Shareholder Score

This scoring system can be used to provide a rough measure of how well a firm actually follows courses of action to protect and promote shareholder interests. Higher scores are better; a perfect score is 100. Be sure to download this worksheet and save it your computer. Any information you enter will not be saved on AAII's servers.

1. Capital Structure	Points	
One share equals one vote	Add	10
Insiders hold class of shares with super-voting power	Deduct	2
Poison pill provisions	Deduct	2
Noncumulative voting for directors	Deduct	2
Subtotal		___

2. Compensation: Management Salary		
Reasonable and reflects company performance	Add	10
Minimal proxy statement disclosure	Deduct	2
Salaries higher than at peer companies	Deduct	2
Salary increases not in line with company performance	Deduct	2
Subtotal		___

3. Compensation: Bonuses & Cash Incentives		
Incentives based on return on assets or capital	Add	10
Short vesting periods (less than three years)	Deduct	2
Incentives based on non-return measures	Deduct	2
No disclosure of how bonuses are determined	Deduct	2
Retention (show-up) bonuses or golden parachutes	Deduct	4
Subtotal		___

4. Compensation: Stock Options/Restricted Stock		
No stock option or restricted stock incentive plan	Add	10
Potential share issuance is modest	Add	2
Option strike price at/above share price at time of grant	Add	2
Vesting period greater than three years	Add	2
Option exercise “funded” with shares repurchased on open market	Add	2
Options “repriced” lower to reflect a sagging share price	Deduct	4
Subtotal		___

5. Insider Ownership of Shares Outstanding		
Insider ownership exceeds 40%	Add	10
Insider ownership is 30%–39%	Add	8
Insider ownership is 20%–29%	Add	6
Insider ownership is 19%–20%	Add	4
Insider ownership is 5%–9%	Add	2
Subtotal		___

6. Board Composition & Board Committees		
Each independent director is truly independent	Add	2
Chairman of board is an outsider	Add	2
No insider board members on audit, compensation, governance or nominating committees	Add	2
Votes/seats held by insiders commensurate with shareholdings	Add	2
At least two-thirds of board are outsiders	Add	2
Subtotal		___

7. Conflicts of Interest & Related Party Transactions

No conflicts of interest or related party transactions	Add	10
Loans to management or directors on generous terms	Deduct	2
Company engages in “non-arms-length” transactions with firms owned by management/board members	Deduct	2
Management receives excess perks	Deduct	2
Subtotal		___

8. Takeover Defenses

No takeover defenses	Add	10
Staggered board of directors	Deduct	2
Prohibitions/restrictions on shareholder ability to call special meetings	Deduct	2
Ability to issue blank check preferred shares or other shareholder rights plans	Deduct	2
Super-majority voting requirements that raise threshold for certain actions	Deduct	2
Subtotal		___

9. Reincorporation or Rechartering

Company maintains place/incorporation/corporate charter	Add	10
Proposal to reincorporate in domicile where shareholder rights/protections more limited	Deduct	2
Proposal to alter corporate charter to less shareholder-friendly terms	Deduct	2
Subtotal		___

10. Governance Statement

Full disclosure of governance guidelines	Add	10
Subtotal		___

Total Score	0