August 17, 2009

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Via e-mail: rule-comments@sec.gov

Re: Proposed Rule Facilitating Shareholder Director Nominations, File No. S7-10-09

Dear Ms. Murphy:

The Altman Group appreciates the opportunity to submit its comments in response to the Securities and Exchange Commission ("Commission") proposals on facilitating shareholder director nominations and amending rules permitting shareholder proposals related to director nominations ("Proxy Access Proposals"). Our comments will focus on the need for clarification and improvement of the shareholder communications rules in light of the Commission’s goal of furthering shareholder democracy through the implementation of proxy access.

The Altman Group has had numerous discussions with clients (both corporate and shareholder) and has discussed this issue with many other advisors and advocates on both sides of the issue. It is obvious to us that the adoption of proxy access will have a significant impact on the proxy landscape. However, we believe that the Commission’s action in making its proxy access proposals so quickly after the amendment of Rule 452, and without first addressing important issues of shareholder communications, is a serious mistake. We understand and acknowledge that the Commission is examining shareholder communications and other “proxy plumbing issues” such as in its communication with the Society of Corporate Secretaries and Governance Professionals regarding a discussion of client-directed voting\(^1\), and we look forward to fully participating in discussions on this and other issues as they move forward in line with Chairman Schapiro’s publicly-stated goal of examining these issues by year-end 2009. However, we find this piecemeal approach to be puzzling, and wonder why the Commission has chosen not to tackle the difficult and complex issues associated with the plumbing, alongside proposals for change that could be enacted in time for the start of the 2010 proxy season--in addition to proxy access proposals and elimination of the broker discretionary vote for director elections.

The Commission’s actions have focused, to our dismay, more on the architecture of corporate governance and less on creating an environment where corporate democracy takes root. A broad, national, democratically elected government such as our own could not exist if there were not reliable mechanisms for elected representatives or their challengers to communicate with voters, or once balloting is completed, a trustworthy and verifiable system for determining who was entitled to vote. Corporate shareholder democracy, as envisioned in the Commission’s proposals, will be similarly hobbled by a failed communication system, one lacking transparency for companies and dissidents that are seeking to identify and establish an open channel of communication with shareholders.

In our letter dated March 27, 2009 (copy attached), where our concerns were specifically driven by the prospect of an amended Rule 452, we discussed an interim solution designed to address a number of communications challenges faced by both issuers and investor communities. We recommended the Commission eliminate the NOBO and OBO distinction and suggested the creation of the category ABO (All Beneficial Owners) solely with regard to record dates for votes at company annual or special meetings, or in other situations requiring shareholder action.

We will in future communications elaborate in further detail on the benefits we believe the establishment of the ABO category would create for both issuers and shareholders. However, we must repeat, at the risk of beating a dead horse, that the imposition of proxy access without corresponding changes to the system of communications between companies and investors will have unintended negative consequences for individual companies and for the market as a whole.

Short-term investors operating under the present NOBO/OBO distinction, and experienced at hiding their ownership positions, will under a “proxy access” regime have a significant advantage against companies (particularly smaller and mid-sized firms) and perhaps behave in a way incongruous to the interest of long-term investors. Bear in mind that many short-term investors are not required to file 13-f reports, and therefore they provide neither companies nor investors with any information as to their position in a company’s stock.

This lack of transparency as to who is entitled to vote, combined with the lack of an established mechanism for parties to reveal shares on loan prior to a record date, will in a “proxy access” environment, deny both companies and dissidents the ability to communicate with all stock holders eligible to vote at a meeting.

We fail to see how “real” shareholder democracy is fostered when a considerable portion of the electorate cannot be identified, perhaps without their knowledge and consent, while another set of sophisticated voters can intentionally game the system so as not to be identified to the company as entitled to vote. They also, perhaps, have the ability to separate their vote from any financial risk, and through that vote potentially create financial risk for other shareholders.

Is it possible to have an open, transparent vote on director nominees, when it is not entirely clear to either side in a contest, whether issuer or dissident, as to who actually owns all of the rights to vote a company’s shares?
Simply put, the Commission should evaluate and remedy the plumbing before moving into the house. We would ask the Commission and its Staff to research, consult, and expedite changes by year-end calendar 2009, to the NOBO/OBO beneficial ownership disclosure process. This will enable this important issue to move forward in parallel with proxy access and amended Rule 452, and also meet the timeframe contemplated in Chairman Schapiro’s previous public statements.

We look forward to a continuing dialogue and communication with the Commission on the matter of these proxy plumbing issues.

Sincerely,

Kenneth L. Altman
President
The Altman Group, Inc.

cc: Mary Schapiro – Chairman – U.S. Securities and Exchange Commission
Kathleen Casey – Commissioner, U.S. Securities and Exchange Commission
Elisse Walter – Commissioner, U.S. Securities and Exchange Commission
Luis Aguilar – Commissioner, U.S. Securities and Exchange Commission
Troy Paredes – Commissioner, U.S. Securities and Exchange Commission
Brian Breheny – Deputy Director, Division of Corporation Finance
Kayla J. Gillan – Deputy Chief of Staff to Chairman Schapiro