

THE SHAREHOLDER SERVICE OPTIMIZER

HELPING PUBLIC COMPANIES - AND THEIR SUPPLIERS - DELIVER BETTER AND MORE COST-EFFECTIVE PROGRAMS

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A FIRST-HAND REPORT FROM THE INTEL “VIRTUAL ANNUAL MEETING”...AND A HEADS UP ON THE BROADRIDGE VIRTUAL MEETING IN NOVEMBER

Your editor had the honor to serve as the Inspector of Election at Intel’s 2009 annual meeting, the first “virtual annual meeting” ever.

In an interesting twist of fate, he had testified a few years ago about why a “virtual annual meeting” that had been proposed by a group of vulture capitalists would not work – simply because the proper technology to allow “virtual voting” in a secure and auditable fashion could not then be put into place...at least by that group. So he was already ‘on the record’, under oath, as to what would really be required to pass muster. We’re here to tell you not just that Broadridge has “cracked the code” technologically, but that the meeting - and the technology - was really cool.

Intel, of course, had provided a “live” webcast of its meeting in previous years. And they’d also solicited shareholder questions over the web in advance of the meeting. What was totally new, however, was the virtual, on-line, real-time voting feature.

Here’s how it worked: Broadridge closed the voting sites in advance of the meeting in order to establish the quorum and arrive at firm “preliminary numbers”. Then, they reopened the polls - for internet voting only - shortly before the meeting began. As shareholders registered for the live webcast they were asked to enter their identifying numbers (from the proxy card if they were registered holders, or from the VIF if they were street-name holders) if they wished to have the opportunity to vote “live” during the meeting.

While normally, your editor does not vote his own proxy if he’s the Inspector...to be sort of “super-independent”...he logged on in this case, in order to see exactly how the system was working. A box popped up almost instantly on his computer screen, verifying that he was entitled to vote, and providing the spots he’d need to click on in order to make his selections.

As the live webcast began – with a few seconds delay that was also kind of cool to observe along with the “really live meeting” – the box remained open on the right-hand side of the screen. Since his vote was really immaterial in terms of the outcomes – and since he wanted to see exactly how things would work, he decided to cast his votes midway through.

A new screen popped up to tell him his votes had been recorded...and that he could click again if he wished to

change his mind or keep his options open during the course of the meeting, which he did.

When the polls were declared closed, the voting screen instantly disappeared, and a message popped up to inform viewers that the voting period had closed. How cool could this possibly be!

Broadridge could not, of course, report the final votes at once: The votes cast at the meeting had to be “run” against the preliminary vote file, to be sure that any earlier votes were revoked by the online vote. And, as backup, Broadridge was able to print out all the details on the votes cast at the meeting...and yes, your editor’s vote was among them, as he fully expected it to be. The final tabulation was ready by M+2.

In another twist of fate, we think, your editor had been advising companies who wished to have a totally virtual meeting that such a meeting would draw down the wrath of activist investors, who were then loudly proclaiming that they needed a chance to be there in person...or else. At this meeting, there were a few shareholder proponents and a few “live questioners” in attendance.

But did they really need to be there?

We’re now inclined to think not. Certainly, with 5.5 billion shares outstanding, and with virtually all the votes that were going to be cast received well ahead of time, there was no opportunity at all for a shareholder proponent to somehow win over the electorate in the final moments. Clearly, their best shot was already taken in their supporting statements. (And, while not the case at this meeting, we’ve been to many meetings where poorly delivered statements, not to mention the sometimes outrageous antics of proponents has caused them to *lose* votes at the meeting that were previously in their column.)

Another concern your editor has expressed revolves around the good-governance aspect of allowing shareholders to ask questions...and the extra preparedness that most meeting chairmen engage in to be ready for them. But Intel’s process assured that this worked fine too – and frankly, the technology is there to let shareholders type in their questions, or to record a statement in advance if they really want to. The meeting chairman alternated nicely between “live” questions and questions from the Internet. And, as **Kary**

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Klafter, Intel's Corporate Secretary told the Society at its annual conference, most of the Internet questions – and many of the live ones too – were about products, and had nothing at all to do with “governance” matters...although not every company can count on this, of course.

ON TO THE BROADRIDGE VIRTUAL MEETING, SCHEDULED FOR NOVEMBER 18TH ...WHERE NO SHAREHOLDERS, OTHER THAN MANAGEMENT AND STAFF, WILL BE ALLOWED TO ATTEND IN PERSON...

When we got this scoop, our first thought was to be glad that Broadridge was going to eat its own cooking – something we're firm believers in - and our second was to think, What a gutsy thing it is, to say “no shareholders can attend”.

Then we decided to twit our good friend **MaryEllen Andersen**, the Broadridge corporate governance expert... since we ourselves are Broadridge shareholders, albeit modest ones:

“What if we decide WE want to file a shareholder proposal? And what about if we insist on presenting it “live” and “in person” – as some companies, despite our many comments on how dumb this actually is, still require proponents to do? Will you set me up with a camera and a microphone so I can broadcast “live on the web” as you guys will?”

“Shareholders could present in person if a company allows it” she cagily replied...“or they could be hooked in via telephone to present the proposal electronically” (probably a smart thing, if, like your editor, one is not particularly telegenic). “The company could” (as the editor suggested might satisfy him if he was really hot to trot to test the limits) “make a camera and mike available at another location...but a separate camera location would be very expensive.”

Suddenly the ideal solution dawned on your cranky old editor: “Send these goofballs to Kinkos, and hook ‘em up if they insist on “being there” in person! It's cheaper for them than flying in for the meeting...and it's still cheaper, even if YOU have to pay Kinkos, than hiring a big hall.”

And here, by the way, are the two biggest and best reasons we can think of to have a completely virtual annual meeting: (1) to save all the time and money that's spent on so many meetings, only to have two or three retirees show up – or no one at all, as happens at many, many meetings every year, and (2) to keep those mostly obnoxious proponents out of one's hair.

Do we think that every company can or should adopt the strictly virtual annual meeting model? No.

But do we think that almost every U.S. company will ultimately “stream” their meeting live, over the Internet...even if relatively few people tune in...and archive it for a year? Yes.

And do we think that the online-voting feature is a good good-governance idea...even if relatively few people have used it to date? Absolutely yes, and besides, it's really cool.

Do we think that “virtual voting” will, in itself, significantly increase the number of people who cast their votes? Sadly, no.

But do we think that in a world where everybody who's everybody is texting... and tweeting -however much we may hate it - that live voting will become increasingly expected as de rigueur? Emphatically yes.