

ESSENTIAL TOOLS, FROM A TO Z...

And what you should know about buying them

ABANDONED PROPERTY - SEARCH, REPORTING, ESCHEATMENT AND 'CLEANUP SERVICES'': As our friends from UPRR and Keane remind us in this issue, the treatment of abandoned property has changed dramatically over the past nine years, following a series of SEC and State-level initiatives.

Then too, came SOX – which reminded smart readers in a very big way that compliance here is extremely important...and that the primary responsibility is really with the *issuers* of property that may become abandoned...and that they need to be designing their programs, and doing their vendor-shopping with the greatest of care. So readers, if you haven't cleaned up your abandoned property act...and gotten on a steady and systematic search, clean-up, reporting and escheatment program...you'd better get started.

As we've been warning for 13 years now, being a 'holder' of abandoned property creates a big monetary liability. If you are an issuer, you have a fiduciary duty to 'do right' by your lost shareholders...and they will come after you with guns blazing if you fail to do so – especially when they themselves have been remiss, as is so often the case. Also, as we've been warning since 1994, simply labeling property as "abandoned" is like posting a big "STEAL ME" sign...And sad to say, we know many corporate citizens who saw this happen on their watch. So read the two articles in this issue with care, and get your act fully together if you haven't done so yet.

ANNUAL MEETING SERVICES: Of all the money spent by public companies on the care and feeding of shareholders, the Annual Meeting consumes by far the lion's share. Just about every supplier represented in this issue is involved in some way or other – whether it's your printer, mailer, transfer agent, plan agent, data-handler, tabulator, proxy solicitor, strategic advisor, inspector of election - or a benchmarking agent. And, please note, this area represents not only your biggest spending area, but your biggest opportunity to *save money*. As we can tell you from close personal observation over many years, it also represents one of your biggest and best opportunities to create *value* for your company, and to be a shining star...or, heaven forbid, to fritter away big money, or worse yet, to fall flat in a potentially career ending way. And readers, as you probably already know, the corporate "stakes" here – and the levels of difficulty that YOU have to deal with – whether you are an issuer OR a supplier – have been going up every year, with no letup in sight. There's been a LOT of technological and regulatory change of late, with lots more to come. We urge you to pay *particular attention* this year to what our many authors have to say...and to work extra hard at improving your own processes, and at getting ready *early* for the 2007 and 2008 Annual Meeting Seasons.

BENCHMARKING PROGRAMS: This is a new category for us this year – and, although the smartest of our readers *always* tried to benchmark against the best in class, and to learn from the successes and the missteps of peers, and to carefully monitor the performance of their suppliers, and to comparison-shop for the best services and price-to-value levels they could possibly find – the fact is that most corporate people don't have the expertise, or the time *time* to do it these days.

We do a lot of benchmarking ourselves, both for the *Optimizer* and for our corporate clients, as most readers know. And lately, we've become big fans of the kinds of Shareholder Satisfaction Surveys that folks like **Group Five** have been conducting, because, as they remind, and as many issuers are seeing for themselves these days, 'you can't manage what you don't measure'...nor can your agent.

We've also, and rather reluctantly, become big fans of the RFP process: We greatly value our own vendors, and we always advise clients to work out any service or pricing issues 'offline' if they possibly can, before hiring Group Five – or us – to help with an RFP. But if you see how fast technologies change these days...and how quickly they can lower costs...and how *all* the suppliers to public companies have been consolidating as a result...and how much money is being saved by companies that put good benchmarking and fairly regular RFP processes in place...you simply can't not do it!

So we're glad to see our friend Andy Wilcox come along with his new firm, **Shareholder Service Solutions**, because there's plenty of room for all of us. We were also delighted to see our old friends from the 'old CIC', Michael and Kevin Mackey, and their colleague, Eileen Scully, combine forces to launch **Alliance Advisors LLC**, to help public companies better navigate today's increasingly complex environment.

Our advice: "Go out with RFPs on a regular basis for any product or service where you spend a six-figure number or more." And "If any program you have is really important to you, find a way to rigorously and regularly benchmark your company's performance (and your costs too) against your peers." Read the article about Exelon's program to bid out their legal work, for a real eye opener - which demonstrates, by the way, that if you have time, and the subject-matter knowledge, you can do this kind of thing by yourselves. But if you don't have the time or the know-how to do this *right* - get professionals who do! They will pay for themselves tens, and sometimes hundreds of times over!

BOARD AND BOARD COMMITTEE SUPPORT SERVICES: We've been watching this space since the 'Corporate Governance Movement' first emerged...and asking, "Why are corporate citizens not paying much more attention, and not being much more proactive in terms of giving their Directors much more than they're used to? If ever there's a group to stay ahead of, and to get some brownie points from, it's them. And if ever there was a group that loves to be pampered, and fussed over and protected from every conceivable inconvenience, and every conceivable surprise - much less the actual *perils* of the job, it's them too!"

Let's start with what's probably the biggest "Board Support Service" there is; their D&O coverage. As the AIG ad reminds, the risks of being a Director have never been higher. Five years ago, we did some benchmarking on how often a typical board reviewed the D&O coverage. Less than a quarter of the respondents had done such a review during the prior two years. A year later, post-Enron et al, roughly half the respondent companies had awakened to the perils here, and we'd guess the numbers have gone higher since. But if your editor were to go on a board again, he'd continue to insist on an *annual review* of the kinds of events covered *and* the dollar amounts *and* any caps, exclusions or other limitations...and on who was *providing* the coverage too, and what their rating is.

Last year we also urged readers to get cracking on making all their Board materials available on the internet, in a secure environment. No matter that most directors wouldn't read them that way, we said: The important thing is that the materials are *there*...and that the company (and you) look, to them, to be technologically up to date. Directors' Executive Assistants will love it too - as a totally failure-proof 'backup system' for the hard copy...and as a file that's much easier to keep - or discard - than big piles of paper. Another big bonus, we remind again, is that it improves your own internal discipline in the way you create the board packages...and, once you get a system down, it's really a lot easier for *everyone* who provides input to the 'package'. We are especially pleased to have a really excellent primer on this subject from **Greg Radner** of **Thomson Financial**, who also offers some excellent tips on getting your Directors interested...because this will HAVE to come to your company soon.

And we have one additional tip to share: Before you make any investment of time and money here, make sure the provider you choose will be around for the long haul: *Many will not be, we guarantee*. The last thing you want to do is to explain this to Directors, while trying to introduce a new system to them.

COMPLIANCE AND ETHICS SERVICES: This is another *new category* for our magazine this year, and we are especially pleased to be introducing the relatively new **Society of Corporate Compliance and Ethics** to our big readership. Mark our words: We predict that this will prove to be the fastest growing membership organization ever! The reasons, of course, and the very real need for such a group will be obvious to most if not all our readers...But what a refreshing change it is, to see businesses taking a proactive approach here. And what an exciting and personally rewarding career the 'business' of providing Compliance and Ethics services is shaping up to be. In this context, we are especially pleased to welcome our friend and colleague

Jane Ludlow, who offers “**Custom Compliance Services for Corporations**”, and who also serves on our team of expert **Inspectors of Election** as a co-editor and book-reviewer this year...and to note how well her own compliance and ethics consulting practice has been doing.

Our advice is to start any new compliance and ethics initiative by bringing in an outside expert - someone with objectivity and genuine expertise, and with no pre-set point of view, ax to grind or position to defend - to make an initial evaluation of where you are, relative to the ‘best in class’ and what you need to do to get there yourselves.

CORPORATE GOVERNANCE CONSULTING: Regular readers of the *Optimizer* already know what a dim view we have about most of the “governance gurus”, “raters” and the other “usual suspects” in this space, so we’ll reserve our advice for the Proxy Solicitation section. We can’t resist reporting however, on two conversations we had about these folks in the same week - one with an old friend who’d attended the grand opening gala of the Yale center for corporate governance...and another, with another old friend, just back from one of those “Directors’ Conferences”, where, as usual, there were few real directors in sight. Both of our friends started off with the very same observation; “The same old 150 faces were there in force...saying the same old things to the same old people”...followed by a guessing-game and check-off of who was there...and some pointed remarks on what a bunch of doofusses so many of them really were...and on what an incredibly cushy *racket* this has become for them. “Tools indeed!”

DATA CONVERSION/DATA MANAGEMENT TOOLS: When we think about these much needed but ideally ‘invisible’ tools, we tend to think first of our good friends and colleagues at **Ellen Philip Associates**. In the ‘old days’ when we ran a big shareholder servicing business, we accidentally discovered that *they* were the “secret weapon” that allowed our in-house I-T people to seemingly pull all those rabbits out of a hat when a client wanted something previously unheard of, or there was some other data processing crisis. So if you have a bunch of files...from a mixed bag of vendors...and need to somehow mix, match and smash the records together, to get something in the mail in a hurry, and process it seamlessly when it comes back...think of them.

We were also pleased to read **Rhoda Anderson**’s article in this issue, and to review her **E Z On-line Documents** product, which is designed to convert and convey important data from *paper* to the web: Regular readers know that we’ve been preaching fire and brimstone about the need to make those E-delivered documents much more reader friendly than the kinds of “stuff” that most companies put out. One of our biggest fears was that reader *disgust* upon opening the average e-delivered package would ‘kill the goose’ bearing the potentially golden egg of cost savings here. Another, still worrisome issue, is the almost certain loss of individual investor VOTES when e-deliveries are abandoned or deleted by dismayed recipients, or by those without the computer firepower that so many e-deliveries require if one is to read them. Rhoda really has EASY, and very much needed online *solutions* to these issues.

And, on the subject of delivering info electronically - and in a way that people will actually read, reflect and act on it, we are especially excited about the systems being launched by **Swingvote**. What a way to get your points across - and to overcome the widespread apathy on the part of a company’s normally friendly voting bloc!

And while we’re on this subject, we couldn’t possibly fail to mention our friends and colleagues at **ADP’s Investor Communications** group, and their very compelling message that for *many companies*, in today’s deadline oriented but over-busy environment, having “one source” for centralization, coordination, feedback and control is a very hard proposition to beat.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLANS: Our long-term readers know that we consider these plans to be among the best and most effective tools a public company has at its dispos-

al. And, please note, you don't even have to be a dividend payer for these plans to create value for you, although it helps. We have lots of articles about this on our website, www.optimizeronline.com and even *more* that we're always delighted to send if asked. **To summarize, our best advice is this:** Be sure you understand your own natural 'affinity groups' - and that you are both *realistic* and *very specific* about the goals you would like to achieve - before you launch and 'price' your plan...and then, measure and monitor to see if you are achieving them. Don't simply copy the latest plan...and don't be railroaded by a plan provider, whose goals are often quite different, and sometimes even incompatible with your own.

EMPLOYEE STOCK OWNERSHIP/OPTION PLAN RECORDKEEPING AND EXECUTION SERVICES: Ten years ago, the vast majority of option plans covered only the top five or ten people in the firm. And, for that matter, most of the money in 'regular' employee stock ownership plans belonged to the top tier too. Then came the technology and later the dot-com booms - and a mad scramble to attract the 'best and brightest' with stock options and awards...and a huge boom in "Global Plans" - where options were issued to *all* employees - including employees that, increasingly, were located all over the globe. And over the past few years, while huge numbers of options are still out there, and while option plans are still important, there's been a big surge in Restricted Shares and Performance Shares - with yet another big increase in complexity where recordkeeping, reporting, education and execution are concerned.

What should you look for in a Plan Provider? The number one item in our book (and readers, your editor was directly involved in developing and offering such services for many years) is the size, financial strength, reputation, experience and staying power of the firm you choose. Aside from the *overall importance* here, never forget that it's the Board - and your top-exec's - who'll want the final say. What do *they* most want? Fast and flawless execution, rock-bottom commissions...and, in our experience, red-carpet treatment.

What do you most want after the most essential needs of your bosses are met? These days, we say, it's the tightest possible control and compliance environment - to be sure that YOUR back is being properly watched...along with the simplest and easiest-to-use 'tools' you can possibly find. And increasingly, given the fact that so many of these plans are TRULY 'GLOBAL' - you need a provider that has a truly global presence...and the ability to ACT LOCALLY. So we're mighty pleased to have an article in this issue from Citigroup's **Smith Barney Global Stock Plan Services** unit - "the gold standard" we'd say, in all these areas...especially since so many of the tools we see our corporate friends and colleagues using are badly in need of checking...if not an outright chucking!

FINANCIAL PRINTING: We buy a fair amount of printing. And we also benchmark the price of printing on a regular basis for clients, usually in connection with RFPs for transfer agency and reorg contracts and in connection with annual and special meetings. ***In our 13 years as a publisher, we have seen our printing costs go down in every single year we went out for bids.***

So here's a summary of our advice:

(1) Relationships *are* important, and having good relationships with your financial printer(s) WILL pay big dividends for you, and make life a lot easier too...but

(2) That's no reason not to benchmark the market-price of printing on a fairly regular basis. More often than not, you'll stay with your regular suppliers...and be a lot more comfortable about having done your homework. And, best of all, your printers will likely respect you a lot more in the morning, and pay more attention to you thereafter.

(3) Be especially watchful if you let other suppliers, like your transfer agent, reorg agent, solicitor or mailing house buy printing for you. They are entitled to a reasonable markup, if they've done the legwork, provided storage and/or logistical support - but many times we've found these largely hidden surcharges to be *way out of line* with the value added.

(4) A well-designed RFP process, with a well-crafted RFP, will also help you make sure that there will be no 'surprises' in the form of unexpected extra charges and surcharges on your bills. Our very first issue had an outline that is still good, ten years later!

(5) Most times, however, all it takes is a few phone calls (from people who understand the printing business, that is) rather than an elaborate RFP process to get a much better price on printed matter: Regular readers may remember our recent real-life example of someone who'd been quoted \$.13 an envelope - *for over one million of them* - who got down to \$.06 after a few calls...only to find out from US that she could easily have paid as little as \$.015 had she shopped a bit harder... or smarter.

(6) ALWAYS check your printing bills with care - for surcharges and 'extras' like making corrections, overtime charges, etc. - for mathematical mistakes, which, tend not to be made in YOUR favor. And, as we've been pointing out for 13 years now, and as a recent WSJ article highlighted in detail, naming names and citing facts and figures - some of the biggest and best known names in the financial printing industry have been caught adding shockingly large amounts of unwarranted "padding" to their final bills.

FOREIGN SUBSIDIARY MANAGEMENT TOOLS: Ten years ago, this item was barely on the radar screens of most U.S. Companies. But as we predicted way back then - and as the article by the experts at **Citco** points out - "globalization" is no longer a concept, or an aspiration, or mostly marketing fluff - but a big part of our everyday workaday world. And so now is the then unforeseen SOX - which makes it more imperative than ever to have tight controls over exactly who can do what - and where in the world they can do it - and whether they're in compliance with the local accounting and filing rules. As our friends from Citco also point out, it's no longer possible, thanks to SOX, for your outside accounting firms to handle the many compliance and ongoing maintenance issues here. Nor is it smart, economically, to rely on local law firms to handle such items day to day, as they did in the 'old days'. We really don't need a crystal ball to tell us that these issues will loom even larger in the years to come...so here's an area where most companies will find themselves needing new and/or much better tools than those they typically have now.

INDEPENDENT INSPECTORS OF ELECTION: Virtually every public company is required by their State charter, or by their bylaws, to have "Independent" Inspectors of Election to review and certify the voting at their annual meetings. The vast majority of companies still tend to use their transfer agents to do this - although there are still a surprising number that use their own retired officers, or retirees from their outside law and public accounting firms. One firm we know used a priest, a nun, a rabbi, and an AME minister (honest!) to oversee and bless the final tabulation...And every year, we see a few companies that go totally to the other extreme - and use their proxy solicitors to sanctify the final vote. (Yikes!)

Traditions like these are changing fast: As more and more proxy matters are decided by a hair's breadth each year, it becomes ever more important to be able to pass a 'sniff test' where both the "Independence" and the know-how and due-diligence of the Inspectors is concerned. It really IS time to rethink.

Our advice: Speak with your transfer agent - and with your proxy solicitor - if you think you may have close or contentious matters on your ballot, about the need to have one or more expert and truly independent Inspectors to 'back up' your tabulating agent and become a part of your official process. Make sure that any firm or individual inspector you may pick has rigorous, written procedures in place - which we'd advise you to review in advance - and actually follows them.

MEMBERSHIP ORGANIZATIONS: During our very first week of gathering information and ideas for this issue, we realized - almost with a shock - that Membership Organizations are, without a doubt, the most powerful tools a corporate citizen has at his or her disposal. (Check the 'hint' that's hidden in our cover)

Quite aside from the wonderful 'libraries' of written materials and sample forms and documents that most of them have, or can quickly and easily obtain by "emailing for info" - and the trove of benchmarking, compensa-

tion and trend-analysis surveys that most commission - the biggest benefit, by far, is in the networking opportunities they facilitate. You can get an answer, or brainstorm potential solutions to a problem, simply by browsing the membership list - and calling or emailing anyone who seems likely to have an answer.

Perhaps the most amazing development over the past ten years has been the way these organizations have been able to broaden their reach, and better serve their widely scattered membership using the internet. Today, most membership organizations have regular E-systems for asking questions and posting 'alerts'. **The Society of Corporate Secretaries and Governance Officers** has just announced an E-tutorial on "minutes". And, in this issue, the **SSA**, one of our very favorite industry organizations - because of their intense focus on practical, operational and money-saving issues - is announcing the first of *many* scheduled E-learning modules - totally free to members - this one on the basics of the securities industry. (The SSA, by the way, began to post and broadcast every one of their meetings on the web over a year ago!) And, as we were drafting this section, we got an e-vite to a **NIRI "Virtual Chapter"** webinar.

But, we must confess, we ourselves are old-fashioned at heart: We still think there's no substitute for networking *in person*. And for us, the Society's Membership Directory is a well-thumbed Bible - and maybe OUR most valuable tool, tied that is, with the telephone. And speaking of 'old-fashioned values' - we want to mention yet again how happy we are to have the **Society of Corporate Compliance and Ethics** in this issue (a group that *we* will be joining)...and how important it really is to think of Compliance and Ethics as *modern values*.

When WE think of membership organizations, we are constantly reminded of the venerable old truism that "the biggest and best 'secret of success' is simply showing up." It sure has worked well for us. A New Year is coming: Resolve to show up at more membership-org meetings in 2007. You - and they - and all the other members too - will be much the richer for it.

ODD-LOT BUYBACK/ROUND-UP PROGRAMS: Long-term readers know that these programs have long been something of a mania with us. We hate waste. And we hate to see money wasted on servicing shareholders, and on 'shareholder accounts', and on making mailings to people who have *no material stake* in the company that's paying all the bills. But we hate it even more when we see odd-lot buyback programs that are so badly designed that the benefits to the agents outstrip the benefits to the corporate sponsor...or that leave the biggest savings on the table. We are especially peeved when odd-lot programs are designed so the "mid-dling holders" end up *subsidizing* the deals...even while the really small holders - the ones you most want to get rid of - continue to sit on their hands. And we are infuriated when small shareholders aren't informed that sometimes they can simply cash out for nothing, or for next to nothing, through an existing DRP. Not just dumb, but a shamefully shabby trick.

For all these reasons, we are especially pleased to (re)introduce you to **ShareGift USA**: We think they provide a powerful new motivator for the really small investors, who, have to take time and trouble to act on odd-lot offers, and so rarely do. The ShareGift program has a very valuable *EXTRA*...not just being better at motivating the 'littlest holders"... but by bundling up these mostly immaterial sums and donating the much more material result to charity. **Our advice: Carefully consider targeting only the truly immaterial holders for your next odd-lot programs...and use the ShareGift program as the ONLY option...and pick up all the processing fees yourself. (You will usually break-even in the first year, and realize true savings each year for 16 years or more, which is the average account-life of a 1-to-5-share shareholder)**

OUTSIDE COUNSEL: Having the right legal firms on our team - firms that understand both our business and the *way* we do business - not only helps us sleep much better, it often creates significant competitive advantages...in terms of 'sealing more deals' and doing deals faster, and with less risk...and in doing damage control if things go off track...advantages that are very often overlooked or taken for granted.

That said, however, there's at least as much to be gained from a bit of competition - as wonderfully illustrated by the article on **Exelon's** RFP process...and by some of our other tips on RFPs we think...to be sure that WE, the customers, are not being inadvertently overlooked or taken for granted...and to guard against the possibility that *both sides* may have gotten 'too comfortable' for anyone's good. Further to our musings on outside

counsel - and on the need to check all our bills with care - we were especially impressed with **Bridgway Software's E-Billing Module**.

"PEOPLE": If there is one overarching theme that comes through in this special issue of the Optimizer it's how much the efficacy of our really important tools depend on the *people* that design, deliver and wield them on our behalf.

As we constantly hear from our corporate clients - and constantly preach to our supplier clients; Yes, cutting edge technologies and cost-efficient production techniques are critically important. But buyers still put *service* at the very top of their list, and so they should. If anything, they rely much more than *ever* on their suppliers to 'watch their backs' and to deliver high levels of service - details that they themselves have all too little time to manage or oversee.

Recently, we had the good fortune to work with two of the biggest and best companies in America, in a vendor-review process. Both of them chose "The Tone at the Top" as their number-one decision factor. And both considered "the people who will be assigned to work on our account" as a very close second; Very wise criteria indeed.

Accordingly, we have some *added* advice for readers of this issue where 'people' are concerned: As you read the many articles that have been authored by suppliers of services, read carefully *between the lines*: We believe you can get a very good sense, both of the "tone at the top"...and also at the level where service will be *delivered to you*.

We also want to add a note about **Personnel Touch Resources**: Subscribers should know that we, and they, do a fair amount of headhunting - both paid and pro bono - and have a very good track record of finding new employees - but also, of often finding new and better jobs for our *readers themselves*.

And finally, we want to make a very special *added* pitch for the Fountain House Transitional Employment Program, described elsewhere in this issue. We first used it ourselves back in our 'banking days' - when we used TEP members to open, sort and deliver our incoming and interoffice mail, keep logs, make photocopies...and later, to water and maintain our potted plants. In 10+ years of using them, we never, ever, had a problem with a TEP worker. (If only we could say the same about our "regular workers")! You will hear the same, we guarantee, from ADP's Rich Daly - another champion of TEP and a *major* user of the program - and from the **Wall Street Journal**, which, for many years, used Fountain House Members to review and route their all-important letters to various editors, and uses them now to work on their historical archive, among other chores. The biggest benefit of this program however, usually comes as a big and pleasant *surprise* to new employers: It's the effect the program has on your *existing workers* - who will derive amazing energy and job satisfaction from doing well by doing good.

PROXY SOLICITORS: Not so many years ago we were almost ready to declare this a dying industry: The last thing that *anyone* wanted - whether they were a big institutional investor or a nice Mom or Pop, sitting down to dinner or the TV - was to have their proxy "solicited" by an old-time proxy chaser.

But oh how times have changed - with 'vote no campaigns', 'short-slates' and out and out proxy fights breaking all previous records. And, while we predict that the *number* of proxy proposals probably won't change all that much, year to year - and may even go down some - we are 100% certain that the proposals that do come to a vote will be better designed, better targeted and much more vigorously and more cleverly contested by both sides with every passing year. And oh how the *smarter* solicitors have changed their business models to suit the times.

Interestingly, the *biggest winners* have been the smaller, newer, nimbler, and the arguably feistier and more creative "specialist firms"...like **MacKenzie Partners, Innisfree, The Altman Group...and Mellon**

Investor's small but highly skilled proxy-fight group...one of which (in roughly the above order) is typically on at least *one side* of every real fight out there. We absolutely *love* the **InvestorCom** slogan, "You tried the big firms, you paid the big fees." One of the big, old-line firms (some of which have some pretty good proxy-fighters too) is typically on the *other side* in proxy fights, we should also note - but, more often than not, it's because they were there first...and they're defending/assisting a long-term client.

If ever there was a business where PEOPLE are the "cutting-tool" that decides which firm makes the cut - and where PEOPLE can actually make or break the outcome - it's this one...so let's hasten to say "don't automatically cast aside your old firm...or automatically hire the firm your counsel or your investment banker thinks is the hottest gun this week either. "When an important issue - and maybe the company itself is on the line, you need to do your own homework here. **Consider our longstanding advice:** "Teamwork, and good chemistry is *everything* in a proxy contest. Use the 'chemistry test'... and the 'lifeboat test' when assessing the proxy *firm* - and the proxy *team* that will be working with you - and you won't ever go wrong."

And readers, while we're on the subject of proxy solicitation, pay special attention to the interview with **Swingvote**...and to their **E-Solicitation** methodology, which we say is not only the wave of the future, but the way to win proxy votes.

REGISTERED AGENTS: Every public company needs to have one of these...but as you've probably noticed, the field seems to have become more crowded than ever...even while the job itself has gotten simpler than ever, thanks again to technology...which has led to a staggering drop in price levels. As a result, all the agents seem to be peddling all kinds of new services - and to be peppering us with flyers and unsolicited emails to raise their profiles and/or demonstrate their expertise - much of which proves to be vaporware and/or not likely to fly for long, on closer inspection...

Our advice: Do some comparison shopping and *do* take advantage of the new commodity pricing that's out there. But be *very wary* of picking a new agent that may not have the size and staying power to ride out the competitive storm. And this is doubly true when it comes to signing up for their "new services".

'REORG SERVICES': What a big boom there's been in 'corporate reorganizations' and in 'reorg services' of late...like spin-offs, mergers and acquisitions, Dutch Auction Tenders and multi-billion dollar long-term stock-buyback programs. Regular readers know we've been offering a lot of advice here too - which often produces amazingly large dollar savings. **Our advice in a nutshell:**

- (1) **If you think you'll be spending a six-figure number, all-in, go out for competitive bids.**
- (2) **Be sure to carefully benchmark the out-of-pocket expenses**, which tend to be big ones where reorg jobs are concerned.
- (3) **Review the kinds of forms and other 'educational/informational materials' the vendors have used in the past.** Well-designed and well-written materials will save you a huge amount of personal aggravation, and a huge amount of expensive "clean up work" later on.
- (4) **Do not forget to benchmark the brokerage commissions associated with such jobs;** the differences can be HUGE.
- (5) **Review the legal agreements with care:** Every year we see some that try to limit the agents' liabilities - because reorg jobs create big ones. But that's why you hire an agent - and why you also need to be absolutely sure that any agent you hire has both the legal obligation and the financial ability to shoulder the risks, or they'll end up as YOURS.

SHAREHOLDER IDENTIFICATION/STOCKWATCH and "TARGETING" PROGRAMS: We have been a consistent booster of these programs from our get-go: It's simple: You can not possibly communi-

cate with investors effectively if you don't know who they are...and what their top issues are.

As we've also been reminding regularly, your shareholder profile can and will change... virtually overnight, if there's an "issue" or a potential "fight"...AND, there are limitations on how much it is legally/ethically possible TO KNOW in a timely and reasonably accurate way. But if you have a decent "baseline" of information, you can almost always detect potentially troubling activities such as spikes, "shifts", "shorts" and "accumulations". The biggest thing to beware of - whether you're buying I-D or "Targeting Services" is to think you can buy a "magic box" that will do all the work for you and somehow make all the answers pop out. There is simply no substitute for PEOPLE here (like the folks at the **Altman Group** and **InvestorCom** for example); people who can help you analyze, interpret, ask the right questions, strategize on the 'what ifs' and develop the right game plan for your specific situation.

SHAREHOLDER SATISFACTION SURVEYS: As we've already said above, and as **Group Five's Kathy Huston** says more eloquently in this issue... Transfer Agents should be conducting them... Issuers should be insisting on them.

STOCK EXCHANGES: Last year's article, "Hey Big Stock Exchanges! What Have You Done For Us Lately?" stirred up quite a bit of dust, while making the points that (a) the big exchanges are now for-profit companies, so listed companies need to be sure the fees they pay are fair, relative to what the member firms pay, and to the actual value received and (b) that the Exchanges can and *do* provide public companies with some very valuable tools. This year, the NYSE, which last year was way behind the bush in terms of responding, called us way ahead of time to remind us how many tools they had for issuers, and how important a constituency it is to them. A few weeks later, they also announced another big fee rollback, this time for companies who'd move to them from NASDAQ. But just as we went to press, NASDAQ made headlines by filing to increase its fees to listed companies - by \$5,500 to \$20,000 a year - offering four press releases and audio webcasts of conference calls via firms that NASDAQ recently purchased... moves that drew howls of protest and letters to the SEC, from competing services and listed companies alike, about illegal 'tying' of services that some companies said they didn't want or need... or felt they should be free to buy on the open market. Reassuring proof, we'd say, that (a) we were really 'on the money' last year, in terms of questions to ask, (b) the free-market system does appear to be alive and well, despite, or perhaps because of the duopoly, and (c) strong competition for listings is more likely to intensify than to let up. **So readers, keep on asking; "Hey Big Exchanges! What have you done for me lately?"**

SUBSIDIARY MANAGEMENT SYSTEMS: Every public company has some sort of "subsidiary management system" - even if it's like those marked-up paper-bound books described in **Pat O'Donnell's** memories of the early days - pre-**Bridgeway** and pre-**Secretariat**. But how many people foresaw, as Pat seems to have done, that US companies would end up with so *many* subsidiaries, much less the fact that subsidiary management and record keeping would turn out to be a critically important Corporate Governance issue... much less a SOX-induced compliance issue? And, after talking with Pat, it sure seems as if a surprising number of public companies are still using rather shaky, makeshift sorts of systems to handle subsidiary record keeping... maybe because the size of the task kind of *snuck up*, slowly and quietly... If you are one of those companies - or even if you have what you *think* is a good system, but you haven't made a careful assessment of all the records you may have on file - and how many may be "dead" or "dirty" data elements, it's high time for a checkup, we'd advise. Also, as **Citco** points out, you can't afford to neglect your non-US subsidiaries.

TRANSFER AGENTS: Transfer agents take a lot of heat - from shareholders - and from their clients (though, after all, that's what you really pay them to do)... and sometimes from the *Optimizer* too. But if you stop to think about it, you'll realize that they probably wield more tools on your behalf than any other vendor you have.

This business, as most readers also know, has been undergoing a massive consolidation - driven by new technologies, dramatically falling unit volumes as shareholders continue to migrate to 'street-name' and, as a result, a

do-or-die competitive and pricing environment that has been a bonanza for many of the savvier and most watchful clients, but which has often created “dislocations”, to put it politely, for many of the less watchful and less vocal ones.

The recent announcement of the purchase of Mellon Bank (which owns the number-two transfer agent) by Bank of New York (the number-three agent) is truly a seismic event. It will alter the competitive environment in very far-reaching ways, we predict... for reasons we'll analyze and explain in more detail in our 4th Quarter issue. Stay tuned. Meanwhile, if you are among the ‘disaffected’ companies, there are two articles on our website; one on “What to do if you are not satisfied with your T-A” and another on developing a good RFP process and *selecting* a transfer agent.

ZERO-BASED BUDGETING: We put this here *partly* to go from A to Z, but honestly, this is another of our *all-time best money-saving tools*, when applied to the biggest line item in our average readers’ budget, the Annual Meeting: Most people we know start by marking-up last year’s schedule and calling last year’s suppliers to say ‘get ready’. **In today’s fast-changing, highly competitive and tech-oriented world, we’re willing to bet that you can shave 10% to 30% off your usual spending** – often improving the overall quality of what you buy, in the bargain – by ‘starting from scratch’... and by questioning ‘old ways of doing things’...and by going out for some competitive bids for the big-ticket items.

But please take one final word of advice, and don’t put all of the money we think you can save with the tips in this issue back into the corporate kitty: Redeploy at least 60% of the savings, and ideally 100% to do *other things, and to do them better* – and to make your corporate life a bit easier too.