

## **Herbalife investors meet – briefly**

**Shareholders get less than 15 minutes with executives. No talk on Ackman's contentions.**

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[Herbalife](#) would seem to have a lot to talk about with its investors, but you'd never know it from Thursday's annual shareholder meeting in Beverly Hills.

It lasted less than 15 minutes.

Executives didn't address claims raised by hedge fund manager Bill Ackman that the company is a pyramid scheme doomed to fail.

Nor did they mention the effort this year by activist investor [Carl Icahn](#) to ward off Ackman with the purchase of 15% of Herbalife stock.

And Chief Executive Michael Johnson wouldn't take live questions from shareholders. He answered one written question, saying the company is still searching for a replacement for the company's auditor, [KPMG](#). The accounting firm resigned this month amid its alleged insider trading scandal.

Experts in corporate governance said Herbalife mangled an opportunity to soothe investors, who have seen its stock price pingpong as Ackman and Icahn made enormous, opposing wagers on the company's future.

"If I'm a shareholder, I want to see a board that's responsive and accountable and prepared to [address] any risks that face the company. That probably doesn't translate into a 14-minute meeting," said Stephen Davis, a senior fellow at the Harvard Law School Program on Corporate Governance.

Herbalife said that because it is releasing quarterly earnings next week, it entered into a so-called quiet period during which it couldn't discuss company business.

"Any such discussion would be considered the release of material nonpublic information and would require public dissemination" through a regulatory filing, Herbalife spokeswoman Barbara Henderson said.

The company scheduled the annual meeting during the quiet period as a convenience to board members, who are in Los Angeles for scheduled quarterly meetings, she said.

Experts, however, were perplexed.

"The whole purpose of the meeting obviously is to allow shareholders to raise questions and to give the company an opportunity to respond," said Lev Janashvili, managing director at research

firm GMI Ratings. "The decision not to take questions and respond fully because you're in the quiet period certainly doesn't add up."

Quiet periods are intended to prevent companies from giving important tips to a small number of favored investors, Janashvili said. They are not intended to interfere with annual meetings, which are open to all shareholders, he said.

And even if a company mistakenly thinks it's limited by a quiet period, there's an easy solution, Janashvili said: Don't schedule the annual gathering during a quiet period.

The annual meeting is the "only time when board members and executives have to face, in person, a crowd of shareholders and answer questions," Davis said. "Shareholders need to be able to trust the companies in which they invest, and sometimes that trust can just come from looking people in the eye and evaluating an answer" by a CEO.

Charles M. Elson, director of the Center for Corporate Governance at the [University of Delaware](#), said the annual meeting was the one time of year "where you're available to answer their questions.... Not doing so is frankly a little insulting to your investors."

None of about 10 investors said they would have preferred to ask questions orally, spokeswoman Henderson said. The company has asked shareholders to submit written questions at its annual meetings "since at least 2007," she said.

"No shareholder asked to speak today, and no one complained about not speaking or having Q&A in writing," Henderson said. The requirement to put questions in writing, she said, "also protects a shareholder's confidentiality if they don't want to stand up and be identified in front of the media."

Only two written questions were submitted. One question was not answered because it involved legal matters the company could not address in public.

Herbalife investor Robert L. Chapman Jr. said he was not upset that the company did not permit him to speak at the meeting and understood why his written question was not answered.

Chapman said he spoke to the company's board members after the meeting, and they answered his questions openly.

"If a shareholder had a question the purpose of which was to obtain an answer ... it was right there for the asking," Chapman said.

Herbalife shares gained 68 cents, or 1.82%, closing Thursday at \$37.95.