



BRAEMAR

HOTELS & RESORTS

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Honorable Jay Clayton
 Chairman
 U.S. Securities and Exchange Commission
 100 F Street, NE
 Washington, DC 20549

14185 DALLAS PARKWAY
 SUITE 1100
 DALLAS, TEXAS 75254
 (972) 490-9600
 FAX (972) 490-9605
 www.bhrreit.com

Dear Chairman Clayton:

We, the undersigned publicly traded companies, want to thank you for conducting the Roundtable on the Proxy Process on November 15, 2018. The U.S. proxy process is *critical* to public company governance, and we appreciate the Commission's recognition that areas within the process need to be reformed.

These issues *have real effects* on the economy, job creation and global competitiveness. As many have communicated to the SEC in the past several years, these issues are part of a poorly-calibrated regulatory ecosystem that is producing fewer IPOs and driving many companies out of the public markets.

The proxy process is a key opportunity for companies to communicate with shareholders. A transparent, accurate and verifiable proxy system that is oriented toward long-term value creation is vital to constructive shareholder engagement and the successful operation of public companies. The Commission emphasized this point in the 2010 Concept Release on the U.S. Proxy System, which noted: "With 600 billion shares voted every year at more than 13,000 shareholder meetings, shareholders should be served by a well-functioning proxy system that promotes efficient and accurate voting."

The November 15th Roundtable provided for open discussion on several issues where reform is necessary for a more useful and efficient proxy system. As publicly traded companies, we urge the SEC to address the following critical items:

Proxy Advisory Firms: The SEC must take strong action to regulate proxy advisory firms to address three critical frustrations with their current operations:

Conflicts of Interest: The SEC should adopt strong protections for both companies and users of proxy advisory services to ensure that conflicts of interest are eliminated where possible, minimized and/or mitigated where appropriate, and transparent to the users and subjects of reports. Conflicts should be disclosed on the front page of proxy advisor reports on companies so that investors make fully informed voting decisions.

Accuracy: The SEC should require transparent processes and practices that allow ALL public companies, regardless of their market capitalization, to engage with proxy advisory firms on

matters of mistakes, misstatements of fact and other significant disputes so that timely resolution of those disputes and corrections to the record can be made to minimize the negative impacts that such mistakes can have on the subject company's proxy voting outreach and its shareholders. Such policies and procedures are absolutely critical to any reforms considered by the SEC. Given the impact of the proxy advisory firms' decision-making and recommendations on the capital markets, and the large percentage of institutional voting that follows their recommendations, the ability to identify and correct errors is crucial for accuracy and accountability.

□ **Transparency of proxy voting standards:** Proxy advisors currently play a critical role in the development of de facto market rules through their policies and recommendations. The SEC should require public transparency, including a formal public comment period, when a proxy advisory firm intends to change its voting policies from one proxy season to the next and ensure that companies have the ability to determine, on their own, whether they can satisfy those policies. Proxy advisory firms should not be allowed to significantly affect voting recommendations using opaque rules, which require paid services to interpret. Moreover, in the absence of transparent policies, neither the proxy advisory firms' clients, nor the companies they report on, can determine whether a policy is applied correctly or if a recommendation is based on factual errors.

Shareholder Proposals: The SEC should modernize the shareholder proposal process so that it reflects more reasonable standards for submission and resubmission of shareholder proposals and is oriented toward creating long-term value for all shareholders. Reasonable standards for resubmissions were previously proposed by the SEC in 1997, which would have required 6 percent support for the first resubmission, 15 percent for the second, and 30 percent for the third.

Shareholder Communications: The SEC should focus on streamlining shareholder communications to enable companies to directly and cost-effectively communicate with their shareholders. The Commission should repeal the distinction between objecting and non-

objecting beneficial owners (OBOs and NOBOs), which inhibits the ability of companies to communicate with the majority of investors who are not registered shareholders.

Proxy process: The SEC needs to update the proxy voting process to make voting more transparent and verifiable and to increase retail investor participation.

Maintaining a viable public company model is of the utmost importance for companies that need capital, but also for Main Street investors and the overall economy. Addressing these critical proxy process issues will make our capital markets stronger and improve the experience for public companies and benefit their long-term investors.

Sincerely,



Richard J. Stockton
President/CEO Braemar Hotels