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COPING WITH THE NEW ACTIVISM

Dear readers:

They say a good picture is worth a thousand words...and this year's cover, showing the 'Corporate Swim for Life' - and all its many camp-followers, critics and eggheads - does the trick to a big degree, I think.

A few of the people we interviewed for this, our 18th issue, initially seemed to think that the "New Activism" is basically the same old thing...maybe writ a little larger these days. But as we talked, almost everyone came round to agreeing that we are witnessing a 'new and improved' kind of activism.

While it may not be seen as 'improved' if you are on the receiving end, there is little doubt that today's activist investors are not only more active, and harder-working - but far more successful than ever before:

Almost every day you open the paper you see a new activist campaign... a new "white paper" put forward as a better roadmap than the one the old board has been following... a company or two voluntarily agreeing to make governance changes, or to issue annual reports on topics of activist investor concern...or to add board members nominated by activists... or, when negotiations fail to work, to become the subject of an out-and-out proxy fight to elect new directors - and sometimes an entirely new board.

A related development, corporate directors have become 'activists' themselves: Nearly every week we've been seeing the sudden departure of a CEO - even when financial results have been seemingly good - but where, within days, we learn of some indiscretion, or something else (like checking too often on one's yacht-building project) that caused a sudden lack of confidence on the part of the board or a fear that they themselves will make the newspapers.

If you read only one article in this magazine, make it the interview with activist investor Greg Taxin - who basically shares his entire playbook. This should impel you to read the many practical tips on "coping" that have been offered up by some of the leading lights in the proxy solicitation and governance advisory firms...and our own tips on dealing with activist "knocks", proxy fights - and on crisis management in general - in the 4th Quarter issue of The Shareholder Service *OPTIMIZER* that is embedded in the magazine.

A word or two about the 'flying nun' on the cover also seems to be in order here: A few quarters ago we reported on a meeting of mostly senior governance experts we attended, where the subject of social and environmental activism came up as a potential hot-topic for discussion: A few of the older-fogies immediately bristled: "We really don't want to give a bully pulpit to a lot of do-gooding nuns, do we?" said one. One of the younger attendees

- whose company caters to the "millennial" generation, and who is a millennial herself, immediately piped up, with what became our Quote of the Quarter: "It's not 'just about the nuns' anymore. Our customers, and our employees, are keenly concerned about social and environmental issues. They do not want to do business with, or work for companies that are not good citizens... And lenders don't want to lend to companies that are not on top of relevant social and environmental issues." So naturally, we figured we should include at least one representative from the Religious investor community, and also to explore what the term "sustainable investments" is meant to encompass.



There is also a wonderful walk down memory lane and into the present from our esteemed friend and colleague Jim Kristie, the long-term editor of Directors & Boards - and two excellent articles on Director and Individual Director Evaluation programs, which we feel that no company, however big or small, can afford to go without these days.

And finally, there are important messages from virtually every major supplier of services to the Corporate Governance Community...including, please note, two of the most useful "trade and educational associations" that exist for people involved with share-owners; The Society of Corporate Secretaries and Governance Professionals and the Shareholder Service Association (SSA).

Your editor also wants to note that this is the 20th Anniversary of The Shareholder Service *OPTIMIZER* - and that we are aiming for 20 years more, So we have recruited our son Peder, who has more than 10 years of experience as an editor and publisher himself, as the Associate Editor and Associate Publisher - not just to help with the heavy-lifting, but to focus even more attention on our already heavily visited website, www.optimizeronline.com

With all the action on the governance scene - and on the supplier scene these days - we have also decided to publish the full-color Special Supplement twice a year, instead of annually...so look for another magazine in mid-year.

ONE CLOSING REQUEST

We ask you to please circulate the magazine around to all the people in your company who are involved in the corporate governance space - in the Legal and Compliance offices, the Corporate Secretarial and Governance office, and to your I-R, P-R and Community Relations officers.

With our thanks, and all our best wishes for a prosperous and peaceful New Year...

Carl and Peder Hagberg

Shift Happens

AN INTERVIEW WITH JAMES KRISTIE



James Kristie is the longtime editor and associate publisher of Directors & Boards, a quarterly journal that describes itself as “Thought leadership in corporate governance since 1976.” The journal was founded that year by publishing entrepreneur Stanley Foster Reed amidst the turmoil of the Congressional hearings that resulted in passage in 1977 of the Foreign Corrupt Practices Act. In the following interview with The Shareholder Service Optimizer Kristie reflects on the early days of corporate governance, the changes he has seen over the past three decades, and the current state of shareholder activism.

YOU HAVE BEEN A BOARD OBSERVER FOR A LONG TIME. HOW LONG EXACTLY?

Believe it or not, I am now in my 34th year as editor of Directors & Boards. I came here in 1981 when the journal was acquired by The Hay Group and moved from Washington DC, where it was founded, to Philadelphia, where Hay’s headquarters were and where I was serving as a senior editor of a weekly business magazine for the city and region. I actually turned the job down when first approached about joining it because “corporate governance” was not even a common term in the popular business lexicon at the time. I had been writing business stories for five years and had never written one word about a board of directors. With the exception of a big scandal like the foreign payoffs in the mid-1970s, a board was so far removed from public awareness that it was not even a factor in most news coverage of business at that time. That, of course, was soon to change, so in retrospect it was excellent timing to become editor of this publication.

WHAT ARE YOUR EARLY REMEMBRANCES?

Let me share two with you. Shortly after I was hired the new owner of Directors & Boards, Milton Rock, chairman of Hay Group, sat me down and said, “You know, Jim, most CEOs really don’t want a board of directors.” He was dead serious (and, I think, dead right). I thought to myself, “Holy cow, this is the guy who just hired me to put out this publication for board members and he doesn’t even think CEOs want or need boards.” But to his credit, Milt believed that CEOs do need a board — not just any board but a board that is an effective adviser to management and

an effective representative of the shareholder — and that Directors & Boards would be helpful in professionalizing the membership and functioning of corporate boards. He and his son Robert, who now serves as publisher, still own Directors & Boards and have never wavered in their backing of the journal as a force for making boards as effective as they can be.

My second big remembrance is this. For one of my first major CEO interviews I flew to Pittsburgh to talk with Tony O’Reilly, then the CEO of H.J. Heinz Co. and a preeminent chief executive of that period in American business. He was a big, strapping Irishman, very charismatic — truly a “rock star CEO,” a term that later came into dubious fashion. The interview itself was fairly inconsequential, but what I remember most is the makeup at that time of the Heinz board: 18 members, half of whom were inside officers of the company. Can you believe that today? This was obviously a board in O’Reilly’s back pocket. But looking back it was not that unusual for the era. This was 1983. When Heinz was sold to a Brazilian private equity firm in 2013, 30 years later, the only insider on the much smaller board was the CEO. I am probably anticipating a question of what other changes I have seen over my tenure.

WHAT OTHER NOTABLE CHANGES IN THE BOARDROOM HAVE YOU RECORDED?

In essence, there really has been no change in the fundamental mission of a board: to oversee management and to protect the enterprise for the shareholders and stakeholders. It’s the way the board has organized itself to do that is where we have seen significant changes. I facetiously refer to this evolution in the board’s composition and conduct as “shift happens”.

- **AS NOTED ABOVE, THE EXODUS OF INSIDERS FROM BOARD MEMBERSHIP, TO THE POINT WHERE THE CEO OFTEN IS THE ONLY INSIDER ON THE BOARD.**
- **MORE WOMEN BEING ADDED TO CORPORATE BOARDS (THOUGH MANY WILL ARGUE THAT THIS HAS BEEN MORE OF A GLACIAL MOVE, AND I WOULD AGREE).**
- **THE ADOPTION OF EXECUTIVE SESSIONS OF THE BOARD.**
- **THE EMBRACE OF THE LEAD DIRECTOR CONCEPT.**
- **A MORE FREQUENT SPLITTING OF THE CHAIRMAN AND CEO POSITIONS.**
- **GREATER USAGE OF SEARCH FIRMS IN RECRUITING DIRECTORS.**
- **THE CHANGE IN SCOPE OF THE BOARD NOMINATING COMMITTEE TO A BROADER-GAUGE CORPORATE GOVERNANCE COMMITTEE.**
- **A VASTLY EXPANDED PURVIEW OF THE AUDIT COMMITTEE.**
- **MUCH MORE BOX TICKING BY BOARDS, INSTIGATED BY COURT CASES LIKE VAN GORKOM AND CAREMARK AND LEGISLATION LIKE THE FOREIGN CORRUPT PRACTICES ACT, SARBANES-OXLEY, AND DODD-FRANK.**
- **A REINING IN OF “OVERBOARDED” CEOs AND DIRECTORS.**
- **SHAREHOLDERS DISCOVERING THEIR “VOICE” AND BOARDS NEEDING TO RESPOND TO THAT.**

And there have been other worthy enhancements of corporate governance over the past three decades. What continues to worry me and keep me engaged as editor of *Directors & Boards* is whether these process shifts are matched by attitudinal shifts by board members. Borrowing an observation used by Vanguard Chairman Emeritus John Brennan in an article we published a few years ago, we need to see “a great attitudinal shift in corporate boards away from what is right for the insiders to what is right for the shareholders.”

DO YOU HAVE SOME TOP LESSONS LEARNED?

I have a few, but perhaps the biggest is that there are no blacks and whites in governance. Said another way, it is a question of “*best practices*” versus “*right practices*.” For example, separating the chairman and CEO positions may be considered a governance best practice, but for some leadership situations it may not be the right thing to do. Much of board effectiveness is situational in nature, so while we can applaud the adoption of many of the process shifts that I identified, a prudent move by boards is to embrace the best practices that are right for their governance. Of course, this is good for me as an editor — to stimulate debate by giving voice to proponents and opponents of “best” practices!

ACTIVISM — IS IT REALLY NEW WHAT IS GOING ON?

I can’t say it is. The curse of being around a long time is that you have seen it all before. Back in the early 1990s, as you may recall, we saw a big push by the institutional investor community for “relational investing”: the forming by investors of more stable, longer-lasting ties to their invested corporations. Relational investing was actually described, and I quote right from the pages

of *Directors & Boards*, as the “next wave in the activist shareholder movement.” I published Felix Rohatyn in 1993 making this statement: “A different version of this [relational investing] concept is the purchase of a large interest in an underperforming company for the express purpose of changing management and improving its performance.” If anything, I guess the modern-day tweak is that hedge funds, which you did not hear much about 20 years ago, have wholeheartedly embraced the role of relational investors.

WILL ACTIVISM EASE UP? OR, GET MORE ACTIVIST?

Here is how I am thinking of it. When we were living through the hostile takeover wave of the mid-1980s — some days you would open up your *Wall Street Journal* and half the items in the front page “What’s New” column would be hostile deal developments — it was hard to imagine that this trend would ever end. But it did. I suppose activism could go either way, and it will be up to what boards do that will largely determine that. The hostile takeover mania ended for many reasons, but board reaction was certainly one that brought it to a close. I think of how the 1985 Van Gorkom decision, when the Delaware Supreme Court called the board of Trans Union Corp. to account for its seemingly lackadaisical approval of the sale of the company (during the intermission of an opera performance!), as being a wake-up call for boards to take their role more seriously and be more dutiful in their oversight. That had great effect on the M&A mania of the day, tamping down the “wild west” nature of the takeover artists. Today’s activists are doing the same in making boards more dutiful in their oversight, and by that I mean in the board’s evaluation of corporate strategy, management capability, and enterprise value. Boards can put the activists out of business, just as they all but killed off the hostile takeover artists.

HOW BEST TO COPE WITH ACTIVISTS?

Remember the great line from the movie “Cool Hand Luke”: “What we have here is a failure to communicate”? I have often thought that shareholders may have as good or better ideas of what’s best for the corporation as the management and board. Why not go all out to hear them out? If the ideas are misguided, at least you know what the shareholders are thinking and can mount a more effective countervailing strategic and valuation case. Open the lines of communication and see what happens. But at the same time, do the hard work of determining whether you — the board and management — are up to the demands of leading the company in the year(s) ahead. Look around the board table and see if anyone is “missing” — i.e., what expertise is not represented and should be added for vital perspective on the industry and global business and economic environment. And look around the executive suite to make sure the team is the right one to get the company where it needs to go while delivering appropriate returns for the investors.

FINAL THOUGHTS?

In my earliest days as editor of *Directors & Boards*, a very senior board member said to me, “The only real job of a director is to make sure the right CEO is running the company.” I was appalled. Surely there is more to the director’s job than that, I thought.

And, yes, there is. But as that comment has percolated with me all

these years, I have come around a bit to the wisdom of it. If you have the right CEO running the company, everything else is likely to fall into place. The right CEO will do the right things — crafting a smart strategy, executing it well, recruiting a good board, doing smart deals, having productive relations with investors and the activist community, creating worthy value for shareholders, et al. That’s a tall order for a CEO — and for the

board that must ensure it has the right person running the operation.

JAMES KRISTIE
EDITOR & ASSOCIATE PUBLISHER
DIRECTORS & BOARDS
DIRECTORSANDBOARDS.COM

WHAT’S NEXT FOR YOU AND DIRECTORS & BOARDS?

The print journal will always be the “mother ship” of our publishing enterprise. But as all media companies are doing, we are deeply engaged in digital distribution of important materials for a board audience. We produce a monthly online newsletter, the e-Briefing, that along with our website (www.directorsandboards.com) extends our “thought leadership” mission to a digital audience. We are now doing about one webinar a month. We do sponsored roundtables. (Something they don’t teach in journalism school, at least not when I went in the 1970s, is how much public speaking print editors have to do!) And a new venture that we are most excited about is the Private Company Governance Summit. This is a program we do each year in Washington, D.C., for 100-plus private company founders, CEOs and board members. We are now planning the third summit for May 2015. What we have learned is that many private company boards are emulating board practices of public companies and that there is an avid audience for insight and guidance on how to have an effective board. We can help answer that!



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THE OPTIMIZER'S EDITOR INTERVIEWS ACTIVIST INVESTOR GREG TAXIN, MANAGING MEMBER OF SPOTLIGHT ADVISORS

Greg, do you think we are seeing a sort of “New Activism” these days, or are we simply seeing more of the same things we’ve been seeing all along?

“There are more activist funds, and more dollars being invested in them than ever before, as we know...But the biggest change is that we are seeing a ‘new breed’ of activists, who are much more professional. They do a lot more work than activists used to do. They do a lot more research, dig much deeper – and do a much better job of it.”

In your previous campaigns you seem to have targeted mostly small and mid-cap companies. Is there a reason for that?

“Most large and mega-cap companies are very well run these days. Even the worst of them are ‘pretty well-run.’ They almost always have good investment bankers and other advisors, and lots of eyes are looking at them. Even if they run off course, they usually don’t do so for long, or go very far astray. Small and mid-cap companies usually represent the best opportunities for investors who are looking to benefit in a significant way by instigating or supporting change.”

You mentioned research as a key part of the ‘new breed’ approach. Tell us a little more about the kinds of research you do...And are there any particular segments you focus on?

“We cast our nets very broadly. We are not looking for companies that may be a few hundred basis points off their peers. We look for companies where there is a big difference between intrinsic value and current market valuation. There will always be someone who is at the bottom of the list in every industry.

“We talk with customers and suppliers, competitors, former officers and directors and employees. We also do a lot of research on the current management and on the incumbent board members. In June of 2014, for example, we won a majority of the board seats at Value Vision Media, where the senior management team was clearly not devoting its full-time efforts to running and building the company. Its headquarters were in Eden Prairie, MN, and 11 of the 12 most senior people lived 1,000 miles or more away – in Philadelphia, Florida and Texas. They would fly in on Tuesday and fly out on Thursday afternoon. A related part of our research, and our strategy for change, is to find and elect director candidates with specific expertise, stature and domain expertise – not folks from ‘Philly’s best families’...or ‘best minds’...or ‘friends of the CEO.’”

What are your thoughts about paying director candidates to run – and promising bonuses tied to improved results?

“We haven’t ever done it...And we have never needed to do it. We have never, ever had anyone say ‘I would like to do it...but it doesn’t pay enough.’ We have had no problems at all in attracting outstanding director candidates to run for office. Over the past five years we have filled board seats with former CEOs and other very senior managers from companies like Appleby’s, Goldman Sachs, Aeropostale, HSN, Sachs Fifth Avenue, Tommy Hilfiger and a former governor of Montana.”



Recently, you made a remark about the ‘rules of proxy’ – and how they can sometimes give activists an advantage. Can you elaborate a bit?

“Proxy rules, proxy mechanics and ‘proxy plumbing issues’ are often quite complicated – and sometimes they can have unanticipated or unintended impacts. Activist investors, and their advisors, are pretty good at understanding and using ‘the system.’ And you can’t blame people for maximizing their leverage.”

What advice would you give to readers – most of whom are with publicly-traded companies –and trying very hard to “Cope with the New Activism”?

“Company officers and their boards need always to remember that companies must be run for their owners. As fiduciaries, directors are obliged to think long and hard on every decision they take - or that owners ask them to consider: Be open minded. Never be

afraid to talk to owners and to carefully review and seriously consider implementing their suggestions.”

One last question...about advisors. It seems to me that at least a half-dozen companies this year have acted to their ultimate disadvantage on incredibly bad advice: Any thoughts?

“Having good outside advisors is important – and, for the most part, they are helpful. But yes, there have been instances where companies followed shockingly bad advice.

Here’s my advice: Don’t allow advisors to run their standard playbooks. Where activist efforts are concerned, officers and directors need to steel themselves against what is basically a mercenary army of people, who like war. Make sure that you do not get yourselves inextricably on this path because the people driving the train are ‘built for war.’”

What are your thoughts about paying director candidates to run – and promising bonuses tied to improved results?

“We haven’t ever done it...And we have never needed to do it. We have never, ever had anyone say ‘I would like to do it...but it doesn’t pay enough.’ We have had no problems at all in attracting outstanding director candidates to run for office.”

AN INTERVIEW WITH **HEIDI WELSH** EXECUTIVE DIRECTOR, SUSTAINABLE INVESTMENTS INSTITUTE (SI2)

WHAT IS THE SUSTAINABLE INVESTMENTS INSTITUTE – AND WHAT, EXACTLY, DOES IT DO?

“We are a non-profit research service – sort of a reincarnation of the old IRRC - researching a wide variety of social and environmental issues – primarily those that arise from proxy statements, and, in particular, from shareholder proposals. We also do some research on social and environmental issues that arise outside of the proxy season and the proxy-proposal space.”

WHERE DOES YOUR FUNDING COME FROM?

“We are funded by the subscribers to our research – which include many of the largest endowed college and university funds, and many of the largest public pension funds. We do not take any positions or make any recommendations to subscribers. We are strictly a research organization.”

WHAT, EXACTLY, DOES THE TERM “SUSTAINABLE INVESTMENTS” MEAN? ONE WOULD THINK THAT EVERY INVESTOR WANTS TO HAVE ONLY ‘SUSTAINABLE INVESTMENTS’... NO?

“It is sort of a ‘broad umbrella’ - and yes, everyone is basically in favor of having “sustainable investments in sustainable companies” so our research encompasses a broad array of social and environmental issues: The common thread is that most of these issues are not easy to quantify, but that most analysts can see that they can have very broad impacts on the corporate bottom line. And many analysts and investors see such issues as a “proxy” for having good management practices in general...and for the care with which managements identify and manage all of the company’s risks. The other common thread is that these are issues that are addressed in many proxy statements and that are often the subject of shareholder proposals.”

WHAT DO YOU SEE AS THE KEY ISSUES – AND THE KEY FLASHPOINTS AS WE LOOK TOWARD THE 2015 ANNUAL MEETING SEASON?

“Political issues – specifically, calls for more disclosure on political spending and lobbying activities – will be the number-one issue in 2015. What will also be important in 2015 is what does *not* come to a vote. Roughly half of all the proposals calling for more disclosure will be settled without a vote this season.”



WHAT ABOUT THE PURELY POLITICAL SPENDING AND LOBBYING PROPOSALS? IT SEEMS TO ME THAT MANY COMPANIES STILL DIG IN THEIR HEELS HERE.

“Yes, only about 25% of them are being settled currently. But there seems to be a remarkable uptake

lately. And for sure, there is much more board oversight and supervision of these issues than ever before – and agreement that these issues can pose risks if not properly managed. There is another interesting interplay here because of ties between political spending and lobbying and the energy issue – and the fact that we are dumping too much carbon into the air, and need solutions.”

WHAT ARE YOUR THOUGHTS ABOUT THE “MILLENNIALS” – WHO SEEM TO BE VERY KEENLY INTERESTED IN SOCIAL AND ENVIRONMENTAL ISSUES?

Young people are worried about social and environmental issues. We have been seeing high demand for information and advice on how to operate in “conflicted” areas of the world. And it does seem that if companies want to attract the “best and brightest” – both as employees and as customers – they need to address these issues proactively.”

ANY ADVICE YOU’D GIVE READERS?

“Stonewalling investors is never a good idea. Shareholder questions and shareholder proposals should be perceived as opportunities to engage and to learn and to improve – and as part of an ‘overall engagement process’ with stakeholders – which is, by far, the easiest way to address such issues.”

ANYTHING ELSE ON THE HORIZON?

“Another set of big “crossover issues” to watch closely in 2015 revolves around the 75 “Proxy Access Proposals” that are out there, which specifically target companies with low say-on-pay approval numbers, that are high-carbon emitters and that have low board-diversity.”

Q:

Have you ever seen the interview we did with Ed Durkin of the Carpenters Union a few years ago? He referred to Proxy Access as “A lot of very smart people talking about a very stupid thing.” His main point is that with majority voting (even if it’s not in the company Charter) low vote-getters will become victims of a “nuclear option” that basically takes them out, creates immediate vacancies – and greatly increases the leverage of activist investors... without all the proxy-access rigmarole. Any thoughts here?

“Yes, I think we will see more ‘nuclear actions’ like this, going forward.”

AN INTERVIEW WITH SISTER PATRICIA A. DALY, OP

EXECUTIVE DIRECTOR, TRI-STATE COALITION
FOR RESPONSIBLE INVESTMENT



SISTER, TELL US WHAT THE OP STANDS FOR, AND HOW LONG YOU HAVE BEEN ENGAGED IN SHAREHOLDER ACTIVISM.

“OP stands for Order of Preachers which was founded by St. Dominick 800 years ago: 2015 is actually the 800th anniversary of the Dominican Order. I began attending shareholder meetings in 1977 during my novitiate, and from the beginning, I’ve seen it as part of the preaching and teaching that people of faith should be doing. Shareholders need to be engaged – and need to show up, and be heard – and I think it is well proven that good corporate citizenship will help the bottom line.”

TELL US ABOUT THE TRI-STATE COALITION.

“Catholic institutions are all autonomous, so forming a coalition made a lot of sense. 2015 will be our 40th year. We have 40 congregations in the coalition. We provide a voting service for them, we do some other engagement work on behalf of others – and, in addition to the religious congregations, we have some individual supporters.”

DO YOU THINK WE ARE WITNESSING A “NEW ACTIVISM” THESE DAYS?

“I see a twofold change: Consumers have come to recognize that corporate values and value systems are important drivers of performance. And I’ve been around long enough to see that companies are increasingly engaging in a way that shows they understand the importance of strong corporate value systems – and who are very happy to work with us. Many of the people we interact with have ‘vocations’ of their own – to take their companies to the next level when it comes to working for the social common good. We also have many people who have retired from business working with us as consultants – helping to formulate and present our proposals. The financial sector, and the academic community have taken note of the business risks that arise when social and environmental issues are not properly

addressed. We see business schools offering advanced degrees in sustainability – and in supply-chain management,”

TELL US ABOUT YOUR KEY PROGRAMS AND GOALS FOR 2015

Climate change is our number-one issue for 2015. We have a number of programs to raise the bar here in terms of tariff agreements and treaties that would require global political officers to agree to commit to specific carbon reduction goals in exchange for favorable tariff changes. We are very interested in financial products that would fund carbon reduction, and we plan to host another roundtable on climate finance issues.

Human trafficking is another big issue for us – especially in the hospitality sector. It’s not just about sex-trafficking, but about employment sourcing practices. We have a big focus on commodities trading practices that can drive up costs – and especially where food is concerned, Labor is another major area of concern for us. We reached a groundbreaking agreement with ADM – a company that sources foodstuffs from 400,000 sources worldwide – on a global Human Rights Policy. Water is another major area for us. Tyson Foods, for example, developed a groundbreaking policy to deal with runoff from feedlots and processing plants. And Ford Motor developed a very impressive program to reduce waste-water from its plants.

DO YOU HAVE ANY PARTICULAR TARGET INDUSTRIES, GOING FORWARD?

No, we try to ‘do it all.’ But I suppose we have had a particularly keen focus on banks and financial institutions - who seem to really get it now when it comes to climate risk, and to potentially stranded assets.

HOW TO COPE WITH THE NEW ACTIVISM?

We ask some of the leading lights in the proxy solicitation and advisory space for their thoughts on trends, potential new developments and, most important, for their advice on what companies and their boards should be doing these days...

BILL FISKE, SENIOR MANAGING DIRECTOR AT GEORGESON, INC.:

“There are not so many new trends where the issues are concerned...they are pretty much the same as they’ve always been. The really big change is that the “asset class” of activist investors has grown so substantially over the last year or two. We see new firms sprouting up every week; In fact, we counted 86 new ones so far this year...”Sons of activists” I’ve been calling them...and they do represent the “next generation” of activists to a big degree.

“There has also been a big change in the sophistication of activist approaches – better researched, and more nuanced – and, another big change, we see many of the more ‘traditional investors’ supporting their efforts, and calling for change. It used to be that activist investors were fairly easy to attack. But today we see them issuing detailed white-papers, offering up highly accomplished director candidates and raising questions about the skill sets, tenure, diversity and the overall character and performance of existing boards.

“A company’s best defense is to have a really strong and cohesive board. They need to have to have a very strong support team – of securities lawyers, investment bankers and proxy solicitors and advisors, since these days, it’s all about the numbers: Not just the bottom line, but who rounds up the biggest vote count come the end.

I am a big believer in having practice sessions with the board and senior management and their key advisors. My biggest practical tip is for all the participants to listen – especially to the kinds of things they do not want to hear – and to come away with complete conviction come the end. Another thing worth remembering when thinking about activists is that most of them don’t really want to be on boards, and attending meetings: For most, it’s all about driving alpha.”



BRUCE GOLDFARB, PRESIDENT & CHIEF EXECUTIVE OFFICER, OKAPI PARTNERS LLC:

“2015 will likely be another year of board shakeups, heated proxy contests, shareholder proposals and even new forms of activism. We are already hearing from both corporations and investors that they are gearing up for some interesting campaigns.

“In some instances, target companies will be larger in size, as activists have more capital to allocate. And, because of new guidance from the SEC on proxy advisors, votes may be harder to come by on both sides.

“We expect activist achievement to remain high in 2015 as a number of mutual fund companies, both with active and passive strategies, come to believe that at least some activist investors, especially those that bring strategic advice to the table, can add long-

term value to the companies they own.

“Still, not all activist situations will be contentious in 2015. More companies are listening to advice from investors (and some more humbled advisors) and deciding it may be helpful to add some new perspectives to the board or move toward strategies that are designed to enhance value.

“After talking with shareholders at a targeted company, all parties may come to the conclusion that a proxy fight might reach almost the same outcome as a settlement. In this environment, we expect to see more dialogue between activists and companies in 2015. The best advice for companies is to understand that articulating the value proposition and the strategic plan for creating value is critical to gaining investor support.”

TOM GERMINARIO, SENIOR VICE PRESIDENT OF D.F. KING & CO., INC., AND CO-HEAD OF ITS CORPORATE PROXY DIVISION:



“The rise in shareholder activism is definitely the primary concern among public companies, large and small this year. Companies need to be more aware, and more proactive than ever in terms of the way they stack up with peer groups on capital allocation strategy, on maintaining non-core operations, on their governance vulnerabilities and, of course on the overall performance of the business.

“Engagement with significant institutional investors is at an all-time high and is extremely important strategically: Building relationships with both the investment side and the governance/compliance side at important investors - and engaging in off-proxy season timeframes - is critical to achieving support at proxy time.

“The 2015 season is shaping up to be an interesting one, with focus on the NYC pension funds, and their focus on proxy access proposals, continued focus on executive compensation, the impact of the new ISS compensation scorecard policy, increased uncertainty regarding support levels on independent chairman proposals and a special focus on companies making unilateral by-law amendments. Companies need to be on top of their game on understanding policy changes, staying away from trip-wires of activists and articulating their viewpoints with high-level engagement programs.”



MICHAEL MACKEY, OWNER, ALLIANCE ADVISORS LLC:

“My top observation about activist investors these days is the sheer quantities we’re looking at today – the huge number of activist funds and the huge amounts of money that are flowing to them, which I’m sure all your other commenters will note too. Every week we see new activist funds splintering off from older ones.

“So my own top-tip is to be prepared – and to do your homework with special care. And if you are underperforming your peer group in any way, prepare even harder.

“Second, while every smart company will have some sort of ownership identification program in place, we say, pay extra-special attention to your activist investors. We have a program called “Activist Watch” that

focuses specifically on this segment of a company’s shareholder base: Who’s coming, and maybe going, and what exactly are their hot-buttons when it comes to choosing sides - and to proxy issues in general.

“Lastly, we are great believers in something we call “Insight” - a detailed pre-meeting analysis of the investor base – and how investors voted last year – followed by a detailed post-meeting analysis of the actual voting behaviors, since sometimes, there are important surprises to take note of and possibly to follow up on.”

RON SCHNEIDER, DIRECTOR OF CORPORATE GOVERNANCE SERVICES, RR DONNELLEY GLOBAL CAPITAL MARKETS:



“Proxy disclosure and voting issues have become far more complex – and far more contentious than ever before – even where once seemingly ‘routine’ things are concerned.

“No surprise then, that we find more and more companies spending very high-quality time on their documents, and looking to incorporate ‘best practices’ – on the way the important items are ordered, on trying to simplify the language - and to highlight the most important items with headlines, sub-heads and the use of color - on using charts and graphs, and in general, trying to make the reading experience easier, so the big and most important points will jump out. Companies are also realizing that the web – and the use of tablets and i-phones to access and to act on proxy voting information - is making it important for them to improve the reading experience here too.

“And, of course, if you fear a potential “Vote-No campaign”, or a potentially tough vote on your say-on-pay, or on some other proxy proposal – or, worst of all, find yourselves in an actual proxy fight – having clear and compelling communication of your official positions is absolutely critical to winning the day.”



ARTIE REGAN, PRESIDENT AND OWNER AT REGAN & ASSOCIATES, INC.

“whom your editor calls the king of community-centered proxy fights”: “Thanks to the New Activism, small and mid-cap companies will find themselves the targets of activist campaigns – and outright proxy fights – to a greater extent than ever before.

Many of the targets will be community banks and thrifts, or in other smallish community-oriented companies that are often in their third or fourth generation as public companies. Typically, they have been very conservatively run...which is what attracted attention in the first place. And here, thanks to different ‘generational priorities,’ the community is often split almost evenly down the middle on whether to sell or merge – or to continue as an independent ‘mainstay’ of the community.

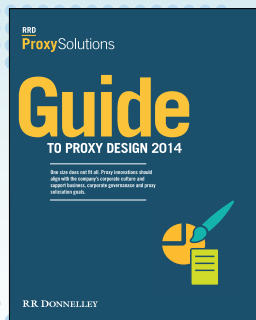
Most of these companies – and sometimes, many of their key advisors too – will find themselves totally unprepared for an activist attack - which is not a good thing So start thinking and prepping now. Two other important facts to take to heart if you find yourself in this situation: First, recognize that tactics that win on Wall Street won’t always win on Main Street...But, more importantly, the group that has the best advisors - and the best laid and best executed plan to win – will almost always win.

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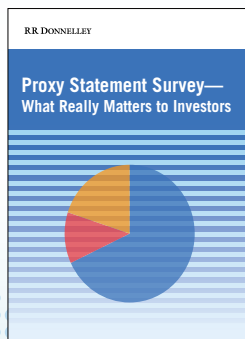
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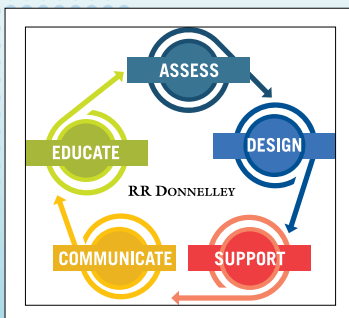
catalogs over 250 unique examples of layout, design, navigation and content from among our blue-chip client base. We searched through 1,900 proxy statements so you don't have to

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For more information, contact Ron Schneider at ronald.m.schneider@rrd.com



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PROXY FIGHTS

WHAT EVERY PUBLIC COMPANY NEEDS TO KNOW - AND DO - IF ACTIVISTS “REACH OUT” TO THEM...WITH A CUDGEL

The *OPTIMIZER*'s editor has been involved in well over 100 proxy fights in his long career - most of them were knock down, drag out events; including eight knockdown drag-out fights last year alone.

So it occurred to us that we should share the information we typically impart to public company officers who reach out to us when a proxy fight is looming, since most folks have never contemplated such an experience... and because timely action—and being totally well-prepared—are of the essence, if one wants to win.

1 First and foremost, as we emphasize to the targets while we are still “neutrals” — They call them proxy fights for a reason:

Don't think of them as ‘proxy contests’—which might imply a sort of fair event, where ‘the best man wins’: They always turn out to be **FIGHTS**.”

2 And never forget it; the main rule of the road, and the main thing to expect, and to prepare for, is that “All's fair in love and war”...And this will be a war, for sure. So expect each side to hide its hand, to feint and bluff and yes, to use every trick in the book, including dirty-ones if necessary, to fool the other side, and ideally to lull them into a false sense of security— and eventually to **ATTACK**...with passion...in order to **WIN**.

3 Never, ever, get lulled into a false sense of security: Every single launcher of a proxy fight expects to win—and has a plan and a theoretical pathway to victory that likely you know nothing about...like, for example, a “secret ally”—or allies—or a lethal “piece of dirt” to throw out at just the right moment; Otherwise, they would not spend all the time and money it takes to launch a proxy fight. Last year, one courtly CEO who called us to be the Inspector, assured us up front that they had “a hard core of third and fourth generation investors” who'd be with him to the end. “Please don't be so sure” we warned: “Third and fourth generation investors often have investing objectives of their own—that are not their father's and grandfather's objectives—and are probably not like yours” we told him. And sure enough, and very sadly we thought, the lovely old gentleman was sent packing by a first generation investor—egged on by her thoroughly modern grandkids.

4 A corollary to Rules 1 through 3: Be prepared for the fight to get down and dirty: Insurgents usually have a passel of ad-hominem arguments and some juicy gossip, or better yet, actual dirt to dredge up to support their plan to oust one or more directors, which is usually goal-one in a proxy fight. Mudslinging simply goes with the territory, and is often the key to victory.

5 is often the rule that dooms so many incumbents: “Winning” may mean something entirely different to your opponent than it does to you: They may say they want to replace some of your board members, or require annual elections of directors, or majority voting provisions—but often their real goal is to simply put your company in play, then quickly take their profits—and maybe get your company to pay their expenses for the proxy fight—then laugh all the way to the bank.

6 Another rule that dooms many proxy fighters is that “Rules Count”: And the “rules of proxy” please note well, revolve mostly around previous proxy cases and related court decisions and mostly involve a lot of highly technical and sometimes totally counterintuitive minutia.

7 also a corollary of Rules 1-4 and 6, is this: Be sure to get totally independent **EXPERTS** to serve as your Independent Inspector(s) of Election. Every single proxy will be scrutinized by the “other side” in an effort to throw it out on technical grounds. The Inspectors—who will have taken an oath to be completely impartial—will have to rule on every such item—so they'd better know the “rules of proxy” inside and out.

8 is to be sure that Inspectors have documented the “rules of the road” that apply in your state of incorporation, and have done so with care: We are amazed at how few Inspectors do this— AND at how unfamiliar with these requirements some supposedly expert proxy solicitors turn out to be.

9 is to hire a **TOTALLY DIFFERENT EXPERT** to serve as your proxy solicitor than the people you have hired to count the votes and to “inspect”: Appointing a “proxy fox” (which IS exactly what you want to have on your team) to decide how the ‘chickens’ have voted, and to tally the vote, will never stand up to scrutiny, and will often turn your reported “win” into a big loss. (See our 3rd Q 2012 issue for an example or go to www.optimizeronline.com/The_Basics.aspx for “Are your proxy chasers following smart and ethical principles?”)

10 and perhaps the most important rule of all—is that if one side in a proxy contest has an expert proxy solicitor and the other does not, the side with the expert will almost always win. Fighting a proxy fight is **NOT** a “do it yourself project”—nor is it a project that can be successfully managed by your in-house and outside legal teams...if you want to win, that is.

For a short list of the true **EXPERTS** here, go to the Online Index of Products, Services and Service Providers that is also on our website.



WHY DO A BOARD ASSESSMENT?

by MARY DENISE KUPRIONIS

In the last ten years, directors have devoted more time to understanding what effective board governance means and how they should modify “best practices” to meet the needs of their unique board. Historically, the heightened interest is in part attributed to the adoption of SOX in 2002, which followed the Enron and WorldCom scandals and was intended to bring in a new era of corporate governance. Then, in 2010, following the financial crisis, Dodd-Frank was introduced to bring in yet another wave of corporate governance reform. More recently, activist investors are encouraging shareholder proposals that, for example: establish a rule that at least two thirds of the directors should have served for less than 15 years; call for majority voting at shareholder meetings; require disclosure concerning the existence of succession plans; require CEO pay to be tied more closely to measurable performance; or require disclosure of the board’s self-evaluation process. In response to these reforms and questions, directors have moved beyond “check-the-box” board assessments, but still struggle with how to develop the right process for their board.

In the hubris of “good governance” talk, the annual board evaluation is the “prompter” for directors to take time to review how the board operates. It is a tool used to “take the board’s temperature,” to benchmark governance best practices, review current protocols and measure board effectiveness. Boards annually review the CEO’s performance; shouldn’t it do the same for itself – and in a meaningful way?

TYPICAL “ASSESSMENT COMFORTABILITY” PROGRESSION SCALE

Directors are often reluctant to assess board performance. The reason? Initially, some directors say the assessment process is a “grading” system, and that doesn’t feel right. Other excuses include; “spending time on the board evaluation diverts time away from serious issues,” “it costs money,” “there’s little ROI,” “a director might be offended,” “management might be offended,” “it might impinge on our cohesive board culture,” or “we’d never make the mistake that other board did.” Getting comfortable with conducting a helpful board evaluation is often a six-step progression. Where does your board fall on the scale?

1. “WE’RE GOOD, WE DON’T NEED A FORMAL BOARD EVALUATION”

2. “YOU CAN DO IT, BUT I’M NOT PARTICIPATING”

3. “OKAY ... IF WE HAVE TO”

4. “DID THAT, BOX CHECKED”

5. “MAYBE THE BOARD COULD LEARN SOMETHING FROM THIS PROCESS”

6. VALUED ANNUAL BOARD EFFECTIVENESS TOOL

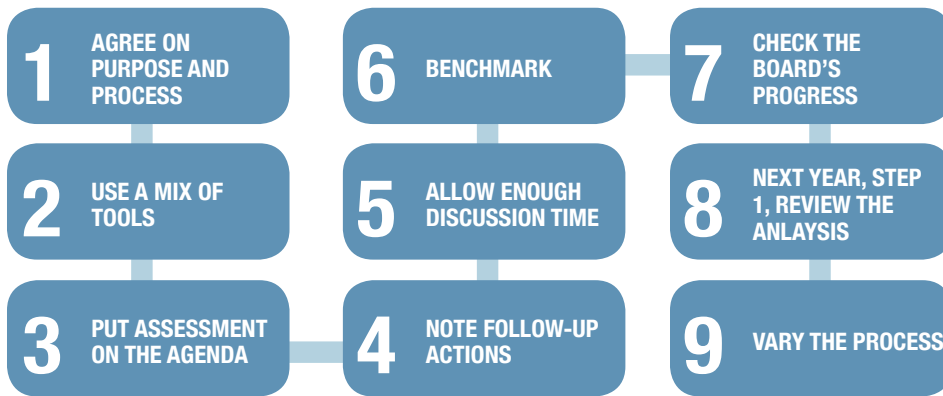
BASIC BOARD ASSESSMENT STEPS

It can be instructive if, after every board meeting, the chair asks four questions:

1. **DID WE ACCOMPLISH WHAT NEEDED TO GET DONE?**
2. **WHAT COULD WE HAVE DONE BETTER?**
3. **DID WE HAVE THE RIGHT MATERIALS IN ADVANCE?**
4. **WHAT KEY ITEMS SHOULD BE ON THE NEXT MEETING AGENDA?**

However, this “after each meeting check-up” should not take the place of the annual evaluation. While every company’s annual board evaluation process will be different, and an individual company’s evaluation process may change from year-to-year, there are nine common steps to ensure the board assessment results in a helpful outcome.

1. Discuss purpose and process with the full board. It’s important that directors agree on purpose and have input on the design process.
2. Use a mixture of tools. A way that some boards have found helpful is one year to conduct a full blown survey using questionnaires and in-person interviews with a third party facilitator. The second year, the process may only use a survey tool, with a discussion led by the board chair. It’s also important to use a combination of quantitative and qualitative questions.
3. Make the assessment a board agenda item. First to discuss process, then to discuss the analysis.
4. Benchmark your board’s governance practices with best practices. Not every best practice is right for every company, but it is important to understand the principles behind the practices.
5. Allow enough time for the “results” discussion. Too often it’s the last agenda item of a two day meeting. If possible, schedule the discussion during the annual board retreat when agendas generally are more flexible.
6. Note follow-up and to-do items. This could take the form of “board goals.”



7. Check the board’s progress in six months (or quarterly if appropriate)
8. As a starting point for the following year’s assessment process, review the previous year’s form of assessment, analysis and progress on the year’s goals.
9. Consider in-depth board assessments one year, in-depth committee assessments the following year. Every other year, consider engaging an independent facilitator to assist with the evaluation process. When the board gets comfortable with the process, consider when and how to introduce peer-to-peer evaluations, along with the full board evaluation.

step back and ask two simple questions of themselves, “how are we doing” and “what can we do better?” The board evaluation process provides a “pause” button that enables boards to take stock, check reference points and adjust its governance framework as necessary.

Good governance practices encourage a board to know whether its processes have been carefully developed, or have simply evolved because “that’s the way we’ve always done it,” or because “that’s the way one director wants it done.” The board has many responsibilities; including hiring the CEO, succession planning, and risk, financial and operations oversight. It should not be forgotten that it also has a responsibility for ensuring the effectiveness of its own operations.

THE BOARD EVALUATION - AN EFFECTIVE “PAUSE” BUTTON

Boards, like management, can caught up in business details and forget to occasionally

REWARDS OF ENGAGING IN A BOARD ASSESSMENT

Because every board is unique and every board assessment is different, the rewards of engaging in an effective board assessment vary. Outcomes realized by boards include:

1. Provided a timely platform for directors to sharpen their board skills matrix. As board members consider the company’s strategic plan and critical issues, new skill sets were needed on the board.
2. Identified and prioritized matters during the past year that could have been handled better.
3. Prioritized matters that needed board attention.
4. Refined the risk and compliance reporting mechanisms used at meetings.
5. Enhanced board dynamics.
6. Changed committee composition.
7. Initiated a board talent planning process.
8. Highlighted improved ways to communicate and follow-up after meetings.
9. Independence was more clearly defined.
10. Improved quality, and quantity, of management presentations.

WHY USE AN INDEPENDENT FACILITATOR?

Board assessments are an opportunity for constructive conversation about board effectiveness. It’s not about “what’s wrong,” but about how directors can be better at helping the company remain competitive and increase value. It’s about answering the question – “Have we effectively “right-sized” our board practices? A facilitator who is a trusted “outsider” can bring many advantages to the board evaluation process.

- FRESH EYES
- AN OPPORTUNITY FOR MORE CANDID INPUT
- A NEW PERSPECTIVE ON GOVERNANCE PRACTICES
- BENCHMARKING
- CREDIBILITY WITH SHAREHOLDERS



MARY DENISE KUPRIONIS is president of The Governance Solutions Group. Denise advises boards on governance best practices and facilitates the annual board and committee assessment process. GSG services also include guiding the board governance “tune-up,” assisting the board with developing its board and CEO succession plans, mentoring new directors

(and CEOs new to board operations), and developing orientation and continuing education plans. Prior to founding GSG in 2010, Denise spent twenty years serving in the role of chief governance officer at a family controlled NYSE-traded media company.



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THE MISSING LINK

By Cherie Sorokin & Kris Veaco

- **State Street Global Advisors (“SSgA”) has issued its director tenure policy containing a formula for director tenure reflecting their concern that long-tenured directors on boards may reflect “a lack of refreshment of skills and perspectives on the board. It may also limit a board’s ability to bring on new directors without increasing the board’s size. In addition SSgA believes that long tenure may also diminish director independence.”**
- **The Council of Institutional Investors (“CII”) sees the board evaluation process as a potential catalyst for board refreshment and has called on companies to include some disclosure of the board evaluation process in their proxy statements.**
- **ISS now includes director tenure in its Quickscore.**

Investors are increasingly paying more attention to board composition, director tenure, and board effectiveness reviews as important factors in their analysis of companies’ overall governance.

In particular, as is evident in the bullet points on the left, individual director performance seems headed for additional scrutiny. Director tenure is already a major area of investor interest, but as investors also begin to look for increased disclosure of board evaluation processes, calls for processes to evaluate individual director performance are bound to increase.

We believe each board is in the best position to determine whether its members are contributing to the overall effectiveness of the board, but to do so requires a sound, thoughtful process. Developing such a process can be time-consuming, particular if a company has not yet developed robust criteria for board service, a director skills assessment process, or a board succession planning process. Additionally, similar to an overall board evaluation, questions to be used as part of the individual director assessment process need to be tailored to the individual company. But taking the time to create a well-thought-out process for individual director assessment and disclosing that such a process exists will go a long way to satisfy investors that the board itself has the matter of its own composition in hand. It should also help counter tendencies to rely on age or term limits as board refreshment mechanisms as these mechanisms, in our opinion, are overly arbitrary and don’t address skills issues or organizational needs. An additional benefit of a process that allows for the regular review of both board and board member effectiveness is that it creates a culture that recognizes the value of bringing additional skills and competencies to the board and removing unproductive board members so they do not impair the overall effectiveness of

the whole board. It also may introduce the notion of expected change on the board to a board culture where the expectation has typically been that once you join a board, you often stay for as long as you want to.

Formal board evaluation processes first became prevalent in the 1990s. While articles have been written and conversations have been had on the efficacy of including director self-assessments and peer reviews as part of board evaluations since the early days, such reviews of individual director performance have not been common. In our opinion, the lack of emphasis on individual director evaluations has been a major “missing link” in board evaluation processes as they have developed in recent years. Resistance to examining individual director effectiveness is often couched in terms of fears that such reviews have the potential to destroy board collegiality. Because a majority of board evaluations are still handled internally by the corporate secretary or a board member, additional concerns have been expressed as to whether board members could or would be candid under these circumstances. Regardless of the rationale, peer reviews where directors are asked to comment either in writing or orally on the performance of fellow directors have continued to be largely avoided and director self-assessments, where directors are given the opportunity to reflect on their own effectiveness are still not common.

In PwC’s 2014 Annual Corporate Directors Survey a growing number of the directors surveyed believe there is a need for some board refreshment, and an even larger number acknowledge there are impediments to replacing underperforming directors. They cite board leadership being uncomfortable addressing the issue and the lack of individual director assessments as the main reasons for not addressing the issue of underperforming directors. While many directors felt their board evaluation was

effective, almost two-thirds of the directors surveyed felt their board assessment process was a “check-the-box” exercise.

These results reflect what we as governance consultants have found as we work with companies on board evaluations: in-house assessment processes can easily become rote and they are often not as effective or as helpful as they could be, especially when boards fail to consider individual director effectiveness as

“ While many directors felt their board evaluation was effective, almost two-thirds of the directors surveyed felt their board assessment process was a “check-the-box” exercise.

part of the overall evaluation process. When we conduct board evaluations as outside governance consultants, we recommend that the process include director self-assessments and peer reviews. We find that directors are willing to actively participate in this aspect of the board evaluation precisely because we are outsiders – trusted outsiders. It is easier for board members to be candid with us and, conversely, we are able to be more candid with them. When directors are given the opportunity to reflect on their own performance, we have found that they are willing to identify and address areas where they might need to be more effective. They just haven’t been asked to do so before.

When we deliver the results of peer reviews to individual directors, we have found that changes in director behavior often occur and, in some cases ultimately lead to changes in board composition. Results can also be reported to the board’s governance committee and leadership in ways which can help them understand and take steps to address director concerns about individual director performance. In effect, the process can help the board culture evolve to one where appropriate action is natural and expected when problems are surfaced. There is clearly a link between having effective individual directors and having an effective board overall. In our opinion, it’s well past time to officially acknowledge that link and to begin to incorporate individual director evaluations into board evaluations on a regular basis.



When we deliver the results of peer reviews to individual directors, we have found that changes in director behavior often occur and, in some cases ultimately lead to changes in board composition.

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RETAIL INVESTOR

Provides Silver Lining

Increasing pressure from ‘say-on-pay’ and shareholder activism is placing a premium on corporations’ ability to mobilize and influence the full spectrum of voters. While a wide range of shareholder services cater to institutional investors, the retail community has historically lacked the same level of engagement. That’s changing rapidly with the growing use of Big Data and more sophisticated analytical tools to monitor, target, and sway the individual investor.

More than 30% of the shareholdings of US public companies are held in retail hands, but only 29% of that segment voted in 2014, and retail participation hardly varies based on company size. This apparent impasse presents a major opportunity for corporations looking to bolster support for an array of strategic or sensitive initiatives. The retail base holds the potential for a significant increase in turnout – especially important in close proxy votes.

While there are numerous institutional shareholder services available from software providers and information vendors, to date there has been little support for the retail community. As a result, many corporations have been limited in the segmentation of their retail investor base by the lack of granular information.

THE VALUE OF RETAIL SHAREHOLDER DATA

There are three core reasons why corporations are increasingly leveraging retail investor data: 1) to better understand who their shareholders are; 2) to engage and influence shareholders; and 3) to gauge sentiment and voting patterns on key issues, such as executive compensation.

Involving retail constituents is especially important for micro- and small-cap companies, for which individual investors represent 71% and 35% of the total vote, respectively. Without detailed knowledge of the prospective voter base, companies may not be able to complete a funding round or get approval for major corporate initiatives. In both these cases, the business ramifications could be highly significant.

UNDERSTAND INVESTORS

Understanding retail shareholder behavior can have a significant impact to corporate governance strategies. Simply put, increased retail participation leads to more favorable proxy results. In a 2014 survey of directors by the consultancy firm PwC, 58% of directors said that even negative voting of less than 25% against would cause them to be concerned about re-nomination.

INFLUENCE PERSPECTIVES

While more accurate targeting of investors can help change sentiment, the pre-requisite for any successful retail initiative is the leveraging of data to deliver greater insight. As a result, governance professionals can measure the response to communications, better understand prevailing sentiment, and take action when voting requirements and internal thresholds are at risk.

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“ *The results were remarkable: the targeted group now voted at a rate of up to 19%.* ”



Making It Simple To Do More With Your Shareholder Base

Innovative, effective shareholder engagement and data solutions that drive business value

To maximize the value of shareholder relationships, corporations need to understand and serve their investors better. Broadridge helps companies seize a valuable opportunity to make every shareholder contact more meaningful by leveraging data-driven insight, efficient processes and digital communications. Our solutions transform investor interaction into a source of business value.

Transfer agent solutions

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GAUGE SENTIMENT

As the retail shareholders' participation becomes more important, the ability to analyze investor behavior over time, and take the necessary steps to capture additional share of mind, will become increasingly valuable. It will also likely increase the role and importance of investor relations professionals.

DATA USE CASES

The ability to mobilize and influence the voter base is perhaps the most important reason for considering a more modern and dynamic approach to target individual investors. Take the case of a small West Coast provider of security technology. With retail voter participation languishing below 50%, the company needed greater insight into its retail shareholder base. The Investor

Relations department considered hiring a lawyer, who recommended calling shareholders and sending reminders. But like many firms, the company wanted to more finely tune its approach through sophisticated technology. By investing in analytics to inform and focus its outreach beyond its institutional shareholder base, the firm drove a 12 percent increase in retail voting participation.

In another example, a \$10 billion equipment manufacturer with a global franchise was concerned about retail shareholder participation in future proxies. Its goal was to remain proactive and engaged with its shareholder base. Its strategy was to send out an interim communication to select targeted, high-value shareholders based on prior voting behavior. The results were remarkable: the targeted group now voted at a rate of up to 19%, depending on the delivery channel.

Making strategic decisions around a shareholder communication strategy requires intelligent use of data and analytics, which is increasingly possible in our digital world. Individuals are now using the internet for 68% of shares voted, and a majority of the voted shares of recipients who received communications are voted online. Of course, this retail behavior still lags well behind the institutional marketplace, in which 98% of shares are voted electronically. But therein lies the opportunity.



ABOUT BROADRIDGE

Broadridge helps companies simplify shareholder management, stay ahead of regulatory and compliance requirements and gain more insight into your shareholders with a single source solution that helps you do more. Benefits include:

- **Realizing cost savings through our advanced technology platform while simplifying and enhancing the management of your shareholder program.**

- **Increasing shareholder participation with communication solutions tailored for the way people live and work today.**
- **Being confident about partnering with Broadridge, who has 50 years' experience helping companies grow their business and gain efficiencies.**

SHAREHOLDER DATA SERVICES

A new era has begun in the intelligent use of data to fulfill focused objectives and reach targeted shareholder segments. With Broadridge Shareholder Data Services, you can gain insights that help to optimize, target and measure your shareholder communication strategy.

TRANSFER AGENT SERVICES

In times of consolidation and declining registered shareholder bases, getting the most out of your transfer agency relationship is critical. Choose a partner who can handle all your shareholder communication needs—helping you to achieve the greatest efficiencies and tap into the potential in your shareholders.

REGISTERED & BENEFICIAL PROXY SERVICES

Broadridge's ShareLink proxy processing reduces the time, cost and effort required to distribute materials to both registered and beneficial shareholders by consolidating data processing, mailing and voting functions.

ADVANCED ANNUAL MEETING SOLUTIONS

Simplify the annual meeting process, promote your brand and contain costs with Broadridge's Virtual Shareholder Meeting. You can also take advantage of our online Shareholder Forum to gain valuable insight on what is top of mind for shareholders in advance of your meeting.

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When it comes to knowing what your stakeholders need, Computershare and Georgeson are like mind readers. We offer years of expertise and proven practices that help you support shareholders. From our experienced professionals to our secure technology, we offer the perspective and forward-thinking insights that are powerful predictors for success.

Visit us at www.computershare.com to learn more about what we can do for you.



ISSUER CHALLENGES AND SOLUTIONS



Recently, *The Optimizer* had an opportunity to sit down with Jay McHale, President of Computershare's US Equity Services, to talk about his perspective on the securities industry.

LET'S JUMP RIGHT IN, JAY. WHAT DO YOU THINK ARE THE BIGGEST CHALLENGES FACING ISSUERS TODAY?

That's a great question. Computershare is fortunate to work with a diverse group of issuer clients, operating in virtually every industry and market, and ranging from new IPOs and emerging micro-caps to the largest public companies in the US. Despite this diversity, our clients share many of the same corporate objectives and concerns.

The top business challenges our clients cite are amazingly consistent: growing their company in the current economic environment and controlling costs across the board.

As far as some key concerns we come across regularly: issuers are focused on data security, regulatory compliance, especially in the area of unclaimed property, and getting things done despite an ever-tightening budget. Of course, issuers are always focused on quality products and services, and like to know that we are taking good care of their shareholders.

IT'S NOT SURPRISING THAT DATA SECURITY IS A PRIORITY.

No, not surprising at all. Data security and privacy breaches are in the news every day. Issuers want to know that their records are secure. We take it very seriously, and we're not alone.

The SEC hosted a roundtable on cybersecurity earlier this year and it's a major concern across the financial markets. Consider the recent approval of Reg SCI. While the current SEC transfer agent rules do not include data security, disaster recovery and business continuity standards, issuers want to know these measures are in place at their transfer agent.

To ensure our clients' shareholder data is safe, Computershare maintains a secure, proprietary data center along with a secondary site and fully redundant critical systems. If something should happen to one of the sites, the others can handle the full capacity without interruption. We also have strong physical security



Unclaimed property is one of the really challenging areas, as none of us want a shareholder to lose their property inadvertently.

controls – including security guards, restricted access, secured emergency exits, video surveillance and restricted access computer rooms. The effort we put into security is a reflection of its importance to our issuers.

As our programs and controls are designed to meet or exceed the standards of our most demanding clients, each of our issuers can rest easier, knowing they have world-class data security protecting their shareholder data.

YOU MENTIONED UNCLAIMED PROPERTY. THAT AREA IS CHANGING SO FAST, LAWS MAY HAVE CHANGED IN THE TIME IT TAKES SOMEONE TO READ THIS INTERVIEW!

You could be right! Unclaimed property is one of the really challenging areas, as none of us want a shareholder to lose their property inadvertently.

Computershare puts a lot of resources into tracking state laws,

interpretations and changes. We regularly implement new practices for our clients that maximize the ability for them to maintain contact with their shareholders to avoid shareholder assets being escheated.

We are also one of the only transfer agents to offer a complete suite of full-service, in-house solutions for asset reunification. Programs like our post-merger cleanup and shareholder cleanup services through Georgeson, as well as the pre-escheat services we perform to augment standard due diligence, help our clients minimize potential abandoned property issues for their shareholders.

Bottom line is that our clients need to operate as efficiently and effectively as possible.

For issuers with only a small number of shareholders from just a few states, escheatment may not be much of a concern. However, for larger companies with thousands of shareholders spread across the US, it can be a nightmare. Each state has its own laws and even simple things, such as what constitutes “contact,” varies state-to-state and is subject to changing interpretation.

That’s why Computershare is participating in the Uniform Law Commission initiative to update the Uniform Unclaimed Property Act. We hope this effort leads to a more streamlined process across the states, as well as better protection for shareholders. But that’s a long-term proposition, and in the meantime, I honestly don’t know how companies can stay on top of it without a good agent.

YOU’VE MENTIONED YOUR CLIENTS’ NEED TO GET THINGS DONE, EVEN AS BUDGETS ARE TIGHTENING. WHAT HAVE YOU OBSERVED?

It’s obvious that our clients have more on their plates than ever, with wide spans of responsibility and limited resources. The size of their company doesn’t matter; it’s across the board. I think we’ve all experienced this in our professional lives, having more and more to do, over time,

especially following reorganizations, expense control initiatives and mergers or acquisitions.

Bottom line is that our clients need to operate as efficiently and effectively as possible. This is why we have dedicated and experienced relationship managers who are actively engaged with their clients and can suggest solutions, alternatives, and best practices. If an issuer wants to drive up the registered voting percentage, cut costs associated with annual meeting, or find a more efficient way to manage restricted stock, they know we’re ready to partner with them.

Issuers appreciate the opportunity to network with their peers and our senior management team at our client

conferences and regional events in order to share best practices and exchange ideas. It’s our goal that people return to their office with some new tips and tricks they can use to get ahead.

We regularly publish important industry news and helpful information for issuers on our Insights web page at www.computershare.com/Insights. And earlier this year, we sent a small collection of tips to all our issuers based upon information we’d pulled together from various sources. It was fun and light-hearted, but had some great ideas in it. Your readers can check it out at www.computershare-na.com/tipsheet. We’re truly looking for every way we can help our corporate clients and the great people we work with succeed.

YOU’VE JUST BROUGHT ON BOARD THE CLIENTS FROM YOUR RECENT ACQUISITION OF REGISTRAR AND TRANSFER COMPANY. WHAT’S THE FEEDBACK BEEN FROM THE R&T CLIENTS?

We’ve been delighted with the response of the clients who recently joined us through the R&T acquisition. They have expressed a lot of excitement about the additional value we are able to provide, and the additional products and services easily

available to them. For instance, our web capabilities for issuers and shareholders exceed anything they’ve used before. Shareholders are now able to take advantage of our advanced automated telephone system, providing access to their accounts on nights and weekends or whenever they need it. And our paperless processing environment and advanced customer service tools have impressed the clients who have toured our Operations.

CLOSING THOUGHTS

For issuers, success comes down to having the right partner; a partner you can trust. Computershare has been in this business for a long time; it’s core to what we do. Every year we invest a significant amount of revenue back into the business to ensure our products and services are serving the needs of our clients and their shareholders. For example, we’ll be launching some new, exciting tax functionality for shareholders in the first quarter of 2015. Stay tuned.

Across the board, we’re committed to being the best: offering the right products for our clients, delivering valuable services, being a responsive partner. We’re looking forward to building strong relationships with our new clients while continuing to earn our clients’ loyalty by working hard every day to service them.

And for your readers: I invite you to reach out to any one of Computershare’s current clients to learn more about us. Feel free to contact me directly as well at jay.mchale@computershare.com if I can answer any questions. I hope you have a safe and happy new year.

JAY M^CHALE
PRESIDENT, COMPUTERSHARE
WWW.COMPUTERSHARE.COM



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VOLUME 20, NUMBER 4

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FOURTH QUARTER 2014

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"ESSENTIAL TOOLS FROM A TO Z": EVERYTHING YOU NEED TO KNOW

MORE TIPS ON RESPONDING TO ACTIVIST "KNOCKS" ...'TIS THE SEASON...

The subject of how to prepare for - and what, exactly to do - if an activist investor knocks on your door - has been a very hot one of late. These days, activists usually cold-call you, which is the most common way to knock on your door these days - or, maybe worse, begin by knocking your company soundly over the Internet, and in the press - with a highly detailed bill of particulars as to exactly how your strategy, your management, your board, and maybe some specific officers and directors too, are falling short in their view.

One concerned Governance Officer asked over the "Society Huddle" if anyone had a sample script for dealing with activist knocks - which generated quite a lively dialogue.

Your editor responded with a link to his own top-ten list of tips from our 2nd Quarter 2003 issue <http://www.optimizeronline.com/files/Optimizer-V19N3.pdf> (page 3) and there are many more insights, ideas and practical tips in that issue - and, especially, in this issue's magazine.

But an important part of our response - and one of our best insights, we think - is that the kinds of actions you need to take in response to an activist's 'knock' - are the very same actions you need to take in any crisis - like a product recall, a precipitous managerial or accounting 'event' or an environmental disaster, for example.

Accordingly, we think that one of the most important things to do is to assemble a formal crisis-management plan - that lists the names, titles and roles, telephone and cellphone numbers and ALL the contact info for all of the people with a critical need-to-know - and to designate one "captain" whose job it is to see that everyone in the chain does get notified, and told when and where the first "all-hands meeting" will be... asap

AND PLEASE TAKE SPECIAL NOTE: IT IS "THE SEASON" TO GET ON THIS RIGHT NOW...AS YOU BEGIN TO GEAR UP FOR YOUR ANNUAL MEETING ...BECAUSE MOST OF THE PEOPLE WHO NEED TO BE ON THE CRISIS-MANAGEMENT LIST ARE ALSO ON THE MASTER LIST FOR THE A-M....

We also pointed out that in any crisis, you will almost certainly need crisis-specific "subject matter expertise" - legal and proxy-fighting advice if an activist calls - but technical, accounting or scientific advice, for example, in other kinds of crisis

situations. Such advice needs to be aimed squarely and precisely at the issue(s) at hand. So a pre-scripted kind of thing can cause you to come up way short in your initial responses.

We constantly hark back to the massive B-P oil-spill, where the company's failure to handle the P-R issues quickly, and in detail – compounded by the series of increasingly grave reassessments of the disaster itself – caused literally billions of dollars to evaporate from the stock price, day after day.

There has also been a lot of talk lately about having “rehearsals” for senior management and the board as a whole on how to respond to activist approaches...And frankly, we are not big fans of this idea, mainly for fear it will result in responses that sound pre-canned and not very “responsive” at all...or worse, maybe lead to the very disastrous conviction that you have everything “covered.”

But then we noted a suggestion in Holly Gregory's blog that Boards should indeed rehearse what to do and say if they are approached by an activist investor...

And that led us to think that the entire top-management team should be part of this rehearsal...and that, for sure, there should be regularly scheduled reviews and updates of the Crisis Management Plan – and the list of the key participants too – sort of like a “fire drill.”

Then we thought back on the many business crises that we ourselves have been through. In our old days of running what was arguably the largest transfer agency business in the world, dealing with crises – whether at a customer or in our own shop – was a nearly-weekly occurrence...

HERE ARE OUR OWN TRIED AND TRUE TOP-TIPS FOR DEALING WITH A CRISIS

- Stay calm: Crises – and dealing with them - are a normal and basically inevitable fact of life: Breaking out in a panic is absolutely the worst thing you can do. And those who do not wish you well will, if they sense fear, be twice as likely to go into attack mode.
- At the same time, resist the natural urge to think, or heaven forbid to convey the thought that the crisis is maybe exaggerated, and that ‘everything will quickly turn out to be rosy’.
- Get out your Crisis Management Plan and start notifying everyone on the list immediately. Carefully note where everyone is – and where they will be for

the next few days – and tell them to stand by for news - and for further planning purposes.

- Designate one person – and maybe a few deputies if the crisis looks to be a big one – to field any and all inquiries from the press and from the investor community.
- Remind everyone on the master list to refer all inquiries to the official point-person.
- Prepare for your phones to ring off the hook: Make sure the point-person has lots of back-up phone capacity...plus the time and staff to get back to all callers promptly, or risk the perception that the crisis is ‘out of control.’
- You must, of course, address the issue with the press, and probably with key investors as well, many of whom will be calling you – and do so as soon as possible. But the very best policy is simply to say as little as possible until the facts are in.
- Acknowledge that there is an ‘issue’ – and that it is being vigorously and thoroughly investigated – and that as soon as the facts are in, the news, and your response plan will be forthcoming promptly.
- Put all of the above information into a press release, vet it carefully with legal and operational staff – and with the appropriate subject-matter experts - and release it as soon as humanly possible.
- Do NOT, ever, try to quantify the damages before all the facts are in. You will blow your credibility and, in the worst-case situations, die the death of a thousand cuts.

TOP 10 TIPS ON DEALING WITH ACTIVIST INVESTORS, SHAREHOLDER PROPONENTS, GADFLIES AND OTHER WOULD-BE SPEAKERS AT SHAREHOLDER MEETINGS

- 1** Be sure to greet and meet briefly with shareholder proponents or their proxy holders well before the Meeting begins – to set a good and courteous tone, to make sure they are aware of the Rules of Conduct – and any time limitations there may be, and the reasons for them – and to be sure they will be sitting near a microphone when it's time for them to introduce their proposals.
- 2** If you have regular “gadflies” – or repeat attendees who try to offer a comment on every item that comes up, you may want to bite the bullet, take them aside, remind them tactfully about the time and question limits – and advise them that they will be much more effective presenters by observing them. If shareholders have complained in prior years, which, often, they have, consider saying so.
- 3** Hand the Rules of Conduct to each attendee as they register, and ask them to be sure to review it before the Meeting begins.
- 4** Have some light refreshments available beforehand – and, ideally, have senior managers – and directors too, if at all possible – circulate among the attendees: It sets a welcoming and respectful “tone” – and very often, attendees will ask their questions then and there.
- 5** Have the Chairman of the Meeting briefly review the Rules of Conduct with the audience before the official business of the Meeting begins.
- 6** Be sure that the Rules are enforced uniformly – and that management observes them too. Please, we urge, do not show favoritism to gadflies... It ticks ‘regular people’ off big-time.
- 7** Above all, be prepared to enforce the Rules immediately if the first “gentle warning” and a second, firmer warning from the Chairman is ignored.
- 8** There is no need for the Chairman to discuss the management position – and there is certainly no need to argue with shareholder proponents during the Meeting: All the proposals have been distributed to shareholders well in advance – along with the company’s own “best shot” as to why they are in favor, or against each one – and – except in the rarest of occasions – the voting will not change by a meaningful number during the Meeting. The easiest way to handle arguments – and comments – is to simply say “Thank you for your comments” and move on. (Please note, however, that formal proxy contests – where sometimes minds ARE made up at the Meeting – typically require a totally different approach.)
- 9** If you are the Chairman, remind yourself to never lose your cool: As the scriptures say, “A soft answer turneth away wrath.”
- 10** Be prepared to conclude the Meeting summarily – if the fire alarm sounds or the power goes off – or if, heaven forbid, the Meeting threatens to get out of hand: Have an “emergency script” at the ready that allows the Chairman to declare that the Meeting is over, and that, based on the proxies in hand, the directors have been elected and that final results on all items on the ballot will be posted on the company website as soon as practicable.

ANNUAL MEETING SECURITY

OUR TOP-TEN TIPS FOR A SAFE AND ORDERLY MEETING

1 Start from scratch – assuming all the worst-case scenarios you can imagine – then work towards a happy medium for your company, in light of present-day realities. Most companies tend to dust off the same old plan every year. As a result, security measures at some companies are far in excess of what's required. Not only is this overly expensive, it makes a stockholder wonder "what are these guys afraid of?" But many other companies have been lulled into a false sense of security by years of uneventful meetings. In reality, they're the ones that are the most vulnerable of all.

2 Carefully assess all the areas of potential vulnerability you can think of: Labor/management issues are probably the number-one generator of unpleasant Annual Meeting "events", followed closely by anything that's received a lot of press attention. If you've been targeted, or even approached by any organized or ad-hoc group, or if you've had consumer problems of any kind, you should be paying more attention to security than usual. Remember that letters to top management are among the best indicators and early-warning systems around. And don't forget that problems outside your company – say at a major client, or involving an outside director – can "spill-over" into your meeting, even though they may not belong there.

3 Consider the meeting itself: Hotels, even though a lot more expensive than the company cafeteria, are often your best bargain if security is an issue. They're used to big meetings. They have security of their own. Meeting attendees tend to be on their best behavior. Picketers stay outside. Thus, while the company cafeteria or the school gym in a town where you have a factory might seem like a good deal, stockholders (in our experience at least) seem a lot more likely to act up – and to act-out – on turf they perceive to be "their own." And often, there are unanticipated problems with crowding, orderly egress, etc. in sites that are not really geared for large meetings. Accordingly, if you're scheduled for a new site – or if it doesn't come with the kind of "security infrastructure" that's usually built into a hotel or a big-city building, extra planning is in order.

4 Notify the police well in advance of your meeting and ask what other "events" that might somehow spill-over into your agenda are expected to be going on at the same date, time and place. Touch base with them early on the day of your meeting too. If special arrangements seem warranted they can help you ahead of time.

5 Decide how visible you want your security arrangements to be: Sometimes a uniformed security officer at the entrance and at each corner of the room is warranted, following your due diligence. But usually, the ideal situation is to have "security types" that someone who's up to no good would spot right away, but who'd be just another shareholder or employee to your average stockholder.

6 Remember that annual meeting "security" should encompass everyone at the meeting: At many of the meetings we attended, virtually all the "security" is – or appears to be – directed toward the Chairman and the Board. Not only does this send the wrong message, it is the wrong message. And it's a very dangerous approach to true Annual Meeting security.

7 At least 40 days before the meeting – and on a regular basis thereafter – step up your effort to monitor the press, letters, calls and complaints to the executive suite, and any comments or letters that may come to the transfer agent or proxy tabulator. (Here's where asking stockholders to request an admission card can help you, especially if you've done it for a few years. It's a poor predictor of how many folks actually show up, but an upsurge in requests can be an early sign of trouble.)

8 Decide on your admission procedures well in advance and fine-tune them right up to the time the meeting is called to order: Most people we checked with cited the same set of best practices: Have an admission desk well apart from the actual meeting site. Have an adequate and diverse staff of friendly folks on hand – with badges to identify them as corporate hosts – at all the sites where attendees are free to roam. Don't be overly tough on admission criteria unless, of course, you feel you have real reason to be concerned. Have a few experts on general stockholder relations issue and on spotting and defusing potential problems on hand to oversee the admissions area. Reception space that's outside the meeting room is also a good idea. It allows you to spot, and deal appropriately with "potentially difficult people" before the meeting begins. Many folks who come loaded up for bear actually prefer to vent outside the meeting, if given a chance. And if stockholders can view a few exhibits, chat informally with management reps and have some coffee, it usually makes for a much more cordial, uneventful and therefore "safer" Annual Meeting.

9 Hand out the Agenda and clearcut Rules of Conduct to everyone who registers. Ask that they read them before the meeting begins. Make sure the Chairman summarizes the rules at the outset, that he or she is prepped to insist that attendees stick to them... and to enforce the rules after a fair warning.

10 Always have a script that will enable you to conclude the meeting and clear the room if need be. If you have the votes you need, have a signed proxy committee ballot in hand before the meeting convene... and, since they'll usually be the focus – and the locus – of any serious disturbance, make sure the Directors have a readily accessible back-door exit that, one hopes, will never, ever be needed.

OUT OF OUR IN-BOX:

SHOCKS FROM STOCKS

We opened our *New York Times* to the *Business Day* section on December 16th - as we do every day, first thing. And right up top, to our great joy, we saw that at long last, **“Economic Recovery Spreads to the Middle Class.”** Lower down, we read **“Interest Rate Rises to 17% In Russia.”** (Yippee- More joy! Take *that*, Putin!). Turning to page two we read, **“Factory Output Higher than Expected, Adding to Optimism”**...but then, on page 4, **“Oil Prices Are Falling, and So Are the Markets.”**

What the devil is going on here? Hadn't we just read a few days ago that the drop in oil and gasoline prices was adding a whopping \$80 per month to the cash-in-hand for the average American family... to spend on 'discretionary purchases'?... And just in time for the holidays? The market for US stocks should be booming! But that day and the next, the stock markets continued to be whipsawed throughout the trading day by massive volatility: On the 17th, the Dow was down roughly 700 points vs. its high for the month, or nearly 4% lower - and the S&P was off 4.6% vs. its high for the month. But then, over the next four days the Dow gained almost 1000 points - undoing the damage and soaring to new highs.

Who or what is pushing stock prices around like this? In a *rational world*, stock prices are set by buyers' and sellers' estimates of the “discounted rate-of-return on expected future earnings” - which, for most of the larger and more-seasoned US companies, is something that is fairly easy for savvy investors to estimate with a fair degree of confidence. But no...control over our stock markets now seems to be totally in the hands of fast-traders - whose big buying, selling and churning actions - and massive trades in options and other derivatives, instead of in real stocks - has turned the market into a giant gambling casino - where the odds of winning or losing are heavily stacked in favor of 'the house' - instead of being based on *rational economic* probabilities. **Buying opportunities, of course, for investors with the stomachs - and the funds - to buy more at lows...But NOT a good thing in terms of keeping our half-billion or more individual investors interested in - and invested in our stock markets...**

OUR UNDER-INVESTING MILLENIALS

On a related subject, a recent *WSJ UPSIDE* column by Morgan Housel caught our eye with a revealing graph on how much less today's “millennials” are investing in the stock market vs. previous generations - and how much money they are leaving on the table as a result...And that the financial industry meltdown, and all those ‘flash crashes’ seem to be the root causes, just as we predicted would happen.

A 2013 survey by **Wells Fargo** revealed that 52% of the millennials (people born between 1980 and 2000) are “not very confident” or “not confident at all” about the stock market. A **UBS** study revealed that when we invest on our own, we are putting only 28% in stocks. Meanwhile, “since 1871, the stock market has earned an average annual return after inflation of 6.8%”...during which time “there were 29 recessions, a Great Depression, two world wars, a flu pandemic, various financial crises and market crashes” the article noted. On a brighter note, Housel noted, “Thanks in large part to companies automatically enrolling employees in 401(k) plans, 70% of employees born from 1979 to 1996 save in a retirement fund”...much of which is in ‘target date’ funds that invest heavily in equities early-on. **But think how we could help our stock markets - and our children and grandchildren - if we could go back to the days when systematically investing in stocks was seen as a good, and safe thing to do...**

INTERESTING INTERACTIONS WITH BOARD-BOOKS PROVIDERS

A fascinating series of encounters with automated Board-Books providers filled our In-Box with interesting insights this month: Your editor is on a non-profit board that finally realized it needed to get up to speed in terms of having better, more timely, and more robust board communications tools. Our Board Chair - just retired as the Director of Administration at Weill-Cornell - another director, a former Corporate Secretary at a huge and complex financial institution with a big board and loads of subsidiary boards - and yours truly, volunteered to help the Executive Director's new A-A to find a good provider.

Six providers of the eight or nine your editor knows of popped up in the initial screening. Oddly, two of the four biggest and oldest providers were not on the AA's screen at all - testimony we say to the miserable marketing efforts put forth by most of the cash-starved providers in this space. No worries we figured, since we had two of the leaders on our list...and missing our screen is a bad sign, for sure...so why waste any time adding two new candidates? And also, we figured that we would likely end up with one of the lower-priced “plain vanilla” providers anyway - especially when one of the two biggies failed, we thought, to respond to the follow-up Qs that were posed.

Then came a series of big surprises: Here, quoting directly from our AA's emails, and with their identities concealed, is the way the leading candidates reacted to the Qs: “The top two that I thought would be best for the Board based on your interests, were “ABC” [a small company] and “DEF” [one of the biggest] and ABC was where I was leaning for top choice. But a couple of things are making me think we should explore DEF as well. First, I didn't have all of the screenshots yesterday for DEF because the rep's email went to my spam folder. I just got it today and printed them out and the design/layout is very nice.

“Secondly, the rep from ABC has been a little difficult to deal with from the beginning. I emailed him our follow-up questions from yesterday and instead of answering them, he replied a little aggressively saying that he needs to know when a decision will be made because his training calendar is filling up fast and he needs to forecast for the year end. He answered none of the simple questions. He also said that he can’t give me names of other clients until he gives them a heads-up so their time isn’t abused. His approach is making me question the customer service a little bit. The rep from DEF is the opposite...Happy to answer any and all questions and not aggressive. Additionally, Carl, you did mention they are known as the best.”

Here is Carl’s answer, which is worth pondering, we think: “Hi...and thanks for the great input...and ya’ know...one of the issues with all of these folks - which I forgot to mention - is who will be around for the long-term in this way over-crowded field...And frankly, I think the ABC salesperson seems kind of desperate to close a sale - your needs be damned - and has blotted his copybook in a very bad way, to my mind...I will feel very comfortable with whichever one you choose....but I DO think we might all sleep better with DEF”.....*And guess what? When all the hidden “extras” were factored into the ABC bid - and the nice non-profit discount from DEF was taken into account...DEF looked like a shoo-in...And that’s before taking into account a lot of added functionality, and much, much tighter data-security at DEF! Caveat Emptor in this slippery supplier space!*

THE \$100 MILLION ‘SPREADSHEET ERROR”:

Readers of our last issue may, we hope, recall our sub-head, asking “Where were the advisors?” in a case where a company incorrectly reported that a proposal to increase the shares reserved for issuance has passed – when it did not – then proceeded to issue the shares anyway...and then to try to hold its annual meeting – based on the inflated number of shares supposedly outstanding.

The ink was barely dry when a similar case arose at **Tibco Software, Inc.** – which was being bought out by **Vista Equity Partners** – and where the consideration to be paid per-share (and that *was* ultimately paid-out) was understated by \$100 million – because the shares outstanding were *over-stated*... because someone double-counted the shares of restricted stock in calculating the fully-diluted value per share.

Advisor Goldman Sachs, which may or may not have made the error – issued a brand new fairness opinion, basically saying that the lower consideration was “fair” too. A Delaware judge allowed the merger to go through – pointing out that any shareholders who believe they were short-changed can go against the company or its ‘advisors’ to be made whole. Who were those ‘advisors’? *Where* were those ‘advisors’? And what *were* they thinking – and doing? Stay tuned.

PEOPLE:

Lydia Beebe – a true industry super-star – will retire as Corporate Secretary and Chief Governance officer of **Chevron**, after 37 years with the company, effective April 30, 2015. She will be succeeded by **Mary A. Francis**, who will act as interim secretary and governance officer until May 1. A former Chairman of the Society, a frequent speaker at Society events, and a wonderful role model in every way, Lydia, who was recognized as a Civil Rights Hero by the state of California for her service there, also serves on the advisory board of the **Rock Center for Corporate Governance at Stanford University**, the **Kansas University Endowment Association** and the **San Francisco Symphony** – and was recently named to the board of directors of **HCC Insurance Holdings, Inc.**

Jennifer Borden, Esq. – who your editor thinks is one of the brainiest and best experts on abandoned property issues anywhere, has formed her own firm, **Borden Consulting Group, LLC**, in Boston, MA, following the sale of **UPPR**, where she had been and EVP and General Counsel.

Howard Christensen, your editor’s great friend and mentor, passed away in early December, as noted in this issue’s ‘magazine section.’ We did not want to distract readers of that article from focusing on **Cancer Comfort Centers**, the amazing charitable organization he launched so brilliantly in the last year of his life, but we do want to point out that you can still hear Howard – and benefit from his wise counsel – by going to the webcast he hosted in 2009, “**Engaging Institutional Shareholders: Should Board Directors be Doing So, As Recommended by the NACD’s Blue Ribbon Commission?... And if So, How?**” <http://www.optimizeronline.com/files/0204cmbED.mp3> Still incredibly valuable – and precisely on-target for this year’s magazine theme – five years later.

Tony Vecchio, a former managing partner at **Georgeson & Co.** signed on as a Managing Partner at steadily growing **Okapi Partners** in November, after nearly 30 years at “G” - where he will work with corporate clients involved in proxy contests, mergers, tender offers and other response campaigns.

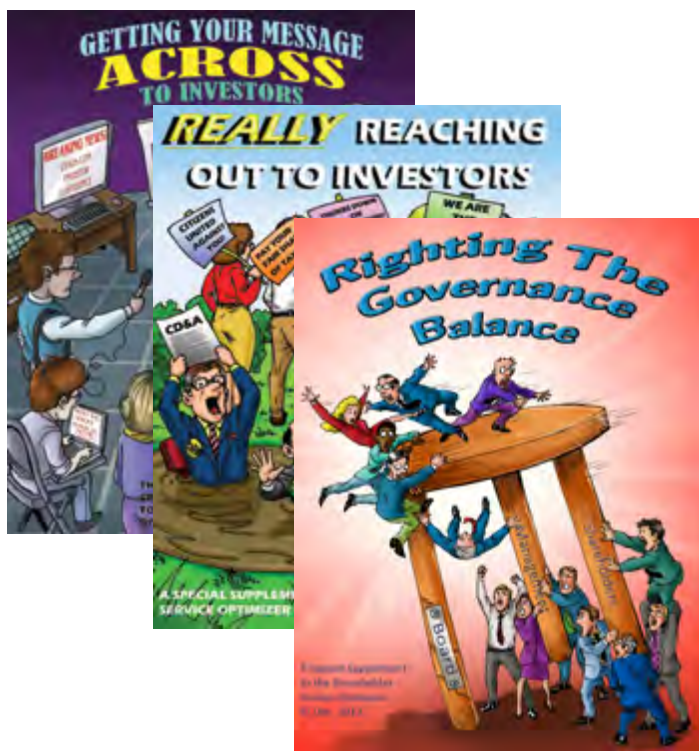
ELSEWHERE ON THE SUPPLIER SCENE:

Very big news in December as abandoned property powerhouse Keane acquires Unclaimed Property Recovery and Reporting (UPRR) - creating a mega-powerhouse, we think, in an area that has been growing in visibility and in terms of its importance to revenue-hungry states....and to public companies that are interested in preventing their shareholders from escheatment...and minimizing liabilities for themselves. (see the Keane article in the magazine section for more...)

Good news from DTC – which withdrew its proposed rule that gave DTC the right to effectively “de-list” publicly-traded companies from DTC-eligibility...with no option to obtain an independent review, or to appeal ...after the SEC appeared to signal that it would unanimously disapprove the incredibly high-handed DTC proposal. Several years ago, when dozens of small cap companies had proxies voted at their shareholder meetings that were significant in excess of the shares actually

outstanding – and subsequently urged their shareholders to draw down all their shares, to force a correction of the clearly crooked bookkeeping that was going on – DTC threatened to de-list them altogether – which effectively makes all the shares non-negotiable: Few if any brokers will process trades in securities that are not DTC eligible...so de-listing is akin to dropping a nuclear bomb.. *Three cheers for the STA – and for Steven Nelson, President & CEO of Continental Stock Transfer & Trust Company*, who successfully led the STA charge over several long years of regulatory and self-regulatory stonewalling.

The Society of Corporate Secretaries and Governance Professionals announced in early December that current EVP and General Counsel Darla Stuckey has been appointed as the Society’s president on January 1, 2015, succeeding Stephen Brown, who is leaving to pursue other opportunities. We greatly admire them both, and extend our warmest wishes and best regards, knowing that great things will continue to be ahead for each of them.



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REGULATORY NOTES ... and comments:

ON THE HILL:

- **The Fed takes major flak at a Senate hearing;** asks its Inspector General to review whether senior staff gets all the info it should, and whether staff dissent is being stifled, and to study whether the NY Fed is far too cozy with the banks it regulates. It will be interesting to see if the scrutiny continues in the NEW Congress...Any bets on Yes?
- **In the eleventh hour, once again, Congress approves a budget to keep the government running through September, 2015** – with a big gimmee for big-bank derivatives businesses and a budget increase for the SEC – slightly bigger than Repubs wanted and much smaller than the Obama wanna...

AT THE SEC:

TWO SELF-AWARDED HUZZAHS, THREE SHARP SLAPS IN THE FACE AND A 'BACK-AT-CHA' TO PEEKABOO:

- **“SEC Cases Climb for First Time Since 2011” a 9/30 WSJ article proclaimed**, in what appeared to be an SEC leaked preview of Chairman White’s upcoming report to Congress. But as the reporter also reported, the tally included numerous cases of only marginal importance – like the 34 rocks thrown through corporate windows we noted in our last issue – for mostly negligible offenses that yielded negligible penalties. As one source said, “She’s not going to have many of the really good cases the SEC made its reputation on”.
- **“SEC’s Brainy New Crime Fighters...SEC Adds Mathematical Firepower for Fight Against the Bad Guys”** another WSJ headline proclaimed, in what sure sounded to us like another Mary-Jo initiated blurb, for its newish Center for Risk and Quantitative Analysis.” We actually love this concept - but here again, not much to report in the way of numbers – or actual results, And the reporter lobbed a few rocks of his own, noting the SEC’s failure to note (much less react to) the evidence that Bernie Madoff’s numbers were mathematically impossible to achieve – or to discover, as outsiders recently did, by ‘figuring the odds’ - that fast-traders were getting – and acting on – trade info that was ahead of the market as a whole...from the SEC’s own reporting system!
- **And also in the quarter, three sharp slaps: “Get the SEC out of the PR Business”** a former SEC Assistant Director of Enforcement, Russell C. Ryan urged in the 12/1 WSJ Op-Ed page.: “Crowing about prosecution [in SEC press releases announcing new cases] is inappropriate when the agency is the one deciding guilt or innocence” adding, “you might think the agency would refrain from gratuitously stoking prehearing publicity against the accuses” as indeed we would...
- **And sharp words from two sitting SEC Commissioners, “Dissenting From an SEC Windfall for Lawyers”**...co-signed by Commissioners **Daniel Gallagher and Michael Piwowar**, protesting a \$600 million ‘fair fund’ ...where “The

only guaranteed winners will be administrators who distribute the fair fund and class-action lawyers who will take a significant part of any funds paid to their clients’...to cite just a few of their objections to the fairness of ‘fair funds’

- **And what would a quarter be without a sharp slap or two from the irrepressible Gretchen Morgenson of the NY Times**, noting the “Blank Page in the SEC Rule Book...Four Years Later” re: the Dodd-Frank-mandated rule that would force companies to claw-back ‘unearned’ executive pay following accounting irregularities, where she also noted, three of the eight still-unwritten D-F rules involved executive comp.
- **Three senior SEC staffers opined in mid-December that the PCAOB is dragging its feet on important rule-making initiatives, spending way too much time on theoretical issues and too little time on ‘nuts and bolts; kinds of rules that would focus their many peekaboos on the actual problems at hand.** Pot to kettle: Take *that*, you jerks!

IN THE COURTHOUSE:

The SEC’s grant of a no-action letter to Wal-Mart - allowing them to exclude a 2014 shareholder proposal asking for board oversight on gun sale policies under the ‘ordinary business rule’ – has been overturned by the US District Court in Delaware, because it had “significant social policy issue” and was not written in a way that rose to the level of ‘micro-managing’ ordinary business, and ordering it to be placed on the 2015 agenda if it’s re-submitted. Look for more challenges to SEC no-action letters we say – especially on those “claim-jumping proposals” on proxy access, designed to trump similar shareholder proposals with difference thresholds. We understand that the Whole Foods no-action letter, that allowed their 9%/5-year holding threshold to trump the proponent’s 3%/3-year proposal is already being appealed...and it sure seems to us that “fairness” would favor a vote on both proposals.

WATCHING THE WEB:

- The gigantic SONY data-hack has business people, show-biz fanatics, scandal-mongers and schadenfreude fans everywhere totally mesmerized this quarter, and waiting for each ‘next shoe’ to drop. Since it is New Year’s Resolution time, we advise web-users to take note of the time-tested advice, never to put anything in writing that you would be embarrassed to have your mother see in the newspapers.
- On a happier note, here, as a holiday present, is a website worth tuning in: www.radiolovers.com/pages/allshows.html We like to send this to friends who are sick in bed – or maybe just blue – as something that will invariably cheer them up: Amos & Andy, Bob & Ray – and almost every other classic comic you can think of...and more...All free...

KEANE ACQUIRES UPRR

CREATING THE MOST
EXPERIENCED FIRM
DEDICATED TO UNCLAIMED
PROPERTY COMPLIANCE



An Interview with Mike O'Donnell and Melissa McCarthy

Last month, Keane announced the acquisition of Unclaimed Property Recovery & Reporting (UPRR). The combined company firmly stands as the largest and most experienced firm dedicated to unclaimed property compliance and protecting shareholders. The firm will continue to operate under the Keane name with headquarters in New York, New York.

We sat down with Keane Chief Executive Officer, Mike O'Donnell and Senior Vice President, Melissa McCarthy to discuss the acquisition, new service offerings, and what it means to the corporate issuer community.



WHAT WAS THE VALUE PROPOSITION FOR PURCHASING UPRR?

O'Donnell: Despite Keane and UPRR having been long time competitors in the marketplace, the goals of both companies has always been to help corporations protect their shareholders and customers while ensuring compliance with unclaimed property regulations. The services offered by both Keane and UPRR complement each other perfectly as both firms have their own unique strengths and areas of expertise. By combining the organizations, the industry will have access to the most extensive suite of services to assist their shareholders, customers, and investors.

CAN YOU ELABORATE ON THE EXPANSION OF SERVICES AS A RESULT OF THE ACQUISITION?

McCarthy: Our core services will not change, but they will expand to offer an even greater array of options. Our advanced owner location services, ranked #1 for the fifth consecutive year by Group Five, will continue to grow – assisted by UPRR's Pre-Esheat Location (PEL) and Maximum Owner Return (MOR) programs. All of our

“ *There is no other firm that focuses solely on unclaimed property and is better suited to help corporations achieve and maintain compliance.* ”

shareholder communication programs are designed to reduce escheatment liability, minimize the volumes of uncashed checks, and reduce the costs associated with escheatment.

O'Donnell: Additionally, through the addition of management and operational talent, technology, and subject matter experts, we will bolster our outsourced compliance and escheat reporting services as well as our consulting and advisory

services. Keane will be providing unclaimed property services to more than 2,000 public and private corporations, banks, brokers, mutual funds, insurance companies, and transfer agents.

WHY SHOULD COMPANIES BE EXCITED ABOUT THIS ACQUISITION?

O'Donnell: The industry should be just as excited as we are about this acquisition, because it provides a single source solution for all aspects of unclaimed property compliance. Whether it is locating and contacting shareholders, filing annual unclaimed property reporting, or audit support – Keane is well adept to assist corporations address all of their unclaimed property compliance concerns.

McCarthy: Unclaimed property is not going away nor is it getting easier to manage. States are continuing to scrutinize companies with increased audit activity, along with ever-changing regulations. As a result, it's imperative that corporations understand what their current liabilities are and address them through remediation tactics such as shareholder location and outreach programs, or voluntary disclosure and compliance initiatives.



“Unclaimed property is not going away nor is it getting easier to manage.”

WHY SHOULD COMPANIES LOOK TO KEANE?

McCarthy: Aside from the services we offer, no other firm has experience and expertise across industries that Keane does. Our compliance department, which constantly reviews and analyzes all state legislation pertaining to unclaimed property, boasts the past two Presidents of the Unclaimed Property Professionals Organization (UPPO), Debbie Zumoff and Karen Anderson. Additionally, our National Consulting & Advisory Services Team is comprised of former State Unclaimed Property Personnel, former third-party auditors, Certified Public Accountants, Certified Internal Auditors and Certified Fraud Examiners.

O'Donnell: There is no other firm that focuses solely on unclaimed property and is better suited to help corporations achieve and maintain compliance. Our comprehensive suite of outsourced unclaimed property solutions that is unmatched in the industry. Keane has the processes, technology, and expertise to assist clients with the numerous challenges and operational duties to comply with state requirements and regulations. Our performance, our experts, and our commitment to delivering industry leading results are why clients choose Keane.



Unclaimed property. Uncompromising performance.

ABOUT KEANE

KEANE IS THE COUNTRY'S LEADING PROVIDER OF COMPREHENSIVE OUTSOURCED UNCLAIMED PROPERTY SOLUTIONS. KEANE PROVIDES CORPORATIONS, MUTUAL FUNDS, BANKS, BROKERAGES, INSURANCE COMPANIES AND TRANSFER AGENTS WITH A FULL SUITE OF PROFESSIONAL OUTSOURCED SERVICES, INCLUDING LOCATING ACCOUNT OWNERS OR BENEFICIARIES, RISK MITIGATION, CUSTOMER COMMUNICATION PROGRAMS, RECOVERY OF ESCHEATED ASSETS, CONSULTING, REPORTING AND OTHER UNCLAIMED PROPERTY COMPLIANCE-RELATED SERVICES. KEANE EMPLOYS MORE THAN 200 PEOPLE ACROSS THE COUNTRY. KEANE IS HEADQUARTERED IN NEW YORK, NY WITH A MAIN OPERATING FACILITY IN KING OF PRUSSIA, PA, AND HAS VARIOUS SATELLITE OFFICES ACROSS THE COUNTRY.

FOR MORE INFORMATION, PLEASE VISIT WWW.KEANEUP.COM

IT PAYS TO HAVE A “FLEXIBLE FRONT END”

Ask Any Elephant

An interview with Ellen Philip and Cal Donly



Front row: Cal and Ellen. Rear left to right: Rose Da Silva, Bill Grisi, Myrna Gutierrez, Bill Baumann, Julia Da Silva

Editor: It's been a while since we last sat down to chat, and with the forces that are changing the shareholder services industry to such a significant extent, I've wondered how niche players like you have been making out. Your company, after all, is the closest thing our industry has to a general utility. What sort of impact has the relentless consolidation and also the more recent surge in shareholder activism had on your business? Do you find there's still a well-defined place for you?

Ellen: I must say that in the 35 years we've been in business - and we've had some ups and downs - we've never encountered anything as rocky as the last few years, with one financial crisis after another. Corporate actions pretty much dried up for a while, and work surrounding such activities has been our mainstay over the years.

The landscape has been altered, certainly. So many once key players have disappeared. And many of the survivors are changed companies - often with growing pains - and sometimes with shrinking pains - and typically with all kinds of structural and systems challenges that have to be tackled. As a result, I feel more strongly than ever that there's a more important role than ever for a nimble entity like our own; One with a deep bench of talent, with a deep understanding of the many systems and procedures that need to come together quickly, and seamlessly, in order to process the new deals that seem to be popping up more frequently than ever before. So being able to turn on a dime, so to speak -and to

get things done quickly, accurately and with the kind of flawless service that is expected by everyone involved these days continues to be a major strength for us.

Editor: Shrinkage in personnel is usually a key feature of consolidation, so it's no wonder that we're seeing a continuing drive to shift the burden of work from people to systems and machines. Seems to me this must have had a big impact on the way a manager thinks before reaching out for the services you offer.

Cal: There's no doubt that the overall scene is a very different one, as we go into our 36th year. Times are tougher. A manager will think twice, three times before letting anything out of his or her

“ We've never encountered anything as rocky as the last few years. Having a flexible front-end is key.

own shop. That's understandable. But there are still opportunities out there for a player who can fit seamlessly into an ongoing work flow, a player like us who's willing to handle not only an entire process but any part of the process that might have a sticky aspect to it - perhaps even the need for manual interventions.

Recently, we met with a long-term client - a major service provider in our space - to discuss a breaking deal that involved a multitude of players. One of the discussion leaders had a rather amazing observation that sort of sums us up: "What we need most here is a 'flexible front-end' ...and you folks have it" he said.

When there are anomalies in a work flow that require some sort of by-pass or work-around - and especially when there are multiple players, with multiple files that don't readily talk to one another, or mesh with one another - that's where our 'flexible front-end' does indeed become the key. Very important to note, issues like these need to be resolved before any of the 'standardized steps' in the process can get under way. So our 'flexible front end' is the

critically important feature that we can provide for clients who are using a process with a front end that has no give or very little give in it.

Editor: What sort of situations come to mind?

Ellen: Certainly situations in which timing is a factor. The question becomes, how quickly can you get the process started? Can you get up and running within the timeframe dictated by the circumstances? A “yes” to your client or a “no” to your client frequently hinges on the answer you come up with.

Cal: This is particularly true of events triggered by the shareholder activists you mentioned. Forget about regular setup timetables, for example, in events brought on by activists. They have their own way of arranging things. Forget about time-honored proxy conventions. Forget about proxy proposals being ordered in the regular way. Start thinking about such things as short slates, cumulative, proportionate and ‘weighted’ voting, and other changes that are called for in the processes you need to establish – literally overnight most times.

Editor: Can you describe a specific situation where your ‘flexible front end’ produced a big pay-off?

Ellen: Very recently we got a call about a tender offer. The mailing to registered holders had already taken place, but two employee plans had been overlooked, somehow. The call came in mid-afternoon, and we were asked to mail the following day.

There were two different trustees, two different record-keepers and two different sets of files to deal with. One file was almost unworkable. We had to process the files, build two telephone and Internet voting sites, design and print two different instruction forms and envelope sets, and build two online reporting sites. And we did mail the next day.

Editor: Responsiveness like that seems central to the enviable brand you’ve built over time. Can you put your finger on what has enabled your company to pull rabbits out of the hat, so to speak?

Ellen: That’s a great question. One key factor is our small size and uncomplicated structure. That’s given us an ability to move quickly, not only in decision-making but on a number of different practical levels.

Another vital factor, I believe, is that our entire company operates as a single production unit. Players on the team, myself included, have well-defined but not rigidly defined roles. This wouldn’t work in a company that operates on a larger scale, but it’s paid off well in ours. We all have an eye on the ball, we slip into easy, well-oiled coordination, and we’re ready to do whatever it takes to keep the ball in play. I might add that we’ve kept our team intact, through good times and bad times, for something like 20 years. This makes a huge difference.

Editor: Seems to me this sort of continuity, an intact, well-seasoned production team, is a sought-after asset in a time marked by the widespread disappearance of experience and know-how – a brain drain, if you will. Have you found this to be the case?

Ellen: Yes, for sure. Virtually every job a service provider is called on to do these days requires a front-end that’s flexible – and not just in terms of systems: You need to act at the drop of a hat – almost by instinct. There’s no time to dither around. When the time comes to act you have to already know what has to be done, and how to get it done.

decline, overall, in readiness and willingness to deal with variation – situations that differ in some way from the norm. This is not without reason, but, in my view, it’s a challenge that needs closer attention, so that work-arounds can be explored and put in place.

In automated environments it’s not uncommon to find situations in which component players, through no fault of their own, have a fine understanding of what procedures are and how they’ve been set up, but little or no understanding of why they’ve been set up that way. Vital links in the logic chain have gone missing, for one reason or another. How, if you don’t understand why things are done a certain way, could you be rash enough to make changes? You’d be inviting catastrophe.

Editor: Any other closing thoughts here?

Cal: You know how Ellen and I love animals, and animal photos – and it struck us that we are sort of like an elephant in the way we go about our business: Not in terms of our size, of course, but because of that flexible front-end – and because of our ability to work through tangled jungles of systems-underbrush – and to get around seemingly immovable obstacles. You may remember our stork-photo too – demonstrating the benefit of having highly specialized tools. And Pepper, our much photographed mascot – who clients always ask us about – is still going strong as well...inspiring us to continually ‘pull

“ Virtually every job a service provider is called on to do these days requires a front-end that’s flexible. ”

Editor: I’d be interested in your personal take on the sweeping automation in shareholder services and the impact that has had on flexibility, if any.

Ellen: Well, I have to say, first of all, that automation is not only inevitable but imperative. There’s no way to survive without it. That said, however, automation does have a downside – that’s something, I feel, that deserves broader recognition.

The prime victim of automation, the way I see it, often turns out to be the flexibility we’ve been talking about. There’s been a

rabbits out of our hat.’

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A SPECIAL ANNOUNCEMENT

FROM DOUG CHIA, PRESIDENT OF THE SOCIETY OF CORPORATE SECRETARIES AND GOVERNANCE PROFESSIONALS & CORPORATE SECRETARY OF JOHNSON & JOHNSON

Earlier this month, the Board of Directors of the Society of Corporate Secretaries and Governance Professionals announced that Darla C. Stuckey was appointed President and Chief Executive Officer of the Society, effective January 1, 2015. Darla, who joined the Society's staff in 2009 as Senior Vice President for Policy and Advocacy, is currently the Society's Executive Vice President & General Counsel.



For those who are new to the governance arena, the Society is a professional association of over 3,300 governance professionals, who serve 1,800 public, private and not for profit companies of most every size and industry.

Our members support the work of corporate boards and executive management regarding corporate governance and disclosure, compliance with the corporate and securities laws and regulations, and stock exchange listing requirements.

Among our signature events for new corporate secretaries - or for those who just want to home in more keenly on 'the basics' - is the 3-day annual "Essentials" seminar - which is updated each year to provide the best and most current thinking on governance practices for both public and private companies. The seminar focuses on core corporate secretary responsibilities and addresses public company hot topics (e.g., shareholder activism) and other challenges for the corporate secretary. When we ask members what they think about their Society membership, the response we get most often is that it is the best and most valuable professional association membership they have.



Darla Stuckey

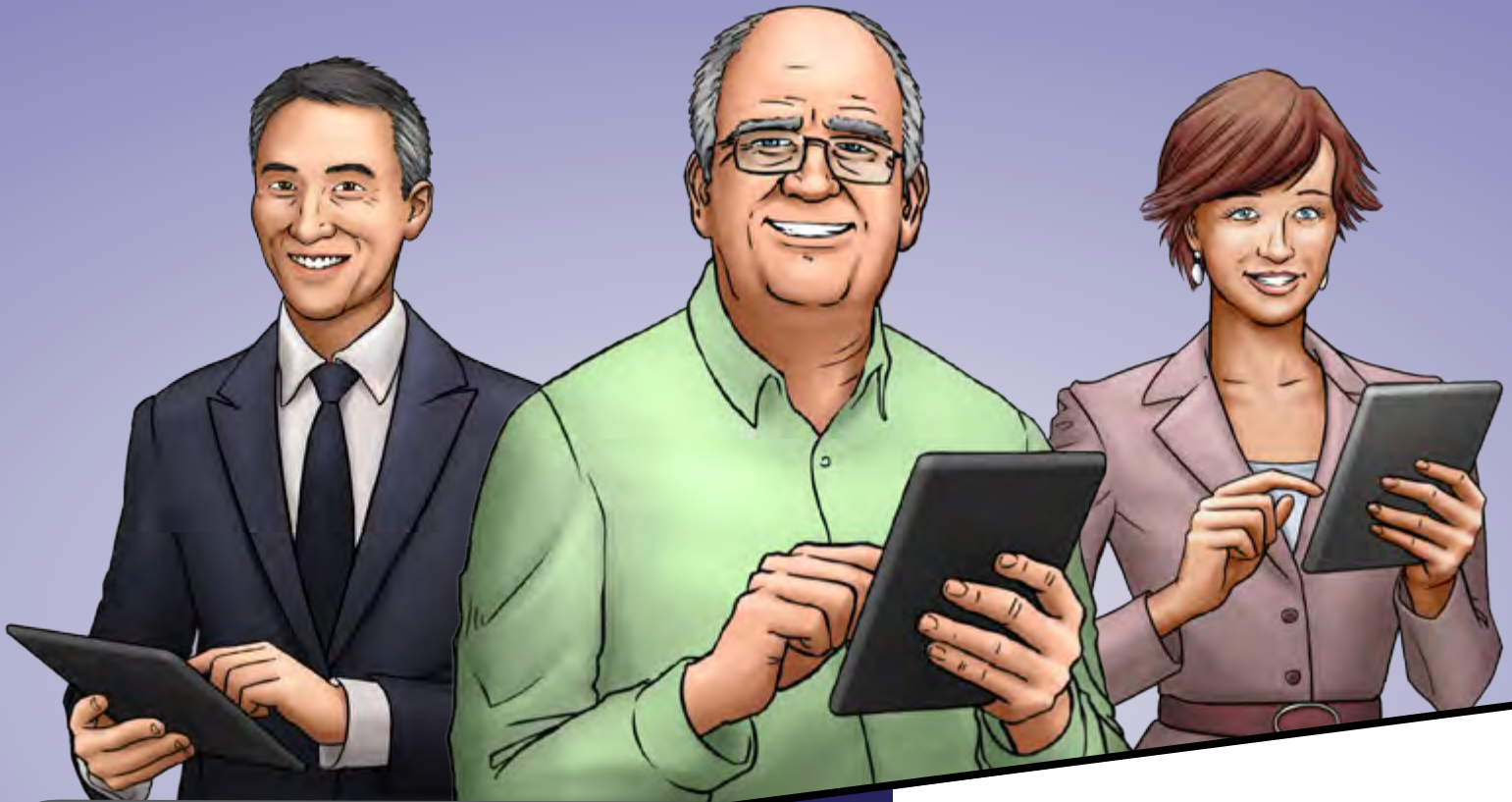
We also urge you to save the date for the Society's signature Annual Conference, to be held in Chicago on June 24 - June 27, 2015. Details and registration information will soon be available on the Society's website.

Last but not least, the Society and Deloitte just released for members their much-awaited, semi-annual Board Practices Report: Perspectives from the Boardroom. Based on responses from 250 companies, the report provides useful trend information from questions posed in earlier surveys, and covers newer topics such as CEO succession, board composition and refreshment, and activism. It's a resource that you won't want to do without.

We look forward to meeting and greeting you at one or both of our annual events, and at Regional Chapter events that are held throughout the country and throughout the year.



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THE SHAREHOLDER SERVICES ASSOCIATION

ADDRESSING A VARIETY OF ISSUES WITHIN A RAPIDLY EVOLVING BUSINESS SECTOR

An update from Alvin Santiago, SSA Board Member and Manager, Treasury Service, Fortune Brands Home Security Services.

Though established nearly 70 years ago -- way back in 1946 -- the Shareholder Services Association (SSA) certainly keeps busy addressing a host of new and evolving issues. Then again, as the SSA has worked diligently through the decades to fulfill its core mission of supporting and educating members in effectively meeting their varied responsibilities for shareholder recordkeeping and service, it has consistently recalibrated its focus to remain in sync with transitions in the economic and business environment.

In essence, evolutionary change is central to the shareholder services profession, and the SSA has never shied from tackling new developments that challenge its members. And as we look ahead toward 2015, there are a range of items our association leadership will, respectively, either continue or begin to address.

The first of these - and it's an issue that, broadly speaking, has been with our society for quite a while now - is cyber-security. From the shareholder services perspective, we're talking about far more than the purloining of credit card numbers or hacking into social media accounts. These days, corporations need to be more savvy than ever to foil the efforts of increasingly

dangerous online intruders. From implementation of technological safeguards, to preventing over-sharing of information, to pursuing advocacy efforts related to passage of legislation aimed at thwarting cyber-crime, shareholder services professionals need to play a role in strategy development and implementation, particularly as it relates to protecting investment records.

Another serious issue in our sector relates to issues of abandoned property -- specifically, unclaimed securities. Recent legislation - and connected state enforcement actions - have become significantly more aggressive, and protecting shareholders' property from being escheated to the state is an increasingly challenging responsibility for shareholder services professionals. A great deal of what's ultimately turned over to the



lost and their property can become escheated. Previously, escheatment occurred mainly because of a name or address change, or even the death of the original owner. So, much of what we're facing involves educating shareholders about the need to regularly monitor and update contact information, cash checks as soon as possible after issuance, and cast proxy ballots as frequently as they're able.

Also of concern to many of our members - and we know this definitively based on results of a comprehensive member survey

the SSA has worked diligently through the decades to fulfill its core mission of supporting and educating members in effectively meeting their varied responsibilities

state is deemed abandoned because of lack or loss of contact between the shareholder and the issuer/record-keeper, and each state has its own rules regarding contact. Now, more than ever, if a shareholder hasn't in any way communicated with the issuer/record-keeper, they are considered

the association conducted in spring 2014 - is effective interaction with transfer agents, those entities engaged in tracking exactly who owns a given company's publicly traded securities. This segment of the stock sector is rapidly evolving, likely with an emphasis on consolidation, and those

providing services to shareholders need accurate information more than anything else to help them navigate what are becoming changeable waters.

the SSA already is actively engaged and ready to support and educate our members

Be it cyber-security or abandoned property issues, or dealing effectively with transfer agents, the SSA already is actively engaged and ready to support and educate our members, in whatever fashion they deem advisable. And with this in mind, we're already making significant enhancements to our association's capacity to share and exchange all sorts of crucial information.

Early in 2014, we initiated a comprehensive, new marketing program with multiple goals. These include expanding overall public and corporate awareness of the Association and the shareholder services profession, while also ensuring that members are well versed in the varied initiatives being pursued by the SSA. But, first and foremost, this marketing program is about making sure prospective members are aware of the SSA and the services it provides, and ensuring that current membership continues to be confident that they are receiving truly excellent support -- support that helps them grow within their profession.

Alongside our marketing initiative, the SSA is also unveiling a completely redesigned Web site, featuring a broad range of improvements and upgrades. Simply put, there's far more valuable, industry-specific information at our members' fingertips than at any other time in our nearly 70-year history, and that's exactly as we want it. After all, steadily increasing the value of what we

provide to our membership is why the association exists -- and why it has thrived since the 1940s.

Speaking of value, the SSA provides all its members with easy access to a broad network of influential industry leaders, issuers, and shareholder service providers, thus providing key resources and information ideally suited to expanding professional expertise and generating value within an individual's company. In addition, the industry contacts made readily accessible through this network can be invaluable in terms of expanding and transforming a career.



Stay in touch. Stay informed. Always connect

**FOR MORE DETAILS ABOUT THE SHAREHOLDER SERVICES ASSOCIATION AND THE BENEFITS OF MEMBERSHIP, PLEASE VISIT OUR WEB SITE:
WWW.SHAREHOLDERSERVICES.ORG**

SOME ARTICLES FROM THE *OPTIMIZER'S* ARCHIVE RE: SHAREHOLDER MEETINGS

Simply go to our website, www.optimizeronline.com, and click on "What's New" for links to these articles:

- **Meeting Admission Criteria**
- **Annual Meeting Site Selection**
- **Top Ten Tips for Annual Meeting Security**
- **"Our Number-One Tip for "Annual Meeting Security" - Having Safe, Sane, Sensible and Scrupulously Fair Rules of Conduct in Place" (*In This Issue*)**
- **Rules of Conduct for Shareholder Meetings - Revised for Twenty-first-Century Shareholder Activism**
- **Our Top-Ten Tips for Dealing with Activist Investors, Shareholder Proponents, Gadflies - and Other Would-be Speakers at Shareholder Meetings (*In This Issue*)**
- **Minding Our Manners: A Little Primer on Meeting Etiquette**
- **A Primer on Tabulating and Reporting Voting Results at Meetings of Shareholders**
- **Our Primer on The "Proxy Committee Ballot" - And**
- **Why You Need To Have One**
- **Proxy Fights: What Every Public Company Needs to Know – and to do – if activists "reach out" (*In This Issue*)**
- **Questions and Answers About Inspectors of Election: The Basics**
- **What, Exactly, Should Inspectors of Election Actually Inspect?**
- **Analyzing and Understanding your Shareholder Base: The Basics**
- **Analyzing and Understanding your Base of Street-Name Holders**
- **Incentives that will prod investors to vote their proxies...plus the top-three dis-incentives**
- **Are Your Proxy Chasers Following Smart - And Ethical Practices - In Telephone Vote-Gathering Campaigns?... Some Practical Advice**



Stay in touch. Stay informed. Always connected.

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Dear Association members and professional colleagues,

The Shareholders Service Association and our industry as a whole have had an exciting year in 2014. The economy continued trending upward, and an internal, member survey revealed that our association enjoys a remarkable 96% approval rating.

For me, one of the great rewards of an SSA membership -- and leading the association as its president -- is the opportunity to work with an exceptional group of professionals, from a broad range of backgrounds within our industry. And what I find most impressive is the spirit of collegiality and cooperation we share. Time and again, I see members enthusiastically assisting their peers by providing suggestions, information, and encouragement.

The SSA cultivates an extremely open and friendly professional environment and provides its members an edge, with resources and information that serves to expand their industry expertise and enables them to provide greater value to their respective organizations. As I look to the future, there are exciting things on the horizon, including -- but not limited to -- an increase in professional development initiatives, and further amplifying the association's engagement with and development of educational programs on such key issues as unclaimed property, cyber-security, and partnering with your transfer agent.

Our next annual conference will be held in Washington, DC, from July 14 through July 17, 2015. Based on overwhelming positive feedback from 2014 conference attendees, I'm looking forward to another great conference where we all come together to network, socialize and learn.

I encourage current members to consider increasing their involvement to further strengthen the SSA and to grow professionally. And for those of you who are not members, I invite you to learn more about us by visiting www.shareholderservices.org -- you'll find a wealth of information about the SSA and the benefits of membership in an organization that will help you "Stay in touch. Stay informed. Always connected."

Sincerely,

Patrick Burke
President
Shareholder Services Association

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THE 2015 TEAM OF INDEPENDENT INSPECTORS OF ELECTION

AND A FEW NOTES ON WHY YOU MIGHT WANT TO CALL ON US

Our team of Independent Inspectors of Election has grown from 30 in 2013 to 38 last year to 45 members as of today...so obviously, we must be doing something right.

Here are just a few reasons to consider using us for your Annual Shareholder Meetings – and for Special Meetings as well:

First, as you will see from the bios that follow, our Inspectors really know what they are doing. In fact, at many meetings they go to, they have been to many more meetings, and know more about Shareholder Meetings than anyone else in the room...which is nice insurance to have.

All of our Inspectors follow rigorous written Guidelines for Inspectors – some 20-odd pages of them, in fact. But at the same time, good Inspectors need to be able to “think on their feet” – since ‘unusual situations’ arise with surprising frequency at Shareholder Meetings these days.

We – and you – also benefit from our long experience as a Team – since every year we encounter situations that are not covered by our Guidelines...or where the right course of action

may not come immediately to mind.

Very important to know, our Inspectors actually “inspect stuff” – And not just the few items that may be handed in at the meeting site. (See our article, “What, Exactly, Should Inspectors of Election Be Inspecting” at www.optimizeronline.com/ for details.)



Each of our Inspectors carries a little ‘prepared speech’ in his or her mind, to briefly explain, if called upon, exactly what we do to inspect – and what, exactly, gives us confidence as to the numbers we report and certify in our Final Report on the Voting. We also have special procedures in place for situations where any of

the votes are especially “close” - where, increasingly, shareholders are asking questions.

Another nice thing about our Team, our Inspectors are located all around the country, which can often help to reduce travel and travel-related expenses. But we hasten to add that most companies (and most Chairmen too) like to see the same Inspector(s) come back year after year – regardless of where the Meeting may be held.

Please take a few minutes to peruse the bios – and the wonderfully strong qualifications of our Inspectors. Many of you will likely find one or more long-term acquaintances and colleagues there.

And please remember too, that a very high percentage of Annual Shareholder Meetings take place on the same six or eight business days...So if you want to reserve a particular Inspector, the sooner the better, we advise.

To review “Some Questions and Answers on ‘The Basics’ of what Inspectors do, or should do, go to www.optimizeronline.com



CARL HAGBERG is the managing partner and manager of the CT Hagberg LLC Team of Independent Inspectors of Election. He has served as Inspector of Election at over 400 Annual and Special Meetings and in numerous proxy contests. Carl is considered to be one of the country’s leading authorities on Annual meeting matters and on automating – and auditing – the proxy voting and tabulating processes.

If you would like more information about our services, call Carl at 732-928-6133 or email cthagberg@aol.com.



RAYMOND (RAY) RILEY, a Brooklyn, NY based consultant specializing in systems and procedures, serves as co-manager of the CT Hagberg LLC Team of Inspectors. Ray is a partner of CT Hagberg LLC, and has acted as Inspector of Election at well over 300 routine and contested meetings. While serving as the chief technology office for the Corporate and Institutional Trust and Agency Group of Manufacturers Hanover Trust Company, Ray developed the securities industry’s first fully-online proxy tabulation and reporting system. Ray is a former president of the Securities Transfer Association.



RHODA ANDERSON, based in Cranbury, NJ, guided two of the world’s largest companies to record voting levels - first as Assistant Secretary, Corporate Secretary’s Dept. at AT&T, then as the Director at Lucent Technologies – before founding her own company, which helps companies automate the delivery of annual reports and proxies and to improve the overall reading and information gathering experience for web and mobile users.



ALISSA BALLOT, ESQ., based primarily in Palm Beach Gardens, FL, recently retired as V.P. Corporate Secretary of NextEra Energy, Inc., a Fortune 200 utility and renewable energy company, where she authored the annual proxy statement, administered the company’s annual meeting and worked closely with the company’s Board and senior management. She was also responsible for corporate governance, securities and executive compensation counseling. Prior to her ten years with NextEra, Alissa was the general counsel of several banks. Alissa has a J.D. degree from Harvard University, and a

B.A. in economics from Williams College.



FRANCIS G. (FRANK) ARREN served as a V.P. in the Mutual Funds Services Group of Bank Boston, and at Chase Global Funds Service, before moving to Equiserve, L.P. where he served as Director, Client Administration. From 2002-2009 Frank was a Client Service Manager and Chief Compliance Officer at Strategic Planning Group, an investment advisory firm in Needham, MA. Frank has served at numerous shareholder meetings, including Eastman Kodak, General Motors, Gillette and Xerox. He is a graduate of the Stonier School of Banking, the New England School of Banking at Williams College and holds an MA from Burdett College in Boston.



KATHY BLACKWELL, MBA, CEP, is a San Francisco-based consultant with 20 years of equity compensation experience, including ASC 718 analysis and compliance, SEC financial reporting, and equity plan administration. Earlier, Kathy managed the internal equity compensation function at Charles Schwab, where she developed expertise in executive compensation, corporate and securities law, tax, accounting, human resources, the annual proxy process, and in annual and quarterly financial reporting. A graduate of Oberlin College, she holds an MBA from the Haas School of Business at UC Berkeley and is a Certified Equity Professional.



DEBORAH BAKER, who divides her time between Birmingham, AL and Atlanta, GA, served from 2002-2006 as the Executive Director of Ethics and Compliance and Assistant Corporate Secretary at BellSouth Corporation. She was responsible for all the company's Ethics and Compliance programs, for the Board and Committee sections of the proxy statement, for meeting logistics, materials and minutes, for the Board and Committee evaluation process and for monitoring the company's governance ratings. Currently, she is affiliated with Arcapita, a private international investment

bank headquartered in Bahrain, with offices in Atlanta, London, and Singapore.



GENE A. CAPELLO, ESQ., based in Westchester County, NY, was Assistant General Counsel & Assistant Secretary at Pfizer Inc. from 2006 – 2012, specializing in corporate governance, securities transactions and as counsel to the audit committee. Earlier, Gene was Managing Director and co-head of policy development for Proxy Governance, Inc. From 1985 through 2004 he was VP and Assistant General Counsel at J.P. Morgan & Co., and J.P. Morgan Chase. He holds a J.D. from St. John's University, an M.S.W. from New York University, and a B.A. in Business Administration from The City College of New

York. He is a member of the American Bar Assn., the Assn. of the Bar of the City of New York and the Society of Corporate Secretaries and Governance Professionals. He is currently co-chair of the Practising Law Institute's annual Audit Committee Workshop.



RHONDA L. CARROLL, based in Houston, TX, has over 25 years of experience in corporate governance, having served as the Chief Governance Officer and Corporate Secretary of Encore Bancshares, Inc., a NASDAQ listed financial holding company, until its merger in 2012. Rhonda managed the governance, legal and compliance areas, supervised the preparation and distribution of proxy solicitation materials and coordinated all aspects of shareholder meetings. She is currently the Managing Director of Governance Resource, LLC, a consulting firm which provides

corporate governance, regulatory compliance and project management services. She has served on the Board of Directors, Executive Committee and Policy Advisory Committee of the Society of Corporate Secretaries and Governance Professionals and as Chairman of its Educational Programs Committee.



DAN FAHEY, MBA, a lifelong resident of the Boston area, has been in the securities processing business for over 35 years. He served as a senior level executive at Bank of Boston, Boston Equiserve and Equiserve, where he acted as Inspector of Election for numerous clients. Subsequently, he served, and continues to serve as an expert consultant for companies in the investor relations space. Dan earned his undergraduate and graduate degrees from Boston University.



GREGORY P. DENMAN, based in New Jersey, has worked at J.P. Morgan Shareholder Services, First Chicago Trust, Equiserve, Computershare and Continental Stock Transfer, where he was responsible for over 400 clients and from which he retired in 2008 as V.P. and Customer Service Manager. Greg has served as the Inspector of Election at well over 300 shareholder meetings. Earlier in his career, Greg worked for the U.S. Atomic Energy Commission where he was responsible for the management and control of confidential and top-secret documents.



PETER FRIZ, MBA, based in the Washington DC area, has been involved in the shareholder communications and proxy voting businesses for 15 years. Much of that time was spent at Institutional Shareholder Services (ISS) where he ran the Voting-related Businesses and was responsible for teams that interacted with Institutional Investors to assure that their votes would be properly and timely lodged with the various intermediaries involved in the proxy voting process. Peter is an expert in U.S. and non-U.S. "proxy-plumbing systems" and has been closely involved with some of the most

high profile proxy fights to take place over the past 15 years.

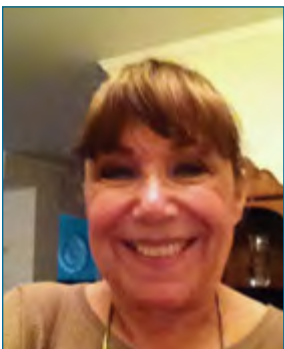
THE 2015 TEAM OF INDEPENDENT INSPECTORS OF ELECTION



MICHAEL DZIECIOLOWSKI, based in Santa Clarita, CA, has over 35 years experience in brokerage and banking operations and in client services. As a former Assistant Vice President and Relationship Manager for BNY Mellon and its predecessors, Mike coordinated transfer agent activities and served as Inspector of Election for over 400 annual and special meetings of shareholders. Clients included Rockwell International, Fluor Corporation, Computer Sciences Corporation, Hilton Hotels Corporation, Harman International Industries, Imagine Films Entertainment and Corporate Express.



JAMES D. GAUGHAN, ESQ., based in Houston, TX, has over 25 years experience with Fortune 500 companies, serving in corporate governance positions where he supervised the preparation and distribution of proxy solicitation materials and coordinated shareholder meetings from solicitation to vote tabulation. Jim is a long-time member of the Society of Corporate Secretaries and Governance Professionals, having served in a number of officer and committee positions with the New York and Houston Chapters. He also served as a member of the Society's Law and Corporate Practices Committees.



SUSAN EDWARDS, MBA, based in Boca Raton, FL is a former Stock Transfer Operations V.P. and Department Head of Manufacturers Hanover Trust Company, where she managed over 500 employees in multiple locations. She has attended numerous annual meetings and served as Inspector of Election for small, medium and large cap companies throughout the U.S. After relocating to Florida, Susan founded Rockwell Communications, an international telecommunications business which was subsequently sold to a publicly traded company.

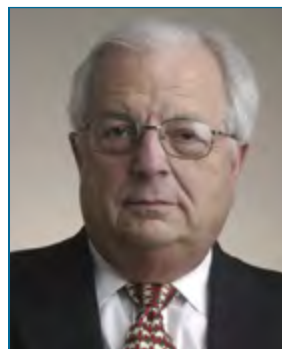


IRIS GLAZE rejoins our team from Seattle, WA., after a 3 1/2-year hiatus when she worked remotely with Broadridge Financial Solutions as Senior Key Account Representative, assisting over 100 clients in setting up and managing proxy mailings for annual and special meetings. Iris also managed the production of the 2014 Corporate Issuer Guidebook that outlines the Broadridge processes for proxy planning, distribution, voting and invoicing in detail. From 2000-2009 Iris served as Shareholder Services Manager with Washington Mutual Bank's Investor Relations department. She was an active member of the Broadridge Financial Solutions' Issuer Client Advisory Board and the BNY Mellon Shareowner Services Client Advisory Board.



KAREN GORMANDY, who is based in New York City, has 15 years of experience in investor services. She began her career at Manufacturers Hanover Trust in NYC as part of the Shareholder Relations Team - where she worked directly with shareholders of MHT clients to research and resolve their questions and concerns, and attended many shareholder meeting as an Inspector of Election. Subsequently, She moved to Manufacturers Hanover Trust Company of California in San Francisco, as part of the Shareholder Relations and Inspector of Election team and later worked at A.G. Edwards in Denver,

Colorado. Karen holds an undergraduate degree from Montana State University and a graduate degree from Manhattanville College in NY.



DON HAGER, ESQ., based in Oklahoma City, OK, and currently Of Counsel to DeBee Gilchrist, is a former Assistant General Counsel and Assistant Secretary of Kerr-McGee Corporation. Don served as Chairman of the American Society of Corporate Secretaries Public Company Affairs Committee, as Chairman of the Membership Committee, and in 2003 received the Bracebridge Young Award, the Society's highest honor.



LEAH GRANT, who is based near Seattle, WA, has over 24 years of experience in the biopharmaceutical/medical device industry, the last 10 of which were spent in Investor Relations and Corporate Communications. She is the President of Fluididea, Inc., a firm she founded in 2007, which provides communications and IR consulting services to companies in the biopharma & medical device industries. Leah holds a BS from Western Washington University and an MBA from Seattle Pacific University. She is an active member of NIRI; a past president of the Seattle Chapter and a charter member

of NIRI's Strategic Communication and Reputation Management Roundtable.



AUBRYE HARRIS-FOOTE, based in southern California, is the founder and principal of Cretum Communications in Newport Beach, working with public and private companies on Investor Relations, Public Relations and Market Outreach programs. Earlier, she served as the Director of Investor Relations at several public companies and as the Senior Market Intelligence Executive of a Los Angeles IR agency. Aubrye holds a BS degree in Business Management from the University of Laverne, CA. Currently, she serves on the Board of the National Investor Relations Institute's Orange County Chapter.



ANNA G. HAGBERG, who is based in New Jersey, began her career as an Inspector of Election in early 2010 by attending annual and special meetings of a wide variety of small, mid-cap and large corporate issuers. Prior to that, she was an Assistant Manager Regulatory Coordination at Merck & Co. She holds a B.S. degree from La Salle University in Philadelphia, Pennsylvania. Besides serving as an Inspector, Anna coordinates the scheduling of the roughly 500 annual, special and contested shareholder meetings currently handled by the CT Hagberg LLC Team.



TRISH HODSON, who divides her time between the Dallas, TX and San Francisco Bay area, has served as Inspector of Election at numerous shareholder meetings – both in the U.S. and Canada. She spent seven years in relationship management and sales at CIBC Mellon Shareholder Services in Toronto, Canada, followed by five years as a Vice President and Relationship Manager in the BNY Mellon Shareowner Services Dallas, TX office, before joining our Team of Inspectors in early 2010.



PEDER HAGBERG, based in Rumson, NJ, served for four years in the Mutual Funds Servicing units of Bankers Trust Company and later Deutsche Bank, where he specialized in responding to RFP's before going on to become the co-publisher and co-editor of Currents Magazine, a NJ lifestyle publication based in central New Jersey. Peder recently became the Co-editor of The Shareholder Service OPTIMIZER and the co-editor, co-publisher, advertising and production manager for its now semi-annual Special Supplement. Pete is a graduate of Washington & Lee University in Lexington, VA.



PATRICIA HOFFMANN spent 30 years in various aspects of the financial services industry, representing Citigroup and its affiliate, Smith Barney, Manufacturers Hanover and Mellon Investor Services. Pat has extensive experience in managing client relationships, including the coordination and inspection of in excess of 200 annual meetings.

Pat is a graduate of The State University of New York at Oswego and resides in the New York metropolitan area.



MARY DENISE KUPRIONIS, ESQ., former V.P., Secretary & Chief Ethics and Compliance Officer of E.W. Scripps Company, is President of The Governance Solutions Group, a firm she founded in 2011, in Cincinnati, OH, to serve public company and nonprofit boards and private company owners. She serves as a Trustee of the Cincinnati Children's Hospital Medical Center, the College of Mount St. Joseph and as a committee member at the Cincinnati Regional Chamber of Commerce, the YWCA and United Way of Greater Cincinnati. A member of the American and

Cincinnati Bar Ass'ns, the Direct Women Board Institute, the Goering Center of Family & Private Business, the NACD and the Society of Corporate Secretaries, she holds a B.S. in Management from Northern Kentucky University and a J.D. from the Salmon P. Chase College of Law.



JANE F. LUDLOW, MBA, CPA, based in Philadelphia, PA, is a consultant specializing in corporate governance, policies, and compliance. She has served as Inspector of Election for over 100 Annual and Special Meetings for publicly-held companies of all sizes. From 1984-98, she served in the Finance Organization and as Executive Director - Corporate Governance at Bell Atlantic, where she supervised the creation of materials and the logistical and voting processes for the Annual Meeting, typically attended by over 500 of the company's 2 million investors. Jane is an

active member of the Society of Corporate Secretaries and Governance Professionals, AICPA, and Society of Corporate Compliance and Ethics.



ROBERT LAMM, ESQ., is a principal of Robert B. Lamm, P.A. in Boca Raton, FL. He is also Of Counsel with Gunster and is a Senior Fellow of The Governance Center of The Conference Board. From 2008 to 2013, he was Ass't General Counsel and Ass't Secretary of Pfizer Inc. and served earlier as VP and Secretary of W. R. Grace & Co. and Senior VP Corporate Governance & Secretary of CA, Inc. Bob has served on the Society's Board, as Chair of its 2004 National Conference, as Chair of the Securities Law Cttee and is a recipient of the Society's Bracebridge H. Young Distinguished Service

Award. Bob is a member of the NY and FL Bar, and the ABA. He holds a B.A. from Brandeis University and a J.D. from the University of Pennsylvania.



JOSEPH MACLELLAND, based in South Yarmouth MA, retired in 2009 as the Operations Manager for the Computershare Proxy Group, which he had been managing since 1985. During his career there, Joe was responsible for all the activities necessary to design, produce, mail and tabulate proxies and to certify the vote at over 1,500 Annual and Special Meetings a year. He led or assisted on projects designed to implement developments such as Householding, Notice & Access and IVR and Web-based proxy voting. Until his retirement, Joe was a member of the STA Proxy Committee. He

holds an Associate degree from Cambridge School of Business and attended Williams School of Banking.

THE 2015 TEAM OF INDEPENDENT INSPECTORS OF ELECTION



GERALD K. LANE, based in Deerfield, IL, is a long-term industry veteran, having held senior management positions at U.S. Bank in Chicago, in the Chicago office of Wells Fargo Bank's Shareowner Services unit, and earlier, at Harris Trust and Savings Bank, where he managed a team that served 120 public company clients. Gerry holds a BBA from Pace University and an MBA from Long Island University. He is a Director and the Treasurer of Camp One In A Hundred, Treasurer of Special Kids Foundation and is a member of the Society of Corporate Secretaries and Governance Professionals and the Midwest Securities Transfer Association.



Securities Transfer Association and is a former president of the Midwest Securities Transfer Association.

GREGORY MALATIA, based in the Chicago area, retired from LaSalle Bank in 2008 after managing Shareholder Services there for 11 years, where he was responsible for interfacing with the Bank's corporate clients, coordinating annual meeting requirements and acting as Inspector of Election at numerous annual and special meetings. Earlier, Greg spent 26 years at Harris Bank, ultimately becoming the operations manager for stock transfer, reorg, tax reporting, dividend disbursement and proxy production, mailing and tabulation activities. Greg has been a director of the



VICTOR W. LATESSA, ESQ., based in Charlotte, NC, is a former member of the Greyhound Corporation legal department and has over 30 years of experience in the stock transfer industry. Vic was a Vice President and Team Leader in the corporate trust departments of KeyBank, Wachovia, and National City Bank, and recently retired from American Stock Transfer & Trust. He has assisted hundreds of clients in the coordination of annual and special meetings and has served as Inspector of Election at over 300 meetings. Vic is a graduate of Case Western Reserve University and the Boston University School of Law.



Association. She is the co-author of the SSA's Guide to Annual Meeting Preparation.

BELINDA MASSAFRA, MPA, CPA, based in Atlanta, Georgia, is president of Shareholder Services Consulting LLC. Prior to starting her own company, she served as Director of Shareholder Services for BellSouth Corporation from 1998 – 2007. Her responsibilities included coordinating BellSouth's annual and special shareholder meeting process – from proxy statement creation and delivery, to final vote tabulation covering 1.4 million shareholders. Belinda is an active member of the Society of Corporate Secretaries and Governance Professionals and the Shareholder Services



SARAH MCDANIEL is an investor relations manager, based in Northern CA. She has served as Inspector of Election at over 200 Annual Meetings – as a representative of Bank of America, Wells Fargo Bank and Manufacturers Hanover Trust Company of California – prior to signing-on to our Team in 2003. Since then, Sarah has served as the inspector from our team at over 100 Annual Meetings, mostly for companies in California, Oregon and Washington. Sarah is a graduate of the University of California, Riverside.



hospitals and neighboring communities in Africa, and is also a director of the Stevenson School in NYC.

BARRY SHAPIRO, who is based in New York City, is the founder of Applied Consulting & Logistics, a shareholder relations consulting firm. Barry spent more than 30 years with Mellon Investor Services and its predecessors as a Vice President & Senior Relationship Manager. He has served as Inspector of Election at more than 200 Annual Meetings, including those for BellSouth, Fannie Mae, The McGraw-Hill Companies, and Yale University Trustee Elections. Barry is the Treasurer of the NYARKOA Foundation, a non-profit organization that provides clean water to



CHANDI NEUBAUER-JACKSON, based in Corona Del Mar, CA has had extensive experience as a retail analyst – at ITG Investment Research, Hunter Global Investors and Trivium Capital Management. Chandi is also a retail marketing, merchandising and public relations specialist who wrote regularly for Women's Wear Daily and appeared on CNBC and Fox Business News. Chandi holds an MBA from Babson College, an ME from The Bank Street College of Education in NYC and a BA from the State University of NY at Stony Brook.



Corporate Governance Summit at the USC Marshall School of Business. In 2014, she received the Spirit of Excellence Award from the American Bar Association and the Diamond Award from Corporate Counsel Women of Color.

WENDY SHIBA, ESQ., based in Los Angeles, CA, has 30+ years of experience in the corporate arena, having served as an executive officer of 3 NYSE-listed companies (EVP, GC & Secretary of KB Home; SVP, Chief Legal Officer & Secretary of PolyOne Corporation; and VP, Secretary & Asst. GC of Bowater Inc.) Earlier, she was a tenured Associate Professor of Law at Temple University School of Law and in private practice with O'Melveny & Myers. She was the 2012-2013 President of the National Asian Pacific American Bar Association and is a speaker at the annual



PETER (PETE) SABLICH is a 40 year veteran of the First Chicago Trust Company stock transfer division and its successor companies, Equiserve, Bank of New York Mellon and Computershare, where he served as Inspector of Election at numerous shareholder meetings. He is a 27 year member of the Society of Corporate Secretaries and Governance Professionals, where he served two terms each as President of the Chicago Chapter. He also served as president of the Midwest Securities Transfer Association, as a member of the Securities Transfer Association's operations committee

and as a member of the Shareholder Services Association. Pete graduated from North Central College in Naperville Illinois.



DAVID L. SIDDALL, ESQ., based in Scottsdale, AZ, has served as a legal officer, chief governance officer, chief compliance officer and corporate secretary of two Fortune 500 energy companies, Anadarko Petroleum and El Paso Corp. Currently, he is a partner with the McQueen & Siddall, LLP law firm in Scottsdale, Arizona, where his law practice consists of estate planning, elder law, business succession planning, "outside" general counsel services, executive compensation, governance, compliance and board consulting and related areas. David holds a BA in Business Administration from Graceland

University, Lamoni, Iowa, a JD from the University of Iowa College of Law, and an L.L.M. from the University of Miami School of Law in Coral Gables FL.



TOD SHAFER is located outside of Chicago, IL. Recently retired from Computershare Investor Services, Tod is a seasoned securities professional, having spent over 39 years in the stock transfer industry. His first 15 years were spent in operations with the last 24 years in relationship management. He has acted as Inspector of Election at well over 100 stockholder meetings, including meetings for FPL Group, Maytag, PNC Financial Services and US Cellular.



TINA S. VAN DAM, J.D., is based in Midland, MI. After retiring as Corporate Secretary of Dow Chemical Company, she went on to lead the Governance Center and Directors' Institute at The Conference Board, New York. An organizer and frequent speaker at programs for directors of public companies and at seminars on governance and ethics, Tina is also the Editor of Handbook for the Conduct of Shareholders' Meetings, produced by a Joint Task Force of the Committee on Corporate Laws and the Corporate Governance Committee of the ABA Business Law Section (2010 and 2014 editions), She

was also a collaborator on the ABA's Corporate Director's Guidebook. Tina holds a J.D. cum laude, from the University of Michigan Law School.



KRISTINA VEACO is the founder of Veaco Group a corporate governance advisory firm providing practical governance support for companies and their boards. The firm specializes in independent board evaluations. Kris is a corporate securities lawyer and, prior to forming Veaco Group, ran the Office of Corporate Secretary at McKesson Corporation where she was responsible for board governance and support, securities law, stock exchange and Sarbanes-Oxley compliance and subsidiary governance. She is a longstanding member of the Society of

Corporate Secretaries and Governance Professionals and frequently speaks and writes on corporate governance topics.



GARY WOZNIAK is a Long Island, NY based consultant to the shareowner services industry. Gary brings four decades of financial services industry experience in all phases of Corporate Trust Group Services, with an emphasis on managing large, complex clients and transactions. He has helped organize numerous annual meetings and has acted as an Inspector of Election at over 250 routine and contested meetings. Most recently a First Vice President at The Bank of New York Mellon, Gary worked earlier at Marine Midland Bank, Manufacturers Hanover Trust and Harris Trust Company. He is a graduate of Pace University.



THOMAS WATT, who is based in Staten Island, NY, is a former Vice President and Senior Relationship Manager with BNY Mellon and its predecessor companies, a career that began with Manufacturers Hanover Trust Co. in NYC in the late 1960s. Over the past 25 years, Tom has attended meetings and acted as Inspector of Election for many of the Banks' most important clients. Tom holds the record on our Team, we believe, for the most-miles-traveled to annual meetings and for most meetings attended.



CAROL ZEPKE, based in Santa Barbara, CA, was Sr. VP & Corporate Secretary of Pacific Capital Bancorp (2000 - 2013) and earlier at Hercules, Inc. (1982-2000) with responsibility for board meetings, annual meetings, proxy statements, proxy solicitation, equity programs and shareholder relations. Carol served as a Director, Society of Corporate Secretaries and Governance Professionals, and is a past president of the LA Chapter. She holds a B.S. in Human Resources and a Paralegal Certificate.

DOING WELL

by Doing Good

In mid-November, your editor received an e-mail from one of his oldest and dearest friends and business colleagues - Howard Christensen - a former partner at Arthur Andersen, a former CFO and Corporate Secretary at American Natural Resources, and at St. Joseph Light & Power Company, and later, the founder of Christensen & Associates, an Investor Relations firm that in the 1980s virtually ran "Utilities Week" and much of the industry's IR calendar year round...and one of the wisest men your editor has ever known...

"Earlier this year, I was advised by my team of urologists, kidney specialists and oncologists that I have metastatic terminal cancer...with only a limited amount of time to live..."

"...enclosed are specifics about Cancer Comfort Centers, a nonprofit organization which (Howard's recently deceased wife) Verla and I founded to help others less fortunate to enjoy the remainder of their lives [which] describes our mission, values, the core competencies of our fourteen member board and how as a recent start-up organization designed to fill the gap that exists from the medical diagnosis of a terminal illness leading up to palliative and hospice intervention. Our focus is totally on the patient, family support and end of life preparations, and not medical.

"Our services are free to the patient and their family. The personalized approach of services is carefully designed to give hope, comfort, inspiration and community support as well as a spiritual connection so that "no one has to go it alone". There is much more to come.

"My life has not ended just yet. Cancer



Chairman, Howard A. Christensen [center], Russ Bonaquidi, Secretary/Treasurer, Pastor Steve Bergeson, Donna DeFelice, MD, Marsha Fears, Denny Hanson, Gail Hanson, Deacon Richard T. Smith, Chuck Wuttke

Comfort Centers was founded to inspire other terminal patients to live with hope and purpose. We are advocates helping patients and families organize their lives so they can enjoy their remaining time in comfort, and be prepared to die with

given such a diagnosis – unless one is fortunate enough to find the kind of support that Howard described in detail, and that Cancer Comfort Centers can provide. Howard passed away just a few weeks later, peacefully and without pain,

We envision a world in which the terminal patient is empowered to seize their life time with passion and purpose. Surrounded by compassion, community, and spiritual support, they can set new goals, establish priorities, and create a valuable life of shared joy and hope with family, friends, and caregivers.

dignity. Cancer Comfort Centers is a nonprofit organization. There are no charges for its uplifting support services".

How exactly like Howard this is! With only months to live, to develop a detailed mission statement, assemble a sizeable team of volunteers – and a top-flight board – and to actually launch an organization that could and did deliver... exactly as Howard envisioned.

And how very fortunate your editor feels, to have reminisced with Howard for over two hours on the phone – mostly listening, as Howard described the loneliness, and the sheer terror and despair that one has,

and in the company of family and friends, as was his goal...And as we promised him, we want to spread his vision as best we can.

Every town in America needs a Cancer Comfort Center, we believe...Please go to <http://youtu.be/lbDZ8uv6KYY> for Howard's brief video presentation. And please go to www.cancercomfortcenters.org for more information.





DOING WELL by Doing Good

On June 26th, after nearly a year of planning, training, fundraising and building awareness for the Sunrise Children's Village, 34 Computershare employees from the US and Canadian offices set off on a 280-mile bike trek in Cambodia. We caught up with still invigorated trekker Pat Tracey, Senior VP at Georgeson, who described with great color, his own experience, and some of the life changing moments shared by the do-good team that visited Cambodia.

As part of Computershare's larger *Change A Life* initiative that has raised over \$5 million for global poverty projects since its introduction in 2006, Pat was amongst the group of privileged fellow trekkers who formally applied and were accepted to represent the company on this year's Cambodian bike tour. Thanks to their tremendous fundraising efforts and the support of their colleagues across the world, the riders (34 in all) raised over \$200,000 to support the orphanage and clinic at Sunrise Village in the city of Sihanoukville where they care for children with HIV/AIDS.

The rider's collective goal was to raise \$175,000 and each rider was given a personal goal of raising \$5,000 that would go towards achieving the overall fundraising effort. From bake sales to breakfast bars, the riders poured their hearts and souls into the commitment to reach their individual and team milestones. For his part, Pat helped organize a successful charity golf outing in early June that netted over \$12,000, and expressed gratitude for the outpouring of support and contribution from family, friends, fellow Computershare co-workers, and a generous group of unexpected donors. When the final tally was in, Team Computershare - later dubbed the "Purple Blur" for their namesake purple biking uniforms - raced past their initial fundraising goals by over \$35,000, raising in excess of \$210,000.

As for physical prep, Pat hit the pavement in earnest on his road bike and communicated frequently with fellow riders about their training regimens in expectation of their upcoming 280 mile ride. Ready or not, Team "Purple Blur" began their 10 day bike tour on June 26th starting in the city of Siem Reap and traveling through Cambodia's lush and colorful landscape of rice paddies, hot chili pepper groves, coastal vistas and small villages where the locals welcomed their coming and going with roadside refreshments, bright smiles and waves of thanks. Riding conditions and weather were challenging and the days long with a typical 8:30 morning start and 4:30 PM finish. Along the way, the team made stops at a number of orphanages en route to their final destination at the Sunrise 3 Village in



FINAL TALLY:

34 BIKE-TREKKING COMPUTERSHARE
EMPLOYEES RAISE MORE THAN

\$200,000

FOR CAMBODIAN ORPHANAGES

Sihanoukville and were greeted with singing and dancing by the children...a highlight of the trip. When asked about the riding conditions and how his training paid off, Pat likened a normal ride as a combo "spin class meets steam bath"...not too pleasant sounding in our opinion, but a hint for future riders to spend a little more time than he did training off-road. And when asked what inspired him to participate in the ride, Pat was quick to offer his three main objectives: 1) charity, and the opportunity to continue his personal and corporate mission of giving back 2) personal fitness 3) camaraderie and team building...which, as he described it, resulted in " 33 new best friends."

After 10 days of biking and spreading goodwill through the Cambodian countryside, Team Computershare reached their final destination at the Sunrise 3 Village in Sihanoukville where they were greeted warmly with dancing and singing from the children to celebrate their arrival. Equally as gratifying was the evidence that the money raised by the team was put to immediate use. The funds raised were used to purchase a new dental chair to serve both the orphanage and outlying villagers who needed dental care and to buy two new vehicles.

Computershare Sunrise 3 Village, developed as a centre of excellence in Cambodia to provide a home for up to 200 HIV affected orphans, was officially opened by Cambodia's Prime Minister Hun Sen on 1st December 2012 International HIV/AIDS Day. The Centre is dedicated to loving and caring for children living with HIV and Computershare has been committed to maintaining this Centre and seeing all the children flourish into adulthood. The Centre also provides a home base for an outreach program that looks after and monitors 350 children affected by the virus who are still living in surrounding communities.

The Village consists of 12 family homes each with a house mother and father giving as much of a family atmosphere as possible. There is a medical centre, funded by the \$160,000 raised by a previous Computershare staff who rode through Cambodia. Children attend the local school following the Khmer curriculum and have extra classes at Sunrise 3 in English, computers and traditional music and dance. There is also a soccer field, basketball court, a small theatre for dance as well as vegetable gardens which the children are responsible for. They are encouraged to look after these and sell any produce to the cooks. Sunrise banks half the money they earn for their future and the other half goes to the children for pocket money.

The Village stands proud, as not only a home for many HIV affected children, but also an educational and vocational centre that will go a long way to providing the facilities that will ensure that these children have a future in life. Congrats to Patrick Tracey, his fellow group of trekkers, and the entire Computershare organization for their continued commitment to "doing well by doing good."

*Be sure to check out their well done YouTube video of the
Cambodian bike trek at
[Youtu.be/OIkCQdebUKM](http://youtu.be/OIkCQdebUKM)*





DOING WELL *by Doing Good*

FOUNTAIN HOUSE

AND ITS TRANSITIONAL, SUPPORTED AND INDEPENDENT EMPLOYMENT PROGRAMS

An interview with Bruce Weissman, V.P., Vote Audit and Control, at Broadridge Financial Solutions



Editor: I know that Broadridge is now in its 21st year as an employer of Fountain House Members. Can you give us a little background, and tell us about your own involvement?

Bruce: Our involvement as a Fountain House employer actually began at ADP, a few years before Broadridge was spun off as a public company. I personally have been involved for about 15 years now. About 10-15 Fountain House Members come to work in our unit three days a week, for four hours a day during our 'slow season.' During our busiest months of the proxy season, 15-20 people come in five days a week. They come from New York City by van, driven by another Fountain House Member.

One of the workers is a social worker, who does all the training and supervision, and pitches right in with everyone else. The Fountain House team deals with all the envelopes and voting instruction forms that our automated systems were unable to handle. Usually it's because the envelopes were damaged, or overstuffed, or got wet along the way. So they open them by hand, sort out any items not related to the voting, and neaten up the proxy cards and VIFs so that all the votes will get recorded before the day is over.

We started in part as part of our company-wide efforts to "give back" to our communities. But this is great for Broadridge in many ways. It is important work – that has to get done carefully, and within tight timeframes. The Fountain House team really keeps their noses down, and they work flat out for us. Over the years, we have come to know the executive director and most of his staff – who have learned the job and pitch right in if needed. And, of course, to get training and supervision as part of the bargain is a major plus. It really is a big win-win for everyone.

Another huge plus is that they are totally dependable. No worries about absenteeism - they are always there to cover the job.

In the U.S.
Only
15% 
of people living with
mental illness
are employed

At Fountain House
65% 
of members find
employment
through our programs

Remember the big blizzard we had last winter? We never expected them to show up, but they called from the road to say they would be 'a little late' – and worked as usual until the job was done. I bet it took them three times as long as usual to get home that night, but it was all in a day's work for them.

Editor: Any other observations you'd care to share?

Bruce: Yes. We have a very strong work-ethic at Broadridge – and we also take great pride in being considered a very good employer. Everyone here really appreciates how much having meaningful work to do – and having a nice, clean, orderly and friendly environment to do it in - contributes to our individual self-respect. We make sure to treat our Fountain House colleagues as regular Broadridge Associates. They participate in all our departmental meetings, celebrations - and the occasional pizza-parties. This program has been a wonderful thing for Broadridge - and an inspiring thing for me personally - and for all my colleagues at Broadridge to be involved in. We get far more out of this program than we "give back."

Editor's note: Fountain House's Clubhouse-Membership model, its "Work-Ordered Day", and its Transitional, Supported and Independent Employment programs have been replicated in the U.S. and around the world by over 400 other Clubhouses. Aside from Broadridge, companies like Cravath, Swaine & Moore, Dow Jones, Estée Lauder and Publicis are among the employers, to name just a few. If you are interested in exploring opportunities to provide useful and meaningful work to people living with mental illnesses, please give your editor a call and he will try to match you up with a Clubhouse in your area.

New Yorkers with Mental Illness
have an average
50%
Re-hospitalization rate
with each 2-week
hospital stay costing
\$28,000

For Fountain House members
that rate is only
10%
and for the cost of one
hospital stay they get
 One year of Housing
 Community Support Services
 Employment Opportunities
 Education Opportunities
 Socialization Opportunities

"Fountain House is dedicated to the recovery of men and women with mental illness by providing opportunities for our members to live, work, and learn, while contributing their talents through a community of mutual support."

Please take a look at the statistics above, and see what a huge difference a meaningful job will make in the lives of our fellow citizens, who are people... just like us...



THE ELEVENTH “END OF ANNUAL MEETING CELEBRATION AND BENEFIT”

Draws Record Crowds from the Public-Company, Institutional Investor and Service-Supplier and Proxy Advisory Communities

June 6th marked the 11th End of Annual Meeting Celebration, held to benefit Fountain House – which, for over 65 years, has been providing housing, educational opportunities, meaningful employment and a strong and supportive community for over 1,000 NYC-area “Club House Members” – all of whom are living with mental illnesses.

The proceeds of the benefit – nearly \$100,000 after the sales of artworks were included – are earmarked for the Fountain Gallery unit, where for 16 years, nearly 100 Members work to make art, staff the Gallery, and show and sell their works.

This year, for the first time, the event was held at the Clubhouse itself, on West 47th Street – to give attendees a chance to see firsthand the wide array of activities that go on there. Members transformed the Horticultural unit into an upscale art gallery. The party spilled over into the beautiful gardens the unit maintains – in addition to caring for the houseplants, arranging flowers to grace the Clubhouse and growing lettuce hydroponically, to grace the lunches and dinners that are prepared and served to Members, by Members. Many attendees signed up for tours of the

Education and Employment Units and the spectacularly beautiful Wellness and Fitness Centers, although most focused on the networking – and on the art. But, please note, visitors are always welcome at Fountain House, and at the Gallery, a block away.

This year’s honoree was Ken Bertsch, a widely admired thought-leader and innovator in the Corporate Governance community for over 30 years. Over the prior three years, Ken led the Society of Corporate Secretaries and Governance Professionals with distinction - through some very difficult and transformative times - and had recently announced that he would be moving on as a partner with CamberView Partners, a recently formed governance advisory firm.

The award was presented by Peter Clapman, former SVP and Investment Counsel at TIAA-CREF and one of Ken’s first bosses and mentors, who is widely regarded as “The Godfather of Corporate Governance” and who summarized Ken’s

distinguished career: “I can’t think of anyone who has done more to enhance the process, and the usefulness of pursuing ‘Positive Engagement with Shareholders’ than Ken has,” he told the crowd.



Benefit founders Ellen Philip, Cal Donly and Carl Hagberg; this year’s Co-chair MaryEllen Andersen, Director of Corporate Governance at Broadridge Financial Solutions; Honoree Ken Bertsch; Peter Clapman and Fountain Gallery Directors Jason Bowman and Ariel Willmott.



Hallway to the Horticultural Unit



The evening's Member-Speaker Susan Baus - who gave a wonderfully moving account of how Fountain House changed her life - shows off her art



Fountain House Executive Director, Kenn Dudek



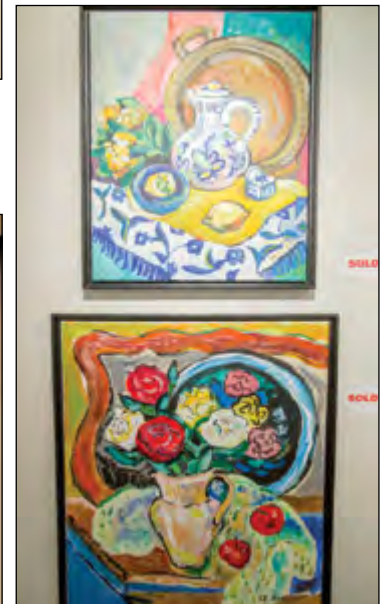
Artist and volunteer, Deborah Standard



Ellen Philip, artist Jasmine Soto, and Maggie Villani, VP at Continental Stock Transfer & Trust Co., who won the drawing for an artwork of her choosing, sponsored annually by Ellen & Cal



Darla Stuckey, the Society's new CEO-elect chats with the artists



The evening's featured artists get set for the event

**MARK YOUR CALENDARS
AND SAVE THE DATE FOR
THE 2015 CELEBRATION:

JUNE 4, 2015**

THE 2014 END OF ANNUAL MEETING CELEBRATION

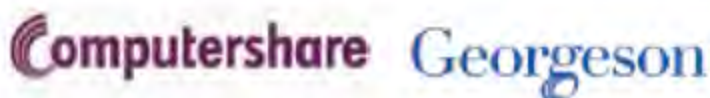
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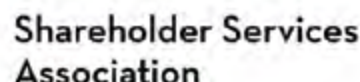
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