

Discussion

Who Implemented and Why

Overall, 44% of respondent companies implemented some form of the Notice and Access proxy distribution model, compared with 56% who indicated their plans to do so in [NIRI's November 2007 pre-proxy season Notice and Access survey](#). Ninety percent of those participants who engaged in the E-proxy process implemented Notice and Access this year for the first time. The majority of those that used Notice and Access (68%) were small- and mid-cap companies. Similarly, 69% had 10,000 or more shareholders (39% had 10,000 to 99,999 shareholders and 29% had more than 100,000 shareholders).

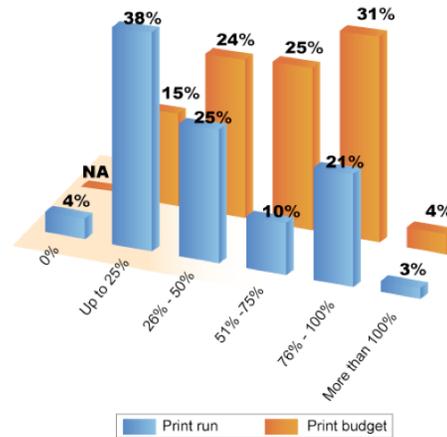
For those who opted not to adopt at this time, the single biggest factor cited – by 72% of participants – was a desire to await lessons from early adopters, consistent with NIRI's previous survey on this topic (in which 65% cited this reason). The presence or absence of non-routine shareholder proposals was a factor in deciding whether to go forward with Notice and Access in 24% of the cases. Some respondents felt more comfortable implementing in a year where no such proposals were in place. Others engaged in scenario planning to understand the possible impacts of such measures, but ultimately decided they could manage the risk (question posed only to Notice and Access adopters).

The Mechanics of Notice and Access

While 42% of those companies implementing e-proxy adopted the notice only model, the same proportion (42%) took the bifurcated or hybrid approach. The bifurcation distinctions made were fairly evenly distributed across those who differentiated based on number of shares held, by beneficial versus registered holders, and "other" which included geographical delineations, 401K participants (who received full packages) and variants on the above. Fifteen percent of Notice and Access implementers engaged in full set delivery and thus did not reap the level of savings enjoyed by those using the notice-only or hybrid models. In point of fact, 71% of respondents using full set delivery did not save money on E-proxy, accounting for nearly one third of all the implementers whose costs did not decrease (Figure 3).

The 40 calendar day requirement for availability of online materials and Notice mailing was met without problem by 84% of those surveyed. Only 9% took advantage of the opportunity to send a second mailing after the 10 calendar day waiting period. The vast majority (91%) of the rest of the respondents did not see a need for a second mailing. Half of those who did a second mailing did so out of concern for vote participation.

Figure 1: Print Budgets and Print Quantities Compared to Prior Year



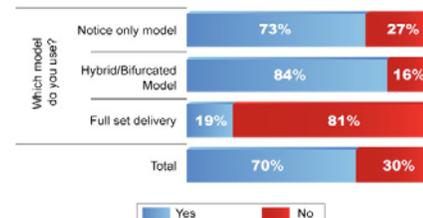
Source: NIRI and The Society for Corporate Secretaries and Governance Professionals

Figure 2: Notice and Access Scorecard for 2008 Proxy Season

	Yes	No
✓ Implemented e-Proxy	44%	56%
✓ Had Non-Routine Proposals in the First Year of e-Proxy	44%	56%
✓ Believe Notice Met its Objective	95%	5%
✓ Problems from 40 Day Requirement	16%	84%
✓ Conducted a Second Mailing	9%	91%
✓ Problems from Cookie Free Site Requirement	9%	91%
✓ Saved Money	70%	30%
✓ Printed Fewer Materials	83%	17%
✓ Achieved Quorum	99%	1%
✓ Retail Vote Declined	44%	56%
✓ Paid Service Provider More	58%	42%
✓ Plan Changes Next Year	36%	64%

Source: NIRI and The Society for Corporate Secretaries and Governance Professionals

Figure 3: Notice & Access Savings by Model Used



Source: NIRI and The Society for Corporate Secretaries and Governance Professionals

The Votes ARE in

Although NIRI's 2007 survey indicated that members held reservations about E-proxy and its potential to impact voting, the post-implementation survey indicated positive results in this regard. Quorum was achieved by nearly all respondents (99%), and for 82% of respondents, 76% or more of shares were voted. Despite a significant percentage of survey participants who saw a decline in retail voting (44%), the percentage decline was less than five percentage points for the largest proportion of respondents (35%). See Figure 4.

Looking Ahead

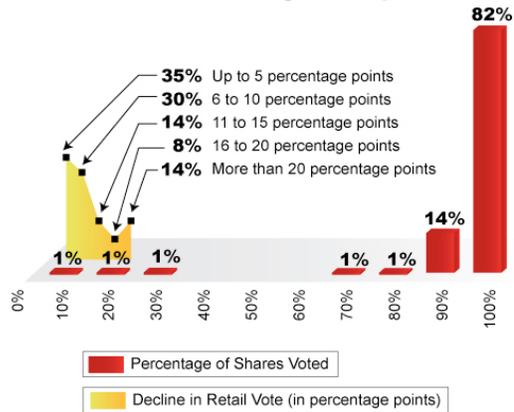
Although meeting its basic objectives for 95% of respondents, one of the most consistent pieces of feedback was a desire for greater flexibility and a better overall design for the Notice. Opportunity clearly exists to enhance Notice readability, particularly in order to promote comprehension for less sophisticated investors. Some respondents report receiving Notices marked up with their shareholder's votes.

Another point of confusion was related to the rule for the documents to be hosted on a Web site that does not track user information. The SEC final rule indicates that the site must be cookie-free, but greater clarity is required to adhere to the spirit of the rule, rather than specific technical requirements that may or may not support the objective.

The survey instrument provided space for open-ended suggestions for the SEC and for other issuers looking to implement E-proxy. The most common suggestions for the SEC involved revisiting the Notice, shortening the 40 calendar day lead time to 30 days, and investigating the fee structure of the service providers, with Broadridge's seeming hegemony raising concerns for some (see Figure 5 for customer satisfaction ratings of the major providers). For non-adopter companies looking at this process, the most common advice can be summed up as start early and/or start small.

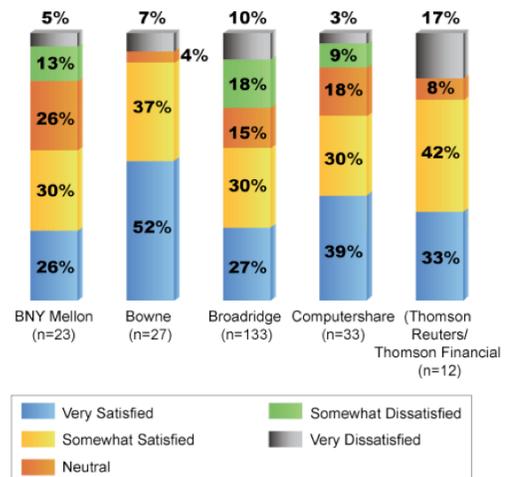
For their own future arrangements, 36% of companies report considering changes including printing fewer materials, changing service providers, moving to full set delivery, and including more shareholders in the Notice delivery (as opposed to full set). One common and judicious plan, however, is to wait to see what is on the proxy next year before making any further modifications.

Figure 4: Shares Voted (Overall) and Retail Decline Percentages Compared



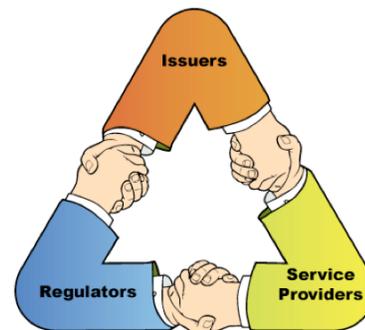
Source: NIRI and The Society for Corporate Secretaries and Governance Professionals

Figure 5 : Service Provider Satisfaction



Source: NIRI and The Society for Corporate Secretaries and Governance Professionals

Figure 6: Cooperation of Issuers, Service Providers, and Regulators Will Ensure a Smooth Process



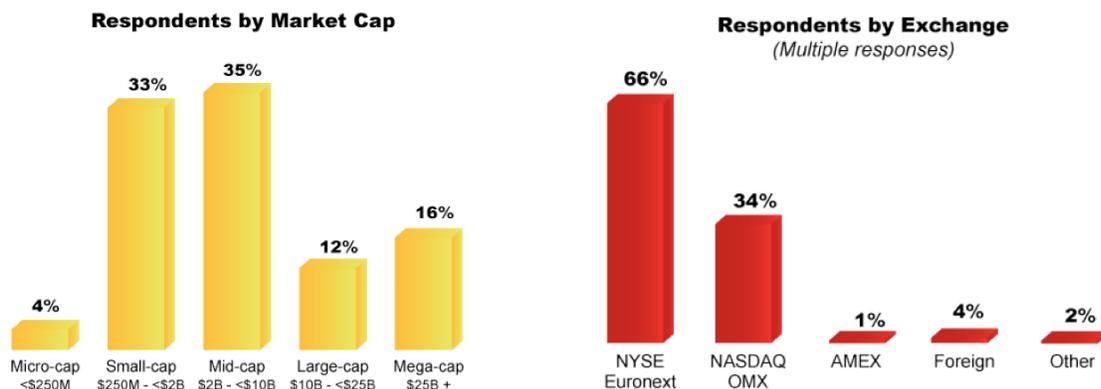
Note: Numbers may not add up to 100% due to rounding.

Conclusion

Although the 2008 proxy season was not without its share of obstacles, the major pitfalls were avoided by the majority of respondents to the survey. Nevertheless, it is clear from the data that the anticipated cost savings that drew early adopter companies into the e-proxy fold were not fully realized in this proxy season. Although there is money to be saved, particularly for those companies without a heavy retail base, there is also room for the process to be refined in the coming seasons.

Survey Demographic

The following charts provide demographic information.



About the Survey

After jointly constructing the questionnaire, NIRI and the Society for Corporate Secretaries and Governance Professionals issued the survey in August 2008 to 3,058 NIRI corporate members and 1,459 Society members (the analysis accounted for duplicate responses from the same company). A total of 519 individuals responded to the survey. This survey is a follow-up to [an electronic survey](#) sent to NIRI corporate members in late 2007.

Members may link to the full survey results:

<http://www.niri.org/gateways/surveys/0809NoticeAccessSummary.cfm>.

A complete PowerPoint slide deck is also available:

http://www.niri.org/mem_service_area/surveys/0809NASlides.ppt.

NIRI values your feedback. Please send your research-related comments, questions or suggestions to:

research@niri.org.

e-Learning Event

Join NIRI VP, Communication, Matt Brusch, Society of Corporate Secretaries and Governance Professionals VP, Geoff Loftus, VP, IR and Corporate Communications, Invitrogen Corp., Amanda Clardy, and Shareowner Services Manager, The Coca-Cola Company, Karen V. Danielson on Tuesday,

September 16, 2008 at 4:00 p.m. Eastern Time for an interactive e-Learning event to review these survey results, and gain insight into lessons learned from two companies that implemented Notice and Access. This e-Learning forum is offered as a complimentary benefit of NIRI membership, but registration is required. To register, please visit:

<http://www.niri.org/calendar/eventdetail.cfm?EventID=2133&ChapterID=99>.

About NIRI

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.

About The Society of Corporate Secretaries and Governance Professionals

The Society is a professional association founded in 1946 with more than 3,800 members who serve over 2,500 issuers. Responsibilities of our members include advising corporate boards of directors; their audit, compensation and governance committees, and executive management regarding corporate governance and disclosure. Society members have been on the frontline in designing implementing the disclosure and governance enhancements required by the Sarbanes-Oxley Act of 2002 and the related rules of the Securities and Exchange Commission, the Public Company Accounting Oversight Board and the exchanges. For more information, please visit <http://www.governanceprofessionals.org>.

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