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Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

RE: File Number S7-14-10, Concept Release on the U.S. Proxy System

Dear Ms. Murphy:

Continental Stock Transfer & Trust Company ("CST") appreciates the opportunity to comment on the SEC's Concept Release on the U.S. Proxy System (the "Release"). CST has been an independent transfer agent for over 45 years and currently provides transfer agent services for more than 1100 issues. CST acts as proxy distribution agent and tabulator for more than 600 shareholder meetings annually. CST also provides proxy services for numerous beneficial shareholder plans for which we are not the record keeper, such as Employee Stock Purchase plans. CST receives external files from trustees, converts them and distributes Voting Information Forms that resemble proxies, similar to the service that is provided today by brokers. CST also reviews street broker billing on behalf of issuers for the distribution of proxy material by the street. As a result of this exposure and extensive experience, CST is well situated to provide first-hand observations on many topics addressed in the Release.

We have long observed that the current street proxy system is fundamentally flawed and yields rampant over-voting, generates excessive expenses for issuers because of monopoly pricing, and directly contributes to the decline in voting of beneficial retail shareholders. The following observations are offered on the current proxy system and specific areas noted in the Release.

CST is a member of the Securities Transfer Association ("STA") and joins in supporting the previously submitted STA comment letter in all respects.

DIRECT COMMUNICATION WITH SHAREHOLDERS

The current proxy system does not permit issuers to communicate directly with most of their beneficial owners. Issuers are forced by this system to communicate with their "street holders" by distributing meeting materials through Broadridge Financial Solutions Inc. ("Broadridge"), the 99% monopoly utilized by banks and brokers nationwide for proxy distribution. Under the current system, issuers have no choice but to utilize Broadridge's services for proxy distribution and to pay their exorbitant monopoly prices, which prices are set by the New York Stock Exchange ("NYSE"). Notably, banks and brokers designate Broadridge as their distribution agent, and in return they receive "rebates" from Broadridge. These rebates are often massive as a result of the fact that the NYSE (owned by banks and brokers) sets distribution rates to be utilized by Broadridge which, in turn, pays rebates back to its bank and broker clients. This seriously flawed model, based on rampant conflicts of interest, has led to excessive pricing for issuers (often 3 to 4 times what they would pay under open market pricing), who have no ability to negotiate fees with their designated monopoly provider, Broadridge. In this regard, please see the STA White Paper on proxy

distribution costs, which confirms the egregious disparities between Broadridge monopoly pricing and market pricing.

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The solution for this problem is straightforward: the Commission should mandate that issuers are entitled to unfettered access to lists of their "street" name holders held on the books of banks and brokers. In this model, issuers would be permitted access to such information and could let multiple vendors, including Broadridge, transfer agents and/or new entrants into the marketplace bid on their distribution services. Then, and only then, will issuers be able to negotiate fair prices for services rendered, as an alternative to the existing model where monopoly pricing yields vastly inflated issuer distribution costs. Importantly, if Broadridge is to remain the aggregator of beneficial owner lists -- an alternative which should be avoided in favor of an open competition for this aggregation role -- Broadridge should not be able to gouge issuers for providing beneficial holder lists as has been the experience under the Canadian revised model. This the Commission should insist on and it should compel a fair pricing methodology.

OVER-VOTING AND BROKER RECONCILIATION

If the Commission were to adopt the proposal outlined above (i.e., issuers are entitled to direct access to their street name holder lists) then the flaws in the current system relating to over-voting and broker reconciliation would mostly be a thing of the past. Currently, brokers do not, in any meaningful way, reconcile their omnibus positions relative to their accounts at The Depository Trust Company ("DTC") to ensure that materials are distributed only to the broker's true beneficial owners of record. The lack of this broker pre-reconciliation function (i.e., before broker distribution) has meant that virtually every annual shareholder meeting or special meeting has encountered material vote discrepancies and massive broker over-voting. Part of this problem relates to stock lending and the sale of voting rights, but the major cause is that banks and brokers simply do not properly reconcile their records before the distribution process commences.

The solution is for the Commission to mandate that issuers be entitled to direct access to their street name holders; and, the Commission should mandate as well that banks and brokers would be required to pre-reconcile their beneficial owner lists so that they match their DTC positions and properly reflect stock lending and share vote sales before record dates. This straightforward solution is easily workable and would cut out the many unnecessary layers that currently exist between issuers and their street name holders, e.g., NOBO/OBO lists and Broadridge. Most important, it would go a long way toward ensuring the integrity and accuracy of the vote at each and every shareholder meeting. Under such a revised system, registered shareholders and "street" holders would be treated alike with voting tabulation far more straightforward.

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SHAREHOLDER ENGAGEMENT

The current NOBO/OBO system in which Broadridge acts as the monopoly intermediary prevents public companies from knowing many of their shareholders and engaging in meaningful communications with them. The inability to directly communicate with shareholders has resulted in decreased voting results from year to year, and retail shareholders often feel that they have no voice in the governance of the issuer.

The solution is a system in which issuers have direct access to all of their shareholders so that they can communicate effectively and engage them in meaningful debate about the proper course for the governance of each issuer.

Continental appreciates the amount of work that the Commission has invested in preparation for the Concept Release. We believe that a radical change in the current proxy system is required as outlined above. The corporate governance landscape has changed dramatically over the past two decades and the Commission-mandated proxy system must change to keep pace. By simply mandating that issuers are entitled to direct access to all of their shareholder information, the Commission will take a giant step forward in improving upon a seriously flawed tabulation system, eradicating excessive monopoly pricing brought on by serious conflicts of interest, and it will encourage issuers and shareholders to engage in meaningful dialogue about proper corporate governance.

We commend the Commission on this initiative and would be happy to respond to any questions you may have.

Very truly yours,

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Steven G. Nelson
Chairman of the Board
And President

