10 Tips for a Smooth Annual Meeting

Annual meeting season is upon us. It is a stressful time, requiring intense planning and coordination. There are multiple stakeholders to manage, from senior executives to activist shareholders to the media. It is a critical event that must go off without a hitch.

Computershare’s inspectors of election have served at thousands of meetings over the years. They have gained valuable insights on what it takes to run a meeting and the pitfalls that can disrupt it. If you are in charge of coordinating your company’s annual meeting, here are Computershare’s top 10 best practices to help ensure a smooth event from start to finish.

1. Key votes – Make sure management, including board members, and trustees for employee plan shares vote their positions prior to the meeting. Every vote is important, but missing the votes for these larger positions is highly visible and can potentially affect the outcome of a vote.

2. Location – Whether you’re meeting at your corporate office or a hotel meeting room, make sure the location is easily accessible with clear directional signage. Shareholders that can easily navigate the meeting site on their own will free up personnel from directing people to the registration table or coat room.

3. Prepare your inspector – Your inspector of election is a critical part of your annual meeting. Ensure the role they play goes well by reviewing the script with them a few days before the meeting. Make sure they understand the specific numbers and voting results that will be read aloud, as well as any speaking parts they may have. Let them know at what point the polls formally close as well as whether the vote reported at the meeting is a preliminary vote or the final results.

4. Dress rehearsal – Even the most seasoned executives can benefit from rehearsing their portions of the script. Practicing the question-and-answer section allows management to make adjustments and become fully prepared for and comfortable with the audience. This exercise also ensures that the audio-visual components are functioning as expected. This is also a good time to review each person’s role in the meeting, as well as the roles of key contacts at the meeting.

5. Set the stage – Shareholders who attend your meeting can be a big wildcard. But good preparation can minimize disruptions and keep things running smoothly. Provide shareholders with information in the proxy statement or on the admission ticket so they know what to expect. For example, if cell phones are prohibited at the meeting, informing shareholders ahead of time will minimize problems among shareholders during the admission process. Knowing what is expected during the meeting will also help the chairman keep the meeting on track. A good way to do this is to distribute a code of conduct. And make sure you properly brief your employees assisting at the meeting so that they create a welcoming and helpful environment to shareholders at all times.

6. Crowd control – The press and shareholder activists can be the biggest obstacles to having a smooth meeting, but sometimes they are also an unavoidable part of the process. Be aware of their presence and have a plan in place to manage them.
proportionately. Assign someone on your staff to be the official liaison with building security to ensure effective communication.

7. Data privacy - Remember that confidentiality of shareholder data and voting results are vital. Provide a secure space as a tabulation room for the inspector of election.

8. Emergency procedures - An emergency plan should be prepared and practiced in the event of fire or other major disruption. The script should include a section to be used if it becomes necessary to end the business part of the meeting quickly based on the preliminary tabulation results. Otherwise, you may end up having to reconvene the meeting at a later date.

9. Shareholder activists - Engage with shareholder activists as soon as possible to ensure they are aware of the rules and code of conduct at the meeting. Have someone from your company available to speak with activists and allow them to voice their concerns prior to the meeting in order to reduce their access to an audience.

10. Must-have documentation - Add these documents to your checklist so they are available at the meeting:

   - Oath of inspector of election - The oath signed by the inspector of election states that they will perform the duties impartially and to the best of their ability. Make sure this is completed ahead of the meeting to save time. If a representative from Computershare is serving as inspector of election, we can supply the oath.

   - Shareholder ballots - Ballots allow shareholders to vote at the meeting. While it is infrequent that shareholders vote by ballot, the option must be available to them.

   - Record date shareholder file - Know who is entitled to vote! This file lists registered shareholders as of the record date who are entitled to vote at the meeting. As your transfer agent, Computershare will provide a certified file 10 days prior to the meeting.

   - Affidavit of mailing - This document attests to the date your meeting materials began mailing. It provides evidence that meeting materials were sent on time, allowing ample opportunity for voting in case shareholders question this. If Computershare is responsible for your registered shareholder proxy mailing, we will provide you with an affidavit.

   - Proxy committee ballot - This form allows the proxy committee to formally vote the shares for which proxies have been submitted. Without this legal document, voting results will not be official.

   - Meeting materials - It’s a good practice to have a supply of annual reports and proxy statements on hand in case a shareholder asks for copies.

We hope these tips help you get a handle on your annual meeting. Even so, you’re bound to have some stress. So here’s one last bonus tip: Be sure to release that stress in constructive ways. Suggestions include listening to music, visualization, exercise, deep breathing and limiting caffeine intake. We all have our go-to stress-relieving techniques – the time leading up to your meeting is a good time to put them to use.

For more on how Computershare can help you have a smooth annual meeting, contact your relationship manager.

Julie Silver, Product Specialist, Computershare
Tax Traps for ESPPs: A Short Summary

Employee Stock Purchase Plans (ESPPs) can be a significant benefit to employees and the issuing company. The opportunity to purchase stock at a discount, deferral of taxation on the benefit received, and a source of capital for the company are just a few of the advantages. Administering an ESPP, however, can be challenging when considering the numerous regulatory limitations.

What follows is a list of top tax-related traps to look out for when administering an ESPP:

• **Watch the $25,000 limit:** Participants in a qualified §423 ESPP are limited to purchasing $25,000 worth of stock in any one calendar year. The calculation is one of the most confusing calculations in equity compensation, and even an automated system should be double-checked via a separate, manual calculation. It’s important to remember that the calculation is based on the price at the beginning of the offering period. The consequences for not correctly applying the $25,000 limit could be that participants purchase shares in excess of the limit and disqualify the entire plan.

• **Be prepared to manage qualifying dispositions & W-2 reporting:** Keeping track of when §423 ESPP shares are transferred or sold (a “disposition” in IRS terminology) and the resulting compensation income requires a system. Some issuers concentrate on only tracking disqualifying dispositions, because of the tax benefit those bring to the company. Qualifying dispositions, however, may occur many years after purchase – long after the employees have left the company. Even though the associated W-2 reporting may require additional effort to manually restore personnel into the payroll system, the company is not entitled to a deduction for the reported qualifying disposition income.

• **Look out for tax withholding implications among states and non-qualified plans:** The purchase or sale of qualified §423 ESPP shares is not subject to federal or FICA payroll withholding, although some states require the reporting and taxation of the ESPP benefit. In contrast, discounts on share purchases in a non-qualified (non §423) ESPP are subject to federal and FICA payroll tax withholding at purchase date, and reporting on Form W-2.

• **Clearly communicate the rules for cost basis reporting:** Calculating the capital gain or loss on equity sales requires subtracting the cost basis of the shares from the net sales proceeds. For ESPP shares, the cost basis is the discounted purchase price, plus the compensatory income recognized on Form W-2. Under new IRS rules, starting in 2014, brokers who sell any ESPP shares will only be allowed to report the discounted purchase price of ESPP shares as the cost basis on Form 1099-B. Employees, and many tax preparers, will not intuitively know this, and risk reporting excess capital gains on Form 8949/Schedule D and overpaying taxes unnecessarily. Timely communication to employees in layperson’s terms is essential.

• **Adjust the cost basis and FMV after a corporate action:** Recapitalization of a company’s shares can change not only the number of shares owned, but also the cost basis per share. For §423 plans, administrators also have to remember to adjust the FMV at the beginning of
Tax Traps for ESPPs: A Short Summary (continued)

- **Know the rules for transfers upon death:** If a participant in a §423 ESPP dies, there is more to do than just transfer the shares to a new account. Special rules apply to any uninvested contributions, as well as to the transfer of shares in the account, which is considered a qualifying disposition and affects cost basis going forward.

- **Make sure your participant reporting clearly accounts for wash sales:** When shares are sold at a loss, and the participant purchases the same stock within 30 days before or after the sale, the loss is disallowed for tax purposes and added to the cost of the repurchased shares. ESPP plans that offer monthly purchases, or dividend reinvestment, are likely going to generate wash sale issues. This is apart from the effect that other company equity awards, such as stock options, restricted stock or 401(k) company stock purchases, may have on participant wash sale calculations.

- **Provide a plain-English guide to Section 6039 reporting for your participants:** Any time a transfer of ESPP shares occurs, issuers are required to provide an IRS Form 3922 to participants after the calendar year-end. Form 3922 is required whenever a “transfer of legal title” has occurred under Section 6039. This trigger may vary if an ESPP plan is administered at a broker versus a transfer agent, or if ESPP shares are withdrawn from a reserve versus purchased in the open market. In addition, the form contains confusing elements such as “Exercise price per share determined as if the option was exercised on the date shown in Box 1.” Administrators should provide a basic English translation to participants.

- **For non-US companies, watch the levels of foreign tax withholding:** Some non-US companies offer ESPPs to their US employees, often in the form of ADRs which are tradable in the US. When dividends are paid, however, the local country may withhold in excess of the treaty rate. The effort and expense for participants to recover the excess withholding may not be worth the amount they could reclaim, thus participants will forfeit that benefit.

Your Computershare relationship manager can help you avoid these traps – as well as many others encountered in ESPP administration. Please reach out to your relationship manager to learn more.

Andrew Schwartz, CPA, CEP
Vice President, Executive Services, Computershare US
Industry Updates

Industry Groups Weigh In on Crowdfunding and Proxy Advisory Services

Recently, two industry organizations weighed in on important issues regarding rules and regulations that could have significant effects for transfer agents. Here is a brief overview of each:

- **Securities Transfer Association** comment letter on proposed crowdfunding rules. The STA outlines the need for detailed record-keeping and investor protection measures for the crowdfunding provisions in the Jumpstart Our Business Startups Act (JOBS Act).

- **Shareholder Communications Coalition** comment letter on proxy advisory services. The Coalition recommends a four-pronged approach to enhancing regulations for proxy advisory firms: SEC registration, a more robust regulatory framework, additional transparency requirements and a re-evaluation of rules surrounding conflicts of interest with investment advisors.

We encourage you to read the entire submissions for full detail, which can be found by clicking the links above.
Progress on Dematerialization of US Securities

Since our last update on dematerialization in the June 2013 edition of InBrief, the Depository Trust Company (DTC) has continued to promote its recommendations for dematerialization of the US securities industry.

The New York Stock Exchange and NASDAQ are jointly preparing proposed changes to listing rules, which would require that shares of all new listings be in DRS book-entry form only. They have indicated that this will also include any new listings resulting from a corporate action undertaken by an existing listed company. For example, in the event of a spin-off, the new company formed from the spin-off would be required to be fully DRS if the company applies to be listed, while the existing company would not be affected. We are advised that the proposed rules will be filed with the SEC during Q2 2014; followed by a public comment period. The implementation of the rule change could be as early as the second half of 2014.

We continue to expect that exceptions will be provided for restricted securities and foreign issuers where the issuer’s local law requires the issuance of certificates. Industry stakeholders are discussing ways in which restricted securities can be handled in DRS.

DTC has also confirmed that, following implementation of the proposed rule changes for new listings, it will continue to pursue mechanisms to encourage the reduction of existing certificates in circulation and, with the exchanges, consider any changes to DRS requirements for currently listed shares.

Computershare remains actively engaged in industry stakeholder discussions, representing the view of our clients and their investors. For more information on dematerialization, please visit our site Dematerialization of US Securities.

For questions about your company’s participation in DRS, please contact your relationship manager.
Industry Updates

FATCA: Expiration Date for W8s Postponed

Computershare remains on track to meet all regulatory requirements for the Foreign Account Tax Compliance Act (FATCA). The IRS recently postponed the expiration date for W8s to December 31, 2014 (they had previously been set to expire on June 30). In most cases, Computershare clients will not need to take any action related to the accounts we maintain. In fact, a high-level review suggests that FATCA will affect a very small number of accounts. As with all regulatory matters, we urge you to consult with your own financial and legal advisors to ensure full compliance on your part with FATCA on a corporate level.

Computershare clients have access to a detailed guide on FATCA – contact your relationship manager if you would like a copy.

SEC Rule 17Ad-17 - Unresponsive Payee Clock Is Ticking

On January 16, 2013, the Securities and Exchange Commission (SEC) approved revisions to Rule 17Ad-17 that require Computershare, as a “paying agent,” to notify “unresponsive payees” that we sent a check to a securityholder on your behalf that has not yet been negotiated.

On January 23, 2014, the clock started ticking for payments that remain uncashed for 180 days. Computershare will be prepared to send the required notice to all unresponsive payees. In keeping with the spirit of the regulation, Computershare will take it a step further and include all other uncashed payments ($25 and up) from the triggering payment to any subsequent payments issued just prior to the notice generation. Computershare has developed a solution for issuers that exceeds the requirements while also minimizing your out of pocket expenses by maximizing the number of payment notifications on a single notice.

An unresponsive payee is defined as an investor who still has an uncashed check when the next regularly scheduled check is sent, or after six months have elapsed, whichever comes first. If the check is for less than $25, the rule does not apply.

The requirement calls for the notification to be sent no later than seven months after sending the “not yet negotiated” check. The rule has no effect on state escheatment laws.

If you have any questions, contact your relationship manager.
This spring, Computershare will launch a new, informative series on how to make the most of Computershare’s Issuer Online™ and Investor Centre™ websites. Both sites have robust functionality to help our clients efficiently manage their registered shareholders. Each webinar will focus on a specific function to help our clients get the most out of them. There will be two sessions each month, one focused on Issuer Online, and one focused on Investor Centre. Each webinar will occur on Tuesdays for 30 minutes from 2:00 to 2:30pm Eastern time. There is no charge to attend these webinars. Each webinar will be recorded and made available on Issuer Online following the live webcast.

Click here to view a complete calendar of topics.

As the April 15 tax filing deadline approaches, many of your shareholders will be accessing our Investor Centre website for important information needed for their tax returns. While there are many regular users of the site, we understand that some investors only access the site at this time of year to prepare for their taxes. To make the experience as smooth as possible, we have introduced features to optimize the experience for these infrequent “casual” users:

- **QuickTax link.** This link on the Investor Centre home page allows users to quickly and securely access the forms they need for their taxes without having to log in or register for an Investor Centre account. At peak times, the QuickTax link was getting nearly 5,000 hits a day.
- **Instant account access.** If a new user is a US resident and their Computershare portfolio is valued less than $10,000, then they will be granted full access to the Investor Centre site without additional verification. Portfolios valued at more than $10,000 continue to require additional verification.

We strive to continuously improve the user experience on the Investor Centre site. Please contact your relationship manager if you have any questions about these enhancements.
Computershare Service

Retirement Eligibility Taxation Functionality Now Available for Restricted Stock

In response to a growing need among our equity plans clients, we have enhanced our online restricted stock platform to include retirement eligibility taxation functionality.

Clients who offer equity plans with retirement eligibility provisions have flexibility in how Computershare calculates taxes on restricted stock or restricted stock units, and can collect taxes in a timely manner based on taxation reporting provided by Computershare.

Read the complete press release for more details on our retirement eligibility taxation functionality and other recent enhancements to our equity awards system.

For more information on the full range of services offered, please contact your relationship manager or visit cpm.computershare.com.

Reminder: Computershare Shareholder Mailing Address Changes

Starting January 1, mailing address information was changed on shareholder materials and on our Investor Centre™ website for many of our clients. Please note: This change did not apply to all clients - affected clients were notified of the change by their relationship manager in December.

Shareholder mail for affected clients will go directly to our recently established mail processing center in College Station, TX, which complements our existing facility in Canton, MA. Distributing mail processing across two centers will improve processing efficiency for incoming mail, as well as providing business continuity and disaster recovery backup capabilities between the two centers.

If this change applies to your shareholders, we’d like to remind you to please update the contact information used on your website, in your annual report and in any other materials with the new PO. Box mailing address and overnight delivery address provided in the information sent to you by your relationship manager.
Virtus Investment Partners’ Generosity Honored by ShareGift

On March 5, Virtus Investment Partners Inc. was honored with the “Most Generous Company Award” by ShareGift USA. In 2013, Virtus shareholders donated nearly 2,400 shares through an oddlot program that were valued at more than $385,000. The funds raised by Virtus shareholders helped six charities:
- Connecticut Children’s Medical Center
- Teach for America
- CARE
- Trust for Public Land
- Wounded Warrior Project
- Feeding America

Computershare congratulates Virtus for this achievement - and we are proud to service their generous shareholders.

IR Awards Nominees Announced

On March 11, IR Magazine announced its list of nominees for the 2014 US IR Awards. Of the 101 nominees, 68 are clients of Computershare and Georgeson. We’re honored to be working with the best and brightest in the industry and wish all nominees good luck at the awards ceremony on March 27.

The full list of nominees and additional information can be found here.
Talk of the Town

Jay McHale on Crowdfunding and Transfer Agents in The Deal

An article in the The Deal Pipeline, a finance and business publication, examines the Securities and Exchange Commissioner Luis Aguilar’s call for the SEC to examine how transfer agents are getting the job done – especially when it comes to the prevention of microcap stock fraud. Jay McHale, president of equity services at Computershare, is quoted extensively in the article.

Jay McHale said his firm has been waiting for years for the SEC to look at the regulations that impact transfer agents. “It would benefit transfer agents, the SEC and investors to bring the rules into the 21st century,” he said.

“The majority of our issuers have less than 1,000 shareholders, and they count on us for share security,” he added. “Crowdfunding investors deserve that same security.”

“It is up to us to come up with a cost-effective way of doing this,” McHale said.

A link to the full article (subscription required) can be found here: SEC’s Aguilar calls for more scrutiny of stock transfer agents.

Georgeson Kept Busy in M&A in 2013

The January/February issue of Corporate Control Alert featured a roundup of M&A activity in 2013. Once again, Georgeson led the way among proxy solicitors and information agents, working on 44 deals last year.

Georgeson’s Rajeev Kumar Tapped as Expert on Say-on-Pay Trends

Rajeev Kumar, senior managing director for corporate governance and research at Georgeson, was recently interviewed by Treasury and Risk magazine for an article on executive compensation. Rajeev offers his insights on the results from recent years’ say-on-pay voting trends and how companies can best prepare for these important votes. Rajeev has been with Georgeson since 2008 and focuses on researching corporate governance issues and advising Georgeson clients on proxy contests, M&A, compensation and other proxy matters.
Pencil It In

MARCH 23-26, 2014
2014 Unclaimed Property Professionals Organization National Conference
Gaylord Texan Resort and Convention Center – Grapevine, Texas

The 2014 UPPO Annual Conference is the premier event for unclaimed property professionals in the U.S., with dozens of workshops and breakout sessions geared for novice, intermediate and experienced practitioners.

Speaking at the conference will be Georgeson’s Cindy Nisley, who will participate in a panel on the critical objectives, steps and deadlines of a successful due diligence program. The session will include tips to increase response rate, suggested practices for efficient owner notification, locating hard to find owners, structuring the due diligence letter and exceptions to the general due diligence requirements.

MARCH 25, 2014
Certified Equity Professionals 10th Annual Symposium
Santa Clara University – Santa Clara, California

The symposium features a full day of presentations and breakout sessions for equity professionals. Computershare's Andrew Schwartz (CEP, CPA) will co-present on ESPP tax traps - which he also wrote about for this edition of InBrief.

MAY 7-9, 2014
Global Equity Organization 15th Annual Conference
Eden Roc Hotel – Miami, Florida

GEO's 15th Annual Conference will feature keynote speakers who are experts in their fields of academia, business and government as well as more than 50 educational sessions for attendees, taught by international experts in the areas of share plan design, accounting and tax, legal and regulatory compliance, and program communication and administration. Computershare will have a number of representatives from our offices around the globe speaking at the GEO conference, including Phyllis Garland from the US, who will speak on a panel about getting more employees involved in your ESPP.

JUNE 8-11, 2014
National Investor Relations Institute Annual Conference
The Bellagio – Las Vegas, Nevada

The 2014 NIRI Annual Conference will be the largest event ever for the global IR community, where you can extend your knowledge of current topics and leading IR practices, exchange and share experiences with peers and industry experts, and excite your career through collaborative learning, leading edge content, and unparalleled networking opportunities.