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Public Chatter

Universal Proxy: Early Expectations?

During our recent webcast — "**Proxy Season Roundtable: What You Need to Know Now**" — Proxy Analytics' Steve Pantina joined Allison Handy at the 26:02 mark to discuss the potential impact of universal proxy on this proxy season. Here is a summary of some of the thoughts provided:

On the question of whether the SEC's rule changes will result in more activism, the answer is that "we really don't know." Many commentators have said that they expect contest activity to significantly increase. However, both Steve and Allison expressed skepticism. Steve noted that activism activity is already very high, and, over the years, parties have shown an increased willingness to pursue negotiated solutions instead of letting disagreements proceed to a shareholder vote. Allison agreed that it is not a foregone conclusion that the rule change will drive a significant uptick in activism.

Regarding proxy advisory firms and whether proxy advisors will be more likely to recommend in favor of dissidents, Steve expects the overall evaluation process to remain the same. However, because the new universal proxy rules require the parties to include all nominees on both cards, Steve believes that proxy advisors will likely recommend that investors vote on the management card more frequently because the company has a legal responsibility to turn in all ballots, whereas the dissidents do not have the same responsibility.

On the issue of whether the new rules will result in significant reductions in cost, many people have said that they believe that it will, but Steve was skeptical. While recognizing that the new rules will undoubtedly reduce some of the initial mailing costs, he noted costs related to specialized outside advisors—legal, PR, proxy solicitor, etc.—will remain, as will the costs related to reminder mailings, which can be significant.

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