
ALIGN CAPITAL

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January 20, 2020

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Proposed Rule: File Number S7-22-19; Release No. 34-87457

Dear Ms. Countryman:

This Securities and Exchange Commission proposed rule¹ provides the needed reforms necessary to make proxy voting advice stronger for all stakeholders. A stain on the current proxy voting process is the practice of automatic voting (i.e., “robo-voting”). I am very pleased to see the Commission address this issue. The fact that investment managers, who control trillions of dollars of assets, time and again agree with the voting recommendations of ISS, Glass Lewis, and other proxy advisors with near unanimity is worrisome. The Commission’s efforts to make these voting recommendations more transparent should be lauded.

For the better part of the past 40 years, I have been active in raising capital for both private and public companies. I am also the former founder and manager of four companies that were acquired by public companies and venture capital firms. Through my extensive network of qualified investors, moreover, I have been fortunate to unite smart and dedicated individuals with talented and promising companies. This experience has given me first-hand knowledge of how the voting advice provided by

¹ Securities and Exchange Commission, “Amendments to Exemptions From the Proxy Rules for Proxy Voting Advice”, Federal Register, 17 CFR 240, accessed: <https://www.federalregister.gov/documents/2019/12/04/2019-24475/amendments-to-exemptions-from-the-proxy-rules-for-proxy-voting-advice>.

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proxy advisory firms is often skewed toward a particular agenda. Investors – whether they are high-net-worth, alternative asset managers, institutional providers, or retirees – deserve accountable recommendations when examining a shareholder resolution. If there is a non-financial priority being advocated by a proxy advisor, that should certainly, at the very least, be disclosed in an open and easily accessed fashion. As the Institute for Pension Fund Integrity wrote last fall, “Information on the basis of proxy advisory firms’ recommendations is notoriously difficult to access. Comprehensive disclosures are especially necessary when proxy advisory firms consult both investors and corporations on how to navigate the shareholder voting process.”²

Former SEC Commissioner Roel Campos recently warned of these skewed agendas at an event hosted by the Bipartisan Policy Center (BPC) in Washington. He stated, “ISS and Glass Lewis are putting out advice on a myriad of topics, and they tend to be social in nature.”³ He continued by saying, “Proxy companies need to do a lot of work at establishing trust.”⁴ I agree wholeheartedly with Mr. Campos on both accounts. The Commission’s dedicated work – which would ensure greater trust in these advisory firms via greater transparency and accountability – rightfully ignores the political implications of this issue in favor of more robust markets and better-informed investors.

In conclusion, a new survey from researchers at Spectrem Group finds that “81 percent of investors support more scrutiny of proxy advisory firms.”⁵ While I did not participate in the survey, I am certainly one of those likeminded investors; and many other investors I

² Institute for Pension Fund Integrity (IPFI), “IPFI Applauds SEC’s Actions Fixing the Proxy Advisory Process”, November 14, 2019, accessed: <https://ipfiusa.org/2019/11/14/press-release-ipfi-applauds-secs-actions-fixing-the-proxy-advisory-process>.

³ Bipartisan Policy Center (BPC), “The Role of a Corporation: The Shareholder versus Stakeholder Debate”, November 19, 2019, Washington, DC, accessed: https://www.youtube.com/watch?time_continue=1072&v=b1iO5RzP1QE&feature=emb_logo.

⁴ Ibid.

⁵ Spectrem Group, “Spectrem Group Study Reveals Wide Retail Investor Support for Proposed SEC Amendments”, Press statement, January 10, 2020, accessed: <https://www.prnewswire.com/news-releases/spectrem-group-study-reveals-wide-retail-investor-support-for-proposed-sec-amendments--january-10-2020-300984956.html>.

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know – both qualified and retail – believe the same. Increased scrutiny from the Commission would make clear that proxy advisors should maximize financial returns for all investors, instead of catering ideological and agenda-driven recommendations to certain voters.

I appreciate your consideration of my comments.

Sincerely yours,

A handwritten signature in blue ink, appearing to be 'Wendell Minnick', with a stylized loop and a horizontal line extending to the right.

Wendell Minnick
Executive Chairman
Align Capital Holdings