



December 6, 2018

Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. 4-725 - SEC Staff Roundtable on the Proxy Process

Dear Mr. Fields:

Okapi Partners LLC appreciates this opportunity to comment on the Securities and Exchange Commission's (the "Commission") Statement Announcing SEC Staff Roundtable on the Proxy Process. As direct participants in the shareholder voting process and as a participant in the previous Roundtable discussion in 2015, we commend the Commission for seeking input from the industry and considering ways to improve the proxy voting process for the benefit of all investors.

Okapi Partners is a strategic investor response firm providing a full range of proxy solicitation, information agent, and corporate governance services, as well as related consultation and advice to clients. We represent corporations, mutual funds and other investment management firms, private equity firms, hedge funds, institutional investors and activist investors. Our firm works with over 100 corporate clients and investment management companies providing advice on proxy solicitation matters, corporate governance issues and shareholder engagement strategies.

One area in which the Commission has indicated a keen interest is improving retail shareholder participation in the voting process. We believe there a number of reforms that could help overcome voter apathy among retail shareholders and enhance shareholder democracy across the board. The Commission has previously noted the low level of retail voting when it issued the "Proxy Plumbing Release" in 2010.¹

¹ <https://www.sec.gov/rules/concept/2010/34-62495.pdf>

As an agent for issuers and investors seeking shareholder voting responses, part of our work involves outreach to retail shareholders with information pertaining to director nominations, specific ballot initiatives and the voting process in general. Under current rules and the procedures that developed therefrom, issuers and their agents primarily communicate with retail shareholders through broker or bank intermediaries. These intermediaries are generally prohibited from disclosing the identity of shareholders who are Objecting Beneficial Owners (“OBOs”). Even those shareholders who agree to have issuers and their agents contact them directly, so called “Non-Objecting Beneficial Owners” (“NOBOs”), must be contacted or cast votes through intermediaries. According to the Council of Institutional Investors, the majority of customers holding shares in street name are OBOs and cannot be communicated with directly by issuers or their agents.²

We believe the current communications framework severely limits retail voter participation, encourages voter apathy and is increasingly unworkable as corporate governance and other issues become more pronounced. We are in favor of eventually eliminating the OBO/NOBO distinction and increasing the ability of issuers and their agents to communicate directly with shareholders.³ As I discussed on the panel at the Roundtable on November 15, 2018, the current OBO/NOBO distinction is difficult even for employees of brokerage firms to appreciate and hence confusing for customers.

We are also advocates for alternate measures that include making NOBO the default option when customers open brokerage accounts and imposing a fee for those who select OBO status as a way to defray costs. Investors would be able to maintain their anonymity through nominee accounts. In our experience, most retail shareholders require direct contact from companies they own in order to vote and increasing the ability of issuers and their agents to obtain shareholders lists and conduct effective direct outreach will benefit every investor. We also note the increasing difficulty and expense that investment management firms encounter when shareholder approval is required of its largely retail-based investors and we believe expanded outreach to current OBOs could alleviate some of these issues.⁴

Our significant experience with proxy voting by mutual fund investors also leads us to note the difficulty in requiring these investors to indicate voting preferences for their owned funds. In contrast to those who actively purchase individual shares in companies, we believe retail investors who invest in mutual funds want to cede their voting control to the manager. We

² <https://www.sec.gov/comments/s7-14-10/s71410-22.pdf>

³ <https://www.sec.gov/comments/s7-14-10/s71410-159.pdf>

⁴ <https://www.sec.gov/comments/4-725/4725-4326425-173233.pdf>

believe it's impractical and against the wishes of shareholders to require mutual funds to extend proxy voting abilities to their underlying fund investors.⁵

If you have any questions about these comments, or if we can provide further information, please contact me at [REDACTED].

Sincerely,

Bruce H. Goldfarb
President and Chief Executive Officer

⁵ We agree with the sentiment expressed by Paul Schott Stevens of The Investment Company Institute in the November 14, 2018 comment letter that the SEC should reject costly "pass-through" voting. <https://www.sec.gov/comments/4-725/4725-4702049-176465.pdf>