



October 20, 2010

Elizabeth M. Murphy, Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

**Re: File No. S7-14-10  
Concept Release on the U.S. Proxy System**

Dear Ms. Murphy:

I am writing to address a few of the topics raised in the Commission's Release on the U.S. Proxy System. We support a comprehensive review of the U.S. proxy system and believe that the appropriate regulatory changes can result in a system that provides issuers with clarity about their shareholder base and with confidence in the shareholder voting system. We are supportive of a number of comments provided to the Commission, including the recommendations of the Shareholder Communications Coalition regarding proxy voting and communications. We believe that the topics addressed below deserve further amplification.

Direct Communication with Shareholders and Shareholder Engagement

The NOBO/OBO classification system prevents public companies from identifying many of their shareholders and inhibits their ability to engage in meaningful communications with shareholders. Cardinal Health currently has approximately 350 million shares outstanding. 146,000 beneficial shareholders own approximately 99% of these shares. Our most recent NOBO list showed that over 40% of these beneficial owners, holding approximately 300 million shares, were listed as OBOs. As a result, apart from filings by mutual funds or other less reliable means, we do not know with certainty the identities of these shareholders and what their concerns or viewpoints might be.

We believe that public companies should be able to contact all of their beneficial owners and should be permitted to communicate with them directly. In particular, for companies like Cardinal Health which are largely held by institutions, this data would enhance their ability to communicate with their shareholder base. Therefore, we support eliminating the NOBO and OBO classifications and the resulting prohibition on companies distributing proxy materials directly to beneficial owners. The inability to communicate

directly with all shareholders has resulted in decreased voting participation, which is particularly important in light of the recent changes to New York Stock Exchange Rule 452 governing broker discretionary voting. This change would facilitate proxy solicitation efforts by public companies and lead to greater engagement and voting participation by shareholders.

Under the current system, companies seeking to communicate with beneficial owners must use a circuitous and expensive process that is controlled primarily by one service provider. We support providing public companies with the opportunity to select a proxy distribution provider of their own choosing through a more negotiated rate structure. When combined with the changes to the NOBO/OBO system discussed above, such issuer choice should result in a more efficient and effective shareholder communication system.

#### Share Voting and Economic Interest / Over-Voting and Under-Voting

We agree that the legitimacy of shareholder voting must be based on the belief that shareholders entitled to vote in the election of directors and on other matters have a residual economic interest in our company commensurate with their voting rights. In other words, their vote should be motivated by their economic interest in our company, not other interests. In this regard, we are concerned about the role of proxy advisory firms in the proxy voting process, since they do not have an economic interest in the vote. We believe that additional regulation to address transparency in proxy advisory firms' formulating voting recommendations and possible conflicts of interest and accuracy is appropriate to protect investors.

We also are concerned about "empty voting" and "share lending." We believe that additional transparency through disclosure about these arrangements by institutional investors and other large shareholders would be helpful to all participants. Share lending by brokers on behalf of their customers also can cause a broker to cast more votes than it is entitled to cast. The failure of many brokers to reconcile their long and short positions undermines confidence in the accuracy of the voting process. We believe that shareholder vote counts should be capable of third-party verification as to both registered and beneficial owners.

#### Data-Tagging Proxy-Related Materials

We agree with the recommendations made in the letter of Douglas K. Chia of Johnson and Johnson responding to the questions in the concept release regarding whether the Commission should expand electronic data-tagging requirements to include information disclosed in proxy statements in connection with annual meetings. More specifically, we have had a similar experience regarding the amount of time required for data tagging. In August, we filed our fiscal 2010 Form 10-K and were required to include the more detailed tagging for the notes to our financial statements. We had unexpected delays in

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the data tagging and filed the XBRL exhibits one week after we filed the Form 10-K. Our service provider has raised concerns relating to the timing of data tagging for our next Form 10-Q, which has adversely impacted our schedule for preparation and review of the Form 10-Q. Based on our own experience with data tagging for XBRL, we would also urge the Commission to conduct the study necessary to understand what, if any, benefit there has been to investors from XBRL and, if there has been a benefit, who has been the primary beneficiary and to consider very carefully the burden that data tagging places on issuers before expanding data-tagging requirements to executive compensation and other proxy-related data.

Thank you for taking the time to consider our views on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "S. T. Falk", written in a cursive style.

Stephen T. Falk  
Executive Vice President, General Counsel and  
Corporate Secretary