

DAILY JOURNAL CORP  
Form DEF 14A  
July 25, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

DAILY JOURNAL CORPORATION

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(Name of Registrant as Specified in Its Charter)

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- No fee required.
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1) Title of each class of securities to which transaction applies:

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**DAILY JOURNAL CORPORATION**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To be held September 10, 2014**

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To the Shareholders of

DAILY JOURNAL CORPORATION

The Annual Meeting of Shareholders of Daily Journal Corporation (the "Company") will be held at 949 E. 2nd Street, Los Angeles, California 90012 on Wednesday, September 10, 2014, at 10:00 a.m., Los Angeles time. The purpose of the Annual Meeting is to consider and vote upon the following matters, as more fully described in the accompanying Proxy Statement which is attached hereto and incorporated herein:

- (1) Election of a Board of Directors.
- (2) Ratification of the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the current fiscal year.
- (3) Advisory vote to approve the Company's executive compensation.
- (4) Such other matters as may properly come before the meeting.

The Board of Directors has fixed the close of business on July 14, 2014 as the record date for the determination of shareholders entitled to receive notice of and to vote at the Annual Meeting or any adjournment thereof.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING**

**TO BE HELD ON SEPTEMBER 10, 2014**

This Notice of Annual Meeting of Shareholders, the accompanying Proxy Statement and the Company's Annual Report for the fiscal year ended September 30, 2013 may be viewed and printed from the Company's website at [proxy.dailyjournal.com](http://proxy.dailyjournal.com).

By Order of the Board of Directors

/s/ Michelle Stephens  
Michelle Stephens  
*Secretary*

July 25, 2014

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**IMPORTANT**

**SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON ARE URGED TO DATE, FILL IN, SIGN, AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

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**DAILY JOURNAL CORPORATION**

**915 E. 1st Street**

**Los Angeles, California 90012**

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF SHAREHOLDERS**

**September 10, 2014**

Your proxy in the enclosed form is solicited by the Board of Directors of the Company for use at the Annual Meeting of Shareholders to be held on September 10, 2014 at 949 E. 2nd Street, Los Angeles, California 90012 at 10:00 a.m., and at any adjournment thereof. Each properly executed proxy received prior to the Annual Meeting will be voted as directed, but, if not otherwise specified, proxies will be voted (1) for the election of the nominees for directors named in this Proxy Statement, (2) to ratify the appointment of BDO USA, LLP as the Company's independent registered public accounting firm for the current fiscal year, and (3) for approval, on an advisory basis, of the compensation of the Company's executive officer. As to any other business which may properly come before the meeting and be submitted to a vote of shareholders, proxies received by the Board of Directors will be voted in accordance with the discretion of the holders thereof.

Each shareholder has the right to revoke his proxy at any time before it is voted. A proxy may be revoked by filing with the Secretary of the Company at 915 E. 1st Street, Los Angeles, California 90012, a written revocation or a properly executed proxy bearing a later date, or by voting in person.

The Company will bear the cost it contracts for in the solicitation of proxies. In addition to the use of the mail, proxies may be solicited by personal interview, telephone, fax or e-mail by officers, directors and other employees of the Company (none of whom will receive additional compensation therefor). The Company will also request persons, firms and corporations holding shares in their names, or in the names of their nominees, which are beneficially owned by others, to send or cause to be sent proxy materials to, and obtain proxies from, such beneficial owners, and, on request, will reimburse such holders for their reasonable expenses in so doing.

The close of business on July 14, 2014 has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. Shares of Common Stock, of which 1,380,746 were outstanding on July 14, 2014, are the only voting securities of the Company. A majority of the

Company's outstanding shares of Common Stock as of July 14, 2014 must be represented in person or by proxy to constitute a quorum for the Annual Meeting. All shares represented in person or by proxy, regardless of the nature of the vote, the indication of abstention or the absence of a vote indication, including broker non-votes, will be counted to determine the number of shares represented at the meeting. This Proxy Statement and the enclosed form of proxy were first mailed to shareholders on or about July 25, 2014.

## ELECTION OF DIRECTORS

(Item 1 on the Proxy Card)

The Bylaws of the Company permit from three to five members on the Board of Directors. Presently, five directors serve on the Board. The directors are elected annually and serve until the next annual meeting of shareholders and the election of their successors.

The independent members of the Board of Directors have nominated for election the five nominees listed below. Shareholders have cumulative voting rights in the election of directors. This means that each shareholder has the right to cast a number of votes equal to his number of shares of Common Stock multiplied by the number of directors to be elected, and to cast all of such votes for one nominee or distribute such votes among two or more nominees as he chooses. The right to vote cumulatively is dependent on a shareholder's giving notice of his intention to cumulate his votes either to an officer of the Company in writing 48 hours before the meeting or by an announcement during the meeting before the voting for directors commences. Once such notice is given, all other shareholders entitled to vote at the meeting will be without further notice entitled to cumulate their votes. Unless otherwise instructed, the persons named in the accompanying form of Proxy will vote the proxies for the five nominees listed below, reserving the right, however, to cumulate such votes and to distribute them among the nominees at their discretion.

Directors are elected by a plurality of the votes cast by the shares entitled to vote thereon. Abstentions are not counted as votes cast in favor of any nominee. Broker non-votes (which occur when a broker or nominee does not receive voting instructions from the beneficial owner and does not have discretion under applicable rules to direct the voting of the shares, such as in the election of directors and the advisory vote to approve the Company's executive compensation) will not affect the outcome.

The Board of Directors of the Company does not contemplate that any of the following nominees will become unavailable prior to the meeting, but if any such persons should become unavailable, proxies will be voted for such other nominees as may be selected by the Company's independent directors.

### Director Nominees

Below is certain information about each nominee for election to the Company's Board of Directors:

**Name**     **Age**   **Principal Occupation Last Five Years**

Charles  
T.  
Munger

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Mr. Munger has been Chairman and a director of the Company since 1977. He also serves as Vice Chairman and a director of Berkshire Hathaway Inc., a holding company with interests in insurance companies, corporations engaged in the retail sale of consumer goods, a manufacturer of premium candies, various other manufacturers, the publisher of The World Book Encyclopedia and a newspaper, the Buffalo News. Mr. Munger was also Chairman of the Board of Directors of Wesco Financial Corporation, which owns an insurance company, a furniture rental business and a specialty steel distribution company, prior to its acquisition by Berkshire Hathaway in June 2011. Mr. Munger is a director of COSTCO Wholesale Corporation, a discount merchant.

**Qualifications and Skills:** The Company benefits from Mr. Munger's leadership for numerous reasons, not the least of which are his experience and abilities as a successful investor, and his focus on creating long-term growth in shareholder value.



**Name      Age      Principal Occupation Last Five Years**

J.P. Guerin	84	<p>Mr. Guerin has been Vice Chairman and a director of the Company since 1977. Mr. Guerin is a private investor.</p> <p>Qualifications and Skills: Mr. Guerin has approximately 50 years of experience in business, working with both private and public companies. During that time, he has served on the boards of directors of more than 20 private and public companies. The Company benefits immensely from that experience, as well as his financial expertise, which qualifies him as the Company’s “audit committee financial expert.”</p>
Gerald L. Salzman	75	<p>Mr. Salzman was elected to the Board of Directors and became President of the Company in 1986. Mr. Salzman also acts as Chief Executive Officer, Chief Financial Officer, Treasurer and Assistant Secretary of the Company.</p> <p>Qualifications and Skills: Mr. Salzman offers the Company a unique broad range of skills, which together are invaluable. Few individuals would be capable of serving as the principal executive officer, principal financial officer and principal accounting officer of a public corporation. Having served the Company for more than 30 years, Mr. Salzman has a deep understanding of the Company’s businesses and their evolution over time.</p>
Peter D. Kaufman	59	<p>Mr. Kaufman joined the Board of Directors in 2006. Mr. Kaufman is Chairman and Chief Executive Officer of Glenair, Inc., a privately held manufacturer of electrical and fiber optic components and assemblies for the aerospace industry. He has served in various capacities at that company since 1977. He was also a director of Wesco Financial Corporation until its acquisition by Berkshire Hathaway in June 2011.</p> <p>Qualifications and Skills: Mr. Kaufman has many years of practical experience as a chief executive officer, and he specializes in fostering a business culture that motivates and retains exceptional employees. His background in accounting also makes him a valuable member of the Company’s audit committee.</p>
Gary L. Wilcox	67	<p>Dr. Wilcox joined the Board of Directors in 2012. Dr. Wilcox has been the Chairman and CEO of Cocrystal Pharma, Inc., a publicly traded biotechnology company developing new treatments for viral diseases, since January 2014. Dr. Wilcox has also been the Chairman since 2007 and CEO since 2008 of Cocrystal Discovery, Inc., a private therapeutic drug discovery and development company. From 1993 until 2007, he was Executive Vice President, Operations and a director of Icos Corporation, a publicly traded biotechnology company.</p> <p>Qualifications and Skills: Dr. Wilcox has extensive experience building and growing start-up ventures into successful public companies. His guidance is expected to be particularly helpful as the Company works to expand its case management software business. Dr. Wilcox has also served on other public company boards and has experience both as a CEO and as an operational executive.</p>

**Proxies given without instructions will be voted FOR the nominees listed above.**



## CORPORATE GOVERNANCE

The Board of Directors has determined that Messrs. Guerin, Kaufman and Wilcox are “independent” in accordance with NASDAQ Marketplace Rule 4200. Accordingly, a majority of the members of the Board of Directors are independent, as required by NASDAQ Marketplace Rule 4350(c)(1).

The Board of Directors has two standing committees: the audit committee and the compensation committee, both consisting of Messrs. Guerin, Kaufman and Wilcox. During the fiscal year ended September 30, 2013, the Board of Directors held six meetings. The audit committee and the compensation committee each held three meetings during the fiscal year. Each director attended all of the meetings of the Board and any committee of which he was a member. The Company does not require its directors to attend the Annual Meetings of Shareholders, but all of the Company’s directors attended the 2013 Annual Meeting.

### *Audit Committee*

The audit committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the “Exchange Act”) and is responsible for assisting the Board in fulfilling its responsibilities as they relate to the Company’s accounting policies, internal controls, and financial reporting practices. The audit committee operates in accordance with a written charter that is not available on the Company’s website, but that is attached as Appendix A to this proxy statement. The Board of Directors has determined that Mr. Guerin is an “audit committee financial expert,” as that term is used in Item 407 of Regulation S-K promulgated under the Exchange Act. The Board of Directors has also determined that Mr. Guerin is independent even though he falls outside the “safe harbor” definition set forth in Rule 10A-3(e)(1)(ii) under the Exchange Act because he owns in excess of 10% of the Company’s common stock. Among other things, the Board considered Mr. Guerin’s history of service and the percentage of common stock held by others, and it determined that he is not an “affiliated person” of the Company who would be ineligible to serve on the audit committee. The Board of Directors believes that each of Messrs. Guerin, Kaufman and Wilcox is independent under NASDAQ Marketplace Rule 4200, meets the criteria for independence set forth in Rule 10A-3 under the Exchange Act and satisfies the other audit committee membership requirements specified in NASDAQ Marketplace Rule 4350(d)(2)(A).

### *Compensation Committee*

The compensation committee is responsible for determining the compensation of the Company’s Chief Executive Officer and all of its other executive officers, if any. As required by NASDAQ Marketplace Rules, the compensation committee operates under a written charter attached as Appendix B to this proxy statement. The Company’s only executive officer, Gerald L. Salzman, does not determine or recommend the amount or form of his compensation or of

any director's compensation. The compensation committee relies on its own good judgment in carrying out its duties and does not waste shareholder money on compensation consultants. The compensation committee may form and delegate authority to subcommittees as it deems appropriate.

### *Nominations*

There is no standing nominating committee, but the Company's independent directors are responsible for selecting nominees for election to the Board of Directors. The Company believes that its independent directors are able to fully consider and select appropriate nominees for election to the Board without operating as a formal committee or pursuant to a written charter. For this same reason, the Company does not have a formal policy by which its shareholders may recommend director candidates, but the independent directors will certainly consider candidates recommended by shareholders. A shareholder wishing to submit such a recommendation should send a letter to the Secretary of the Company at 915 E. 1st Street, Los Angeles, California 90012. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Director Nominee Recommendation." The letter must identify the author as a shareholder and provide a brief summary of the candidate's qualifications, as well as contact information for both the candidate and the shareholder. At a minimum, candidates for election to the Board must meet the independence requirements of NASDAQ Marketplace Rule 4200 and Rule 10A-3 under the Exchange Act. Candidates should also have relevant business and financial experience, and they must be able to read and understand fundamental financial statements. Candidates recommended by shareholders will be evaluated in the same manner as candidates recommended by anyone else, although the independent directors may prefer candidates who are personally known to the existing directors and whose reputations are highly regarded. The independent directors will consider all relevant qualifications as well as the needs of the Company in terms of compliance with NASDAQ listing standards and Securities and Exchange Commission rules.

*Board Leadership Structure and Role in Risk Oversight*

Separate individuals currently hold the positions of Chairman and Chief Executive Officer, and Mr. Munger, who serves as Chairman, is not an employee. As Chairman, Mr. Munger leads the Board of Directors and coordinates the Board's activities, including the setting of relevant agenda items for Board meetings (in consultation with Mr. Salzman, the Chief Executive Officer). The Company believes this structure provides an appropriate allocation of leadership responsibilities and an effective way for the Board to carry out its obligations on behalf of shareholders.

The full Board of Directors is responsible for managing the material risks facing the Company. Certain oversight responsibilities that touch on the risks facing the Company have been delegated to the audit committee and compensation committee in the ordinary course, but Mr. Salzman reports to the full Board, and the full Board participates in the discussion and management of any material risks. On an annual basis, and more frequently as deemed appropriate, the Board evaluates with Mr. Salzman the overall risks facing the Company, including risks to its business and to its internal operations, as well as possible actions that may be taken to address those risks. As described later in this Proxy Statement, the Company has designed its executive compensation program to align the interests of Mr. Salzman with those of the shareholders, and the Company does not believe that its executive compensation arrangements, plans, programs and policies are likely to pose a material risk or otherwise have a material adverse effect on the Company.

*Shareholder Communication with the Board of Directors*

Shareholders who wish to communicate with the Board of Directors or with a particular director may send a letter to the Secretary of the Company at 915 E. 1st Street, Los Angeles, California 90012. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Shareholder-Board Communication" or "Shareholder-Director Communication." All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all members of the Board or just certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

*Code of Ethics*

The Company has adopted a Code of Ethics that applies to all directors, officers and employees of the Company. The Code of Ethics was attached as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended September 30, 2009.

*Related Person Transactions*

In accordance with the audit committee's charter, any related person transaction that the Company would be required to disclose pursuant to Item 404(a) of Regulation S-K must be reviewed and approved by the audit committee. The audit committee also reviews and approves certain other transactions between the Company and related persons or their family members. The audit committee will approve transactions that it believes are in the best interests of shareholders using its judgment and based on the facts and circumstances of each situation.

The Company utilizes the software consulting services of Jon Darin Salzman, the son of the Company's President, Gerald L. Salzman. In fiscal 2013, he billed the Company approximately \$94,000 for about 1,450 hours of software consulting work, and aggregate payments are expected to be at approximately the same rate in fiscal 2014. The Company also utilizes the software consulting services of FC Flamingo, LLC, a company owned by Riley Guerin, the son of our director, J.P. Guerin. In fiscal 2013, the Company paid approximately \$35,000 to FC Flamingo for providing various consulting services to the Company and about \$6,000 to Riley Guerin as an employee prior to his forming the FC Flamingo consulting firm. The aggregate payments to FC Flamingo are expected to be approximately \$160,000 in fiscal 2014. The audit committee approved these transactions for fiscal 2013 and has approved them again for fiscal 2014.

*Compensation Committee Interlocks and Insider Participation*

All members of the compensation committee served throughout fiscal 2013, and no member was part of a "compensation committee interlock" as defined in the Securities and Exchange Commission rules. In addition, Mr. Salzman, our only executive officer, did not serve as a director or member of the compensation committee of another entity that would constitute a compensation committee interlock.

**EXECUTIVE COMPENSATION***Summary Compensation Table*

The following table sets forth compensation paid by the Company during the last two fiscal years to Gerald L. Salzman, who is the only executive officer of the Company.

**Summary Compensation Table****Annual Executive Compensation in Fiscal 2011 – 2013**

	Fiscal Year	Salary	Bonus	Non-Equity Incentive Plan Compensation(1)	Total
Gerald L. Salzman	2013	\$250,000	\$542,080	\$ 241,240	\$1,033,320
Chief Executive Officer,	2012	250,000	635,320	701,520	1,586,840
President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Assistant Secretary	2011	250,000	400,000	1,090,760	1,740,760

All amounts were paid pursuant to the Company's Management Incentive Plan. Mr. Salzman has received certificates entitling him to a designated share (currently 8.2%) of the Company's income before taxes and certain other items on a consolidated basis. In fiscal 2013, Mr. Salzman received a certificate entitling him to .55% of such earnings for the current and the next nine years. (The .55% awarded in fiscal 2013 replaced an earlier awarded certificate which terminated with a final payment in fiscal 2012.) Mr. Salzman's 2013 certificate resulted in a payment of \$16,300 for fiscal 2013.

*Compensation Discussion and Analysis*

The compensation for Mr. Salzman consists of three elements: base salary, year-end bonus and participation in the Management Incentive Plan. Salary and bonus payments are primarily designed to reward current and past performance, while awards granted pursuant to the Management Incentive Plan are aimed at providing incentives for long-term future profitability of the Company. In determining the amount and form of compensation to be paid or awarded in 2013, the compensation committee considered the Company's overall performance over a period of years, rather than constructing a guideline or formula based on any particular performance measured in a single year. The compensation committee also recognized that Mr. Salzman serves in several executive capacities. Mr. Salzman



currently serves as the Company's chief executive officer, president, chief financial officer, chief accounting officer, treasurer and assistant secretary. In addition, the compensation committee considered the results of the advisory vote held at the Company's 2011 Annual Meeting, in which a vast majority of shareholders approved the Company's executive compensation program, in deciding to maintain the company's executive compensation program on substantially the same terms as the past several years.

Mr. Salzman's base salary remained \$250,000, or the same as the amounts paid in each fiscal year since 1992. The compensation committee believes that the amounts of base salary (which will be continued at the same level for fiscal 2014) have been warranted by the Company's financial performance, and by Mr. Salzman's personal performance. While the compensation committee did not undertake a comparison of Mr. Salzman's compensation to amounts paid by other companies to their chief executive officers, the committee members did utilize in their determination of Mr. Salzman's compensation their collective current and past experience as directors and executive officers of numerous companies, and their subjective judgments about the performance of the Company and Mr. Salzman in light of the highly competitive market conditions in the publishing and case management software businesses.

Mr. Salzman's bonus reflects the same \$400,000 bonus that he has received in past years. In each of 2012 and 2013, his bonus also included the incremental amount of money that he would have been entitled to receive under his Management Incentive Plan certificates had the other-than-temporary impairment losses on marketable securities in 2012 and 2013 been excluded. The Board did not think it would be fair to hold Mr. Salzman responsible for the losses associated with the investment portfolio that the accounting rules required the Company to book, given that the securities are not within his responsibility and he will not participate in the ultimate profits or losses generated by the securities. The non-equity incentive plan compensation column in the Summary Compensation Table above reflects Mr. Salzman's supplemental compensation payout under the Management Incentive Plan based on the Company's earnings before taxes, workers' compensation expenses and supplementation compensation expenses.

The Company has no stock option plans, retirement plans, deferred compensation plans, disability insurance programs or traditional perquisites (other than health insurance and a life insurance policy, which are offered to all full-time employees). It instead maintains the Management Incentive Plan, which is designed to link compensation to the performance of the Company by granting to Mr. Salzman and other participants a percentage of income before taxes, workers' compensation expenses, and supplemental compensation expenses in the current year and each of the next nine years subsequent to the grant, provided they continue working for the Company or are retired (and not competing with any of the Company's businesses) and have worked for the Company until age 65. If a participant dies while any of his or her certificates remain outstanding, future payments under those certificates will be made to the deceased participant's beneficiaries. The Management Incentive Plan has three different kinds of certificates entitling participants to a share of the Company's earnings related to their core responsibilities. Participants who work in the Company's traditional publishing business are eligible to receive "Daily Journal Non-Consolidated Certificates," while those working for Sustain Technologies, Inc. are eligible to receive "Sustain Certificates." During fiscal 2012, the Company added a supplemental Addendum to the Sustain Certificate. This Addendum defines how the value of Sustain Certificates will be paid upon a triggering event such as a sale of Sustain or an initial public offering. Mr. Salzman and other participants with responsibilities for the entire business are eligible to receive "Daily Journal Consolidated Certificates." Employees and consultants of New Dawn Technologies, Inc. and ISD Technologies, Inc. were not eligible to participate in the Management Incentive Plan, but going forward they will be.

In fiscal 2015, the Company expects to combine Sustain, New Dawn and ISD into one company, and then employees and consultants of the combined entity will be able to participate in new "Technology Company Certificates." Payouts under the Technology Company Certificates will be calculated based on the pretax income of the new technology company before supplemental compensation expenses, workers' compensation expenses, intangible amortizations and goodwill impairment. The Technology Company Certificates will also have the same Addendum that was added to the Sustain Certificates in 2012, and all of the Sustain Certificates will be converted into Technology Company Certificates on an equitable basis. Also in fiscal 2015, the calculation of payouts under the Daily Journal Non-Consolidated Certificates will be based on the pretax earnings of the traditional publishing business before supplemental compensation expenses, workers' compensation expenses, financing costs of the non-traditional business activities and any write-downs of unrealized losses on investments. The calculation of payouts under the Daily Journal Consolidated Certificates is not changing.

The compensation committee recognizes that a significant portion of the compensation paid pursuant to the Management Incentive Plan relates to "certificates" earned under the Plan in prior years, with future payments entirely

dependent on earnings. Non-negotiable certificates specifying the designated share of earnings are given to participants as evidence of their participation in the Management Incentive Plan. Certificates are awarded on the basis of participant performance. The aggregate supplemental compensation awarded under the Management Incentive Plan to all participants in fiscal 2013 was \$592,360. That compares to an aggregate of \$1,215,020 awarded under the plan in fiscal 2012 and \$1,639,240 in 2011.

The compensation committee believes the Management Incentive Plan is preferable to a conventional stock option plan. As a mechanism for compensation, a stock option plan is capricious, as individuals awarded options in a particular year would ultimately receive too much or too little compensation for reasons unrelated to their performance. Such variations could cause undesirable effects, as participants receive different results for options awarded in different years. In addition, a conventional stock option plan would fail to properly weigh the disadvantage to shareholders through dilution. The Management Incentive Plan was implemented in combination with repurchases of the Company's stock to reduce the dilution to earnings per share caused by grants under the Management Incentive Plan. At September 30, 2013, 66,000 units for Daily Journal Non-Consolidated Certificates, 143,500 units for Sustain Certificates and 148,000 units for Daily Journal Consolidated Certificates were outstanding under the Management Incentive Plan, while 424,307 shares of the Company's common stock have been repurchased since the commencement of the Management Incentive Plan.

**Grants of Plan-Based Awards During Fiscal 2013**

Name	Grant Date	Type of Award	Award Description	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (a)	Threshold	Target	Maximum
Mr. Salzman	9/6/2013	MIP Units	.55% of pre-tax earnings				

(a) There are no threshold, target or maximum amounts, because the actual amount earned by Mr. Salzman will depend on the actual pre-tax earnings of the Company in a given year.

After considering the amount of the certificates previously granted to Mr. Salzman under the Management Incentive Plan, the compensation committee granted to Mr. Salzman an additional certificate entitling him to receive approximately .55% (\$16,300 in fiscal 2013) of the earnings of the Company. Certificates awarded to Mr. Salzman in earlier years of the Management Incentive Plan began to expire after fiscal 1997, and those certificates expiring in fiscal 2013 were for .55% of earnings. Accordingly, the award in fiscal 2013 essentially replaced an identical expiring award and maintained Mr. Salzman's interest in the earnings of the Company at 8.2% (\$241,240 in fiscal 2013), where it has been since fiscal 1997. The compensation committee has awarded Mr. Salzman a certificate for fiscal 2014 equal to approximately .66% of the Company's earnings in 2014 and in each of the next nine years (again, replacing an identical expiring award), subject to the discretion of the committee to reduce that percentage prior to the payout for 2014. The compensation committee will continue to examine the appropriate amount of future grants to Mr. Salzman in light of the Company's financial performance and the expiration, or expected expiration, of a substantial portion of the certificates Mr. Salzman currently holds. Absent substantial changes in Mr. Salzman's performance or the performance of the Company, the compensation committee's working assumption is that it will make future grants that maintain Mr. Salzman's interest in the earnings of the Company at 8.2%.

Mr. Salzman does not have an employment contract with the Company, nor is he otherwise entitled to any sort of special payment in connection with his termination or a change in control of the Company.

*Compensation of Directors*

Messrs. Munger, Guerin and Salzman receive no fees for serving on the Company's Board of Directors. The other directors each receive a yearly stipend of \$5,000. The Company also reimburses directors for travel and other

expenses incident to service, but it provides no other compensation or perquisites. Non-employee director compensation for 2013 is summarized in the following table:

**Non-Employee Director Compensation**

Name	Fees earned or paid in cash	All other compensation	&
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