



**Dalton, Greiner, Hartman, Maher & Co., LLC**  
**Proxy Guidelines**

October 2017

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The Labor Department's Pension and Welfare Benefits Administration has emphasized that pension fund managers must place the interests of plan beneficiaries and participants ahead of all other considerations in deciding how to vote proxies (documents for putting issues to a vote of shareholders). Under the Employee Retirement Income Security Act (ERISA) of 1974, investment managers must verify holdings shown on proxy cards and act “solely in the interest of the participants and beneficiaries” of the plan and “for the exclusive purpose of providing benefits to them and defraying reasonable expenses of administering the plan.”

Dalton, Greiner, Hartman, Maher & Co., LLC (DGHM) will vote all proxies for its clients unless voting responsibility is specifically assigned to another party, such as the fiduciary or plan trustee.

DGHM recognizes the following principles regarding proxy voting:

- Voting rights have economic value and should be considered (plan) assets within the meaning of ERISA. Since voting rights can affect the economic value of a company's securities, they must be exercised with the utmost care. When fiduciaries of pension plans or their managers don't vote on the ultimate value of their holding, they are hurting not only themselves but the beneficiaries of the funds they hold in trust.
- Shares should be voted based on a careful analysis of the impact of the vote on the ultimate economic value of the plan's investment (not management's inherent interest) during the period in which the plan intends to hold the investment. Blindly voting with management or on an uninformed basis is imprudent and may be a violation of the exclusive purpose/benefit rule.
- While there is a potential for a conflict of interest in that DGHM may hold securities in client portfolios that are also clients of our various products, DGHM will **NEVER** vote with an eye toward its business or private interest. Doing so represents a clear violation of ERISA's exclusive benefit rule. In such cases, we will always vote in accordance with our guidelines, without exception.
- DGHM will consider **initiating** actions to protect the value of a plan's investment only in those situations where it is cost/beneficial to do so.
- From time to time, proxy votes may be made that are on issues not specifically covered in the guidelines enumerated below or in exception to the stated guidelines. Such votes will be made with the primary goal of preserving or enhancing the economic value of the plan's investment, and an explanation of the vote will be noted under the reporting requirements described below.

## **Reporting and Monitoring Requirements**

Dalton, Greiner, Hartman, Maher & Co., LLC's proxy record-keeping system includes:

- A brief description of the proxy proposals for each company in the portfolio;
- Verification that the shares listed on the proxy match DGHM's individual account records as of the record date;
- Record and meeting dates;
- The vote cast on each proposal;
- Notification of Trustee/Custodian that a proxy has not been received; and
- A record of any calls or other contacts made regarding a vote.

Clients may receive full record of all proxy reports at any time by calling DGHM's Proxy Voting Specialist, Allison Kelly, at (239) 261-3555. On an annual basis, DGHM sends each client a complete record of all their proxy votes cast in the previous year.

In order to maintain confidentiality and integrity in the proxy voting process, DGHM will only share proxy voting information with those clients for whom we vote proxies.

## **Other Corporate Actions**

We will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation, or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise, or monitor class action or other litigation involving client assets.

## **Proxy Voting Guidelines**

### **CUMULATIVE VOTING**

We will vote against proposals for cumulative voting to elect directors. Cumulative voting allows shareholders to cast all of their votes for a single candidate or any two or more of them. The result is that a minority block of stock can be represented on the board. Such representation could be counter to the interest of the majority of stockholders.

#### CLASSIFIED BOARD

We will vote against the classification of a board. We will vote for the declassification of an existing classified board. In most instances, classified boards are divided into three classes, with the directors of each class elected to overlapping three-year terms. When a classified board structure is already in place, and a routine matter with respect to the reelection of directors or the election of noncontroversial new directors is proposed, we will vote in favor of the proposal.

#### GREENMAIL

We will vote for anti-greenmail provisions. Greenmail is essentially blackmailing management into buying back stock at a price greater than the fair market value to avoid a takeover or a proxy fight. We support anti-greenmail provisions that require that the price paid to the greenmailer be extended to all shareholders of record.

#### DIRECTORS AND OFFICERS INDEMNITY AND LIABILITY

We will vote with management on proposals to indemnify directors by covering the expenses or penalties associated with lawsuits if the director or officer acted in good faith. Management proposals to specify indemnification for board members are seen as shark repellent and will be voted against. We will vote with management on proposals to limit/eliminate personal liability of directors; however, we oppose proposals that would free directors and officers from liability for negligence or inside dealing.

#### FAIR PRICE

We will not support fair price proposals, or any proposals which increase the percent vote required for business mergers or acquisitions above the minimum required by the state in which the company is incorporated.

#### COMPENSATION

New or revised bonus, incentive, profit sharing, savings, or pension plans, considered “non-routine” proposals, will be reviewed on a case-by-case basis. Ceilings on pension benefits will generally be voted as the company's management recommends. We will generally vote against management on significant increased compensation awards and/or employment contracts to senior management which become effective upon change in ownership of the company, commonly called “Golden Parachutes.” We will vote against executive compensation plans that are excessive and/or not aligned with shareholders’ long-term interests.

We will generally vote against plans that expressly permit the repricing of underwater stock options without prior shareholder approval, even if the cost of the plan is reasonable, but each particular vote will be considered on a case-by-case analysis of the underlying circumstances. We will generally vote against plans if the company has a history of repricing options without shareholder approval, and the applicable listing standards would not preclude them from doing so, but each particular vote will be considered based on a case-by case-analysis of the underlying circumstances.

The Dodd-Frank Act, in addition to requiring advisory votes on compensation (Management “Say on Pay”), requires that each proxy for the first annual or other meeting of the shareholders (that includes SEC compensation disclosures) occurring after January 21, 2011, include an advisory voting item to determine whether, going forward, the “say on pay” vote by shareholders to approve compensation should occur every one, two, or three years.

We revised our proxy voting guidelines on March 30, 2011 to state that we will vote for annual advisory votes on management compensation.

#### **POISON PILL**

Under a poison pill plan, or shareholder rights plan, shareholders are issued rights to purchase stock in their company or in the acquiring company if a hostile bidder acquires certain percentage of the outstanding shares. While anecdotal evidence suggests that poison pills may benefit shareholders in some cases, there is no reliable evidence to suggest that, on average, poison pills enhance shareholder value. Taken as a whole, the evidence shows that poison pills have negative wealth effects on shareholders, both in the short term and over the long term. The evidence also shows that pills lead to the defeat of value-enhancing bids, reduce takeover premiums, and serve as a significant deterrent to takeover bids. Therefore, we support shareholder proposals to eliminate anti-takeover defenses such as poison pills, and are against installing poison pill plans where none exist.

#### **PREEMPTIVE RIGHTS**

We will vote against proposals which grant preemptive rights and in favor of proposals which eliminate such rights. Preemptive rights result in a loss of financing flexibility and are likely to deter companies from raising capital advantageously. Shareholders will have no difficulty maintaining their relative position through open market purchases, should they so desire.

#### **SECRET BALLOT**

We will vote for proposals that stockholders’ identities be kept secret in public documents dealing with proxies, ballots, and voting tabulations.

#### **SUPER-MAJORITY**

We will oppose management on super-majority requirements for more than a majority of the vote to approve mergers, tenders, and sales. We will oppose management on super-majority requirements to remove directors or repeal or amend by-laws.

#### **UNEQUAL VOTING RIGHTS**

We will oppose management on issues of securities with differential voting power. This entails authorization of a class of common having superior or inferior voting rights to existing common with or without entitlement to elect a majority of the board. This includes proposals that grant short-term or long-term differential voting rights for the same class of stock or restriction on voting rights for large stockholders.

#### REINCORPORATION

Proposals for reincorporation are decided on a case-by-case basis. Management generally promote proposals to reincorporate a company in Delaware to take advantage of a 1986 Delaware law which limits the liability of directors.

#### SHAREHOLDER ACTION BY SPECIAL MEETING & WRITTEN CONSENT

We will vote against proposals to eliminate the power of shareholders to act by written consent and/or to call a Special Meeting, amend the by-laws, or take other action regarding the Board of Directors.

#### BLANK CHECK PREFERRED

We will vote against authorizing blank check preferred stock (stock that does not have specific voting, dividend, conversion, or other rights until issuance) because a company could dilute the voting rights of the common stock by issuing a new series of preferred stock that has super voting rights. For example, in the event of an attempted takeover, management could sell itself stock that had 1,000 times the voting rights of the common stock, preventing an acquiror from gaining a controlling interest in the company.

#### CHANGES IN CAPITAL

The following proposals will be decided on a case-by-case basis: new classes of stock, increases in common stock, stock splits, expanded purpose for convertibles, repurchase shares, increase shares and stock split, expand authority of Board on Preferred Stock, other capitalization-related proposals, issuance of stock for other reasons, joint plans for reorganization, proposals to merge with another company, restructuring plans, and proposals to issue shares in connection with acquisition.

#### SELECTION OF AUDITORS

We will support the selection of auditors we know to be competent and respected, and may vote against any whose integrity or objectivity has come under question. We will review votes to change auditors on a case-by-case basis, with emphasis on the explanation for the change. We will review proposals requiring auditor rotation on a case-by-case basis, taking into account the tenure of the audit firm, the proposed rotation period, and whether the company regularly reviews the auditor for quality and cost.

#### SHAREHOLDER ACCESS TO THE PROXY FOR DIRECTOR NOMINATIONS (“OPEN ACCESS”)

We generally favor open access proposals, but will vote such proposals on a case-by-case basis, taking into account the ownership threshold and the proponent’s rationale for the proposal.

#### BOARD INDEPENDENCE

We will vote for shareholder proposals requiring that only independent directors can serve on board audit, compensation, and/or nominating committees. To determine independence we will use the standards adopted by the NYSE and NASDAQ. Please refer to Appendix A.

#### SEPARATION OF CHAIRPERSON AND CEO

We will review proposals to separate the Board Chairperson and CEO responsibilities on a case-by-case basis. In most circumstances, separating the two responsibilities avoids conflicts of interest. However, in many smaller companies that have a limited group of leaders, it may be appropriate to combine these positions.

#### LEAD INDEPENDENT DIRECTOR

We will vote in favor of proposals to appoint a lead independent director.

#### SOCIAL AND ENVIRONMENTAL ISSUES

With regards to environmental or social policies, shares will be voted based on a careful analysis of the impact of the vote on the ultimate economic value of the client's investment during the period in which the DGHM intends to retain the investment in the client's portfolio.

### **Appendix A: Categorization of Directors**

#### **Inside Director**

- Employee of the company or its affiliates;
- Nonemployee officer of the company if he is among the five most highly compensated individuals;
- Listed as a Section 16 officer in the 10-K or proxy statement;
- Interim CEO; or
- Beneficial ownership of more than 50 percent of the company's voting power (this may be aggregated if voting power is distributed among more than one member of a defined group; e.g., members of a family beneficially own less than 50 percent individually, but combined own more than 50 percent).

#### **Affiliated Director**

- Former executive of the company or its affiliates;
- Former interim CEO if the service was longer than one year or if the service was between six months and a year and the compensation was high relative to that of the other directors (5x their pay) or in line with a CEO's compensation;
- Former executive of an acquired firm;

- Executive of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor;
- Executive, former executive, general or limited partner of a joint venture or partnership with the company;
- Relative of current employee of company or its affiliates;
- Relative of former executive of company or its affiliates;
- Currently provides (or a relative provides) professional services to the company or its affiliates or to its officers;
- Employed by (or a relative is employed by) a significant customer or supplier;
- Has (or a relative has) any transactional relationship with the company or its affiliates excluding investments in the company through a private placement;
- Has a contractual/guaranteed board seat and is party to a voting agreement to vote in line with management on proposals being brought to shareholders;
- Has (or a relative has) an interlocking relationship as defined by the SEC involving members of the board of directors or its Compensation and Stock Option Committee;
- Founder of the company but not currently an employee;
- Is (or a relative is) a trustee, director, or employee of a charitable or non-profit organization that receives grants or endowments from the company or its affiliates; or
- Board attestation that an outside director is not independent.

**Independent Director**

- No connection to the company other than a board seat.

*Source: ISS Corporate Governance Policy Updates*