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Report of Roundtable on Proxy Governance: Recommendations for Providing End-to-End Vote Confirmation

University of Delaware
Alfred Lerner College of Business & Economics
JOHN L. WEINBERG CENTER FOR CORPORATE GOVERNANCE

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About the Weinberg Center for Corporate Governance

The mission of the John L. Weinberg Center for Corporate Governance at the University of Delaware is to foster education, thoughtful debate, and innovation in the field of corporate governance. The Weinberg Center's programs provide forums for corporate board members, the legal community, the judiciary, regulators, academia and students, in which theories are created, ideas are advanced and progressive changes come to life. Since the founding of the Weinberg Center in 2000, Center programs have helped shape the debate on some of the most important legal and policy matters in corporate law and governance. In light of the constantly shifting dynamics in the US and global marketplace, the Weinberg Center continues to strive to have an impact on issues involving investor protection, economic value creation and sound regulatory and governance policy.

The Weinberg Center views its activities through the prisms of educational value and enrichment of the academic experience at the University by exploring the relationship between finance and legal policy as they relate to corporate governance, policy reform and investor protection. Our students are our most valuable resource, and as a result, many of our programs are built into our finance and corporate governance curriculum. We are part of the Finance Department of the Alfred Lerner College of Business and Economics and are ideally situated to explore this relationship, and to blend empirical financial study with legal policy and practice. We maintain close relationships to the legal and business communities to ensure Center work is practical, relevant and will translate from the classroom to the boardroom and the marketplace.

Weinberg Center programs include:

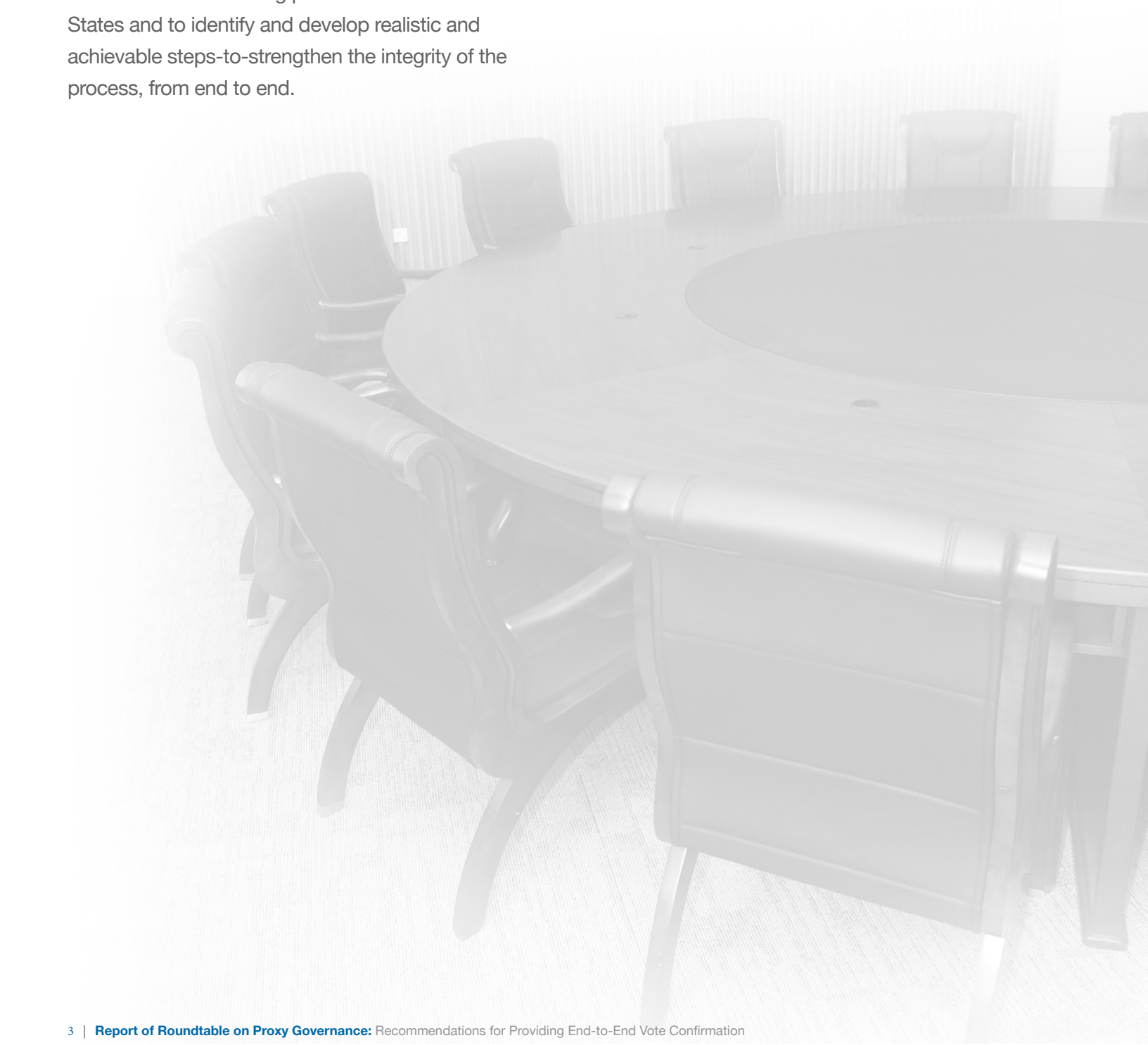
- Roundtable discussions on corporate governance issues featuring members of the Delaware judiciary and bar, federal and state regulators, the faculty of the University of Delaware's Alfred Lerner College of Business and Economics, and the national and international corporate community;
- Academic symposiums where leading scholars in the legal and finance fields present and advance papers and works of interest in corporate governance;
- Directors Education Colleges and programs;
- The John L. Weinberg Distinguished Speaker Series featuring top practitioners, scholars and regulators;
- Outreach activities including press and media relations, testimony on Capitol Hill, working with the Delaware State Legislature and Secretary of State's Office, formal and informal regulatory interactions including comment letters and meetings;
- Academic research projects bearing on corporate governance issues, and the support of research on corporate governance issues of interest to the national business and legal communities;
- Internet outreach via our popular blog and website, podcasts and webinars; and
- Classroom education of undergraduate and graduate students.

Throughout our history, our mission and programs have been informed and assisted by a valuable and generous Advisory Board, the Dean and faculty of the Alfred Lerner College of Business and Economics, and our friends and colleagues in the corporate governance field. All of their contributions have helped shape the Weinberg Center into one of the premier governance centers in academia.

The Roundtable and its Members

As part of its commitment to promote best practices in Corporate Governance, the Weinberg Center convened a Roundtable on proxy voting on December 13, 2010, at the Alfred Lerner College of Business and Economics of the University of Delaware. The goal of the Roundtable was to address existing concerns regarding the integrity of the shareholder voting process within the United States and to identify and develop realistic and achievable steps-to-strengthen the integrity of the process, from end to end.

With an emphasis on developing practical solutions, the Center invited persons actively engaged in and knowledgeable about all areas of the shareholder voting process. Participants represented tabulators, transfer agents, banks, brokers, issuers, public and private fund managers and proxy service providers.



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Introduction

Over the past 25 years, the American system of corporate governance has adapted resiliently to the forces that have transformed the economy into a global, information driven market in which products, services, capital and risks move across borders and time zones faster than at any time in our history. At its core, corporate governance is the process by which the roles and responsibilities between a board of directors, company management and shareholders are allocated. These fundamentals, in which the board of directors is elected to oversee the company and its management on behalf of shareholders and in the pursuit of long term economic growth, remain the true touchstones of governance today.

Corporate governance works at its best when all of the constituent elements work in harmony, each performing its designated role, with proper incentives, alignment of interests and the tools to be able to accomplish the job. Responding to concerns that this has not always been the case, changes in how we think about governance have advanced and improved the way the system works. Importantly, there is a firmly held recognition that corporate governance matters. This belief is held by boards, shareholders, the markets generally and the regulatory community. Corporate governance is a facilitator and does not replace the fundamentals of what makes a company a success—a sound business plan, the right management team to execute the plan and the resources to innovate and grow. Without a proper governance framework, however, becoming and remaining a successful company in our competitive global marketplace becomes more of a challenge.

These changes have affected all elements of the governance system. Shareholders for their part have become concentrated in the form of institutional intermediaries who exercise their fiduciary duties through the process of shareholder communications, resolutions and director elections. Individual investors have access to levels of information about their investments previously reserved to a privileged few. Boards of directors have changed compositionally and have become independent agents and monitors of corporate welfare. Executive compensation reforms are working to align the interests and incentives of corporate management with those consistent with long-term shareholder growth. Some of these changes have occurred organically, many more have been the result of outside forces, including Congressional legislation, federal and state rules and codes, and judicial decisions. It is fair to say that the process as a whole has been under evaluation. This is a healthy development, in which periods of change often occasion reflection points in policy.

This reexamination of the whole has produced increased interest in the mechanisms of shareholder sovereignty. For the system of governance to function effectively, there must be appropriate mechanisms for accountability. Accountability includes the electoral process by which shareholders elect their director representatives. Unless elections are fair and transparent in both reality and perception, a critical governance control mechanism is endangered. As is the case with any electoral system, the entire process must be orderly, free from errors and trustworthy.

The U.S. Securities and Exchange Commission has undertaken a review of an essential part of shareholder suffrage, the proxy system. Corporate proxies serve as a surrogate for the annual meeting in which much of the annual business of the corporation is conducted. Encouraging participation in the annual meeting, through an assessment of the proxy voting process, is a valid policy goal which fosters participation in the capital markets and encourages shareholder involvement. It is also fundamental that, once cast, shareholder votes are properly transmitted and tallied. In order to advance the important policy objectives of enhanced shareholder voting integrity, various groups began to study the process and to consider ways to make shareholder elections as accurate as possible.

It is in this context that the Weinberg Center for Corporate Governance, working closely with industry participants, convened a Roundtable to assist public policy makers in understanding the issues in the marketplace. The Roundtable's goal went beyond issue enumeration and included identification of concrete, achievable solutions to the issues in the shareholder voting chain. In this Report, we have sought to address what the Roundtable believes to be the issues of the most pressing concern, and those which can be solved in the short to medium term, without the need for federal regulation. We issue this Report in that spirit—and we hope that the recommendations and commentary set forth herein advance the common policy goals of voting integrity and exemplary corporate governance reforms.

Executive Summary

End-to end vote confirmation: its importance and its achievability

Corporations and shareholders alike have expressed the need for shareholder elections to be unimpeachably accurate. Corporations expect the elections of their directors and the outcome of other shareholder votes to be legitimate, above reproach and final. Shareholders expect that their votes are received and tabulated as they have instructed and in a timely fashion. A number of shareholders have also expressed the desire for a confirmation that their individual votes were correctly entered into the final voting tabulations that are certified by the Inspectors of Election.

The SEC's July 14, 2010 Concept Release on the U.S. Proxy System notes that "Investor and issuer interests may be undermined when perceived defects in the proxy system or uncertainties about whether there are any such defects, are believed to impair its accuracy, transparency and cost efficiency."

The Weinberg Center Roundtable was not convened to address all possible defects in the proxy system. Rather, it was formed to focus on voting integrity issues and to recommend practical and achievable solutions. It is the belief of the Roundtable participants that upon the implementation of the recommendations expressed below that the voting integrity desired by all parties can be enhanced.

Proxy voting complexity

All parties agree that the proxy voting system has become complex as a result of evolving forms of stock ownership and custody. As investors have developed a variety of share ownership alternatives and trading strategies, the proxy voting system has adopted accommodating responses and practices.

The reduction in the use of the paper stock certificates and the creation of a central depository to hold shares on behalf of participating banks and brokers, which in turn hold shares on behalf of individual clients, has enabled the securities industry to replace the physical exchange of certificates and checks that threatened to overwhelm the settlement process. Trading of shares that are held in book-entry form at a depository is done through an exchange of debits and credits between depositary participants and their clients. It is estimated that in excess of 80% of the shares of U.S. large cap public companies are currently held in book-entry form or "street" name. The remaining 20% are held in registered form, involving either a traditional paper certificate or held in book entry form that is directly registered on the records maintained by the issuing company's transfer agent. While street name ownership through a depository has greatly facilitated settlements, it has also challenged the ability of companies to know the identity of many of their shareholders and the number of shares those shareholders are entitled to vote.

In addition to the challenges that result from such anonymity, innovations in trading and equity products have placed further demands on the proxy voting process. Shares may be held in mutual funds, managed accounts, pension plans, trusts and retirement accounts. Also, shares may be held with custodians or with multiple brokers. Shares may be pledged as collateral, sold short, lent, borrowed, hypothecated, placed in trust or used in connection with put and call option writing. The proxy voting system must accommodate all of these forms of ownership.

Notwithstanding these challenges, the Roundtable believes that the complexity of share ownership alternatives should not stand in the way of accurate vote processing.

Voting entitlement

The voting entitlement of shares held in street name is determined from the number of shares held in the nominee's name at a securities depository as of the record date. In the U.S., Depository Trust & Clearing Corporation (DTCC) is the primary central depository, although some U.S. shares belonging to both U.S. and non-U.S. resident investors are held in Euroclear, Clearstream, the Canadian Depository for Securities (CDS) and other global depositories.

A nominee may have a greater aggregate long share position on its books than is reflected in its depository entitlement, generally as a result of stock loans, shares registered directly in the nominee's name on the books of the issuer, shares held in the account of another depository participant and/or, to a much lesser extent, "fails to receive." In such cases, to prevent "over voting," the nominee must take steps to report only the votes that fall within the nominee's voting entitlement. Where appropriate, nominees perform adjustments to beneficial vote entitlements either before ("pre-reconciliation") or after ("post-reconciliation") distribution of voting instruction forms.

A number of tabulators indicated their preference for pre-reconciliation, stating that it informs investors with outstanding margin loans how many shares they are entitled to vote. Some tabulators also claim that pre-reconciliation aids the tabulator in reconciling voting entitlements, although custodian banks and brokers are split on the merits of pre- vs. post-reconciliation. The Roundtable noted that any decision to mandate either pre- or post-reconciliation by brokers would require action and rule-making by the SEC, and, since end-to-end confirmation is possible under either pre- or post-reconciliation, the Roundtable did not express an opinion whether either reconciliation method is preferable.

As a further complexity, street name investors may hedge their long positions in various ways to either reduce (e.g., through short sales) or increase (e.g., through call options) some or all of their exposure to market fluctuations in their long positions. Some have labeled the voting of hedged long positions to be "empty voting," but state law considers the holder of the long position to be the rightful voter, much as the titleholder of a house is considered the rightful owner, even though his or her house may be encumbered by a mortgage. The Roundtable did not express an opinion as to the state law tradition of treating the holder of the long position as the rightful voter.

Enhancements to the proxy voting process can be made in advance of any changes to the current NOBO/OBO structure

A number of companies have expressed the desire to communicate directly with their beneficial owners and have expressed frustration with the street name ownership system which permits shareholders to object to the release of their names and addresses to their investee companies. Non-Objecting Beneficial Owners (NOBOs) allow their brokers to release their names and addresses. Other shareholders, known as Objecting Beneficial Owners, or OBOs, regard their share ownership as an important element of their financial privacy and actively resist making such information known to issuers or their agents.

Current rules call for NOBO status to be the automatic default for investors who fail to specify a preference. Brokers who may have erroneously defaulted clients to OBO status have agreed to contact those clients to determine the client's preference.

Critics of the OBO system state that proxy voting could be made less complex if issuers could obtain the contact information and share ownership positions of their shareholders. The SEC is currently weighing the merits of the OBO system and may or may not make changes to it in the future. Unsure of the timing or extent of any such changes to the OBO system that may be made, and aware that vote confirmation is currently possible for all shareholders, the majority of Roundtable members believe that end-to-end confirmation should be pursued without further delay and independent of changes, if any, to the OBO/NOBO structure.

Accordingly, as set forth later in this report, the Roundtable believes that steps should be taken now to strengthen voting entitlement authentication, enable prompt reconciliation of voting record discrepancies and minimize voter disenfranchisement.

The proxy voting process should be transparent, accurate, auditable and capable of providing prompt confirmation to both individual and institutional shareholders

The voting of registered shares is essentially a direct communication between a known shareholder and the tabulator. Tabulators can confirm voting by registered shareholders by reconciling proxy voting with transfer agent lists. End-to-end confirmation of registered share voting is available today. And, for registered shareholders who vote via phone or Internet, vote confirmation is provided at the time of voting.

Vote confirmation for street name, or beneficial, owners, however, requires additional steps. Accordingly, the Roundtable's discussions focused on the challenges in providing end-to-end confirmation for street name shares, and the recommendations that follow propose a series of steps that will result in a street-side proxy voting process that can be both confirmed to all shareholders from end-to-end and lend itself to overall independent audit and verification.

Overview of Proxy Voting Process

At the outset of its deliberations, members of the Roundtable provided the following overview of the U.S. proxy voting process. The overview provided background and context for the recommendations that follow.

The U.S. proxy process can be broken down into five components, which are described on the next page: share ownership, voting entitlement, material distribution, share voting and vote confirmation.

1. Share Ownership

Shares are owned in one of two ways: registered or in "street name." Shares purchased directly from an issuer or its investment plan are owned in registered form. In addition, shares purchased through a bank or broker with a subsequent request from the investor to register and hold the shares outside of the brokerage account are also held in registered form. The identity of the shareholder is known to the issuer, and the transfer agent maintains the record of registered ownership. Shares purchased through a bank or broker (or "nominee") that remain in the bank or brokerage account are owned in beneficial form, also known as "street name" ownership. Approximately 80% of large cap public companies' shares are held in street name. These shares are held of record through DTCC by participant nominees which, in turn, hold these shares on behalf of their clients, the street name shareholders. Street name shareholders are also often called "beneficial shareholders." The identity of a beneficial shareholder is generally not known to an issuer unless such holder has consented to having his or her nominee (the holder's bank or broker) provide his or her identity to the issuer. Nominees maintain the records of beneficial ownership.

2. Voting Entitlement

As a matter of state law, voting entitlement at a shareholder meeting is conferred on shareholders of record on the record date for such meeting. Generally, registered shareholders have direct voting rights conferred by state law. Generally, beneficial shareholders have voting rights conferred by contract between the beneficial shareholder and his or her nominee.

Although DTCC is the record owner, nominees actually obtain the legal voting rights as the registered owner of the shares. Upon the record date established for a company's shareholder meeting, DTCC provides a list of nominees that hold the company's shares in street name and issues an 'omnibus proxy', transferring record voting rights to these participant nominees.

A beneficial shareholder obtains the right to provide "voting instructions" to his or her nominee, which, in turn, has the legal right to actually vote those shares. That nominee's record of beneficial shareholders is the sole source that determines the accounts to which it will allocate voting rights, i.e. only long holders of record are eligible to be allocated voting rights, and short sellers are never allocated voting rights.

Brokers may use one of two methods to determine beneficial voting entitlement. Pre-reconciliation is the method whereby shareholders' positions are reconciled prior to the distribution of vote instruction forms. Under pre-reconciliation, the broker accounts for shares held in street name, for margin shares on loan, for market fails and similar adjustments. The broker then adjusts its votable positions to match the inventory of shares actually held through DTCC or other depositories on record date. Post-reconciliation is the method whereby shareholders' street name positions are reconciled after distribution of vote instruction forms (VIFs) and only when the total instructed shares exceed the inventory held through DTCC or other depositories. Under post-reconciliation, brokers send VIFs based on the long position held on record date and then adjust, if necessary, voting positions to reconcile to DTCC.

3. Material Distribution

Issuers are responsible for distribution of proxy materials to registered shareholders, which includes nominees. Nominees are responsible for distributing proxy materials to their beneficial shareholders. However, issuers are responsible for providing sufficient proxy materials to nominees and for reimbursing nominees for processing and distribution costs.

4. Share Voting

A registered shareholder receives a proxy card giving the shareholder the direct right to vote his or her shares. A registered shareholder returns the proxy card to the tabulator, the official agent of the issuer, for inclusion in the meeting tally. Unsigned or unreturned registered share proxy cards are not voted.

A beneficial shareholder receives a VIF, which is returned to either the nominee directly or to the processing agent on behalf of the nominee and applied to the nominee's votable position. In contrast to registered shares, uninstructed street name shares can be voted as permitted under stock exchange rules and can assist in the achievement of quorum.

The tabulator has the responsibility to count all vote returns and to ensure that shareholders are not able to vote more shares than those to which they are entitled, which includes preventing any nominee from submitting more shares to be voted than are held by that nominee in DTCC. Last minute voting, particularly by institutions with complex custodial arrangements, can place burdens on this vote reconciliation process. An inspector of election then certifies the final meeting tally of the tabulator.

5. Vote Confirmation

Vote confirmation back to beneficial holders is currently provided by one proxy service provider, in a number of cases, to institutional shareholders. The vote confirmation process requires that the tabulator confirm to each nominee that it has received, processed and counted in the final tabulation those shares voted by the nominee. The nominee is then in a position, upon request, to confirm to the underlying institutional shareholder – its client – that the shareholder's shares have been counted in the final tabulation.

Recommendations of the Roundtable

Following their discussions of the various processing steps that underlie the proxy voting process, members of the Roundtable offered four recommendations which, when taken together, are considered both achievable with minimal cost and capable of enhancing the integrity of the shareholder voting system.

The Roundtable's recommendations are limited to the shares of U.S.-domiciled issuers which have selected U.S.-domiciled tabulators to oversee their shareholder voting processes. Different rules may apply to the voting of shares issued by non-U.S. issuers or to the reconciling practices of non-U.S. tabulators.

1. Early-Stage Entitlement Confirmation

The Roundtable recommends that there be early-stage entitlement confirmation by all parties that anticipate submitting votes for a shareholders' meeting. This calls for a process by which such parties confirm their voting entitlements with the meeting tabulator within a defined period following the record date. The Roundtable suggests that this period be six business days.

By way of background, Roundtable participants noted that difficulties in reconciling voting entitlements most frequently occur in connection with street name share positions that are not reflected in the record-date security position report (SPR). Examples of votable positions not apparent in the SPR include shares held in EuroClear, Clearstream, and CDS. Other positions that pose difficulties to tabulators are shares that DTCC participants hold on behalf of respondent banks and brokers that are votable by the clients of those downstream respondent firms and, at times, Treasury shares that are not separately identified to the tabulator. Generally, the issuer will provide the number of Treasury shares to the tabulator which is then confirmed by the tabulator and the broker or transfer agent holding the Treasury shares.

Accordingly, the Roundtable recommends the following steps to facilitate early stage entitlement confirmation:

a) If the issuer's transfer agent is holding Treasury shares, the issuer will send a report of the issuer's total shares outstanding that separately identifies the Treasury shares to the tabulator within two days after the record date. If the Treasury shares are held in a brokerage account, the issuer will report the number of Treasury shares and their location directly to the tabulator.

b) DTCC will send a record date SPR to the tabulator within three days after the record date. This SPR will reflect the total vote entitlement of each DTCC participant, and DTCC will also send a copy of the SPR position to each DTCC participant or its authorized agent. If the DTCC participant firm holds multiple DTCC participant accounts and aggregates all of the votable positions in one report to the tabulator, the participant firm shall indicate to the tabulator the allocation of the votable positions to each account.

c) Each DTCC participant or its authorized agent will confirm to the tabulator its agreement with the SPR, or note its exceptions to the SPR, within two days after receiving the SPR.

Each DTCC participant has the responsibility to reconcile the total shares allocated for voting for their customers and their own account to the shares they hold in position on record date. Where these shares are not located in their participant account at DTCC but in another participant's account, the participant must either obtain the legal voting authority by obtaining a legal proxy from the other participant that has these shares in position or vote those shares through such other participant. For example, if a participant holds shares through EuroClear, which in turn holds these shares through JP Morgan, the participant must either direct the voting through EuroClear and, in turn EuroClear must direct the voting by JP Morgan, or request EuroClear to instruct JP Morgan to issue a legal proxy on behalf of the participant. Similarly, if a participant holds shares for a respondent bank that has elected to vote such shares directly, the participant shall issue a legal proxy for the benefit of the respondent bank.

In addition, the Roundtable believes that a system should be developed for these legal proxies to be issued electronically. The reconciliation of voting authority to share location should be performed within a week after the record date and communicated to the tabulator/issuer just as the SPR allocates the DTC position on record date to each participant.

Further, if a participant also holds shares directly in registered form and the participant elects to vote these shares through a second party, such as Broadridge Financial Solutions, Inc., by assigning a power of attorney, the participant shall notify the tabulator/issuer of the registered position being allocated to their omnibus street position.

Within three days after receiving the SPR, the participant shall inform the tabulator, for example, of the number of shares it holds on behalf of CDS, the nominee for Canadian Banks. At the same time, the participant will issue sub-omnibus proxies to CDS's respondent Canadian banks and decrease its SPR position in the amount of shares for which it has granted voting authority to its respondents.

d) Each DTCC participant that hold shares on behalf of non- DTCC participant firms whose clients have voting rights, such as respondent banks or brokerage firms, shall confirm to the tabulator directly, or through its authorized agent, the number of shares and the identities of the respondent firms entitled to vote those shares. At the same time, the DTCC participant shall issue sub-omnibus proxies authorizing their respondent entities to vote the respondent positions, and, simultaneously, each DTCC participant will decrease its SPR position by the total amount of shares for which it has delegated voting authority. To the extent practicable, all communications between tabulators and participants, or their servicing agents, should be conducted in electronic form.

The Roundtable believes that these steps; the early-stage disclosure by DTCC participants of share positions that are not apparent in their SPRs, the simultaneous granting of sub-omnibus proxies, and lastly, the decreasing of the DTCC participant SPR positions by the amount of shares for which voting authority has been delegated to others, will significantly aid U.S. tabulators in establishing overall voting entitlement. Moreover, by taking these steps early in the process, the stress of late-stage, high-volume vote tabulating and reconciliation tasks can be materially reduced.

2. Encouraging Early Voting

All shareholders, whether large or small, institutional or retail, are encouraged to cast their votes early in the solicitation period and, in any event, no later than three business days before the shareholders meeting. This recommendation addresses a major cause of potential voter disenfranchisement, which is late-stage voting that makes thorough analysis and reconciliation by tabulators and nominees difficult.

For large funds that tend to vote their share positions in stages, and for share positions held in multiple custodial accounts, the complete position should be voted prior to the three-day advance cut-off date.

Of course, votes cast after the three-day advance cut-off and before the polls close will be eligible to be counted. The recommendation to vote early simply reduces the risk of an out-of-balance vote not being counted due to lack of time for analysis and reconciliation.

The Roundtable recognizes the factors, such as the large number of issuer proxies that need to be analyzed and reviewed, that compel institutions to vote late in the solicitation period, but it believes that a three-day pre-meeting target is time enough in the solicitation period to enable institutions to complete their processes.

3. Enhancements to Exception Processing

During the height of proxy season, typically during March and April for U.S. companies, large numbers of voting reports are transmitted from nominees on a daily basis to tabulators. When a voting report is received that is at odds with the tabulator's record of voting entitlement, the report is rejected by the tabulator and must be researched by the nominee as an exception item.

To facilitate the timely processing of exception items, Roundtable members recommend that tabulators promptly communicate to vote-reporting entities the reasons why vote reports are being rejected. The Roundtable believes that this communication should be on the day following the day that a tabulator identifies the discrepancy. Where a nominee has engaged a service provider, such as Broadridge, the tabulator may communicate directly with the service provider, and the service provider shall promptly respond to the tabulator.

To further aid the vote reconciliation process, tabulators should use a standard format transmittal document or rejection slip in which the tabulator identifies the mis-match between records. The Roundtable believes that the use of an industry-wide, standard form rejection slip should both minimize the time a tabulator will have to devote to explaining its reasons for the rejection and help the nominees deal in a uniform way with the exception reports submitted by various tabulators. As an example, by disclosing the amount and nature of a rejection, such as the vote of a correspondent bank whose name does not appear on a depository's voting entitlement record, the tabulator would enable the nominee to more narrowly focus its research into the discrepancy. A sample standard vote rejection form to be used by tabulators is attached as Exhibit A. In the event the nominee has selected a proxy service provider, the tabulator will send the form to the service provider.

4. Vote Confirmation

A. End-to-End Confirmation for Investors

While many shareholder meetings are seemingly routine and many vote outcomes are not close, there is growing interest in developing a feature of the proxy voting system that will enable an investor to confirm positively whether his or her shares have been voted as instructed, especially in contested matters. Moreover, the July 14, 2010 SEC Concept Release discusses the feasibility of having tabulators, nominees and proxy service providers furnish each other with sufficient information to permit vote confirmation.

In developing vote confirmation functionality, and in order to manage the costs associated with the effort, the Roundtable believes that the process should enable investors to obtain, via the internet or other electronic means, a vote confirmation on a demand or as needed basis. This could be accomplished by the use of secure websites with security protections and other controls to maintain confidentiality.

The votes of both registered and street name shareholders may contain discrepancies in the instructions furnished to tabulators. Because the identities of individual street name owners are unknown to the tabulator, the tabulator is unable to confirm individual votes without a "unique identifier" or some other device to facilitate the confirmation process.

Currently, each street name owner possesses a unique control number that appears on his or her VIF. A record of each VIF control number submitted to the nominee is currently kept, and the nominee keeps a record of how that particular VIF was voted in the aggregate vote position that the nominee submits to the tabulator.

If the tabulator confirms back to the nominee that the nominee's aggregate position was voted in accordance with the nominee's instructions, the nominee will then be able to confirm back to its client that the client's vote was received on a timely basis, accurately recorded and included in the final tabulation of votes, thus completing the confirmation "chain" from tabulator to nominee to shareholder. Because a nominee may report its position in stages, the tabulator will only be able to confirm to the nominee when the entire position has been voted.

In the case of shares held in street name, the Roundtable recommends that existing VIF control numbers serve as the unique identifier needed to facilitate vote confirmation. The Roundtable recognizes that to the extent vote confirmation imposes additional duties on tabulators and nominees, additional charges for vote confirmation services may be appropriate.

B. Systemic Vote Confirmation

The Roundtable recommends that in addition to providing individual investors with confirmation of their votes, the proxy voting system as a whole should be regularly audited and confirmed to be accurate, reliable and efficient. The Roundtable invites the appropriate regulatory body to review this suggestion.

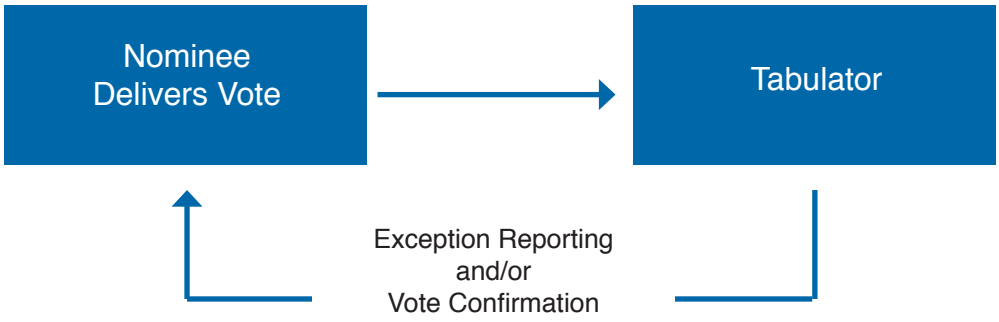
Given the importance of the U.S. proxy voting system to corporate governance and investor confidence, and hence to the nation's capital markets, the Roundtable recommends that a periodic examination of the system as a whole by an independent auditing firm be performed. It is recommended that the "client" for such an audit be the nominees themselves because in the case of street name ownership, the nominees represent the linkage between the ultimate beneficial owners and the tabulators. However, each participant in the voting chain - the nominees, vote reporting organizations and tabulators - should be subject to the system-wide audit.

It is also recommended that each participant maintain a current SAS 70 Type II unqualified opinion or, in the case of transfer agents, a copy of the Annual Study of Evaluation of Internal Accounting Control pursuant to Rule 17A (d)-13.

The audit should also address compliance with all applicable SEC and NYSE regulations. It is suggested that the regulators, such as the SEC and FINRA, which periodically examine or inspect transfer agents, brokers and other participants in the proxy voting process, include the proxy process in the normal course of such examinations or inspections.

Exhibit A

Standard Vote Confirmation and Exception Reporting



Tabulator's Standard Response Form for Vote Confirmation/Rejection

Tabulator to Nominee

Data Elements			Standardized Message		
Cusip	Record Date	Nominee Name	• Vote Accepted	----------	XXX,XXX- SHARES
Issuer Name	Meeting/ Cutoff Date	Participant Number	• Vote Rejected	Entitlement Exceeded	XXX,XXX- SHARES
			• Vote Rejected	No Entitlement Established	XXX,XXX- SHARES
			• Vote Rejected	(Insert Other Reason)	XXX,XXX- SHARES

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