



## Management Must Identify and Communicate With Shareholders Now To Pass Stock Option Compensation Plans in 2003

Corporate scandals, accounting fraud and executive excess have enraged individual shareholders and institutional investors. Legislators and regulators have begun to act to protect shareholders by requiring senior management to accept personal responsibility for financial statements, more rigorous professional accounting standards, greater independence of the board of directors, and enhanced corporate governance practices.

Over the past decade, stock options became an integral part of most public companies' compensation plans. The swirling debate over whether stock options should be expensed and whether or not they align management and employee interests with those of other shareholders has yet to be resolved. However, it has been determined that investors will have a greater voice in the future issuance of stock options.

### **All Stock Option Compensation Plans Will Now Require Shareholder Approval**

On August 1, 2002, the New York Stock Exchange (NYSE), which governs voting by its member firms, changed its voting rules on stock options. The NYSE now requires that all equity compensation plans, and any material revisions to the terms of such plans (including the repricing of existing options), be subject to shareholder approval.

*There is no more "automatic" broker vote for stock option plans that total less than 5% of a company's outstanding shares.* The Securities & Exchange Commission, AMEX and NASDAQ have also adopted revised listing and voting policies that will effect future shareholder meetings.

From now on, if your company hopes to pass stock option compensation plans at its annual meeting, you must know, in advance, who your investors are and how they will probably vote. Only with a thorough knowledge of your shareholder base can you begin to draft proxy proposals that may gain approval.

*An effective shareholder identification and communication program in the months preceding the shareholder meeting coupled with an intensive proxy solicitation effort will be required to obtain the sufficient number of shareholder votes required to pass Management's proposals.*

### **Shareholder Identification**

Allen Nelson & Co.'s client-tailored shareholder identification programs yield important benefits:

- We identify major "street name" shareholders and their custodians.
- We provide contacts and information on institutional investors and stock brokers.
- We provide background and voting guidelines of major institutional investors and mutual fund portfolio managers from our proprietary databases.
- We monitor the voting recommendations of the proxy voting advisory firms, Institutional Shareholder Services (ISS) and Fairvest, as well as major North American and European institutional investors.
- We identify geographic and round lot holdings of street name shareholders for satisfaction of stock exchange and regulatory requirements.
- We help investor relations officers focus their efforts for maximum effectiveness.

### **Our Proxy Solicitation Expertise**

Dozens of U.S. and Canadian public companies retain Allen Nelson & Co. each year to secure shareholder approval of stock options, rights plans, mergers, acquisitions, and other management proposals to be voted upon at their annual meetings of shareholders. We are proud of our ability to achieve a successful outcome on these challenging assignments.

To learn more about our WorldProxy® services, please visit our website: [www.worldproxy.com](http://www.worldproxy.com) or call us to discuss how Allen Nelson & Co. can assist your company. We look forward to working with you.

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