

## "Hot Tabulation Issues for Your Annual Meeting"

Thursday, March 2, 2017

["Course Materials: Carl Hagberg's Tabulation Primer"](#)

[Audio Archive](#)

This unique webcast will focus solely on tabulation issues. As annual meetings have become real shareholder events - as more shareholder proposals gain majority support and "vote no" campaigns grow - proper tabulation is more important than ever before. And, inevitably some thorny issues pop up due to the complexity of the proxy plumbing framework.

Join our experts:

- **Carl Hagberg**, Independent Inspector of Elections and Editor of The Shareholder Service Optimizer
- **Chip Pasfield**, VP - Client Services, Broadridge
- **Anthony LaPoma**, Manager - Tabulation Services, Broadridge

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- [Overview of the Tabulating Universe](#)
  - [Broadridge's Role in Tabulation Processing](#)
  - [Overview of Broadridge's Tabulation Services](#)
  - [Basics of Tabulation](#)
  - [Determining Whether a Proposal Has Passed](#)
  - [Virtual Shareholder Meetings](#)
  - [Employee Plan Voting](#)
  - [Affiliate Voting](#)
  - [Final Takeaways](#)

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**Broc Romanek**, *Editor, TheCorporateCounsel.net*: Welcome to today's webcast, "Hot Tabulation Issues for Your Annual Meeting." It's good timing for this program, in the wake of the Oscars blowing it for the best picture award due to a tabulation issue. Carl will get into that.

I should mention that Carl Hagberg's tabulation primer is available as [course materials](#) which you may want to print out. Carl always has great materials; he's a great publisher in addition to being a fine independent inspector of elections.

Let me go ahead and introduce our panel. I just mentioned Carl Hagberg, who is an independent inspector of elections and runs his own company, which includes a number of long-time inspectors. He is also Editor of the Shareholder Service Optimizer. You've seen his answers on our Q&A forum in this area - he is definitely the expert.

Also on our panel today are Chip Pasfield, who is a VP in Client Services at Broadridge, and Anthony LaPoma, who is manager of tabulation services at Broadridge and handles many of Broadridge's tabulations.

I'll hand it over to Carl to kick us off.

## Overview of the Tabulating Universe

**Carl Hagberg**, *Independent Inspector of Elections and Editor of The Shareholder Service Optimizer*. Thanks, Broc. I have about ten observations about the Academy Award snafu that have a lot of references to corporate meetings, I think. But I will save them for the end.

I figured that a good way to start would be to do a quick overview of the universe of tabulators, reporters and inspectors on voting matters. I was kind of surprised myself when I started listing them out. There are actually seven kinds of tabulators and reporters out there. And there's an eighth, a fairly new kind of job, which we will talk about a bit later. But here are the seven kinds of tabulators that I think we all need to be aware of.

First, of course, is Broadridge. They are the primary tabulator of Street votes. Virtually all of the votes from your beneficial owners and your institutional owners are being tabulated and reported by Broadridge. In case you never noticed, Anthony's facsimile signature appears on the voting reports that you get every day from Broadridge's up to and through the meeting.

The second kind of tabulator is the transfer agent. Transfer agents used to be the primary tabulators, and at one time the only tabulators. But as more stuff migrated to the Street, Broadridge did more and more of the tabulation in terms of votes cast. In many big companies, 90-95% of the total vote comes from the Street. But the transfer agents are still tabulators and are still important players here. We need to be aware of them and what they do. They are still the principal tabulators for registered holders.

Broadridge, as some of you probably know, has been taking an increasing role as a tabulator on the registered side. Anthony, I think, can tell us about how many companies they do this for. Particularly for very small companies, having to use two providers often doesn't make a lot of sense, although sometimes it still might. So there's been something of a trend to try to consolidate both the Street and registered tabulation and reporting functions, and to use fewer providers of all types of meeting-related services.

That brings me to the fourth kind of tabulator. There are a number of mostly very small niche players offering things such as meeting management, site selection, meeting staffing, printing and mailing, tabulation, and sometimes even inspection. The idea of "one-stop shopping" seems to have appeal to some people. And sometimes there are cost savings and time savings.

Some of these firms are very good. Others, not so much. And some grossly over-promise and grossly under-deliver. So do your homework before you throw your lot in with somebody who's new and who's offering you a great big bundle of stuff. You really want to be sure that all of the parts are going to be delivered in a first-class manner.

Just a little observation on this - in my 50-plus years of doing business, I've never seen so many companies fishing in other companies' ponds. I think the lawyers in the audience are conscious of how many of the management consulting firms are saying, "We've got legal advisers now." Some of the accounting firms are saying, "We can offer legal advice." And the printers, of course, are trying to do all sorts of things besides printing, because that business has been shrinking, due to the huge surge in Internet delivery of proxy materials.

There are three takeaways here that are worth noting. Before you sign up for one-stop shopping, make sure that the provider can provide all the needed services at a high quality level and are using experts. You really don't want to help an amateur act get to the semi-pros.

The second thing is, on the really busy days, everybody's resources in this business tend to be strained - the tabulators, the inspectors, and even the law firms and accounting firms sometimes strain to get to all these meetings. Everybody seems to be moving their meetings to as few days as possible. So you want to be sure that whoever you pick has got the resources to service you.

The last tip, especially with newer and very small providers - and it's maybe my best tip - is to pull a D&B first, before you hire anybody. Often, you might change your mind in a flash.

There is another group of people, a fairly small group of companies, who specialize in employee plan votes. This is worth a moment of focus, because employee plan votes are really growing in importance. There are so many close votes on shareholder proposals, and on management proposals too, and employee votes are usually well disposed to the management positions.

I'd say that a typical company has 6% or more of their entire voting power held by employees, either in employee plans or savings plans, or something similar. If you get even 1% of these shares to vote, you're doing great (which is really not great, but lousy), unless you make some special effort. You really need to make some special efforts to get employee investors involved - and to get them to actually cast their votes.

One way is to have custom websites for employee plan participants. Many companies have had wonderful success by providing a link where you get a video message from the chairman, and then you can click right over to the voting site.

So it's very much worth your while, in my opinion, to pay attention to providers here. Broadridge, of course, can provide many of these services. Some transfer agents can provide these services. But it really is quite a specialty. Often, employee plan voting gets lumped into the overall voting machinery with everyone else, and gets lost in the shuffle.

There's a great firm, Ellen Philip Associates, which makes a specialty of this, and works with a wide variety of plan providers and fiduciaries. So if the employee plan vote is important to you, do a little research, and think about specific ways to increase your employee vote. (There is an article about employee plan voting, and on how to improve it, on my website.

Next in the universe of proxy tabulators are proxy solicitors. I have no problem with proxy solicitors keeping tabs on the vote, kind of as a second tally. They are getting votes from here and there, and maybe they're consolidating and keeping companies apprised. But if a proxy solicitor is soliciting proxies, and if they are also the tabulator and maybe also the inspector, that poses a serious conflict of interest.

If you have only routine matters, probably it doesn't matter too much. But if you've got important things on your ballot, having the same person who's getting paid to drum up the votes count the votes, and then inspect them and say all is good - let's just say that is not a best practice.

I've got one more kind of vote tabulator and reporter, which may come as a surprise to you, and that is the company itself. If there is no representative from the tabulator at the meeting, the company gets the reports, and then they become the tabulators of whatever votes are handed in at the meeting.

This seems to be occurring less and less at most companies, but it still happens. Many companies become their own tabulators and their own inspectors of election sort of by default, unless they've appointed an outside supplier to do it. Sometimes it's "probably OK." Other times, you may wind up asking yourself, "Why did I ever do this?"

So that's it. I will make a brief mention of virtual shareholder meetings in passing, which we will talk about a little later, because a VSM is a slightly different kettle of fish in terms of the need to tabulate,

to inspect, and then to report.

With that, I think I can just hand off to Anthony. He will take us through some of the mechanical aspects of tabulation.

## ▲ **Broadridge's Role in Tabulation Processing**

**Anthony LaPoma**, *Manager - Tabulation Services, Broadridge*: Thank you very much, Carl and Broc. I appreciate being invited here, and it's my pleasure to provide some information about Broadridge.

## ▲ **Overview of Broadridge's Tabulation Services**

**LaPoma**: As many of you know, Broadridge provides tabulation processing for corporate equity issuers, as well as mutual fund companies. We're also heavily involved in the regulatory side of the business. We have many bank and broker clients as well. That means that Broadridge is involved in the vast majority, if not almost all, shareholder meetings that are occurring in the United States.

In terms of beneficial vote processing statistics for FY'16, the total number of meetings that Broadridge had a hand in was 4,167. Within those meetings, we processed over 463 billion shares - that is billion with a B. The average quorum of those meetings was 83.5% - a very high return from the shareholders, which is always good news for companies.

Of those shares, 92% were voted through electronic platforms. Broadridge provides robust electronic platform services for its underlying shareholders, as well as institutions. We have our Broadridge Proxyvote.com platform for Street shareholders, as well as any registered shareholders. And we have our Broadridge ProxyEdge.com service, which is available for money managers and institutions. So the vast majority of the shares are coming through these electronic platforms, as noted.

I'd like to segue a little bit into some of our auditing statistics. All votes that represent over 50,000 shares are audited on a daily basis at a rate of 100%. Any votes received that are under 50,000 shares are audited on a daily basis at a rate of 1/100 (1%). In addition, Deloitte and Touche will review the entire voting process on a quarterly basis.

We also voluntarily subject ourselves to an ISO 27001 review on a yearly basis. That is yet another layer of verification of our processes, the comprehensiveness of our processes, and a review of the validations that we employ. It's very important for us to ensure that we have all of these different checks and balances, and these outside reviews, to ensure that our processes are comprehensive and complete.

As I mentioned, our tabulation services are performed for equity issuers as well as mutual fund companies. Nowadays, there are some non-traded REITs in there, too. But for the most part, it's equity issuers and mutual funds.

In FY'16 we processed over 2,400 tabulations for public issuers. Of that 2,400, about 2,200 to 2,300 were for unique issuers.

In the mutual fund space, we processed over 160 mutual fund campaigns. Mutual fund campaigns can be significantly more daunting than our traditional tabulations, due to the number of CUSIPs that are involved.

As part of our tabulation services, Broadridge provides 15 days of voting reports (less the weekends) as well as a day-before-meeting and a day-of-meeting report. We will also provide final reports upon request.

Broadridge is in a unique position to be able to capture additional voting immediately prior to and during the meeting while the polls are open. We will always reach out to the client and let them know if we've received any valid voting that has occurred prior to or during the meeting, and give the client an opportunity to receive an updated report that includes those shares.

We will also potentially provide a final report the following day. If there are any shares that have been received at the meeting and need to be vetted, we will receive those shares and produce a final report the following day for the client.

We also provide a special service for company executives and any other large shareholders with unique needs. For example, if an important shareholder's vote has not been received, the materials can be electronically delivered or overnighted to ensure vote processing and tabulation. This is another layer of support that we provide to our clients, to ensure that any of those large votes that are significant to the passage of a proposal or to the achievement of quorum are received and captured and included in our vote reporting.

### **Basics of Tabulation**

**LaPoma:** I'm going to move on now to some of the basics of tabulation. The crux of tabulation is being able to receive entitlement from multiple sources, evaluate that entitlement against the reported shares from the banks and brokers that have reported in to us, and ensure that we're not allowing any of the shares reported to us to exceed the entitlement provided by these authorities.

That first authority is going to be the transfer agent. The transfer agent is the keeper of registered shares. They're the keeper of record, and they maintain the records for the registered platform. They also sync up with DTC and maintain a record of the DTC positions that should be present for the particular meeting date. That is referenced as a line item in the registration of Cede and Co. on the registered list that we receive. That number should tie back to the number that DTC has for all total beneficial shares as of the record date.

The transfer agent is also responsible for maintaining the total outstanding shares for the issuer. The total outstanding shares number is going to be the number of shares that we are tabulating to. It's also going to be the number of shares on which quorum is based.

Quorum is, very simply, a percentage calculation, for which the total outstanding shares is the denominator, and the total voted shares is the numerator.

When we receive the registered list of shareholders, that information is ingested into our system, and all of those share positions are populated. As registered shares come in, they will be counted and included under those share classes. Then they will be rolled into our vote report.

Another important part of the process is The Depository Trust & Clearing Corporation, usually called DTC. They are the keeper of record for all beneficial shares. So they are the authority on the entire Street side. And they are the ones that make the determination and provide us with that final determination of the entitlement that all banks and brokers have for a particular record date and meeting date.

They also provide the Omnibus Proxy that passes entitlement to all beneficial custodians as of the record date. That official Omnibus is sent to an officer of the company. What we receive as Broadridge is what we refer to as a Security Positions Listings Report, which details, at a DTC clearing number level, the entitled shares that all of our beneficial clients are entitled to.

When I say "our," I'm not just referring to Broadridge clients. It's all of the beneficial clients that DTC will have entitlement to represent to us. We will receive a direct feed from DTC that we will automatically enter into our system. We will then work with the information from both the transfer

agent, as well as DTC, to determine entitlement positions, which are then entered into our system to ensure accuracy of voting in the reporting that we produce.

Moving on to the reconciliation aspect, which I've just touched on briefly - I mentioned that entitlement is received from DTC, which is the basis of all of our entitlement positions. Omnibus proxies from recordholder banks pass entitlement to and from responding banks in accordance with SEC rules. Voting from third-party vote agents is received to be a client proxy, and is also evaluated for entitlement and included in our reporting.

Entitlement determined by our team is audited for accuracy in every single case and every tabulation that we perform. So there is no entitlement position that we make a determination on that doesn't have a second set of eyes to ensure its accuracy.

The vote report itself consists of the beneficial and registered totals. This is typically going to be represented as an aggregated total, but it can be class-specific.

So, for example, if on the registered side, we have a common class and we also have a preferred class, if they're voting as a single class, they can be represented as a single line item on our vote report as registered voted shares. Or we can break that out into additional line items to show how the preferred class is voting specifically, relative to their number of holders.

We would potentially, in a scenario like that, have a beneficial line item, a registered common line item, and a registered preferred line item. The issuer has the flexibility to customize the reporting to their specific needs.

The vote report, as I mentioned, contains a quorum calculation on the front page. Each individual proposal contains a "percent of voted" and a "percent of outstanding" calculation.

We provide both percent of voted and percent of outstanding calculations because many companies have different by-laws which determine the vote required for passage of a particular proposal. I would say the most common scenario is that 50% or more of the voted shares is required for proposal passage. We do have some situations where proposal passage is determined by having 50% of the outstanding shares voted for that particular favorable option.

So, for example, if the percent of outstanding shares for the floor vote was 50% or above, and it was also receiving the vast majority of shares voted, that would be that double stipulation to get that proposal to pass. And we have seen many scenarios such as that as well.

Our vote report is also going to represent different types of proposals. Often we have what we refer to as a mixed meeting - that means that the agenda is mixed and contains both routine and non-routine proposals. The rules for routine proposals are determined by NYSE Rule 452. Routine proposals allow brokers that are listed with the New York Stock Exchange to have discretionary authority on uninstructed shares from their underlying population.

On a routine item, if a broker has not received instruction from its underlying holder, it may elect to instruct those unvoted shares as it sees fit. The vast majority of our brokers elect to vote their shares with management. However, we have some brokers that do a proportional discretionary vote calculation, which means that their discretionary vote represented the same proportions as they received in the direct voting from their underlying holders.

The non-routine proposal is not going to contain any of those items, because any broker with discretionary voting authority is not allowed to exercise that voting authority on a non-routine item. The non-routine item is going to carry a representation of those discretionary shares that were voted on the routine item in the form of a broker non-vote.

The broker non-vote is exactly what it sounds like. It's the shares that were not allowed to be voted by the broker on this particular non-routine item. So whenever you see a value of a broker non-vote, that means you're looking at a non-routine item, and that those shares were in fact voted discretionarily on the routine items on your agenda.

That brings me to the end of the basics. I do have some notes on additional tabulation considerations for virtual shareholder meetings, plan voting and affiliate voting. But I'll give Carl a chance to jump in with any additional questions, or maybe some requests for elaboration.

### ▲ **Determining Whether a Proposal Has Passed**

**Hagberg:** Actually, this is perfect, Anthony, because you concluded a section on vote reports. I cover this topic in my primer, which may be worth a look for those of you in the audience.

To summarize briefly, there are at least five or six different kinds of standards for deciding whether a proposal is approved or not. You have to start, whether you're the company, the tabulator, the designer of the proxy card or the author of the vote report, with a very careful review of the proxy statement. Often, you also have to look back at your by-laws and your articles of incorporation, to make sure that you are correctly stating what these percentages are and exactly how they are to be calculated.

Every year I probably see two or three dozen mistakes, either in the way the proposals are described, or in the way the numbers and percentages are calculated. Some companies, for example, mistakenly count abstentions as votes cast, which they are not, except for one weird case that's noted in my primer.

You want to be sure that, in the way you lay out your proxy card, the way you describe your votes, and the way you calculate percentages - which I'm not a really big fan of reporting on - that you are using the proper standards - and the proper numerators and denominators. If there is one area where hundreds of people who are still in the learning stage are running amok, this is probably it. It's very embarrassing, of course, if you report that your proposal passed with 96%, and it turns out it was only 72%, or maybe only 49%. So you really do need to pay careful attention there.

Let me go back to Anthony to talk about virtual shareholder meetings, because these things seem to be growing in popularity. They are certainly on everybody's radar screens these days.

### ▲ **Virtual Shareholder Meetings**

**LaPoma:** Thank you, Carl. I'll just throw out a couple of statistics first. For FY'16, Broadridge handled 172 VSM meetings, and we have handled just roughly over 500 since the inception. So VSM uptake is certainly on the rise. We are seeing increased interest in holding virtual shareholder meetings because of the flexibility that it affords our issuer clients.

The VSM allows issuers to conduct their meeting through a virtual platform, without the need for physical attendance or a physical meeting location. We have some clients that elect to do what we call a hybrid meeting, where they're conducting a VSM, but they are also holding a physical meeting. It's my understanding that the VSM-only is the more popular choice. However, we do support both options.

Votes collected during a virtual shareholder meeting will be evaluated for entitlement and included in a final vote report that will be issued the following day. So we will receive those votes during the VSM. We will bump them up against the entitlement that we have received from those authorities that we mentioned earlier. And then we will determine whether or not those shares should or should not be included in the reporting. Once those determinations and evaluations have been made, we will produce an updated report the following day to include those new totals.

Virtual shareholder meetings also allow beneficial holders to vote during the meeting, without a need for a legal proxy, as Broadridge validates the votes under the appropriate client ID and records such votes on a subsequent client proxy that evening.

Those are the statistics and the points that I have on virtual shareholder meetings. Carl, did you have anything else that you wanted to bring up?

**Hagberg:** Yes, I do. Something else that often gets lost in the shuffle is that often, no one thinks that a VSM needs an inspector. I think you need an inspector more when you do a VSM. It's not a big deal, but the issue is that everything is taking place in cyberspace. There's absolutely nothing to observe with the human eye, unless you're an inspector.

What should an inspector actually do? They should be watching the progress of the meeting on the same screen that the company management is looking at. It shows how many people are in attendance, and it shows how many of them are guests - if you allow guests and other non-shareholders to attend - and how many are shareholders. It will show you how many people have voted and how many shares have been voted by people pressing the buttons from home.

It's important that somebody observe that, take note of what those numbers are, and then the next day, when the final report comes, to make sure that they are no more votes reported than the number that was there before the meeting started, plus the number that was on the screen when the polls closed. In other words, you need to take out votes that might have been voted twice, or voted previously and revoked by the Internet vote. And some of the Internet votes will be new votes. So you have to make sure that the math is correct.

Just another little practice point - you should, of course, observe that the polls close and that the system shuts down, so that people are done voting and can't continue to vote into the night.

The last practice point is that we consider these votes to be voted in person. In other words, when you're voting over the Internet, it's the same as if you had showed up at the meeting and handed in your vote, filled out a ballot or whatever.

## **Employee Plan Voting**

**LaPoma:** Thank you very much, Carl. I'm going to segue into employee plan voting, if that works for you.

**Hagberg:** Yes.

**LaPoma:** There are traditionally two main types of plan voting that we handle here at Broadridge: 401(k) plan voting, as well as ESPP or ESOP plan voting, which is employee stock purchase/ownership plans.

401(k) plan voting involves mailing to the plan holders through the registered platform. It also involves a plan trustee who will ultimately vote a balance account that is held through a beneficial custodian.

The way that we facilitate the plan voting is to set up a registered class. We mail to the plan holders through the registered platform. All of the voting is then collected and received to that registered class. But that registered class is not actually a component of our vote report. So we're not actually including that class within our vote report. What we're doing is using that class as sort of a collection bucket where we're collecting all of the voting from those underlying plan holders.

Once we've collected all of that voting, two days before the meeting, we will take those voting results and provide them to the plan trustee that has been communicated to us by the issuer. When we

communicate those results to the plan trustee, they have the option and the opportunity to either execute the control number that they have for the balance account, per the direct instructions and intentions of those underlying holders, or they can take the remaining unvoted shares and decide to either do a proportional or a self-directed vote as to how they want to instruct those remaining shares.

In the vast majority of cases where we're dealing with a 401(k) plan and a balance account on the beneficial side, the entire account is voted in full, because the trustee does exercise its right to vote those remaining unvoted shares.

Moving on to ESPPs, voting on the employee stock purchase plan differs from 401(k) voting, in that in many cases this is what we refer to as a "pass-through" plan. That means that there is no trustee that is going to execute the vote

There may in fact be a balance account on the beneficial platform. In those cases, what we require is for that balance account to be "omni'ed" back to the issuer. That way, we don't have an entitlement issue or a reconciliation issue with the total number of shares that we're representing on both sides of the fence relative to the total outstanding.

In an ESPP, that registered class that we were speaking of, where we've mailed to the plan holders and now we're collecting the underlying voting, is actually now pulled directly into the vote report. So those underlying plan holders now have direct voting ability, and those votes are being included in our vote report, without any sort of intermediary such as the trustee executing a balance account.

With all of these plan types, Broadridge provides the ability for issuers to identify employees that have a company e-mail domain to receive electronic delivery of voting material. This is a nice additional value-add that allows for cost savings related to the mailing of physical material. It also presents the opportunity for pre- and post-mailing communications.

Carl, my next subject is affiliate voting. Would you like to jump in?

**Hagberg:** OK. Could I say something on this? Affiliate voting is the eighth kind of tabulation that I alluded to before.

But before we discuss that, I want to reiterate that employee plans require special attention. As Anthony indicated, you've got interactions with the plan trustees. The plan trustees themselves are rightly very careful about who the tabulator is, who they are talking to and sharing information with, and whether their records are safe, sound and secure. So, there are some added operational and record-keeping details that need to be very carefully observed.

If you want to max out on the number of people voting, you should be aware that employees really don't vote as a rule. My own belief, and I think it's a well-informed belief, is the main reason is that employee investors often have issues with a particular proposal or with one or two directors. They are fearful that they will be discriminated against, and that people in the company will look at their votes. And, I'm sorry to say, I've seen many cases where that has happened.

If you want to improve and maximize your employee plan vote, the number one thing to do is pay attention to your set-up. Make it easy for people to get to the site and to vote. Second, it's worth making special efforts to get people to vote, like that video from the Chairman that I mentioned earlier, or by sending an e-mail reminder, with a link to the site. Third, and most important, is to assure employees that their vote will be completely confidential, that no one in the company will know if or how any employee has voted. If you do all of those things, you will improve your return on employee plan votes.

## Affiliate Voting

**Hagberg:** Let's move on to affiliate voting. This is a whole new area for a lot of companies, and for their advisers. So I'll let Anthony kick this off.

**LaPoma:** OK. Thank you, Carl.

Moving on to affiliate voting - affiliates are traditionally holders of stock in a company that either have a relationship or a controlling share amount that prohibits them from voting on certain proposal matters. Typically, affiliates are prevented from voting on any matter related to a merger or an acquisition.

In these scenarios, it is incumbent upon the issuer client to identify all affiliated holders and provide this information to Broadridge. That way, we can properly identify the shares as they come in, as they're voted, and remove them exactly as we see them. We will then remove any of those affiliated shares, based on the issuer's requirements.

In the vast majority of situations, we are presenting the final results on the affected proposal to the client both with and without the affiliated shares. We provide a brand-new page on the vote report that we call the Affiliate page.

For example, if proposal two is the merger agreement, and that's the proposal that has the affiliate restriction, we will represent that proposal on the front page of our vote report with all shares included. And then we will provide a second page of the vote report that will provide that proposal with all of those affiliate shares excluded, as per the issuer's instructions. That way, the issuer can then satisfy their by-laws, which in many cases will say the proposal needs to pass both with and without the affiliate shares included.

**Hagberg:** If I could add a little to this subject, I wanted to mention something that been occurring with more and more frequency. Aside from by-law provisions, there are many cases where the company itself wants to exclude so-called "interested" investors, or put them into a separate tally, to make sure that it's approved by a majority of the disinterested investors, to maybe insulate themselves from future claims and lawsuits.

First of all, you need to determine who the affiliate restriction covers. This is one of the hardest things, in many cases. Sometimes, the by-laws will be quite specific. Other times, you have to scratch your head and think about whether to exclude, for example, shares held by the Chairman's joint account with his spouse, or shares held by his or her children. It's not always clear who these affiliated people are.

The second thing, which often turns out to be quite a trick, is determining not just how many shares are covered, but also where the heck are they held? It's very common for large holders to have three or four different brokerage accounts, or trust accounts, as well as having shares registered in their own names. So you have to find out exactly where these shares are, get them into the hopper, and make sure that you're accounting for all of them correctly.

There is an important role for the inspector here - that's the person who signs off on the final report. They need to do some due diligence to make sure that there has been a good process, that people have been properly identified, and that the putting in and taking out of votes is happening in accordance with the rules, and that the math is correct.

Another part of this is that often, these issues don't seem to hit the light of day until a week or 10 days before the meeting. Someone in the company will wake up and say, "Oh, my goodness, we've got this and we've got that issue regarding our affiliates that we forgot to attend to." We've had quite a few situations where we've had some mad scrambles to get the right information and to get the votes into the tally. And, as Anthony alluded to before, we've had quite a few mad scrambles to get some of the largest holders to cast votes who hadn't remembered to do so. (Senior officers and

directors, and founding investors, who often hold major stakes, are among the biggest "forgetters" here.) So this whole area definitely requires increasing attention at annual meetings these days.

Broc, do you have any questions for us?

**Romanek:** How do you guys manage all this? Anthony, I know you're dealing with so many meetings during such a crunch period. How do you mentally prepare yourself for proxy season? Are you doing yoga or mindfulness training?

**LaPoma:** I take a three-week extended vacation in Hawaii every year before proxy season. Chip has given me the authority to do so.

Actually, because of the fact that this is just part and parcel of our business and we've become so accustomed to it, we really are pretty much prepared for it on a yearly basis. We know that it's coming. And we know that it's going to require a head's-down significant focus, to ensure that we are handling every request in every outside-of-the-box circumstance with the same level of detail and accuracy that we would handle it even if we were in the off-season.

The commitment from our teams is through the roof. That's really what makes it possible for us. Everybody is willing to put in that extra time and to have that attention to detail that's necessary to succeed.

**Romanek:** Well, it takes a special person, I think, to be able to handle it. My hat is off to you.

**Hagberg:** It really is incredible. If you could see the level of activity!

It used to be, if you were to go back 10 or 15 years, that people officially declared the annual meeting season over on the 30th of April. Then it swapped over into the end of May. Now it's into June and July.

But in May and June, there are about four or five days where it seems like there must be 100 companies or more holding their meetings. So that adds a bit of stress. And we have been seeing a lot of people suddenly change their day from their traditional day, which you could plan on a year ahead, and then having a conflict with the inspector who is going to show up, scrambling around to find somebody who is free. So it's a crazy time. The good part of it is, after the end of July, things kind of calm down a little bit. But it's quite a hustle.

## Final Takeaways

**Hagberg:** Since we have a few minutes. I'll give you my 10 takeaways from the Academy Awards. I was struck by the parallels between what happened at the Oscars and what actually happens at an annual shareholder meeting.

The first one, which is very important, is to say, "Stuff happens." I've said this every year that I've done this webcast with Broc - always hope for the best, but plan for the worst. And recognize that one of these days, or every day, there is always a risk that somebody - and maybe you - will personally land in the hot seat. It just goes with the territory. I think that's the mindset that you need to take going into a meeting, so you are always on high alert.

The second one is really just an observation. Today I saw in the paper that the two PwC partners who had those two sets of envelopes were "banned" from ever coming back to the meeting. It was an interesting choice of words.

The bottom line is this - if there's a screw-up at a meeting in reporting on the vote, the management team will never, ever want to see your face again. Even if you weren't the main cause of the problem,

whoever was there in the spotlight at the time, believe me, they're banned pretty much for life.

The third thing I would say is never fire anyone - not the person, and certainly not the company in question - unless something really egregiously bad happened. Mistakes get made. We're human beings, we make mistakes. So don't rush to fire people or punish people or whatever. It doesn't solve anything and it doesn't do anything.

It's more important to focus on never, ever becoming complacent - I guess that's related to item number one. In all the meetings that I've been to over the years, the biggest common mistake is to think that this meeting is going to be just like your past 10 meetings. It will go like clockwork. Everything will be cake. The numbers will be great. We will all have high fives at the end. And then, something happens. So, never, ever go into the meeting with a sense of complacency.

Poor PwC, I feel bad for them. Eighty-five years of glory and it sort of blew up in one minute. I have to think that complacency may have contributed something there.

Related to that, never, ever get distracted when you're the person who's counting the votes and getting ready to report on the votes. Do not get distracted by anything. There were reports that one poor fellow at the Oscars couldn't resist a Tweet, then he deleted it. Bottom line, this is a time when you really have to focus only on what is going on at that meeting. You have to have eyes all around the room. And you can't let yourself be distracted from your job.

Related to that, I think inspectors definitely need to have some back-up. It used to be that every large company called for two inspectors. Now many just have one. That is OK most of the time. But if you're having a very large meeting where there are a lot of people, and certainly if you're having a contested meeting, you really need to have two people there.

If you only want to call one the inspector, that's OK. But somebody's got to watch the room and somebody's got to watch the votes. And at a large or hectic meeting, you really can't do the two things at once. So you do need some back-up.

Point number seven, if you only have one inspector, make sure that you go to see what that inspector has written down for all your proposals. And make sure it passes the sniff test.

It's like a sanity check. I think we all know that no one can really adequately check or proofread their own work without the risk of totally overlooking their own mistake. That's why they have inspectors of elections, by the way - to make sure that someone is proofreading and checking the tabulator's work. So be sure that you get a second check before you report anything.

Another critically important point - never, ever rush to report the results. More mistakes have been made by rushing around. There's really no need for it. The Academy Awards are different, of course. You can't say, "I'll let you know tomorrow or next week," because that's not what you're doing there. But don't ever rush if you're trying to tabulate votes, especially if you received a lot of votes from the floor, or if you've had last-minute votes come in over the phone, via fax, or whatever. Please do not rush.

There are tips in my tabulating and reporting primer on the advantages of issuing a preliminary report. If anything is close, say these results will be subject to a final review by the inspectors. Leave it at that, and put the results out the next day, if you possibly can.

Then there are two more personal things. Give your inspectors adequate time and space to work. I think the PwC people actually had that, but it was a little awkward. One was on watch on one side of the stage, and one was watching the other side of the stage.

Our inspectors go to a lot of meetings where there is no privacy, there's no table, there's no desk, or the lighting is bad. Maybe there's Wi-Fi reception, maybe there's not. Maybe there aren't any electrical outlets for you to plug your PC into.

That's not good. Make sure the inspectors have some quiet space, where they are not going to be hassled or jostled, where they can work in peace and quiet, and get their report out.

The last thing is don't hawk them, or hang over their shoulders. This is probably the number one way that I've seen inspectors make mistakes - by having people hanging over their shoulders, rushing them. They want to get to the train, or file their Form 8-K, or whatever. There is nothing to be gained by hurrying here, and there's a lot of potential embarrassment to be had by rushing into something before you've really checked it thoroughly.

Those are my tips for the coming season. Broc, anything else from you?

**Romanek:** No. And I want to thank you, Carl. You always put so much effort into these programs. I appreciate the fact that you spent this time to analyze the Oscars, which for everyone was topic number one. You might be trending right now on Twitter. And, Anthony, as you know by now, this is a busy time for you as you're ramping up in the heart of proxy season.

So, I want to thank all three of you during this busy time for spending this time educating us. You guys are the experts. There are no other experts out there. So I really appreciate it. This is a program that will be valuable for years and years to come. Thank you very much.



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