

Guideline for Cost Analysis Review



When deciding whether the proposal is best for your company's needs, the Issuer must first determine the primary objective in engaging the proposal. Is it to "go green," save time or save money? The Diversified Global Graphics Group (DG3) would like to share some helpful information with you in order for you to make an educated decision on this very important process.

The Notice & Access proposal has created lots of dialogue regarding its cost effectiveness and timing implications. Some Issuers will benefit tremendously from its implementation. Some Issuers will see flat results and some will not save anything at all. The proposal's intent is to minimize expense and create efficiencies in the process, yet Issuers are being asked to eliminate approximately 8 – 10 calendar days from their timelines in order to accommodate the delivery deadlines. This can be a challenge to some Issuers.

Under the Notice & Access model, the scheduling is vastly different.

Timing Implications

The traditional model allows flexibility in the key dates, which are Record, Mail and Meeting. Typically, a publicly traded company will mail anywhere from 30–35 days from the Annual Meeting. This is done in order to ensure that shareholders have ample time to review their materials before the meeting as well as to take advantage of favorable Standard A, or Bulk Mail, rates. If timing is an issue anywhere along the process, the mail date can be moved. Approval to print usually comes 5–6 days prior to that. This window of time is reserved for production completion and delivery to the various distribution centers. The 10-K is filed within the regulated timeframe, while the Definitive 14A is usually filed on commencement date. So the total window of time we are looking at is anywhere from 36–41 days (signoff of blue-line to mailing).

Under the Notice & Access model, the scheduling is vastly different. The proposal calls for the mailing to be **completed** 40 days prior to the meeting date. This means that the Notices will have to begin processing and be mailed 41–43 days prior to Meeting date. Potential fulfillment request materials will be required to be on hand by the 40th day for inventory purposes, as well as for immediate shareholder request. This will require the same 5- to 6-day lead time for production and delivery. It will also require that the filing of the Definitive 14A be accelerated to coincide with the Notice generation. This moves the window of time to 46–49 days removed from the Annual Meeting for production and filing. Engaging in the N&A model has the potential to reduce an Issuer's lead time by 8–10 days.

What Costs

Should be

Included?

Costs Associated with the Process

Some of the fixed costs involved in the process include the following:

- *Design*
- *Typesetting*
- *EDGAR/SEC-related services*
- *Standard processing fees to the street and registered shareholders*
- *Suppression fees*
- *Monthly Transfer Agent costs*

Design and typesetting fees are applicable for both the traditional and N&A models simply because they will apply if the Issuer prints a minimal amount of copy or the complete sets of material. The decision to engage in these services is purely optional.

EDGAR- and SEC-related services are required by law and will be part of either process.

Standard processing and suppression fees will apply for both models by your Distribution Agent, although in some instances, a small concession is being offered on the suppression fee. This concession is typically no more than \$.05–\$.10 per component.

Transfer Agent fees will be applicable under both models.

Know Your Investors

Costs Associated with the Process

For the traditional model:

- *The printing of the Proxy Statement*
- *The printing of the 10-K/Annual Report*
- *Postage to mail to shareowners (Standard A, or Bulk Rate)*
- *Proxy cards and envelopes*
- *Freight costs incurred for deliverables to the Distribution Agents not the drop shipments, as those are purely optional*

For the Notice & Access model:

- *The total number of positions, **pre-suppression**; each position will be assessed a Notice fee predicated upon the sliding scale that has been published on the street side*
- *Postage for the mailing of Notices to shareowners; only those shareowners who currently receive material will be mailed the Notice*
- *Envelope, or form, fees for this particular mailing*
- *Website pricing*
- *Storage fees*
- *Potential fulfillment requests*
- *Printing of a minimal amount of Annual Meeting material; ensure this figure is provided by your commercial and/or financial printer*
- *Proxy cards and envelopes for fulfillment purposes*

Always make sure that the postage option that is being illustrated represents the most economical and efficient method of mailing. If First Class or UPS Innovations costs are being applied, the analysis is misleading, as the overwhelming majority of Issuers take advantage of Bulk Rate, or Standard A, mail rates, which are much less expensive.

Be cognizant of your shareholder demographics. Know your investors. When getting print quantity recommendations from the Distribution Agents, please be aware that if you run short of material, there will be tremendous costs to go back to press for more material. Check to see if others in your Business Sector have already engaged in this process. Check companies within your geographic region as well and get their feedback for shareowner requests. Make sure these companies are taking pre- and post-meeting requests into consideration.

DG3 is well positioned to assist you in determining best practices in production that will yield savings in either model. We stand prepared to provide you with detailed analysis of the true costs of either process. Contact us today at (201) 793-5058 or visit the Notice & Access portal at www.noticeandaccess.org



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