Questions at stockholders meetings -- 1978

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Questions at Stockholders Meetings—1978
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Questions about the policies and activities of corporations are asked frequently at annual meetings of stockholders. Although most questions from stockholders are directed to management, certain questions concerning financial reporting, internal control and auditing procedures are sometimes directed to the company's independent public accountants.

This booklet has been prepared to assist our clients and personnel in preparing for annual meetings of stockholders. The first part of the booklet lists questions that we expect to be of particular interest in 1978, based on recent corporate disclosures, governmental actions and accounting developments. The second part includes typical questions asked in recent years that may be repeated. Questions that were frequently asked at 1977 annual meetings have been separately identified.
CORPORATE ACCOUNTABILITY

Are the company's internal controls adequate to prevent or detect illegal or questionable payments, fraud, inventory shortages and accounting errors? Have the independent auditors communicated any material weaknesses in internal control to management, the board of directors or its audit committee?

Is the company in compliance with the provisions of the Foreign Corrupt Practices Act of 1977, which require accounting controls that are sufficient to maintain accountability for assets and reliability of financial records? Have the company's attorneys or independent auditors been consulted regarding such compliance?

Has the company developed a code of conduct for its personnel or a policy statement regarding illegal acts? If so, what are its contents and what procedures are employed to ensure that such policies are followed? If not, does the company plan to do so?

Has either the audit committee or the independent auditors obtained written representations from company officers that corporate funds have not been used for illegal or questionable purposes?

Are the activities of the company with respect to questionable or illegal payments being investigated by any domestic or foreign governmental body? Are there any internal investigations of such matters in process?
To what extent does the company employ consultants for performing various services? What was the amount of fees paid to all consultants, and who were the highest paid consultants? Are charges for consulting fees, as well as commissions and legal fees, reviewed to prevent payment of amounts that could be used for improper payments?

Has the company made any political contributions, either legal or illegal? Has the corporate letterhead been used for political purposes, such as to promote the support of a candidate or a viewpoint on a political issue?

**DIRECTORS**

Why is the chairman of the board also the president of the company? Aren't the positions of chief executive officer and chief operating officer so demanding that they should be held by different individuals?

How are prospects for board candidacy identified, and what criteria are used in selecting nominees? Are candidates selected by a nominating committee? Who determines whether directors are renominated? Why did __________ resign or not stand for reelection?

Do any directors, particularly members of the audit committee, have any significant involvement with the management of the company? Do any members provide consulting services to the company? Do any members have any significant involvement with entities that provide goods or services to the company? Why doesn't the company have more independent directors?
Do the directors, especially independent directors, review information, such as proxy materials, that the company furnishes to its investors?

How many directors meetings were held during the year? What was the board’s attendance record? Why doesn’t the board meet more frequently? What is the average length of time for board meetings?

Do directors receive an agenda and necessary materials sufficiently in advance of board meetings? How much advance preparation is required by directors? How does the board ensure that all significant matters are brought to its attention?

What is the amount of fees paid to directors? Do directors who are also officers receive fees in addition to their salaries? Do directors also receive fees for service on committees?

What standing committees exist, and what are their responsibilities? How are directors selected for appointment to the committees?

THE AUDIT COMMITTEE

Is the chairman of the audit committee present at the stockholders meeting? If so, would he describe the operation of the committee?

Are all members of the audit committee outside directors? Is there a rotation policy for audit committee members?

What special credentials, such as an accounting background or knowledge of computers, do members of the audit committee possess that enable them to be effective members?
Does the audit committee review the engagement of independent auditors, including the scope of their work and the fees paid?

Do the independent auditors have free and direct access to the audit committee? How often did the auditors meet with the audit committee? What was discussed?

Did the audit committee meet with the independent auditors upon completion of their audit to discuss the financial statements, the opinion proposed to be issued, any significant adjustments proposed by the auditors and any other items of particular concern to the auditors?

Were there any significant disagreements with the independent auditors regarding financial accounting and reporting matters or auditing procedures?

Does the internal audit department report directly to the audit committee? If so, does the committee meet regularly with the internal auditors to review and discuss the scope and results of their work?

Who determines the salaries of the internal auditors?

Why doesn’t the audit committee issue a report to the stockholders similar to that issued by the independent auditors?
COMPENSATION

What rationale is used, and who is involved, in setting compensation for management and the directors? Is the compensation, including personal benefits, paid by the company comparable to that paid by other companies? Why aren’t there ceilings for executives’ compensation and pensions?

Why have the company’s earnings, stock price or dividends not kept pace with the increase in executive compensation?

What types of personal benefits or “perks” are provided to company executives (e.g., use of company airplane or apartment)? What is the approximate cash value of these perks? Have appropriate portions of such perks been reported as taxable income by the recipients?

How did the company ascertain that all perks were appropriately reported and valued in the proxy statement and filings with the SEC that require disclosure of remuneration? How were they valued?

What does the company do to prevent unauthorized perks? Has the company internally investigated perks that were received by employees in prior years? Has the company ever received reimbursement for unauthorized perks?

What was the aggregate amount of expense account reimbursement for all of the company’s officers? Were such reimbursements reviewed by the audit or compensation committees or the independent auditors?
Do any of the company’s officers have employment contracts? If so, what are their terms? Were there any significant management changes during the year? If so, what severance benefits did the company agree to pay?

**FINANCIAL ACCOUNTING AND REPORTING**

What are the basic differences between the product-line or line-of-business information reported in previous reports filed with the SEC and the segment information included in the current year’s financial statements? Why aren’t the company’s segment disclosures (industry and geographic) as extensive as those of other companies in its industry? What plans does the company have to improve the performance of its segments that have operated at a loss? Is there imminent danger of expropriation of any of the company’s foreign operations?

What will be the effect on the company’s 1977 financial statements when they are retroactively restated to adopt the provisions of the FASB statement on leasing? Will the restatement significantly affect the company’s credit rating or its ability to borrow? Would the company have been in violation of restrictive provisions of any loan agreements if the statement had been retroactively adopted in 1977?
What would be the effect on the company's 1977 financial statements of the application of the successful-efforts method of accounting for oil and gas production as set forth in the recent FASB statement? Will this method of accounting affect the company's ability to raise capital and thereby remain competitive in the industry? Will the statement change the company's classification and disclosure of "proved" reserves?

What does the company do to minimize its exposure to, or the effects of, foreign currency fluctuations? Are foreign currency risks centrally managed? What percentage of the company's earnings come from countries where there are significant restrictions on dividend remittances? Why does the company continue to operate in such countries?

Does the company follow the accounting practices that are most prevalent in its industry? In those instances where alternatives may be used, how does the company decide which to use?

What are the implications of the replacement cost data disclosed in the annual report (or Form 10-K)? How does replacement cost differ from market value? What effect would the use of replacement costs for inventories and productive capacity have on the 1977 financial statements? What is the company doing to ensure that it has adequate capital to replace its productive capacity?

Why doesn't the company furnish additional financial information, such as segment data, in its quarterly reports to stockholders?
How much more federal income tax would the company have been required to pay for last year if all currently generated (or cumulative) foreign earnings had been remitted during the year?

What effect will the recent Treasury Department ruling barring tax credits for certain payments to Saudi Arabia and Libya have on the company?

Will recent standards issued by the Cost Accounting Standards Board concerning accounting for government contracts have a significant effect on the company’s future financial statements?

What criteria does the company use in determining whether an item is material for purposes of its financial accounting and reporting?

To what extent are the company’s operations being financed by amounts that are overdue to creditors? What is the aging of the accounts payable balance and how does such aging compare with that of the prior year?

What is the book value per share of common stock? Why isn’t this disclosed in the annual report?

**BANKS AND BANK HOLDING COMPANIES**

Does the company permit its officers or directors or their relatives to overdraw their checking accounts? Has the company made any loans to those individuals? Has the company made loans to officers or directors of other banks or members of their families, or aided its own officers or directors or members of their families, directly or indirectly, in obtaining loans from other banks? Has the company made loans to political campaign funds?
Is the company or any of its subsidiaries on any of the so-called problem bank lists?

What problems were noted in the most recent examination by federal or state bank examiners?
What has the company done to correct the problems?

Has the company agreed to any “voluntary cease and desist orders” in which it pledged to end practices that bank examiners had concluded were unsound?

In view of the limited regulation of foreign operations of U.S. banks, what has the company done to ensure that sound banking practices are followed by its offshore banking operations?

Why are earnings greater overseas? Do the company’s foreign branches engage in businesses (e.g., underwriting of securities, ownership of manufacturing companies) that cannot be engaged in by its domestic branches?

Do the company’s foreign branches make loans to U.S. corporations for domestic use?

Will the proposed interpretation of the law by the Comptroller of the Currency that places a limit on lending by national banks to foreign governments, their agencies and state-controlled entities have a significant effect on the bank’s operations?

Has the bank been as diligent in performing credit checks for loans to foreign countries as it has been for loans to U.S. companies?

What are the dollar amounts of loans to Peru, Turkey, Zambia, Zaire and other financially troubled developing countries?
Wouldn't the refinancing of loans for countries experiencing financial difficulties, such as Peru and Zaire, just postpone the recognition of inevitable defaults and losses?

What percentage of the company's earnings is from loans to entities located in, or governmental units of, developing countries?

What are the amounts of foreclosed properties, nonaccrual loans, restructured loans and loans or properties received as a result of "loan swaps"? How are these properties and loans valued in the financial statements?

What effect would the application of the FASB statement on accounting for troubled debt restructurings have had on the company's 1977 financial statements?

What is the amount of loans to real estate investment trusts and other entities that invest in real estate? What is the amount of these loans that are in default? How much of the latter amount represents loans on uncompleted projects?

Is the company being investigated for possible violations of the Bank Secrecy Act which requires reporting of unusual cash transactions of over $10,000?

Does the company plan to reacquire any of its stock? If so, will this weaken its capital base?

Are there any large depositors (such as oil-producing countries) whose withdrawal of funds would have a significant effect on the company?

What would be the effect on the company of the payment of interest on checking account balances?
Has the company been accused of “redlining” in its lending practices?

Are shares held by the trust department ever voted against management proposals and for independent shareholder proposals? If so, how often?

**PUBLIC UTILITIES**

What percentage of the company’s revenues are attributed to a fuel adjustment clause? What costs are encompassed by the fuel adjustment clause? What is the likelihood of the regulatory commission revoking the provisions of the fuel adjustment clause?

Has the company provided for the future costs of dismantling its nuclear power plants? If so, how were such costs estimated?

Has the company changed its policy of amortizing the cost of nuclear fuel as a result of uncertainties surrounding the storage and reprocessing of spent fuel? What plans has the company made for storage or disposal of spent fuel in the event that reprocessing is not permitted?

Has the company considered adjusting its depreciation rates for gas plants to reflect the nation’s dwindling gas supply?

Has the length of time required to obtain rate increases significantly affected the company’s earnings and thereby adversely affected the company’s ability to borrow?
Does the company have the ability to finance the construction programs currently under way or anticipated to be necessary in the near future? What are the company’s financing plans for 1978?

Have environmental considerations delayed government authorizations necessary for the construction of new facilities? If so, what impact will the delay have on continuation of the project and its ultimate cost?

**OTHER**

Has the company been approached by any group seeking to make an acquisition? If so, was the offer reported to the board of directors? What steps has the company taken to make a takeover more difficult?

Do any foreign investors own a significant portion of the company’s stock?

Why does the company require an 80-percent affirmative vote of the shareholders to approve a merger when the directors do not recommend approval?

What are the potential effects on the company of the increased legislation and regulation at all levels of government in such areas as environmental standards, energy policies and the extension of antitrust laws? How much does it cost each year to comply with ____________ (e.g., environmental) regulations of government agencies?
Has the company hired any former government employees in executive positions or retained the services of former government employees as lobbyists, consultants or counsel?

How many lobbyists does the company employ? What is the nature of their activities?

Will production or sales in 1978 be adversely affected by the severe winter weather?

What impact will the recent coal industry strike have on the company’s operations?

Would the deregulation of natural gas and other fuel prices have a significant impact on the company?

Does the company have the capability to use alternative sources of energy? What is the availability of these alternatives?

Does the company have a social responsibility committee to study the impact of major projects in which the company is involved?

Does the company advertise on television programs that are excessively violent or that portray minority groups unfairly?

Has the company complied with any boycotts or other restrictive trade practices advocated by foreign countries?

Does the company have any operations in the Republic of South Africa? If so, what is the company doing to promote racial equality?

What will it cost, and what plans has the company made, to convert to the metric system?
What has the company done to enhance its public image?

Have increases in pension benefits outpaced wage increases? What effect have these increases had on the financial condition of the company's pension plan?

What was the amount of charitable contributions during the year? How does the company ensure that its contributions to nonprofit organizations are used in a worthwhile manner?

What is management's philosophy about mergers and acquisitions? What types of companies would be considered for acquisition?

What is the mechanism for voting the stock held in the company's pension and other employee benefit funds? Are voting rights "passed through" to employees?

Why can't a stockholder submit one proxy for all shares owned, regardless of the custodian of the shares?

What are management's thoughts about the possibility of accounting policies being set by the federal government instead of an independent professional body such as the FASB?
Typical Questions in Recent Years

Note: Financial accounting disclosure requirements and the requirements of the SEC and the stock exchanges have changed since some of the questions listed in this section were originally asked. The questions have been retained because they may be repeated. In many instances they can be answered by reference to information disclosed in the annual report, Form 10-K or proxy statement. Questions that were frequently asked at 1977 stockholder meetings have been identified with an asterisk (*).

FINANCIAL ACCOUNTING AND REPORTING

General

*Do the annual report disclosures conform to those in Form 10-K as filed with the SEC?

Does the company have its Form 10-K available for review at this meeting?

Did any year-end adjustments relate to operating results as previously reported for interim periods?

Who are the “subsidiaries” mentioned in the footnotes?

Who are the banks with which the company has its credit agreements?

How many people are presently receiving pension benefits? Have pension benefits of retirees been increased to offset the effects of inflation? Who manages pension fund investments, and what has been their performance?
Is the company’s financial statement disclosure comparable to that of other companies in the industry?

Are the accounting principles or practices followed by the company “liberal” or “conservative”?

Were there any changes in accounting policies or practices during the year? If so, what was the effect of the changes on net income?

Does the company provide information to financial analysts or institutional investors that it does not release to the press or to the stockholders? Why doesn’t the company make its forecasts public?

Are any of the company’s divisions or subsidiaries operating at a loss?

What are the amounts involved for items described in the annual report as “not material”?

**Specific Items**

* Have adequate reserves been provided for accounts receivable and inventories?

What percentage of accounts receivable is more than six months past due? What percentage was more than six months past due at the end of the prior year? Are the auditors satisfied that the allowance for uncollectible accounts is adequate? What was the charge to earnings for uncollectible accounts?

How much of the increase in sales last year was due to price increases?

To what extent was the company able to increase sales prices in response to increased costs?

What percentage of last year’s income resulted from “inventory profits”?

What was the current tax saving of the change to LIFO? Will the change to LIFO have any effect on the company’s ability to borrow or pay dividends in future years? (or) If the company did not change to LIFO, did it consider such a change, and why did it decide not to make the change?
Was any part of 1977 net income due to liquidation of low cost LIFO inventories? If so, what portion?

Were there any unusual, nonrecurring, or non-operating adjustments or transactions reflected in the financial statements?

What were the major capital expenditures during the year?

Were there any major equipment sales or write-offs during the year?

What is the market value of the company's land and buildings?

What are the items included under the headings "miscellaneous current assets," "miscellaneous other assets," "other accrued liabilities and payables," "other revenues" and "other expenses"?

Why is the company's effective tax rate lower than the existing statutory rates?

What is the status of open tax years?

What is the composition of "deferred taxes"?

What was the cost of companies acquired during the year? What was the premium (goodwill) paid? What were the earnings (losses) of these companies? What percentage of net income in the past year emanated from companies acquired in the last three years?

What was the amount of advertising expense for the year?

What were the principal projects covered by research and development expenditures, and how successful have these efforts been?

What was the amount of legal fees paid to general counsel?

How does the company's profit ratio compare with that of others in the industry?

Is the percentage of selling, general and administrative expenses to net sales comparable to others in the industry?

What caused the increase/decrease in ________________________ expense?
What is the nature of the litigation referred to in the notes to the financial statements? What are the amounts involved? What is the current status of these matters?

Has there been a gain or loss from early extinguishment of debt? If a gain resulted from debt refinancing, how much will interest expense increase in future years?

Why did the company purchase treasury stock? Was the cost of treasury stock acquired equal to its quoted market value at the date of purchase?

Does the company capitalize preoperating expenses of new plants or stores? How much was capitalized in 1977?

What was the charge to earnings for executive compensation, including stock options, and what was the effect on earnings per share?

Are the company's plants operating at or near capacity?

What portion of the company's revenue and earnings is generated by foreign operations and export sales? What portion of the company's assets is located in foreign countries?

What was the amount of net exchange gains or losses for the year? To what extent were the fluctuations in quarterly results of operations caused by such gains or losses?

**INTERNAL CONTROL**

Has the company made any illegal payments such as bribes or kickbacks? What procedures are followed to prevent (or detect) questionable or illegal acts?

Do the auditors regularly make suggestions to management for improvement in internal control and accounting procedures? Have such recommendations been adopted?

Does the company have a system of internal audit? If not, why?

Does the budgetary, accounting and reporting system furnish information on a timely basis for effective management of the company?
Is adequate internal control exercised over the company's data processing operations?

Are purchasing procedures designed to avoid conflict-of-interest situations?

Have there been any significant defalcations or misappropriations of company assets during the year?

Does the internal audit organization review the design and development of computer systems and their applications?

**AUDITING**

Do the auditors perform a limited review of the quarterly financial information before it is released?

Was the scope of the auditors' examination restricted in any way by the company's directors, officers or employees? Did the auditors receive all the information they requested from management during their examination?

* Did the company's legal counsel provide the auditors with adequate information concerning the status of litigation, claims and assessments?

If the company does not have an audit committee, do the auditors ever meet with the full board of directors?

* What were the audit fees for the year?

* Why isn't the selection of auditors ratified by the stockholders?

If the stockholders ratify the selection of auditors and if the auditors tally the proxies, shouldn't an independent party count the votes?

Are the auditors performing any management advisory services for the company? Does that have any effect on their independence?

Are the auditors consulted with respect to proposed or consummated mergers? Do the auditors perform preacquisition examinations?

Are the auditors aware of any adverse happenings since the issuance of the annual report?
Would the auditors notify the stockholders if the financial statements on which they had rendered their opinion were subsequently found to contain a significant error?

*Would it be desirable to rotate accounting firms every five years to assure a “fresh look”?*

*Do the auditors rotate personnel assigned to the engagement? When was the partner last rotated?*

Does the auditing firm hire members of minority groups? Did any minority-group members participate in the company’s audit? Are any minority-group members partners in the auditing firm?

Do the auditors have any major lawsuits pending against them?

Does the company have any outstanding loans to its auditors?

*Do any other accountants audit the financial statements of subsidiaries, including those in foreign countries? If so, are the principal auditors satisfied with the scope and reliability of such work? Why aren’t the other accountants’ opinions included in the annual report?*

Was the accountant’s opinion on the financial statements of any of the subsidiaries qualified?

Do the auditors request a written representation from the company that acknowledges certain limits on the auditors’ responsibility for discovering irregularities?

What procedures were used to audit ____________?

What methods were followed by the auditors in obtaining satisfaction that the allowance for uncollectible accounts is adequate?

What methods were followed by the auditors in obtaining satisfaction that there is no significant inventory obsolescence? Were transfers of inventory to foreign subsidiaries reviewed for obsolescence?

*Did the audit of the company disclose any irregularities, fraud, defalcations or other unusual transactions during the year?*

How many plants did the auditors visit during the current year’s examination?
What is meant by the phrase “generally accepted auditing standards”?

Are auditing procedures employed in the audit of the company’s foreign divisions or subsidiaries the same as those employed in the United States?

Have there been any substantive changes in the audit procedures during the year?

Did the audit disclose any transactions with related parties? What audit procedures were performed to test for related party transactions?

Who examines the financial statements of the company’s pension trusts?

**MANAGEMENT**

*Forecasts and Plans*

*What are the major problems facing the company in the next few years? How does the company plan to deal with them?*

Is the company experiencing or expecting any liquidity problems?

*What is management’s estimate of next year’s revenues and earnings?*

What is the amount of the current backlog of orders? How does this compare with last year?

What additional financing will be required during the current year?

What major capital improvements are planned for the current year?

Are there any plans to change the current cash dividend or to split the company’s stock?

Is the company contemplating any acquisitions, mergers or divestments?

Does the company intend to expand its markets on an international scale? How?

If the company utilizes forecasts and budgets, how did they compare with actual results?

Are there any major union contracts to be negotiated in the current year?
Executive Compensation

* Have the qualified stock option and incentive plans been approved by an absolute majority of the shares entitled to vote and not merely a majority of the shares actually voted?

Are the persons who determine executive bonuses and stock option awards also eligible to receive bonuses and awards?

Why doesn’t the option plan provide for grants to be made in equal yearly instalments?

Are options granted to officers who are within eighteen months of retirement?

* Has the company guaranteed any bank loans of officers to enable them to exercise stock options?

Does the company grant loans to officers and employees at preferential interest rates?

What interest rate is charged on unpaid balances for shares purchased under the stock purchase plan?

Do any retired executives have consulting contracts with the company? If so, what are the terms of the contracts?

Does the company have a mandatory retirement age?

Has the company ever considered establishing an employee stock ownership plan (ESOP)?

General

What is the company doing to combat pollution of the environment? How much did the company spend on pollution control? How much is budgeted for pollution control in the current year?

* Does the company exercise independent judgment in voting the shares held in its stock portfolio? Does the company ever vote against proposals of management or vote for independent shareholder proposals?

Is the company’s insurance coverage adequate?

Are major changes in company policy planned for the near future?
Does the company have an affirmative action program to increase its hiring from minority groups?

What are the highest levels in management occupied by members of various minority groups?

Does the company have a program (political action committee) for collection of political contributions from employees? If so, has any pressure been placed on employees to participate in the program?

DIRECTORS

Election

* Why doesn't the company permit cumulative voting for the election of directors?

* Why doesn't the company abolish the stagger system of electing directors?

  Are directors nominated for their prestige or for their knowledge of the company's business?

  How would a vacancy on the board during the year be filled?

* Why aren't there any women on the board of directors? Is the company actively seeking to place a woman on the board?

Activities

Are all directors present at this (stockholders) meeting?

* Do all directors own stock in the company? What are the stock holdings in the company of each director? Have any officers or directors of the company sold large blocks of the company's stock during the year?

* Is there a potential for conflicts of interest because directors of the company also serve as directors of competitors, suppliers, etc.?

* Can a director devote sufficient time to the company if he is also a director of many other companies?
*Do outside directors take an active role in questioning activities of the company?

Has the company leased any assets from officers or directors?

Does the board of directors have a pension committee?

**General**

What is the average age of the directors? Is there a mandatory retirement age for directors?

*Has the company considered adding more outside directors to the board?

Are directors and officers covered by fidelity bonds?

Has consideration been given to selecting employees below the management level as candidates for nomination to the board?

**STOCKHOLDER RELATIONS**

Why aren't holders of the company's stock granted preemptive rights in connection with company stock offerings?

*Why doesn't the company discontinue the practice of voting unmarked proxies “for” management proposals and “against” independent proposals? Why doesn't the company disclose the number of unmarked proxies that it voted?

*Were there any changes in the bylaws since the last annual meeting?

Why doesn't the company promptly notify stockholders of changes in the bylaws?

Does the company have any plans to list its securities on a national securities exchange?

*How many stockholders does the company have?

What is the distribution of the company's stock? How many shares of the company's stock are held by institutional investors and by officers and directors? How many shares of the company's stock are held by the company's pension and profit-sharing trusts?
Why doesn't the company offer a dividend reinvestment plan?

Why is the stock price so low in relation to its book value or the earnings of the company?

* Were any proposals submitted to management for inclusion in the proxy statement omitted? What were these proposals? Who were their sponsors?

* What is the cost of the annual report? Why wasn't the company's telephone number shown in the annual report?

* Has the company considered rotating the location of its annual meeting? Why doesn't the company hold its annual meeting in a more convenient place?

* Does the company attempt to schedule its annual meeting so that it won't conflict with other companies' annual meetings?

* Will the company mail to all stockholders a post-meeting report that includes questions asked at the meeting, and will the names of people asking questions be disclosed? Will a verbatim transcript of the annual meeting be available to stockholders on request?

Who are the ten largest beneficial owners of the company's stock?

Why doesn't the company permit secret balloting in corporate elections?
BANKS AND BANK HOLDING COMPANIES

* What percent of capital is invested in New York City or related obligations? What is the difference between the market value and the carrying value of these obligations?

* What is the company’s exposure to lawsuits resulting from investment of trust funds in New York City or related obligations?

What steps is the company taking to prepare for the electronic transfer of funds?

What will be the effect on the company of the extension of checking account privileges to thrift institutions?

What is the percentage of classified assets to capital?

* What controls has the company established to prevent the occurrence of problems encountered by other banks involving bond trading accounts, foreign exchange operations and real estate loans?

What percent of the company’s stock is held by the trust department?

What is the contribution of the trust department to the company’s earnings?