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## **Elliott to Arconic: Stonewalling on Vote-Buying Deal Raises Questions about What the Company is Trying to Hide**

*Sends Letters to Board, Management in Response to Company's Refusal to Comply with Information Request*

*Shareholders Deserve Answers*

**NEW YORK (March 27, 2017)** – Elliott Management Corporation (“Elliott”), which manages funds that collectively beneficially own a 13.2% economic interest in Arconic Inc. (NYSE: ARNC) (“Arconic” or the “Company”), today sent a letter to Arconic’s Board asking the question that has become unavoidable in light of the Company’s stonewalling: What is the Company trying to hide?

The letter comes after Elliott received news from the Company late last week that it would refuse to comply with Elliott’s Books and Records request for information relating to a recently revealed vote-buying agreement struck with Arconic’s sixth-largest shareholder last August.

The letter to the Board, and an accompanying letter to the Company’s chief legal officer, called on the Board and management to come clean about who was responsible for the deal, whether the Board knew about it, and how much shareholder value was used to obtain the now-waived voting agreement. Answers to these questions about the vote-buying deal have a direct bearing on one of the primary questions before shareholders this May 16th – whether Arconic would benefit from leadership change.

Elliott’s previous letters on this matter can be viewed at [NewArconic.com](http://NewArconic.com).

The full text of the letter follows:

March 27, 2017

Board of Directors  
Arconic Inc.  
390 Park Avenue  
New York, NY 10022-4608

Dear Independent Directors of Arconic Inc. (“Arconic” or the “Company”):

Last Thursday, we received a letter from Arconic’s chief legal officer refusing our request for more information about the vote-buying agreement Arconic entered into last August (the “Secret August Voting Lock-Up”).

Among the Company’s stated reasons for refusal were:<sup>1</sup>

- The Company’s waiver of the voting commitment renders requests for further information moot; and
- Elliott’s purpose for the request – to enable full and transparent communication on this matter with Arconic shareholders in advance of the upcoming Annual Meeting – is “improper,” in part because “Elliott’s serial press releases here suggest that it already has all the information it needs to communicate with other shareholders about this issue.”

The Company’s stonewalling illustrates a continued and apparently profound disconnect between the mindset of Arconic’s management and Board and the reality of this serious matter. Far from rendering shareholder concerns moot, the eleventh-hour waiver of the Secret August Voting Lock-Up is tantamount to an admission of what everyone already knows: The conduct was wrong.

Based on the available facts, right now we know the following:

- A management team duty-bound to act in the interests of the Company’s shareholders disregarded that responsibility and chose to trade company assets for personal gain; and
- The Board, having the same duties, failed to stop them, either deliberately or because it was bypassed and/or misled.

Unfortunately, while the waiver of the voting commitment addresses some of the damage inflicted on the Company’s shareholders by the Secret August Voting Lock-Up, it hardly resolves the matter. The Company assets which were traded to the Seller in exchange for the lock-up are now gone forever. Further, and perhaps most importantly, it is now clear that there are one or more unethical individuals within the Company’s management team – individuals who not only engaged in a self-serving and apparently illegal transaction, but appear to have engaged in an illegal cover-up to boot. Those individuals must be identified and dismissed.

Thus, the sudden waiver merely reinforces the need for an answer to the following question above all others: **WHO was responsible for the vote-buying?** And more specifically, what was Dr. Kleinfeld’s involvement?

In referencing Elliott’s public communications on this matter, the Company seems to be willfully ignoring the fact that **our letters to date have primarily consisted of demands for needed**

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<sup>1</sup> A comprehensive rebuttal of the Company’s excuses for rejecting Elliott’s demand is appended to this letter as an attachment.

**answers to critical unanswered questions that have a direct bearing on one of the primary questions before shareholders this May 16<sup>th</sup> – whether Arconic would benefit from leadership change.**

It is the answers to these questions, not the questions themselves, that we are seeking to make transparent to all shareholders with our request. Arconic’s shareholders deserve no less.

Unfortunately, the Company, having already concealed the Secret August Voting Lock-Up from shareholders for the better part of a year, seems determined to continue to conceal vital information about this transaction, giving rise to an important further question: **What are management and the Board trying to hide?**

### **Questions That Arconic’s Management and Board Have Refused to Answer**

We call upon Arconic’s Board to stop withholding the answers to highly relevant questions from the Company’s shareholders.

Answers are needed to key questions relating to management’s conduct and judgment:

- Which members of Arconic’s management team were responsible for devising and/or authorizing the Secret August Voting Lock-Up; which members were responsible for the decision to hide the agreement from shareholders for seven months; and which members are responsible for the Company’s decision to continue concealing vital information about the agreement in the face of a reasonable shareholder request for transparency?
- Why was the Secret August Voting Lock-Up hidden from Arconic stockholders for seven months and not disclosed until the filing of the Company’s Definitive Proxy Statement and only after the record date for the 2017 Annual Shareholders Meeting?
- Why did the Company’s management (and/or the Board) seek shareholder voting commitments relating to corporate governance matters as currency in the resolution of a working-capital dispute?
- As studies have established that voting lock-ups have substantial economic value, the question must be asked: How many dollars otherwise obtainable in connection with the resolution of the dispute did the Company forgo in electing instead to receive a lock-up?<sup>2</sup>
- Can the Company certify that there are no other such or similar voting lock-ups in place that have yet to be disclosed?

As well as key questions pertaining to the Board’s awareness and judgment:

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<sup>2</sup> Cox, Steve R. and Dianne M. Roden, 2002. “The Source of Value of Voting Rights and Related Dividend Promises,” *Journal of Corporate Finance*, 8, 337–351; Megginson, William L., 1990. “Restricted Voting Stock, Acquisition Premiums, and the Market Value of Corporate Control,” *The Financial Review*, 25, 175-198; Zingales, Luigi, “What Determines the Value of Corporate Vote?” *Quarterly Journal of Economics*, 110, 1047-1073.

- Was the Board aware of the Secret August Voting Lock-Up at the time it was entered into?
- If the Board did not know of this material agreement at the time, when did the Board find out?
- Did the Board approve of the agreement?
- Does the Board believe Arconic's management and/or its Board should be able to use corporate assets to purchase votes? If so, how much of the shareholders' funds is management and/or the Board permitted to use to purchase votes?

### **Why the Company's Refusal to Answer These Questions Matters**

Arconic's shareholders have every right to obtain answers to these questions, not only because they speak to management's judgment and fitness to continue leading the Company, but also because the Secret August Voting Lock-Up is symptomatic of a long and larger pattern of poor decision-making under the aegis of Arconic's CEO. It may also be reflective of a history of improper corporate conduct that has dogged Dr. Kleinfeld.

We have provided many examples illustrating this pattern in our previous letters and communications, and we will not recapitulate them all here. However, in the context of management's decision to use potentially valuable claims against the seller of Firth Rixson to obtain a voting commitment to protect their salaries and positions, one example worth revisiting is management's failure to properly diligence the 2014 acquisition in the first place.

Firth Rixson was acquired for approximately \$3 billion in late 2014, more than 22x current earnings before interest, taxes, depreciation and amortization (EBITDA). When pressed on how to justify the multiple paid for Firth Rixson, Dr. Kleinfeld told shareholders "You won't understand how the multiple here has to be calculated..." When asked if there was an auction process at Firth Rixson, Dr. Kleinfeld responded "I mean, in the end, it doesn't really matter. This is a transformational transaction." Dr. Kleinfeld promised that it would generate \$1.57 billion of revenue and \$350 million of EBITDA in 2016.

In reality, Firth Rixson actually generated \$925 million in revenue and \$136 million in EBITDA in 2016 – a staggering 41% and 61% less than promised, respectively. In the wake of this astonishing underperformance, it appears that Arconic approached the seller of Firth Rixson in 2016 with claims that were potentially very valuable, and for which the Company appears to have received a \$20 million working-capital adjustment and a now-waived two-year voting lock-up.

We have asked for more information about this transaction because shareholders unquestionably deserve to know precisely what Arconic gave up in exchange for the Secret August Voting Lock-Up. How much better of a deal for shareholders could management have gotten on the "working-capital adjustment" if, instead of demanding an illicit voting deal, it had instead demanded better

financial terms? **Said differently, after destroying a massive amount of shareholder value by failing to properly diligence the Firth Rixson acquisition in the first place, how much additional value did management squander through its surrender of claims against the seller in an illicit effort to entrench itself and the members of the Board who now protect it?**

### **Was the Board Involved?**

When we first learned of the Secret August Voting Lock-Up, we found it impossible to believe that the Board could have known about or approved of the agreement at the time. Now, given that the Board has refused to provide an answer to the questions of what and when it knew about the agreement, we are beginning to wonder whether certain members were in fact aware of – or even approved – the transaction.

Our suspicions were heightened by the Company's response to our books and records request, which, while refusing to provide any meaningful responsive information, nevertheless offered to share on a limited and confidential basis "minutes of meetings of the Company's Board of Directors concerning the board's consideration and approval of ... the August 2016 agreements."

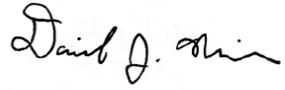
If this passage refers to a meeting at which the Board reviewed, considered and approved of the Secret August Voting Lock-Up, then these minutes must immediately be made publicly available, not on a confidential basis or just to one shareholder, but to *all* shareholders. Whether some or all of the Board were involved in this improper transaction is a crucial piece of information that has direct bearing on a decision that *all* Arconic shareholders have to make in the next 60 days. Withholding this information is not only contrary to important principles of good corporate governance, but could even threaten the integrity of the upcoming vote. This is especially true because of the manner in which the Board has sought to interpose itself in this contest. The urgency of this matter cannot be overstated, as further stonewalling will be appropriately perceived as an attempt by the Company to delay a damaging disclosure until after the upcoming vote.

Until such time as the Board is prepared to act, the burden must regrettably fall to shareholders to hold management accountable. To properly do so, shareholders must be provided with all of the relevant facts about the Secret August Voting Lock-Up. If the Company will not promptly provide this information voluntarily, then we will pursue other means of bringing the details of this illicit secret deal into the light.

The common sense and underlying merit of our request for an explanation is crystal clear: If, as the Company appears to believe, nothing improper happened regarding the Secret August Voting Lock-Up, then full disclosure should be easy and in everyone's interest, management and Board included. If, however, as seems clear, there *was* improper conduct, then disclosure is also required and is in the interests of shareholders and all members of management and the Board who want the Company to meet the standards of integrity that it must meet.

The stonewalling and cover-up, to which the Board is now making itself a party, must end.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Miller". The signature is written in a cursive style with a large initial "D" and a long, sweeping tail.

Dave Miller  
Senior Portfolio Manager

March 27, 2017

**VIA ELECTRONIC MAIL**

Ms. Kate Ramundo  
Chief Legal Officer and Corporate Secretary  
Arconic Inc.  
390 Park Avenue  
New York, NY 10022-4608

Re: *Elliott's March 16, 2017 Demand to Inspect Books and Records*

Dear Ms. Ramundo:

I am writing on behalf of Elliott Associates, L.P. and Elliott International, L.P. (collectively "Elliott"), a registered and beneficial owner of 1,100 shares of common stock of Arconic, Inc. ("Arconic" or the "Company"). On March 16, 2017, Elliott properly exercised its rights as a shareholder pursuant to Section 1508 of the Business Corporation Law of the Commonwealth of Pennsylvania and demanded that Arconic produce several categories of documents concerning the Company's acquisition of Firth Rixson and a subsequent settlement that included a patently improper agreement to lock up the vote of approximately 8.7 million shares of Arconic common stock in exchange for releases of potential claims against Firth Rixson's former owner (the "Secret August Voting Lock Up"). We are now in receipt of your response to Elliott's demand. Consistent with the Company's pattern of wanton disregard for the interests of its shareholders, the Company's response gives short shrift to Elliott's legitimate demand and instead promises to produce only certain limited categories of board minutes. The Company's formulaic rejection of a legitimate demand to permit the inspection of documents related to this deeply troubling breach of fundamental principles of corporate governance is wholly unacceptable and finds no basis in law or fact.

Elliott was compelled to send its March 16, 2017 Demand Letter, among other reasons, because of the Company's failure to timely disclose the Secret August Voting Lock Up and subsequent attempts to obfuscate the genesis of that agreement and related "resolution" of the disputes concerning the Firth Rixson acquisition. Without meaningful information about the circumstances surrounding such a highly suspect vote-buying agreement, it is impossible for the Company's shareholders to appropriately assess the judgment and fitness of those in management who negotiated the Voting Arrangement and those on the Board who may have supported and approved its execution. As Elliott explained in its Demand Letter, if Arconic is not willing to be forthcoming with its own shareholders about corporate decisions, including the improper use of corporate assets, it is left to shareholders like Elliott to demand that information on behalf of all shareholders. The fact that shareholders are being asked to vote in less than 60 days on director nominees who may have participated in the questionable conduct makes this an issue of particular importance and urgency.

Instead of coming clean and providing the circumscribed categories of information requested, the Company appears to have doubled down on its insistence that the shareholders have no right to know more about these questionable transactions. The March 23

Response is long on accusations and insults and short on credible facts showing why the Company is unable or unwilling to provide the information. The Company's reaction begs the question: what does management have to hide?

Nor do any of the Company's purported legal justification for rejecting the Demand hold water. The fact that the Board has now waived the Secret August Voting Lock Up for purposes of the 2017 Annual Meeting (only after having been called to justify it in Elliott's March 16 letter) does not render Elliott's Demand "moot." To the contrary, the sudden and unexplained waiver suggests that the Board, when it became aware of the lock up, plainly recognized its illegality—especially given Dr. Kleinfeld's fact-free March 19 letter to Arconic's employees claiming that the lock up was somehow proper. Even if the Company will not enforce the terms of the voting lock up against the Seller, that doesn't change the fact that the Company used corporate assets to enter into a lockup agreement that may very well constitute illegal vote tampering, and that it appears to have done so for the sole purpose of entrenching current management. The Company's shareholders have every right to obtain additional facts so they can evaluate whether the Company properly managed the Firth Rixson Acquisition, its related settlement, including the Secret August Voting Lock Up, and its disclosure obligations. Those are serious questions that have not disappeared simply because the Company has conveniently decided to no longer insist that the millions of shares be voted, automatically, in the Board's favor.

Seeking information for purposes of waging a proxy fight is not, as Arconic suggests, an "abuse" of a books and records inspection. To the contrary, courts have long held that the use of documents in a proxy contest constitutes a "proper purpose" for a books and records demand. *See, e.g., Gen. Time Corp. v. Talley Indus., Inc.*, 240 A.2d 755, 756 (Del. 1968) ("There can be no question but that the desire to solicit proxies for a slate of directors in opposition to management is . . . directly related to stockholder status and, as such, proper."); *Hirschfeld v. Emery Air Freight Corp.*, 1988 WL 36131, at \*2 (Del. Ch. Apr. 22, 1988) (holding that "[a] proxy contest is a proper purpose" for making a Section 220 demand). Arconic's sole authority, *Highland Select Equity Fund, L.P. v. Motient Corp.*, 906 A.2d 156, 164 (Del. Ch. 2006), does not suggest otherwise. The denial of relief in *Highland* was based on "a remarkable confluence of events that amount[ed] to an abuse of the [books and records] process," including the overbreadth of the demand (which initially "span[ned] 25 single-spaced pages and include[d] 47 categories") and the shareholder's refusal to meaningfully narrow its requests, the approximately 9-month delay in seeking books and records from the company, and the shareholder's tactical attempts to evade its discovery obligations. *Highland*, 906 A.2d at 157, 166-67. In short, nothing in the present circumstances is even remotely similar to *Highland*.

Arconic also claims that Elliott's demand is per se improper because Elliott intends to use the records requested to communicate with shareholders and those records may be subject to confidentiality demands. Arconic, however, misreads the only case it cites in support of this argument. In *Disney v. Walt Disney Co.*, 857 A.2d 444, 450 (Del. Ch. 2004), the court confronted a request to limit the scope of the corporation's confidentiality designations on information that had already been produced to shareholders in response to a books and records demand. 857 A.2d at 445. While *Disney* circumscribes a shareholder's right to disclose non-public information in violation of a confidentiality agreement with the corporation, the decision in no way sanctions hiding behind supposed "confidentiality" concerns as a basis to reject the

*production* of information to the shareholder in the first instance. That is especially so given that the Company and Elliott are already party to a confidentiality agreement that permits Elliott to use the records at issue “in connection with the solicitation of proxies from the Company’s shareholders” regarding the election of director candidates at the 2017 Annual Meeting.

Arconic is also incorrect when it argues that the Demand Letter is “overboard.” More specifically, Arconic cites *Lewis v. Pa. Bar Ass’n*, 701 A.2d 551, 554 (Pa. 1997) for the proposition that Elliott is not entitled to drafts of the August 2016 settlement agreements. *Lewis* is inapposite for a number of reasons, not least that it does not address Section 1508 of the PBCL. Moreover, the offhand suggestion in *Lewis* that the PBCL’s requirement that shareholders be permitted access to “records of [corporate] proceedings” “could,” in certain circumstances, exclude drafts, is hardly a definitive rule that permits Arconic to unilaterally refuse to comply with Elliott’s demand. Pennsylvania law provides shareholders with a broad right of inspection which encompasses, among other things, any records pertaining to company contracts for the sale or purchase of assets. *Ginsburg v. Redmond Finishing Co., Inc.*, 8 Pa. D. & C.3d 756, (Pa.Com. Pl. 1978). Drafts of the August 2016 settlement, which required the use of company assets, fall plainly within that definition. Likewise, Arconic is incorrect when it contends that the Demand is improper because it asks for the “embedded metadata” related to the draft 2016 settlement agreements. Even in Delaware, it is well-settled that “books and records” include electronically stored information (“ESI”). *See, e.g., Wal-Mart Stores, Inc. v. Indiana Elec. Workers Pension Trust Fund IBEW*, 95 A.3d 1264, 1274 (Del. 2014); *Dobler v. Montgomery Cellular Holding Co., Inc.*, No. Civ. A. 18105 NC, 2001 WL 1334182, at \*5-7 (Del. Ch. Oct. 19, 2001). Pennsylvania courts have recognized that “metadata is inseparable from Electronic Stored Information (ESI), and, being a conjoined part of ESI documents, metadata must be disclosed along with an ESI document.” *Paint Tp. v. Clark*, 109 A.3d 796, 804 (Pa. Commw. Ct. 2015); *see also Romero v. Allstate Ins. Co.*, 271 F.R.D. 96, 105-09 (E.D. Pa. 2010) (granting plaintiffs’ motion to compel production of ESI and associated metadata, and explaining: “[m]etadata will provide Plaintiffs with crucial information and permit them to engage in a more effective and meaningful search and use of Defendants’ extensive documentation.”).

Arconic is obligated to promptly produce the records detailed in Elliott’s Demand Letter. Elliott expects the Company to do so promptly. If the Company continues to delay and obstruct, Elliott will look to enforce its rights for the benefit of all of the Company’s shareholders, including in court.

Very truly yours,

Martin L. Seidel

## **Additional Information**

Elliott Associates, L.P. and Elliott International, L.P. (collectively, “Elliott”), together with the other participants in Elliott’s proxy solicitation, have filed a definitive proxy statement and accompanying BLUE proxy card with the Securities and Exchange Commission (“SEC”) to be used to solicit proxies in connection with the 2017 annual meeting of shareholders (the “Annual Meeting”) of Arconic Inc. (the “Company”). Shareholders are advised to read the proxy statement and any other documents related to the solicitation of shareholders of the Company in connection with the Annual Meeting because they contain important information, including information relating to the participants in Elliott’s proxy solicitation. These materials and other materials filed by Elliott with the SEC in connection with the solicitation of proxies are available at no charge on the SEC’s website at <http://www.sec.gov>. The definitive proxy statement and other relevant documents filed by Elliott with the SEC are also available, without charge, by directing a request to Elliott’s proxy solicitor, Okapi Partners LLC, at its toll-free number 1-877-869-0171 or via email at [info@okapipartners.com](mailto:info@okapipartners.com).

## **About Elliott**

Elliott Management Corporation manages two multi-strategy hedge funds which combined have more than \$32 billion of assets under management. Its flagship fund, Elliott Associates, L.P., was founded in 1977, making it one of the oldest hedge funds under continuous management. The Elliott funds’ investors include pension plans, sovereign wealth funds, endowments, foundations, funds-of-funds, high net worth individuals and families, and employees of the firm.

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