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Dace Blaskovitz: Good morning. Welcome to Money in Politics in Del-a-ware. I am your host. I am Dace Blaskovitz and compliance asked me to read. I am Dace Blaskovitz, president and majority owner of Wealth Advisors in Wilmington, Delaware. As a financial adviser, I offer full brokerage services. With that said, I turn to the audience, world-class program today. First half, Charles Elson, the corporate governance expert, and in the second half the chairman of the Caesar Rodney Institute. His name is Dr. John Stapleford. Welcome back, Charles Elson.

Charles Elson: Hi, good to be with you Dace.

Dace Blaskovitz: And let me tease the segment and that is Charles Elson has returned from the UK. I talked to him briefly yesterday. It's been, gosh, he's only been back in the states a day or two, but he came back somewhat excited, if I understood it correctly, about the possible opportunity for the state of Delaware. We're going to tell that story, but we've got to get everybody on the same page. So Charles Ellison, you have a fancy title and give that, let's start there. What are the titles?

Charles Elson: Sure. I'm director of the Weinberg Center for corporate governance here at the University of Delaware College of Arts and Sciences. And I'm the Edgar S. Woolard Jr. Chair in corporate governance also at the University of Delaware.

Dace Blaskovitz: And I introduce you with a sincere but a big smile as the 40 trillion, that's a "T" as in Tom, 40 trillion dollar man. What am I trying to share with the audience?

Charles Elson: Well, what you're saying is that now headquartered, well as a secretary, I guess you'd call it, at the University of Delaware, is a group called ISG, the Investor Stewardship Group, which is kind of the professional organization, if you will, of the largest passive investors index funds in the United States and representing many trillions of dollars in equity investments in value, but their principles for investing or principles for voting, as I should say, are basically headquartered here and we're the sort of secretary for them and very exciting because it represents a lot of voting power and obviously a lot of money.

Dace Blaskovitz: Yeah, that's a third to the half of most of the stocks in the US, if I remember the stat correctly, but let me drill down a minute more. The word stewardship is involved in this oversight. Charles, you have a daughter, she's at Harvard, but she's a teenager. If I put you in front of her and said, "What is it that you actually do?" Explain it to her and us.

Charles Elson: Well, what the principles are, and this is kind of interesting, is that these large institutions all have votes and they control a large amount of stock and they vote, as every shareholder has the opportunity to do, in the companies they own stock in. And what the question is, how do you vote? What principles do you use in deciding who and where and how to vote? And so with the

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stewardship principles, basically our guidelines to these large institutions so that they will vote together, they will vote and have more, I guess, power and influence, if you will. It's not that their voting is that they talk to each other, but they're guided by the same principles and that if they are guided by the same principles in voting, then they have much more influence than if they go off in very different directions.

Charles Elson: It's not really a voting group as opposed to a voting philosophy that informs how they vote. They'll all vote on their own, but the philosophy should be common and a common philosophy meaning things like annually elected directors or independent directors or directors with some expertise in their area, things like that, that all of these different investors can agree is the appropriate way to exercise effective oversight. The stewardship group is not really a voting group, but it's a group of individual funds who've agreed to certain principals on how to vote, how they should vote, that carry them through the day. Doesn't inform what they'll do on a specific issue, but these are general guiding principles, which means they basically, you'll see similarities in how they vote.

Dace Blaskovitz: You'll be back, you come back every six, eight weeks. We'll plug it now and we'll plug it in early September. But Friday, September 13th you have a very, very world-class event happening at the University of Delaware. In fact, to quote one of the sentences, "Join many of the ISG investors at the first annual ISG/ Corporate Insurers Conference." What's happening with Charles Elson on 9/13?

Charles Elson: Well, this is going to be the group, the ISG group meeting here and it's a conference with each of these significant holders coming here and discussing these principles. You're going to have, not only, the people that vote all the funds, a lot of the corporate, if you will, the people who the funds vote on will show up as well because it's important to them to understand how their constituents are voting and why they're voting. It'll be a world class conference, Dace. I mean, you're going to have people from all over the country, all over the world. Certainly the largest companies in the United States will be there as well as the largest funds. It's quite a coo for the University of Delaware and quite a coo, frankly, for the state of Delaware.

Dace Blaskovitz: And to put this in perspective, Charles had another event, I don't want to go there because we're going to run out of time. Another event, I'll say 60, 90 days ago and there were between 300 and 400 people, to put it in perspective, we had SEC commissioner or commissioners. We had multiple Wall Street Journal reporters. Every major publication had somebody there and it got nonstop coverage. This, I would argue, is even going to be bigger. Mark your calendars already, 9/13.

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Dace Blaskovitz: Next subject, Charles. Let's go. State of Delaware. I'm going to fumble and bubble and then you're going to clean it up. This incorporation franchise that we're referencing that's unique to the state of Delaware represents 27% to 29% as a line item in Delaware's annual budget. You argue, which you will shortly, if you add in related things, abandoned property and personal income tax, it moves to 60%, 50% of Delaware's annual income as a state of Delaware. This incorporation franchise means that corporations have to have a presence here or pay to rent or see or participate in the Delaware court system. That's what we're talking about it and without it, gosh, the state of Delaware would have a lot less revenue and a lot less services and a lot higher taxes. It's your turn, clean it up.

Charles Elson: Yeah. I mean you get a figure if you add in sort of the personal income tax, corporate income tax, [inaudible 00:08:55] statute, franchise tax, I'll bet it's around 60 some odd percent of our tax revenues comes from this particular franchise. I mean if it were to disappear, we would be broke pretty quickly and it's very important to us. It's very important nationally because I think we do a good job in regulating the internal affairs of the corporation. *I think we do an excellent job and I think it's quite important to us financially and I think it's quite important to the world in effective corporate regulation.*

Dace Blaskovitz: All right, tick tock on that clock. We've established a half, two thirds of the world's Fortune 500 are, excuse me...the US's fortune 500 are incorporated in the state of Delaware. You went to the UK. Why?

Charles Elson: I was at sabbatical Dace and I had a fellowship sponsored by Herbert Smith Freehills, which is one of the largest law firms in the UK, prominent financial law firm, company law firm. They're actually all over the world. Australia, the UK, all over Hong Kong, all over the place. They sponsored a fellowship at the law faculty in Cambridge. And each year they have some academic from some part of the world coming to Cambridge to work. I was lucky, fortunate enough, honored enough to get the fellowship for this year and was over at Cambridge University, Cambridge, England on the law faculty lecturing on Delaware in dual class doc. And then ended up going around England, go to a number of law faculties around the country talking about the same thing. So promoting the Delaware way, if you will.

Dace Blaskovitz: And it tells secrets, just a minute, if I remember right in the audience were many of the distinguished, the publisher of the Wall Street Journal heard one speech, the president of Cambridge, the president of Oxford. You had who's who throughout the world, especially that part of the world. His name is Charles Elson. I call him the face, the voice of corporate governance in the world. The Weinberg Center for corporate governance is what he oversees and what's going to happen, he does two segments with us. We're going to take a short

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break and when we come back, we'll finally get to where is the opportunity for Delaware given the turmoil in Europe. We'll take a short break. We will be right back.