

Shareholder Communications Coalition  
October 5, 2009

Several representatives of the Shareholder Communications Coalition met with senior SEC staff last Thursday, October 1, to discuss the Coalition's recommendations for improving the proxy voting and shareholder communications system.

The Coalition's meeting involved staff from three SEC Divisions: Corporation Finance, Trading & Markets, and Investment Management. We were told that the SEC's evaluation of these proxy "plumbing" issues will be led by the Corporation Finance Division. The staff has just started this evaluation and no fixed timetable has been established for this evaluation, as of yet.

The Coalition's presentation focused on the Coalition's August 4 Discussion Draft on Public Company Proxy Voting. Our representatives led a discussion about the problems with the current system—from an issuer perspective—and the need for: (1) end-to-end confirmation of vote totals; and (2) a system which encourages open and direct communications between issuers and their beneficial holders. The second part of our presentation involved the 7 recommendations contained in the Discussion Draft. We reviewed each one of the concepts with the staff and answered their questions. I think everyone from our side felt that it was a very constructive discussion on each of the 7 points.

You can click on the following link to review the Coalition's Discussion Draft document:  
<http://www.shareholdercoalition.com/CoalitionDiscussionDraftAug2009.pdf>

Several Coalition representatives also talked about proxy advisory services and the lack of oversight and transparency within this industry. We were told that this issue will be a part of the SEC's evaluation of proxy infrastructure issues.

At the end of our meeting with the SEC staff we talked about next steps and offered the Coalition as a resource for information, data, and analysis, as the staff works through its evaluation of proxy plumbing issues.

On a related topic, SEC Commissioner Elisse Walter spoke before the Corporate Counsel Institute on Friday at Northwestern University. In her remarks, Commissioner Walter reviewed the status of several proxy issues, including the plumbing issues under review. I have pasted her remarks on Rule 452 and Proxy Plumbing below. If you want to read her comments on other issues, click on the following link: <http://www.sec.gov/news/speech/2009/spch100209ebw.htm>

Thank you for your interest in the Shareholder Communications Coalition.

Niels Holch  
Executive Director

## NYSE Rule 452 and Proxy Plumbing

I expect that in the upcoming proxy season, market participants will be particularly interested in voting results when the amendments to NYSE Rule 452 eliminate broker voting in uncontested director elections. These amendments are designed to help assure that voting rights on critical matters like director elections are exercised by those with an economic interest in the company, rather than by brokers. And, I believe that they should improve corporate governance and enhance accountability of directors and shareholders.

I do not share the skeptics' view that, by returning the right to vote to shareholders, the amendments to Rule 452 will in fact disenfranchise retail shareholders. To the contrary, these amendments will ensure that the ballots cast by retail shareholders reflect their own decisions, not the decisions of their brokers. Many retail shareholders may not understand how important this change is — that they must now decide whether to vote in their company's director elections, and how to exercise that important right of franchise. We all need to make sure that shareholders understand these changes and what they mean for the upcoming proxy season. We at the SEC will be doing our part to educate investors, and I hope that all of you will do the same.

To further our goal of improved corporate governance, our staff is also taking an in-depth look into proxy voting mechanics (such as over and empty voting) and shareholder communications issues (including the "NOBO/OBO" distinction), a project we refer to as "Proxy Plumbing."

Just as it is in your homes, this "plumbing" is critical to the proper functioning of the proxy process. Meredith Cross, our Director of the Division of Corporation Finance, and her staff certainly agree. And, I expect that the Director of the Commission's newly-established Division of Risk, Strategy, and Financial Innovation, Dr. Henry Hu, will be extremely helpful to us in resolving these issues.