

Proxy mechanics: It's time to modernize the 'plumbing'!

> Overview of the issues and call to action

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WHITE PAPER

On July 14, the SEC issued its “concept release” outlining areas of potential change to the proxy mechanics process. Computershare and Georgeson wholeheartedly support this initiative by the SEC, because modernization of the proxy system will lead to:

- > **Transparency of ownership** and **direct contact** with shareholders
- > **Choice** of suppliers for proxy services
- > **Accurate results** in proxy voting
- > **Cost savings** for issuers
- > **Ease of execution** during the proxy process

This is an exciting time for issuers and their agents. For the first time in almost 30 years, the SEC is taking a serious top-to-bottom look at proxy mechanics to implement changes that better reflect and support the modern marketplace. Computershare and Georgeson are supporting change that will directly benefit issuers and their investors. We’re also well prepared to offer issuers the most comprehensive, cost-effective and innovative solutions in the new proxy environment.

The time to act is now. The SEC is calling for formal submissions regarding the reform process no later than **October 20, 2010**.

Computershare and Georgeson have worked closely with the Shareholder Communications Coalition in recent years to advocate for some of the most significant reforms outlined by the SEC in the concept release. The coalition’s recommendations for improvements to the system, which we fully support, are well-documented. Visit the coalition’s website at <http://www.shareholdercoalition.com> for more information.

OVERVIEW OF SHAREHOLDER COMMUNICATIONS COALITION RECOMMENDATIONS

- > Enable transparency of share ownership by eliminating NOBO/OBO, allowing issuers to communicate with all holders directly
- > Improve system-wide integrity of the vote by implementing processes to increase vote accuracy and auditability
- > Reduce complexity of the system and thus enable choice of service provider and create cost savings by:
 - > Establishing a separate, nonprofit, regulated “data aggregator” (such as DTCC)
 - > Opening shareholder communications and vote tabulation functions to competition
- > Conduct a national campaign to re-engage investors in the proxy and voting process

Background

For the first time in 30 years, the Securities and Exchange Commission seems poised to revise proxy mechanics regulations. The Shareholder Communications Coalition – a group made up of several professional organizations that represent thousands of issuers – submitted a list of reform recommendations to the SEC in August 2009, leading to the recent concept release. You can access their list of recommendations here: <http://www.shareholdercoalition.com/SCCLettertoSECChairmanMarySchapiroAug2009.pdf>.

Many of the potential changes discussed in the concept release would, if adopted, allow Computershare and Georgeson (and others) to provide issuers and their beneficial holders with a broader range of services. Currently, issuers’ access to their beneficial holders is restricted by Broadridge’s near-monopoly control over beneficial shareholder data aggregation – a function that is not regulated by the SEC – and the “street name” proxy distribution market. Changes in proxy mechanics rules will offer a number of benefits to issuers and their investors.

Shortcomings of the existing system

There are three broad problems with the current system: monopolistic practices, decreased voter participation and slow innovation.

- > A near-monopoly environment, created in part by the existing regulatory framework, means that issuers have no control over or any choice in their service provider or in the communication channels they use to reach their shareholders; they are also hamstrung by high transaction costs.
- > Decreased voter participation has resulted from issuers’ inability to directly communicate with a significant portion of their shareholders, due to a bifurcated market and regulatory barriers.
- > Lack of competition results in low, sporadic innovation and reduces communication options for issuers and their investors (while, ironically, the rest of the world is experiencing significant technological shifts that deliver greater flexibility, increased choice and significantly lower operating costs).

The Shareholder Communications Coalition’s analysis and recommendations stem from very specific issues:

- > Complex system with no choice for issuers
- > Lack of transparency and lack of visibility into shareholdings
- > Lack of system-wide integrity of the vote
- > Expensive, non-negotiable fees

Recommended actions by issuers

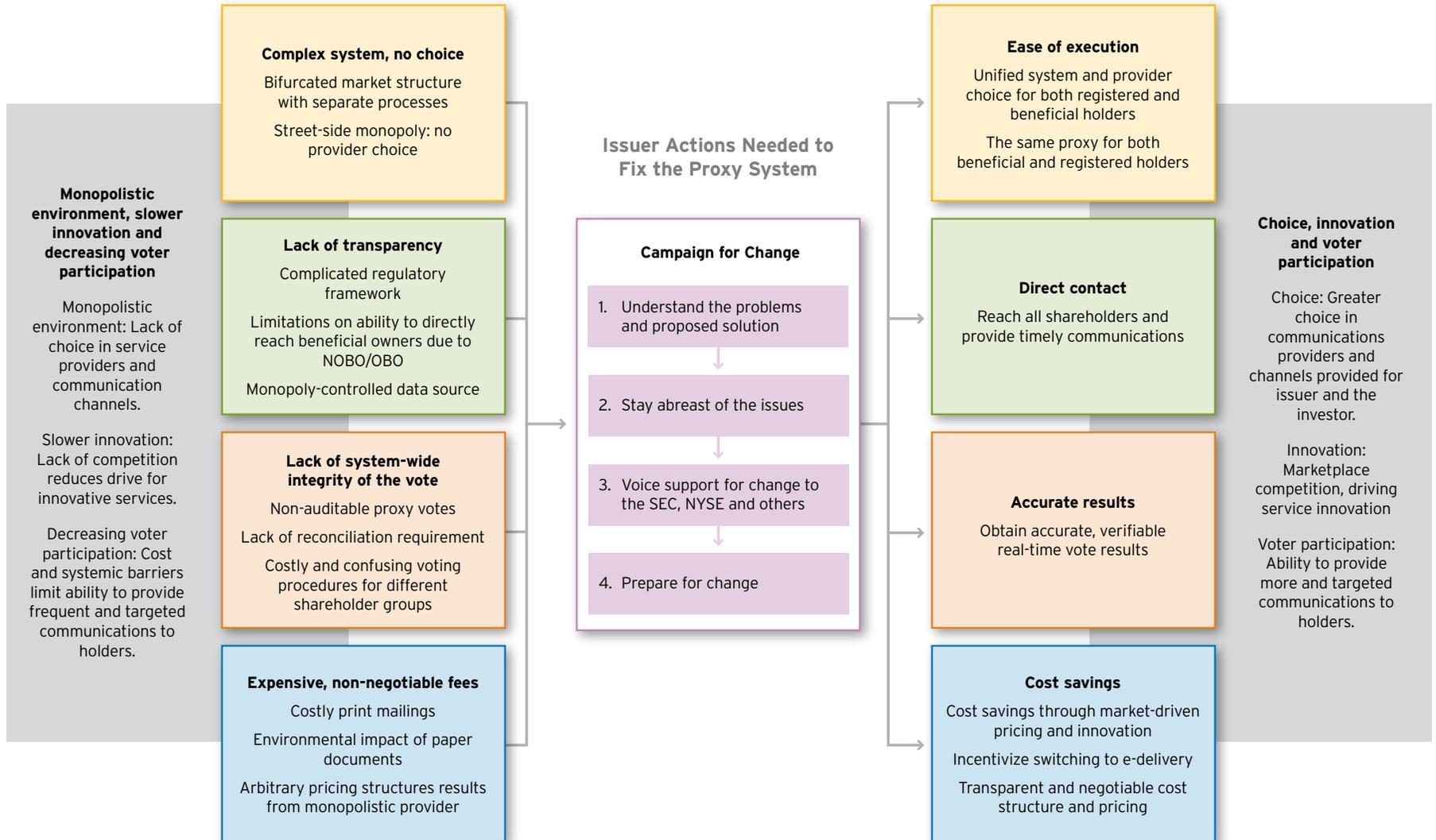
Computershare and Georgeson believe that the changes outlined in the concept release will greatly benefit issuers and their shareholders, and we recommend that issuers take steps to:

1. Familiarize themselves with the problems and potential solutions by reading the SEC’s concept release and the coalition’s discussion paper. Issuers can then compare the existing system with what is being proposed. Computershare and Georgeson clients should speak to their relationship manager or account executive for further details about the areas of potential change. The concept release is on the SEC’s website: <http://www.sec.gov/news/press/2010/2010-122.htm>, and the coalition’s discussion paper is accessible here: http://www.shareholdercoalition.com/Coalition_Discussion_Paper_on_Market_Mechanics_FINAL_8-16-2010.pdf.
2. Stay abreast of the issues. Send an email to alerts@shareholdercoalition.com to receive regular alerts from the Shareholder Communications Coalition; watch for invitations to upcoming industry forums during the SEC consultation period.
3. Voice support for change to the SEC, NYSE, and other regulatory and industry groups through a formal submission and, where possible, personal follow-up.
4. Prepare for change by discussing with your company’s agent (for example, your transfer agent or proxy service provider) how these exceptionally important and beneficial changes will be implemented.

Proxy Reform: Responding to the SEC's Concept Release

The Problems with Today's Proxy System

The Benefits of Proxy Mechanics Reform



By urging the SEC to modify its proxy rules and modernize the proxy system, issuers and their shareholders will help create an environment that delivers greater choice – thereby fostering competition and leading to higher-quality services and lower costs, greater service and product innovation, and increased voter participation. These changes will:

- > Simplify the proxy system and enable a choice of providers that will offer full services for both registered and beneficial holders – currently offered only by Broadridge, due to its near-monopoly position on beneficial holder processing
- > Enable issuers to have direct contact with all holders to provide corporate information and to give proxy rights to all holders, beneficial and registered
- > Ensure accurate, verifiable, real-time vote results
- > Drive higher-quality service and cost savings through competition, market-driven pricing and innovation in a transparent contractual environment
- > Demystify the mechanics of the proxy process

BENEFITS FOR ISSUERS

Ease of execution

Under the current structure, the market is bifurcated and costly, with different systems for registered and beneficial holders. This split requires two separate processes for engaging shareholders during the proxy season. By creating a unified system with one set of rules, issuers will be able to save money and reach their shareholders more effectively and efficiently in order to execute their corporate goals.

Direct contact

The potential rule and systems changes will give issuers the ability to directly engage all shareholders by eliminating the outdated NOBO/OBO classifications. Currently, as a result of the proxy process and regulations, issuers can control communications (including proxy information) only with registered shareholders, who make up just a small proportion of all shareholders. If issuers wish to communicate with beneficial holders, they must coordinate the effort with Broadridge.

Accurate results

The proposed rule changes would create uniform shareholder voting by eliminating the voting instruction form (VIF) for beneficial shareholders and instead providing a legal proxy card. The streamlined voting system will also ensure more accurate vote tabulation, as well as end-to-end auditability and confirmation of votes. This will enable greater personalization of the proxy card and give issuers greater flexibility in branding communications to shareholders.

Cost savings

While the basic pricing structure of the current system is regulated, there are a number of pricing components (such as suppression fees and special processing fees for managed account processing) that result in unnecessarily high costs to issuers. Additionally, the cost of data reports (for example, issuers must purchase entire beneficial shareholder lists rather than being able to purchase the top 5% of owners) is very high. The potential changes would remove the fixed reimbursement rates under NYSE Rule 465 and open up services to fair market competition, including distribution of materials and tabulation of votes.

We estimate that current NYSE regulated fees are 30% higher than they would be in a more competitive market; the disparity is even greater when electronic communications are used. The ongoing surcharge for electronic communications becomes more egregious as more holders adopt electronic communications.

Over and above specific fees, issuers will see savings in time, efficiency and elimination of dual setup costs by being able to choose a single provider for both registered and beneficial holder communications.

The introduction of notice and access in 2007 demonstrated that under the current system Broadridge can arbitrarily increase fees. In the notice and access environment, the NYSE Proxy Working Group took the view that the marketplace should set the price for distribution and tabulation services. This logic, in our opinion, was flawed given that issuers have no control over the contracting process; they simply receive invoices.

BENEFITS TO SHAREHOLDERS

Meeting attendance

Under the proposed changes, beneficial shareholders will see VIFs replaced with legal proxy cards. This will allow beneficial holders to attend and vote at annual meetings more easily. An innovation-driven marketplace, rather than the near-monopoly of Broadridge, will also allow for greater shareholder access to services such as virtual meetings, which allow full, live participation in annual meetings without requiring all participants to physically attend.

Clarity of communications

Proxy materials and vote cards will be customizable and produced in plain English, with the elimination of the one-size-fits-all VIF, allowing for more effective presentation (which will create greater engagement) and understanding of important initiatives. Issuers will also have more control over the branding of the communications. This will lead to greater engagement of investors.

Privacy

Beneficial shareholders will retain the option of remaining anonymous through nominee or custodial accounts.

THE PARADIGM SHIFT

The changes under discussion through the SEC's concept release will lead to **enhanced engagement** between issuers and shareholders and more effective communications. As the securities marketplace evolves away from paper-based processing, these changes will enable issuers to maintain more effective and regular contact with their shareholders for both regulatory compliance (annual reports, proxy materials, etc.) and other company information. Data shows that vote returns are higher when shareholders receive more frequent communication.

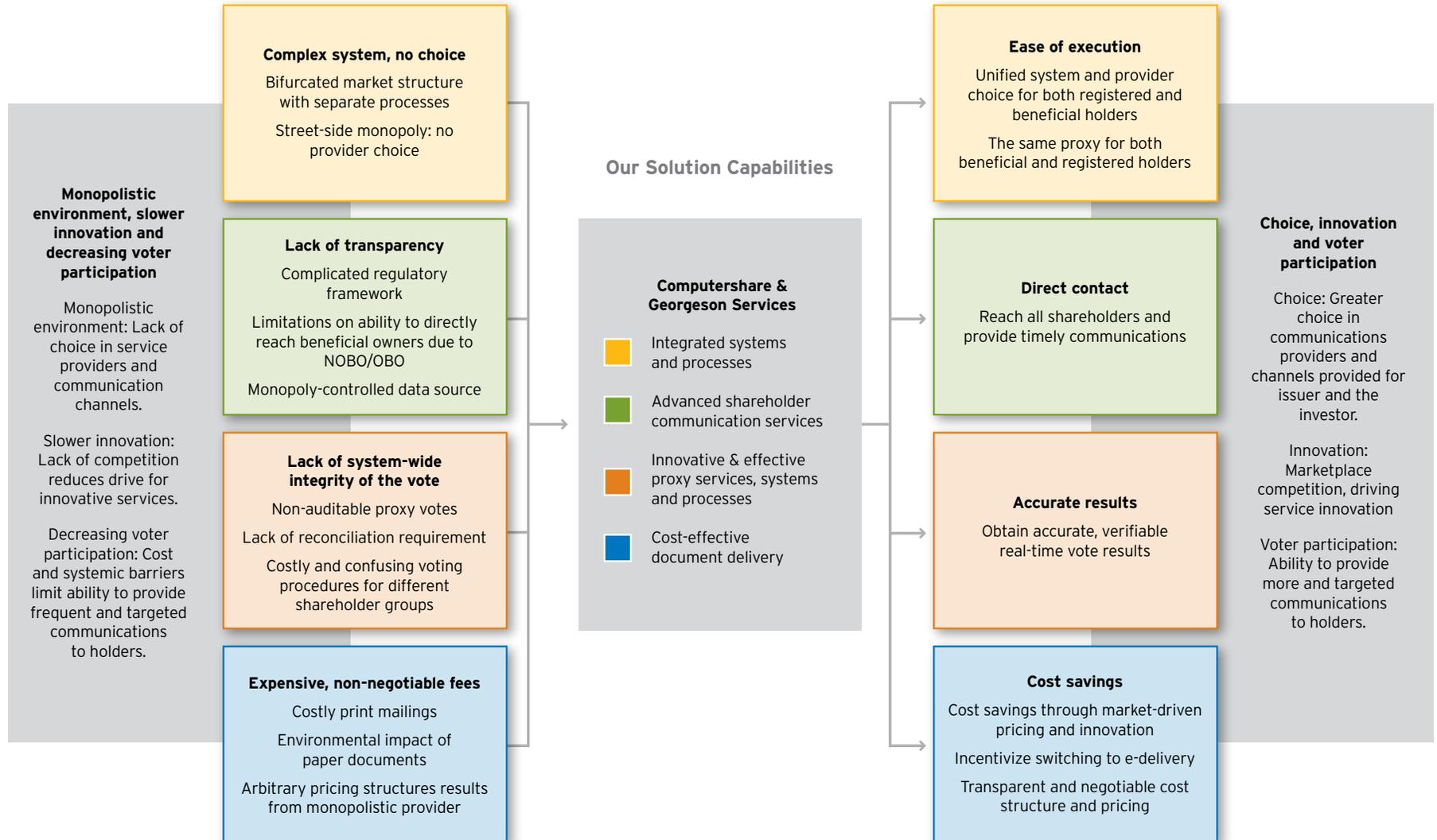
Direct contact with beneficial holders will allow issuers to select vendors based on normal market competition principles, driven by certainty, ingenuity and fair market pricing. Competition will also drive innovation and make new communications channels and tools – such as virtual meetings and mobile communications devices capabilities – available to issuers and their shareholders.

Proxy Reform: Our Solution Capabilities

The paradigm shift to enhanced shareholder engagement

The Problems with Today's Proxy System

The Benefits of Proxy Mechanics Reform



COMPUTERSHARE IS PREPARED FOR THE CHANGE

Computershare’s systems are designed to meet these increased demands.

As the global leader in issuer and investor services, Computershare already has the world-class expertise and capabilities to quickly deliver innovative solutions to the potential changes being considered by the SEC:

- > Computershare Communication Services already offers a full suite of innovative and cost-effective print and electronic communications – based on fully scalable systems – that can enhance the quality and effectiveness of communications for beneficial holders.
- > Through Computershare Fund Services, we already have extensive experience working on large-scale proxy campaigns reaching out to both registered and beneficial holders, with fully integrated mutual fund proxy print, mail (and electronic equivalents), vote tabulation and telephone solicitation capabilities – where we actively compete on scope and high-quality service and price.

- > Georgeson has an experienced proxy solicitation and corporate governance team that can guide issuers through both the existing proxy mechanics and the potential changes to the mechanics being discussed in the SEC’s concept release.
- > Vote monitoring/reporting: Open and continuous communication is maintained throughout the solicitation process, monitoring of the vote itself to ensure a smooth process and identify any problems, assistance with promoting management’s agenda.
- > Institutional investor solicitation: Based on knowledge of institutions and where they custody shares, Georgeson can keep a company informed as to which institutions have voted and how they have voted their shares.
- > For more detailed information on current corporate governance matters, refer to Georgeson’s 2010 Annual Corporate Governance Review, which can be accessed here: <http://www.georgeson.com/usa/acgr.php>.

The Computershare advantage

- > Computershare provides the most comprehensive suite of paper and electronic communications service options, which will make communicating with shareholders more engaging, more efficient and less expensive:
 - > Cost savings will depend on the individual issuer’s shareholder profile and material distribution needs and competitive pricing.
 - > In an open, competitive market, savings will be considerable. Even small issuers will generate savings from being able to choose a single provider – saving time and eliminating duplicate setups.
 - > We estimate that the current regulated fees are 30% higher than would be the case in a competitive market, and this disparity is even greater when electronic communications are used.
- > Computershare gives issuers the opportunity to choose a trusted partner to provide a one-stop, integrated offering with better cost, service and innovation, and ease of execution



Products	<ul style="list-style-type: none"> > Electronic document delivery > Integrated shareholder account management tools > Compliance document production, filing, tagging and hosting > Governance audits and board education 	<ul style="list-style-type: none"> > Georeson proxy solicitation and consulting services > Advance review of proxy materials > Communication with financial industry > Strategic shareholder communications 	<ul style="list-style-type: none"> > Efficient print mailing > Electronic delivery of meeting/proxy materials > Institutional investor solicitation > Green document program > Compliance document distribution 	<ul style="list-style-type: none"> > Web and phone-based offsite voting > Virtual meeting solution > Vote tabulation/verification > Telephone & Web voting > Live, handheld voting devices > Vote monitoring
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Value Today)	<ul style="list-style-type: none"> > More effective shareholder communication through innovative tools > Data/information security and compliance 	<ul style="list-style-type: none"> > Strategic consulting services that enable issuers to reach and influence important voters > Delivery of desired results 	<ul style="list-style-type: none"> > Cost-effective document delivery solutions > Eco-friendly communication incentives > Risk avoidance 	<ul style="list-style-type: none"> > Cost-effective suite of meeting solutions > Detailed election reports > Accurate, verifiable vote results
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En)anced Value)	<ul style="list-style-type: none"> > Substantial transaction fee savings for print and electronic communication > Additional savings in time, efficiency in setup costs > Proxy communications, meeting support and tabulation for all holders from the same trusted partner that handles ongoing shareholder service needs > Accurate, verifiable real-time vote results > Ease of execution through a single supplier with capacity to serve 80 million holders 			
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**CALL TO ACTION:
ISSUERS NEED TO SPEAK UP NOW!**

In a world where there is increasing pressure to gain shareholder approval for a wider range of resolutions – whether director elections, executive compensation plans or others – issuers need to be confident that the mechanics underpinning the proxy process are fair, transparent, innovative, highly efficient and competitive.

Voicing your support for proxy mechanics reform is necessary to help create an environment that will enable issuers to get their business completed effectively and directly with their shareholders.

More information

If you need more information or would like to discuss this issue in further detail, please contact your relationship manager or account executive, or contact Charlie Rossi, executive vice president of client services at Computershare, by telephone at 781 575 4067 or via email at charles.rossi@computershare.com; or Paul Conn, president of global capital markets at Computershare, by telephone at 212 805 7154 or via email at paul.conn@computershare.com.

SEC instructions for submission of comments

The below instructions can also be found on pages 1 and 2 of the concept release document, which is available here: <http://www.sec.gov/rules/concept/2010/34-62495.pdf>.

Comments may be submitted by any of the following methods:

Electronic comments:

- > Use the Commission's Internet comment form (<http://www.sec.gov/rules/concept.shtml>);
- > Send an e-mail to rule-comments@sec.gov. Please include File Number S7-1410 on the subject line; or
- > Use the Federal eRulemaking Portal (<http://www.regulations.gov>). Follow the instructions for submitting comments.

Paper comments:

- > Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number S7-14-10. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/concept.shtml>). Comments are also available for Web site viewing and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.