

# THE SHAREHOLDER FORUM

C/O LUTIN & COMPANY  
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December 17, 2010

By email

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 Secretary Murphy:

It has been reported recently that a prominent service provider, Broadridge Financial Solutions, Inc., has publicly advocated SEC consideration of regulations requiring corporate use of electronic “shareholder forum” communications to promote more effective investor engagement.<sup>1</sup> The eleven-year experience of the Shareholder Forum (the organization) supports many of Broadridge’s views about the benefits of such communication processes, but does not support their view of a need for new regulations.

The Shareholder Forum has been conducting forum-type communications since 1999, initially as a project of the New York Society of Security Analysts intended for member and public education. Its free, open programs are defined to address either company-specific investor decisions or public interest investment issues, and these programs consistently engage the active participation of all relevant marketplace decision-makers, including corporate and investor representatives as well as the professionals concerned with their decisions. These programs have also been consistently effective in providing fair access to the information needed for investor decisions about capital commitments and proxy voting, as well as for decisions about public policy.<sup>2</sup>

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<sup>1</sup> See [December 8, 2010 Securities Technology Monitor: "Broadridge to SEC: Mandate Use of Social Media;"](#) for direct source statements, see [December 1, 2010 Broadridge Financial Solutions, Inc., press release: "Technology Can Help Regain Investor Confidence in Markets Says Broadridge CEO -- Remarks Made at Hofstra Conference on Social Responsibility in Business](#) and [December 1, 2010 Broadridge Financial Solutions, Inc., prepared remarks of Richard J. Daly, chief executive officer of Broadridge Financial Solutions: "Leveraging Technology to Create a New Era of Market Transparency, Participation, and Fairness"](#) (4 pages, 64 KB, in [PDF format](#)).

<sup>2</sup> Starting with its [first program](#) in 1999, the Shareholder Forum has contributed to public understanding of issues such as fair access to information that led to the [SEC’s adoption of Regulation FD](#). Recent examples include public interest programs that [developed interest in “Say on Pay”](#) and then [addressed issues relating to its implementation](#), as well as the current [“E-Meetings”](#) program to define standards for electronic communications associated with shareholder meetings.

Notably, the past decade's Shareholder Forum programs have been conducted without the new regulations advocated by Broadridge. As some current members of the SEC Staff may recall, the policies and practices for early Shareholder Forum programs were developed very carefully with Staff guidance to assure compliance with then-existing regulations, and have required only minor refinements to adapt to our use of new communication technologies. The only changes in regulations relating directly to Shareholder Forum communications during this period were the SEC's 2008 amendments,<sup>3</sup> which made it easier for first-time participants to understand compliance issues and otherwise encouraged the use of electronic technology for forum-type communications. The current regulations should therefore be considered clearly satisfactory for purposes of allowing both corporate and investor participants to fully engage in the legitimate exchanges of information for which our Shareholder Forum programs – and forum-type communications conducted by anyone else – are intended.

All of our Shareholder Forum experience, and particularly in our specifically relevant program for “E-Meetings” communications, supports these conclusions:

1. ***Investors want to communicate directly with corporate managers.*** Most investors, including all types of professional fund managers as well as individual “retail” investors, prefer to obtain information directly from a company's managers rather than through intermediaries, and forum-type communication processes such as question-and-answer exchanges are considered the most valuable.<sup>4</sup>
2. ***Corporate managers want to communicate directly with investors.*** Most corporate managers are concerned with competing for capital and voting support, giving them a practical interest in communicating directly with investors to understand and respond to their decision-making interests.<sup>5</sup>
3. ***Demand for communication services justifies a marketplace response.*** Both corporate managers and investors can easily justify the costs of electronic communication services that reduce time requirements and otherwise expand their access to high value decision-making information.

Considering these conclusions, there should be no need for SEC regulations to compel what companies and investors can be expected to do voluntarily.

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<sup>3</sup> 17 CFR 240.14a-17; Electronic Shareholder Forums, Release No. 34-57172 (Jan. 18, 2008) [73 FR 4450].

<sup>4</sup> See the October 6, 2010 Forum Report: “Survey of Investor Communication Priorities for Voting Decisions,” previously submitted in response to an SEC request with an [October 8, 2010 letter from Gary Lutin of the Shareholder Forum](#).

<sup>5</sup> See the [July 30, 2010 E-Meetings Review Focus Report: “Corporate Competition for Investor Support.”](#)

SEC actions relating to other aspects proxy system reform, however, are certainly needed as a foundation for the desired marketplace response. The existing complications of an antiquated records management process are a serious barrier to the application of available communication technologies. As an example, in the course of the Shareholder Forum's "E-Meetings" program it was discovered that the seemingly simple process of verifying a shareholder's ownership status for participating in electronic communications requires access to multiple sources of records, all of which involve different access rights and protocols. A special project was able to overcome the obstacles, but a solution to this single element of the communication process required a significant technology development investment that would be unnecessary with a modern, simplified system for securities ownership records.<sup>6</sup>

Please let me know if you want any more information about the Shareholder Forum's experience. I will welcome questions, from the staff or from other readers, and can be reached by telephone at 212-605-0335 or by email at [gl@shareholderforum.com](mailto:gl@shareholderforum.com).

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Gary Lutin". The signature is stylized and cursive.

Gary Lutin, Chairman

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<sup>6</sup> See the [September 14, 2010 Forum Report: Development of an Independent Shareholder Verification Process](#).