

Proxy Statements and Recent Ballot Trends

A. J. Liebman [(847) 676-9100] June 2000

What's important about a Proxy Statement/Ballot?

Shareholders elect the people who will run their company
Shareholders approve executive compensation & modify corporate charter sections
Statement discloses mindset and attitudes of corporate chiefs
Gives data about executive financial commitments/benefits, insider/outsider relationship, major unaffiliated shareholders, insider self-dealing

Routine Annual Meeting Statement/Proxy Contents

Announcement of Annual meeting with list of business to be transacted
Roster of Directors (with biographies and significant relationships between them)
Board Committee Assignments (and chairpersons); Number of Meetings/Year
Roster of Shareholdings by Officers, Directors, and anyone owning at least a 5% stake
Comparative Price Performance Chart of company stock (cumulative - look at "slope"!)
Description of Executive Compensation including Pension Plans, Option Positions
Description of Corporate and/or Shareholder Resolutions to be presented
"Certain Transactions" Listing
Attachments with full copies of new pay plans, charter entries, etc.

Special Meeting Statement/Proxy Contents

Approval of Major Acquisitions or Mergers
Amendments to Certificate of Incorporation (name, state of inc, no. of directors...)
Creation of new Stock Classes (e.g., Tracking Stock) and/or of Spin-off companies

Basic Ballot Elements

Election of Directors (Insiders?, Interlocked?, number?)
Approval of Auditors

Common Additional Ballot Elements

Executive Incentive Plans (institution of "performance-based" pay plans)
Director Remuneration Plans (salary, stock options, retirement plans)
Employee Stock Ownership Plans
Increases to Equity Share Authorization

Exceptional Ballot Elements Proposed by Directors

Adjustment to the Maximum/Minimum Size of the Board
"Automatic" increases to the Number of Shares to be Available for Exec Compensation

Shareholder Ballot Proposals

Cumulative Voting for Directors
Declassification of the Board
"Diversification" of the Board
Executive Salary or Stock Option Limits... tie-ins to lowest or average worker salaries.
Director Term, Salary, or Pension Plan Limits
Confidential corporate voting
Offering multiple candidates for Board positions
Limits on the number or percentage of "inside" Directors

Shareholder Ballot Proposals (continued)

Repricing of stock options
Requests to issue Environmental Reports, follow Environmental "Principles", use
renewal or recyclable energy or materials, eliminate nuclear research/sales
Elimination of Super-Majority Vote Requirements
Elimination of Discrimination by Sexual Orientation, or Restriction on Child Labor
Reports on globalization strategy effects
Termination of land mine production; spending report for "hazardous" chemical
production and sales promotion
Disclosure of policies and disbursements made to influence the political process, or
requirement for political party nonpartisanship.
Removal of genetically-engineered foodstuffs from company products
Pharmacy Consumer Price Limits
Elimination of special stock rights ("poison pill" provisions)
Third world loan forgiveness; non-discriminatory loan underwriting criteria
Shareholder participation in corporate Matching Charitable Gift programs
Shareholder approval of executive severance agreements

Merger/Acquisition Proxy Issue Checklist

Is the compensation shareholders receive fixed or variable (e.g., to market conditions)?
Is the remuneration in cash, new stock, or a combination of these?
What conditions must be satisfied for the transaction to be completed?
What are the tax consequences of the merger?
Are there competitive offers?
Will the Officers and/or Directors receive exceptional benefit from the transaction?
If new stock is involved, will this be voting stock or a "degenerate" stock line?

Foreign (ADR) Ballot Differences

Accept the Directors' Report for the prior year
Separate vote for each Director
Approval for Directors to set Auditor's Salary
Share repurchase approval

Mutual Fund Proxy Issues

Approval of Investment Advisory Agreement (recently, many Changes of Control)
Elimination of fundamental policies in favor of Board-controllable by-laws
Broadening or radically changing investment objective; making objective non-
fundamental
Weakening barriers to asset concentration, borrowing against fund assets,
buying shares of another investment company, selling short, margin transactions
Merger of weak or small funds into stronger or larger "relatives" in the fund family
Creation of master/feeder structures

Who are the "Activist" Shareholders?

Labor unions
Religious orders
Public employee labor unions
Environmental groups
AARP
Evelyn Y. Davis