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Securities and Exchange Commission
100 F St. NW
Washington, DC 20549-9303
Rule-comments@sec.gov

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Dear Securities and Exchange Commission:

Here are some additional comments on the Concept Release on the U.S. Proxy System:

In my previous comments, I stated that the current system usually works well but can benefit from some improvements. To summarize my previous remarks:

- We need to make sure that proxy advisory firms, as information intermediaries, do not cause problems to those caused by the credit rating agencies. Corporate governance is too important to be delegated to a few analysts. Proxy advisory firms should be required to recuse themselves from opining on matters affecting firms whose money they take.
- As the changes in NYSE Rule 452 have made it much more burdensome for retail shareholders like me to vote, we need client directed voting.
- Shareholder privacy needs to be preserved by continuing to allow investors to be Objecting Beneficial Owners (OBOs). Customer disclosure materials such as privacy statements as well as the margin account disclosures need to be improved.
- Empty voting does not appear to be a big problem at the moment, but it should be explicitly banned because of the potential for mischief.

- Record dates should be announced in advance in 10-Q or 8-K statements.
- Proxy statements should be tagged in XBRL.
- Retail voting participation can be increased by sending email reminders to shareholders to vote.
- Retail participation in voting can be increased by integrating voting directly into customer online accounts.

I also indicated that issuers should be able to choose their own servicers for the distribution of proxy materials and the collection of votes. Upon further reflection I now realize that this could interfere with my other suggestions for making it easier for retail investors to vote. In particular, having multiple service providers would make it much more difficult to integrate voting into brokerage firm web sites, and it would make it much harder to implement client directed voting.

Closer integration of voting and brokerage web sites will improve voter turnout.

The changes in NYSE Rule 452 removed the "broker vote" for the election of directors. As I mentioned previously, I own a well diversified portfolio of companies. Companies like Folio Investing (www.folioinvesting.com) make this very easy and cheap to do, even with a modest amount of funds under management. I do not buy shares in a company if I do not respect the judgment of management. Thus, I usually go along with managements' recommendations unless there is good reason to the contrary. Before the changes in Rule 452, I needed to do nothing to have my vote cast. Now I have to take specific action to do so, which is burdensome. This gets pretty tedious with dozens of stocks in the portfolio.

In the current environment with many brokerage firms, one has to fill out a paper voting instruction form or log in to a web site and type in a control number. This gets tedious. A better system is like the one that Folio Investing has been using for many years, in which a shareholder can vote from within the regular online brokerage account. When there is a pending vote, the shareholder can click on the stock, view the voting materials online, and cast a ballot. The shareholder does not need to go to a separate web site or type in a lengthy control number for each company.

More brokerage firms should be encouraged to make voting easier for clients.

Encourage Client Directed Voting (CDV).

It is pretty clear from past election results that most of the time shareholders tend to vote with management. With the exception of index funds and corporate raiders, shareholders presumably own the company because they have a favorable opinion of the prospects of the firm. Most of the time this reflects confidence in current management, so leaving default instructions to the broker to vote with management unless otherwise instructed is quite reasonable and would be a huge time saver for investors, brokers, and issuers. Of course, at times some shareholders believe that the firm's prospects would be even better with various changes, so it is important to preserve shareholder rights by making it very easy to change those standing instructions.

But don't encourage empty voting or vote selling.

It is one thing to leave instructions with the broker to "vote for (or against) management unless I tell you not to." It is quite another to delegate all voting to another organization. This raises the specter that our capital markets will once again make the same mistake we made with the rating agencies, of trusting important analysis to just a few analysts. The Commission should not allow complete outsourcing of voting to outside entities unless there is clear evidence that the results will not result in the massive concentration of voting in the hands of just a few entities. Our economy is too important for our corporate governance to be delegated to a handful of analysts. This is one of the reasons the SEC and the DOL have required institutional shareholders to take their voting responsibilities seriously.

Allowing widespread delegation of voting to others could also make it easy to buy votes or otherwise engage in empty voting. For example, a manipulator could bribe or otherwise influence a proxy advisor whose recommendations are the basis for directed voting. Similarly, a manipulator could provide cash payments to shareholders willing to direct that their votes be cast according to the recommendations of the manipulator.

Allowing issuer choice of service providers would interfere with efforts to simplify voting.

In my previous letter, I stated that issuers should be allowed to choose their service providers for distributing voting materials and collecting votes. This is theoretically appealing in that it would get the NYSE and the SEC out of the rate setting business and permit competition to set prices. However, in practical terms it would make it much more difficult to integrate voting into brokerage firm web sites and to implement client directed voting. By taking the brokers/custodians out of the picture, multiple service providers would presumably approach shareholders in numerous ways, leading to a multitude of different and confusing voting platforms separate from their brokerage accounts. This would make it even more cumbersome to vote and thus result in an even lower voter turnout, and possibly even higher expenses for issuers who will have to spend more on proxy solicitation firms to get out the vote.

Client-directed voting would be much more cumbersome to achieve with multiple service providers. Brokers would have to pass on the client directives to the service providers. Doing so once would not be much of a problem, but since the shareholders must have the right to change their directives at any time up until the vote, it would become very cumbersome to keep passing changes on to different service providers.

Thus, even though issuer choice is theoretically appealing, it probably would not improve the cost or quality of corporate governance.

Pay brokerage firms based on the number of shareholders who actually vote.

One way to improve voter turnout is to create incentives for the brokerage firms to actually bring in the votes. Right now, the payments are based on the number of accounts, whether or not they vote. Creating incentive payments based on the number of accounts that actually vote would create financial incentives for the brokerage firms to get out the vote. This would motivate them to make voting user-friendly by doing things like integrating the voting into the brokerage platform, offering client-directed voting, and by sending email reminders to customers who have not yet voted.

There is good precedent for such incentive payments in the current system, in which brokers receive an incentive fee for suppressing paper delivery. As corporate issuers are complaining about the current fee structure, including an incentive payment based on the number of accounts that actually vote should be part of any revisions in the fee structure. Issuers should like this because it will align the fees they pay more closely with the performance of the brokerage firms and also reduce their cost of soliciting shareholders to vote.

Respectfully submitted,

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