



August 4, 2010

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

Dear Ms. Murphy:

Subject: Comments on U. S. Proxy System
File No. S7-14-10

I'm responding to the Commission's request for comments on the current state of the U.S. proxy system on behalf of Otter Tail Corporation, which is an issuer and acts as its own transfer agent as well as its own proxy tabulator. Please note that some of the responses provided represent my personal views and not necessarily the views of the Corporation.

First of all, I applaud the Commission for undertaking a thorough review of the entire proxy system. After working with the proxy process for our company for a number of years, I have witnessed a number of efficiency and accuracy issues with the current system and appreciate the Commission's efforts to fully evaluate the strengths and weaknesses as well as offering solutions to improve the process...especially in light of the many technological advances that have taken place since the existing rules were put into place.

Since the Commission's review of the proxy system is broad and comprehensive, this response will not necessarily comment on all of the areas that were covered in the concept release, but will include comments in those areas where I have had actual experience or knowledge from an issuer, transfer agent and tabulator perspective. The fact that our company represents all three entities in this process gives us a unique perspective of how the various components work and, in some cases, don't work.

Listed below are our responses to some of the issues raised in the concept release:

1. Over\Under Voting

We experience almost every year an over-voting situation from our beneficial votes. We basically vote shares up to the allocated amount for each intermediary, as shown on DTC's omnibus proxy. Any remaining votes are simply not counted. Although we have never had a closely contested meeting where dropping over-votes would impact the outcome of the

meeting, we feel uncounted votes disenfranchises holders from the voting process and, in some cases, the votes dropped could represent holders who have more of an economic interest in our company than the ones that were counted.

And, even though we are not familiar with the various methods of allocation and reconciliation currently used by intermediaries, we feel more transparency is needed in the process which will hopefully better educate tabulators about the how votes were assembled and will aid in reconciling over-voting situations. Ultimately, the system has to be designed so that no votes are submitted by the service provider until the intermediaries votes are 100% reconciled to the share position listing submitted by DTC. And, DTC needs to verify that the total shares on their position listing agree with the issuer's records as of the record date. Every year we have to adjust DTC's total shares on their position report because it is not accurate to the number of shares they hold as of the proxy record date.

2. Vote Confirmation

Our experience has been that very few, if any, shareholders question the accuracy of their vote regardless of the way the vote was transmitted. That is true for registered as well as beneficial holders. Of course, as the transfer agent, we are able to confirm the accuracy of the registered vote. Although it would be nice to be able to also confirm the accuracy of beneficial votes, our concern would be the additional cost required to modify our voting system to be able to monitor that activity, not to mention the on-going costs to keep the entire process current and up-to-date. If there is a question about the accuracy or tabulation of a beneficial vote, we feel that should be addressed by the intermediary that assembled the vote on their behalf. That is, after all, part of the responsibility of the intermediary to ensure that the vote is accurately recorded and submitted to the tabulator in a timely fashion. And, if necessary, the intermediary can verify with the tabulator that their vote was accurately and timely recorded.

3. Lack of Notice of Meeting Agenda

While we are sensitive to situations where institutional holders have loaned shares and may need to terminate the loan to be able to vote their shares on a pertinent issue, we also question how far in advance of the record date would be sufficient notice of the meeting agenda? We currently send out the notice at least 30 days in advance of the meeting, but could post the agenda items on our web site at an earlier date if that would totally address the concerns with voter lending. Also, from our perspective, it makes no sense to issue a "notice subject to change" as that could create confusion... especially for a shareholder who does not later see an updated notice and acts on information posted in the first notice.

4. Proxy Distribution Fees

Even though we adapted the notice and access for our beneficial holders two years ago, our proxy distribution costs continue to increase. We had assumed by reducing our print quantities



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by over 50%, that we would also realize significant savings in both our printing and postage costs. While we have been able to reduce our printing costs, our processing fees, which are paid to Broadridge, continue to increase and have basically offset most of our printing savings.

The fact that the Proxy Working Group acknowledged in their 2006 report that Rule 465 fees maybe expensive to issuers and that additional alternatives should be explored, adds to our suspicion that the current fee structure is expensive and needs to be evaluated. And, as acknowledged by the Commission, the fact that there is no competition with the current provider makes it difficult to make any comparisons. Therefore, we would encourage the Commission to have the Proxy Working Group engage an independent third party to make a complete assessment of the current fee structure and provide recommendations on how the system can be improved and less expensive.

While we also want to see a proxy distribution system that is efficient, accurate, and reliable, we also are very concerned about escalating costs, especially during a challenging economic environment where businesses have had to reduce expenses as much as possible. Our premise is that introducing competition into the process would make it much more affordable without sacrificing reliability or accuracy in the present system. However, we are open to alternatives that would be identified from an independent study as noted above.

5. Issuer Communications with Shareholders

We have noticed a steady decline in voter participation as more holders move their shares into street accounts. And, the fact that we are unable to communicate directly with those holders has made it more challenging to obtain their vote. Even though we have access to NOBO listings, that process is very expensive and would only be utilized if we anticipated a problem securing enough votes on a non-routine proposal.

Therefore, we support the elimination of or, at a minimum, modification of the current OBO\NOBO structure....at least during the proxy solicitation. We firmly believe that if we were able to do the solicitation directly we could improve voting results since holders would be receiving materials directly from the company versus a VIF which is undistinguishable from another company and could also open channels of communication to inquire directly to our management with questions or concerns about the company. We would also be in a position to send a duplicate proxy card as a means of following on any holders that did not return their original.

Outside of proxy communication needs, we also support further refinement of the current NOBO\OBO distinction as we receive comments from beneficial holders who feel disenfranchised by the current process and, in most cases, are unaware of the fact that they were classified as either an OBO or NOBO. Although institutional holders may prefer that distinction due to identity reasons, many retail shareholders prefer to receive communication directly from the company and our shareholder base is predominantly retail in nature. At a

minimum, brokers should be required to disclose to investors the type of account they have established and confirm periodically their OBO\NOBO status.

6. Means to Facilitate Retail Investor Participation

As noted in our response to “Issuer Communications with Shareholders”, we have noticed a steady decline in retail voter participation in the past twenty-plus years. To illustrate that point, in 1987 we had over 74% of our shareholders vote, which over 90% of our shareholders were retail and a majority, 64%, were registered on our records. Today, roughly 60% of our holders are retail, but only 22% are registered and our voting percentage has dropped to 31%.

We attribute much of that decline to more street accounts where shareholders are now unaware of their NOBO\OBO status and have, in many cases, been removed from the voting process. While we agree that improved investor education could marginally improve ownership misunderstandings and create more interest in the voting process, in the end we feel that it will take more direct involvement by the issuer in the form of better communication of the issues affecting their ownership that will truly create more interest in the voting process.

We also feel that the NYSE Rule 452 has not improved the voting process, but in the end has made it more difficult and expensive to obtain a quorum. Requiring shareholders to actually vote for director proposals versus a broker using discretionary voting sounds good in theory, but very little has been done to improve the process so that beneficial holders are, in fact, voting. We also have concerns with advance voting instructions without reviewing the proxy materials. The main goal of the annual meeting process is to inform investors on the performance of the company and allow them to vote on issues as an informed investor.

While Notice & Access has allowed companies to reduce their print quantities, it has, in our opinion, reduced retail voting even further since many investors are confused with the notice and either try voting the notice or end-up disregarding the VIF thinking the notice was the proxy card. Our premise, again, is that the most effective means to encourage more voter participation is to open up communication channels directly so that holders are more informed about the company which should hopefully instill a feeling of ownership versus just another investment which is held by a broker.

7. Data-Tagging Proxy-Related Materials.

While data-tagging maybe of benefit analysts and other financial professionals assemble financial-related data, our opinion is that data-tagging would be of little benefit to the average retail shareholder since they won't have the necessary tools to be able to read XBRL data. And, we don't see that as a tool that will enhance retail voter participation and will only result in more time and expense to the issuer.

8. Proxy Advisory Firms

We share the commission's concerns about potential conflict of interest between a proxy advisory's role as a service provider to the issuer, as well as providing voting advice to institutional holders. We also support the commission's suggestion to examine further whether there's been adequate disclosure by these firms while serving in this dual role and, if necessary, require more specific disclosure regarding the presence of a potential conflict.

Our experience has been that many institutional holders tend to vote based advisory firms recommendations. Therefore, at a minimum, we support the suggestion of requiring proxy advisory firms to file their voting recommendations with the Commission as soliciting material to facilitate evaluation by market participants of the quality of those recommendations.

9. Dual Record Dates

While we are sensitive to the impact of having an economic interest at voting time, we would not support having dual record dates for a number of reasons that were identified by the Commission. We strongly feel that having dual record dates would create more confusion and expense for the issuer as well as the broker. Also, there must be adequate time for determining material quantities as well as adequate mailing time. That is especially true when using standard mail for sending proxy material, which saves considerably on postage expense, but does require more delivery time. And, as a result of NYSE Rule 452, it requires more time to obtain sufficient votes for a quorum. In the end, we don't feel there would be any major change in voting participation as a result of dual record dates and certainly would not offset the extra cost and confusion that would be present under a dual system.

10. Empty Voting

We share the Commission's concerns with empty voting and feel that there should be more transparency built into the proxy process to properly identify the use of empty voting. Although there are many cases where empty voting is viewed as negative, there are some instances where empty voting is viewed positively. As pointed out by the Commission, the key aspect involved with empty voting is to ensure there is adequate transparency and disclosure so that investors are properly informed which should put them in a position to make better voting decisions. And issuers, in turn, should be in a better position to take responsible and appropriate action as a result of that information. Therefore, we support rule changes that would provide more disclosure and transparency as to equity, or hybrid decoupling regardless of the means used to accomplish empty voting. Since a majority of empty voting situations occur with institutional holders, we would favor disclosure in any form that is public record whether that is from 13(d), 13(g), or 13(f) filings or a new form, if necessary, to cover those instances that would not be covered in Section 13 filings.



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In summary, while we have concerns with all of the issues the Commission has raised in this release, we are especially concerned about retail participation in the voting process. Unfortunately, most companies have witnessed a steady deterioration of retail proxy voting. We feel much of that deterioration has resulted from a movement of shares held in registered form, where there is direct communication and transparency with the issuer, to street accounts where the NOBO\OBO structure has left holders with a general feeling of disenfranchisement. Without a system that is built upon adequate communication and transparency with the issuer, it will be hard, in our opinion, to improve voting results as most brokers, have no real incentive for improving the process. That simply stems from the fact that the issuer has a vested interest in engaging their shareholders in the annual meeting process where brokers are basically acting as an intermediary with no economic interest in a company's annual meeting issues.

We appreciate the opportunity to respond to these important issues and look forward to an improved proxy system. Please feel free to contact me if there are any questions or if you would like any additional information from the responses provided.

Sincerely,

Loren Hanson
Assistant Secretary