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Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-0213

Re: Concept release on the U.S. proxy system, File No. S7-14-10

My organization, Investors Against Genocide, has been working since 2006 to change the mutual fund industry's investment policies on companies funding genocide. We believe that Americans should not have to worry that investment firms will invest their hard earned savings in companies that help to fund genocide or crimes against humanity. Using Sudan as an example, we organize individual shareholders to submit proposals to mutual funds requesting that the fund's "Board institute transparent procedures to prevent holding investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights." Our campaign has resulted in shareholder votes at Fidelity, Vanguard, American Funds, and Putnam and has facilitated serious engagement with several other companies, including TIAA-CREF and iShares.

This experience has given us an understanding of the proxy system and a particularly in-depth understanding of how it affects mutual fund shareholders and shareholder proposals. We encourage you to particularly consider the impact of new regulation on mutual funds since this is the financial vehicle through which most Americans invest. Note that our feedback, though based on our experience with mutual funds, is broadly applicable, to all companies and issues, not just mutual funds.

There is significant public interest in our campaign. Our shareholder proposal, which has been on the proxy ballot for 82 mutual funds with voting results recorded for 61 funds, received as much as 31% support, with favorable votes recorded by more than 12 million shareholders of record. The American public's overwhelming interest in avoiding investments connected to genocide is reflected in the 28 states and 61 colleges and universities that have taken action on the Darfur genocide, and supported by KRC Research's 2010 survey in which 88% of Americans responding said that they would like their mutual funds to be genocide-free.

Our shareholder campaign has faced many institutional barriers that the SEC could remove as part of its overall effort to protect consumers and restrain financial institutions from working against their interests. In general, the shareholder proposal process is heavily stacked against the shareholder, and it is particularly biased for mutual funds. For example, mutual funds (i) need not hold annual meetings (except for a few exceptions), so it is particularly important for mutual fund proxy votes to be fair and meaningful when they occur; (ii) are able to leverage their substantial assets to lobby against the proposals in ways shareholders cannot possibly match; and (iii) often fail to disclose information that would help shareholders understand the nature of their investments.

We provide the following feedback and suggestions on your comprehensive and detailed review of the U.S. proxy system:

1. **Support rule changes to make proxy voting more meaningful and fair; reject rules and complications that make voting less so**
 - a. **Advance voting instructions** – Oppose the creation of any advance voting instructions because they make voting less meaningful by allowing automatic voting without addressing the specifics of the proposals on the proxy. A variety of scenarios of “advance voting instructions” were described as possible in the Concept Release as a way to “increase participation.” However, “increased participation” by automatic voting is not necessarily beneficial. Disconnecting voters from considering the merits of the measures on the proxy ballot makes the voting results less meaningful.
 - b. **Voting with management** – Eliminate the “vote with management” option for shareholder proposals and other non-routine questions. The SEC has provided a definition of “routine” questions and applies that to broker non-votes (counting for quorum and routine votes, but not others). “Vote with Management” should follow suit. Voters should explicitly vote on each non-routine matter. This problem is magnified, today, by telephone voting systems and online voting systems, which prominently offer the option to vote with management as a way to avoid the time to carefully consider the each individual ballot measure. Online voting screens are typically set up with a “vote with management” button, often presented to investors before they even see the issues being considered. Telephone voting systems often begin with a single choice of “vote with management.” These problems make it less likely for shareholders to become aware of issues they might support if they knew of them.
 - c. **Improve proposal visibility on the ballot** – Require that shareholder proposals and other non-routine questions be listed first on the ballot (whether paper, online, or phone). One of the reasons that shareholders vote is that they see that there is something non-routine and of interest. Prioritizing the non-routine matters encourages voting by presenting the most interesting measures first. Encouraging voter attention to these measures, first, increases the likelihood that they will be read and carefully considered, thereby promoting a better educated voter. Today’s system of listing the shareholder proposals last on the ballot requires voters to wade through what are probably the least interesting ballot measures first. The effect of these problems today is that voters may participate in the voting and not even read the short description of contested measures. These problems are substantially magnified, today, particularly by telephone voting systems, but also by online voting systems, because of the slow, sequential method of presentation they provide. In addition, companies should be required to agree with proposal submitters on the short description used to identify their issues.
 - d. **Voter Instruction Forms (VIFs)** – Require VIFs, and any other presentation of measures to be voted on, to obey the rules in place for proxy ballots and to use the same wording as on proxy ballots. Rule 14a-4(a)(3) of the Securities Exchange Act of 1934 clearly requires clear and impartial representation of ballot questions from shareholder proposals. However, our experience indicates that there are loopholes that prevent enforcement of these requirements. Technical distinctions between voting instruction forms, proxies, and other materials should be clarified to ensure that all materials clearly and impartially present issues. Intermediaries, such as broker-dealers and Broadridge, which process “street” shareholders should be required to follow the same rules as those imposed on the

companies they support. Online voting systems need to present summary information so shareholders clearly understand the issues before them without needing to access backup information. Requiring that VIFs match the wording as provided by proxy ballots ensures that all voters see the same “ballot” and provides a simple requirement for third parties.

- e. **Telephone solicitation** – Require that telephone solicitations used to help achieve quorum be unbiased. Telephone solicitations by third parties hired by the company (such as D.F. King), are, in our experience, strongly tilted toward management. The opening script frequently asks to support management’s “carefully considered” recommendations. We have received complaints from mutual fund shareholders that telephone solicitors have actively discouraged them from voting against management. For example, they may refuse to record a vote against management or misrepresent the issues. Voting and outreach procedures should be independently audited to ensure they are fair and objective. Companies that want to influence the vote by telephone solicitation should not be permitted to do so in conjunction with what should be a neutral effort to increase participation to achieve quorum. Companies who utilize telephone solicitation to influence the vote should be required to disclose this spending and the source of the payments for this purpose to shareholders.
- f. **Internet distribution of material** – Require the “Notice of Internet Availability” to include a proxy card (or VIF). Today’s practice of providing a “Notice” without visibility to the questions on the ballot results in missing the first and most important opportunity to educate voters on why they might be interested in voting. Our experience is that a primary driver of voter interest is reading the ballot measures. Combining the “Notice” with a clear representation of the actual text of the ballot is an obvious, good way to educate voters and encourage voting.

2. Improve communications to shareholders and reduce the costs of communication

- a. **Beneficial owner list compilation** – This role should be separated from the role of proxy service providers so that competition is possible to lower costs and improve the efficiency of communications to shareholders. The role of a “data aggregator” could provide the much needed simplification to the process of providing access to shareholder lists. Simplifying this access is fundamental to providing effective communications to shareholders and allowing for meaningful and fair voting.
- b. **Competition among proxy service providers** – Companies have many advantages over their shareholders when they are on opposite sides of shareholder proposals. The cost of contacting millions of shareholders is prohibitive for individuals and small advocacy groups yet companies use shareholder resources to conduct extensive telephone solicitation. In our experience with some campaigns, it would have cost tens of thousands of dollars simply to determine the final cost of a mailing to a subset of investors. This is, in part, due to costs imposed by intermediaries, such as Broadridge, for access to mailing lists of “street” investors. Competition will help to reduce costs and improve efficiency.
- c. **Mailing costs** - Ensure that mailing costs are within reach of shareholders. Shareholders have the right, in theory, to solicit support for their proposals but, in practice, may not be able to afford to do so. Fees should be sufficient to offset costs and prevent frivolous campaigns but should not be priced so as to be prohibitive. List segmentation requests

should be evaluated with at most minimal charges so that shareholders can identify list subsets that they can afford to contact. Alternatively, new paradigms for shareholder communication should be established. These might include, for example, SEC supported web sites where material could be posted. Procedures and costs for accessing shareholder lists should be standardized, clarified, and streamlined.

- d. **NOBO and OBO classification and machinery** – Eliminate the NOBO/OBO classification for beneficial owners. Today’s NOBO/OBO system discourages voter participation. It creates barriers to communications with shareholders, drives up complexity, reduces transparency, and makes proxy voting less meaningful by reducing communication on proxy voting.
 - e. **Registered owners vs. beneficial owners** – Eliminate the distinctions between registered owners and beneficial owners that affect proxy voting authority and effectiveness of shareholder communications. Beneficial owners should be able to vote as easily as registered owners, with no legal technical impediments. Shareholder communications to beneficial owners should be as quick and as low cost as for registered owners.
 - f. **Shareholder forums** – Shareholder forums can be a very valuable method of supporting voter education about the proxy ballot measures. Third parties, such as MoxyVote, have demonstrated that the market can provide information tools to help voters access and understand a range of perspectives, including those of interest groups, on ballot measures. Support for shareholder forums could include establishing or accepting some standard marketplaces of ideas as shareholder forums. Providing information to voters on how to access those forums as a highly visible part of voting materials would greatly facilitate the use of the forums and voter education.
 - g. **Encourage free voting platforms** – The market has demonstrated that free voting platforms are a real possibility; MoxyVote is one example. Such platforms should be supported as positive developments to assist voters, add value, and lower costs.
3. **Require prompt consideration of proposals by mutual funds** – Public corporations are generally required to hold annual shareholder meetings and to consider shareholder proposals at these meetings. The annual process provides shareholders with a clear procedure for receiving timely consideration of their concerns by company managers and the shareholders. In contrast, mutual funds hold meetings at their discretion and may go years without holding a special meeting at which shareholder proposals are considered. Regulations should require reasonably prompt consideration of mutual fund shareholder proposals either through a shareholder meeting or an alternate process. In addition, companies should be required to accept or object to consideration of shareholder proposals in a timely way and to post accepted shareholder proposal submissions on Edgar so submitters have positive confirmation that they will be considered.
 4. **Replacement voting materials** – Companies should be required to demonstrate effective procedures to provide shareholders with control numbers if they need replacements. Getting replacements for the detailed information in the proxy is relatively easy, since it is posted online. However, we encountered numerous examples of shareholders who were unable to get replacement control numbers or who had to contact the mutual fund repeatedly in order to be able to vote.

5. **Requiring voting results** – Companies may currently choose to end voting without reaching a quorum and without reporting a result on selected issues on a proxy ballot. As a result, twenty-one of our shareholder proposals that were on proxy ballots recorded no results. The current rules allow management to encourage voting only on issues they favor. Companies should be required to obtain a quorum on all issues or invalidate the entire vote. If the SEC allows companies to selectively terminate voting without a quorum, companies should be required to report the voting result. Since most shareholder proposals are non-binding, this voting result can still be useful to management and shareholders even if a quorum on the measure was not achieved.
6. **Data tagging proxy-related materials** (section 4C) – Increase the potential for value from data tagging by standardizing disclosure statements. There is a great deal of free form text about the purpose and goals of a fund that could be partially standardized. It would be helpful to create standard questions that have numeric or yes/no answers so that they can be easily tabulated. For example, this yes/no question would help sort funds, “Does the fund have a human rights policy that guides its investment choices?” A freeform text explanation could still follow to provide further information on this question.

We appreciate the opportunity to provide this input. We hope that the SEC will introduce improvements to the U.S. proxy system, such as the suggestions we have provided, that will make proxy voting more meaningful and fair, increase transparency and disclosure, simplify the system, and reduce costs.

We welcome the chance to talk with you to clarify our suggestions. I can be reached at ericcohen98@gmail.com.

Sincerely,



Eric Cohen
Chairperson
Investors Against Genocide