy card, return envelope, outgoing envelope… and usually a 'stuffer" or two were inserted into the big fat packages and mailed out, usually by first-class mail.

Almost every public company also mailed three quarterly reports to shareholders back then, usually stuffed in with a paper dividend check, since ACH transmissions were new, and kind of scary to most shareholders back then. But one of the "hot new products" in the early 90s was a toll-free number that interested shareholders could call to hear a recording of the Q-R read to them in lieu of getting a paper copy! (This May we were startled, but actually pleased to receive an old-fashioned quarterly report in the mail - from a nice, smallish and very shareholder and customer friendly "regional bank": The first printed QR we've seen in over 15 years!)

No surprise, there were dozens and dozens of financial printers back then vs. the scant handful of big printers today – most of them making a very fine living, printing and sometimes mailing all this stuff, while racing the clock and charging "premium prices" to do so. Several of the biggest printers had luxurious hotel-like suites, open bars and fine kitchens and kitchen staff on site for the frequent "all-nighters" involving company officers, inside and outside counsel and a passel of paid advisors, proxy-chasers, etc. that an IPO or tender offer or proxy fight would give rise to. They would all review the "proofs" – quite literally hot off the presses – mark them up in pen, and wait to review the "corrections" – which took more time, and for which companies paid through the nose, since the "word-processing software" we take for granted today was not available to printers, much less integrated into the printing process back then.

Back in the 90s, there were over 1,000 SEC-registered Transfer Agents – and while today, there are still a few hundred left, the six biggest agents have 87% or more of all the "units of work" – and oops, in June the six shrunk to five. (And what we think was the old seventh-largest TA just got shut down by the SEC and "rescued" by the number-three agent, as you'll read below…And, sorry to say it, we feel sure that consolidation will continue in this business, simply because there is not enough work to go around.)

Another huge change in the shareholder servicing/shareholder relations landscape has been the mega-shift in share ownership - and the "institutionalization" of the overall stock market, that began in the late 1970s, when individual investors owned over 70% of all outstanding equities, but accelerated rapidly in the '90s and into the Y-2K era until today, when institutions own 60% to 70% of all equities and often own 80% or more of our largest-cap companies.

This, of course, has wrung much of the "busy-work" out of the shareholder servicing businesses, while forcing companies to pay more and more time and attention to the desires and demands of institutional investors.

Another big change; while even into the 1990s, an individual investor complaint would cause public companies and their suppliers to jump into action at once - today's Moms and Pops 'don't get no respect' from the powers that be at many companies, which is a sad thing, and a bad thing we think. A very troublesome but not surprising side effect here, individual investors – who still own over 30% and sometimes as much as 50% of some public companies – and who used to vote proxies for over 70% of their holdings, almost always for the management positions – are currently voting only 27% of the shares they own, and the number keeps dropping

every year. Meanwhile, institutional investors vote almost 100% of their shares – especially if they have a gripe. These facts, plus the fact that the very best companies still do give their "retail" and customer and retiree-investors the respect and attention they deserve to get, gives us a bit of hope that the tide will eventually turn, but most days we're more skeptical than not.

The biggest single "disrupter" of the status quo over the past twenty years – by far – has, of course, been the Internet, which in 1994 was literally in its infancy: It was used almost exclusively by "computer geeks" and "techies" – and was viewed with pure terror by most folks over 39 – which most shareholders tend to be. No e-mailing or web-surfing for them! No "self-service websites" either, which today resolve over 60% of all shareholder inquiries, and fulfill about the same percentage of requests for "forms" - when the company and its TA are on the ball. Notably, there was no "Notice and Access" back then either, which has wrung literally billions of dollars out of prior printing, paper and postage costs.

But the biggest impact of the Internet in the lives of corporate citizens, as we correctly warned here over ten years ago, has been the abilities it gives investors to instantly and inexpensively search out, sort, and evaluate data on virtually every metric of corporate success – or failure to succeed….and…to enable interested investors to communicate, swap notes and coordinate with one another…which has given rise to the "Glorious Age of Corporate Governance" that we find ourselves coping with today.

One of the biggest changes that strikes us right off the bat is that back in the 1990s, no one we can recall ever talked about "Corporate Governance": Most of the corporate and shareholder proposals on the A-M docket were driven by a relatively small handful of specific "issues du jour," rather than by an ever-evolving series of over-arching ideals as to what "Good Corporate Governance" should encompass, as is the main mode today.

Today of course - and another really huge change - "Corporate Governance" has turned into a mega-industry of its own – with literal hordes of governance raters, writers, raiders, commentators, data-compilers, legal and tactical advisors – all clamoring for attention…and for a mighty big new pile of fee-based and deal-based income. Not so surprising under the circumstances, the proxy solicitation and proxy advisory businesses are the only segments of the 1994 supplier universe that have actually grown in numbers over the past ten years, although here too, the field has become overcrowded, and is already beginning to shake-out, and separate the wheat from the chaff, as we have been predicting.

Most significantly, while yes, we had lots of "raiders" and "green-mailers" back in the 90s, "Corporate Governance Issues" have become a major tactical wedge for all sorts of "activist investors" who are hell-bent to squeeze more money out of public companies – often with no regard at all for longer-term investment considerations.

Please note that this has not necessarily been a 'bad thing' at all for most corporate citizens who are involved with the care and feeding of investors, as most of our readers are: We like to tease our many Corporate Secretary friends that "If it were not for the Corporate Governance movement, you'd still be sitting in the back of the room or against the wall, silently and anonymously scribbling notes for the minute book."

But the biggest change the Internet and the "information age" has wrought in terms of public-company lifestyles, and those of their suppliers too, has been in forcing public companies to focus more intensively on the 'metrics' of their businesses, and those of peer companies – and on being sure to hit one's short-term targets – which, sad to say, has forced many public companies into adopting an excessively defensive, short-term focus. Around the year 2000 we began to remind readers that the overriding corporate imperative is "to do more with less" – and this imperative continues to impact virtually every company and every corporate citizen we know.

Among the scariest things we see these days are corporate people being seriously over-stretched and over-worked; more and more "early retirements" of key employees; minimal and often no "information transfer" at all to their successors – and, far too often

continued on page 4

continued from page 3

for comfort, key jobs being sliced and diced into smaller pieces, and parceled out to existing, lower-level workers…with no one left who is able to see, much less deal with the 'big picture"… all of which equates in our book to a "penny-wise, pound foolish" scenario that is good for no one, and that is actually quite dangerous to corporate good health.

There's a big upside to all this, however, in that "optimizing" one's always scarce resources is more important than ever – And Lord knows, there is still more room for optimizing than there are people with the time and know-how to optimize on their own! So we guess we'll keep on truckin' for as long as our eyeballs and brain cells hang in there.

A QUICK OVERVIEW OF THE SPRING 2014 ANNUAL MEETING SEASON: "THE YEAR OF THE ASSOCIATES"…and SEVERAL SCARY INSTANCES OF INVESTORS 'USING THE CLOCK' TO TAKE COMPANIES BY SURPRISE…and OOPS…HOSTILE TAKEOVER ATTEMPTS ARE BACK

On the whole, the 2014 Spring A-M Season was a mostly uneventful one for most companies we are happy to note.

One odd development; we saw more companies change their usual meeting dates, and sometimes their meeting venues, or even cities, than we have seen in 30 years: At least 50 companies that we know of, which created almost as many scheduling scrambles. We're still not entirely sure why the big numbers of date changes – especially since directors' dance cards are so hard to change. Something about the calendar? Maybe some well-laid plans to pile onto those second and third Tuesdays and Thursdays in May, as a "gadfly-proofing" tactic?

Another noteworthy takeaway; small-cap and micro-cap companies were among the "leaders" in getting dangerously low, 70% or lower votes on 'selected directors' and on says-on-pay, exactly as we have been predicting, now that so many of the large-cap companies have made their peace with the Corporate Governance crowd.

Perhaps the best Season-Sum-Up we heard, and one that sure accorded with our own experience, was from a major proxy solicitor who described 2014 as "The Year of the Associates." Partly it may be because Inspectors of Election from the CT Hagberg LLC Team served at so many small and newly-public companies, but we've never dealt with so many total newbies to the world of Annual Meetings – on the corporate side, the outside counsel side – and on the proxy solicitation side. Not a bad thing at all for us – or for the proxy solicitor that coined the phrase – but it sure generated more than the usual number of mostly minor bumps in the road, and we do think caused many of the low-vote-getters to be taken somewhat unprepared.

The most noteworthy development of all – and something we urge readers to watch for – and to prepare for in advance as best they can – an unusual number of instances where investors with "agendas" used the clock to take companies by surprise, within a week or less of their scheduled meeting date. See the stories below for some details…

Very much apropos, and sorry to end on a downbeat note, but…Hostile takeover bids are back in a big way, along with a steady stream of successful attempts to oust sitting directors: After eliminating **Pfizer**'s huge but unsuccessful unsolicited bid for **AstraZeneca**, hostile offers accounted for 7% of global offer deal value so far this year…with **Valeant Pharmaceuticals** many-pronged attempt to take over **Allergan** currently leading the pack dollar-wise. And, according to the **FactSet Shark Repellent**

database, there were a record 16 campaigns to unseat directors in the first two months of 2014 where the activist was granted a board seat.

These may seem like smallish numbers to you, percentagewise, but if it's your company under the gun, your meeting, as we always say, is the only one that matters…So do be on guard, and do get your team well prepared for the unexpected, we say…just in case.

OUR TOP-THREE 2014 ANNUAL MEETING HORROR STORIES:

SIGNS OF THE TIMES, TO NOTE WITH CARE, WE SAY

No matter how well your own Annual Meeting went this year, these three little stories, which your editor and a very distinguished panel of experts shared with attendees at the recent Society Conference in Boston, will surely make you feel even better about it – and mighty grateful that you were not involved.

Two of them have an important element in common - "using the clock" to take the company by surprise, just before the meeting date – and the other provides yet another reminder – to choose – and to monitor your key suppliers with special care these days. All three surely illustrate the importance of our own, oft repeated Meeting-Mantra: "Hope for the best…but always be prepared for the worst."

- **Our first little horror story was mentioned briefly in our last issue, where on a Friday night on the week before their upcoming shareholder meeting a very small analyst and follower of Coca-Cola stock released a report that slammed the stock compensation plan that was up for a vote as being too dilutive. Never mind that Coke had "reached out" to all its larger investors, and that none of the Proxy Advisory firms were saying vote no…or that ultimately, the plan got 83% of the votes cast in favor: Coca Cola officers needed to scramble fast to get their answers out there and to do some damage control: "What a way to make a debut on CNBC," said our panel moderator, Gloria Bowden, Coke's Associate General Counsel and Corporate Secretary.**
- **This next story is one of the oddest, and potentially scariest stories of all as we look down the road for potential new trouble spots: Two days before their shareholder meeting to approve a sale of the company, Zale Corporation learned that an official proxy contest had been launched the night before - by none other than Mario Gabelli: He'd filed a proxy statement opposing the deal – and gosh – with the majority of the investors certainly getting the info in time, thanks to e-delivery, the fat was officially in the fire and all the biggest voters were on notice. Several advisors opined that Mario simply wanted to "peek under the curtain" – as official proxy contest contestants are allowed to do – to try to deduce who was voting for and against, and who might be swayable in the final moments – or maybe to induce them to join in a lawsuit to thwart the merger. But one could not rule out the possibility that Mario himself might show up at the meeting with fresh new proxies in hand, to totally turn the tide - as he has done before in our own experience. A happy ending for Zale, they won handily…but what a big jolt of Meeting adrenalin for them!**
- **How's this for a jolt of Annual Meeting adrenalin? Your editor got a call from counsel to Ohio-based Cortland Bancorp - who had been referred to him by one of the nation's top Q&A guys, Broc Romanek, for a "sanity check" on what to do: The bank's annual meeting was scheduled to take place on the Tuesday following the Memorial Day holiday…But on the previous Friday, the quorum number fell, inexplicably. Calls to the transfer agent, which was also serving as the tabulator, were made – and no one unanswered the phone. The T-A's website and telephone voting sites were shut**

down cold…And on Tuesday morning, no one from the T-A showed up – and again, no one was answering the phone. "This will probably be the most unusual 8-k ever filed about a shareholder meeting" he said… "We had to adjourn the meeting, of course, since the existence of a quorum, and the votes themselves are very much in doubt…but we have no idea when we might be able to re-convene." Turns out that the T-A was Illinois Stock Transfer Company, where the owner had been indicted on Thursday and where the SEC had imposed a total lock-down, with all details under seal until Tuesday…so who knew?? (We did, as it turned out, and were able to tell him that help was already on-site and that all would stabilize shortly.) See "Elsewhere on the Supplier Scene" for more details about IST – but son of a gun, we'd run an article just two issues back, warning readers that in today's crazy and way over-crowded vendor world, the long-term "survivability" of one's key vendors has become, we think, a critically important factor, that should be reviewed asap - and with special care.

RE-ENERGIZING YOUR RETAIL INVESTOR VOTERS

Every year for at least the past five years we have been trying to highlight some of the many cases we see each year – including most of our annual "Horror Stories" – where a better turnout of the almost-always-supportive retail investor base would have helped companies pass proposals they wanted to pass, defeat proposals they opposed, or provide a more comfortable margin of safety on says-on-pay AND in the many cases we see each year where a lot of voters decide to Vote No on one or two directors, often taking public companies – and the directors themselves – totally by surprise.

So we were gratified when we got an e-mailed video from the **NACD** – an interview with **Broadridge** CEO **Rich Daly** – who explained how, with just a bit of effort, the average company can pick up 10 percentage points toward their quorum of "actual voters" – almost all of which will vote with the management recommendations. (We have posted the interview on our website, under the Featured Advertisers tab)

We also hope that readers read, and pondered our article on companies that were "stratifying out" many of their most loyal and committed voters – and totally losing touch with them in the bargain. We learned something new here too, when a Broadridge expert called to say that YES – we could go to their website and lodge a permanent request to always get hard-copy ARs and proxy materials on ALL of our holdings, regardless of a company's stratification program.

Our nephew the broker and his staff had been totally unable to help us here…And, the biggest part of the problem?? How could any of them – or any of us shareholders have KNOWN about such an option??? Maybe those "Notices" need to spell our options out in more detail, and TELL US how we can assure that we will still get paper materials if we want them.

We really do NOT want to drown in paper during the big Meeting Season – but readers; please, we beg you, sample your own cooking! Most of the e-materials we review are so reader-unfriendly as to be totally useless to wannabe voters – Annoying, insulting, and huge, and hugely-frustrating time-wasters besides! NOW is a very good time to resolve to do a better job of rounding up the retail vote for next year…and to get started on it!

COMING SOON

Part II of our 20th Anniversary Issue – with look-backs at the Gilbert brothers, arguably the original, and the most famous and successful of gadflies of all times…and Wilma Soss…who'd come to shareholder meetings in costumes as a way to dramatize her gripes, and who, we think, was the real founder of the "Women's Movement" in the business worls…and "The Biggest Transfer Agent Blooper Ever: Paying out 158 million nickels too many – one per-share to every American Home Products stockholder – and how the TA recovered."

"AH FEEL GOOOOD!" – FINDING THE REAL JAMES BROWN, AND REUNITING HIM WITH ALMOST A HALF-MILLION DOLLARS IN UNCLAIMED PROPERTY…A NIFTY STORY FOR THE HISTORY TAB ON OUR WEBSITE – AND ONE THAT'S STILL CONTAINS A VALUABLE TAKEAWAY ON ABANDONED PROPERTY

Back in 1986, around the time your editor became the business manager for the Stock Transfer Division of the old Manufacturers Hanover Trust Company, almost no U.S. public company escheated so-called abandoned property, except, perhaps to their state of incorporation – fearing, they said, that doing so would subject them to all kinds of bothersome inquiries from state bureaucrats, potential audits, and maybe claims for tax payments and/or penalties by states where they felt they did not qualify as "doing business" therein. And, happily for our corporate clients, back in the 'good old days', no states bothered them one way or the other…although, sorry to say, all their fears have since come to pass.

But sadly for us – the mostly poor and mostly meek TA community – we had to account for all the returned and otherwise un-cashed checks, and all the returned stock-split and stock-dividend certificates too – in individual "ledgers" that were separate and apart from the basic shareholder records. The ledgers had to be hand-posted every quarter – since "computerization" was still in its infancy in the TA world – and, to add insult to injury, the people who actually came forward to claim such securities and funds were few and far between: So we were stuck with a shockingly tedious, constantly growing, ridiculously expensive and mostly fruitless job of work – which, in those intensely competitive days, TAs were doing as 'part of the job'- free of any extra charges!

Worse yet, from your editor's point of view – and as he has been saying and writing for over 40 years now – having files labeled "abandoned property" was equivalent to posting a big sign saying "WELCOME" to all sorts of scoundrels and thieves that were and still are lurking out there to claim it as their very own while no one was looking. As you can learn in more detail from the "Tales From The Crypt" – in the History section of our website – it was fairly easy for unscrupulous "finders" – including company insiders, and yes, a few rogue employees of transfer agents too – and the infamous California Con, who laid claim to abandoned property from his jail cell – to masquerade as the legal owners or their legal heirs and to help themselves to the cash and stock with reckless abandon. The liabilities to a TA that was "holding" all this property – and to their corporate clients too – were unconscionable, and totally unsustainable in our view.

So we decided to offer our clients an abandoned property search and reunification program; one that would be fee-based – unlike most "professional finders" programs back then, where the finders typically got the "found owners" to cough up 30% of the value – and one that would cover virtually all "lost shareholders" (ex those with truly miniscule holdings) – and not just the biggest ones, on whom the bounty hunters naturally spent all of their time and effort, leaving the poor TAs to maintain that ever-growing mountain of "ledgers" - mostly with balances that were individually negligible, but that represented a staggering pile of unclaimed money in the aggregate.

We recruited our first expert, Maureen Cassiday-Guillet, from the suddenly defunct Markham & Company (shut down by the FBI) and she quickly recruited two of her former co-workers (see more on Markham in our "Tales from the Crypt"). And

we very quickly convinced our largest dividend-paying clients that finding their lost shareholders, and giving them their property back, was the right thing – and by far the smartest thing to do, as it still is, by the way.

Within weeks of launching our new service a huge hullaballoo arose in the new unit: The normally buttoned-down and neat as a pin Maureen Cassidy-Guillet came crashing into our office, looking somewhat disheveled, waving a sheaf of papers and literally screaming with excitement:"We've found the real James Brown! The godfather of soul! And he has almost a half-million dollars of unclaimed property coming to him!"

Our initial skepticism (James Brown, we opined, was probably the third or fourth most common name in the USA) was quickly put to rest: One of our three searchers, Jim Baker, lived near Brown's one-time house in Queens – the 'last-known address' – "With a big J-B on the roof" he said. And team-mate Robert Boyle had quickly found and called Brown's agent, who was able to quickly ID the source of the abandoned property as the stock in Lynn Broadcasting Company that Brown had gotten many years ago to do a promo for them, and that, sure enough, had grown many times over in value while James was mostly on the road, having forgotten about the stock completely…

James Brown - of course - wanted to come in person – asap – to personally pick up his check.

Our first step was to call the head of "Bank Security" – whom your editor knew very well from an earlier abandoned property embezzlement investigation (NOT conducted on his watch, thank God). But within minutes, news that we would be getting a personal visit from the Godfather of Soul spread like wildfire among the 1,000+ mostly clerical staffers we had at our West 33rd St. operations center.

Come the appointed day and time, 33rd Street was mobbed with employees who had timed their coffee break to his arrival time. After a brief but not unexpected wait, the real James Brown pulled up to the curb, standing up in a convertible limo with the top down – clad in a shiny black tux, a bright red silk shirt with black piped ruffles and red pocket hankie – and carrying two dozen red roses for Maureen.

"Ah feel gooood!" he shouted, jumping up and down in the limo, smiling and and waving his arms to the excited crowd as only James Brown could do. And who wouldn't feel good? With an eye on the prize, he quickly made his way through the crowd - landing a few kisses, doing his little shuffle dance, then onto the elevator – and up to our smallish lobby, which was packed solid with excited staffers, and with more people trying their darndest to push in.

Our Security guys were horrified: "You've got to get him out of here as soon as possible" they demanded. "Hand him the check quick, and we can take him through here [the jam- packed corridor] and out the back way."

"Sorry guys; don't you know anything about James Brown? He won't leave until he is good and ready, and you can be 100% sure he will not go out the back door."

So first things first; Maureen, Jim and Bob formally presented his check…And you can guess what he shouted, at the top of his lungs, before handing over the roses with a big bow, followed by a few sung bars of his number-one hit, accompanied by more joyous shuffle-dancing…and a few quick kisses…Then, sure enough, with big check in hand, he was ready before we knew it to beat a fast but gracious retreat, down the same elevator he arrived in.

A totally unforgettable day! But sadly, within just a few months – and was anyone really surprised? – the newspapers were reporting that the Godfather of Soul was broke again.

THE SHAREHOLDER SERVICE
OPTIMIZER
is published quarterly by CARL T. HAGBERG & ASSOCIATES
P.O. Box 531, Jackson New Jersey 08527-0531
SUBSCRIPTION PRICE…….$300 per year

Questions, comments or letters to the editor about material in this newsletter are also most welcome.
Telephone (732) 928-6133 Fax: (732) 928-6136
e-mail: cthagberg@aol.com | www.optimizeronline.com

ELSEWHERE ON THE SUPPLIER SCENE: MEGA DEALS BOOM

Boom! The acquisition by number-one T-A Computershare of Registrar & Transfer Company's stock transfer business – along with its Commerce Financial Printers unit and R&T's relatively new Eagle Rock Proxy Advisors business – dropped with a big loud bang in May…surprising all the other TAs we think, since it was quietly negotiated person-to-person and not put out to bid – but not surprising the OPTIMIZER, which had been seeing this in the tea leaves for over a year, and telling readers, as we say yet again, "The dealin's are far from done in this fast shrinking business." One big surprise, however, was the whopping price of $37.3 million – roughly two-times annual revenues - and with only $1.9 million linked to business retention: A reflection, we'd say, of the extreme scarcity of potential TA acquisitions that could significantly build market share for a potential rival - where Computershare already had well over 80% of the market, and now adds a few more points of share - AND of the strong likelihood that almost all the revenue will indeed "stick" given Computershare's commanding market position, its hard-won experience with file conversions and especially, their assurance that they'll keep the current fees in place. It would take an unprecedented screw-up to tip the ship, we think…though on the TA scene, hope springs eternal it seems…

And BOOM again…Less than a month after the Computershare announcement, American Stock Transfer (AST) announced that its affiliate, AST Fund Solutions, LLC is acquiring D.F. King, which "will be integrated and operate immediately with ASTOne, a division of AST that offers a comprehensive array of of proxy solicitation, ownership identification and corporate governance services" their press release stated. A HUGE win for AST, we say: the 70-year-old D.F. King still has the largest and richest book of old-time proxy solicitation clients in the country, we believe, and a very fine staff. The entire proxy solicitation business seems to rapidly re-making itself, as noted elsewhere, and in earlier editions too, but as also noted, market share is still very much the key to success here…and continues to be king…So do expect the competition to circle with alacrity!

BUST! Then a smallish boom again…as Chicago-based Illinois Stock Transfer Company's long-term owner, Robert Pearson, was indicted for fraud and the business was temporarily locked-down when a routine SEC audit uncovered the fact that Pearson had been dipping into funds over the past two years (more than $1.3 million, the complaint asserts) arising from unpaid dividends (Ooops…So-called "Abandoned Property" yet again!!) – and from DRP activities too - in order to meet the payroll, following relocation expenses and some major client losses that IST was unable to replace with new business. It appears from their website that the IST book of business had fallen to fewer than 100,000 shareholder accounts in total – and somewhat to our own surprise, given the potential liabilities that may still be buried in the records, AST stepped in to purchase the business, which included several nice mid-western community banks that any TA would be happy to have as clients.

And in yet another mini-boom this quarter – which we think could turn into a big one, Continental Stock Transfer & Trust Company, via a new entity, Continental/FRS Plan Administration, Inc., has acquired FRS Equity Strategies, "a market leader in stock plan administration in Silicon Valley since 2002…**Marianne Brannock-Hill**, the founder of FRS, and her entire staff will be staying on…[and] the new company will continue to feature, among other software platforms, the industry-leading software of **Equity Administration Solutions, Inc. ("EASi")**, software that is used by over 800 public and private companies to meet customers' various and complex stock plan administration needs." The OPTIMIZER has been saying for years that the TA that can reliably and cost-effectively serve the wild and crazy and constantly gushing pipeline of inventive new stock plans that today's comp-consultants dream up will have a chance to corner the market on the biggest, richest and most dependable class of individual share-owners in the USA. And virtually every TA has

promised over the years to turn the trick…although most have come away with nothing much to show or quit the employee plan servicing game altogether… So we'll be watching this closely, and maybe there WILL be a big, game-changing boom here…

Maybe the biggest and best boom of all for our much-beleaguered supplier universe, merger activity in the first six months of 2014 is at $1.77 trillion – up 73% from last year. Even better news for the biggest TAs, 46 deals over $5 billion have been announced, up a whopping 130% vs. last year, since in that biz, as in most, money will continue to go to money. Great news for the bigger TAs, proxy solicitors and financial printers, where big deals throw off big money, albeit through one-time-only events where next year – ouch - one big customer is no longer around.

Great news for those much beleaguered law-firms too – or at least some of them: Skadden Arps' ranking in the 2014 advisory biz to date rose from 3 to 1, and **Freshfields** rose from 5 to 2, and **Sullivan & Cromwell** rose from 7 to 3 – while **Cleary Gottlieb** soared from 20 to 5. But ouch! **Latham & Watkins** fell from 1 to 8, and **Wachtell, Lipton** plummeted from 4 to12 in the deal tables, though do remember, it often takes just one big deal to 'turn the tables" big-time.

PEOPLE:

More RIFs, with potentially big ripples in the proxy world, as several firms continue to try to 'right-size' and re-group: One of the industry's longest-serving and most knowledgeable veterans, **Joe Spedale**, **Georgeson**'s former chief operating officer, is no longer there. And **AST's Phoenix Advisory Partners** has riffed veteran small-company/small-bank proxy fighters **Tom Cronin** and **Joe Moran**. We will be surprised if all of these folks do not resurface as soon as their non-competes run out…and we also feel certain that they will be able to pick-off more than just a few of the many loyal followers they have developed over the years.

Speaking of re-surfacing, in a major way, John Einseidler – originally an investment banker, who served 14 years at **Georgeson** as a Senior Managing Director, three at **Laurel Hill** and three at **AST Phoenix Advisors**, where he was one of the founding partners and served on their Board, but found himself riffed not long ago – has signed on as a Managing Director at fast-growing **Okapi Partners**, bringing their senior management team to seven senior execs, "one of the strongest in the proxy solicitation industry" their press release noted, adding that Einseidler's "relationships with influential investors will benefit our clients immensely"… and noting that he "has worked on some of the largest hostile takeovers in history including **Conrail-CSX, ITT-Hilton, TRW-Northrop, PeopleSoft-Oracle and Bank of America-Merrill Lynch.**"

On the transfer agency scene, where senior-level veterans represent an ever shrinking segment of the TA herd, **Scott Nelson**, who ran the Relationship Management unit at **Wells Fargo Shareowner Services**, has taken early retirement to work on favorite charitable projects.

In June, however, **Continental Stock Transfer** made a great score, by hiring industry veteran and Stock Plan guru **Sandra Sussman** as VP and Director of Strategic Planning & Implementation, to bolster its recent acquisition of **FRS Plan Advisors**. (See "Elsewhere on the Supplier Scene" for more) A former Executive Director of the **National Association of Stock Plan Advisors (NASPP)** and most recently the Compensations Practice Director at **Buck Consultants**, "Ms. Sussman has over 25 years of experience in global equity compensation and global stock plan services management and administration [and is] an industry expert on topics of concern to the global employee stock plan community, including legal issues, regulatory compliance, and corporate governance surrounding equity compensation" the Continental/FRS Plan Advisors press release noted, who "has played a central role in all aspects of the business, including the implementation, design, support, and administration of equity compensation programs…"

And a quick footnote on re-surfacing in the TA biz – Bob Boyle, a featured player in the James Brown story in this issue, is still working in the TA business – as a client rep at R&T, and now as a Computershare-er.

Judith McLevy - your editor's primary go-to person at the NYSE when questions arose, as they so often do, as to whether proxy proposals were routine or non-routine - has taken early retirement from the **NYSE**, to form her own consulting company, specializing in Corporate Governance, Regulatory Compliance, Capital Markets, Reference Data, Client Retention and New Business Development.

The SEC's inimitable and totally indomitable Mauri Oscherhoff retired April 30 as Associate Director for Regulatory Policy in the Corp-Fin Division, after nearly 40 years at the Commission. Mauri was a frequent, always informative and always a very funny and engaging speaker at industry events - and Corp-Fin's Director, **Keith Higgins** summed up her career, and the way most people think of her, to perfection: "She exemplifies the ideals of professionalism and integrity that are the hallmark of public service, and worked with great enthusiasm and uncompromising principles." We say, "Sure wish we had more public servants like her!"

REGULATORY NOTES... and comment

ON THE HILL: Wow! Some nitty-gritty proxy-voting issues draw fire from House Representative Ed Royce (R-CA) who sent a pointed and very well-worded letter to SEC Chair Mary Jo White on May 27th, "to share some concerns raised by the announced joint bid by **Valeant Pharmaceuticals Inc.** and **Pershing Square Capital Management**" where Pershing Square's **William Ackman** had "scheduled a shadow shareholder vote or referendum [where] Pershing Square controls the timing, wording and rules, yet is seeking official approval from the SEC for the vote. I am unaware of any precedent for a preliminary proxy statement filed under Schedule 14A being used in this manner, and I am concerned that there are no rules in place defining how a vote will occur, how votes will be counted and how a final tally will be disclosed." Ackman seems to have shelved the plan, and to be cooking up something a lot more aggressive as we write this, so stay tuned.

AT THE SEC: At long last, Staff Legal Bulletin 20 has been released, providing guidance to investment advisors on oversight of proxy advisory firms retained by them - and, with respect to possible conflicts of interest at proxy advisors, requiring an advisor to "assess whether its relationship with the company or security holder proponent is significant or whether it otherwise has any material interest in the matter that is the subject of the voting recommendation and disclose to the recipient of the voting recommendation any such relationship or material interest" and if there are such relationships, to provide information that would allow voters to assess the "reliability or objectivity of the recommendation" in order to qualify for an exemption from SEC proxy rules in Rule 14a-2(b)(1).

In a major speech before senior financial industry execs in June, Chairman White outlined a broad array of initiatives that will come under intensive study, she promised, focusing especially on "aggressive, destabilizing trading strategies in vulnerable market conditions" – but also including a review of "dark pools" (where, reportedly an SEC investigation is currently underway) and "payment for order flow" where she seems to have concluded that "greater transparency" is needed. No detailed timetables were announced, and as we know, the SEC moves at a snail's pace on virtually every front. So our money is on New York State Attorney General **Eric Schneiderman**, who has issued subpoenas to high-speed trading firms, to see if they are getting preferential treatment from some dark pools, and who has been seriously outrunning and out-bulldogging Mary Jo and crew on the regulatory scene.

IN THE COURTHOUSE: In a unanimous decision, but with a 6-3 split on the rationale, the Supreme Court took "a small first step in a long

journey toward reducing the costs of securities class action suits to investors" – in the words of the Chamber of Commerce's Institute for Legal Reform president Lisa Ricard – by basically upholding the landmark Halliburton decision (stare decisis) but suggesting that companies could try to show, early on, that corporate statements did not affect market prices. (A nearly insurmountable task, we'd opine.) While noting in his opinion that current class actions "allow plaintiffs to extort large settlements…for meritless claims; punish innocent shareholders… who end up having to pay settlements and judgments; impose excessive costs on businesses and consume a disproportionately large share of judicial resources" – "those concerns are more appropriately addressed in Congress" he wrote. (Good luck on that!)

On a much better note on the class action and other "shareholder lawsuits" that have been plaguing the M&A scene of late, the Delaware Supreme Court, in a May 8 ruling, upheld a corporate bylaw at ATP Tour, Inc., that requires the loser in litigation against the company to pay the winner's legal fees – opening the door, we hope, to potentially broad adoption of such bylaw amendments by Delaware companies.

No surprise to Delaware Court watchers, the Court of Chancery ruled against a bid by hedge-fund activist Daniel Loeb to overturn the poison pill at Sotheby's that limits Loeb's holdings to no more than 10%. But as several observers noted, the case itself dug up so much dirt on the opinions of sitting directors, it handed Loeb (no fool he) a victory in the end, where Sotheby's had to settle, and give Loeb virtually everything he wanted.

In early June an appeals court overruled U.S. District Judge Jed Rakoff's refusal to approve a $285 million settlement between the SEC and Citicorp because Citi did not admit or deny guilt in the matter. Here too, however, Rakoff's refusal basically forced the hands of both parties to up the settlement, and ended with a major change in SEC policies, saying they would require would-be settlers to admit guilt in the largest and most egregious cases…So still a big victory for Judge Jed, we'd say.

THE SHAREHOLDER SERVICE

OPTIMIZER

is published quarterly by CARL T. HAGBERG & ASSOCIATES
P.O. Box 531, Jackson New Jersey 08527-0531

SUBSCRIPTION PRICE…….$300 per year

Questions, comments or letters to the editor about material in this newsletter are also most welcome.

Telephone (732) 928-6133 Fax: (732) 928-6136

e-mail: cthagberg@aol.com | www.optimizeronline.com

Just in time for our 20th Anniversary Issue, we are very pleased to inform you that the entire Cumulative List of Articles from June 1994 through December 2013 is now available on line at our website, www.optimizeronline.com

We are still working on some of the hotlinks to articles themselves, but in the meanwhile, most of our most popular articles can be accessed via the tabs for What's New....Featured Articles... Interviews with Activist and Corporate Experts on "Reaching Out to Investors"... The Basics...History....and Doing Well By Doing Good

Also,all of our back issues from the 1st Quarter of 2008 through the 2nd Quarter of 2012 are available under Sample Issues, and we will always be happy to email any other articles our subscribers may see in the Index and wish to review. Many thanks for your interest in and support of The OPTIMIZER!