ALTA MAX LLC
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January 15, 2020

The Honorable Jay Clayton III
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. S7-22-19 – 17 CFR 240

Dear Chairman Clayton:

Thank you for the opportunity to contribute my thoughts during this comment period. The following views are my own, and they do not represent those of my company, its employees, or its affiliates.

With duopolistic control, Institutional Shareholder Services Inc. ("ISS") and Glass, Lewis & Co. ("Glass Lewis") heavily influence a considerable portion of the voting power of tens of millions of individual shareholders. This power in turn is managed by thousands of investment managers nationwide. As an executive that has served on boards of directors across multiple industries (e.g., industrials, technology, media, software, transportation, education), this influence continues to trouble me.

The *Wall Street Journal*'s Editorial Board noted in its recent piece "The Proxy Protection Racket" that "Institutional Shareholder Services and Glass Lewis control 97% of the proxy advisory market." Considering, for example, that the Department of Transportation states the market share of the two largest airlines by passenger count (Southwest and Delta) is just 36%, this proxy advisory figure is staggering. The *Journal* continues, "ISS provides recommendations to 2,239 clients [i.e., investment managers], including 189 pension plans, and executes 10.2 million ballots annually on their behalf." This vast number of recommendations leads me to an issue that troubles me even more: automatic voting.

As such, I was very pleased to read section III-E-5 of the Proposed Rule, "Require Disabling of Pre-Populated and Automatic Voting Mechanisms". Automatic voting, or robo-voting, should be reined in by increased SEC oversight. The American Council for Capital Formation (ACCF) provides evidence supporting this further regulation. "By surveying 100 public companies' experiences in the 2016 and 2017 proxy seasons," ACCF states, "...research demonstrated that almost 20% of votes are cast within three days of an adverse recommendation, suggesting that many asset managers blindly follow proxy advisory firms." At the end of the day, this means proxy advisors are disenfranchising small and large investors alike.

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If a retiree would like to invest in a mutual fund that aligns with his social values, he can certainly go out an invest in one unencumbered. Or if a hedge fund manager decides to invest in e-sports enterprises and divest her traditional casino holdings, she has the right to do so. To be clear, when investment managers discharge their fiduciary responsibilities and vote down the line according to a proxy advisor recommendation, they do not do right by the investors' financial interests that they are supposed to protect. What is more, all too often the guidance handed down by ISS and Glass Lewis is

one-size-fits-all. FINRA estimates that 6 in 10 households in the U.S. own securities investments. It would be difficult to argue that one household has the exact same investing objectives as the next. Investment managers, therefore, must not allow these cookie cutter recommendations to rubberstamp their shareholder voting in any way. That, again, is a dereliction of duty.

I commend the Securities and Exchange Commission for taking up this issue of proxy voting advice. These large proxy advisors have a tremendous – and unwarranted – influence over the future of America's companies and those who invest in them. This Proposed Rule, especially the new guidelines concerning robo-voting, is an integral component of our government's continued efforts to ensure strong markets and sound governance.

Sincerely,

Hank Torbert
President
Alta Max, LLC

CC: Ms. Vanessa A. Countryman, Secretary