

MEMO# 1857

April 24, 1990

COMMENTS ON STOCKHOLDER QUORUM PROBLEMS

April 24, 1990 TO: CLOSED-END FUND COMMITTEE NO. 11-90 RE: COMMENTS ON STOCKHOLDER QUORUM PROBLEMS

In February, the Institute requested closed-end fund members to inform us of any problems they have had relating to stockholder quorums, especially with respect to obtaining proxies from foreign shareholders and institutional shareholders, and approaches that have been used to alleviate those problems. (See Memorandum to Closed-End Fund Members No. 9-90, dated February 15, 1990). Only several funds responded that they have had problems obtaining a quorum for annual meetings. One fund reported that they have not yet had any problems with their foreign shareholders but that if they did, they would use the same follow-up procedures that they use with their domestic shareholders. These procedures are attached as Exhibit A. Two funds responded that they use proxy solicitation firms that have produced favorable results. One of those firms sent me a summary of the procedures they utilize, which is attached as Exhibit B. Finally, we were informed by a member that The American Society of Corporate Secretaries publishes a Manual for Solicitation of Proxies, which was helpful in developing their procedures for proxy solicitation campaigns. Several funds raised two other related issues. The first issue concerns the New York Stock Exchange requirement that funds hold annual board meetings. This has become especially burdensome since many funds are incorporated in Maryland, which no longer requires annual meetings. The second issue relates to the characterization under NYSE Rule 452 of approval of a management agreement as a "non-routine matter," which must be voted on by the beneficial owners as opposed to the member firm. It was suggested that the Institute seek exemptive relief from the NYSE with respect to the first issue discussed above and request that the Exchange change its position on the second issue. We have placed these issues, along with the general issue of proxy solicitation, on the agenda for the May 2 committee meeting to further discuss what action, if any, the Institute should pursue on this matter.

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