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Shareholder Communications Coalition Launches Campaign for More Transparency and Disclosure in Proxy Matters

Coalition Unveils New Public Policy Website

Washington, D.C., October 29, 2008 – The Shareholder Communications Coalition, a Washington, D.C.-based organization, today announced the creation of a new website, www.shareholdercoalition.com, as a part of a broader effort to inform the general public and Washington policymakers about significant challenges in the current system used by investors to vote their shares in corporate elections.

The Coalition comprises five associations: Business Roundtable (BRT), National Association of Corporate Directors (NACD), National Investor Relations Institute (NIRI), the Securities Transfer Association (STA), and Society of Corporate Secretaries & Governance Professionals (SCSGP). In addition to unveiling a new public policy website, the Coalition is launching a campaign for a comprehensive review of the current proxy voting and communications system by Congress and the Securities and Exchange Commission (SEC).

The Coalition's effort to inform the general public and engage policymakers in reform of this system is being driven by a number of abusive practices in share lending programs and complex derivative products that are impacting the proxy voting system, including:

- Brokers and other third-party intermediaries are frequently unable to accurately calculate the number of equity shares held by their customers at the time a corporate record date is established, ultimately affecting the number of votes allowed for each individual shareholder.

- Hedge funds and other large investors are able to inappropriately influence the shareholder voting process by timing short sale transactions to occur before and after a company establishes its record date, allowing the hedge funds to control a greater number of votes.
- Hedge funds and other large shareholders are able to use cash-settled equity swaps—a complicated derivative product—to avoid SEC disclosure rules and hide significant equity ownership interests.

The Coalition also believes that the SEC’s proxy voting and shareholder communications rules are antiquated and in need of reform. Specifically:

- Shareholder communications rules have created artificial, unnecessary, and expensive barriers between public companies and their individual investors. Under these rules, companies are restricted from knowing who holds their shares.
- The current proxy system allows only one company to handle the substantial majority of all proxy voting and shareholder communications activity on behalf of public companies. Companies should have the ability to determine the distributors of their communications, and should not be forced to pay for the costs of a system in which the fees are determined by third parties.
- Proxy advisory services used by institutional investors influence or control a significant portion of the vote at American corporations and yet operate without adequate oversight and disclosures.

“Good corporate governance requires that we ensure integrity in the proxy voting process and effective communications between public companies and their shareholders,” said John J. Castellani, President of the Business Roundtable. “The current proxy system is outdated and badly in need of fundamental reform. We look forward to working with Congress and the SEC to address these problems as part of a broader review of how best to regulate financial markets in the future.”

“The NACD supports this effort to educate the public about proxy voting at a crucial time in the history of capital markets,” said Kenneth Daly, Chief Executive Officer, National Association of Corporate Directors.

“Regulatory reform over the past several years, including Regulation FD and Sarbanes-Oxley, has driven increased public company disclosure and transparency that has benefitted all financial market participants,” said Jeffrey D. Morgan, President and Chief Executive Officer of the National Investor Relations Institute. “However, proxy rules and practices that have been in place for decades have created roadblocks for communication between public companies and their shareholders. As we look to reform our financial system, now is the time to enact changes that will improve the ability of

companies to identify and communicate with their shareholders, as well as reform our stock lending and short-selling regulations.”

“Transparency of share ownership and open communication between shareholders and public companies have proven to be achievable and more cost-effective in other major markets worldwide as in the U.K,” said Charles Rossi, President of the Securities Transfer Association. “If the U.S. financial system is to remain competitive in a global economy, we need to positively effect change in a number of areas, including proxy voting and shareholder communications regulation.”

“The Society of Corporate Secretaries and Governance Professionals believes that, especially now, during this economic crisis, issuers must be able to communicate directly with all of their owners,” said David Smith, President. “Fundamental changes to facilitate such openness must be a priority of the new Administration, Congress and regulators.”

Member organizations of the Coalition represent some of the most experienced and well-regarded associations seeking to continually drive improvements and advancements in the financial industry. For more information, please visit www.shareholdercoalition.com for background material and the Coalition’s recommendations for reform.

About the Business Roundtable

Business Roundtable (www.businessroundtable.org) is an association of chief executive officers of leading U.S. companies with \$4.5 trillion in annual revenues and nearly 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, they returned \$114 billion in dividends to shareholders and the economy in 2006.

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About National Association of Corporate Directors

Founded in 1977, the National Association of Corporate Directors (www.nacdonline.org) is the non-profit membership organization of 10,000 directors representing companies ranging from the Fortune 500 to smaller public, private, and non-profit organizations. The organization's mission is to help boards improve performance in order to enhance long-term corporate performance on behalf of shareholders and other stakeholders. NACD conducts director education programs and standard-setting research, and convenes networks of director peers in 21 chapters throughout the U.S., serving as the voice of the director on leading practices and key issues impacting the work of the board.

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About National Investor Relations Institute

Founded in 1969, NIRI is the professional association of corporate officers and investor relations consultants responsible for communications among corporate management, shareholders, securities analysts and other financial publics. NIRI's 4,400 members represent nearly 2,100 publicly held companies and \$5.4 trillion in stock market capitalization. For more information, please visit www.niri.org.

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About The Securities Transfer Association

Founded in 1911, the Securities Transfer Association (www.stai.org) represents more than 150 commercial stock transfer agents within the United States, including corporate and mutual fund agents. Collectively, the Association's members serve as transfer agents for more than 15,000 publicly traded corporations, aggregating more than 100,000,000 shareholders.

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About Society of Corporate Secretaries & Governance Professionals

The Society of Corporate Secretaries & Governance Professionals (www.governanceprofessionals.org), founded in 1946 as the American Society of Corporate Secretaries, has over 3,800 members representing approximately 2,600 companies. The Society's members deal with public disclosure under the securities laws and matters affecting corporate governance, including the structure and meetings of the board of directors and its committees, the proxy process, and the annual meeting of shareholders and shareholder relations, especially with large institutional owners. The Society acts as a positive force for enlightened corporate governance and changed its name to the Society of Corporate Secretaries & Governance Professionals in January 2005 to demonstrate the importance it places on this key mission.

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