

IR UPDATE

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About Niri

Founded in 1969, the National Investor Relations Institute (www.niri.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts, and other financial community constituents. Niri is the largest professional investor relations association in the world, with more than 3,300 members representing over 1,600 publicly held companies and \$9 trillion in stock market capitalization. Niri is dedicated to advancing the practice of investor relations and the professional competency and stature of its members.

About IR Update

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Happy New Year



Ron Parham, Niri Chair

Vice President,
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Cura Cannabis Solutions

Welcome to 2019. One need only spend a little time around investor relations to realize it is a rich, fulfilling, and intellectually stimulating profession that plays a critical role within the dynamic, increasingly complex capital markets ecosystem. For nearly 50 years, investor relations professionals have been championing integrity and quality of information that enables constructive engagement between companies and stakeholders.

One of the most valuable benefits of Niri membership (read: involvement) is the opportunity it affords each of us to serve with, learn from, and be inspired by fellow IR practitioners, service providers, and experts from adjacent professions at local, national, global, and virtual gatherings.

During 2019, your Niri membership will offer a multitude of opportunities to expand your network, hone your skills, explore new perspectives, and advance your career. Throughout the year, Niri will be celebrating its 50th Anniversary and looking ahead to imagine how Niri's next 50 years might look. An ad-hoc committee, chaired by former Niri Board chair Mark Donohue, IRC, vice president, investor relations and corporate communications with Amneal Pharmaceuticals (NYSE:AMRX) in Bridgewater, NJ, developed a number of creative ideas to mark Niri's first half-century.

Niri will host the inaugural "Big I" (Investor & Issuer Invitational Forum) on March 19 in New York, exploring Big Ideas affecting the profession and the ecosystem. The 2019 Big I will bring together prominent thought leaders for a deep dive into ESG (environmental, social, and governance) issues. The Big I also dovetails with IR Magazine's annual IR Awards Gala on March 20 and Niri's ringing of Nasdaq's closing bell on March 18.

Make plans to join 1,000+ IR colleagues on June 2-5 at the JW Marriott Desert Ridge Resort in Phoenix, AZ for the 2019 Annual Conference (#Niri2019). Niri's 50th anniversary will be a common thread across three days of provocative speakers, learning, networking, and celebrating.

In September, Niri's 3rd Annual Leadership Week takes place in Washington, D.C. This event has quickly established itself as a unique and valuable way for members to carry Niri's message on important legislative initiatives directly into the halls of Congress and to the SEC. Come add your voice to Niri's advocacy efforts.

Finally, in early December, Niri's Senior Roundtable Annual Meeting event will be held in Santa Barbara, California. The SRT steering committee, led by chair Idalia Rodriguez, partner and senior advisor at Arbor Advisory Group in Westport, CT, is hard at work developing a compelling agenda for what will also be the SRT's 25th anniversary.

All of these opportunities are made possible and brought to life by Niri's outstanding staff, led by CEO Gary LaBranche, and governed by Niri's volunteer Board of Directors. I want to thank outgoing 2018 Board chair Lee Ahlstrom, IRC, SVP & CFO at Rignet, Inc. in Houston for his many years of dedication to Niri, his four years of Board service, and for his leadership, mentorship, and shared wisdom while serving as chair. Lee will remain on the Board this year as immediate past chair, enabling us all to continue to benefit from his experience and insights.

We owe a collective "thank you" to outgoing Board members Liz Bauer, Chief Communications and Investor Relations Officer with CSG Systems International (Nasdaq:CSGS) in Denver; Sid Jones, SVP Investor Relations at

Genuine Parts Company (NYSE:GPC) in Atlanta; Mark Warren, Director of Investor Relations with Vulcan Materials Company (NYSE:VMC) in Birmingham, Alabama; and 2017 Board chair Valerie Haertel, IRC, in New York. Each served NIRI members exceptionally well during their Board terms and continue to be thought leaders and champions of the profession.


Please join me in extending a warm welcome to our four new Board “freshmen” who officially began their four-year terms at the annual meeting held in late November in Miami Beach:

- David Banks, IRC, VP, Investor Relations at SendGrid, Inc. (NYSE:SEND) in Denver.
- Debbie Hancock, VP, Investor Relations at Hasbro, Inc. (Nasdaq:HAS) in Pawtucket, Rhode Island.
- Victoria Sivrais, Founding Partner, Clermont Partners, LLC in Chicago.
- Deb Wasser, IRC, VP, Investor Relations at Etsy, Inc. (Nasdaq:ETSY) in Brooklyn, New York.

Finally, congratulations to Board chair-elect Melissa Plaisance, Group VP Treasury and Investor

Relations at Albertsons Cos. in Boise, Idaho, who will ascend to become 2020 Board chair.

Melissa and I have known each other for many years, and I am fortunate to have her knowledge and professionalism to lean on and collaborate with as we guide NIRI toward the future.

Take a moment to appreciate, as I did in writing this, the breadth of industries and geographies represented in these impassioned NIRI members and thought-provoking events. Extrapolate that across NIRI’s 3,300 members around the world and celebrate this profession, 50 years in the making, with a bright future ahead. 



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Join the Celebration of NIRI's 50th Anniversary

NIRI is planning a series of celebrations throughout the year to highlight the golden anniversary of NIRI's founding in 1969. The festivities will include special programs during "IR Week" in New York in March; at the 2019 Annual Conference in Phoenix in June; during Leadership Week in Washington, D.C., in September; and at the Senior Roundtable Annual Meeting in Santa Barbara, California, in December.

"During 2019, NIRI will seek to engage as many members as possible in commemorating the anniversary, involve the IR community in discussing the future of IR, highlight the gains and evolution of the IR profession, and provide events that will engage the IR community in a memorable, exciting, and uplifting celebration that will help accelerate the growth of NIRI and pride in the profession," said NIRI President and CEO Gary LaBranche.


NIRI is producing a special anniversary tribute video that will be shown at the 2019 Annual Conference and will record short video interviews with members at major NIRI events during the year. Photos, videos, and any other anniversary-related materials will be digitized and sealed in a "digital time capsule" to be opened at NIRI's 75th anniversary.

NIRI chapters will be encouraged to highlight the anniversary at one major chapter event during the year and will be asked to "Give 50 for 50" — raise or give \$50 per member and/or 50 hours (total) of volunteer time to support a charity of their choice in celebration of the anniversary.

As part of the 50th anniversary, a "Think Tank on the Future of IR" group, led by Lynn Tyson, executive vice president, investor relations at Ford Motor Co., will release a white paper that will explore how the profession may evolve over the next decade.

The anniversary will be featured in NIRI publications and social media platforms. *IR Update* magazine will publish articles on NIRI's first half-century, including a special keepsake edition in November that will honor the IR professionals who shaped the profession while looking ahead at the future of investor relations. In addition, each edition of the *IR Update Weekly* newsletter will include a "Test Your IRQ" quiz question to test members' knowledge of NIRI history.

The plans for the 50th anniversary are based on recommendations provided to the NIRI Board of Directors by NIRI's 50th Anniversary Committee. The committee, chaired by Mark Donohue, IRC, vice president for IR and corporate communications with Amneal Pharmaceuticals, includes more than 30 members.

More information on NIRI's anniversary will be available on the NIRI website at www.niri.org/50th. 



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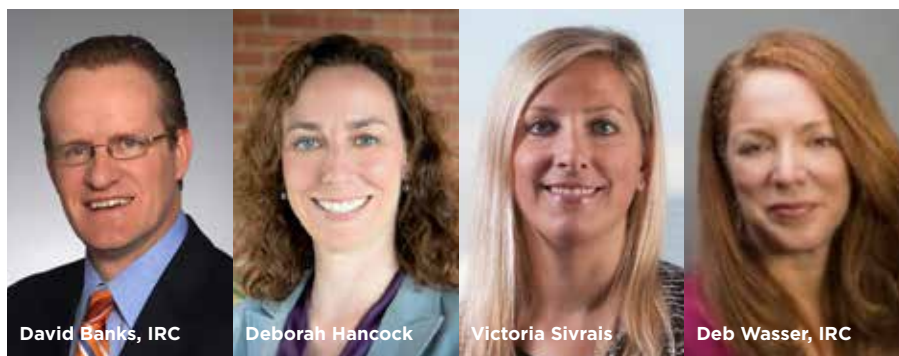
Ruth Venning
Horizon Pharma

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Etsy, Inc.

Make Plans to Attend the “Big I” Forum on March 19

Save March 19, 2019 on your calendars for “The Big I”! NIRI’s new Investor & Issuer Invitational Forum™ will engage public company stakeholders in a constructive learning experience on emerging issues common to investors and issuers and create opportunities for collaboration and ongoing dialogue among thought leaders. This annual forum will be a deep dive into a specific theme and invite presentations by leading thinkers and influencers with different points of view as a prelude to discussion.

The theme of the first Big I forum will be ESG. The 2019 event will be held from 9:00 am to 5:30 pm at Baruch College in New York and will include a networking reception. The Big I is part of “IR Week,” a series of events in New York that week that will honor IR professionals. For more details on the Big I forum, please visit: <https://www.niri.org/professional-development/seminars/the-big-i-2019>. 



NIRI Elects New Board Members

NIRI members elected four new directors to four-year terms at the NIRI Annual Meeting in November 2018. They include David Banks, IRC; Deborah Hancock; Victoria Sivrals; and Deb Wasser, IRC.


NIRI President and CEO Gary A. LaBranche said, “I am pleased to welcome these outstanding IR professionals to the NIRI Board of Directors. They will play an important role in helping the Board ensure the long-term health of our organization and the IR profession.

“I also would like to thank the Board members who are stepping down after their dedicated service to NIRI: Mark Warren, Sid Jones, Liz Bauer, and Immediate Past Chair Valerie Haertel, IRC,” LaBranche added. “We are grateful for their service to the IR profession.”

David Banks, IRC, is vice president, investor relations at SendGrid in Denver, CO. He is a longtime communications practitioner with more than 25 years in a combination of investor relations and corporate communications roles, including serving as IRO at four publicly traded companies. He is a member of the NIRI Rocky Mountain chapter and NIRI Senior Roundtable.

Deborah Hancock is vice president, investor relations at Hasbro, Inc. in Pawtucket, RI. With more than 20 years of experience in investor relations and communications, she has served as a trusted advisor to senior management for strategic communications, corporate events, and crises. She is a member of the NIRI Boston chapter and NIRI Senior Roundtable.

Victoria Sivrals is founding partner at Clermont Partners, LLC, in Chicago, IL. Prior to establishing Clermont, she was a managing director and deputy lead of the capital markets practice at FTI Consulting and held several leadership positions at Ashton Partners. She is a member of the NIRI Chicago chapter and NIRI Senior Roundtable.

Deb Wasser, IRC, is vice president, investor relations at Etsy, Inc. in Brooklyn, NY. Prior to joining Etsy, she led Edelman’s U.S. investor relations practice for more than three years, and served more than 15 years as senior vice president, IR & corporate communications, at Veeco Instruments. She is a member of the Board of the NIRI New York chapter and the NIRI Senior Roundtable. 



Senior executives connected to the IR profession from around the world gathered in Taipei, Taiwan in Fall 2018 at the chartering ceremony for the Taiwan Investor Relations Institute.

Taiwan Investor Relations Institute Launched


The Taiwan Investor Relations Institute (TIRI), a nonprofit organization established to facilitate the growth and development of Taiwan investor relation professionals, was chartered on October 23, 2018 at a ceremony in Taipei, Taiwan.

The increase in foreign institutional investors ownership in recent years has gradually raised the bar of investor relations practices in Taiwan. Also, in 2018 the Republic of China (Taiwan) Financial Supervisory Commission issued a “Corporate Governance Roadmap (2018-2020),” designed to deepen corporate governance and corporate social responsibility culture among public companies in Taiwan.

“TIRI’s founding will provide more IR practical experiences and resources to Taiwan’s listed companies,” said TIRI Chairperson Fufu Shen of Chung Hwa Telecom. “TIRI will also represent Taiwan’s capital markets at international IR organizational events and initiatives.”

TIRI Vice Chairman Jonny Guo added, “By providing professional IR education and certification in support of listed companies, TIRI is a strong proponent of building professional management platforms. In the future, TIRI will hold a range of offline activities that provide opportunities for IR workers to interact. TIRI’s annual meetings will serve as an excellent communication platform for professional managers while opening links to international capital markets.”

The chartering event included a panel discussion on various topics including IR best practices and how Taiwan IR professionals can better engage with global capital market participants. Panelists included Shen, NIRI President and CEO Gary LaBranche, New York Stock Exchange Regional Head of Asia Pacific Marc H. Iyeki, Taiwan Semiconductor Spokesperson Elizabeth Sun, and PWC Taiwan COO Eileen Liang. Attendees also include Taiwan Stock Exchange Chairman Hsu Jan-yau and Taipei Exchange Managing Director and CEO Edith Lee.

LaBranche said, “NIRI welcomes TIRI as the newest member of the international IR community. Since Taiwan previously lacked a professional IR organization that could connect with international capital markets, IR organizations from around the world are eager to cooperate with TIRI.” 

NIRI Congratulates 15 New IRC Holders


Fifteen investor relations professionals recently earned the Investor Relations Charter (IRC®) credential awarded by the NIRI Certification Council.

This group represents the eighth class of IRC credential holders. There are now a total of 167 IRC holders worldwide, which include IR professionals from Brazil, Canada, Czech Republic, Indonesia, Mexico, and the United States. The latest class of successful candidates includes:

- Annette N. Arribas, IRC
- Christopher W. Brandon, IRC
- Katherine H. Chen, IRC
- Matthew D. Eichmann, IRC
- Vernon P. Essi, Jr., IRC
- Jennifer A. Gaumond, IRC
- James C. Landers, IRC
- Scott A. McLaughlin, IRC
- J. Colin Murray, IRC
- John C. Moten, IRC
- Guilherme L. Nahuz, IRC
- Alina Plaia, IRC
- Sean C. Silva, IRC
- Erik K. Wright, IRC
- Maximillian Zimmermann Canovas, IRC

The IRC program provides IR professionals with the opportunity to demonstrate their knowledge, expertise, and commitment to the profession. The IRC program is dedicated to advancing the practice of investor relations and the professional competency and stature of IR professionals.

To be eligible to earn and maintain the IRC credential, candidates must meet educational and professional experience requirements, adhere to the IRC Code of Conduct and to NIRI’s Code of Ethics, pass the IRC exam, and participate in ongoing professional development activities.

Program information and applications are available on the NIRI website at www.niri.org/certification. 

ON THE MOVE



Ron Parham, the current NIRI Chair, is the new vice president of investor relations at Cura Cannabis Solutions in Portland, Oregon. He was previously senior director of

IR and corporate communications at Columbia Sportswear for 10 years and was also managing director of PondelWilkinson Parham for 10 years. He also spent 15 years at NIKE, Inc. in several roles, including as the company's first full-time director of IR from 1987-1995.



Adam Townsend is the new executive vice president and chief financial officer at Showtime Networks Inc. He joined CBS Corporation, the parent company of

Showtime, in 2008 as executive vice president, investor relations. Townsend created and led the company's overall investor communication strategy, including for the company's IPO of its Outdoor business in 2014 and the more recent merger of CBS Radio with Entercom. In 2016, he was promoted to executive vice president, corporate finance and investor relations at CBS, expanding his role to also include oversight of the Company's treasury function. Before joining CBS, Townsend was managing director of investor relations and corporate strategy for the E*TRADE Financial Corporation.



Leslie H. Kratcoski, IRC, was named vice president, investor relations at GMS Inc., a distributor of gypsum wall-board and suspended ceiling systems. She previously spent

nine years leading investor relations for Snap-on Incorporated. Before that, Kratcoski worked in a variety of finance roles throughout her 25-year career, including leading the investor relations programs at Beazer Homes USA, Inc. and PRG-Schultz International, Inc.



Suzanne Messere is the new senior director of investor relations and corporate communications at Geron Corporation. She was previously managing principal at SMart Fincom, a

company she founded to help misunderstood companies achieve a fair valuation. Before that, Messere was director, investor relations, for Ameresco. Prior to transitioning to investor relations, she worked on the sell-side with Merrill Lynch and UBS..




Joseph Crivelli was named vice president, investor relations at Synchronoss Technologies, Inc. During his 22-year career, he has held senior IR in-house and

agency roles serving a host of leading technology, financial services, and manufacturing companies. Most recently, he was senior vice president, investor relations and corporate communications at BOK Financial Corporation.



Ina McGuinness is now principal at McGuinness Communications. She was previously senior vice president at Abernathy MacGregor.

Her background also includes serving as managing director, corporate communications, at LifeSci Advisors, overseeing IR and corporate communications at Kofax Limited, and leading change management at BP. Ina also supports healthcare clients through her affiliation with Rx Communications. 

CALENDAR

These upcoming events provide excellent professional development opportunities for NIRI members. Learn more at www.niri.org/full-calendar.

MARCH 19, 2019

NEW YORK, NEW YORK
The Big I (Investor & Issuer Invitational Forum)

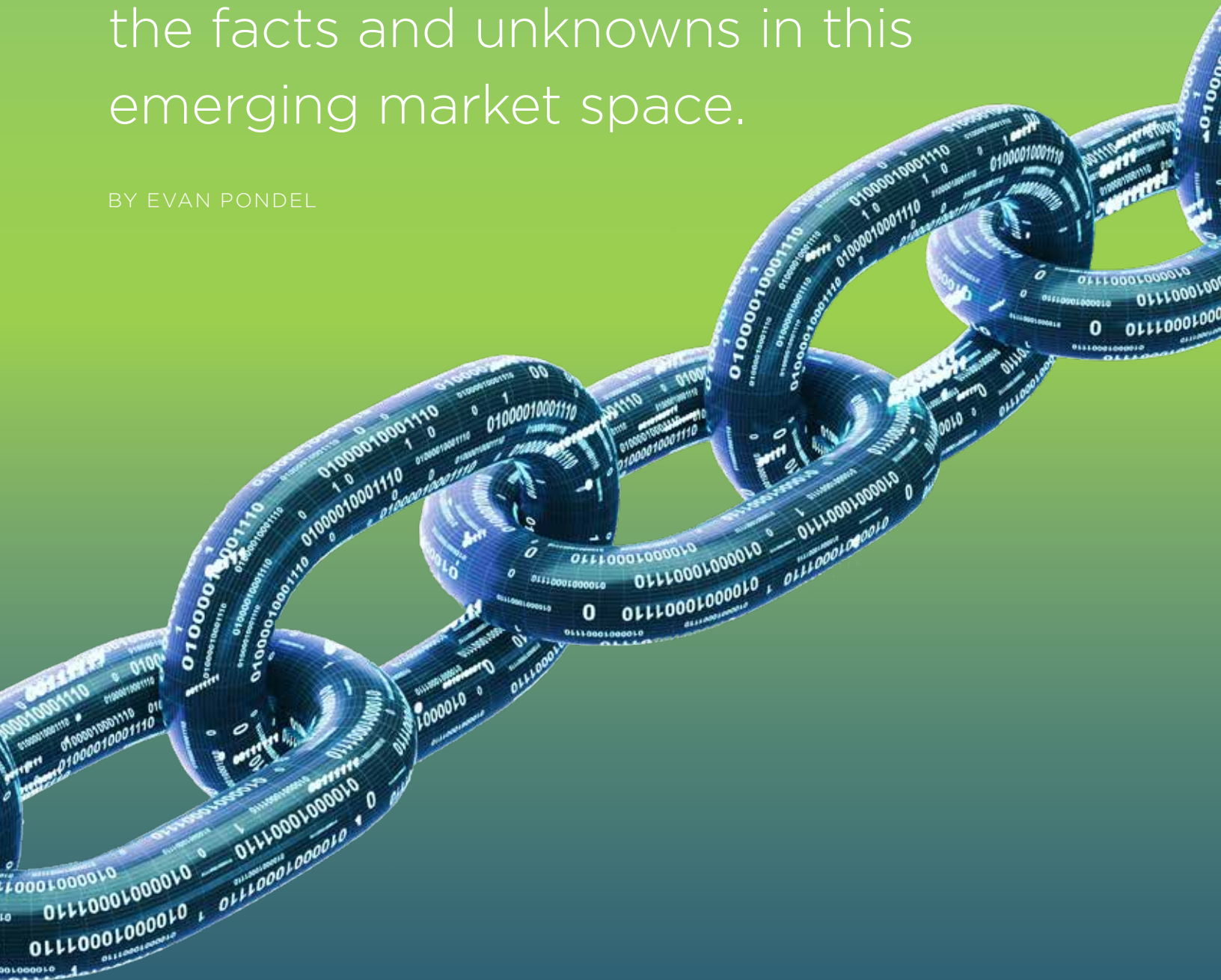
JUNE 2-5, 2019

PHOENIX, ARIZONA
NIRI Annual Conference

Wondering about cryptocurrencies, blockchain, ICOs, STOs, and Tokens?

You're not alone. Learn more about the facts and unknowns in this emerging market space.

BY EVAN PONDEL



Chances are you either know someone who has invested in cryptocurrency (the thought of which makes your eyes glaze over), or you're a Bitcoin billionaire who has an abundance of leisure time, which leads you to read every issue of *IR Update* cover to cover.

Or maybe none of these scenarios applies to you, and you're like most investor relations professionals who are still trying to make sense of cryptocurrency and what it means from an IR perspective.

At the same time, some would argue that the lack of understanding of investor relations in the cryptocurrency world has led to issues around setting expectations for investors, not to mention significant problems with respect to transparency surrounding cryptocurrencies.

Interestingly, not a lot of people were willing to go "on the record" for this article, most likely due to the controversial and nascent nature of the subject matter. After all, the cryptocurrency world is evolving daily, and investor relations in the context most of us know it, doesn't really apply (yet) to companies issuing digital currencies, virtual coins, or tokens.

What is happening is that the Securities and Exchange Commission perceives these coins as "securities," and for that reason, investor relations will likely play a greater role in making "crypto" less cryptic to the investing public.

ICOs and Tokens

"We're still in the early days, but there shouldn't be any difference between communicating with shareholders and virtual coinholders," said Sara Hanks, co-founder and CEO of CrowdCheck, which provides due diligence, disclosure, and compliance services for online capital formation. "The 'crypto-bros' may not like it, although these types of securities should be treated like any other type of security."

That starts with understanding how these securities become investment vehicles. Similar to an initial public offering, digital currency may be offered through an "Initial Coin Offering," often referred to as an ICO. That means a company – or some other entity – is issuing a digital

coin (instead of shares) in return for something, usually money, to develop its business. An ICO and "Security Token Offering" (STO) are acronyms used interchangeably, although some prefer "STO" because it defines these vehicles as "securities," and therefore regulated by federal law.

ICOs have also been classified as issuing either "utility" tokens or "security" tokens. Utility tokens consist of virtual currency that provides some type of utility or access to something, such as a network. For example, if a recycling company is issuing utility tokens for its ICO, the tokens may grant token holders access to a private recycling service. Security tokens, like shares in a publicly traded company, are merely digital assets signifying investment or ownership in an offering from a company. In the last year, ICOs have moved away from classification solely as utility tokens, as there is more credibility with a security token, which, legally, is expected to act like a security.

The Role of Blockchain

Another term that gets kicked around with ICOs is "blockchain." Blockchain refers to the technology or ledger that tracks the buying and selling of tokens. A simplified analogy is an Excel spreadsheet that lists individuals who own a certain number of tokens. When someone acquires or sells tokens, that spreadsheet will automatically update and provide a new inventory of who owns what.

The first known ICO, Mastercoin, occurred in 2013, for an unknown amount, according to Forbes. The following year, Ethereum raised approximately 3,700 Bitcoin, or \$2.3 million at the time, in the first 12 hours of its ICO, as reported by CNBC.

Since then, it is estimated that tens of billions of dollars have been raised by ICOs, but it is difficult to quantify because of the unregulated nature of the industry. In the first half of 2018, ICOs claimed to have raised \$15 billion, according to an Ernst & Young study. But again, it is difficult to quantify this number without any official governing body regulating or tracking the industry.

Among the most successful ICOs are NEO, a China-based blockchain project; Ethereum, an open-source, public, blockchain-based distrib-

The ICO movement is founded on a philosophy to create more transparency and less regulation when it comes to raising money.

“Despite the past year’s hype around ICOs, there appears to be a significant lack of understanding around the risks and rewards of these investments.”

Paul Brody, global innovation leader, blockchain, EY

uted computing platform and operating system featuring smart contract functionality; and ARK, which provides users, developers, and startups with blockchain technologies. All these ICOs offer some form of blockchain technology, which is consistent with more successful ICOs.

The ICO movement is founded on a philosophy to create more transparency and less regulation when it comes to raising money. That’s why blockchain appealed to the pioneers of cryptocurrency – the technology offers a decentralized method for entities to organize their own ledger. The problem is that raising money in return for virtual currency in an unregulated environment can attract a rather unscrupulous cast of characters, and that has generated a lot of skepticism surrounding ICOs and crypto-currencies.

Fraud Warnings

“The amount of money raised through ICOs is more fraudulent than what [convicted financier Bernie Madoff] did,” said Douglas S. Ellenoff, a partner at New York-based law firm Ellenoff Grossman & Schole. “If a company is not treating its ICO like a securities offering, I say stay far, far away. You can’t put Humpty Dumpty back together again.”

That’s why attorneys like Ellenoff and Crowd-Check CEO Hanks are calling on entrepreneurs and companies thinking about an ICO to comply with federal rules and regulations as if they are issuing a security. The same goes for bankers, IR consultants, and any other capital markets professionals working with an ICO.

SEC Chairman Jay Clayton stated that “tokens and offerings that feature and market the potential for profits based on the entrepreneurial or managerial efforts of others contain the hallmarks of a security under U.S. law.”

SEC Advice on ICOs

The SEC went further to explain the following points to professionals working with an ICO:

- Market participants should use caution when promoting or touting the offer and sale of coins without first determining whether the securities laws apply to those actions. Similarly, those who

operate systems and platforms that effect or facilitate transactions in these products should be aware that they may be operating unregistered exchanges or broker-dealers that are in violation of the Securities Exchange Act of 1934.

- Gatekeepers and others, including securities lawyers, accountants, and consultants, should be guided by the principal motivation for the SEC’s registration, offering process and disclosure requirements: Investor protection and, in particular, the protection of Main Street investors.
- Market professionals, including securities lawyers, accountants, and consultants, are encouraged to read closely the 21(a) investigative report the SEC released in 2017, concluding that a particular token was a security.
- If a platform offers trading of digital assets that are securities and operates as an “exchange,” as defined by the federal securities laws, then the platform must register with the SEC as a national securities exchange or be exempt from registration.

As of the first half of 2018, 86 percent of tracked ICOs are below listing price, and nearly 40 percent have lost substantially all of their value, according to Ernst & Young. And despite continued exuberance about ICOs, knowledge of how they make money is murky at best.

“Despite the past year’s hype around ICOs, there appears to be a significant lack of understanding around the risks and rewards of these investments,” Paul Brody, EY global innovation leader, blockchain, said in a statement. “In addition, there is a disparity between those who invest in ICOs and the ICO project developers regarding the anticipated timelines of ROI. While ICOs are an entirely new way to raise capital, those participating should understand that there are factors – such as the slow progression toward working product offerings – that can introduce greater risk in ICO investing.”

IR Tips for Managing ICOs

Of course, it’s not a forgone conclusion that all ICOs are doomed. It is possible that as these securities vehicles become more regulated, the need for

investor relations services will also increase. Following are tips for investor relations professionals to consider when involved in managing an ICO:

- **Tell a consistent story across a wide range of communications channels.** ICOs attract a diverse group of investors with different backgrounds. Make sure traditional and social media outlets are engaged to maximize outreach efforts.
- **Use a whitepaper to discuss the who, what, when, why, and how an ICO is the appropriate vehicle to raise funds for a company.** Whitepapers are the standard for most ICOs when describing a business and the structure of its tokens to investors. Ensure the document is easy to read, accurate in its descriptions, and accessible on a website.
- **Consider interactive webinars or conference calls to engage with investors.** The crypto movement stems from a generation seemingly disenchanted with transparency, so seize the opportunity to engage with investors in open dialogue.
- **Distribute periodic updates about the company in the form of digital newsletters.** IR practitioners know the value of consistent communication on a quarterly basis. The same practices should apply when it comes to communicating a company's story following its ICO.
- **The business is the story – not the valuation of an ICO.** Focus on the value the company is creating through its technology, not how much money investors are going to make through the virtual currency.

The other challenge about security tokens is that they aren't as liquid as stocks. For example, when a company goes public, it lists on an exchange where the stock is bought and sold. Issuers of security tokens must select an exchange where a market exists for investors to buy and sell coins. There are many such exchanges, although listing on one doesn't necessarily guarantee the ease of buying and selling a token. Explaining these nuances to investors is a crucial role of an IR practitioner representing an ICO.

Crypto-issuers must also use a digital platform to issue currencies during an offering. StartEn-

"I think rather than creating new rules, the SEC is going to ask everyone to comply with existing rules."

Allen Jebsen, business development director, StartEngine

gine provides entrepreneurs with a platform to raise capital through the Jumpstart Our Business Startups Act, or JOBS Act. Allen Jebsen, business development director at StartEngine, said ICOs are applying the JOBS Act to their fundraising activities, which he believes will be adopted by most companies pursuing this route.

"I think rather than creating new rules, the SEC is going to ask everyone to comply with existing rules," he said, also noting that companies considering an ICO must also engage a transfer agent to keep records of coinholders.

Despite the opportunities posed by ICOs, few people believe the level of activity will ever eclipse the IPO market.

As more regulations are imposed on ICOs, the greater the expense for ensuring compliance. For that reason, "I believe you will see a large drop off," Ellenoff said. "An ICO could be a good opportunity for a young, interesting company, but you have to be very careful. There's been a lot of deception in this space." [IR](#)

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MIFID II: CHANGING THE TERMS OF ENGAGEMENT FOR EUROPE AND BEYOND

One year after it started, MiFID II is having a material impact on the sell-side, buy-side, and IR professionals.

BY J.T. FARLEY

Clocking in at more than 7,000 pages (or five copies of *War and Peace*), the Brussels-born Markets in Financial Instruments Directive II (MiFID II) came into force in the European Union on January 3, 2018, promising to transform European capital markets and threatening to create ripple effects worldwide for institutional investors and brokers. One year later, MiFID II has proven to be more evolutionary than revolutionary, but the changes are still underway, and they are having a material impact on the relationship between the sell-side and the buy-side, as well as corporate issuers seeking to interact with both sides.

Breaking the Bundle

The aspect of MiFID II which is the most relevant to investor relations professionals is the requirement to unbundle research from trade execution. At a high level, most European asset managers, as well as asset managers outside Europe who manage funds for European investors, can no longer pass along to their investors the “bundled” cost of research and other services, such as corporate access, which MiFID II classifies as “inducements”, combined with trading commissions.

Buy-side firms must pay separately for trading and then they can either choose to pay for research and other services out of their own pocket (so-called “hard dollar” payments), or they can pass along separate research charges to their investors through a mechanism known as a research payment account, or RPA.

The RPA method requires buy-side firms to set research budgets in advance in consultation their clients and then to meticulously document

all the costs of research, a level of transparency (and bureaucracy) which was unheard of before MiFID II. Given these requirements, many of the largest European money managers have chosen to pay for research with hard dollars, while smaller firms, including many hedge funds, have chosen to use RPA solutions and pass along the cost of research to their investor clients.

The unbundling requirements of MiFID II have taken a toll on the sell-side: average European brokerage commissions in the third quarter of 2018 were down approximately 30 percent year-over-year, according to analysis done by my firm, ITG.

While part of this commission drop reflects the unbundling of cash payments being made to research providers, overall spending on research is also dropping.

“The commission pool is shrinking and there is less overall being spent on research given the decision of most asset managers to pay for research out of pocket,” says Tim Cave, a market structure analyst with consultancy Tabb Group.

A November 2018 report by Greenwich Associates bears this out, estimating that European research spending has declined 14 percent overall, with budgets at the largest asset management firms dropping 19 percent year-over-year. The average number of research providers used by institutional investors has also continued a multi-year decline, from 20 in mid-2015 down to less than 16 in 2018, according to Greenwich.

The shrinking research budgets and smaller execution commission pool have tilted the playing field in favor of the bigger investment banks. Some banks have been aggressive in setting initial prices for unbundled research access, such as J.P. Morgan, which offers firmwide access to PDFs of research reports for as little as \$10,000 per year. (Access to financial models, and to the analysts themselves, carries a much higher price tag.)

“MiFID II has reinforced the dominance of the bulge bracket firms which have invested heavily in both execution and research,” Cave notes. “This has had a knock-on effect for smaller research providers who may find it uneconomic

to stay in business.” He expects the decline in the revenue pool to accelerate the shakeout among equity research providers in the coming months.

There have already been signs of consolidation, with Alliance Bernstein agreeing to buy Autonomous Research, a UK-based financial services research broker, in November 2018, and media reports indicating that several other small brokerages in Europe are potential acquisition targets.

On the buy-side, unbundling results in comparatively deeper pockets for firms that opt to pass along the cost of research to their clients via RPAs. “The majority of European hedge funds are paying for research with client funds, unlike long-only funds, so they have more money to spend,” observes Sandy Bragg, a principal at Integrity Research, an equity research consultancy.

Thinking Small

As most institutional investors have tightened their research purse strings and started to pare back on the number of their brokerage relationships, some smaller corporate issuers are finding they must work harder to get in front of investors in Europe.

“There has been an impact on smaller market cap sizes,” says Charles Moreau, co-head of corporate access at Oppenheimer & Company. “Buy-side firms are applying greater scrutiny to the meetings they take and are less likely to take a meeting where they might have less familiarity with a stock, or if it is outside of their core focus. For larger-cap companies, it can be easier to book meetings given that many [buyside] accounts now have a rate card for such meetings, and therefore know how much they will have to compensate the sell-side for organizing it.”

Moreau notes that, even with these constraints, investor relations professionals can still work to be heard by getting involved in investor targeting and partnering with corporate access professionals.

“If a company management wants to see certain investors, clearly communicating about targets and maintaining an active dialogue with the sell-side is important,” he says. “We see the corporate access process as more collaborative than ever.”

While the equity research wallet in Europe overall is shrinking, corporate-sponsored research reports are increasing in popularity.

Pay for Play

While the equity research wallet in Europe overall is shrinking, corporate-sponsored research reports are increasing in popularity, with full-service brokerages such as Kepler Cheuvreux, Oddo BHF, and Nordea Bank joining established sponsored-research providers such as Edison Investment Research and Hardman & Company.

These firms generally charge corporations a five-figure annual sum for research coverage of their stock, and normally provide the reports free on their websites for all investors so that they do not have to charge the buy-side to access them under MiFID II regulations. While these services are attractive to issuers that have seen their research coverage decline (or be discontinued altogether), it is not clear when corporate-sponsored equity research reports will gain broad acceptance among institutional investors.

View from the United States

While MiFID II has had an immediate and direct impact on the capital markets in Europe, the effects in the United States have so far been muted, with most firms choosing to “ring fence” their unbundling, limiting it to their investment vehicles that are directly subject to the MiFID II rules.

Still, most on the U.S. buy-side are expecting an impact: 87 percent of firms surveyed by Tabb Group in mid-2018 said they expect the rules to have either a direct or indirect impact on them, up from 68 percent in a survey conducted two years earlier.

“I think unbundling will be the norm, as it’s something the end clients—asset owners—like, and the buy-side wants a global approach to paying for research,” says Cave at Tabb Group.

However, there is some debate about how widespread unbundling will become. Integrity Research’s Bragg sees a more gradual process unfolding.

“We’re on a path toward unbundling but it’s being driven largely by market forces and new technology,” he explains. “The SEC has shown no interest in pushing for an elimination of soft dollar payments, which would require an Act of Congress.”

Bragg believes adoption in the United States

While the jury
is still out on
how widespread
unbundling
will be in
jurisdictions
where it is
not required,
research firms
are likely
going to face
shrinking client
budgets, while
consolidation
is increasing
on the sell-side
and among
active
investment
managers.

comes down to how aggressively asset owners will push for unbundling. But whether or not MiFID II unbundling is widely adopted in the United States, the equity research landscape is going to change.

“The pressures on equity research are relentless, so investor relations professionals will have to take more ownership,” Bragg notes. “That pressure is not going to go away as it is a function of larger market forces irrespective of what the SEC does or doesn’t do — technology, the rise of passive management, declining commission rates, and increasing automation in the investment and trading process.”

For his part, Oppenheimer’s Moreau believes that investor relations professionals will continue to rely on firms which remain committed to the equity research business, as those firms will continue to have deeper buy-side relationships.

“Firms that provide research on the corporate story will do a more complete job of filling a roadshow day than those that do not,” he predicts. “Having research capabilities is, for us, an important component to helping educate the buy-side and building overall awareness of the story. We find this depth of knowledge helps facilitate greater meeting conversion.”

While the jury is still out on how widespread unbundling will be in jurisdictions where it is not required, research firms are likely going to face shrinking client budgets, while consolidation is increasing on the sell-side and among active investment managers. These trends will pose significant challenges for investor relations professionals as they vie for attention — and investment dollars — in an evolving marketplace. [IR](#)

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STRIKING A **CONSTRUCTIVE CHORD** IN SHAREHOLDER ACTIVISM

Mason Morfit plays lead guitar in
a cover band called Birdseed.

Mason Morfit of ValueAct Capital has built a successful career in activism by working behind the scenes, doing his homework, and building trust and respect with boards and management of public companies.

BY AL RICKARD

In the high-stakes world of corporate shareholder activism, it's often the flashy conflicts between activists and company management that attract the most attention.

But Mason Morfit, partner, president, and chief investment officer of ValueAct Capital, believes these dramatic fights represent only a small minority of shareholder activism.

"We've found that the most effective thing we can do is work behind the scenes and build on our network, and, in a collegial spirit, influence companies," he told an audience at Stanford University a few years ago. "So the lion's share of our success is due to stuff that you have no idea ever happened."

Much of his success, and that of his company, has reflected that approach.

Morfit joined ValueAct Capital at its inception in 2001 and has served on several public company boards, most notably at Microsoft Corporation, a post he gained after producing a 2013 report on how to reconfigure the company. After ValueAct CEO

Jeff Ubben delivered the report at an investment conference, some of the largest Microsoft shareholders took notice and supported the approach. Within a few months, Satya Nadella replaced Steve Ballmer as Microsoft CEO.

Morfit has served as a member of the management committee at ValueAct Capital since 2007, and Ubben promoted him to his current position in 2017. In addition to Microsoft, he is a former director of Advanced Medical Optics, Inc.; C.R. Bard, Inc.; Immucor, Inc.; MSD Performance, Inc.; Solexa, Inc.; and Valeant Pharmaceuticals International.

Before joining ValueAct Capital, Morfit worked in equity research for Credit Suisse First Boston's health care group, where he focused on the managed care industry. He has lectured on issues of corporate governance and executive compensation at the Stanford Law School Director's College, the Graduate School of Business at Stanford University, and the Haas School of Business at the University of California, Berkeley. Morfit also serves on the board of directors of the Tipping Point Community, an organization that fights poverty in the San Francisco Bay Area. He has a B.A. from Princeton University and is a CFA charter holder.

IR Update interviewed Morfit to learn some of his views and insights on shareholder activism.

IR UPDATE: Explain how you operate as an activist, and what companies should expect from you and your company.

MORFIT: Activism is a lot more than what you read in the media. It's not just the firms that are specialists in activism investment that are doing the activism. Big mutual funds are doing activist work, pension plans are doing activist work, hedge funds that are multi-strategy are doing activist work. It's the phenomenon of engagement between shareholders and directors (or shareholders and CEOs) that has come a long way in the last 20 years, from one in which there wasn't a lot of bilateral dialogue to one in which there's a tremendous amount. What you see bubbling up in the media are usually activism situations that have gotten dysfunctional, testy, or worse, right? I think about it like an iceberg – you see part of it

"Approach investor relations with intellectual curiosity and critical thinking that makes it a job of discovery, learning, and engagement for all parties."

above the surface, but what's below the surface is orders of magnitude more significant. What does that mean for investor relations officers? I think it's not just about looking for sharks in the water. You have to look at all the fish, because any of them could bite you ... or feed you. I think shareholder engagement is not a negative thing at all; I think it is actually one of many ways that a company can get stronger and better.

Ideas, critiques, criticisms, or even shareholder proposals can come from any of your shareholders, and you need to be in contact with all of them. It's not all about the big names that you see in the media.

People like to work with people they like, and they like to work with people they trust, and they like to do things that make them look good, not bad, and look autonomous and not like they are being controlled. I think if you have an attitude of open-mindedness and you can work with people collectively to get to the right answer, and share all the credit and blame, that's just a better way to go through life, both in terms of how you can make a company better, but also what that means for future companies you can invest in.

IR UPDATE: Does activism need a new name? Is there a new word out there that better describes what you do?

MORFIT: In a weird way, you might just call it investor relations, because a relationship is a two-way dialogue. A relationship is not just a message that's pumped one way, a relationship is something that's built on trust, a relationship is something that matures over time and has ups and downs. So, that's not a great name for a fund, but this phenomenon we're talking about is investor relations in its purest form.

IR UPDATE: What can investor relations officers do to work more effectively with you and other activists?

MORFIT: Approach the job with intellectual curiosity and critical thinking that makes it a job of discovery, learning, and engagement for all parties. It's not a job of taking a message and stamping that message out (bang, bang, bang,

repeat); it's not a job where you just get angry or frustrated that your message isn't landing; and it's not a job where you come up with rationalizations and excuses for why it's not landing.

It is a job where you're providing feedback and facilitated dialogue between lots of people who ought to be communicating, but often aren't – mainly different factions within companies and executives who need to communicate better with the outside world. So, don't just use the management story as a final product; think of it as a working draft, and that working draft can be continually improved.

IR UPDATE: Do you go to activist conferences?

MORFIT: Very rarely. The people we really care about are the long-term shareholders, including passive investment managers, mutual funds, pension plans, and asset owners. They generally don't attend those conferences. That being said, we have taken the opportunity to present a few ideas at activist conferences, mainly to gain a platform to present our investment thesis.

IR UPDATE: Jeffrey Ubben, the ValueAct Capital CEO, named you the chief investment officer in 2017. What has he meant to you in your career? What's the best thing he taught you?

MORFIT: If I was going to write my life story and mention the most significant figures, Jeff would be right up there at the top.

He hired me when I was 25 years old, and together we built a business with a plan that at the time it was conceived was crazy. It was crazy to think that in the year 2000, when CEOs were viewed as larger-than-life characters who could do no wrong, that shareholders could invest in companies and have a voice, and a peer-to-peer relationship with those figures. So we have a lot of pride in the organization we built.


He taught me a lot of lessons about how to invest, and the almost religious principles he laid out about only investing in the world's best businesses, speak to people directly, get on airplanes and build relationships, have an absolute valuation philosophy, not a relative valuation philosophy.

He also taught me to assume the best intentions in others. Those lessons, I'll never forget. He also leads by example and is not afraid to get his hands dirty, study spreadsheet models, and visit trade shows to walk the floor and talk to people – really trying to understand the basics of the company and the industry. He has a very non-Wall-Street-oriented world view. He doesn't sit in his office and receive visitors – he goes out in the world and makes friends. That's a much better way to do business.

IR UPDATE: What do you see in succession planning at public companies? Are these plans in place? Are companies executing them in the right way?

MORFIT: Succession planning, like everything else a board does, cannot be considered in isolation from strategy. You need to know what you're trying to do before you decide who's going to do it. Often board functions such as compensation and budgeting are done in silos that don't connect to the rest of the company and the core strategy of the business. So a lot of succession plans are, in my opinion, vague and lack focus. We're looking for leaders, smart people, and people with energy. Rather than looking for someone who can open a European office and do X, Y, or Z, we're looking for somebody who can turn around a bloated manufacturing cost structure.

IR UPDATE: You play lead guitar in a cover band called Birdseed. Tell us about that.

MORFIT: The band was my lifelong dream, and I never got around to it in high school and college, and so when I was 37 I decided to go for it. I found a group of friends who had similar dreams, and we had a lot of fun with it, and we grew a lot as real people. That shines through in business – if you're a real person, real people like real people. You've got to have something you care about, and you're passionate about and so this is, for me, what I love. 

Al Rickard is president of Association Vision, the company that produces *IR Update* for NIRI; arickard@assocvision.com.

"A lot of succession plans are, in my opinion, vague and lack focus. We're looking for leaders, smart people, and people with energy."

MINDING YOUR P'S AND X'S

An obscure SEC form is being used to communicate directly with shareholders through the SEC's EDGAR system.

BY ANITA SAMA

Here in 2019, it would be hard to be truly surprised by an online posting. Social media has spawned a free market for unfettered conversation. Yet somehow, a few forums have remained almost entirely off-limits to unfiltered contributions. The SEC's EDGAR filing system was one such – or so many IR professionals thought.

Then the Form PX14A6G (Notice of Exempt Solicitation) was discovered – or rediscovered.

Until recently, these forms were used sporadically by institutional investors to provide notice via EDGAR that they had filed a shareholder proposal and were asking other investors to support their resolutions. Under SEC rules, a filing shareholder, who owns \$5 million or more in shares, must mail a solicitation for a proxy proposal to fellow shareholders, and also file a Form PX14A6G. In other words, the SEC determined that any investor mailing out to other investors should also give them a heads-up via the SEC's EDGAR system, designed to collect, index and forward filings by companies and others.

Ken Bertsch, now executive director of the Council of Institutional Investors, is the former director of the governance engagement program at TIAA-CREF. He said, "We had to file these [PX filings]. Our counsel told us we had to . . . when we filed shareholder proposals."

However, the SEC also carved out an exception for shareholders with less than the requisite \$5 million stake, exempting them from the ownership threshold and mailing requirement as long as the filing was made on a strictly voluntary basis.

Bertsch said his experience with the PX14A6G forms led him to think of them as a simple accompanying procedure, capturing little attention, though "I have to say that when I was doing these, I often wondered why more people didn't do this."

"The proxy rules were reformed so that investors could talk to each other without the burden of having to file anything," according to Edward Rock, Martin Lipton Professor of Law and director of the Institute for Corporate Governance and Finance at New York University. Rock explains that the SEC's sub-\$5 million limit was meant to provide a safe harbor for small investors but created a gray area – perhaps unwittingly.

While the SEC may have created the form to ensure that institutional investors and other large holders provide notice to other investors, Rock said, others have figured out how to use this form to insert themselves into a shareholder conversation.

"In an age in which it doesn't cost anything to communicate, how has no one seen the opportunity to create the Hyde Park Corner of the shareholder universe?" Rock asked rhetorically.

“Maybe this is that. A shareholder can file one of these and everyone really does see it, apparently.”

By the Book

On the heels of the Parkland, FL, school shooting, U.S. gun manufacturers received shareholder proposals demanding corporate accountability on how their products are used in violent crimes. They were sponsored by an interfaith group led by Catholic nuns, who met the SEC's minimum one-year/\$2,000 threshold allowing them to submit a shareholder proposal. The nuns drew the attention of larger investors and gained some support.

However, the gun manufacturers also received PX filings from at least one organization that did not identify itself as a shareholder in its filings. On its website, Majority Action calls itself “a community of everyday people who believe that shareholders play a critical role in holding corporations accountable to high standards of corporate governance and social responsibility.”

Coming out of the Shadows

Now the EDGAR stage of shareholder communication is changing. Instead of activist shareholder proposals accompanied by the PX Form, the form itself is playing alone.

To add some historical context, the rules governing proxy voting hark back to the major securities laws passed in the wake of the Great Depression, when there was concern that there was insufficient regulation of offers to sell securities, and the ongoing requirements of those companies to report publicly. But under those rules, there was a growing view in subsequent decades that restrictions, including SEC registration, obtaining legal counsel, cost of mailing, etc., could stymie communication.

So back in the 1980s and '90s, the SEC provided some flexibility for companies and shareholders to communicate better. In 1992, the SEC adopted new proxy rules, including an exception to the \$5 million threshold for disclosing shareholder communications.

If you own \$5 million in shares, you must file the form PX for specific communications, but if you don't, you apparently can file voluntarily.

The rule was not precisely defined. While nothing seemed to bar a filer who doesn't own \$5 million of company stock from using a Form PX, it had been far from certain whether the SEC actually sanctioned these filings, though sanction seems to have been assumed by those who have filed.

That is until July 31, 2018, when the SEC finally offered some guidance, quite possibly in response to the lack of clarity and questions from companies on the subject.

Shedding Some Light

In new Compliance and Disclosure Interpretations (C&DIs), the SEC staff noted: “Although the requirements of Rule 14a-6(g)(1), including the submission of a Notice of Exempt Solicitation, only apply to a soliciting party who beneficially owns more than \$5 million of the class of subject securities, the staff will not object to a voluntary submission of such a notice, provided that the written soliciting material is submitted under the cover of Notice of Exempt Solicitation as described in C&DI 126.07 and such cover notice clearly states that the notice is being provided on a voluntary basis. Doing so will make it clear to investors the nature of the submission and that it is being made on behalf of a soliciting party who does not beneficially own more than \$5 million of the class of subject securities.”

Since January of this year, a few serial, voluntary filers have emerged, one especially from a source familiar to many IR professionals.

The PX14A6G Poster Boy

Prolific proxy proposal activist John Chevedden is just one who has recently recognized the shades of gray in this once obscure form, and he has begun to wield it repeatedly. Data from FactSet Research shows that, prior to 2018, Chevedden had not filed any Form PX14A6G, but since March, he has filed 23. (By comparison, CalPERS, the huge California public employees' retirement system, has filed just 17 and that group also appears to have concurrently mailed solicitations as the form was traditionally used.)

When Chevedden was contacted for this story, he referred questions to Sanford Lewis, an Amherst, Mass.-based attorney whose practice exclusively involves shareholder rights.

Chevedden isn't a client of Lewis, but he is a member of the Shareholders Rights Group, which Lewis organized in 2016. Lewis said he has been involved in filings under the rule, not helping Chevedden, but assisting others file the Form PX.

Lewis said he believes Chevedden started to make use of the form as a means of pushing back against “so-called, status quo proposals where basically, he proposes a change, and then the company proposes leaving things as they are . . . so the proposal to change is mooted out by the proposal to keep things as they are. This is his way of responding to that situation.”

Lewis said the SEC has contacted Chevedden this proposal

The SEC has signaled that a review of the proxy process, which may involve a revision of the role of the PX form, may well be in the works.

season and “has informed John to be aware that one has to be concerned about violating the securities laws when you file one. In particular, you don’t want to put misleading statements in it or there could be legal liability.”

Lewis said the SEC has “been under pressure from investor relations departments to rein in how John files them and, on an informal basis, they’ve told him he needs to do them in a more rigorous format in terms of how he lists things and making sure that everything’s clear.”

“I don’t think they asked him to do anything unreasonable. I think he will be able to comply,” Lewis said.

“It will have a beneficial effect for these notices because his will be more clearly labelled and that’s good.”

Lewis said he doesn’t “think there’s a genuine major problem with these filings, but of course the fact that it’s easy enough for John to do that – just like it’s possible for him to file shareholder proposals at numerous companies – is why the companies are saying, ‘Oh, now he can put something into the file at the SEC that appears in our company file.’ I’m sure that they would rather he would not be empowered in that way.”

Observers admit that Chevedden has figured out that he can use the Form PX to get on a company’s EDGAR page, where most people who track a company’s stock will see it, publicizing his viewpoint, without the cost of newspaper ads or acquiring a shareholder list.

But the word “nuisance” comes up again and again in corporate circles, as some companies and their lawyers characterize these filings as deflecting time, energy, and focus away from more important concerns, sometimes incurring unnecessary legal expense.

The PX Effect?

The question becomes, “Are these filings having impact?”

Shareholder lawyer Lewis said he’s not aware of any studies of PX filing impact, but one possible effect could be “quite unusually low shareholder support” for company efforts to ratify status quo

proposals. Filing an exempt solicitation may alert tracking analysts and others to company actions that might go unnoticed. He said, “I wouldn’t be surprised if this becomes a continuing concern for some companies.”

“It’s hard to know,” admits Ronald Mueller, partner at Gibson Dunn, a law firm that represents companies in corporate governance matters. “Are they perhaps swaying the retail shareholder? It’s hard to know if the retail investor is actually looking at these things.” Though a familiar tool for anyone who follows a company ticker, EDGAR still has a limited audience.

While the true impact of these less-formal, shareholder-to-shareholder memos is still uncertain since most proxies are cast by major players, like index funds, what seems to be assured is that this avenue is likely to see more traffic in 2019.

Gibson Dunn’s Mueller points out that the mechanics of filing a Form PX14A6G are relatively straightforward for anyone who has something to say: “The long and short of it is that there is not much the person has to do. The person is supposed to be a shareholder, but it’s not like it’s really being policed.” And there are other issues raising concerns.

In a March 2018 blog post, Mueller wrote that the filings may “misleadingly suggest that the filing person is a significant shareholder” and the notices can be confusing to shareholders and other stakeholders since they are not required to state their interest in the matter.

“Finally, it is unclear what practical and timely recourse a company would have for materially false and misleading statements that are included in Notices,” he wrote.

He said, “EDGAR is such an effective means of communication. That’s what this shows.”

The SEC has signaled that a review of the proxy process, which may involve a revision of the role of the PX form, may well be in the works. The Commission hosted a roundtable in November 2018, “to hear investor, issuer, and other market participant views about the proxy process and rules,” but rule changes are a laborious process and are unlikely to occur very soon. [IR](http://niri.org/irupdate)



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Transforming the Team from the Top – The Role of the Female Chief Executive Officer

At a recent NIRI Los Angeles event, two leaders shared what it's like to be among the few female CEOs of publicly traded companies and offered advice on how to successfully drive an IR effort.

BY KIMBERLY ESTERKIN

In November 2018, women of the Los Angeles NIRI chapter along with a few brave NIRI men joined fellow female members of the Los Angeles Ellevest Chapter, a network for professional women, to listen to and be inspired by a panel on the role of the female chief executive officer.

Heidi Nazarudin, CEO of Marque Media and Therese Tucker, CEO of BlackLine, relayed to attendees the hardships and triumphs of bringing a private company public, while also being one of the very few female chief executive officers of a publicly listed company in the United States. The discussion was moderated by Christine Shin, partner at Russ August & Kabat Law.

This event was inspired by recent California legislation, SB-826, a transformative bill signed into law by Governor Jerry Brown that requires at least one woman to be on California-headquartered public company boards by the end of 2019. By 2021, boards with five members must have at least two women with director seats, and boards with six members must have at least three women with director seats.

Despite the progress made toward accelerating the role of women in the workplace, in 2017 not a single company that went public in the United States had a female on their board, an astonishing

fact noted by Betsy Berkhemer-Credaire, CEO of 2020 Woman on Boards and one of the authors of SB-826, who impressed the audience when she stood to thank the panelists for addressing the new legislation.

Today, 4.8 percent of Fortune 500 companies have female chief executive officers, an improvement from 1995 when there were no female CEOs at Fortune 500 companies, and 1972, when Katharine Graham became the first female CEO of a Fortune 500 company when she was appointed CEO of The Washington Post Co. Progress has been made, but admittedly not enough. California is leading the way in making changes to the C-suite and Board of Directors, but there's still a long way to go.

So, what is it like to be one of the few female chief executive officers of a publicly traded company, and how do you command the attention of your shareholder base?

It's About the Hair

"It started out as a dare," said Tucker as she relayed to the audience the reasoning behind her pink hair.

"I had a marketing department that wanted me to do a really boring video," she continued. "It has this older woman with a bun and a scarf; so, I kept pushing back. Our company produces accounting software. We are going to put people to sleep forever!"



Kimberly Esterkin introducing the panelists.

"You can't be successful if you are sitting on your butt. You have to move. You have to take action."

Therese Tucker, CEO, BlackLine

"And then I thought, either I'm going to back down [from this video] or dye my hair pink. So, I checked with my Board of Directors, and I went to Vidal Sassoon in Beverly Hills."

Tucker's pink hair remains her signature trademark, a social experiment that has become a part of who she is and a defining characteristic as one of the few female CEOs of a publicly listed company. In fact, when BlackLine went public, the company's directors and management team showed up at the NASDAQ ready to ring the bell – or push the button – adorned in pink wigs.

When asked what message this sent to investors, Tucker responded with a wry smile, "You know, accountants are people too," and then went on to explain the importance of individuality.

In a sea of publicly traded software companies, Tucker learned that crafting the best differentiated message is essential to generating shareholder interest. She explained that if you cannot tell your shareholder base what you do as a company very clearly, very simply, and very quickly, you'll lose their attention and they'll move on. Going public, Tucker concluded, was an essential part of refining her company's message.

Keeping Shareholder Attention

For Tucker, pink hair was part of her brand, her image, and for Nazarudin, who deems herself the self-proclaimed "ambitionista," being a woman is part and parcel to her success. At 25, Nazarudin was one of the youngest vice presidents at Citibank. One of her clients encouraged her to assume the role of their CEO, and the rest, as they say, is history.

Now in the public spotlight, Nazarudin quickly came to grasp the importance of media training along with a strong investor relations campaign.

"I could talk about investor relations for another hour," Nazarudin remarked. A key to a productive IR campaign, she explained, is that you have to be very clear with your internal and external stakeholders regarding your underlying messages, and then consistently stick with your core talking points. At the same time, you don't have to answer every question. It's okay, she reminded the audience, to tell your shareholders that you'll get back to them. Investor relations for Nazarudin provided her the "points to pivot on" when the conversation headed down a winding path.

Succeeding in the Public Space

Describing her role as both a CEO and mother, Tucker



Left to right: Christine Shin, moderator and partner at Russ August & Kabat Law; Therese Tucker, CEO of Black-Line; Heidi Nazarudin, CEO of Marque Media

confided to the audience, “When you are trying to do it all, you can’t do it all perfectly. When my kids were young, there would be multiple times I’d forget them at school. And the school would close and say ‘the school is now closed and it’s a \$1 a minute that you’re late.’ But I had my heart in both jobs, and my children know I would drop everything for them. It’s your heart, it’s your priorities, and it’s giving yourself some grace for not being perfect. Because you can be successful without being perfect.”

Nazarudin concurred, explaining that all professional women need to develop a support system of different levels, so that you can grow and sustain yourself. “Don’t apologize,” Nazarudin emphasized, “you will never make everyone happy all of the time.”

Nazarudin then recalled the early days in her career, the long nights, the extreme dedication to her job. “I was sleeping at the office,” she said. “I had a sleeping bag. It was a Prada sleeping bag, but I was still sleeping at the office.”

Tucker added to Nazarudin’s remarks and described the hectic schedule she endured dur-

ing the IPO roadshow process for her company.

“Hearing you talk about it is making me tired again,” Nazarudin replied, remembering her similar experience and the day her former company went public. “I did not ring the bell. I was too tired to ring the bell.”

Looking Ahead

The path to success – whether female or male in investor relations – is never A to Z. It’s a winding road that involves many twists and turns. Nonetheless, one key piece of advice was offered by Tucker in closing the event.

“You can’t be successful,” she urged, “if you are sitting on your butt. You have to move. You have to take action. You have to keep persisting. If something is not working, you have to change it and move forward.” [IR](#)

Kimberly Esterkin is a senior vice president at Financial Profiles, member of the NIRI Los Angeles Board of Directors, and mom of two amazing young boys; kesterkin@finprofiles.com.



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A Trusted Advisor, Teacher, and Mentor

June Filingeri, one of the new NIRI Fellows, has enjoyed a wide-ranging career in IR consulting and teaching, contributing significantly to the IR profession.

BY AL RICKARD

June Filingeri, president of Comm-Partners LLC in New Canaan, CT, was one of three people honored as new NIRI Fellows at the 2018 NIRI Annual Conference.

She founded her investor relations consultancy in 1999 and has more than 30 years of investor relations experience representing a broad range of public companies. Before establishing her own practice, Filingeri was a partner of Morgen-Walke Associates, Inc., one of the largest IR agencies at the time. She began her career in IR with Georgeson.

Filingeri served as an assistant professor on the adjunct faculty of the New York University School of Continuing and Professional Studies from 1993 to 2014, where she taught the core investor relations course. She also has been a member of the adjunct graduate faculty of Manhattanville College and coordinator and lecturer in the UConn IR Certificate Program.

She is a charter member of the NIRI Senior Roundtable and past president of the NIRI New York chapter and has served for many years as education chair of the NIRI Connecticut/Westchester chapter. She holds a B.A. in Political Science from Boston University and a Master's degree from the School of Journalism (now the Annenberg School for Communication & Journalism) at the University of Southern California.

What inspired you to enter the field of investor relations?

I was intrigued by investor relations when I first discovered it in graduate school because of its scope across several disciplines that were of interest to me. With my background in journalism and communications and undergraduate degree in political science, it seemed like a career that would tap my education and experience and I hoped I would be able to contribute to the field because of it. I also looked forward to developing an in-depth knowledge of finance, financial markets, and disclosure regulation. After more than 30 years, it has not disappointed.

As an IR consultant working independently (and working within an IR advisory firm before that), your experience and role is much different than in-house IR professionals. What professional benefits have you gained by taking this path and what would say to others considering becoming IR consultants?

An important and compelling advantage of investor relations consulting is the opportunity to develop a deep expertise in the practice of investor relations. Counseling a variety of clients facing a variety of IR challenges builds up experience and expertise more rapidly than is sometimes possible as a corporate practitioner. However, because I continue to design and implement IR programs on behalf of my clients, my experience is not that different from in-house IR professionals.

For someone entering the field, a position at an IR consultancy can help jump start their experi-

ence in IR and their career. Additionally, to be an effective consultant in the field, one must become a trusted adviser to clients. Being successful at that is highly rewarding from a career standpoint.

How did you get started in teaching investor relations?

Teaching has always been a deep interest of mine (I attained a teaching credential as part of my undergraduate studies at BU), so when a former colleague and principal from Georgeson asked me to take over his IR course at NYU I accepted right away. Interestingly, he had been co-teaching the course with his wife, who was also a professional in the field. As I too was married to an IR professional and colleague, I told him that I planned to carry on the wife/husband tradition. It seemed to work well as my husband Ed Nebb and I enjoyed teaching the course together for more than 20 years.

After many years of teaching investor relations, what are some of the key changes in content and emphasis during that time? How are students today different than they were 20 years ago?

Overall, I would characterize the changes in our NYU course content over the years as evolutionary. Our course was designed as an introductory course on the fundamentals, scope, and best practices of investor relations. While we fine-tuned content based on evolving disclosure regulations, changing accounting requirements, and emerging technology opportunities (and challenges), the basic content of our classes and our emphasis remained consistent.

As for our students, our course always attracted a diverse group ranging from individuals just beginning their careers in IR, sell-side analysts considering a career shift, corporate communications practitioners and others interested in learning about IR to broaden their career horizons, international students desiring a low-key introduction to the U.S. financial markets, and reporters wanting to develop insight into the corporate perspective.

You have served in NIRI chapter leadership roles for many years. How did these volunteer leadership experiences help your career and what does it mean to you to be part of the IR professional community?

I was pleased to be a board member of the New York Chapter for several years, including serving as president for the 1992-1993 term. I then became active on the Connecticut/Westchester NIRI Board when I moved to Connecticut and established my IR consulting practice there. Of course, being active in NIRI leadership is a great way to increase one's visibility in the profession and to meet other practitioners who are committed to IR. Ultimately, though, I wanted to give back to the profession and

to the professional organization that have meant so much to me. As I have been quoted as saying, NIRI helped me "see around corners" throughout my career.

Who have been your mentors and what did you learn from them? Have you mentored people in your career and what do you try to impart to them?


At the risk of having this sound like a graduation speech, there are so many individuals that I have learned from during my career in IR—the faculty in my graduate program at USC, my partners and colleagues at Morgen-Walke, my clients who have taught me about their businesses and their (sometimes arcane) accounting, and the analysts and portfolio managers who engaged with me on my clients' behalf. I also want to acknowledge two of the principals at Georgeson, where I started my IR career – Bob Ferris and John Wilcox – who were generous in helping me develop my expertise in investor relations and my ability to effectively counsel the clients of our firm, in addition to my colleagues there who made entering a new field so interesting and fun.

I would say that a most rewarding part of my career has been mentoring members of my team at the agencies where I have worked, to help them develop their own expertise in IR and their ability to effectively service and counsel clients.

How do you define success in your career?

First, success to me is being engaged in a field that I am passionate about, which I have been since I started working in IR. Second, as a consultant, success is being valued and trusted by my clients, being relied on to develop effective IR strategies and enable them to negotiate difficult IR challenges, while maintaining long-term relationships with them – and friendships – along the way. I also define success as discovering that many of my former team members and students have gone on to establish their own rewarding careers in investor relations. Last but so importantly, success is being named a NIRI Fellow, an honor I am deeply gratified to have received.

Tell us something most NIRI members don't know about you.

While I generally think of myself as an open book, I enjoy gourmet cooking, classic mystery novels, photography/photojournalism (early in my career I photographed open heart surgery being performed by a famed West Coast surgeon), and my idea of great binge watching is a program like "Yukon Vet" on the Nat Geo Wild channel. 

Al Rickard is president of Association Vision, the company that produces *IR Update* magazine for NIRI.

Advocacy Spotlight

SEC Chair Pledges to Act on Proxy Reforms in 2019

BY TED ALLEN

In December 2018, Securities and Exchange Commission Chair Jay Clayton said his agency would act in 2019 to address proxy advisory firms and the proxy voting system. “For proxy advisory firms, I believe there is growing agreement that some changes are warranted,” Clayton said. “For example, there should be greater clarity regarding the division of labor, responsibility and authority between proxy advisors and the investment advisers they serve. We also need clarity regarding the analytical and decision-making processes advisors employ, including the extent to which those analytics are company- or industry-specific.”

Clayton also said the SEC should ensure that “investors have effective access to issuer responses to information in certain reports from proxy advisory firms,” which suggests he would be open to requiring proxy firms to provide report drafts to companies.

In November, the SEC held a roundtable on proxy advisors, proxy voting, and shareholder proposals. NIRI submitted a comment letter with suggestions on how to improve the quality of proxy advisor reports and ensure that all issuers, regardless of their market cap, are treated fairly. NIRI is urging the SEC to require proxy advisors to allow companies to review draft reports for factual accuracy before investors start voting. In an August 2018 NIRI member survey, 95 percent of respondents agreed that all issuers should be able to review draft proxy reports before publication.

While the proxy advisors object to a draft review mandate, some investors, including BlackRock, have expressed support for this safeguard. Nasdaq, the Business Roundtable, the National Association of Manufacturers, the U.S. Chamber of Commerce, the American Council for Capital Formation, the Society for Corporate Governance, and the Biotechnology Innovation Organization all have submitted comment letters calling for the SEC to adopt proxy advisor reforms.

SEC Seeks Comment on Quarterly Reporting, Guidance Practices

In December 2018, the SEC issued a request for public comment on quarterly reporting requirements, earnings releases, and guidance practices. This request for comment stems in part from President Trump’s request in August that the SEC study

whether to allow companies to opt out of quarterly reporting and report financial results every six months.

Investor advocates generally have opposed this idea. NIRI members have voiced differing views; some have argued that semiannual reporting would allow companies to devote more time to shareholder outreach and long-term strategy, while others have warned less frequent disclosure would reduce transparency and increase the risk of inadvertent disclosures and insider trading. In a May 2016 NIRI survey, 62 percent of U.S.-based IR practitioner respondents stated that the SEC should not change its rules regarding the frequency of financial reporting. Another 28 percent said the SEC should make quarterly reporting voluntary for all public companies and require reporting just twice per year. The remaining 10 percent stated the SEC should make quarterly reporting voluntary only for emerging growth companies and smaller reporting companies.

At the same time, NIRI has publicly encouraged companies to move away from issuing quarterly earnings per share guidance and instead offer longer-term guidance and more information on long-term strategy.

The SEC has asked for comments to be submitted by **March 21, 2019**. NIRI plans to file a comment letter and encourages members to share their thoughts.

NIRI Releases ESG Policy Statement

In January 2019, NIRI published its first-ever policy statement on non-financial disclosure regarding ESG (environmental, social, and governance) issues, otherwise known as corporate sustainability. “NIRI recognizes that ESG information is becoming increasingly integrated into the investment process by institutional and retail investors and encourages IR professionals to become more knowledgeable about the information and data that investors are seeking,” NIRI explains in this statement.

To review NIRI’s ESG Policy Statement, please visit the NIRI Standards of Practice page at www.niri.org/resources/publications/standards-of-practice-for-investor-relations. [IR](#)

Ted Allen is the NIRI vice president for communications and member engagement; tallen@niri.org.



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