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Nancy Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-9303

Re: File Number S7-10-05

Dear Ms. Morris:

We appreciate the opportunity to comment on the Securities and Exchange Commission's (the "SEC") proposed rule, *Internet Availability of Proxy Materials* (the "Proposed Rule"). ADP fully supports the SEC's laudable goals of increasing investor participation by advancing technology solutions to provide useful information to investors, and by decreasing costs to issuers and all other participants. We have worked closely with the SEC over the years to implement technology solutions for shareholder communications and proxy voting, and we look forward to a continuation of this cooperation and dialogue as the SEC moves toward achieving the goals inherent in the Proposed Rule. In discussing the rule on November 29, 2005, SEC Chairman Christopher Cox said, "It's important for us to know what individual investors think, because this proposal is designed for their benefit." In the hope that we can contribute toward the creation of an effective rule, this comment letter discusses the implications of research and detailed analyses, and offers suggestions for paths forward that should be tested and validated through pilots.

As the largest provider of shareholder communications services, ADP has always provided the SEC, and other interested parties, with factual information on the performance of the proxy process and on the processing implications of potential changes. We do not believe it is our role to comment on what is right for U.S. markets, or take a position on policy tradeoffs. We are a third-party processor and a technology solutions provider. Our business model is founded on principles of objectivity in serving all participants of the proxy process, including large and small issuers, individual and institutional investors, broker-dealers and custodian banks. We pursue accuracy, efficiency and transparency in street-side shareholder communications and proxy voting. As such, we will always pursue innovations and implement changes in ways that provide more efficiency, more technology, and more benefits to all participants.

In order to shed light on the processing implications of the Proposed Rule, ADP is providing data from its vote history, operational and financial databases, as well as research gathered by highly respected, independent research firms, thought leaders, and experts in public opinion polling. We have provided details from five third-party studies in the body of this letter and in comprehensive attachments.

The results of the research are described in detail below. But among the most significant findings of the research are the following:

The Proposed Rule would result in decreased levels of voting participation by shareholders:

- *Among current voters, those who say they would be less likely to look at shareholder information outnumber, by more than 2 to 1, those who say they would be more likely to look at the information.*
- *38% of voters say, "I will be less likely to vote," or "I will not vote at all."*

Because online access is not evenly distributed, the Proposed Rule could introduce bias into shareholder communication and proxy voting:

- *Seniors, African-Americans, lower income individuals, and shareholders who live in rural and smaller communities have demonstrably less Internet access than others. Compared with other groups of investors, when they do have Internet access these investors are more likely to have dial-up rather than broadband access. Dial-up connections make it difficult to review financial and other detailed information.*

Respondents express a preference for the current rule over the Proposed Rule:

- *Two thirds of investors who look at materials, and two-thirds of voters, say they prefer the current rule.*
- *Of those who are offline, 77% indicate they prefer the current process.*

The Proposed Rule may not produce the projected cost savings.

The Proposed Rule is not likely to produce the projected cost savings. Many of the cost savings anticipated by the SEC will not be realized. At the most obvious level, they will be shifted from stock issuers to investors as they print materials at home or at work. In addition, costs incurred by issuers could increase if large numbers of investors request printed copies. The current system of producing and mailing printed copies takes advantage of many economies of scale, and print-on-demand and "one-off" fulfillment systems that would be necessary under the Proposed Rule, would have significantly higher per unit costs.

This letter is organized in six sections: (I) benefits of the current system; (II) data on individual investors; (III) cost-benefit analysis; (IV) the need for a pilot program; (V) changes to ADP processing systems; and (VI) alternative approaches to increasing efficiencies without compromising investor participation.

I. BENEFITS OF THE CURRENT SYSTEM

The benefits to issuers and investors of having a trusted, robust and efficient system for shareholder communications and proxy voting are measurable and growing. The following statistics describe some of the important characteristics of the current system. They define a baseline from which changes should be considered. During the 2005 proxy season:

- High Levels of Participation: Approximately 88% of the shares held in street name were voted at annual shareholder meetings (21% of the street shares voted were attributable to the so-called "broker vote" or "10-day vote"). Record numbers of investors are participating in the current process.

- High Levels of Electronic Voting: Of the shares held in street name voted through ADP, over 85% are now being voted electronically through ADP technologies:

    - Over 2,500 institutional investors and money managers use ProxyEdge®[1] to communicate electronically, manage workload, vote, and comply with applicable regulations. ProxyEdge provides a common "look and feel" across all CUSIPs (domestic and foreign) and all intermediary accounts.
    - During calendar year 2005, over 14 million individual investor accounts used ProxyVote.com to communicate instructions to bank and broker intermediaries and to vote their shares electronically. Over 10 million investors receive information via email with links to company websites and the SEC, and voting is enabled with a single click.
    - Automated telephone and Internet voting systems are available to all street name investors on a 24x7 basis at no charge to them, and were used by over 11 million of them during the 2005 proxy season.

- Efficient Electronic Communication: Public companies are able to rapidly (within 24 hours of ADP's receipt of electronic materials) and efficiently communicate with investors who together own over 70% of the shares of such companies. These millions of investors hold shares through accounts at over 800 custodian banks and broker-dealers.

- Decreasing Costs to Issuers: As a result of ADP's many initiatives, including the collection of shareholder "consents" to electronic delivery, 41% of all physical

[1] ProxyEdge allows institutional investors to view on-line agendas and proposals for upcoming shareholder meetings and allows them to electronically transmit their voting instructions.

> distributions were eliminated at the direction of investors in the 2005 proxy season, without any negative impact on investor participation. The savings to issuers of hundreds of millions of dollars annually continues to improve – we estimate that suppressions (i.e., the elimination of paper material distribution) will improve to approximately 45% of all mailings in the 2006 proxy season.

Today's levels of electronic distribution, electronic voting and cost savings to public companies did not seem possible just five years ago. The SEC's initiatives, together with the "plumbing" provided and maintained by ADP, custodian banks and broker-dealers, have resulted in what the Proxy Voting Review Committee ("PVRC")[2] said is a, "shareholder communication and proxy voting system that is the finest in the world."

II. DATA ON INDIVIDUAL INVESTORS

The third-party studies referenced earlier are:

1. Investor Demographics and Online Usage: Forrester Research, Inc.'s Consumer Technographics® Analysis is based on Forrester's independently gathered data, which pre-dated the Proposed Rule. Forrester's data is continually gathered and updated. It consists of an extensive and ongoing census of U.S. households and Internet usage, and includes surveys conducted in 2004 and 2005, of 23,000 shareholders. Forrester's census is the largest of its kind, second in size only to the U.S. census. It provides statistics on investor demographics and Internet usage with a margin of error of +/- 1%.

2. Telephone Survey of 1,500 Investors: Forrester conducted a telephone survey of 1,500 individual investors from January 2-10, 2006. The Forrester Telephone Survey was commissioned by ADP to respond directly to the questions posed by the SEC and is specific to the subject of investor communication (annual reports and proxy voting information) and to the Proposed Rule. It includes many investors who are online, as well as some who are offline. Individual shareholders were asked how they currently receive annual reports and proxy voting information, whether they look at the information, and whether they vote. They were asked to comment on the Proposed Rule and to indicate their preferences. They were asked whether the Proposed Rule would make them more or less likely to look at shareholder information and vote. Carlos Rodriquez, president of Rodriguez & Company, and a respected expert on public opinion polling, worked with Forrester to design the survey. The margin of error is +/- 2.53%.

3. Online Survey of Investors Who are Frequent Internet Users: comScore Networks administered an ADP-commissioned online survey in random distributions to portions of comScore's 1.5 million member online panel. The 1,700 respondents to the comScore

[2] The PVRC was formed in 2001 at the urging of the Director of the SEC's Division of Corporation Finance, and had among its members prominent representatives of all constituent groups to the proxy process. It undertook an 18-month review of the sufficiency, efficiency and cost of the street side proxy process and how well it meets the needs for all constituencies.

survey are investors who exhibit high levels of Internet usage – 94% of the respondents indicated they access the Internet on a daily basis. Many of the same questions asked in the Forrester telephone survey were also asked in the comScore online survey.

4. <u>Two White Papers Summarizing Research on "Defaults," and Opt-In/Opt-Out Behavior:</u> Sendhil Mullainathan of Harvard University and Eric Johnson of Columbia University are noted and well-published experts in the field of "defaults." They each have documented the research findings from a variety of opt-in/opt-out programs. These studies examine the impact on participation rates of small differences in the requirements necessary to participate. ADP separately commissioned Professors Mullainathan and Johnson to identify, summarize, and draw conclusions from such research studies. The research studies themselves were conducted independently and pre-date the Proposed Rule.

Each of the detailed studies is included as an attachment. Highlights are summarized, as follows:

Under today's rules, large numbers of individual investors are participating in corporate governance. They receive annual reports and proxy voting information, they look at the information, and they make voting decisions.

A majority of investors of all stripes participate in corporate governance by reviewing shareholder information and voting. Shareholder participation in the process can be measured by whether shareholders look at proxy materials, to stay informed about investments, and whether they exercise their right to vote.

Investors appear to value companies' efforts to provide them with the information and methods needed to exercise their right to vote. The Forrester Telephone Survey indicates that:

- 96% of those who vote, and 64% of those who do not vote, look at annual reports and proxy voting information at least some of the time.
- Of those who do not defer decisions to their financial advisors, 82% look at annual reports and proxy voting information at least some of the time, and 67% vote at least some of the time.
- 71% of investors who are not connected to the Internet (approximately 20% of all investors are not online) say they vote their proxies at least some of the time.
- 80% of investors who own shares of 20 or more companies say they vote at least some of the time.

Only 13% of investors indicate they never look at annual reports and proxy voting information. These 13% say the reasons they do not look at the information include: lack of interest (42%); the information is difficult to understand (34%), they rely on their financial advisor (27%), the information is not relevant (19%), and "other" (16%). Only 7% of those who never look at the information, or less than 1% of all investors overall, say it is because they "prefer to get the information in a different way than they do now."

Findings from the comScore survey of frequent Internet users are consistent with the observation that investors appear to value the information they receive and participate in large numbers:

- 95% indicate they look at annual reports and proxy voting information at least some of the time. Only 5% indicate they never look at the materials.
- 83% indicate they vote at least some of the time. 61% indicate they vote "Always" or "Most of the Time."

A number of unintended consequences could occur as result of the Proposed Rule. The research indicates that the Proposed Rule would significantly decrease voting participation by millions of shareholders. The Proposed Rule could have an impact on certain demographic groups, and it could be very unpopular with individual investors.

The Proposed Rule would likely result in decreased levels of voting participation by shareholders.

The Forrester telephone survey indicates that, under the Proposed Rule, significant numbers of shareholders would be less likely to participate as measured by (i) those who look at annual reports and proxy voting information and (ii) those who vote:

- Among current voters, those who say they would be less likely to look at the information outnumber, by more than 2 to 1, those who say they would be more likely to look at the information.
- 38% of voters say, "I will be less likely to vote," or "I will not vote at all."

Investors Indicate Their Participation Will Decrease Due to the Proposed Rule.

	Less Likely	**More Likely**
Look at Disclosures	38%	16%
Cast Votes	38%	12%

Source: Telephone Survey of 1,500 investors, conducted by Forrester Research, January 2 – January 10, 2006.

Findings from the comScore online survey are consistent with those of the Forrester telephone survey. Significant numbers of shareholders indicate that, under the Proposed Rule, they would be less likely to look at annual reports and proxy voting information, and they would be less likely to vote. This is particularly noteworthy since these respondents are frequent Internet users:

- 57% Disagree/Strongly Disagree with the statement, "Recognizing that I may need to take steps to get the information, the proposed rule makes it easier to stay informed about the companies in which I invest."
- 62% Disagree/Strongly Disagree with the statement, "Recognizing I may need to take steps to get the information, the proposed rule makes it more likely that I will vote."

Forrester's demographic data point to the potential for significant reductions in investor participation due to access to, and usage of, the Internet.

- Out of a base of 42 million "investor households," approximately 8 million are not online.
- 43% of investors who are online have access through a dial-up connection. The data show they are less likely to do online financial activities such as view bills, track investments, and visit online financial content sites than are investors with a broadband connection.
- Forrester observes, "Few investors actively choose to do activities analogous to receiving shareholder information and proxy voting materials online." Forrester's data indicates that online users are not in large numbers reading lengthy documents online, they are not frequently visiting financial content sites, and they are not giving up paper statements when they adopt e-statements for financial accounts. Investors who are 60 years of age or more, a segment accounting for 25% of all investors, indicate by a factor of over 2 to 1 that they prefer to get information on "laws and regulations" by mail rather than by Internet.

On the basis of its data, Forrester concludes, *"The proposal will have the effect of reducing investor participation – reducing the number of investors who look at and act on shareholder communications and proxy material."*

<u>Providing investors with the option to request printed materials, while changing the "default" from automatic delivery, would result in less investor participation than exists today.</u>

In reality, most investors will not benefit by virtue of the Proposed Rule's provision that they can still request printed materials, if that is how they prefer to receive this information. By a factor of approximately 2 to 1, respondents to both surveys indicate that the Proposed Rule will be "harder" for them than the current rule. Respondents indicate that the Proposed Rule would be "inconvenient." Moreover, many respondents indicate they are not likely to take any of the steps the Proposed Rule requires in order to get the information. As reported in the telephone survey, of those investors who are online today, and receive materials in printed form:

- 49% indicate they are unlikely to go to a website to view the information
- 65% indicate they are unlikely to call a toll-free number to request paper

- 64% indicate they are unlikely to email a request that the information be sent to them
- 75% indicate they are unlikely to download and print the information from the Internet
- And, 42% say they are *likely* to "Do Nothing."

Respondents to the comScore online survey also indicate they would be unlikely to take the steps the Proposed Rule would require of them to get information. Over 67% Disagree/Strongly Disagree with the statement, "Recognizing that I would need to take steps to get information, the proposed rule makes it more likely that I will request information."

These risks to participation are consistent with research on response rates when individuals are given an offer, or when there is a change in the status quo. "Opt-in" rates are low; "opt-out" rates are low – for the most part, people frequently take no action to change the existing, or "default" option, even when it is in their economic interest to do so. Regardless of the industry or activity studied, inserting an opt-in/opt-out process changes behavior and cannot be directly linked to interest. Professors Mullainathan's and Johnson's reviews of the role of defaults in decision-making conclude:

- If the overarching goal is investor consumption of information and participation in voting, the current system of mailing information, unless investors opt-out, is the better default.
- While an intended benefit of the Proposed Rule is cost savings for issuers, existing data indicate use of information and participation by investors could decrease.
- Any proposed method of shareholder notification, including the current method, should be properly tested to assess its true effectiveness.

The research shows that small differences in requirements for participation can have a major impact on behavior. Small barriers to action can sometimes effectively block action.

Decreased participation would increase the importance and controversy of the broker vote.[3]

An analysis of ADP data shows that the importance of the broker vote varies considerably between small and large companies. Small companies comprise a vast majority of the U.S. public company universe. In fact, on a base of roughly 7,300 public companies today, more than 5,000 (or 68%) have fewer than 10,000 street name shareholder accounts each. For the smallest 5,000 firms, 42% of their shares are voted, on average, without the broker vote. For the largest 2,300 firms (those firms with more than 10,000 street name shareholders), 70% of their shares are voted, on average, without the broker vote. The chart below shows the total "instructed" shares for five segments of

[3] In many circumstances New York Stock Exchange rules permit a member firm to vote its customers' shares if such customers have not provided the firm with voting instructions.

companies, based on number of shareholders, and the associated broker vote for those groups.

Broker Vote Calculations (for the 12 months ended December 31, 2005)

Company Size By Shareholders	Number of Companies	Total Shares	Total Instructed Shares	Percent	Broker Discretionary	Percent	Total Cast
0-10,000	5,016	84,082,663,478	34,981,452,247	41.6%	34,756,650,076	41.3%	82.9%
10,001 - 100,000	1,853	127,090,983,518	84,707,621,474	66.7%	28,808,936,135	22.7%	89.3%
100,001 - 500,000	305	104,131,617,830	73,164,312,851	70.3%	17,111,419,767	16.4%	86.7%
500,001 - 1,000,000	48	48,743,938,118	33,066,901,639	67.8%	9,424,912,108	19.3%	87.2%
1,000,000 +	39	117,510,996,911	86,204,817,975	73.4%	24,654,187,989	21.0%	94.3%
	7,261	481,560,199,855	312,125,106,186	64.8%	114,756,106,075	23.8%	88.6%

Note: Holdings of registered shareholders are not included in this analysis

These numbers highlight the importance of the broker vote for companies of all sizes, and in particular, for companies with fewer than 10,000 shareholder accounts. The indications of decreased investor participation and voting, from all of the research, suggest that the Proposed Rule could have the unintended effect of driving down the percentage of instructed votes across all segments and, thereby, increase the importance of the broker vote across the board.

<u>The Proposed Rule could introduce bias into shareholder communication and proxy voting, because online access is not evenly distributed.</u>

The Proposed Rule states, “75% of Americans have access to the Internet. This percentage is increasing steadily among all age groups.”

A closer look at Forrester’s demographic and Internet usage statistics indicates that the Proposed Rule could disproportionately impact certain demographic segments, including: seniors, lower income, rural and small market areas (especially in East South Central states, i.e., Alabama, Kentucky, Mississippi and Tennessee), and African-American investors. More than other segments, these groups would be required to call a toll-free number in order to get printed materials they otherwise automatically receive today. By comparison, younger, more affluent, urban, and Caucasian investors, and investors living in Northeastern and Western states may be in a better position to take advantage of the Internet for getting their materials.

Millions of U.S. Investor Households Are Not Online.

Investor Household Groups	Number	Not Online
Seniors (60+)	10 million	4 million
Annual Income under $50,000	14.2 million	8 million
Rural and Smaller Market	10.5 million	2.5 million
African-American	2.8 million	700 thousand

Millions of U.S. Investor Households Lack Necessary Broadband Access.

Investor Household Groups	Number	No Broadband Access at Home
Seniors (60+)	10 million	6.3 million
Annual Income under $50,000	14.2 million	11 million
Rural and Smaller Market	10.5 million	8.1 million
African-American	2.8 million	2 million

Source: Forrester's Consumer Technographics® Q3 2005 North American Benchmark Survey; base of 42 million investor households. Note 1: multiple investors living under the same roof are counted as one investor household. Note 2: one investor household can be counted in more than one investor household group.

The online survey indicates that the Proposed Rule could have an adverse impact on participation rates for investors who are 51 years of age or older. comScore states, "Respondents aged 51 and older stand out as a key segment that could potentially react negatively and be adversely impacted by the SEC's proposed new rule."

Respondents who are 51 or older were more than twice as likely as respondents who are 50 or younger to say they vote "Always" or "Most of the Time." Over 75% of such investors indicate that they Disagree/Strongly Disagree with the statement, "The proposed rule will make it more likely that I will vote." By comparison, 64% of respondents who are 50 years of age or younger say they Disagree/Strongly Disagree with this statement.

The Proposed Rule has the potential to be very unpopular with investors.

A clear majority of respondents to the telephone survey indicate they prefer the current rule to the Proposed Rule. Two-thirds of investors who look at materials, and two-thirds of voters, say they prefer the current rule. Of those who are offline, 77% indicate they prefer the current process. The Proposed Rule is preferred only by a plurality of those who say they do not look at the information today; however, this group also indicates that the Proposed Rule would not motivate them to get the information.

A narrow majority of the respondents to the online survey also indicate a preference for the current rule. However, over 77% of those who are over 51 years of age, and over 58% of those who are 50 or younger, say they "Disagree/Strongly Disagree" with the statement, "The proposed rule is more beneficial to me than the current rule."

These figures are important to consider because they indicate that issues of popularity and preference may not be confined to investors who are 65 years of age or older.

The research points to a problem with one of the core assumptions of the Proposed Rule.

The Proposed Rule partially rests on the stated assumption that shareholders are "unaware" they can receive information electronically; but they are not "unwilling." This assumption is not supported by any research.

Responses to the Forrester telephone and the comScore online surveys are nearly identical on this point. Both surveys asked those investors who currently receive materials by mail if they were aware they could receive the information electronically. 71.7% of such respondents to the online survey, and 72% of such respondents to the telephone survey, indicate they are aware that e-delivery is an option.

ADP is not surprised that investors are aware of the e-delivery option. Since e-delivery was made available as a permissible means of informing investors, we have distributed over 3 billion notifications inviting investors to enroll in e-delivery. This has been augmented by substantial open enrollment initiatives by issuers and broker-dealers. Of the over 12.5 million investors who initially chose to enroll in e-delivery, approximately 2.4 million subsequently left the program, and rescinded their consent. In exit surveys of approximately 85,000 shareholders that provided comments about why they rescinded consent to e-delivery, approximately half of them indicate they prefer to look at this information on paper.

Shareholders indicate a preference for printed information over electronic delivery for annual reports and proxy voting information. When asked to select all responses that apply, respondents to the telephone survey indicate they do not choose to receive the information electronically because they:

- Prefer to look at this information on paper (50%)
- Are worried about the security of personal information on the Internet (19%)
- Find it difficult to look at this kind of information on the Internet (18%)
- Do not have easy access to the Internet (17%)
- Do not want to print the information at their expense (15%)
- Other (28%)

Respondents to the online survey also expressed why they do not choose electronic delivery. When asked, "What are the reasons you choose not to receive annual reports/proxy voting information over the Internet?" they said:

- I prefer to look at the information on paper (73%)
- I do not want to enter my personal information over the Internet (32%)
- I do not want to print the information at my own expense (30%)
- It is difficult to look at the information over the Internet (19%)
- Other (7%)
- I do not have access to the Internet at all times (3%)
- I find the web sites difficult to use (3%)

Today, based on ADP's investor consent database, over 88% of investors prefer to receive materials by mail.

III. COST-BENEFIT ANALYSIS

Cost savings from the proposed rule are likely to be significantly smaller than $5.95 per mailed proxy.

The potential reductions in printing and mailing costs are identified as one of the more significant economic benefits of the Proposed Rule. The Proposed Rule release has also indicated that average printing, paper, and postage costs are approximately $5.95 for each mailed paper copy.

We asked Lexecon, a respected economic analysis and consulting firm, to conduct a "cost-benefit" analysis of the potential effects of the Proposed Rule and to compare them to costs-benefits under the current process.

ADP originally provided the $5.95 cost per mailed proxy estimate to the SEC several years ago. It was derived from ADP information as well as information from the National Investor Relations Institute. Using similar sources, Lexecon and ADP have updated the total cost under the current system. It is believed to be closer to $5.33 per mailed proxy.

Lexecon has identified three important factors that suggest actual cost savings resulting from the Proposed Rule could be significantly less than $5.33 per mailed proxy.

- First, some shareholders would choose to print a copy of the proxy materials themselves. The cost of printing at home is higher than the cost of professional bulk printing. These costs, which would be transferred from issuers to shareholders, are part of the total cost to shareholders of the Proposed Rule.

- Second, some shareholders would request a printed copy of proxy materials. The per unit cost of printing, processing, and mailing proxy materials to shareholders *on demand* is significantly higher than the per unit cost under the current system.

- Third, $5.33 represents an estimate of the *total cost* per mailed proxy. Under the Proposed Rule, issuers would continue to incur the fixed cost of producing the annual report and proxy statement. The variable cost savings from reductions in printing and postage costs would be less than $5.33 per mailed paper copy.

Based on market research, there is substantial uncertainty about how shareholders would react if the Proposed Rule were enacted. Respondents to the Forrester survey indicated their likelihood of printing proxy materials at home and requesting a printed copy:

- 20% of shareholders stated that it was likely that they would download and print proxy information over the Internet;

- 39% of shareholders stated that it was likely they would request that a printed copy of proxy materials be sent to them.

Lexecon estimates the cost savings from implementing the Proposed Rule under a variety of assumptions. Using the percentages listed above, Lexecon estimates cost savings of (-)$1.01 per mailed proxy under the current system (*i.e.* the Proposed Rule would cost more than the current system.)

Lexecon also estimates cost savings based on more conservative shareholder response rates – namely, based on9% of shareholders printing the material at home and 19% of shareholders requesting a printed copy. These assumptions lead to estimate cost savings of $1.14 per mailed proxy.

Cost savings are smaller than $5.33 per mailed proxy under all of the Lexecon scenarios. Total cost savings to all issuers of implementing the Proposed Rule during 2005 would have ranged from (-)$181 million to $205 million.

Lexecon's conclusion: "If enough shareholders decide to request printed copies of proxy materials or print the materials themselves, the proposed rule actually costs more than the current system. Indeed, the proposed rule leads to cost savings precisely when enough shareholders are discouraged from participating in the process in this way."

IV. THE NEED FOR A PILOT PROGRAM

Changing the default method by which investors receive proxy materials would be a major change. We believe it would be important to understand the extent to which the Proposed Rule would achieve its intended goals. We believe a "gap" analysis is a necessary starting point. It should include objective measures of participation, cost-benefits, efficiencies, and operational performance, as well as softer measures of investor popularity, goodwill, and trust in the system.

If it is ultimately determined that the Proposed Rule, or some modified version be implemented, we would encourage the SEC to first proceed on a pilot basis. A pilot, from which real field data is derived, would show conclusively how samples of investors behave under new scenarios, what their rates of response and participation would be, and the potential impact on processing volumes and costs for new fulfillment requirements. It would also measure the impact on the importance of the broker vote.

A pilot could be limited to a small number of issuers and broker-dealers, and statistically relevant samples of investors. For example, a pilot of the Proposed Rule might involve Notice variations, and response rate measurement, for several randomly selected groups. One group might receive a Notice that only contains information on where to access proxy materials online. A second group might receive a Notice that contains the web address *and* an "800" number for requesting printed materials. A third group might receive a Notice that contains the web address *and* an email address for requesting printed materials. Finally, a fourth group could receive a full package of information. The behavior of investors in these groups could be compared to see if they access materials, request paper, look at the information, and vote in greater or lesser numbers, and how that compares to the behavior of investors under current rules. Scenarios could be constructed to shed light on the education and communication needs of investors. Such pilot testing could help define service delivery and support requirements for street shareholder servicing and investor acceptance under alternative default scenarios.

Many of the questions contained in the Proposed Rule release would be answered through field-testing. With the real risks of unintended consequences from a change of this magnitude, this would be a worthwhile activity.

V. CHANGES TO ADP PROCESSING SYSTEMS

ADP will need to make changes to current systems and processes if the Proposed Rule is enacted. An effective pilot program would help us to identify such changes and to estimate the time it would take for implementation. As with any significant system change or development effort, we would need to define business requirements, develop detailed functional and technical specifications, build the required solutions, engage in quality assurance testing, conduct training and, finally, implement.

VI. ALTERNATIVE APPROACHES TO INCREASING EFFICIENCIES WITHOUT COMPROMISING INVESTOR PARTICIPATION

ADP's expertise is that of the premier provider of transaction processing services to the financial industry and one of the largest data processors in the world. When we first understood the details of the Proposed Rule, we had concerns about unintended negative consequences based on our experience and our own data, but it spurred us to think about other possibilities to accomplish the SEC's goals. The third-party research suggests that some of these other possibilities (*see* "Requests for Comments" attached to this letter) could likely result in decreased levels of shareholder participation. Therefore, presented below are several approaches we believe would make significant progress towards many of the SEC's goals.

Simultaneous Paper and Electronic Delivery

Custodian banks and broker-dealers have email addresses for millions of shareholders who have not elected to receive electronic distribution of proxy materials. To increase the rates of adoption of electronic distribution, an intermediary could send an email message to such shareholders containing links to electronic information and electronic voting, while simultaneously honoring investors' expressed preferences to receive paper copies of proxy materials. The email message would offer an opportunity to "test drive" electronic delivery, explain the benefits of eliminating paper materials, and provide a "click through" consent procedure for shareholders to adopt electronic delivery for all future deliveries. The intermediary would send such an email message every time a paper distribution was required, with the goal that eventually shareholders would consent to electronic delivery.

We do not believe there would be any unintended consequences associated with this alternative. We believe it could be implemented on a pilot basis relatively quickly and at no cost to issuers. As we indicate below, we believe the potential use of XBRL for proxy materials could also help to improve the electronic delivery "value proposition" to investors.

Lighter, More User-Friendly Documents

Issuers could realize substantial cost savings immediately by printing their proxy materials on lighter gauge paper. As an example, Bed Bath & Beyond Inc. (i) combines its annual report to shareholders and its proxy statement in a single document, (ii) has eliminated costly photography, (iii) limits the colors in the document to black and white, and (iv) prints on lightweight paper stock. The combined cost of printing and postage is approximately $0.82 per mailing. Bed Bath & Beyond's costs are a fraction of the costs incurred by a company using conventional weight paper and design techniques. There is nothing preventing issuers from immediately realizing significant cost savings by adopting the Bed, Bath & Beyond approach. Based on ADP data, if every issuer averaged the same $0.82 per mailing, the aggregate cost savings would have exceeded $800 million in calendar year 2005.

In addition to using lighter weight paper stock and new design techniques, issuers could further reduce costs by simplifying their documents while remaining in compliance with SEC disclosure requirements. At the Plain Language Association International's Fifth International Conference, Commissioner Glassman encouraged the use of plain English in documents intended to convey information to shareholders. The SEC has taken action to have prospectuses written in plain English. Similar initiatives are relevant for proxy materials. Besides the benefit of decreased costs, more easily understood language would result in better-informed shareholders and increase the likelihood of participation by individual investors at shareholder meetings.

eXtensible Business Reporting Language - XBRL

In early 2005, the SEC started a voluntary program for issuers to submit certain reports using XBRL, a financial data tagging technology. XBRL is a computer language that makes interactive financial data possible through the use of data tagging that allows investors to analyze data in any number of ways.

The advantages of an electronic document using XBRL tagging cannot be duplicated with paper documents. Since XBRL tagged documents allow an investor to manipulate and analyze data easily in many different ways, we believe the rate of adoption of opting-in to on-line access to proxy materials would accelerate proportionally with the availability of XBRL tagged documents. We believe XBRL for proxy materials may help to retain large numbers of investors who initially opt-in for e-delivery. We also believe many investors would likely find more value and usefulness in an XBRL environment than they do today.

ADP is looking at the potential for XBRL services to increase the value of shareholder disclosure to investors and build upon current high levels of participation. We submitted our response to the SEC's Request for Information, covering our PostEdge product line, and we believe there is significant opportunity for applying XBRL solutions to shareholder communications and proxy voting. We welcome an opportunity to work with the SEC on a coordinated effort to make XBRL tagging a reality for all issuers. Given the risks that the Proposed Rule would cause millions of investors to become less involved, we feel strongly that XBRL solutions for proxy materials should be a near-term priority for implementation.

Conclusion

The current system for distributing proxy materials has been evolving since its inception. Through deliberate analysis, an unflagging commitment to applying technology, and a constant focus on the SEC's mission of investor protection, the U.S. proxy system today operates with the highest levels of efficiency ever. Each year, more costs are driven out of the process through the thoughtful and effective use of technology.

Investors today get to choose how they receive proxy materials. An overwhelming majority of them know the delivery options available and have made informed choices. At a minimum, any new system should accommodate the explicit choices made by investors to date.

We believe there's always room for improvement. We support the SEC's initiative to find ways to further improve the proxy system. We will work to implement as effectively and efficiently as possible whatever new policy the SEC ultimately determines to be best for U.S. investors and capital markets. We encourage the SEC to undertake a thorough gap analysis and to use a pilot program to gauge the effects and benefits.

Sincerely,

Richard J. Daly
Group Co-President
ADP Brokerage Services Group

cc: The Honorable Christopher Cox
The Honorable Cynthia A. Glassman
The Honorable Paul S. Atkins
The Honorable Roel C. Campos
The Honorable Annette L. Nazareth
Alan L. Beller, Director, Division of Corporation Finance
Martin P. Dunn, Deputy Director, Division of Corporation Finance
Elizabeth Murphy, Chief, Office of Rulemaking, Division of Corporation Finance

Attachments

LIST OF ATTACHMENTS

Forrester – Findings from Consumer Technographics® Data -- comprehensive demographic studies of investors and Internet usage. The largest ongoing census of its kind; the information pre-dates the Proposed Rule.

Forrester Research – Results of Telephone Survey -- survey of 1,500 investors covering their behavior on reviewing annual reports and proxy voting information, and their attitudes on the current and Proposed rules.

Forrester Telephone Survey Cross Tabs (Summary) -- detailed responses from the Forrester telephone survey of 1,500 investors. Summarized by how they receive information, whether they look, and whether they vote.

comScore Online Survey -- survey of 1,700 investors, administered online to frequent Internet users covering their behavior on reviewing annual reports and proxy voting information, and their attitudes on the current and Proposed rules.

Johnson White Paper on Defaults -- a summary of pre-existing research on the impact of changing defaults, and of opt-in and opt-out programs. Compiled by Eric Johnson, Professor of Behavioral Economics, Columbia Business School

Mullainathan White Paper of Defaults – a summary of pre-existing research on the impact of changing defaults, and of opt-in and opt-out programs. Compiled by Sendhil Mullainathan, Professor of Economics, Harvard University, and Daylian M. Cain, Postdoctoral Fellow, Harvard University

Requests for Comments -- ADP provides responses to the questions raised by the SEC in the Release of the Proposed Rule. We outlined our responses into the same Table of Contents used by the Release.

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Findings from Consumer Technographics Data

How might the proposed rule on proxy materials on the Internet affect shareholder democracy?

Bill Doyle
Vice President
Forrester Research

Michael Louca
Associate Advisor
Forrester Research

January 18, 2006

Consumer Technographics: Methodology

- Since 1998, we have run the largest consumer technology survey effort in the country, incorporating mail and online studies.
- Data covered in this presentation includes data from our:
  - North American Benchmark survey (mail; 60,000 US respondents)
  - North American Q3 2005 survey (mail; 5,000+ US respondents)
  - Q3 2004 Personal Finance survey (online; 5,000+ US respondents)
- Data is weighted by age, sex, income, education, household size, and region to demographically represent the adult US population.
- Over 23,000 shareholders (38% of population) in Benchmark study gives us 95% confidence level at +/- 1%.
- Methodology for USPS Custom Study
  - Fielded an online survey to 1,000 consumers and a mail survey to 1,000 online consumers
  - At the same time, fielded an online survey of an additional 1,000 online consumers
  - Data demographically represents all online consumers (18+) in the US
  - Wave 1 was fielded in December 2004, Wave 2 was fielded in June 2005

Our findings

1. 1 in 5 US shareholders are still not online
2. Among shareholders who are online, less than half have broadband – a driver of online financial activities
3. In fact, few online shareholders choose to conduct activities analogous to receiving shareholder information and proxy materials online

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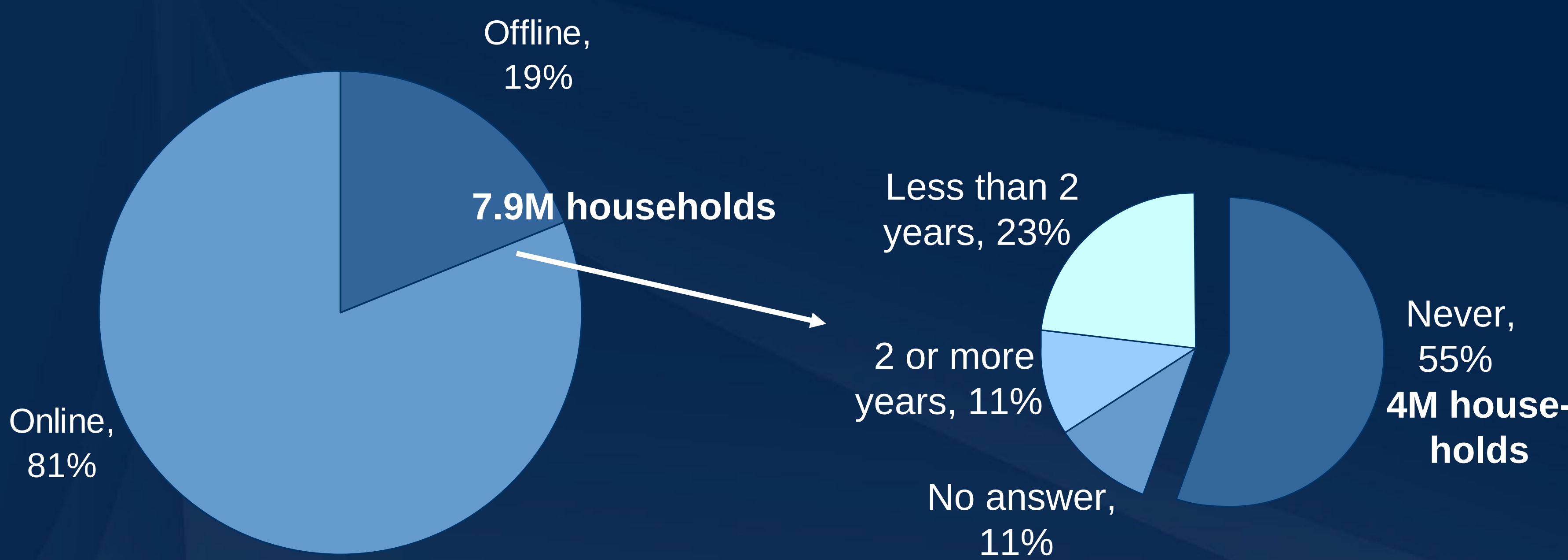
Theme 1

Many US shareholders
are still not online. Some
segments – such as seniors –
are significantly less likely to
have online access than
other segments.

19% of US shareholders are still offline, and over 50% of them “never” plan to go online

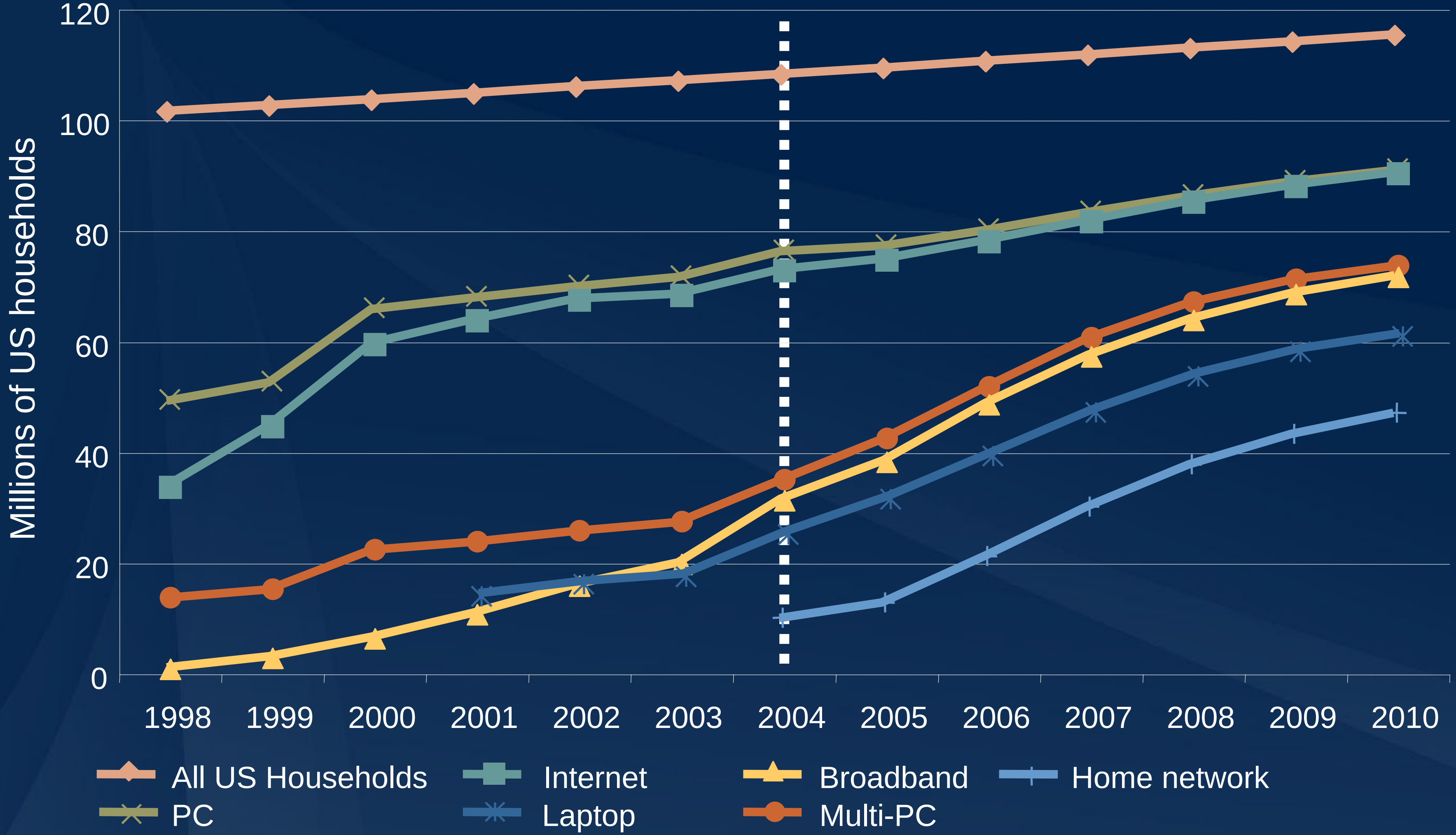


Base: US households that own stock

Base: US offline households that own stock

Source: Forrester’s Consumer Technographics® 2005 North American Benchmark Study. “Online” is defined as a usage frequency of at least once per month or more. “Shareholder” is defined as a household that has at least one investor. Multiple investors in 1 household are counted as 1 shareholder.

Internet adoption is growing – but reaching saturation



Base: US households

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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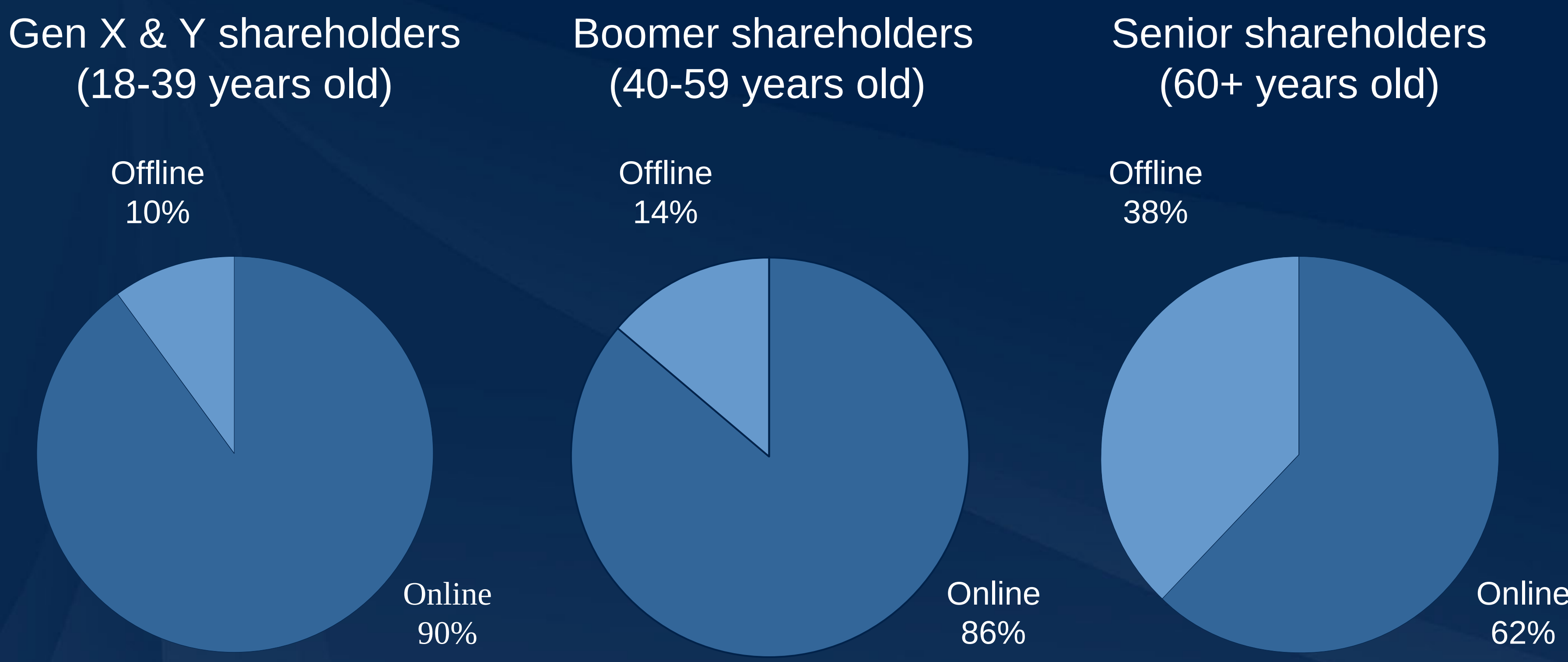
Methodology for our household adoption forecasts

Beginning with a history of actual adoption, we forecast adoption using a logistic or bi-logistic growth curve, depending on the maturity of the market*

- Step 1: We gather adoption data from this and Forrester's previous Benchmark North America survey sets
- Step 2: We use a logistic or “s-curve” statistical model to forecast the growth of US household adoption of technologies from 2005 to 2010
- Step 3: We use the bi-logistic or double s-curve model for maturing technologies like Internet access. For analytic clarity, we assume that the initial growth curve has topped out at a "starting value" before the second growth curve starts

* For more information on logistic and bi-logistic growth curves, see "Bi-Logistic Growth," Perrin Meyer, 1994, Technological Forecasting and Social Change In 1994, available online at http://phe.rockefeller.edu/Bi-Logistic/.

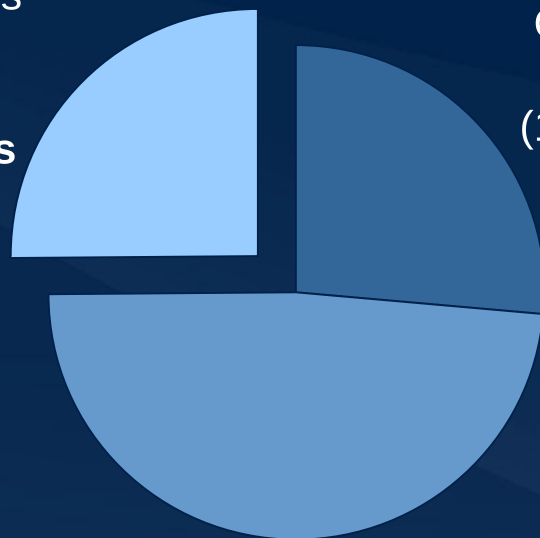
Shareholders 60 and older are significantly less likely to be online



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Seniors 60 and older comprise 1/4 of all shareholders

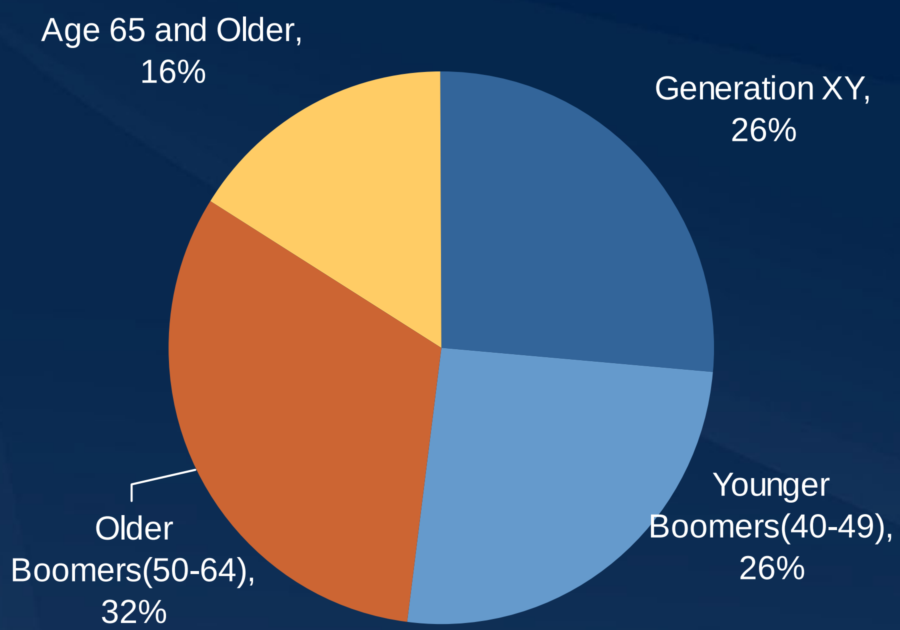


Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Those 50 and older comprise nearly half of all shareholders

Senior shareholders (65+ years old)
16% of total, or 6.7 M households

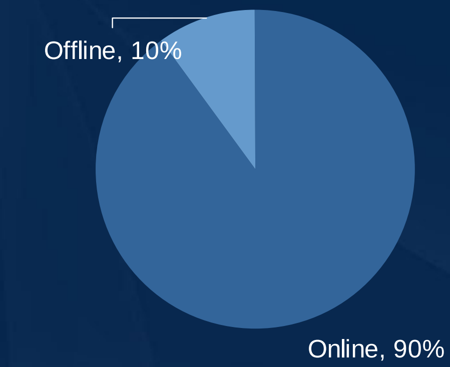


Base: US households that own stock

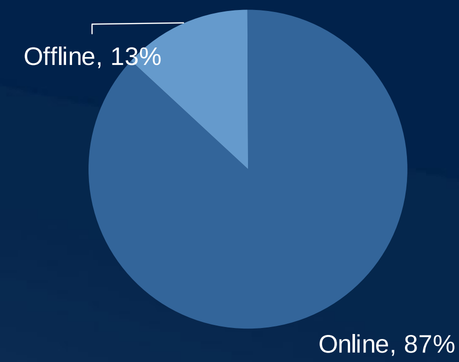
Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Shareholders 50 and older are less likely to be online; nearly half of 65+ shareholders are offline

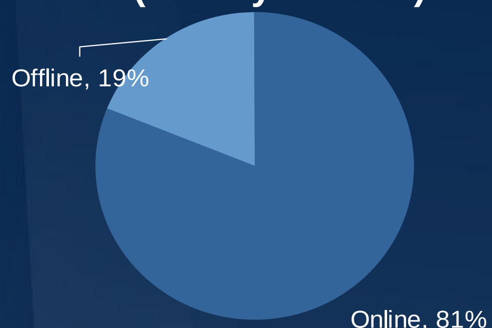
Gen X & Y shareholders (18-39 years old)



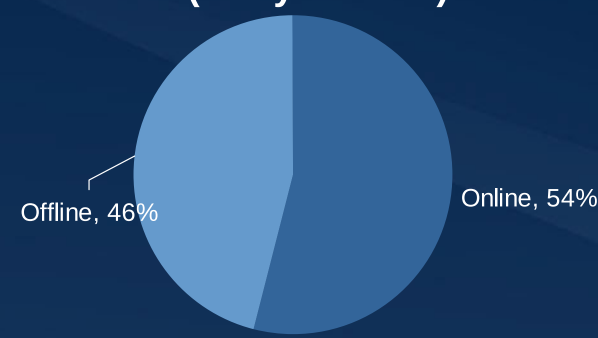
Younger Boomer shareholders (40-49 years old)



Older Boomer shareholders (50-64 years old)



Senior shareholders (65+ years old)



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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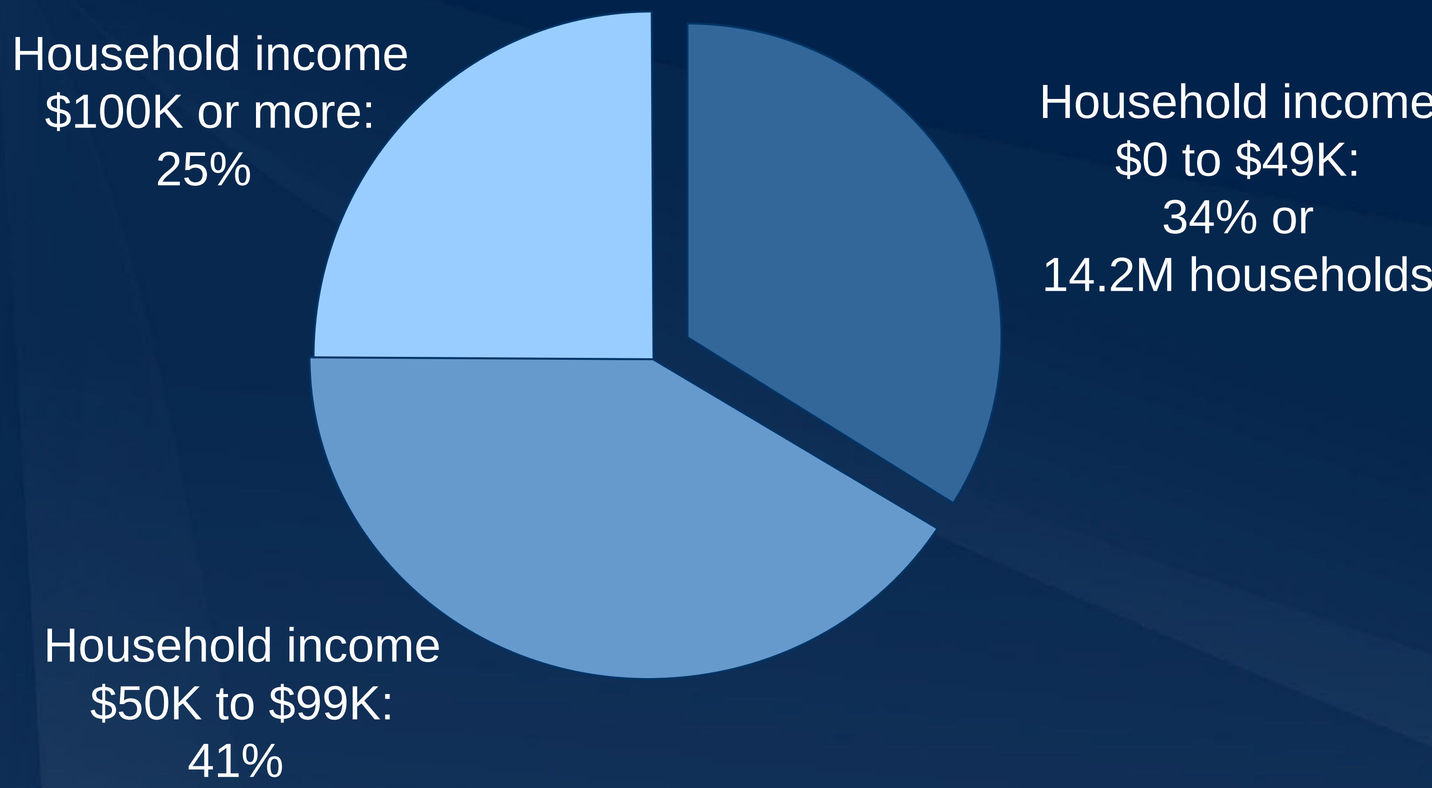
Lower income shareholders account for over a third of all shareholders



Base: US households that own stock

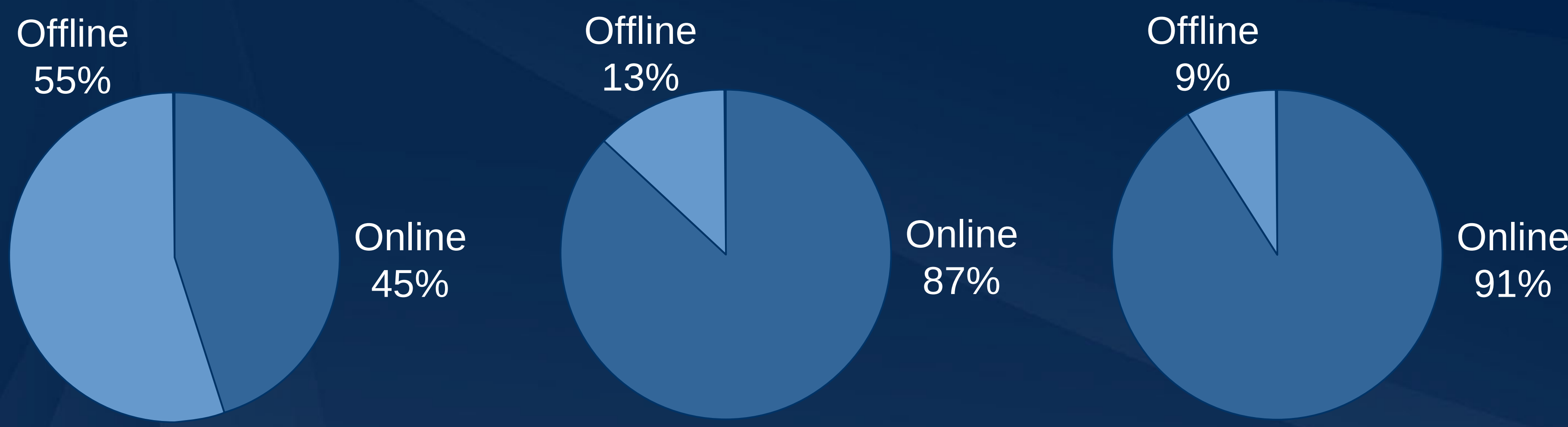
Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Lower income shareholders are less likely to be online

Household income $0-$50K

Household income $50K to $99K

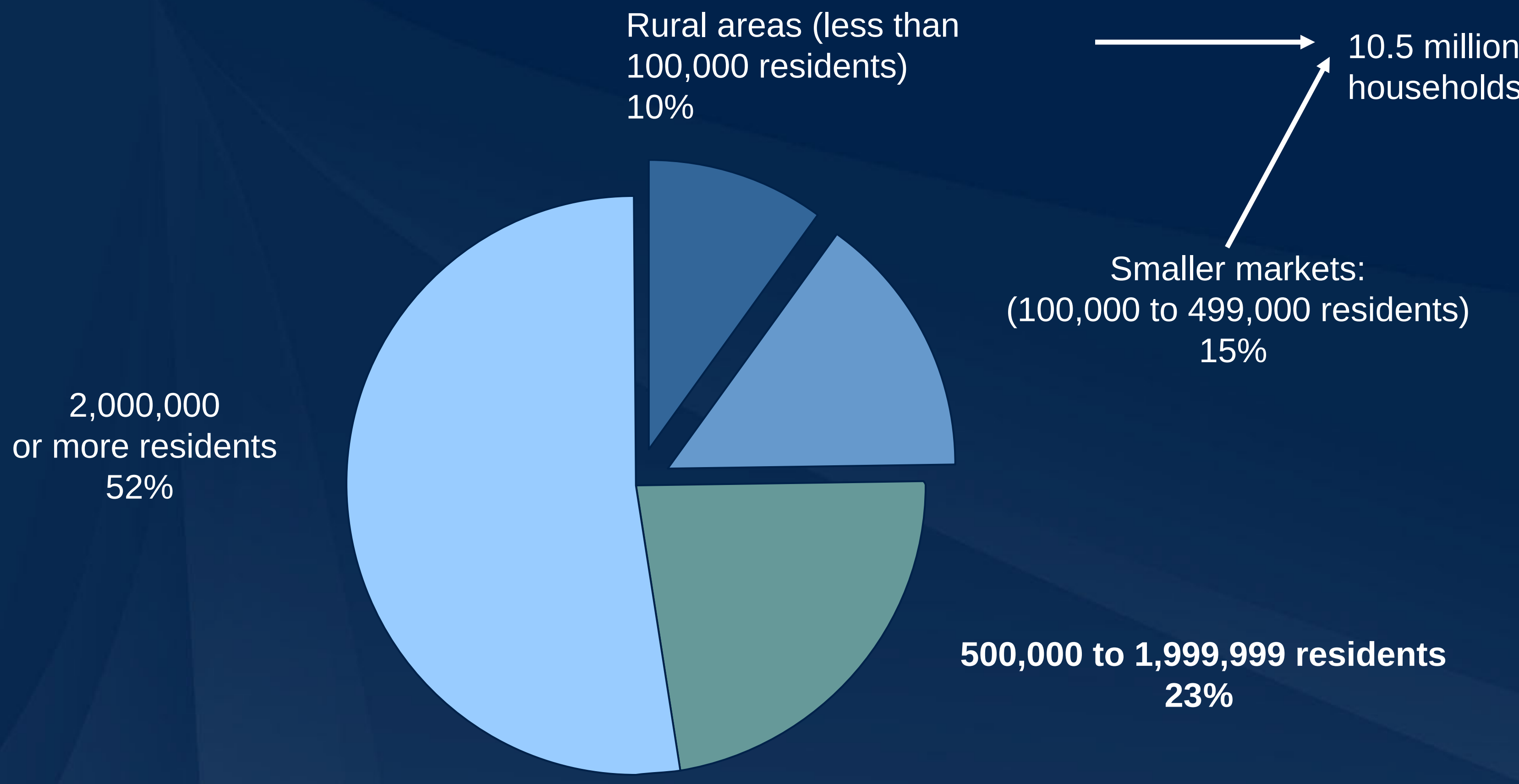
Household income $100K or more



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Rural and smaller market households account for a quarter of shareholders



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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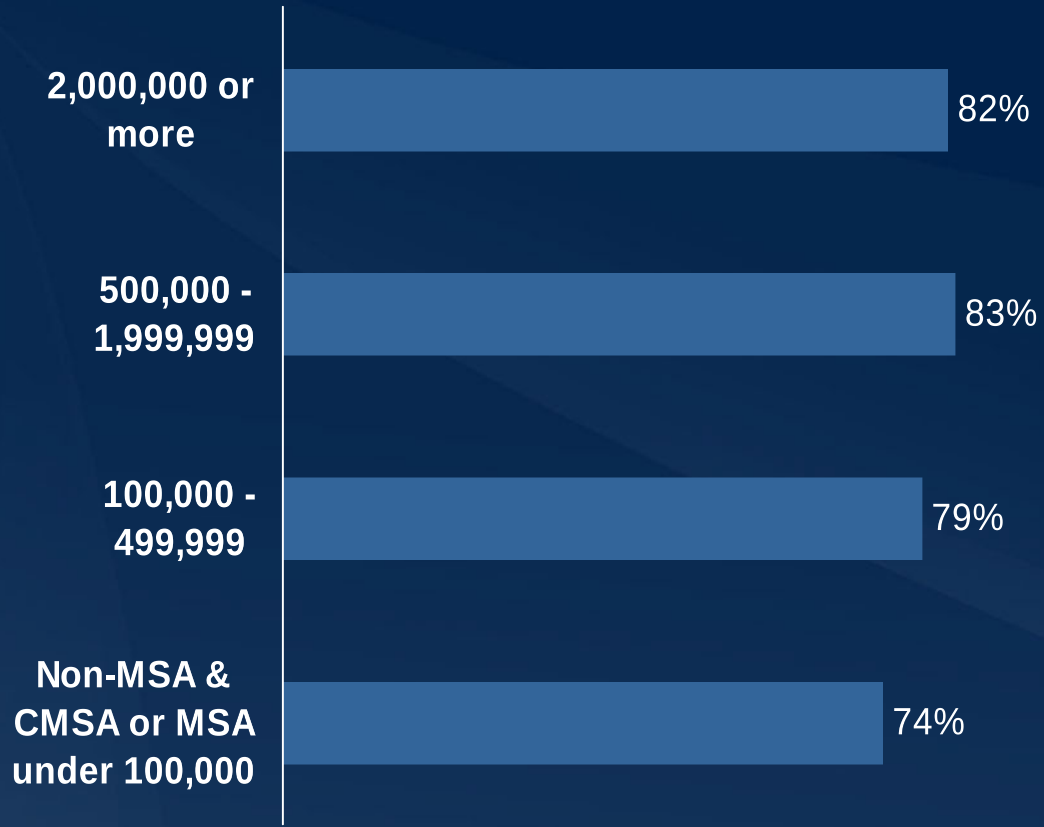
Rural and smaller market shareholders are less likely to be online

Shareholders online, by size of market:



Base: US HH that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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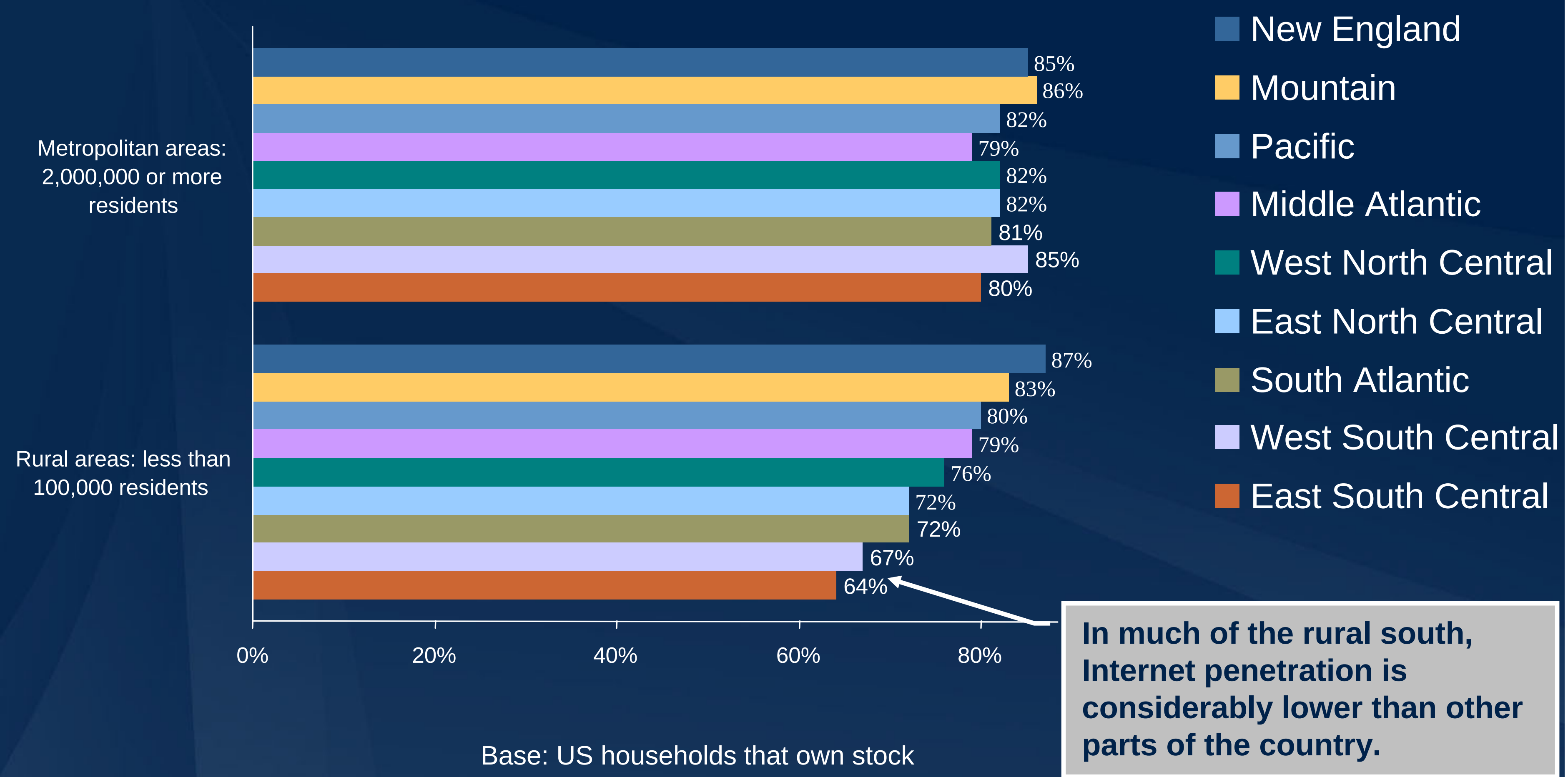
Rural residents in East South Central states -- AL, KY, MS, TN – are even less likely to be online

Percentage of shareholders who are online from anywhere at least once per month:



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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African Americans account for about 7% of US shareholders

2.8 million HH

Base: US HH that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study.

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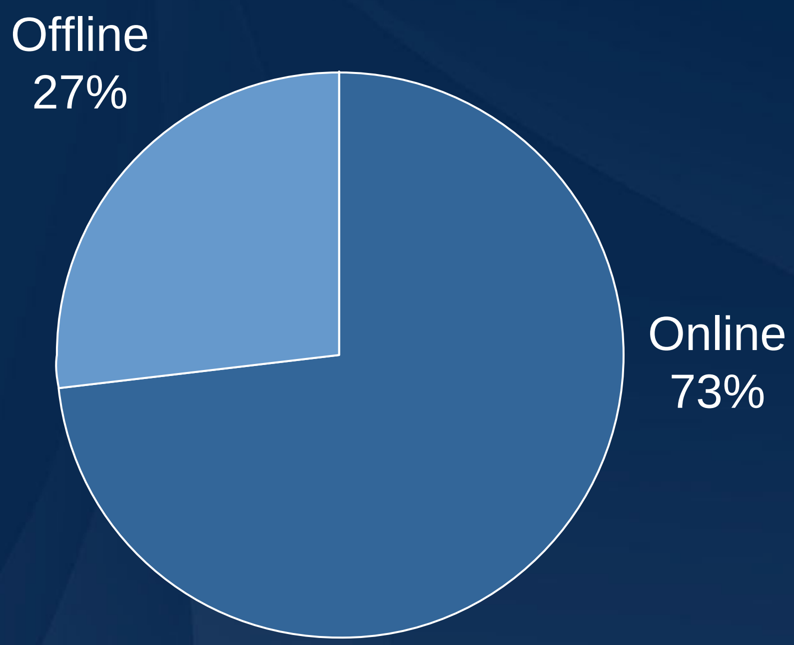
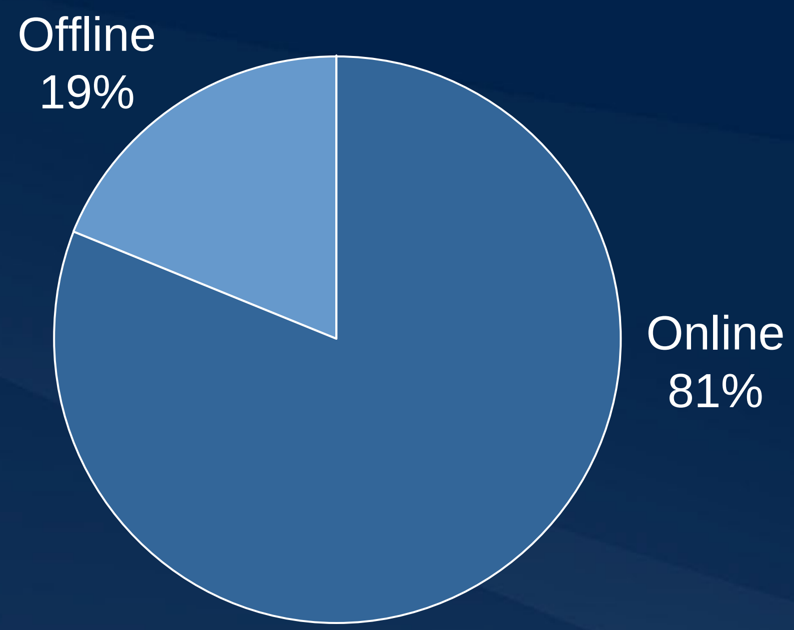
African-American shareholders are less likely to be online than white/Caucasian shareholders

African-American shareholders who are:



White/Caucasian shareholders who are:



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Theme 1 conclusions

- Nearly 1-in-5 US shareholders aren't online today
- Half of those people have no intention of going online
- Online access is not evenly distributed. Key shareholder segments less likely to be online include:
  - Seniors
  - Lower-income
  - Rural
  - East South Central states – AL, KY, MS, TN
  - African Americans
- Bottom line: Instead of enabling equal participation, the proposed rule may well introduce bias into shareholder communication and proxy voting, because online access is not evenly distributed among shareholders.

Theme 2

Among shareholders who are online, less than half have broadband access – a driver of online financial activities like online bill payment. Other online shareholders don't have the technology they need to download and print efficiently.

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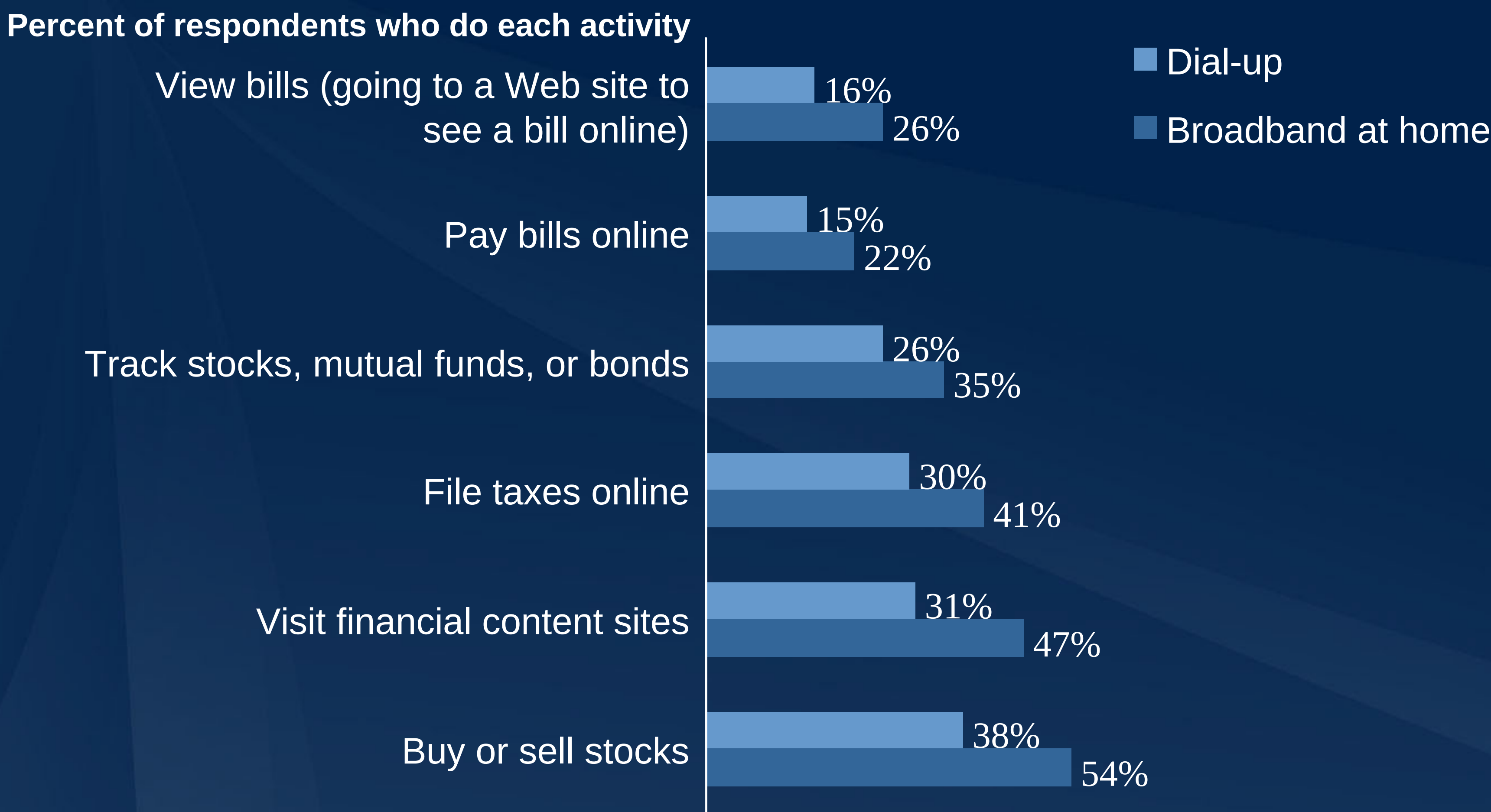
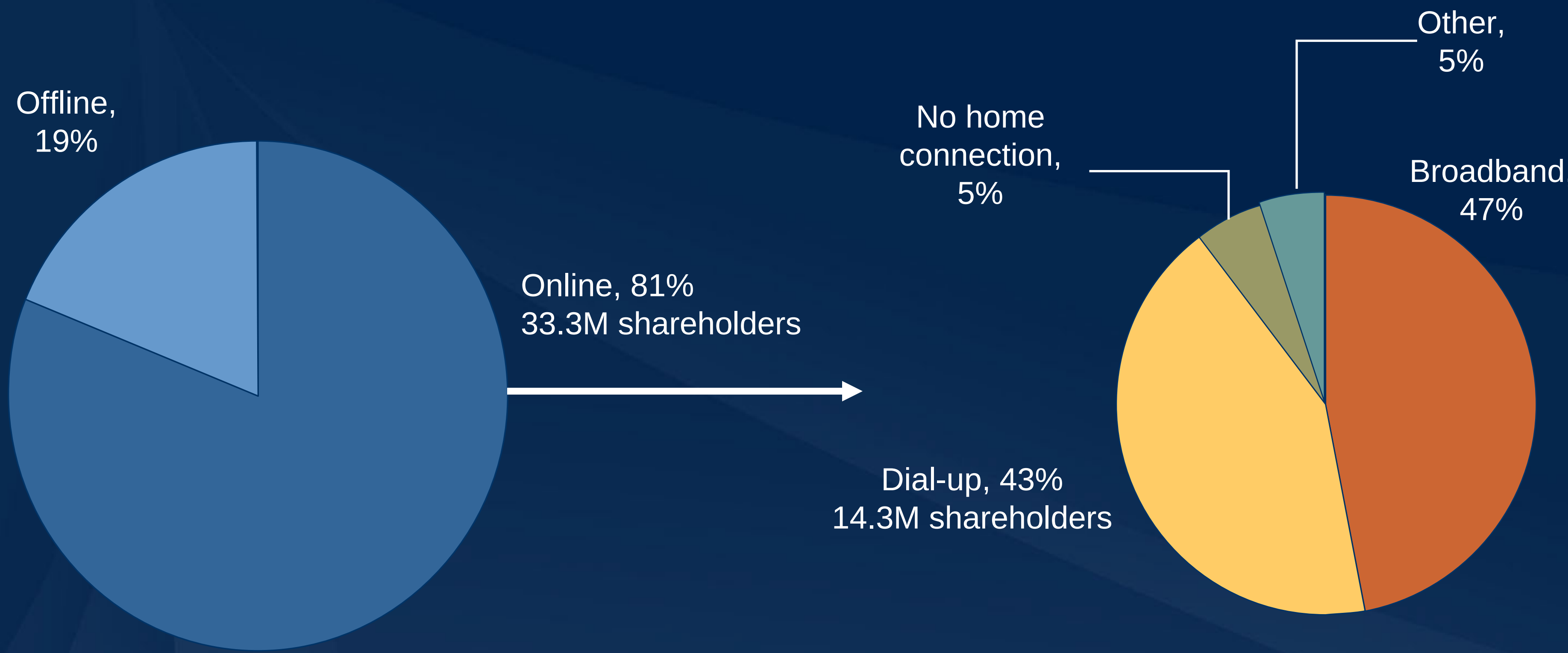
Shareholders with dial-up access are less likely to do online financial activities than those with broadband



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

43% of online shareholders have dial-up Internet access

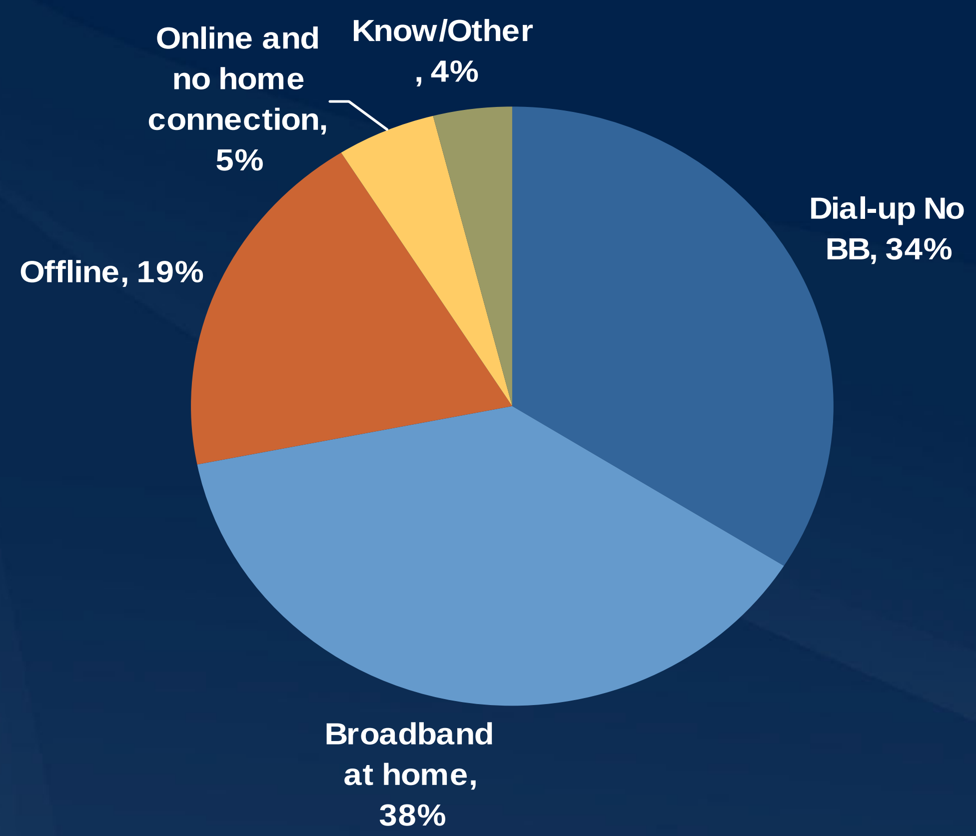


Base: US households that own stock

Base: US online households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Just 38% of all shareholders have broadband at home



Base: US households that own stock

Base: US online households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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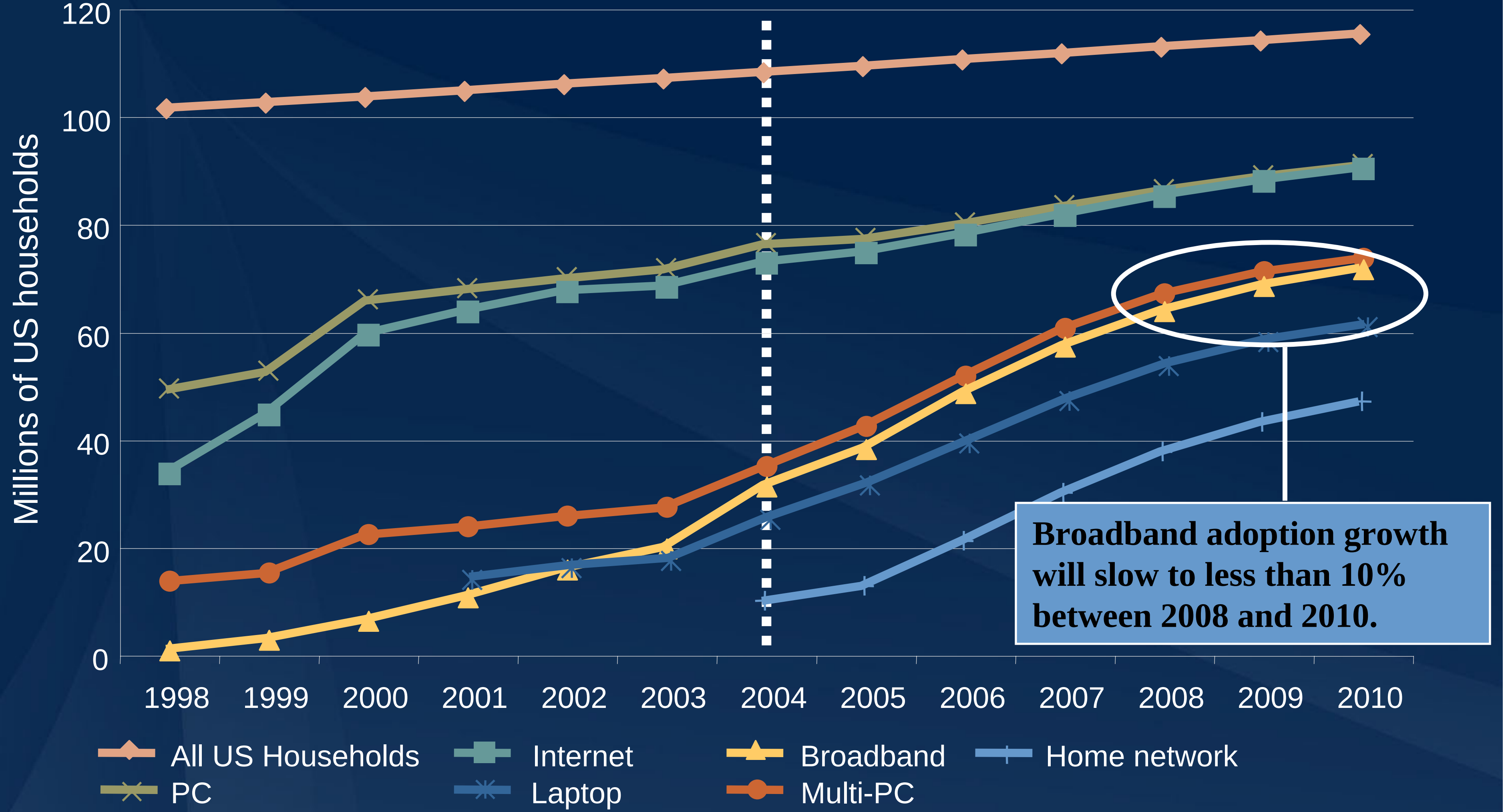
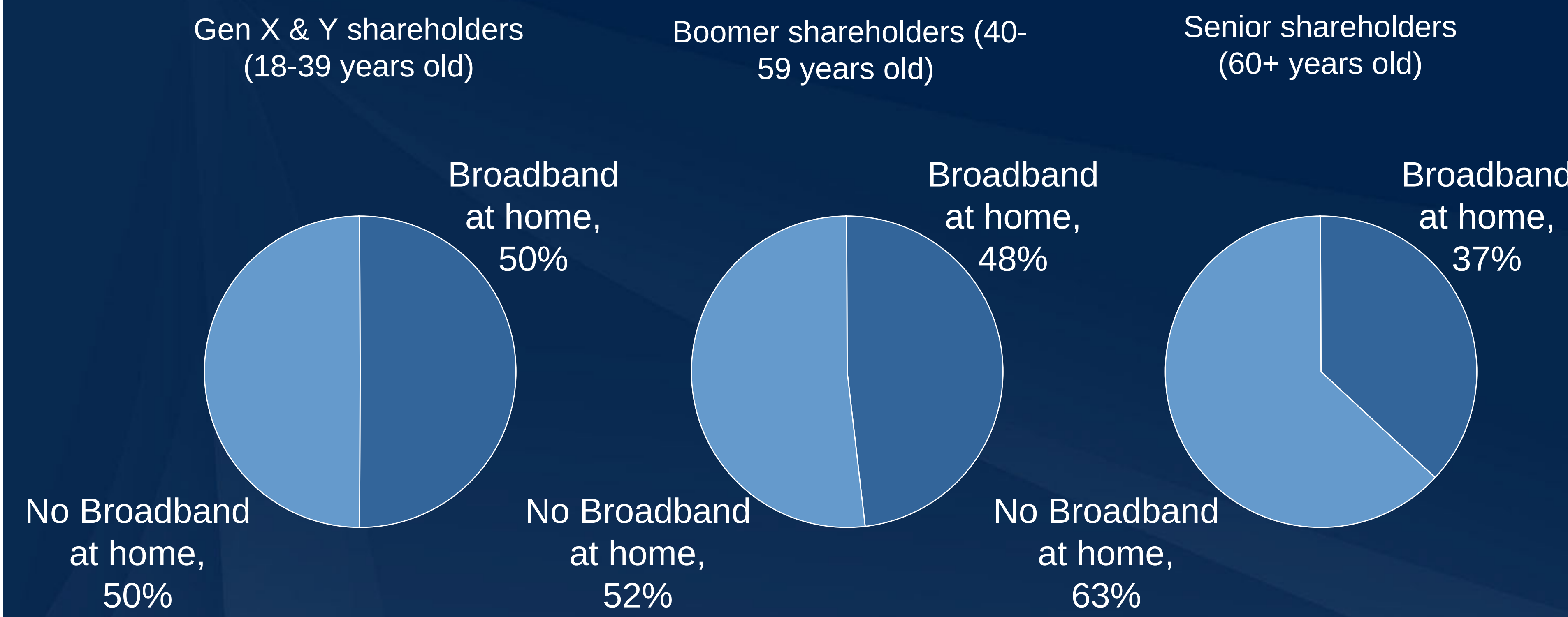
Broadband adoption is growing – but the growth rate begins to plateau by the end of the decade



Base: US households

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

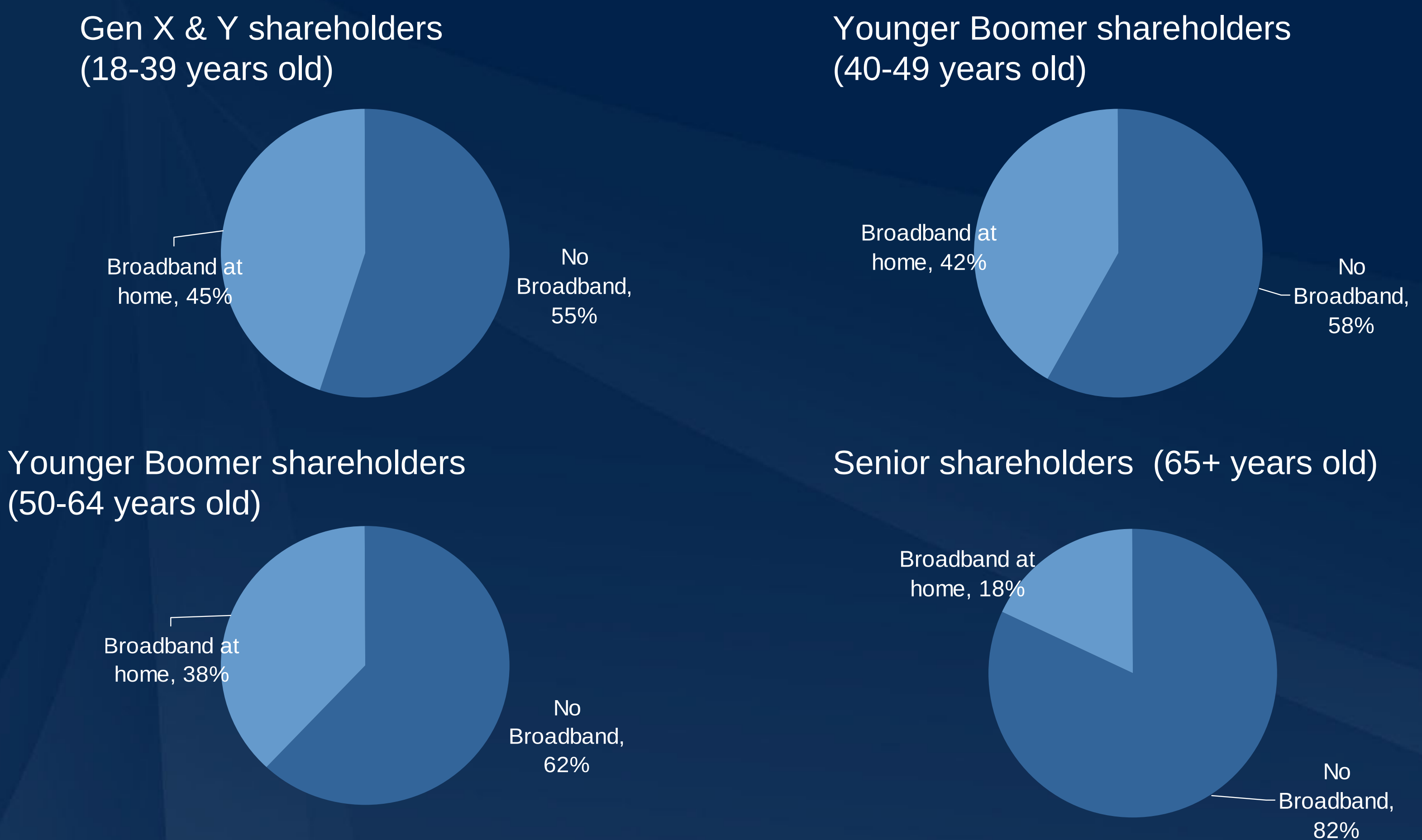
Online shareholders 60 and older are less likely to have broadband at home



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Online shareholders 65 and older are especially unlikely to have broadband at home



Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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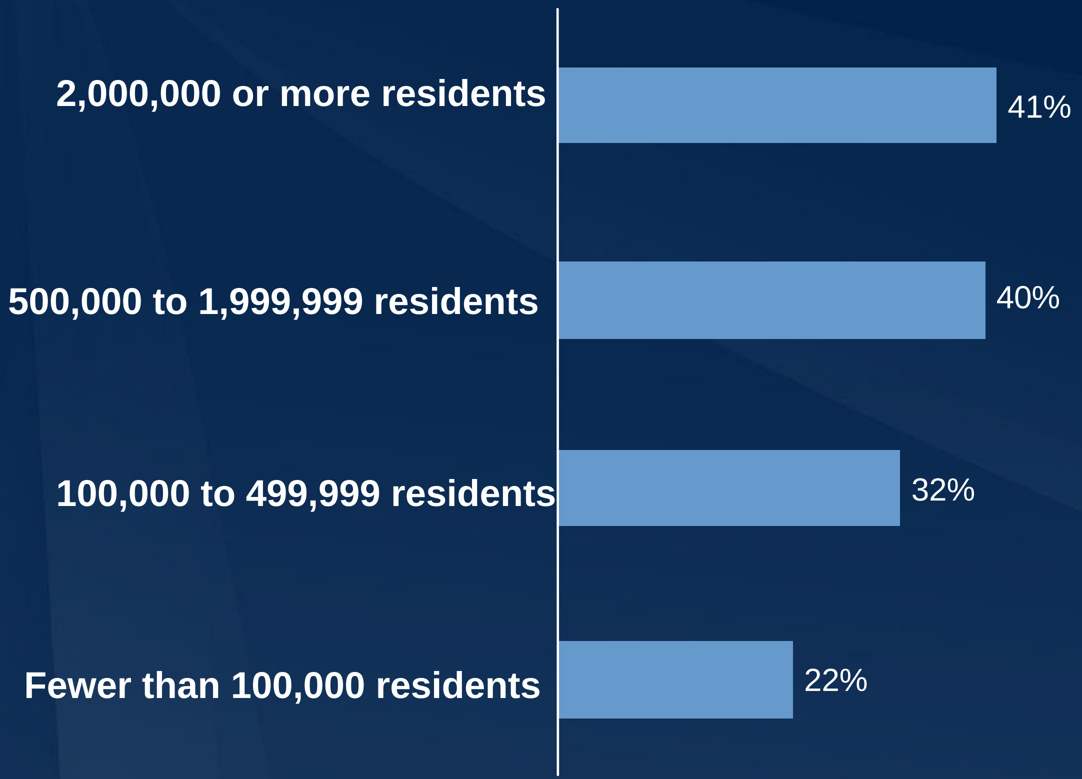
Rural and small-market shareholders are less likely to have broadband at home

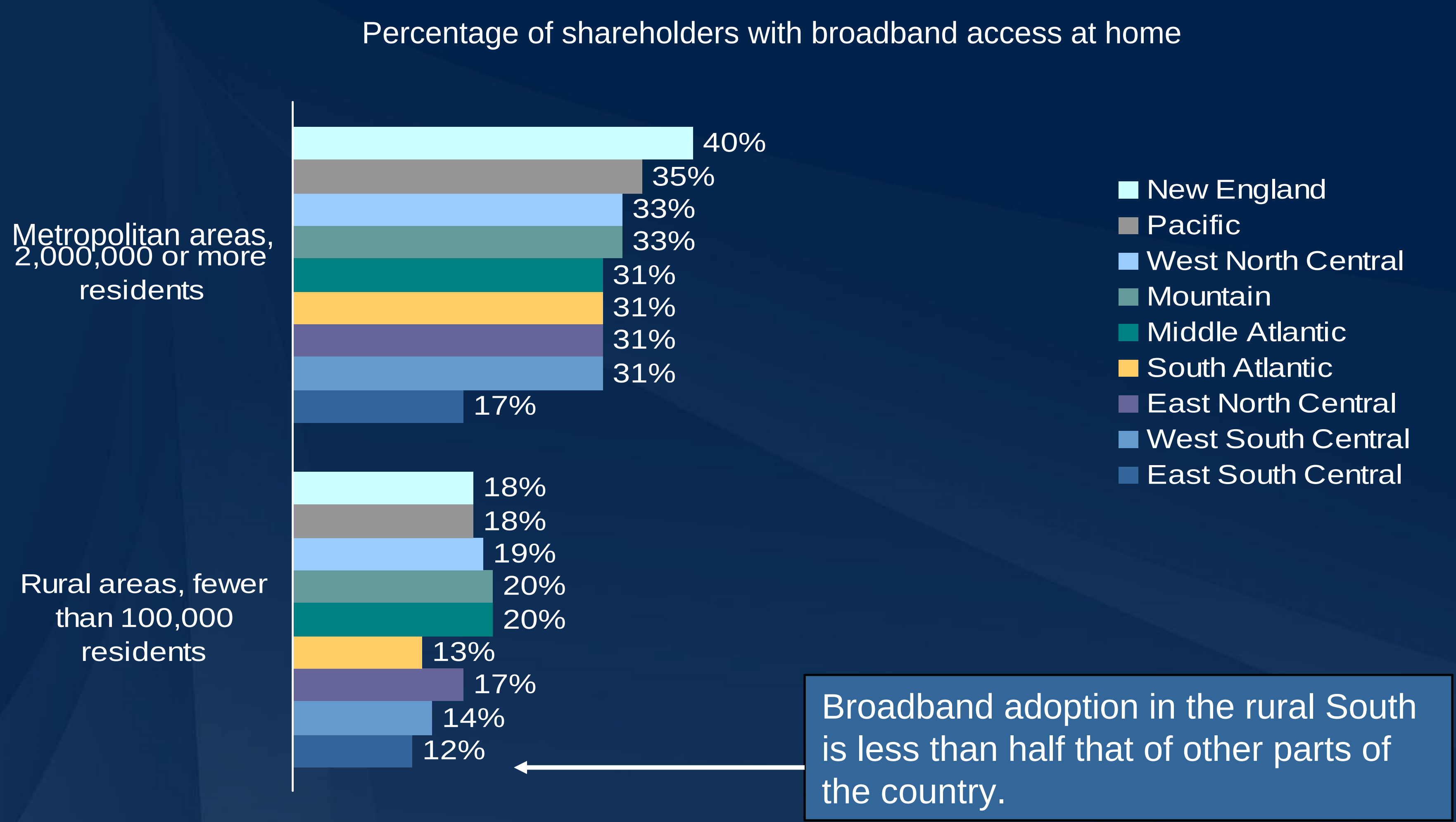
Households with broadband at home, by size of market



Base: US HH that own stock

Source: Forrester Technographics 2005 Benchmark Study

Market size combined with region exacerbates the gap



Base: US households that own stock

Source: Forrester Consumer Technographics® 2004 and 2005 Benchmark Studies

African American shareholders are less likely to have broadband and a PC at home

Percentage who have no broadband at home

Base: US households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

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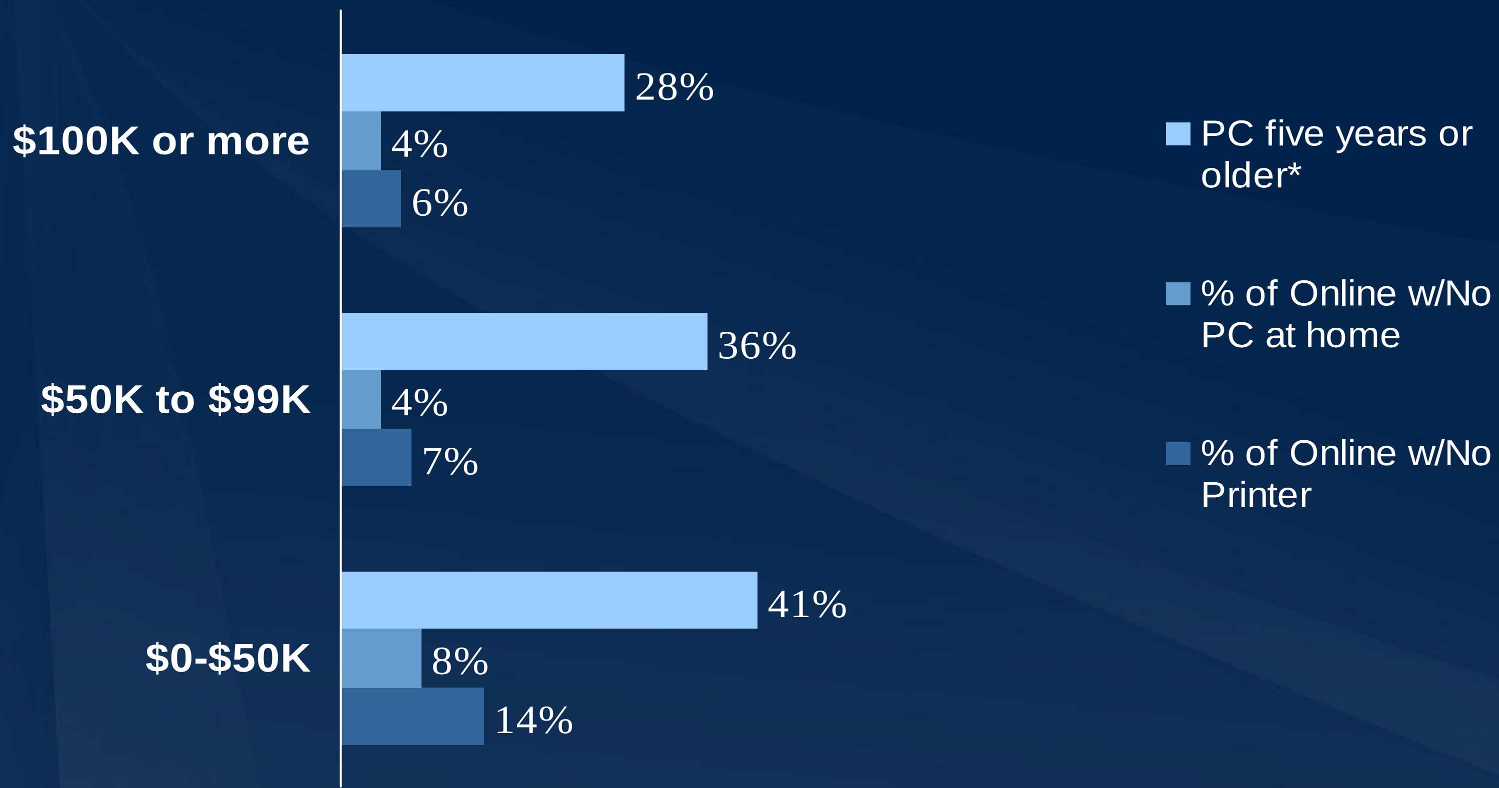
Lower income shareholders often don't have the technology they need to download and print efficiently



Base: US HH that own stock
*Base: US HH that own stock and PC

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study and Q2 study

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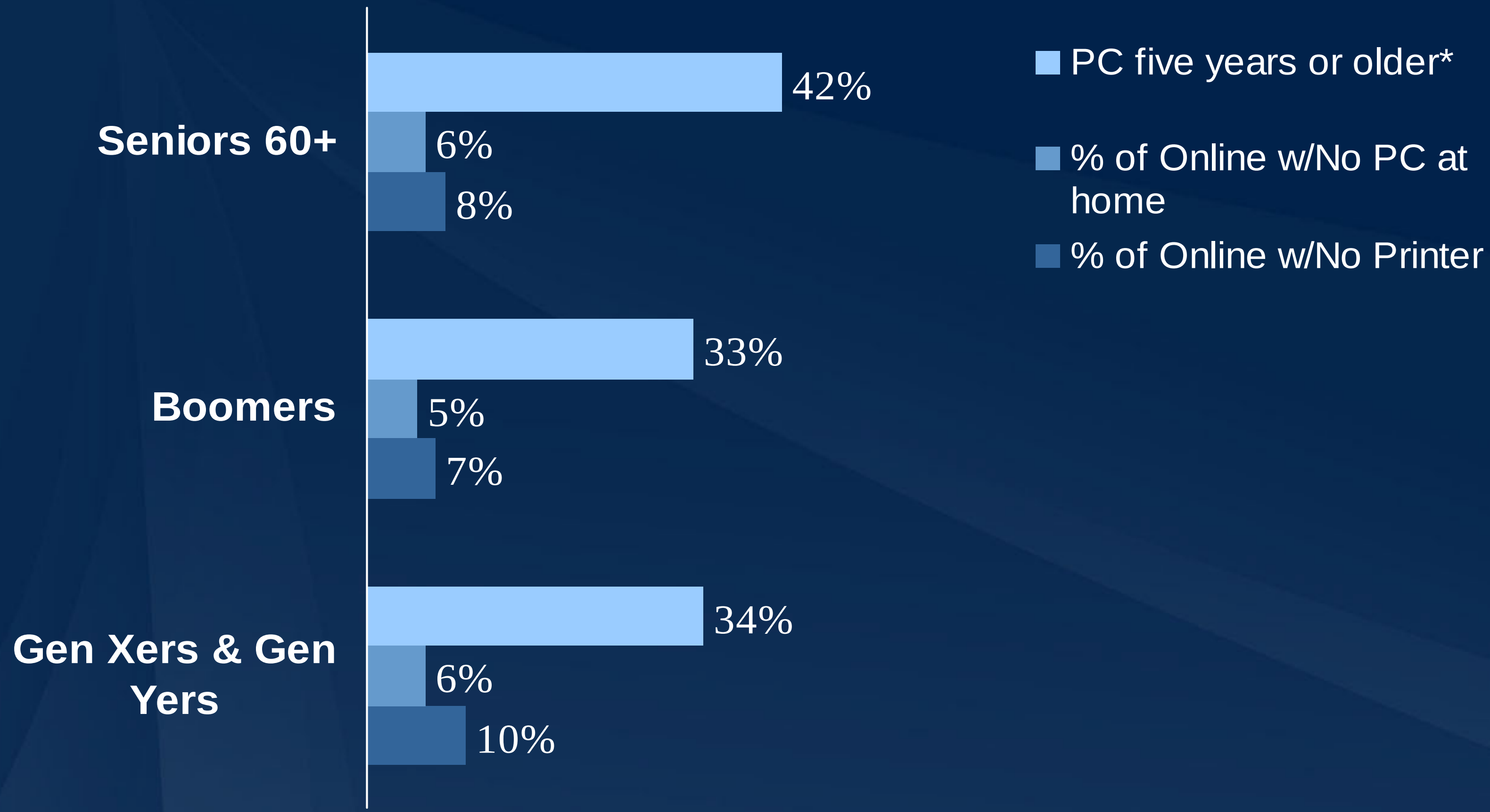
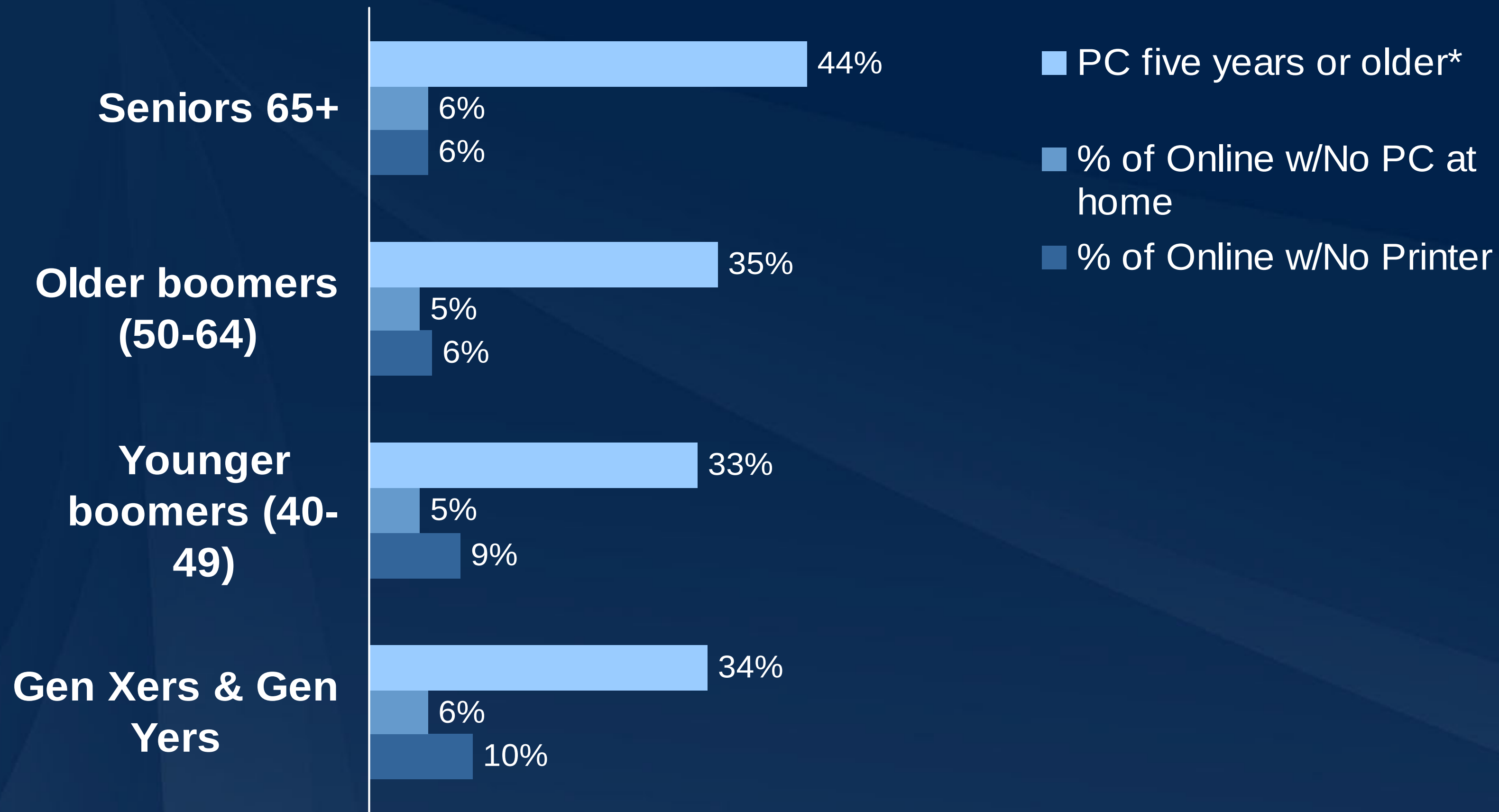
Seniors often don't have current systems



Base: US HH that own stock
*Base: US HH that own stock and PC

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study and Q2 Study

Seniors often don't have current systems



Base: US HH that own stock
*Base: US HH that own stock and PC

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study and Q2 Study

Theme 2 conclusions

- Broadband is a key driver of online financial activity
- Only 38% of shareholders have broadband
- Broadband growth slows by 2010
- Broadband access is not evenly distributed; the same segments are less likely to have broadband access:
  - » Seniors
  - » Lower-income
  - » Rural
  - » East South Central states – AL, KY, MS, TN
  - » African Americans
- In addition, lower-income shareholders are less likely to have the technology they need to download and print efficiently
- Bottom line: Because current technology is not evenly distributed, the SEC proposal may well have the effect of reducing shareholder participation – reducing the number of investors who look at and act on shareholder communications and proxy material.

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Theme 3

Few online shareholders actively choose to do activities analogous to receiving shareholder information and proxy materials online.

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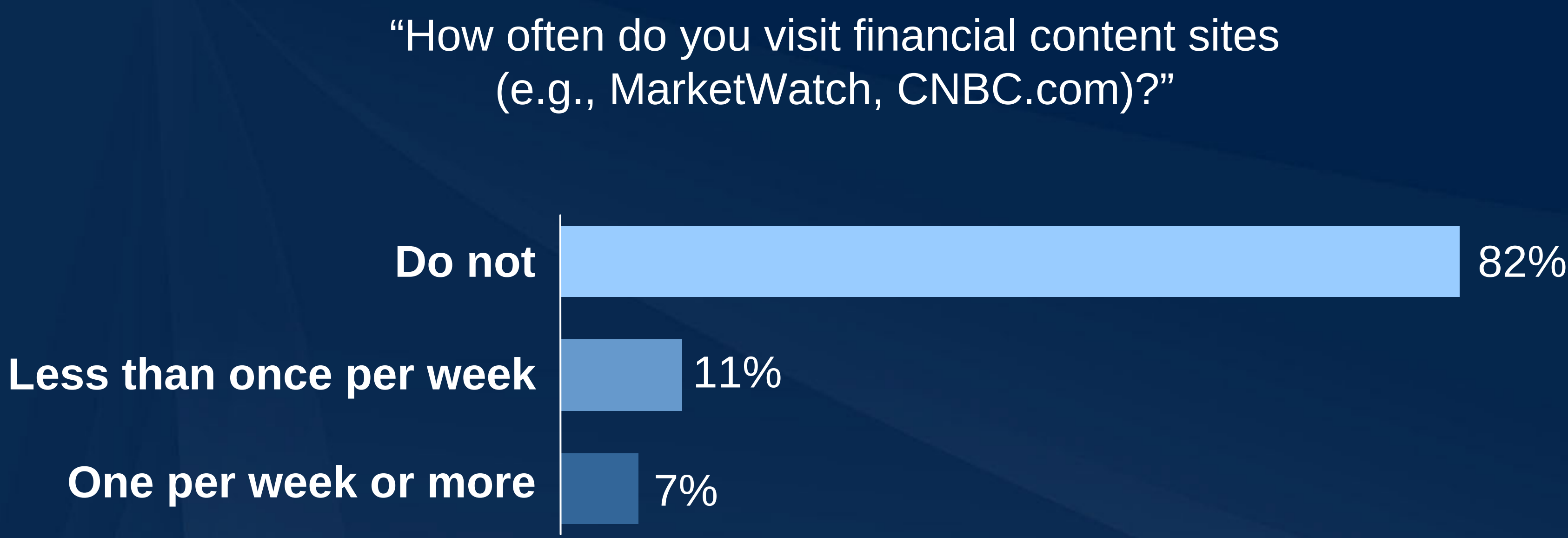
Few shareholders visit financial content sites on the Internet



Base: US households that own stock

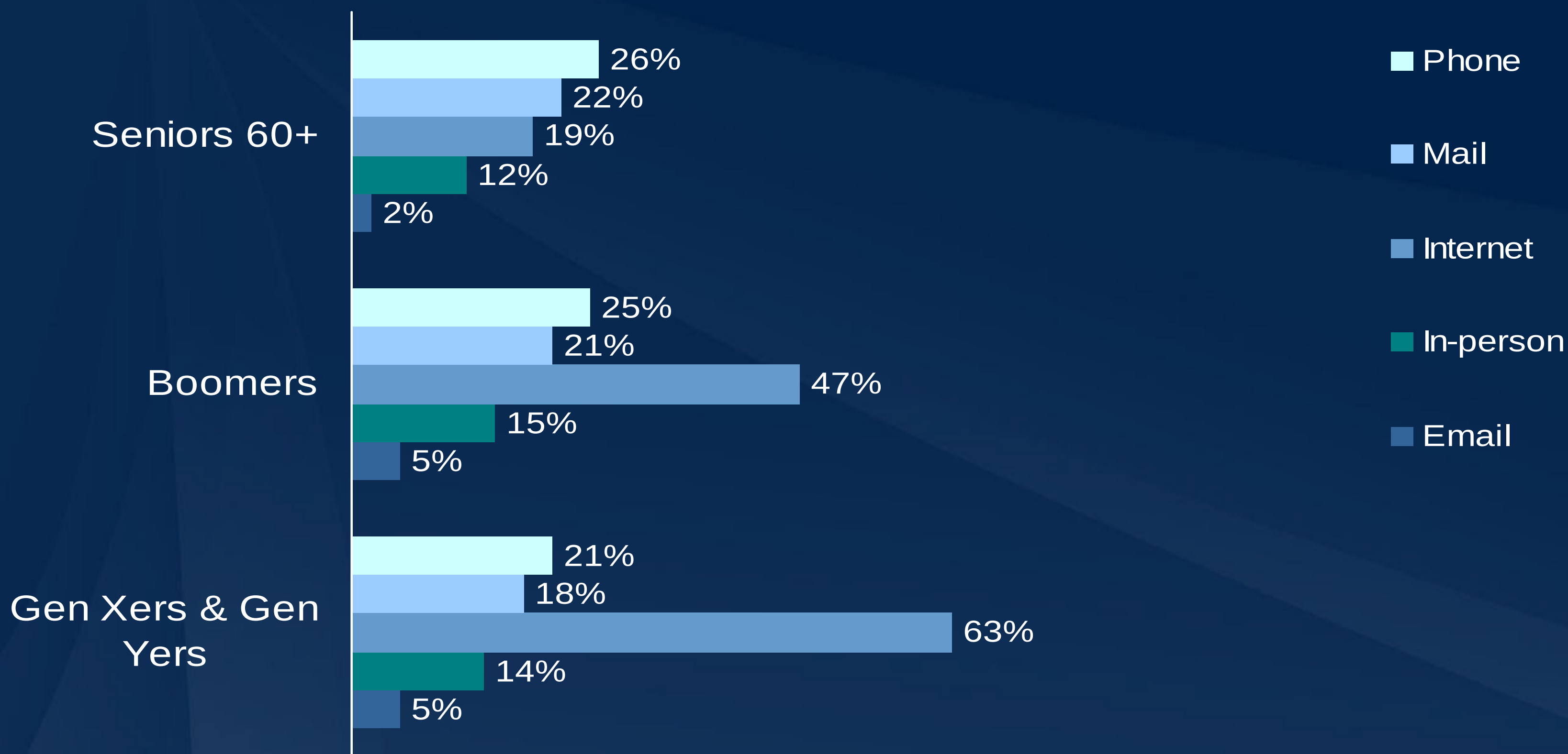
Most online users don't "read" online

"People rarely read Web pages word by word; instead, they scan the page, picking out individual words and sentences. In a study, 79% of text users always scanned any new page they came across; only 16% read word-by-word."

– Jakob Nielsen, "How Users Read on the Web"

Seniors 60+ prefer phone and mail over the Internet for getting information on laws and regulations

"Which of the following channels would you be most likely to use to get information on laws, policies and regulations?"



Base: US households that own stock
(multiple responses accepted)

Source: Forrester's Consumer Technographics® Q3 2005 North American Survey

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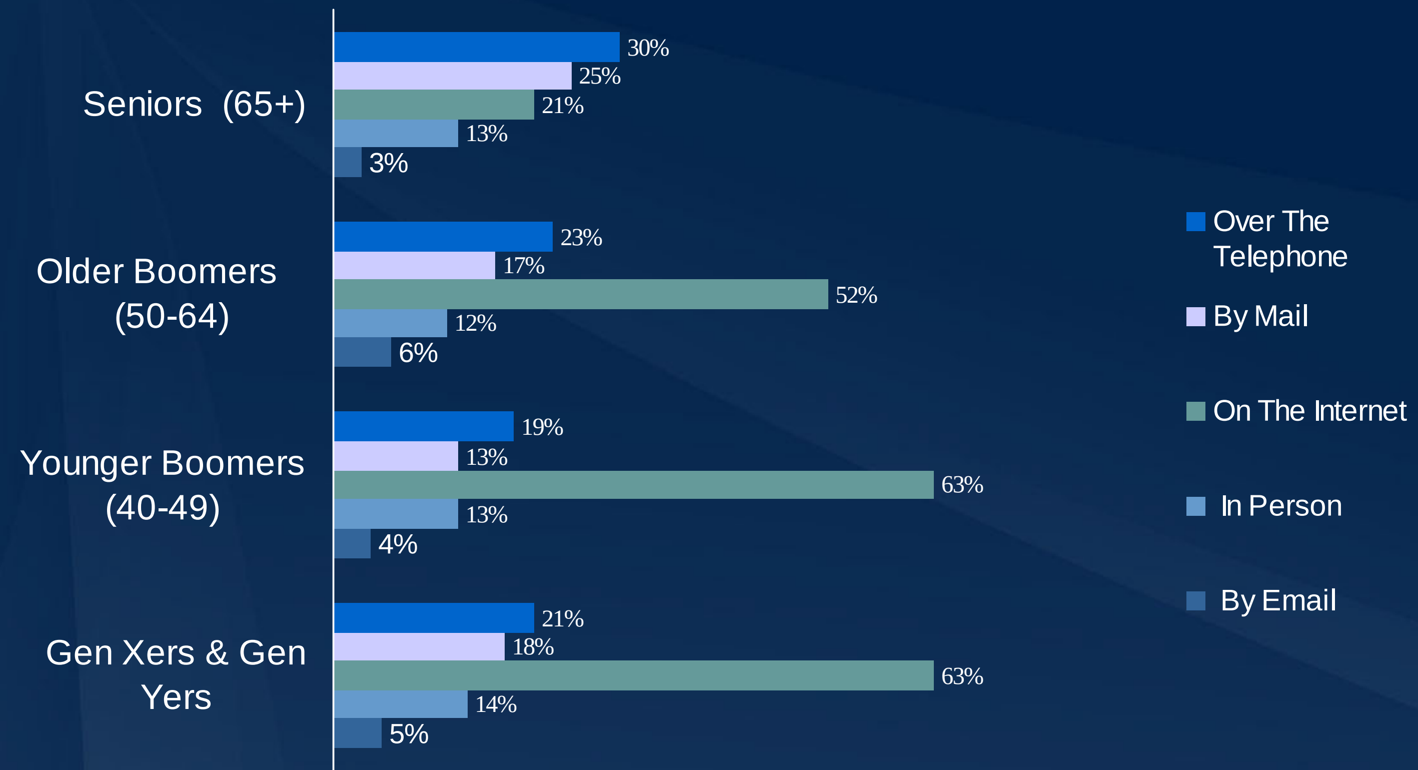
Seniors 65+ prefer phone and mail over the Internet for getting information on laws and regulations

"Which of the following channels would you be most likely to use to get information on laws, policies and regulations?"



Base: US households that own stock
(multiple responses accepted)

Source: Forrester's Consumer Technographics® Q3 2005 North American Survey

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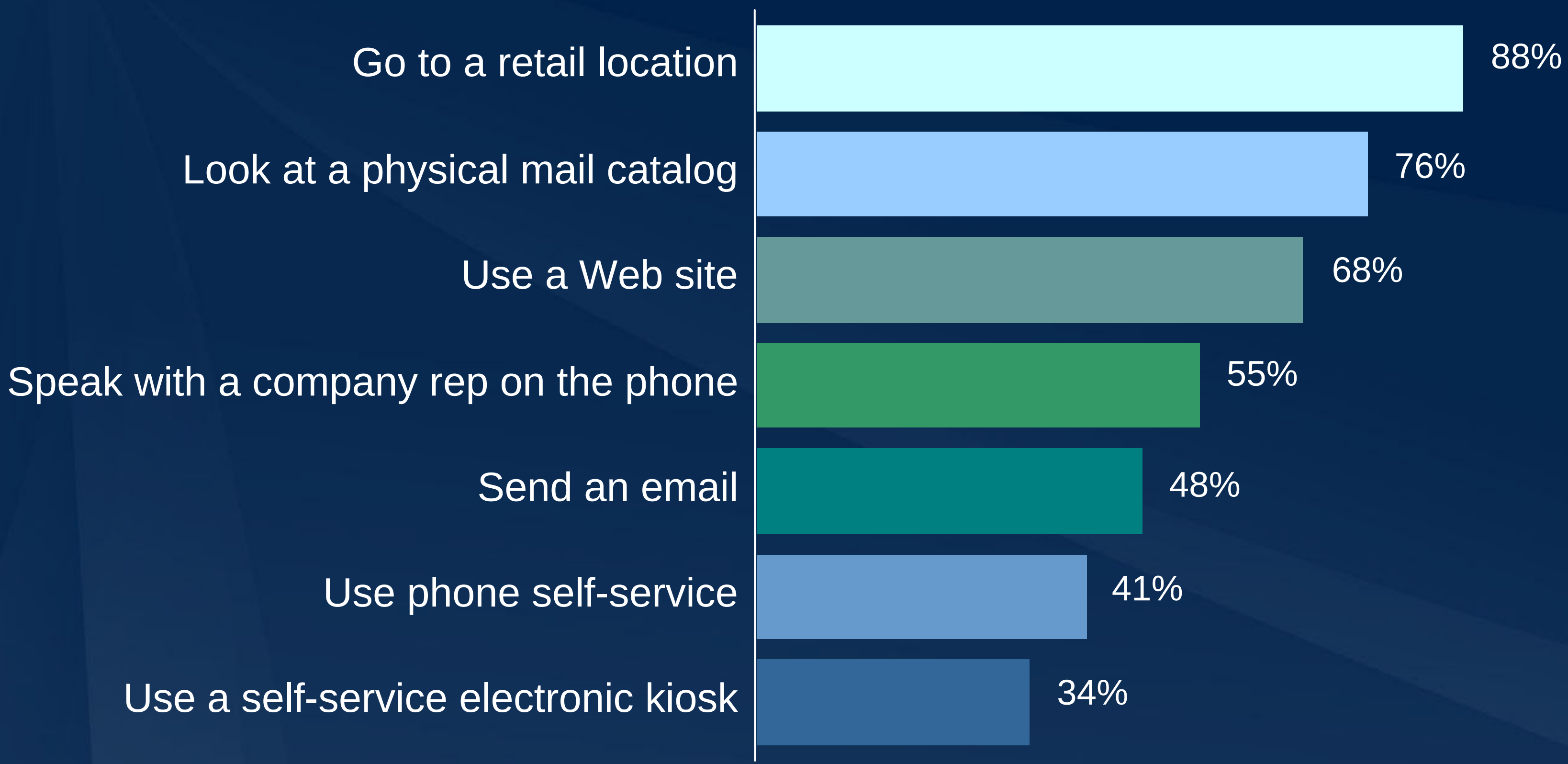
Shareholders prefer paper to the Internet when researching retail transactions

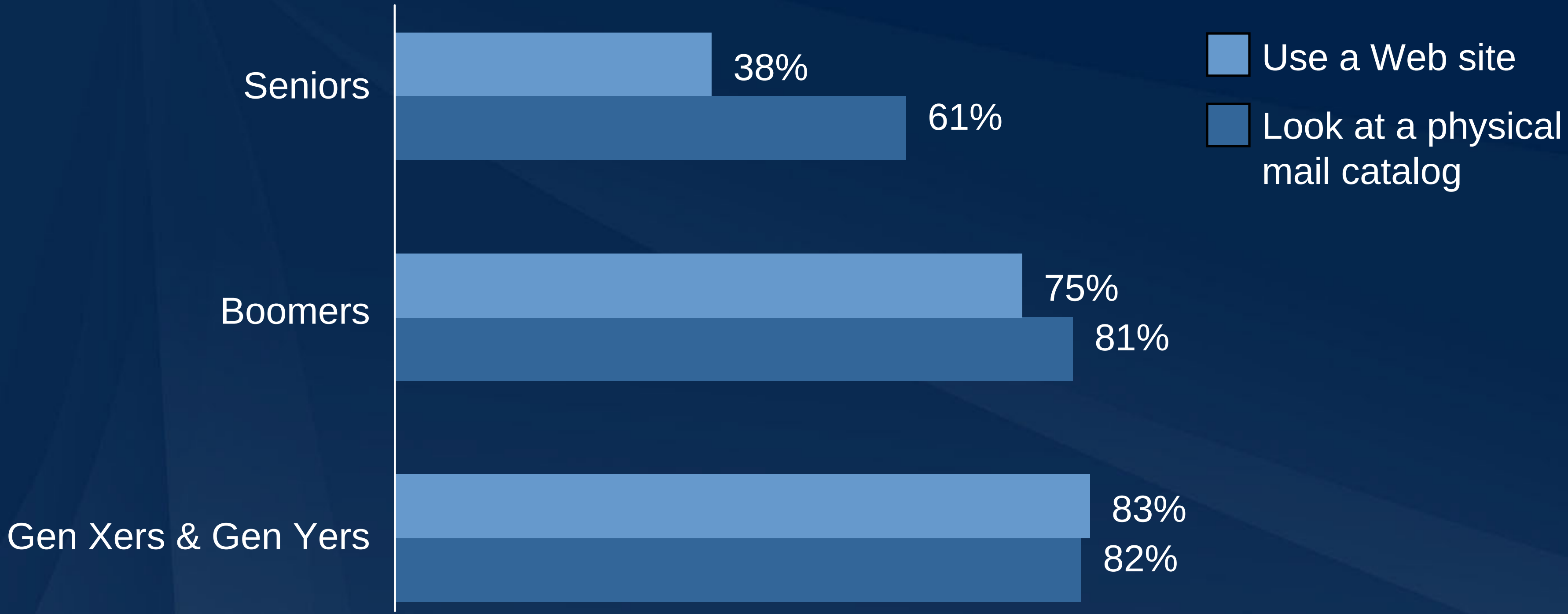
"Where do you go to research a product before buying?"



Base: US households that own stock
Satisfied = Answers of 4 or 5 on 5 point scale.
Source: Forrester's Consumer Technographics® Q3 2005 North American Survey

Shareholders 60+ are especially likely to prefer paper

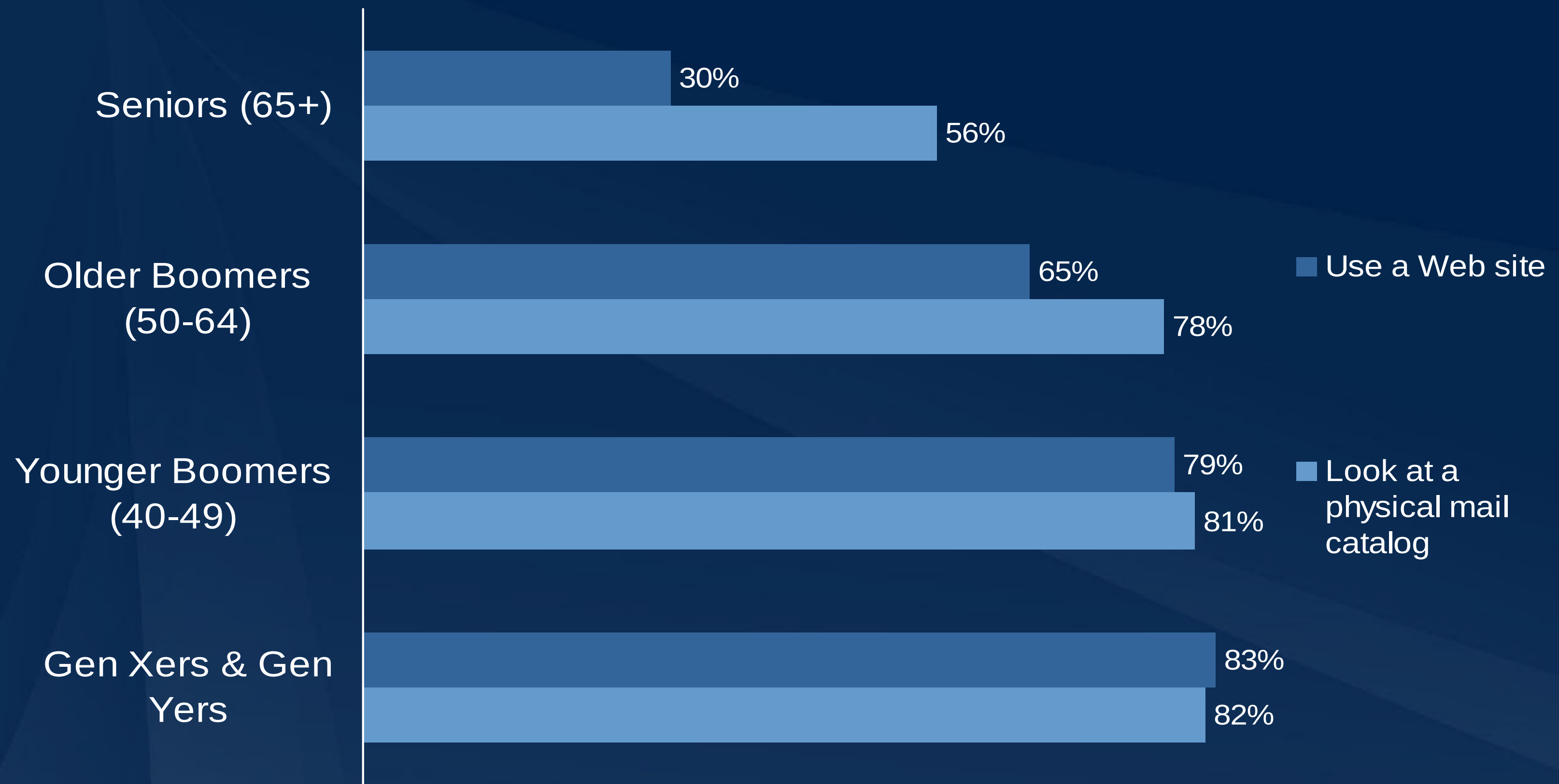
“Where do you go to research a product before buying?”



Base: US households that own stock
Satisfied = Answers of 4 or 5 on 5 point scale

Source: Forrester’s Consumer Technographics® Q3 2005 North American Survey

Shareholders 65+ are especially likely to prefer paper



Base: US households that own stock

Source: Forrester's Consumer Technographics® Q3 2005 North American Survey

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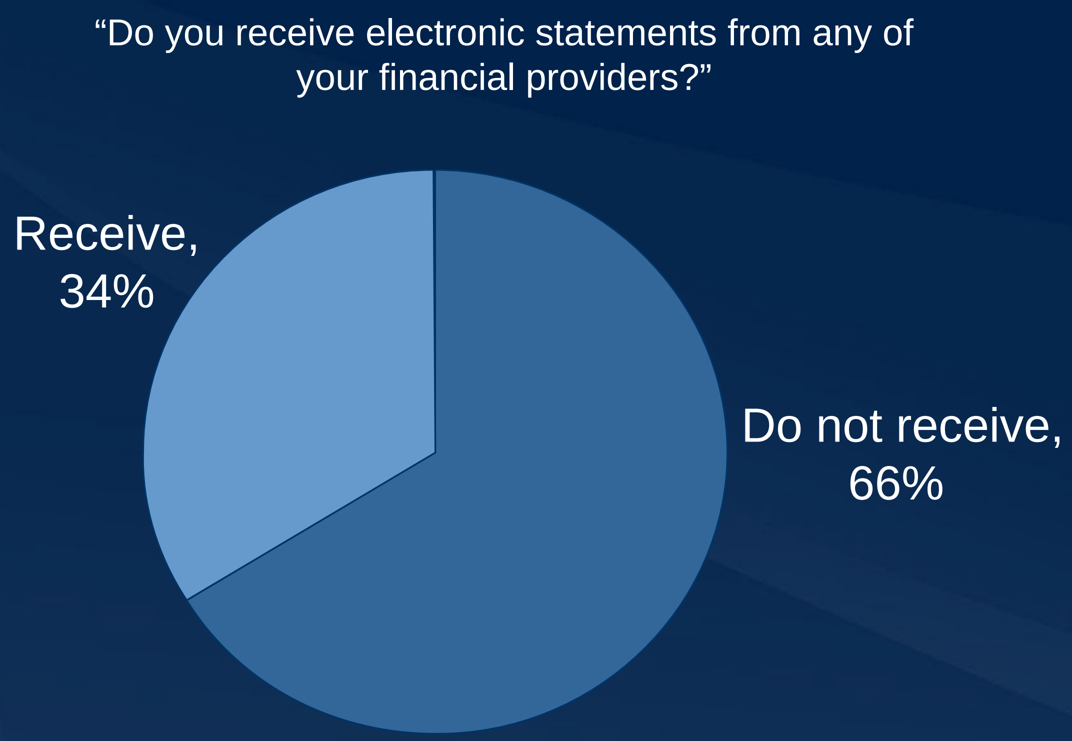
SEC asserts shareholders are unaware, not unwilling

"a significant portion of the difficulties that issuers have encountered in implementing our existing guidance to date has stemmed from shareholders' inattention to requests for consent to electronic delivery rather than an unwillingness to receive documents electronically."

One third of online investors now use electronic statements



Base: US Individuals who have a brokerage account.

Source: Forrester's Consumer Technographics® August 2004 North American Finance Online Study

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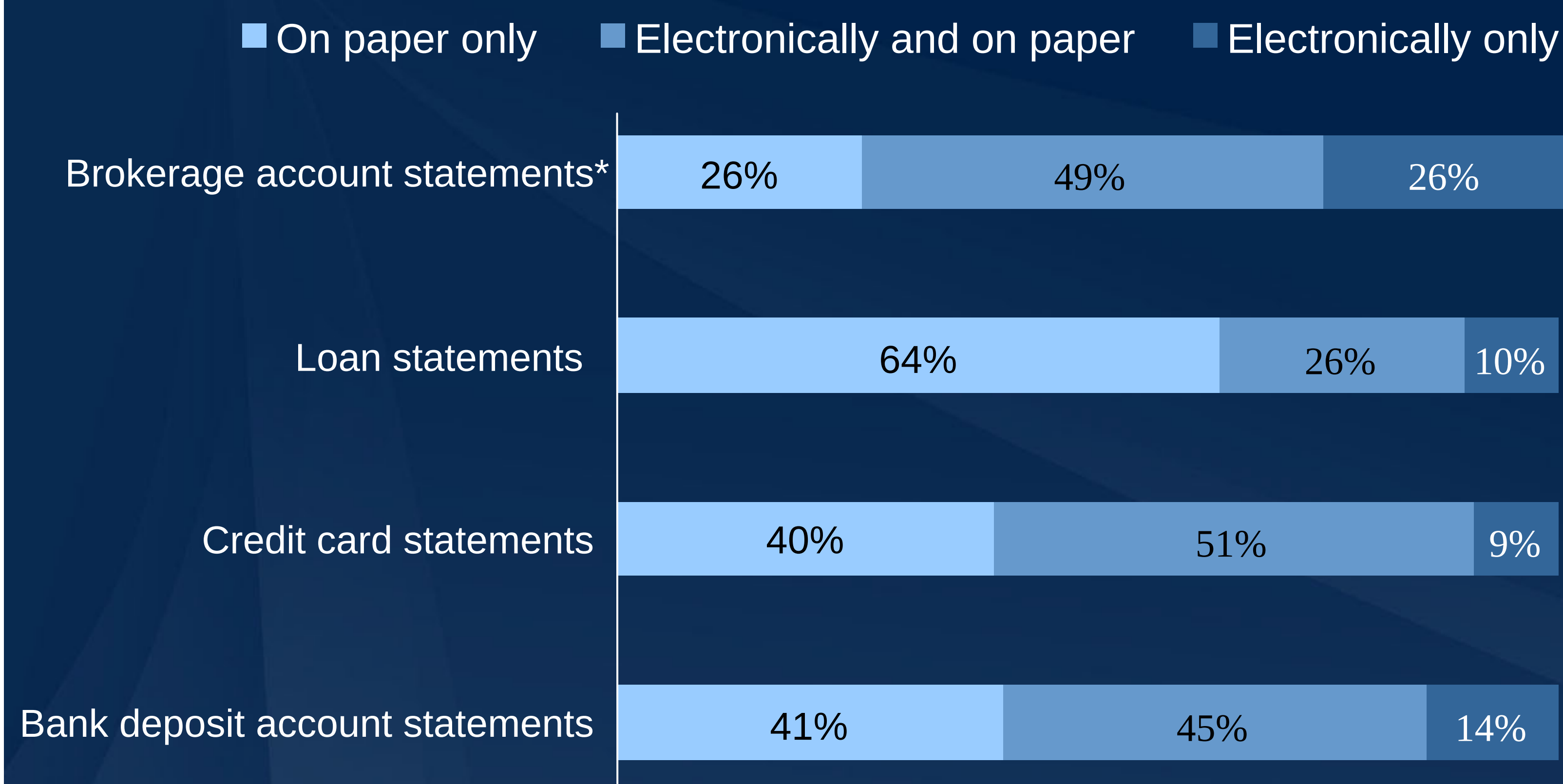
But few investors who use eStatements give up paper

“In what format do you receive each of the following?”

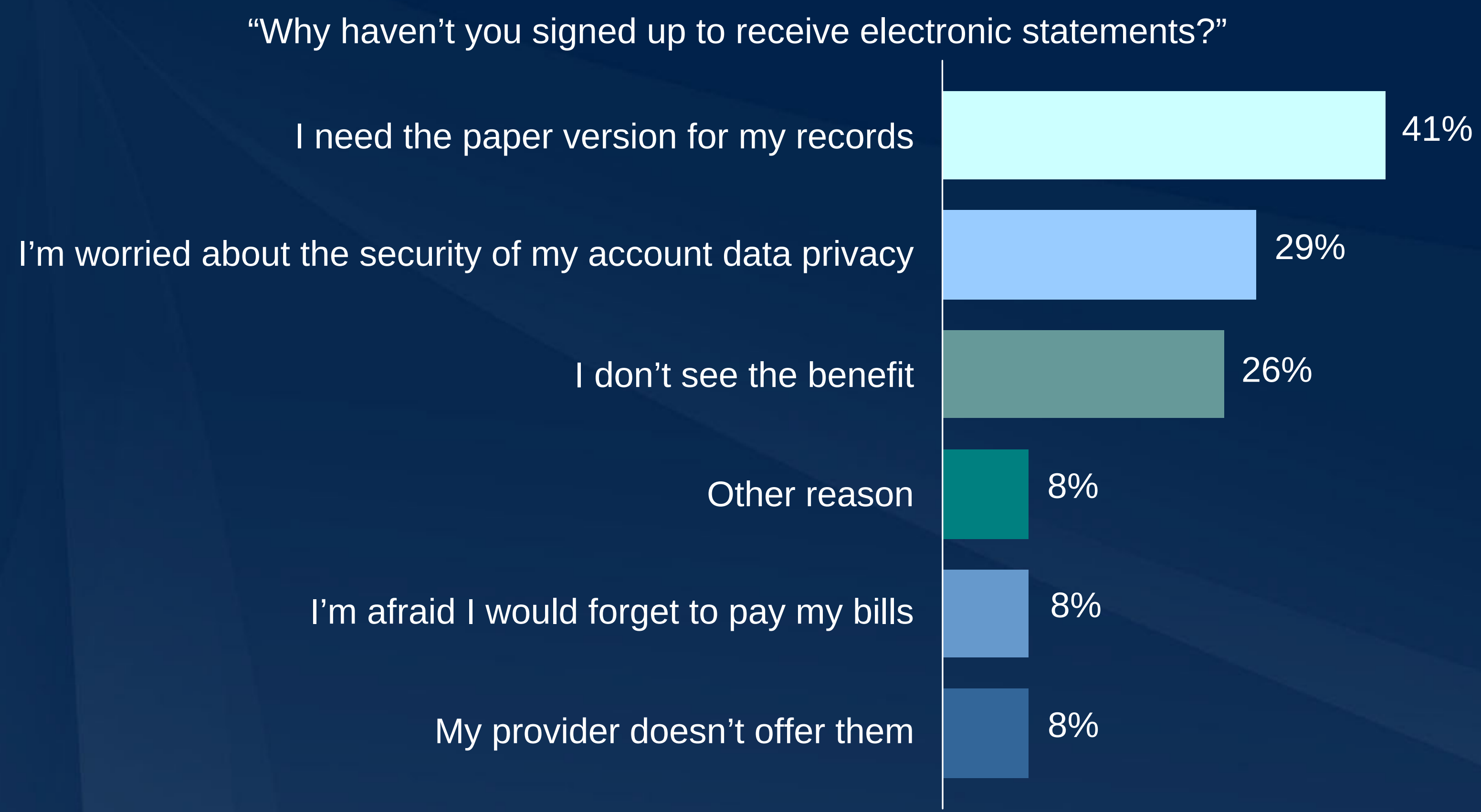


* Significantly affected by firms that offer lower cost trades to customers who take eStatements.

Base: US Individuals who have a brokerage account.

Source: Forrester’s Consumer Technographics® 2004 Online Finance Survey

Non-adopting investors insist on paper



Base: US Individuals who have a brokerage account.

Source: Forrester's Consumer Technographics® August 2004 North American Finance Online Study

Consumers feel postal mail is more secure and private

Attitudes towards postal mail versus the Internet

Value the:	Gen Y		Gen X		Younger Boomers		Older Boomers		60+		Net (All)	
	M	W	M	W	M	W	M	W	M	W	M	W
Convenience	65%	82%	63%	82%	65%	82%	72%	79%	80%	71%	69%	80%
Reliability	52%	65%	60%	63%	62%	64%	66%	62%	73%	54%	63%	62%
Security	53%	44%	49%	39%	58%	37%	62%	35%	67%	29%	58%	37%
Privacy	59%	42%	55%	39%	62%	37%	67%	37%	78%	30%	64%	37%

Percent of online consumers in each group

M=Mail
W=Web

Source: USPS Custom Research Study conducted by Forrester in 2005

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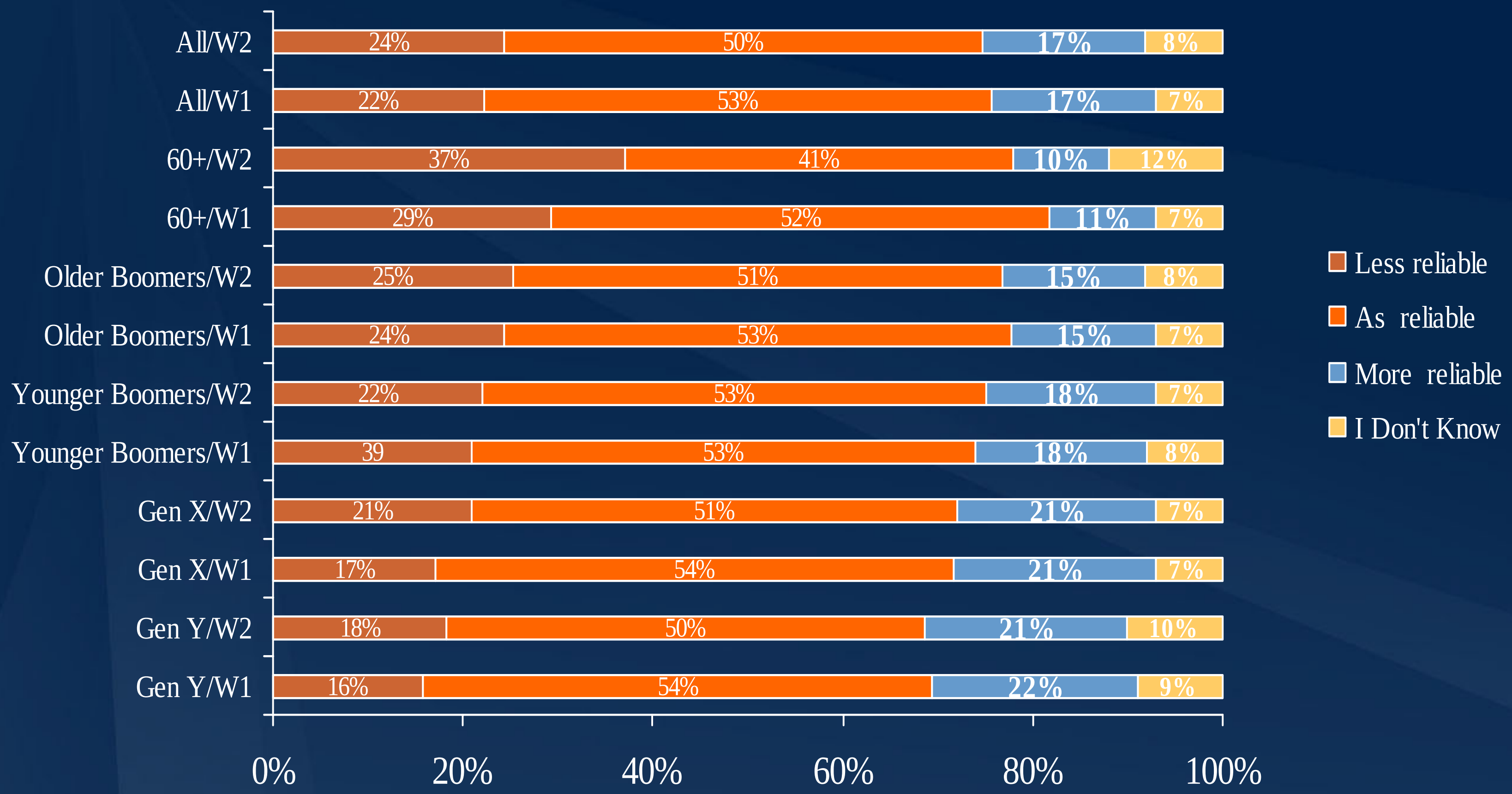
Seniors are significantly less likely to say that Internet transactions are at least as reliable as the mail

Do you feel that Internet transactions are less reliable, as reliable, or more reliable than using the US mail?



Percent of consumers in each group

Source: USPS Custom Research Study conducted by Forrester in 2005

* Indicates Statistical Significance

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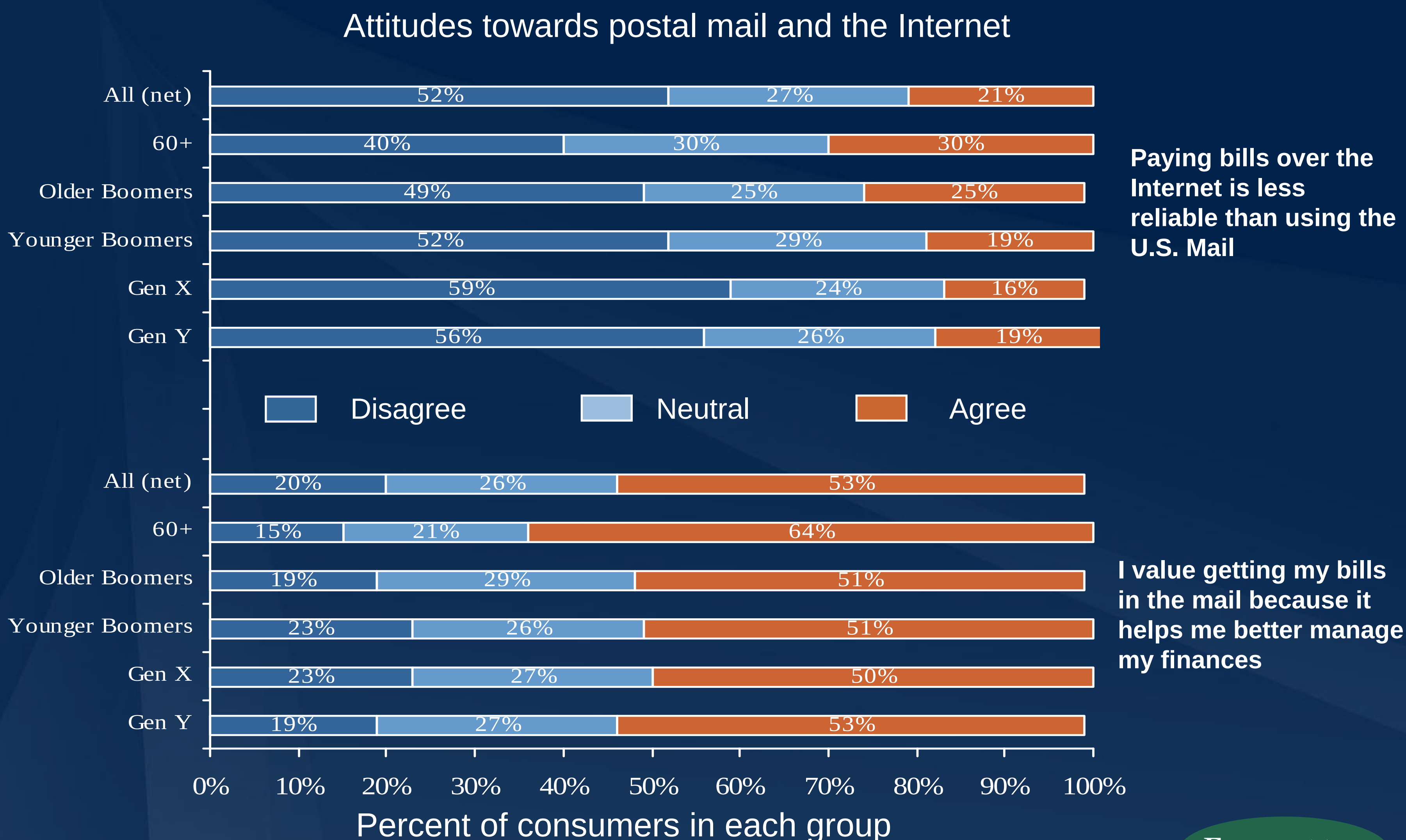
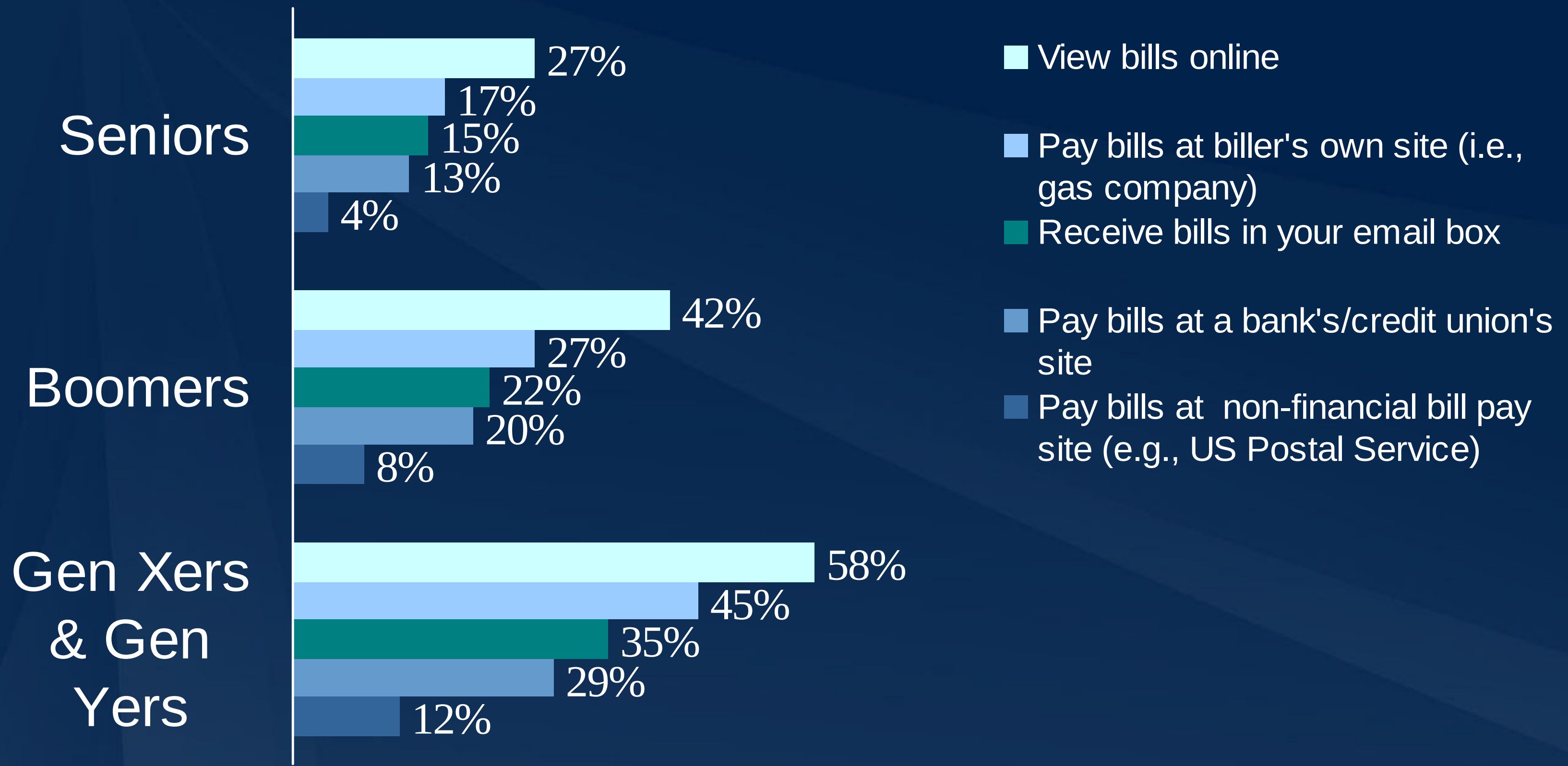
Older consumers think paying bills online is less reliable, and want paper to manage their finances



Source: USPS Custom Research Study conducted by Forrester in 2005

Online senior and boomer shareholders don’t use electronic bill pay and presentment

“Please indicate if you have performed the following financial activities online:”

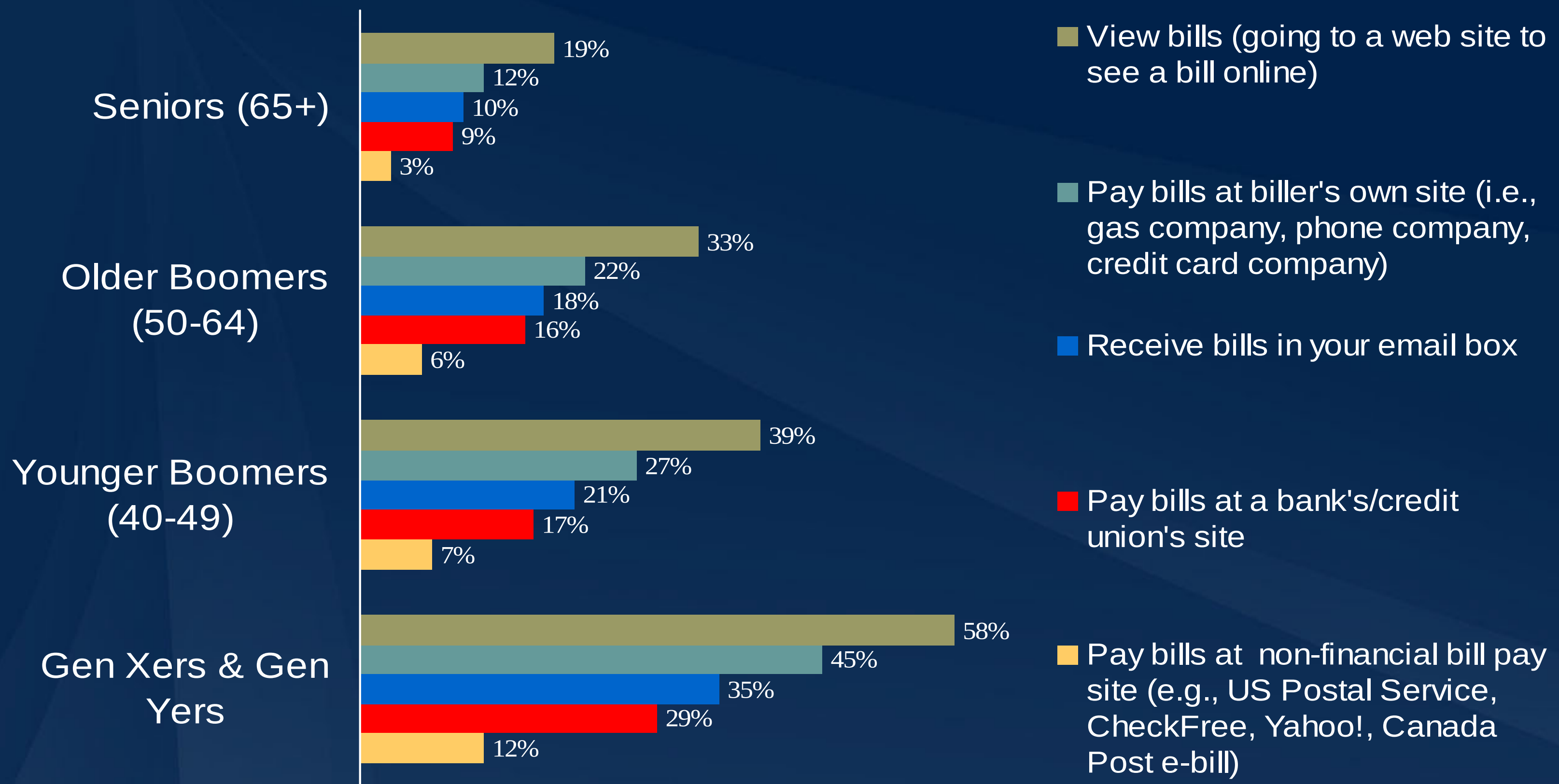


Base: US online households that own stock

Source: Forrester’s Consumer Technographics® 2005 North American Benchmark Study

Online senior and boomer shareholders don't use electronic bill pay and presentment

"Please indicate if you have performed the following financial activities online:"



Base: US online households that own stock

Source: Forrester's Consumer Technographics® 2005 North American Benchmark Study

Theme 3 Conclusions

- Online shareholders don't choose to use the Internet for a number of analogous activities like:
  - Reading about investments, laws, policies
  - Researching retail products
  - Getting statements from financial providers
  - Paying bills
- Why? Not because they're unaware of their options – but because:
  - They prefer not to read online
  - They value paper records
  - They feel paper mail is more secure and reliable
- Bottom line: Shareholders' low adoption of analogous interactions, like receiving financial statements electronically, suggests that Internet-only distribution of shareholder information and proxy materials will effectively discourage shareholders – especially older shareholders -- from looking at shareholder communications and casting proxy votes

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Summary

81% of shareholders are online. But:

- Access is not distributed evenly. Key segments -- such as seniors and low-income shareholders -- are less likely to be online, and less likely to have current technology for downloading and printing efficiently.
- Even among those who are online, few can be expected to retrieve shareholder communications and proxy materials from the Internet. Why?
  - » Less than half have broadband – a key driver of online financial activity
  - » Few today actively choose electronic delivery:
    - – Just 18% of shareholders visit financial content sites for investment information
    - – Most shareholders who choose to receive eStatements still want paper statements as well
    - – Consumers still prefer paper for researching and for managing their finances

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Telephone Survey of Individual Investors – Conducted for ADP

ADP Phone Survey: Shareholder Communications

Bill Doyle
VP, Principal Analyst

Lisa Sutherland
Senior Research Advisor

Mike Louca
Associate Advisor

January 23, 2006

Research objectives

- To examine shareholder behavior with regard to annual reports and proxy voting information:
  - » How shareholders *receive* the information
  - » Whether or not they *look* at the information
  - » Whether or not they *vote*
- To understand how the SEC's proposed "Notice & Access" rule might affect this behavior
- To understand shareholders' attitudes toward the proposed new rule

Source: ADP Shareholder Phone Survey January 2006

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Methodology

- Phone survey to 1,506 shareholders
- Fieldwork conducted January 2 to January 10, 2006
- Representative sample of US population acquired through random digit dialing (RDD)
- Data weighted to represent the US shareholder population against Forrester's Technographics® Benchmark 2005 survey (weighting variables: age, gender, household assets, frequency of online access, and broadband adoption forecasts)
- Data points rounded up (figures may exceed 100% in some instances)
- Confidence interval level of +/- 2.53 percentage points at 95%
- Survey approximately 13 minutes long; 31 closed questions, 3 open-ended

Source: ADP Shareholder Phone Survey January 2006

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Definitions of terms used in this study

- SHAREHOLDERS: Those who own stock in at least one publicly traded company – not including IRAs, mutual funds, or 401(k)s.
- LOOKERS: Shareholders who said that they look at shareholder communications like annual reports and proxy materials “always,” “most of the time,” or “sometimes.”
- NON-LOOKERS: Shareholders who said that they “never” look at annual reports and proxy materials from companies.
- VOTERS: Shareholders who said that they vote their proxy ballot “always,” “most of the time,” or “some of the time.”
- NON-VOTERS: Shareholders who said that they “never” vote their proxy ballot.

Source: ADP Shareholder Phone Survey January 2006

Definitions of terms used in this study (cont'd.)

- ONLINE: Shareholders who access the Internet (anywhere) once a month or more.
- OFFLINE: Those who don't have access to the Internet OR have access but never use OR use less than once a month.
- MAIL RECEIVERS: Shareholders who receive annual reports and proxy voting information by mail. Mail receivers can be Online or Offline.
- E-DELIVERY: Shareholders who receive annual reports and proxy voting information only over the Internet.
- BOTH: Shareholders who receive annual reports and proxy voting information by mail AND over the Internet, consistent with consent to e-delivery.
- ONLINE RECEIVERS: Shareholders who receive annual reports and proxy voting material by e-delivery or "Both" ways.
- ADVISOR DEFFERAL: Shareholders who do not receive shareholder communication because their financial advisors handle it. Slides with a base of 1,437 shareholders refer to the total base of 1,506 shareholders minus those who deferred to an advisor (n=42) or who answered "other" (n=27) in Q3a. These two groups did not answer Q3b through Q10 regarding current shareholder participation.

Source: ADP Shareholder Phone Survey January 2006

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Executive summary

- Most shareholders participate in the current process
  - » 82% of all shareholders look at annual reports and proxy materials at least some of the time
  - » 67% vote their proxies at least some of the time; 25% vote all of the time
  - » 71% of shareholders who are offline vote their proxies at least some of the time
- Most shareholders who receive their information in the mail today are aware that e-delivery is an option
  - » 72% of “mail receiver lookers” are aware of the e-delivery option
  - » When asked why they do not elect electronic delivery, 50% of these lookers say they “prefer to look at this information on paper”

Source: ADP Shareholder Phone Survey January 2006

Executive summary (cont'd.)

- Under the proposed rule, shareholders say they would be less likely to participate
  - Likelihood of getting information: Most say they typically would not take the extra steps required by the proposed rule to get shareholder communications
  - Likelihood of looking: Those who say they would be less likely to look outnumber those who would be more likely to look by 2 to 1
  - Likelihood of voting: Those who say they would be less likely to look **and** vote outnumber those who would be more likely to look and vote by 3 to 1
  - 38% of today's voters say they would be less likely to vote
  - Just 7% of shareholders say they would be more likely to vote
- A clear majority of shareholders prefer the current rule
  - 66% of today's lookers say they prefer the current rule
  - 67% of today's voters say they prefer the current rule
  - Neither non-lookers nor non-voters say the new rule would motivate them to look or vote

Source: ADP Shareholder Phone Survey January 2006

Top-line overview

(column %)

	Mail	Both	e-Delivery	All Online Receivers (Both + e-Delivery)	All Shareholders
Total number of Shareholders, by method of receiving	1,235	146	55	201	1,506
% of all Shareholders	(82%)	(9.7%)	(3.6%)	(13.4%)	(100%)
By method, % who are Lookers	1,047 (85%)	140 (96%)	49 (88%)	188 (94%)	1,236 (82%)
By method, % who are Voters	863 (70%)	119 (82%)	37 (67%)	154 (78%)	1,019 (67%)
By method, % who are Lookers <u>and</u> Voters	817 (66%)	117 (80%)	37 (67%)	154 (77%)	970 (64%)

Source: ADP Shareholder Phone Survey January 2006

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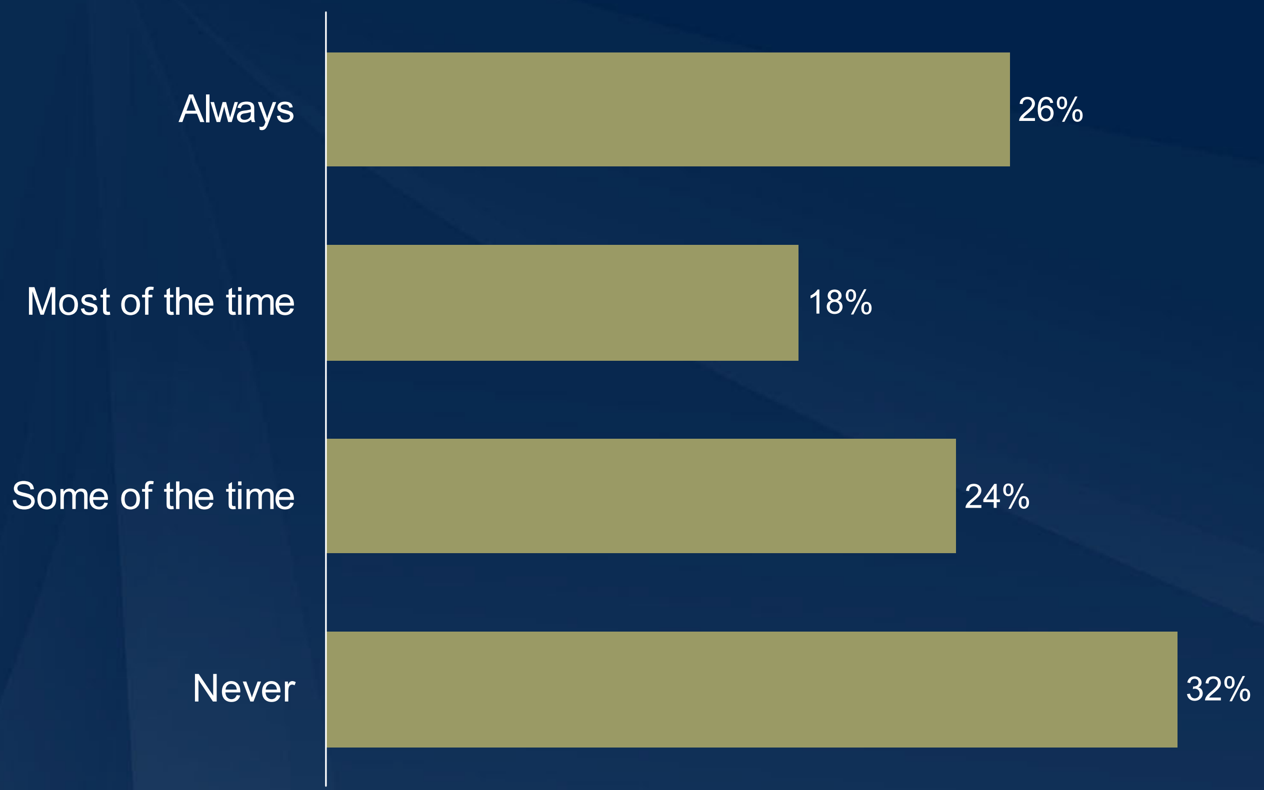
Who is currently voting?

Source: ADP Shareholder Phone Survey January 2006

42% of shareholders currently vote “some” or “most” of the time; 25% of shareholders “always” vote.

Q9. How frequently do you vote your proxy ballot?

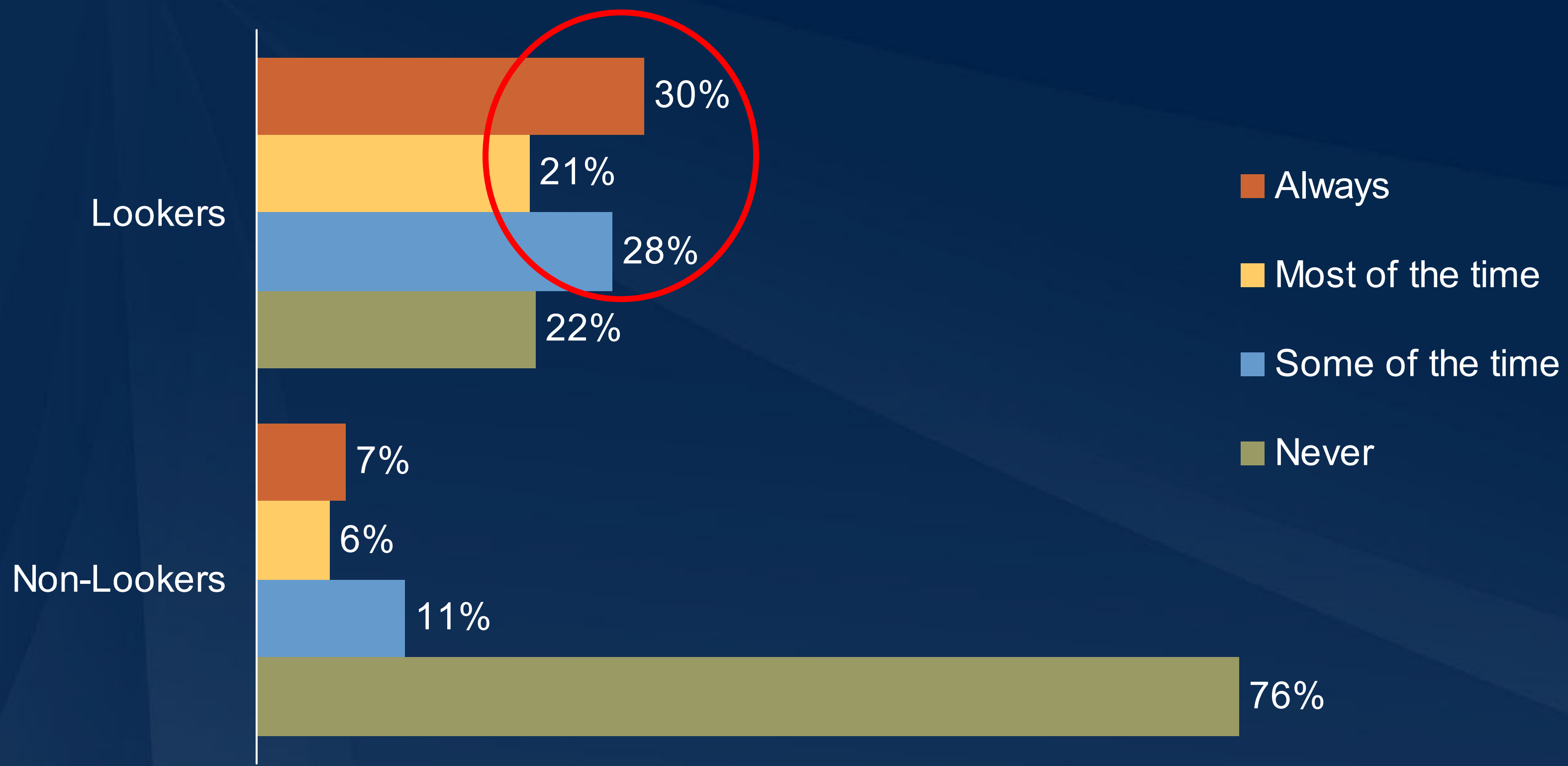


Base: 1,437 Shareholders
[1,506 minus those who deferred to an advisor (n=42) or answered “other” (n=27) in Q3a]

Source: ADP Shareholder Phone Survey January 2006

Lookers are much more likely to vote than are Non-Lookers.

Q9. How frequently do you vote your proxy ballot?



Base: 1,437 Shareholders
n=1,236 Lookers, n=201 Non-Lookers

Source: ADP Shareholder Phone Survey January 2006

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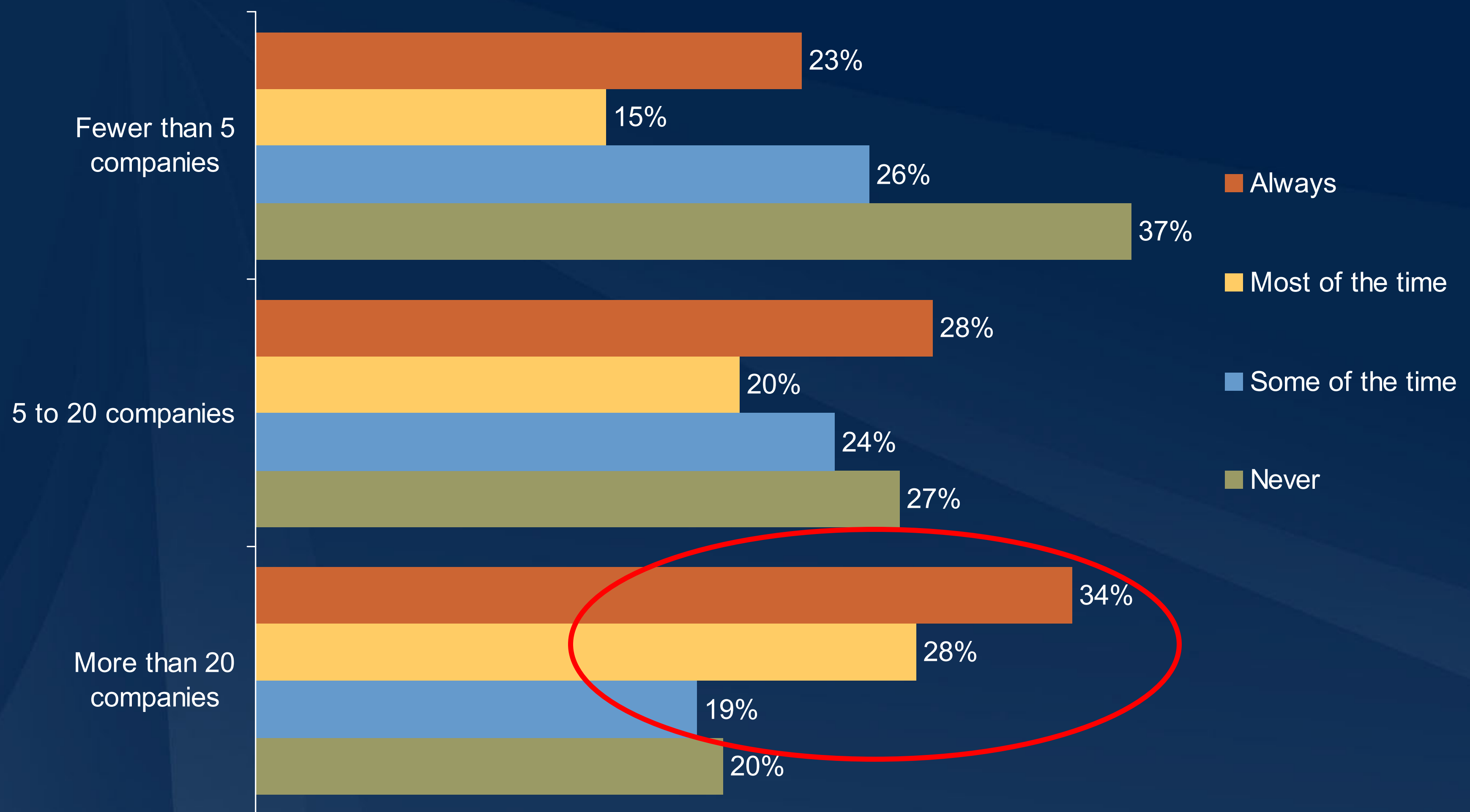
The more companies a shareholder owns stock in, the more likely he or she is to vote.

Q9. How frequently do you vote your proxy ballot?

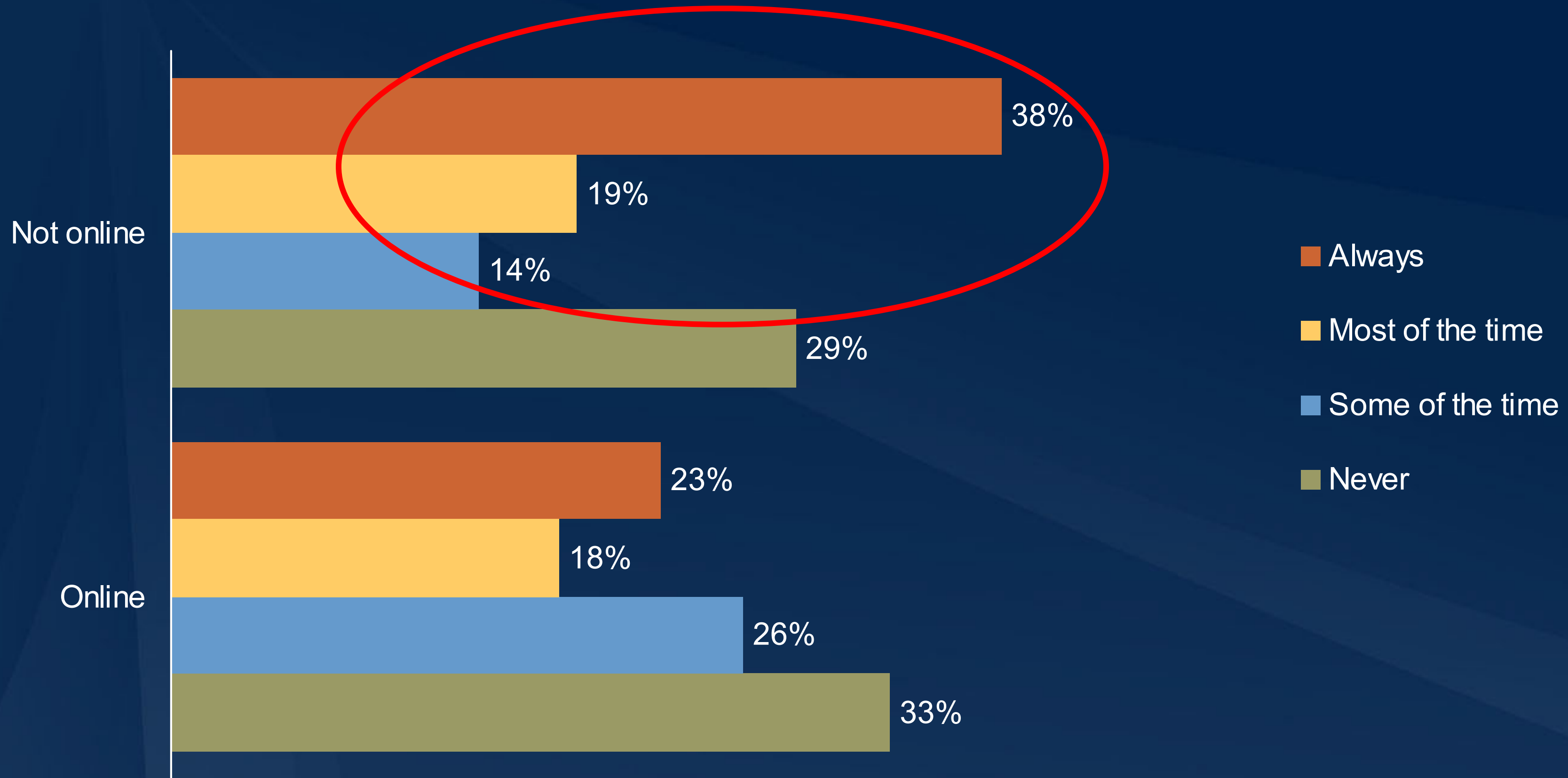


Base: 1,437 Shareholders

Source: ADP Shareholder Phone Survey January 2006

71% of those who are offline vote their shares at least some of the time.

Q9. How frequently do you vote your proxy ballot?



Base: 1,437 Shareholders

Source: ADP Shareholder Phone Survey January 2006

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Why are some shareholders not voting?

Source: ADP Shareholder Phone Survey January 2006

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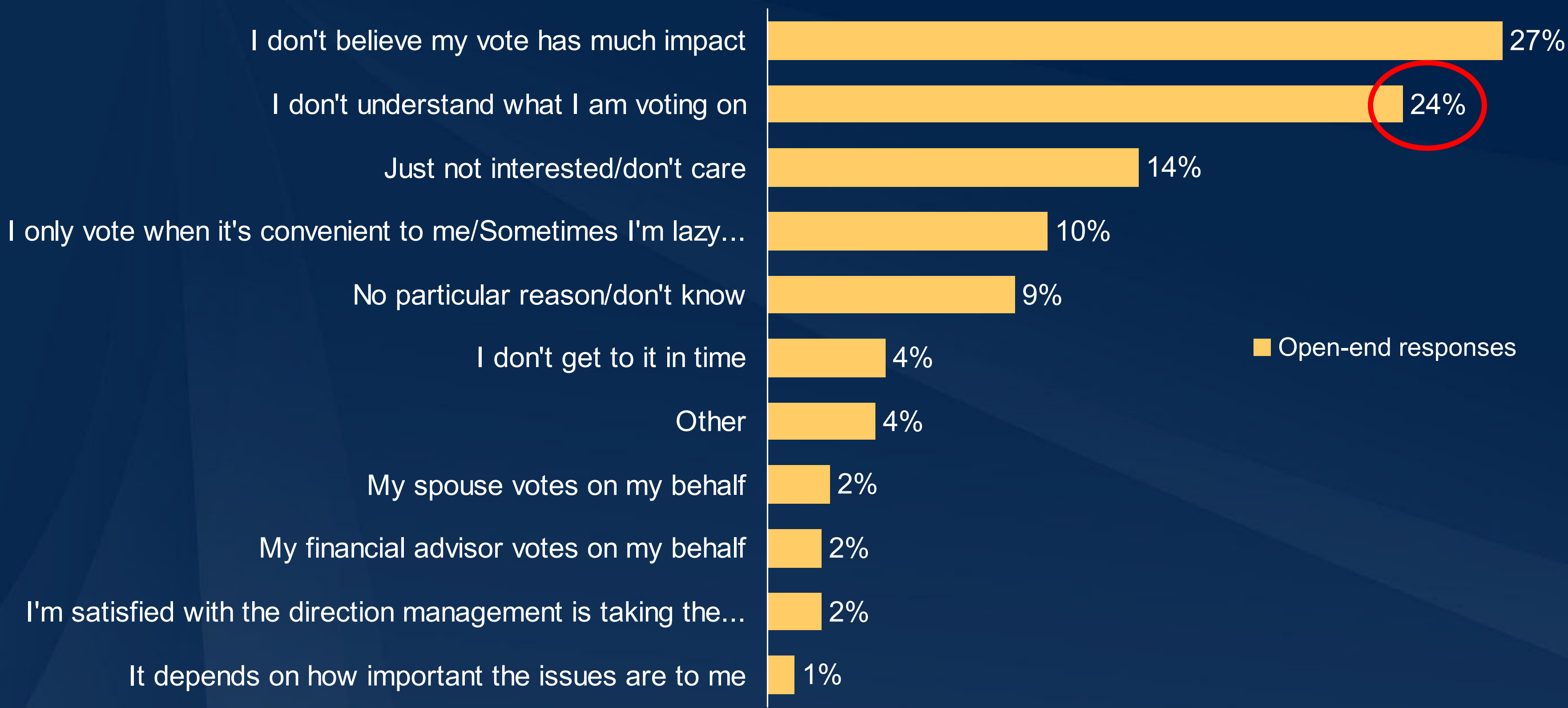
Those who never vote say their vote has little impact and they don’t understand the issues.

Q10b. (If answered “never” in Q9) What is the main reason you do not vote your shares? Please specify (481 respondents).



Base: 418 Shareholders

Source: ADP Shareholder Phone Survey January 2006

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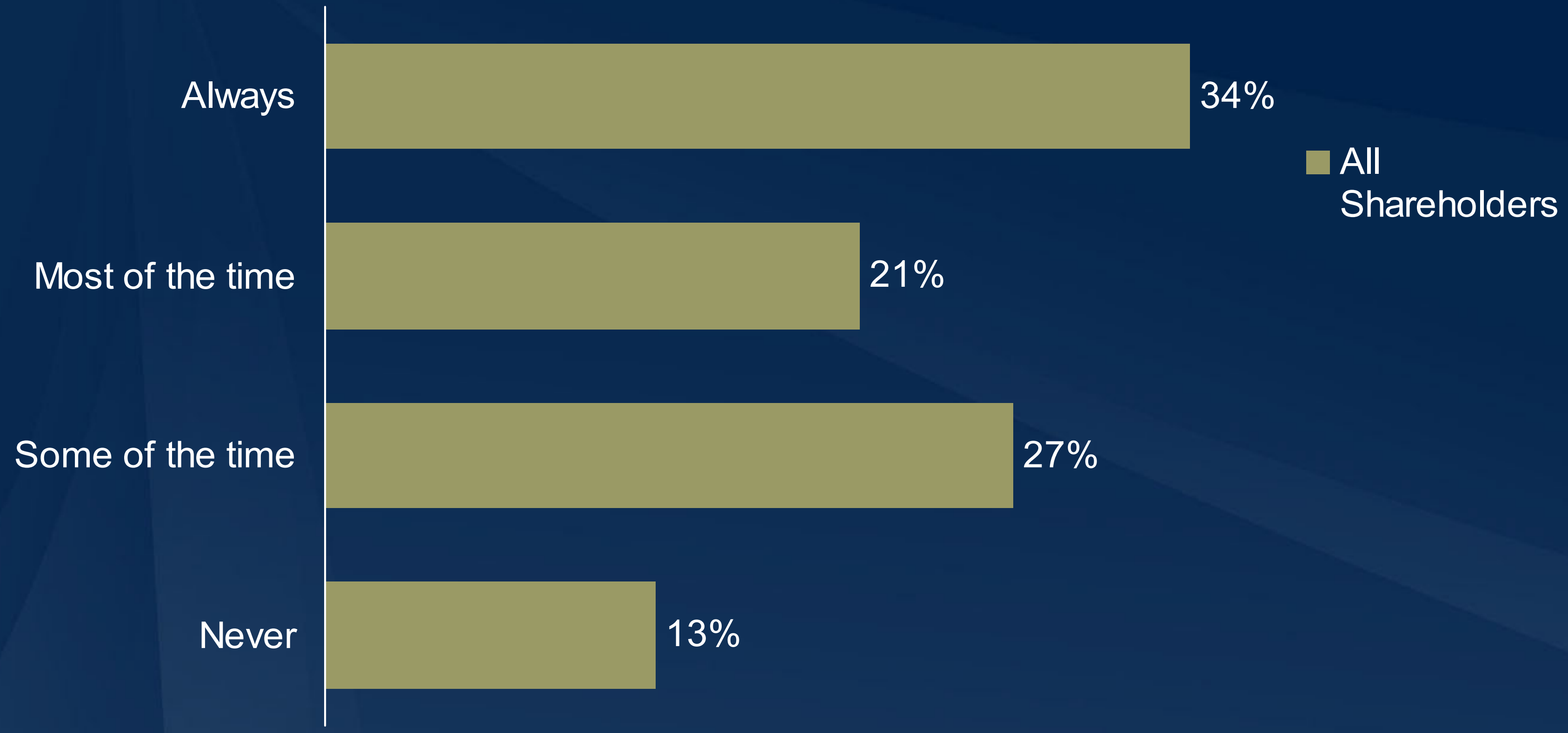
Who is currently looking at annual reports and proxy voting information?

Source: ADP Shareholder Phone Survey January 2006

82% of shareholders look at annual reports and proxy voting information.

4. When you receive annual reports and proxy voting information from companies, how often do you look at them?



Base: 1,437 Shareholders

Source: ADP Shareholder Phone Survey January 2006

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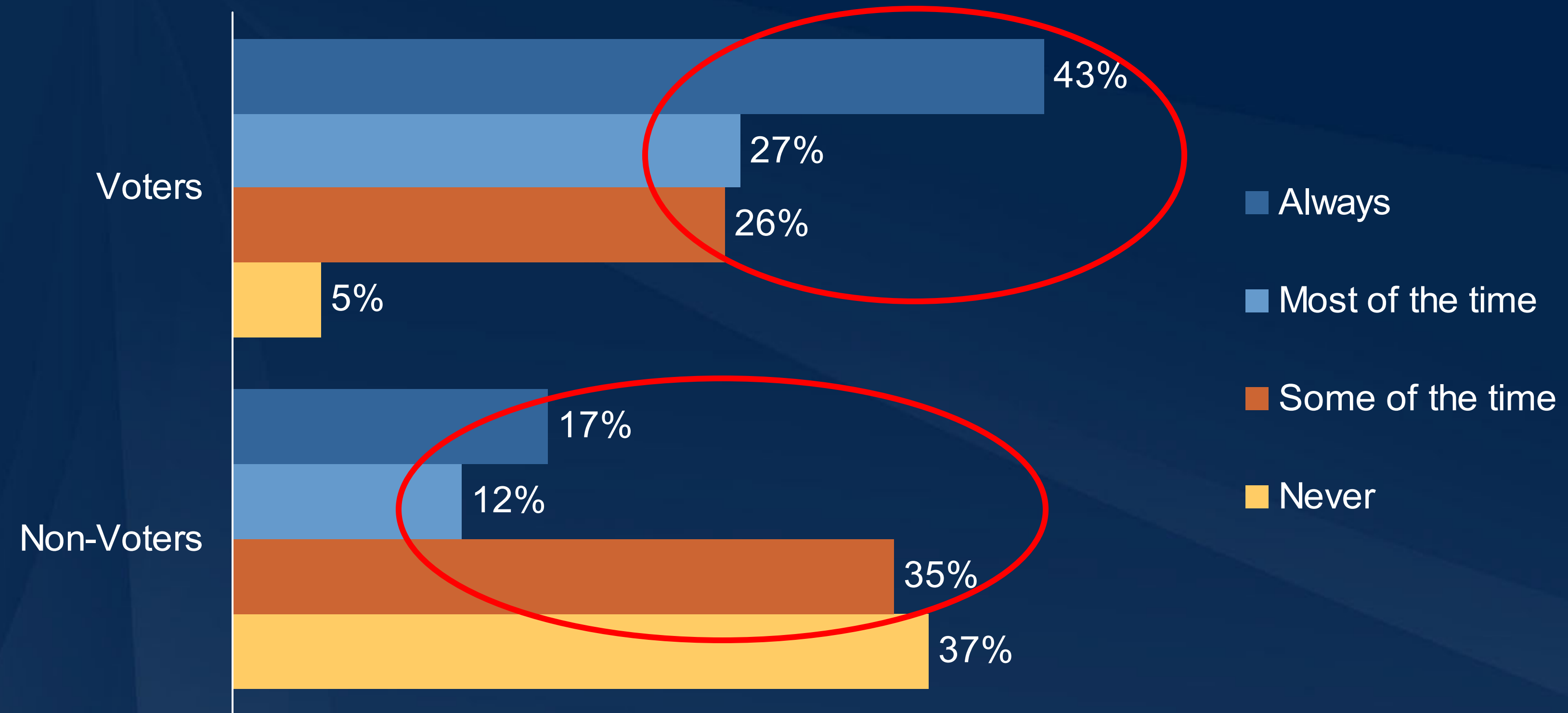
96% of voters, and 64% of non-voters, look at shareholder communications at least some of the time.

4. When you receive annual reports and proxy voting information from companies, how often do you look at them?

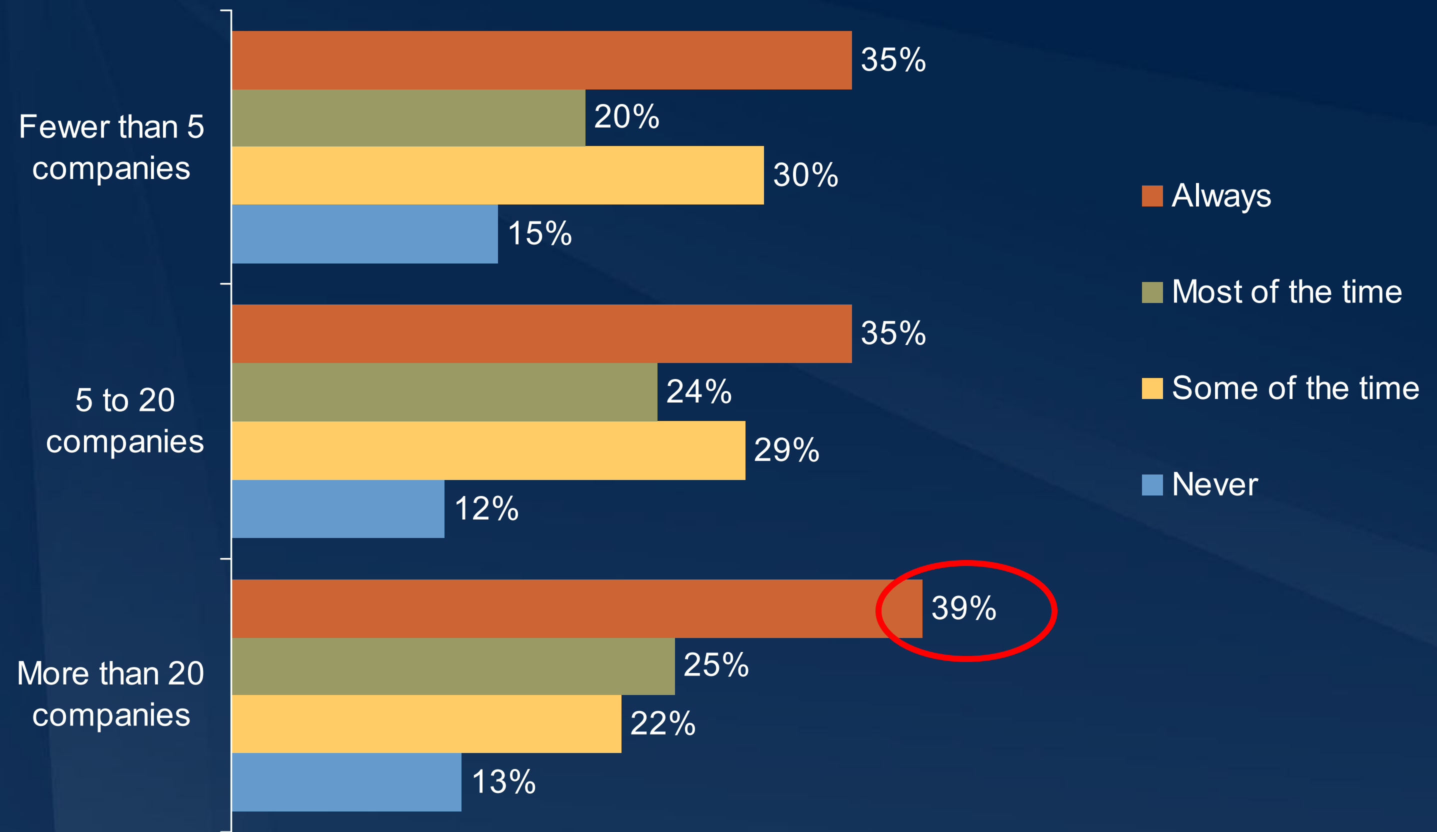


Base: 1,437 Shareholders

Source: ADP Shareholder Phone Survey January 2006

The more companies that shareholders own stock in, the more likely they are to look at shareholder material.

4. When you receive annual reports and proxy voting information from companies, how often do you look at them?



Source: ADP Shareholder Phone Survey January 2006

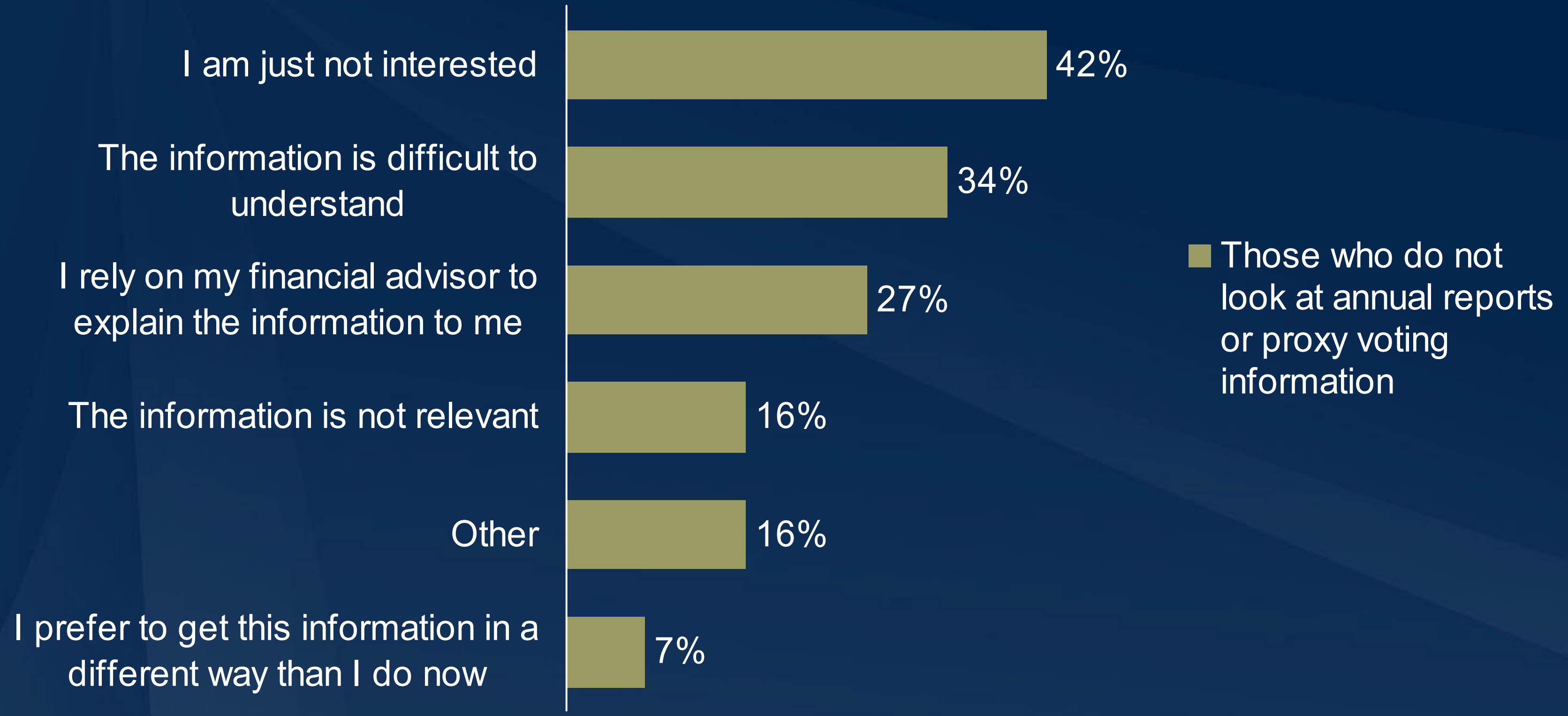
Base: 1,437 Shareholders

Why are some shareholders not looking at annual reports and proxy voting information?

Source: ADP Shareholder Phone Survey January 2006

The 13% who never look at shareholder communications cite lack of interest and difficulty understanding the information.

5b. Please indicate the reasons you do not look at the annual reports and proxy voting information you receive. (Select all that apply.)



Base: 201 Shareholders who do not look at reports (answered “Never” in Q4)

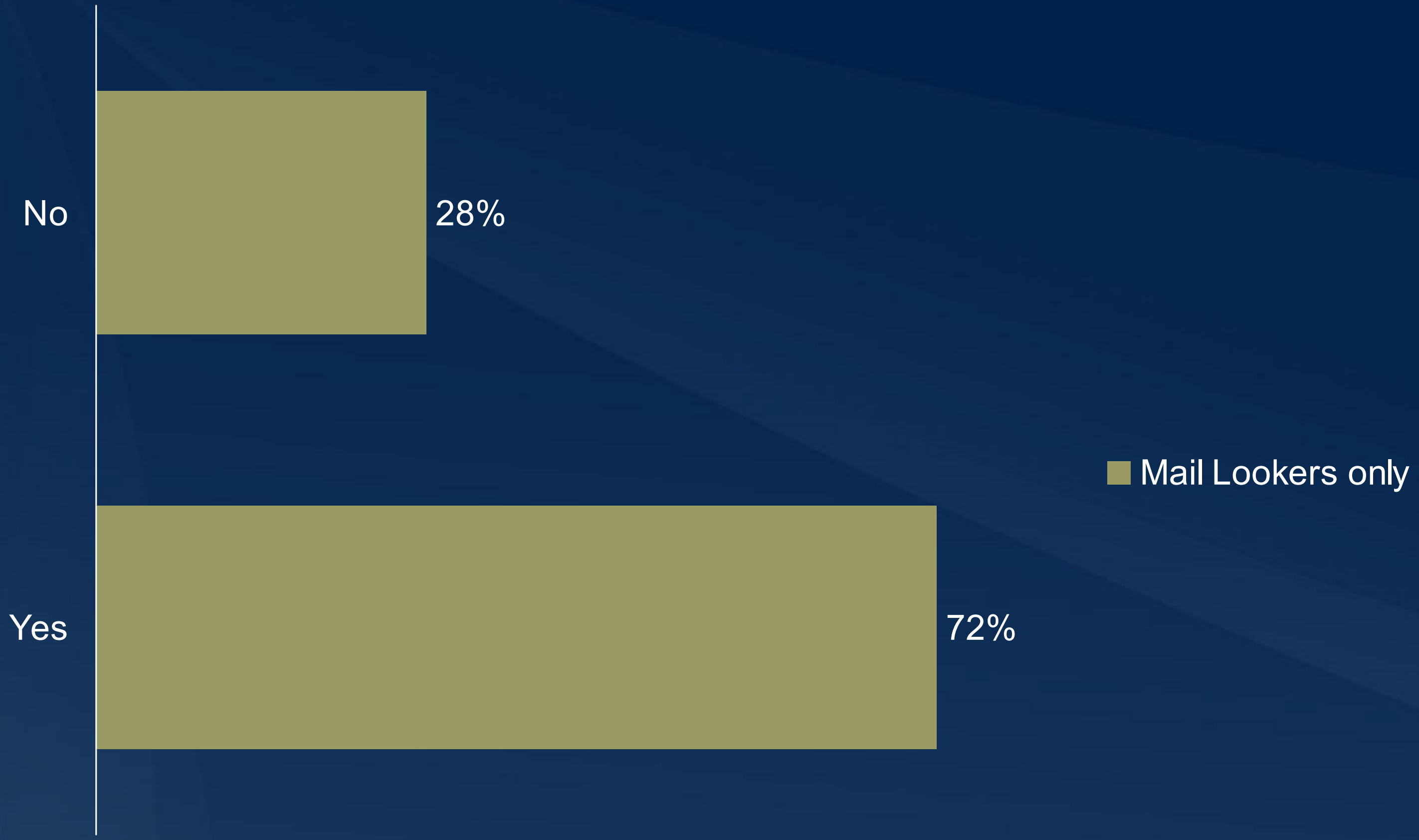
Source: ADP Shareholder Phone Survey January 2006

Are shareholders who receive information by mail unaware of e-delivery – or are they unwilling?

Source: ADP Shareholder Phone Survey January 2006

72% of lookers who get their information in the mail are aware that e-delivery is an option.

Q7a. (Mail Receiver Lookers Only) Are you aware that you can receive annual reports and proxy voting information over the Internet?

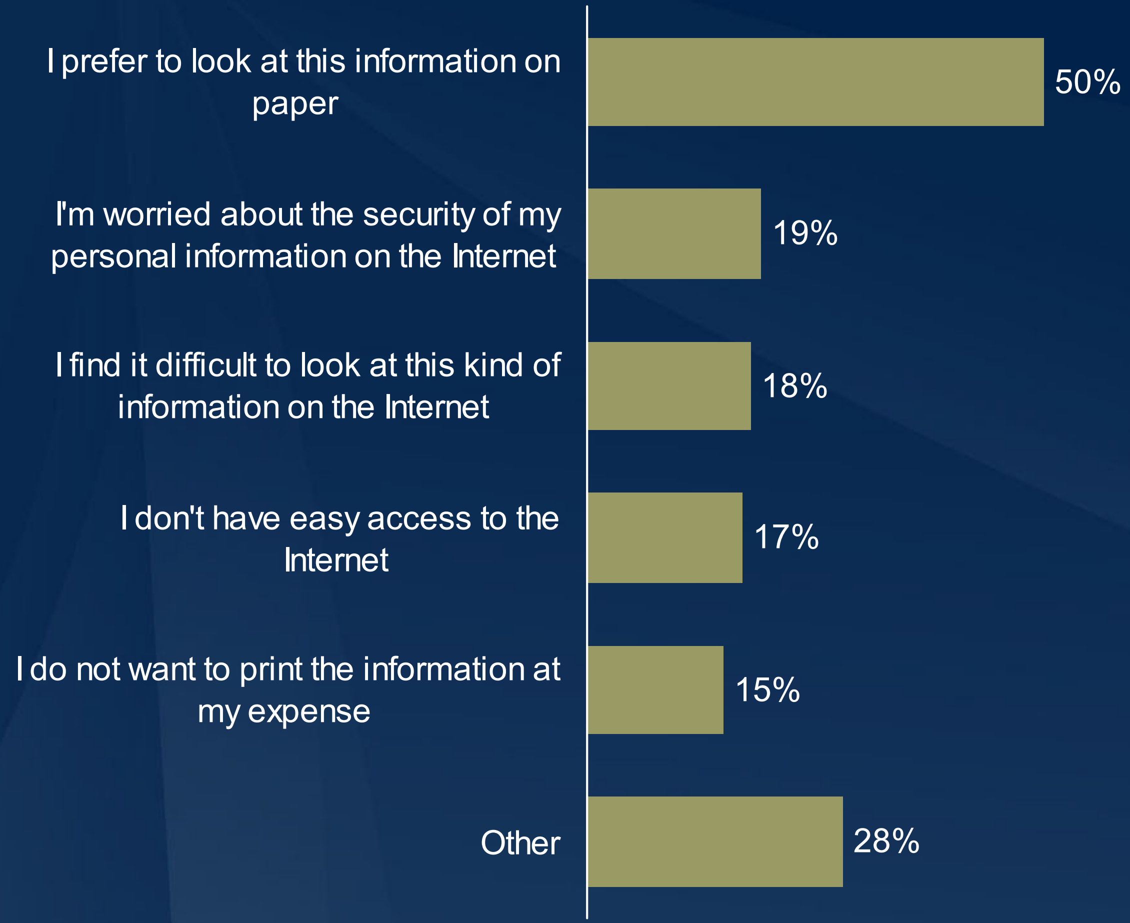


Base: 1,047 Mail Lookers Only

Source: ADP Shareholder Phone Survey January 2006

Mail receivers who are aware of e-delivery choose not to receive information over the Internet because they prefer paper.

Q7b. (Mail Receiver Lookers only) What are the reasons you choose not to receive annual reports and proxy voting information over the Internet? (Select all that apply.)



Base: 752 Mail Receiver Lookers who are aware of e-delivery

Source: ADP Shareholder Phone Survey January 2006

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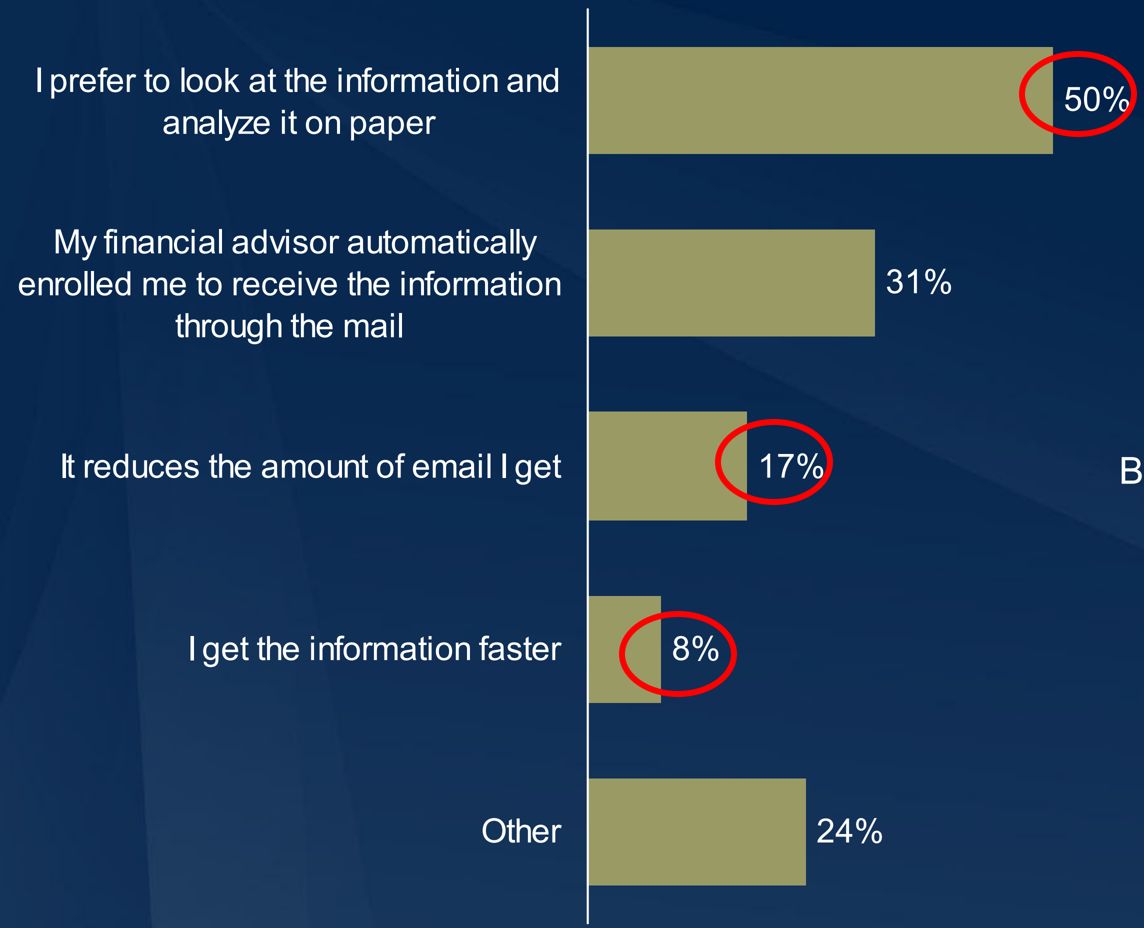
Mail receivers have an active preference for paper.

Q8b. (Mail Receivers only) Please indicate your reasons for receiving annual reports and proxy voting materials through the mail? (Select all that apply.)



Base: Total 1,235 Mail Receivers

Source: ADP Shareholder Phone Survey January 2006

Would shareholders take an extra step to get shareholder communications on paper under the proposed rule?

Source: ADP Shareholder Phone Survey January 2006

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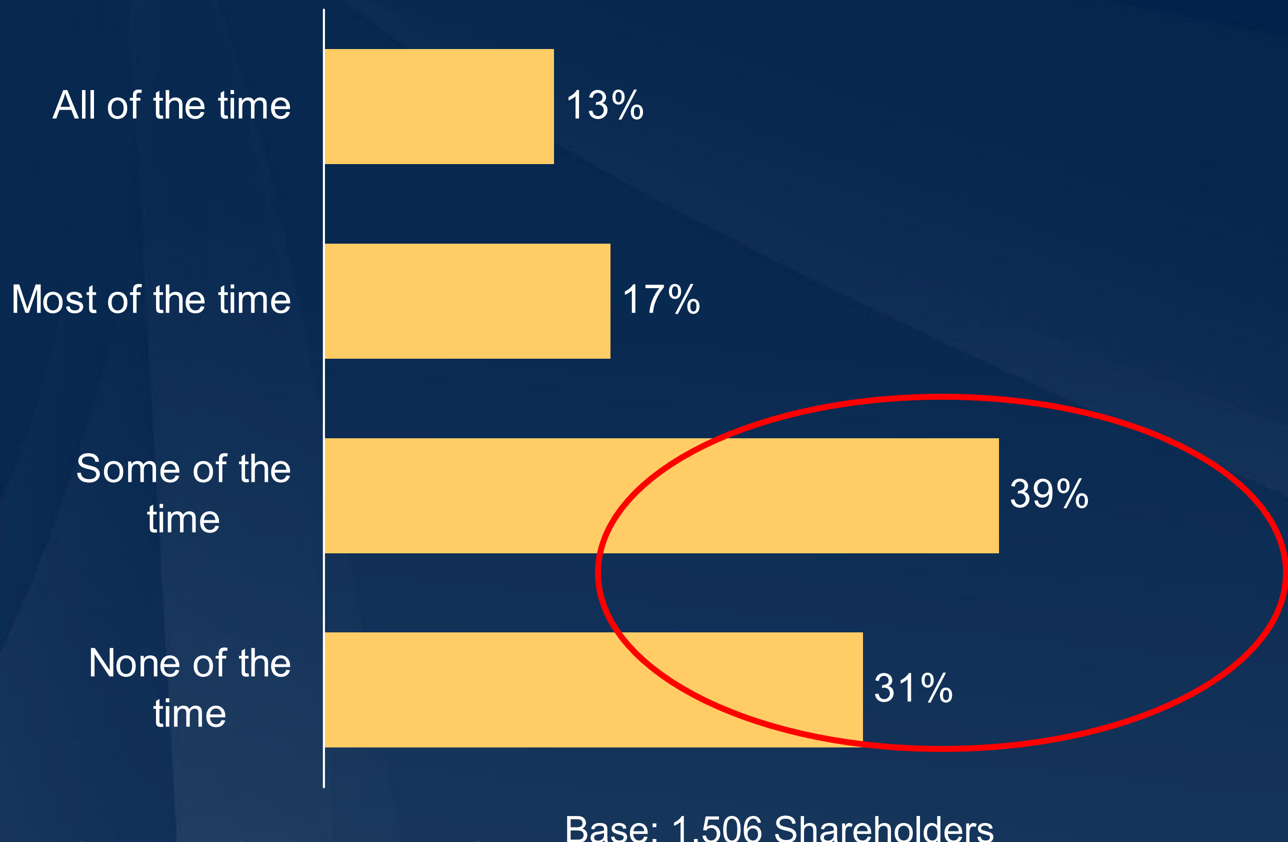
Under the proposed rule, 70% of shareholders often won't take an extra step to get shareholder information.

Q12. Earlier, you mentioned you automatically receive annual reports and proxy voting information. If that information was no longer automatically sent to you, but instead you had to take extra steps to get it, how often do you think you would take the extra step to get the information for each of your holdings?



Source: ADP Shareholder Phone Survey January 2006

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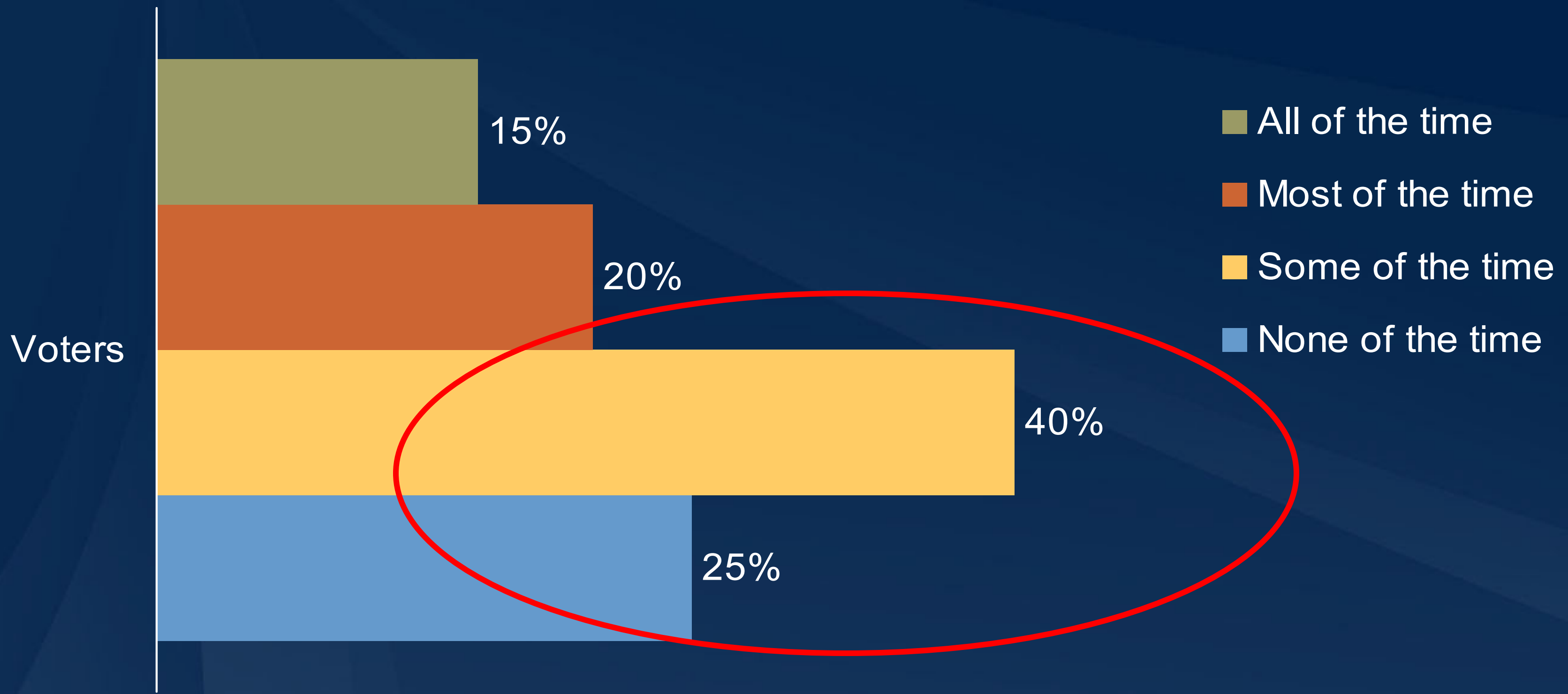
Among current voters, two-thirds would not take the extra step.

Q12. Earlier, you mentioned you automatically receive annual reports and proxy voting information. If that information was no longer automatically sent to you, but instead you had to take extra steps to get it, how often do you think you would take the extra step to get the information for each of your holdings?

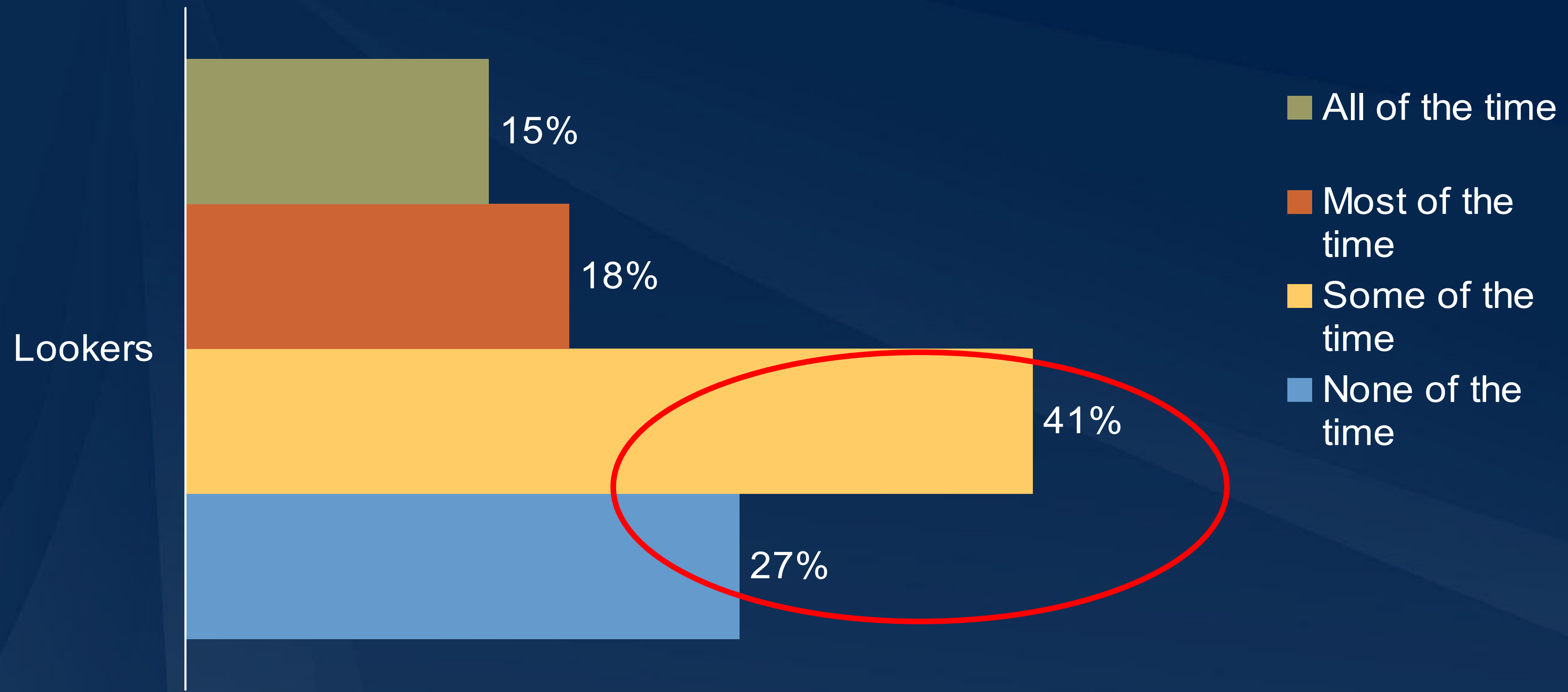


Base: 1,437 Shareholders
n=1,019 Voters

Source: ADP Shareholder Phone Survey January 2006

Among current lookers, more than two-thirds would not take the extra step.

Q12. Earlier, you mentioned you automatically receive annual reports and proxy voting information. If that information was no longer automatically sent to you, but instead you had to take extra steps to get it, how often do you think you would take the extra step to get the information for each of your holdings?

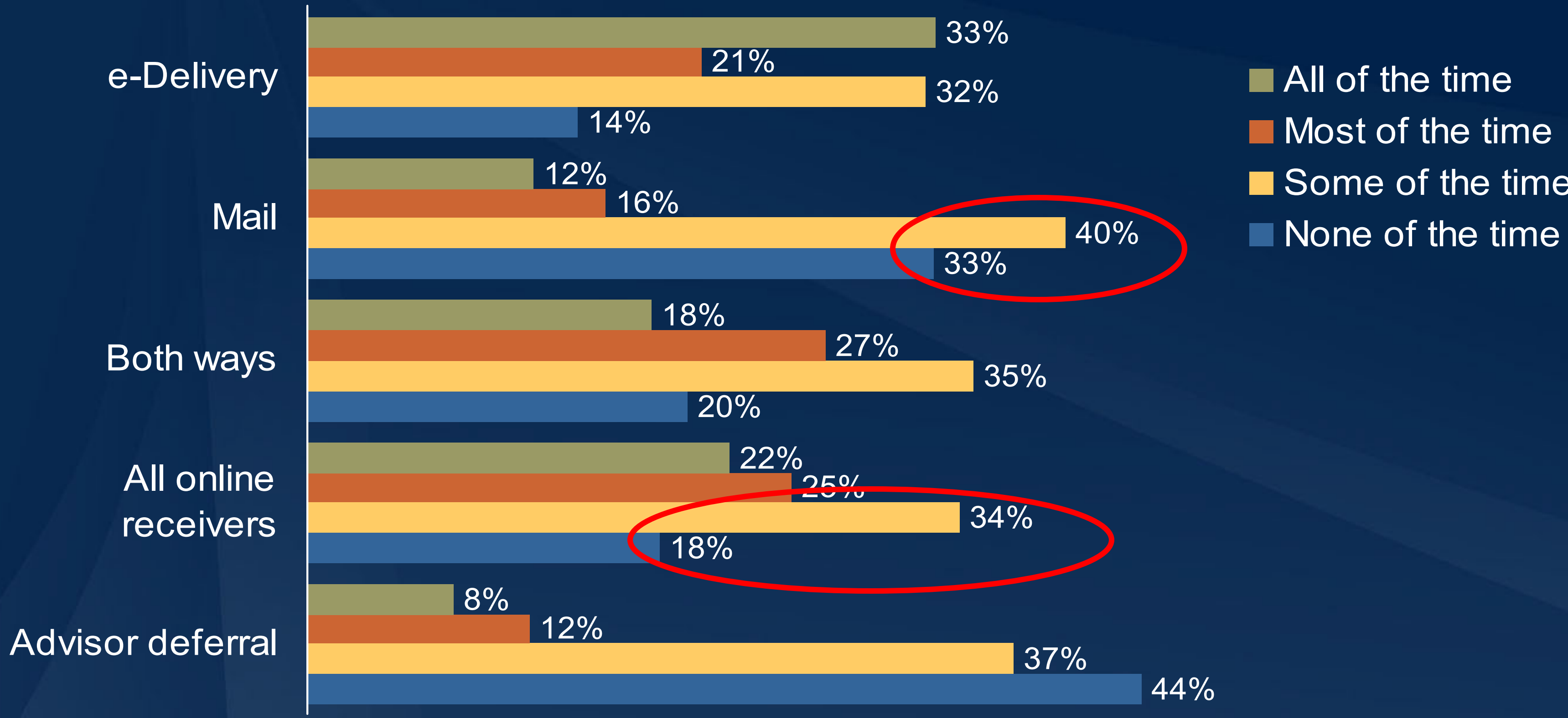


Base: 1,437 Shareholders
n=1,236 Lookers

Source: ADP Shareholder Phone Survey January 2006

73% of mail receivers, and 52% of online receivers, say they would rarely or never take the extra step.

Q12. Earlier, you mentioned you automatically receive annual reports and proxy voting information. If that information was no longer automatically sent to you, but instead you had to take extra steps to get it, how often do you think you would take the extra step to get the information for each of your holdings?



Source: ADP Shareholder Phone Survey January 2006

Base: 1,506 Shareholders

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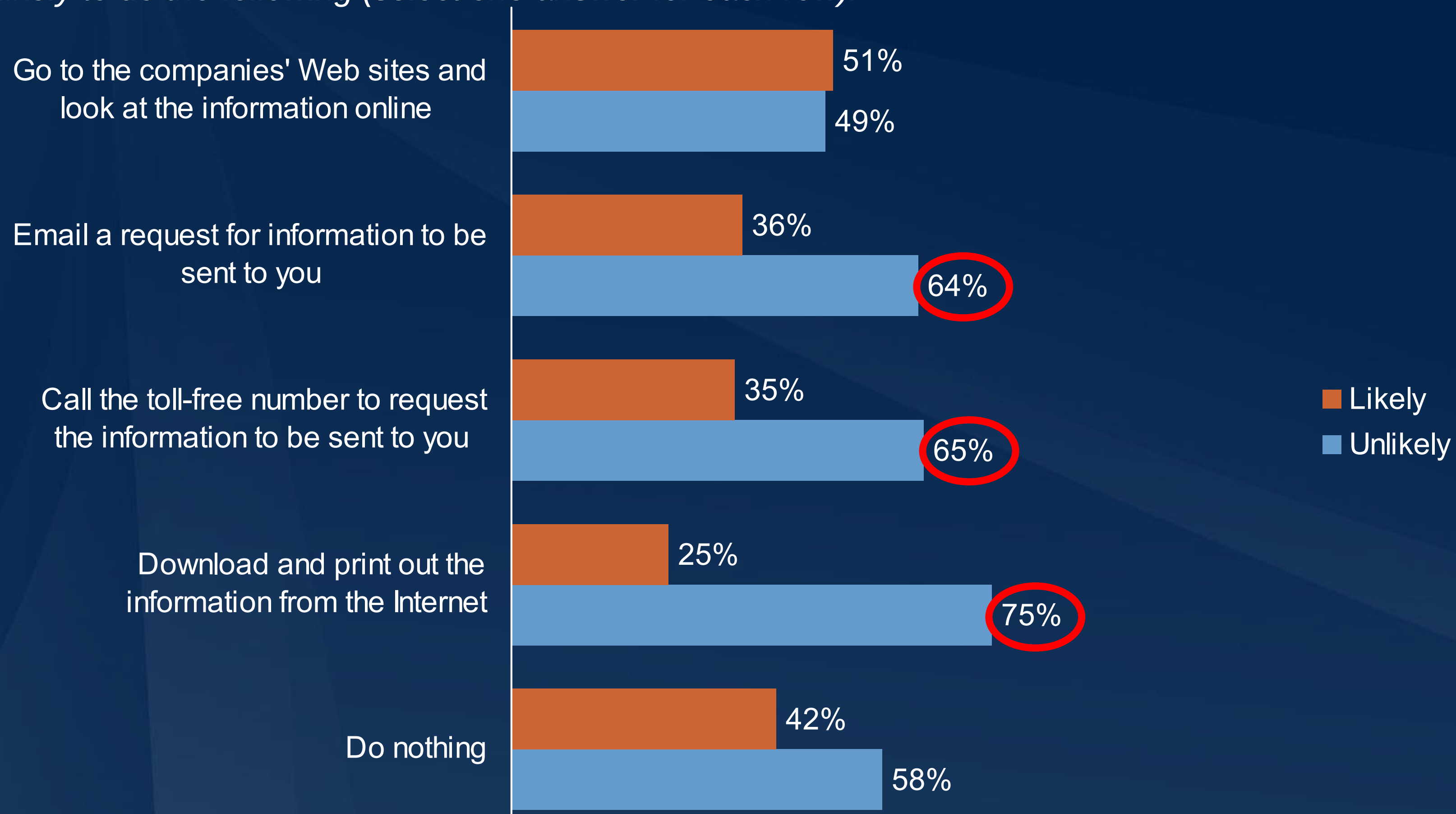
Of online shareholders who are mail receivers, two-thirds are unlikely to email or call a toll-free number; three-quarters are unlikely to download and print the information.

Q13. (If Online and Mail Receivers) Under the proposed new rule, you will have to take new or additional steps to get your annual reports and proxy voting information. Please state if you are likely or unlikely to do the following (select one answer for each row):



Source: ADP Shareholder Phone Survey January 2006

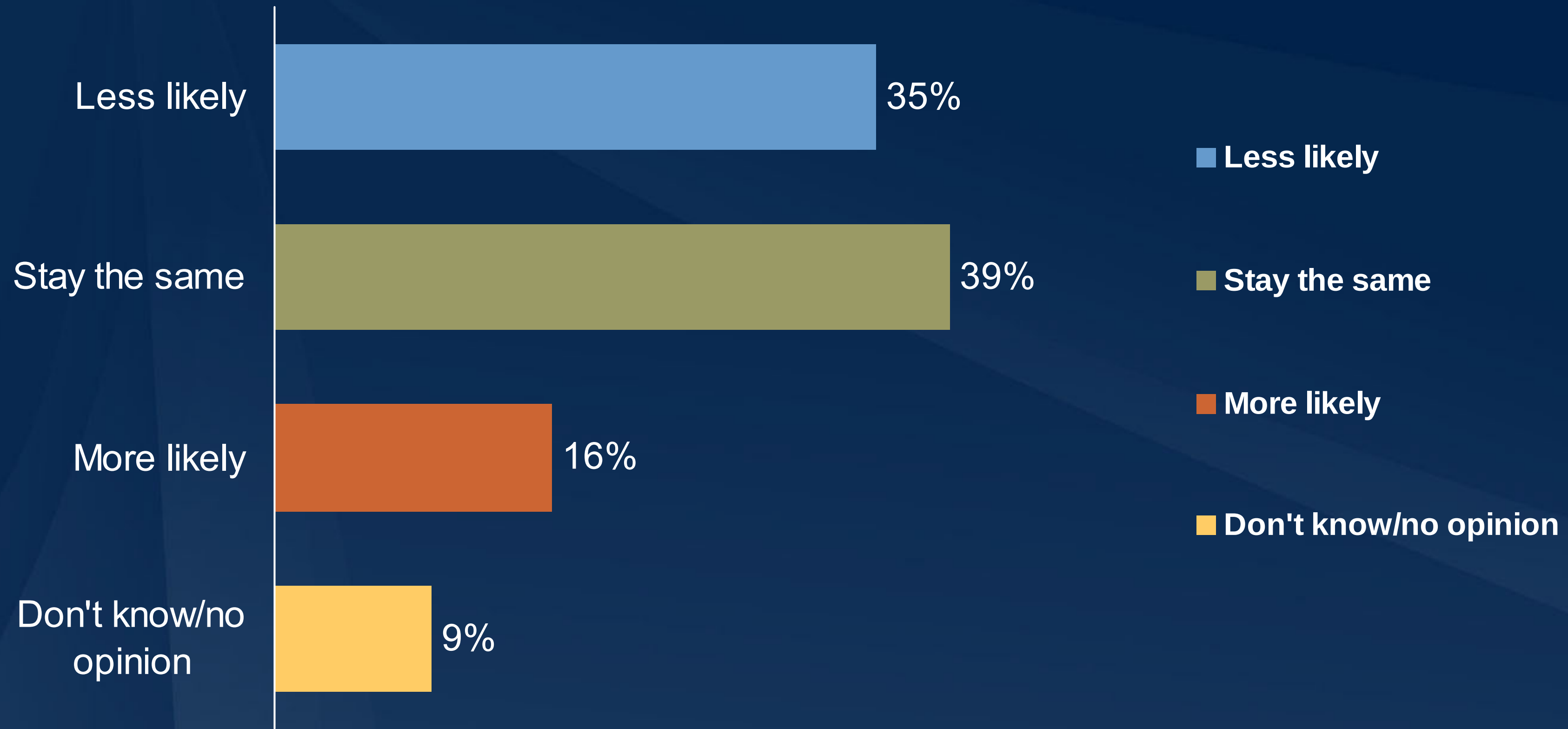
Base: 971 Online mail receivers

Would the proposed rule change the number of shareholders who look at annual reports and proxy voting information?

Source: ADP Shareholder Phone Survey January 2006

Shareholders who say they would be *less* likely to look outnumber those *more* likely to look by 2 to 1.

Q16. Are you more or less likely to look at the annual reports and proxy voting information under the proposed new rule? (Select one answer.)



Source: ADP Shareholder Phone Survey January 2006

Base: 1,506 Shareholders

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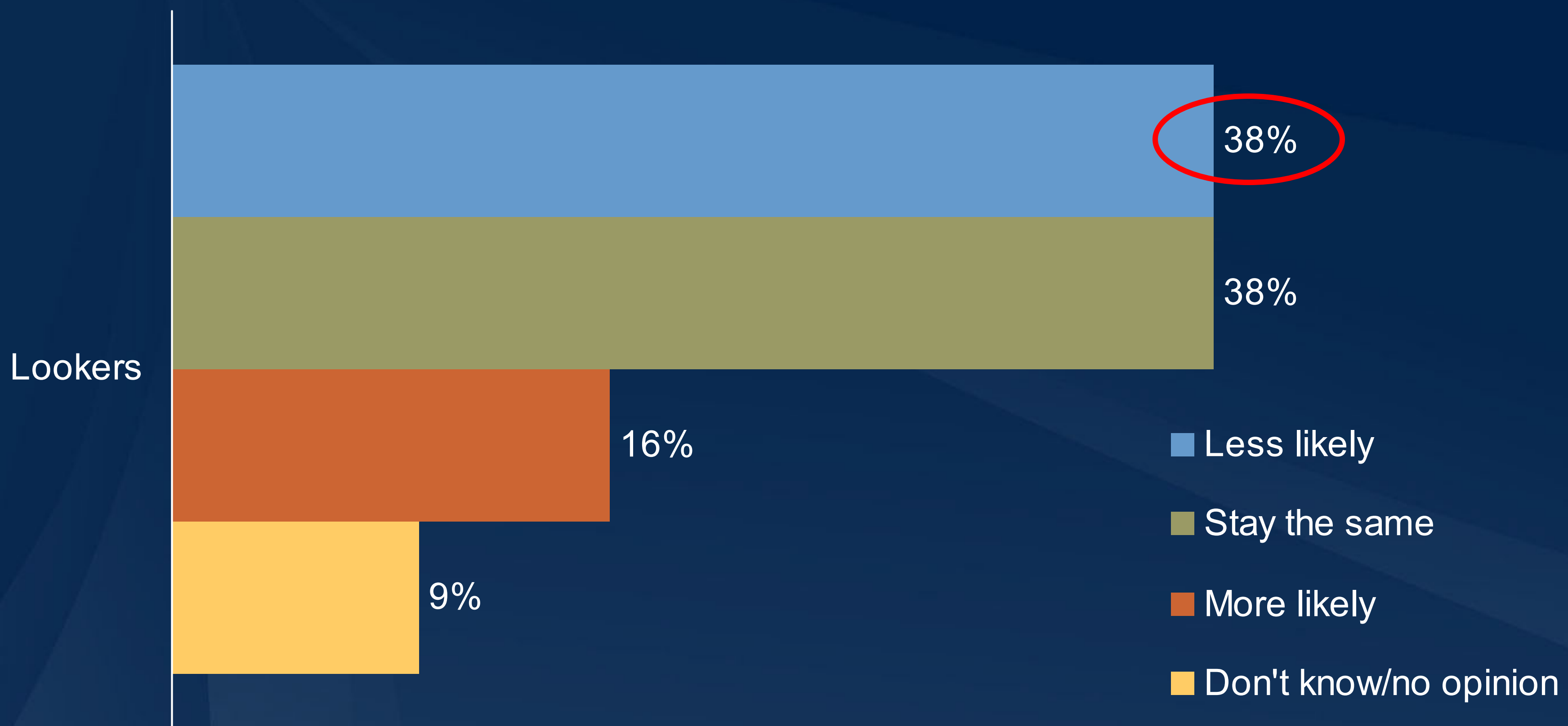
Lookers who say they would be *less* likely to look outnumber those *more* likely to look by more than 2 to 1.

Q16. Are you more or less likely to look at the annual reports and proxy voting information under the proposed new rule? (Select one answer.)

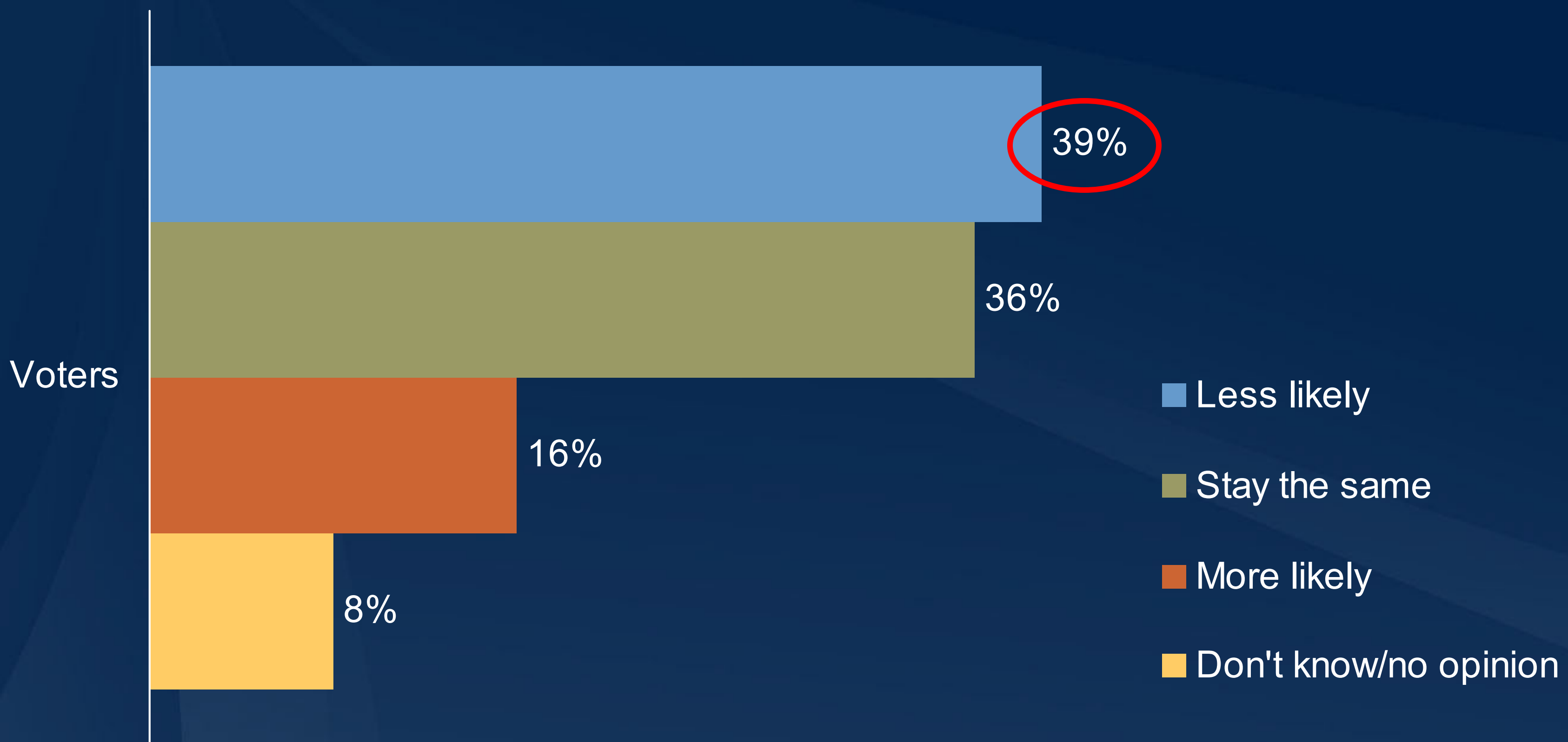


Base: 1,437 Shareholders
n=1,236 Lookers

Source: ADP Shareholder Phone Survey January 2006

Voters who say they would be *less* likely to look outnumber those *more* likely to look by more than 2 to 1.

Q16. Are you more or less likely to look at the annual reports and proxy voting information under the proposed new rule? (Select one answer.)



Base: 1,437 Shareholders
n=1,019 Voters

Source: ADP Shareholder Phone Survey January 2006

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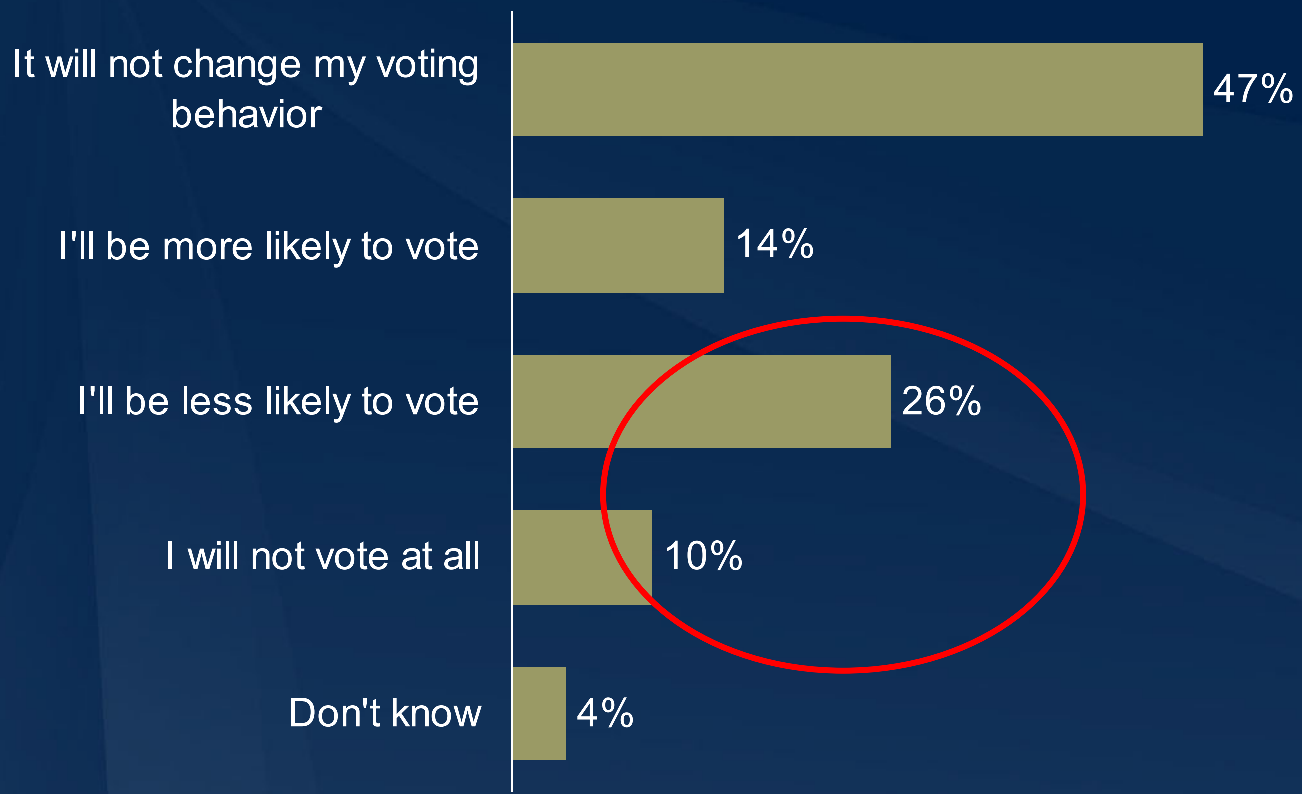
Would the proposed rule change voting behavior?

Source: ADP Shareholder Phone Survey January 2006

36% of shareholders said they would be less likely to vote under the proposed rule or would not vote at all.

Q17. Do you think the proposed new rule would affect your likelihood to cast a proxy vote?

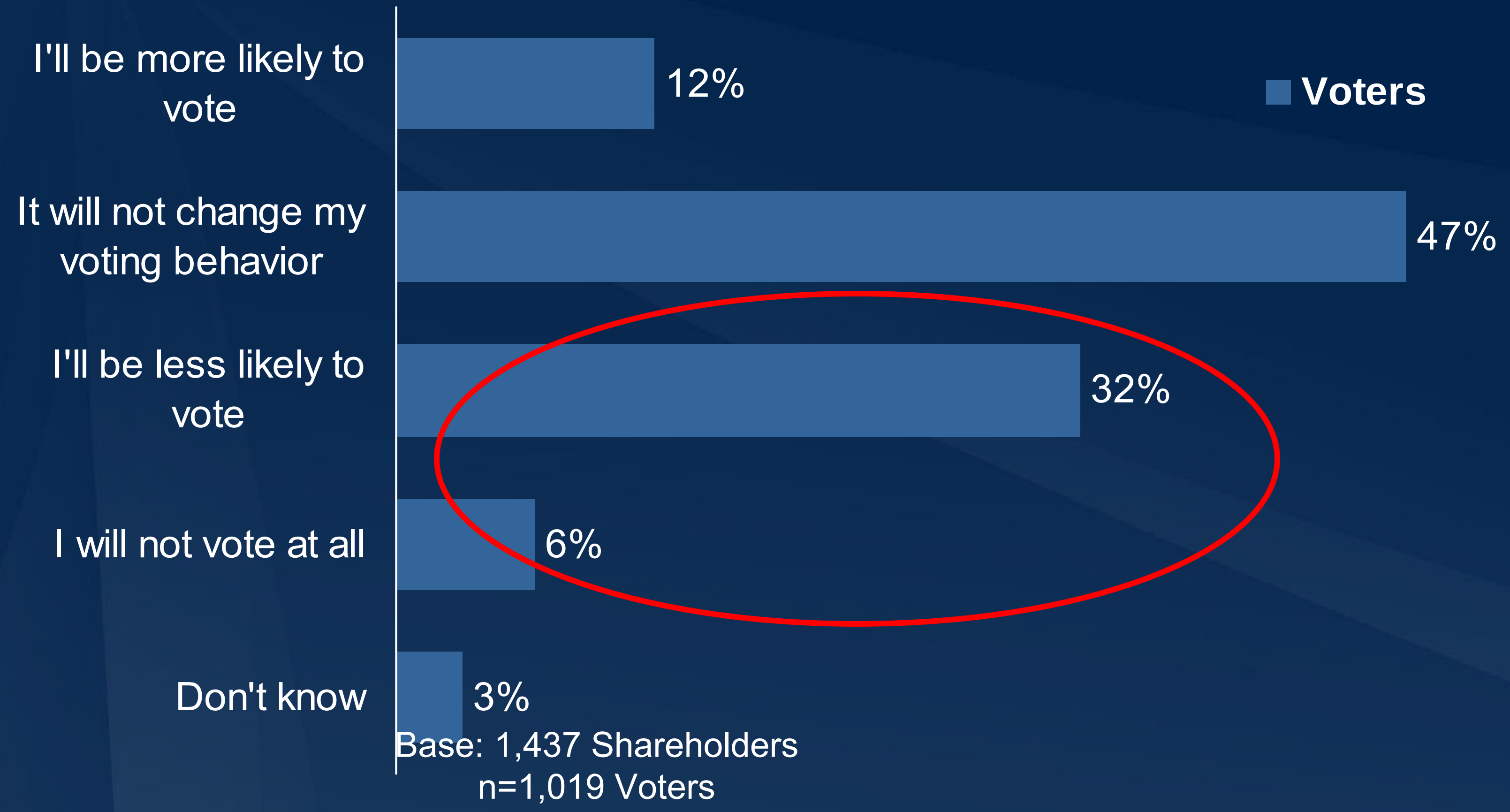


Base: 1,506 Shareholders

Source: ADP Shareholder Phone Survey January 2006

38% of voters say they would be less likely to vote under the new rule.

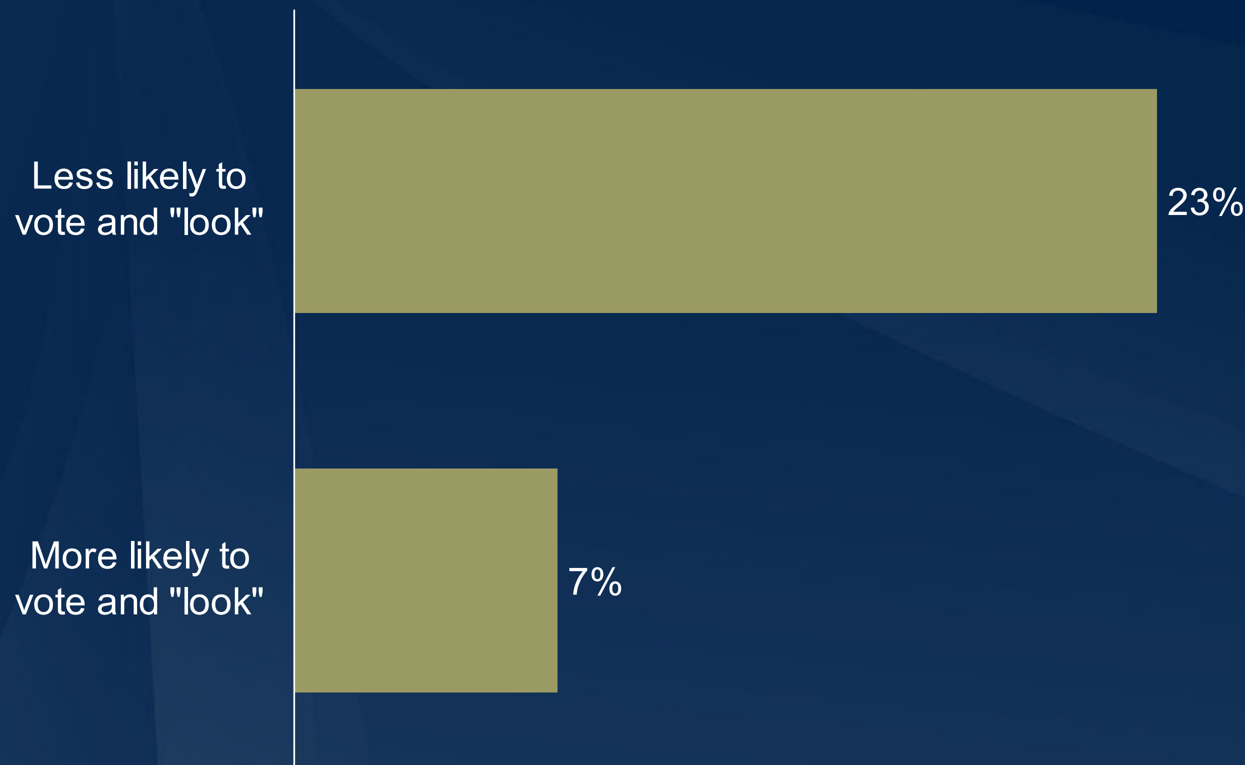
Q17. Do you think the proposed new rule would affect your likelihood to cast a proxy vote?



Source: ADP Shareholder Phone Survey January 2006

Shareholders *less* likely to look and vote outnumber those who would be *more* likely to look and vote by 3 to 1.

Percent of respondents by answer combinations to Question 16 (Are you more or less likely to look at the annual reports and proxy voting information?) and Question 17 (Do you think the proposed rule would affect your likelihood to cast a proxy vote?)



Source: ADP Shareholder Phone Survey January 2006

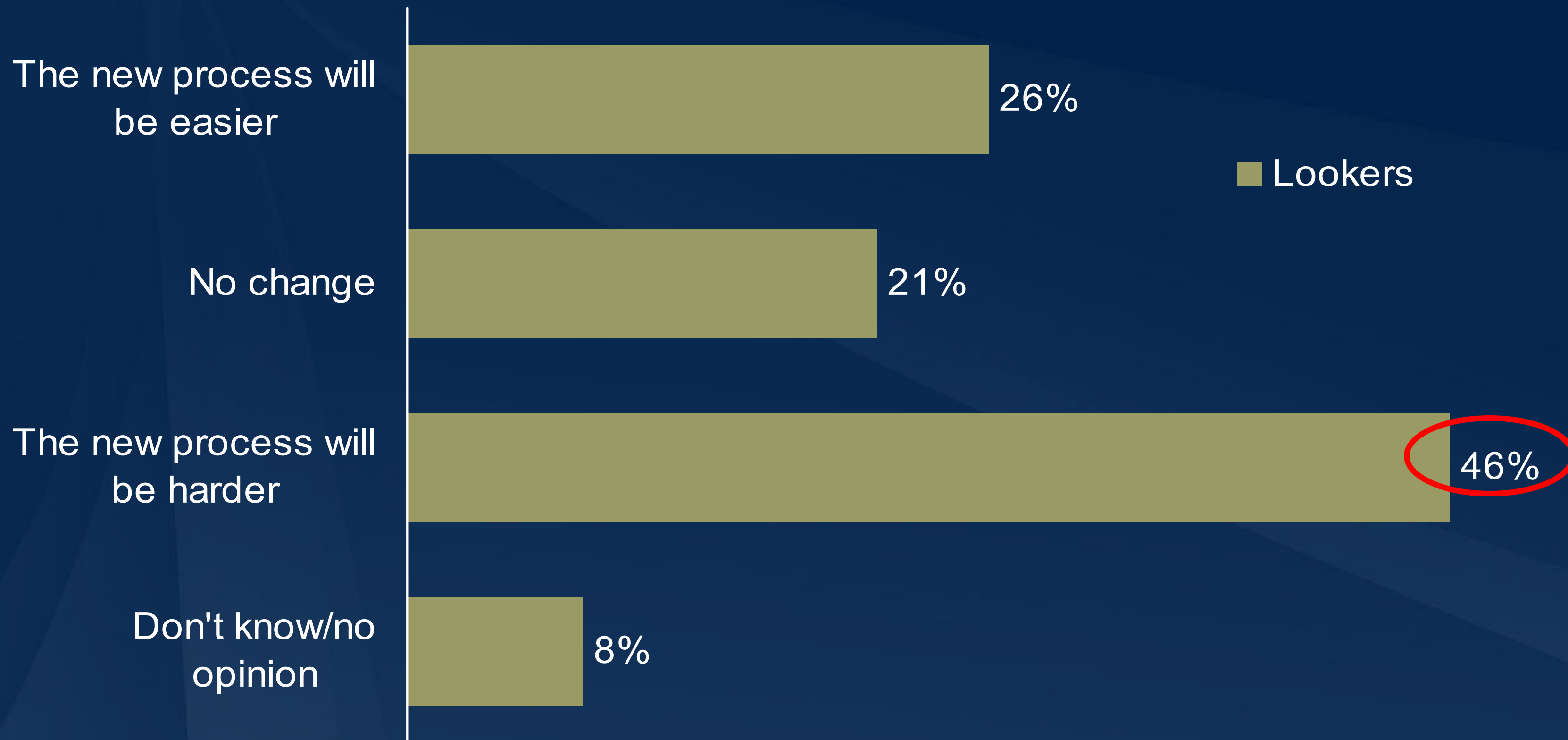
Base: 1,506 Shareholders

Overall, what do shareholders think of the proposed rule?

Source: ADP Shareholder Phone Survey January 2006

Under the proposed rule, nearly half of today's lookers think the process will be harder.

Q23. Do you think the proposed new process will be easier or harder than the current process? (Select one answer.)

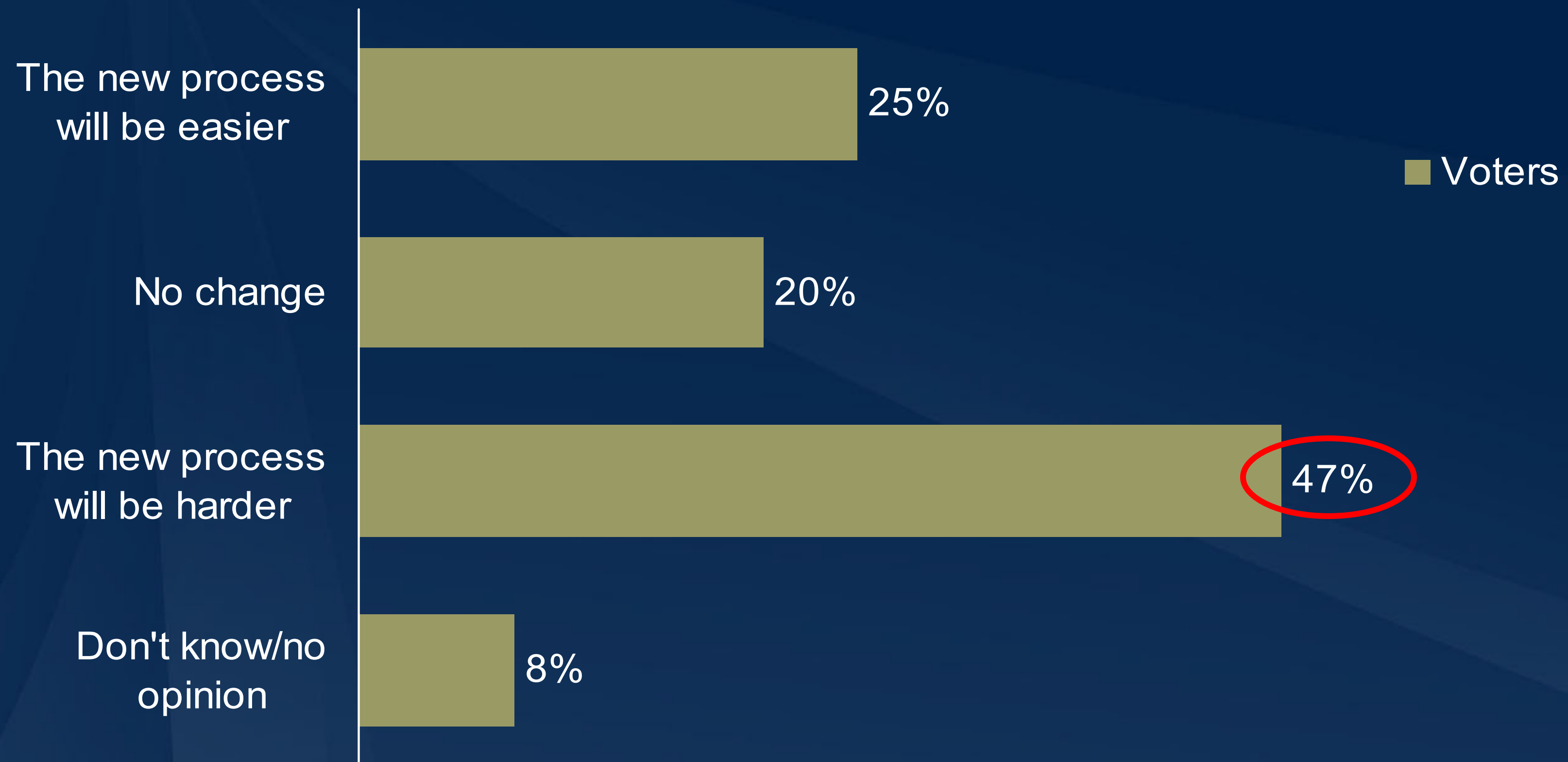


Base: 1,437 Shareholders
n=1,236 Lookers

Source: ADP Shareholder Phone Survey January 2006

Under the proposed rule, nearly half of today's voters think the process will be harder.

Q23. Do you think the proposed new process will be easier or harder than the current process? (Select one answer.)

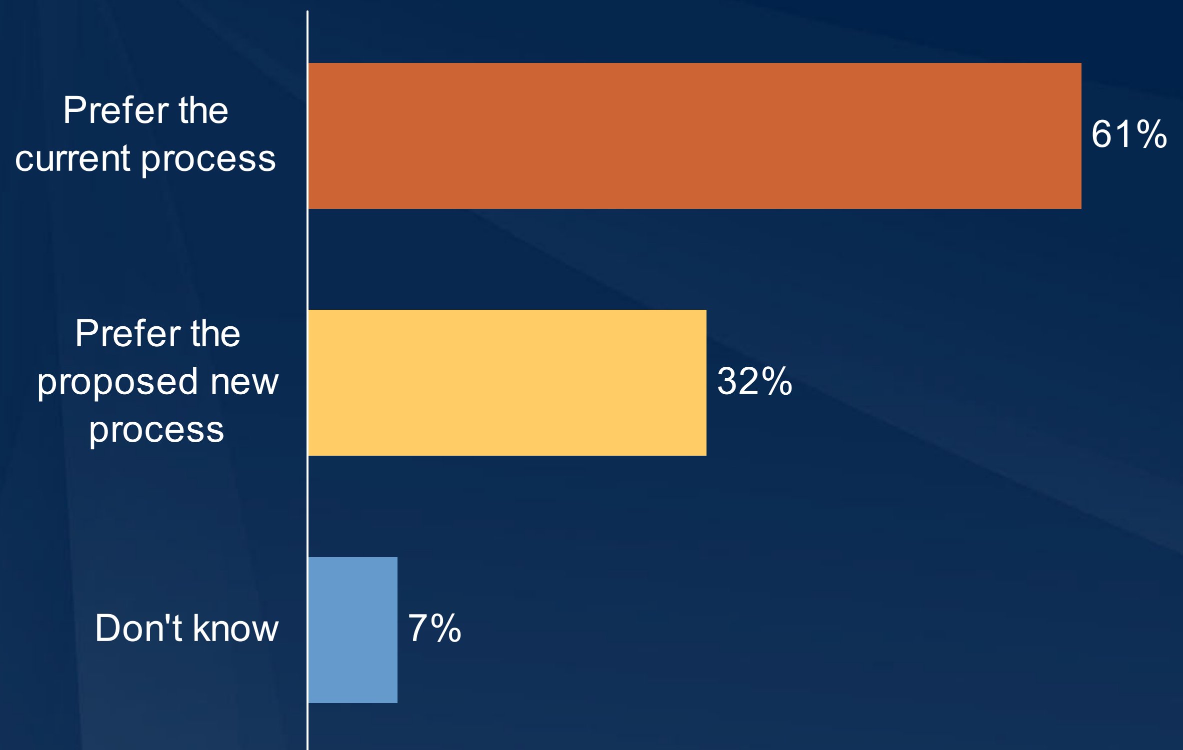


Base: 1,437 Shareholders
n=418 Non-Voters

Source: ADP Shareholder Phone Survey January 2006

Most shareholders prefer the current rule.

Q25. Do you prefer the current process or the proposed new process?



Base: 1,506 Shareholders

Source: ADP Shareholder Phone Survey January 2006

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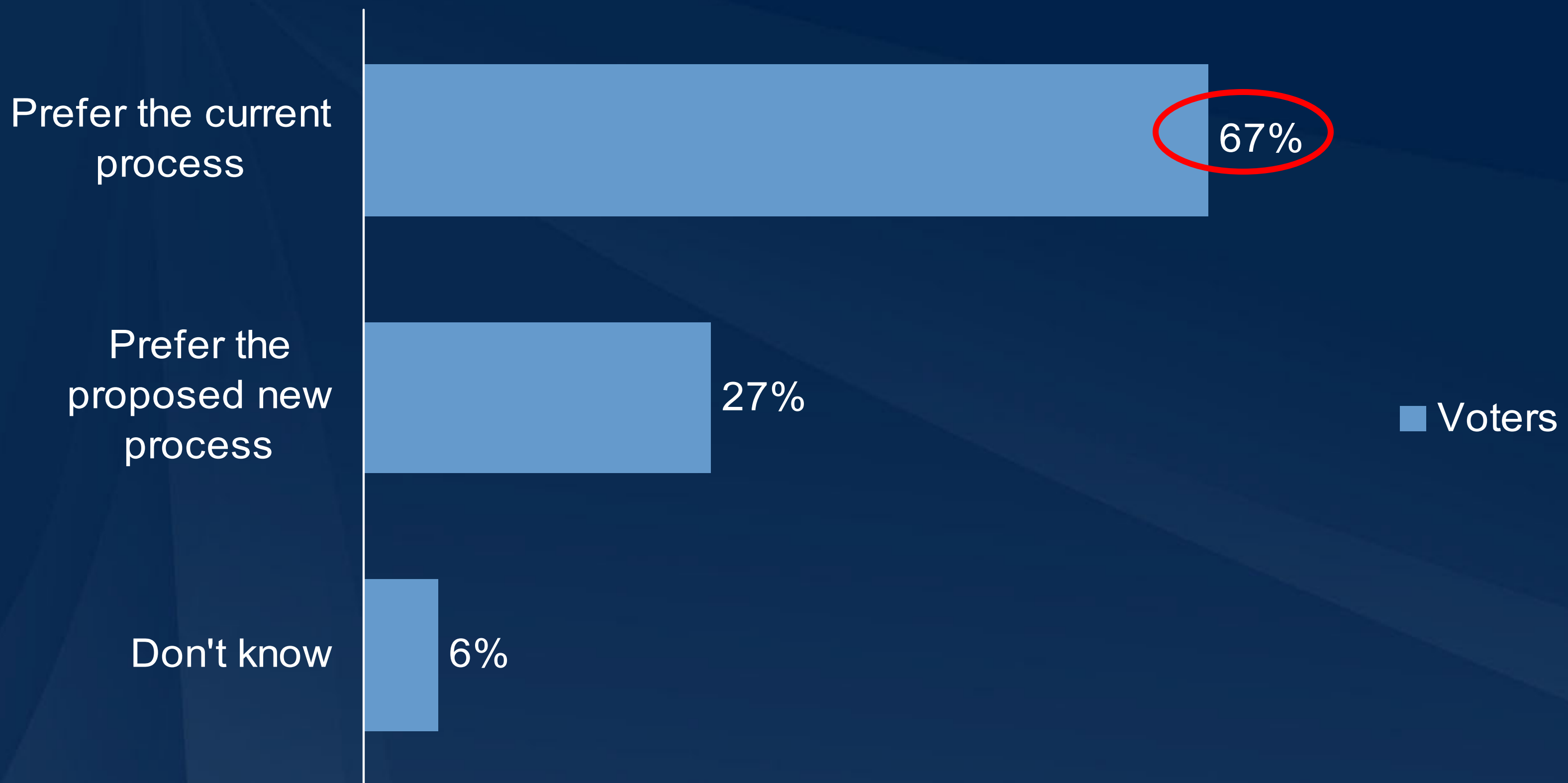
Two-thirds of today's voters prefer the current rule.

Q25. Do you prefer the current process or the proposed new process?

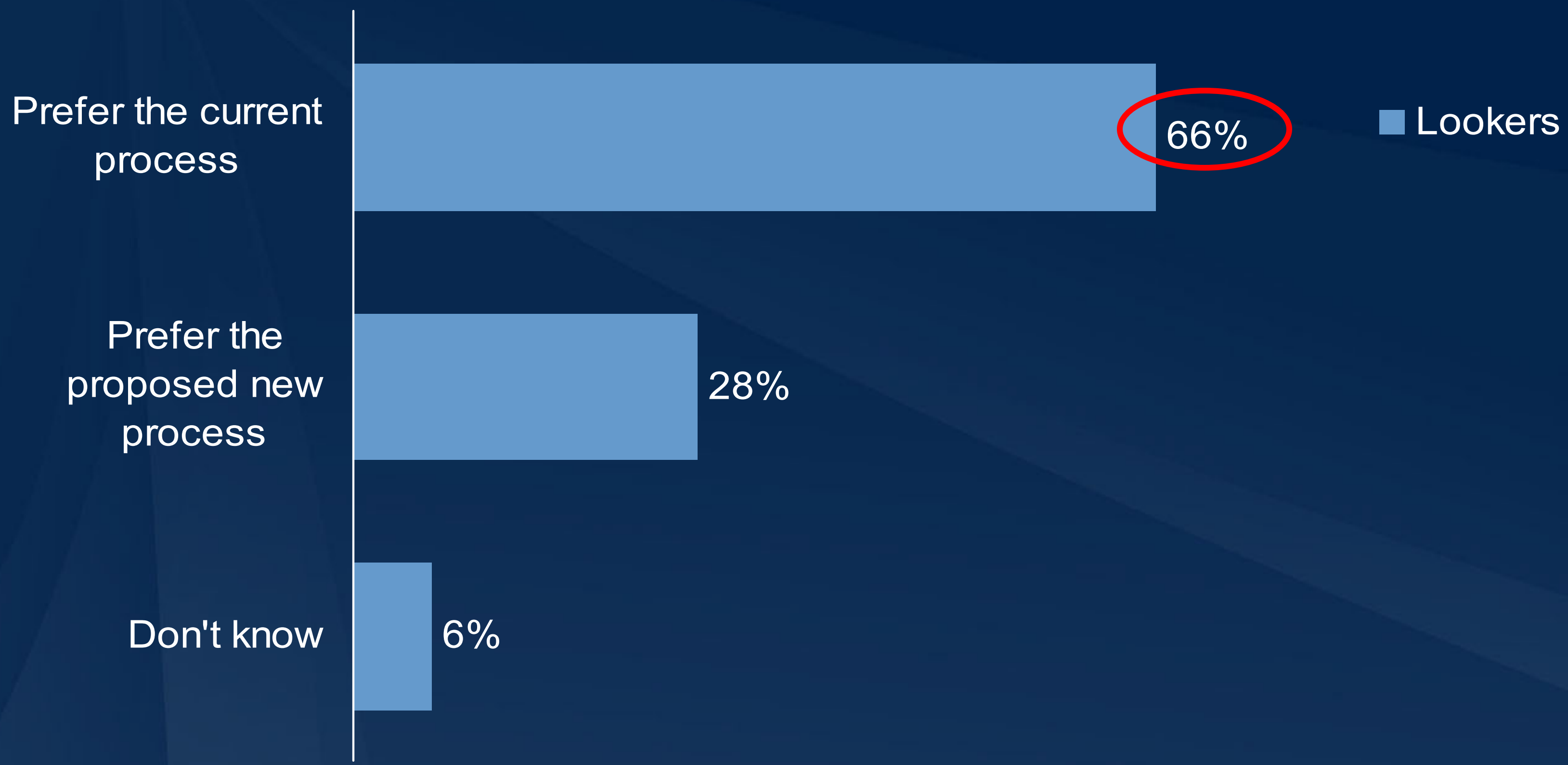


Base: 1,437 Shareholders
n=1,019 Voters

Source: ADP Shareholder Phone Survey January 2006

Two-thirds of today's lookers prefer the current rule.

Q25. Do you prefer the current process or the proposed new process?

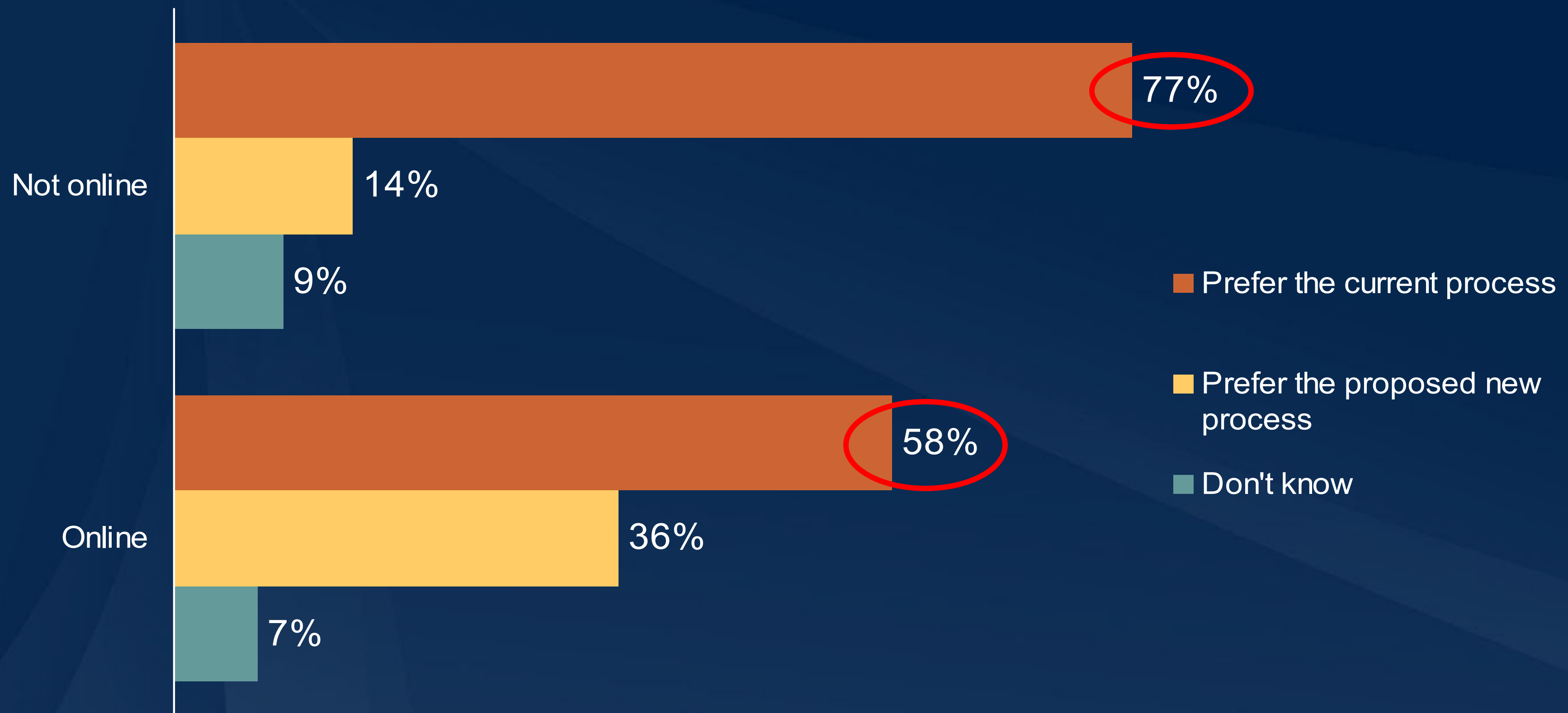


Base: 1,437 Shareholders
n=1,236 Lookers

Source: ADP Shareholder Phone Survey January 2006

Online or offline, a majority prefer the current rule.

Q25. Do you prefer the current process or the proposed new process?



Base: 1,506 Shareholders

Source: ADP Shareholder Phone Survey January 2006

Only 17% of shareholders who are lookers AND voters prefer the new rule.

(column %)

	Mail	Both	e-Delivery	4. All online receivers (Both + e-Delivery)	All shareholders
Total number of Shareholders by method of receiving information	1,235	146	55	201	1,506
% of all Shareholders (1,506)	(82%)	(9.7%)	(3.6%)	(13.4%)	(100%)
By method, % who are Lookers	1,047 (85%)	140 (96%)	49 (88%)	188 (94%)	1,236 (82%)
By method, % who are Voters	863 (70%)	119 (82%)	37 (67%)	154 (78%)	1,019 (67%)
By method, % who are Lookers AND Voters	817 (66%)	117 (80%)	37 (67%)	154 (77%)	970 (64%)
Prefer new proposed rule	379 (31%)	60 (41%)	20 (36%)	80 (40%)	476 (31%)
Lookers AND Voters who prefer new rule	188 (15%)	53 (37%)	18 (32%)	71 (35%)	259 (17%)

Base: 1,506 Shareholders

Source: ADP Shareholder Phone Survey January 2006

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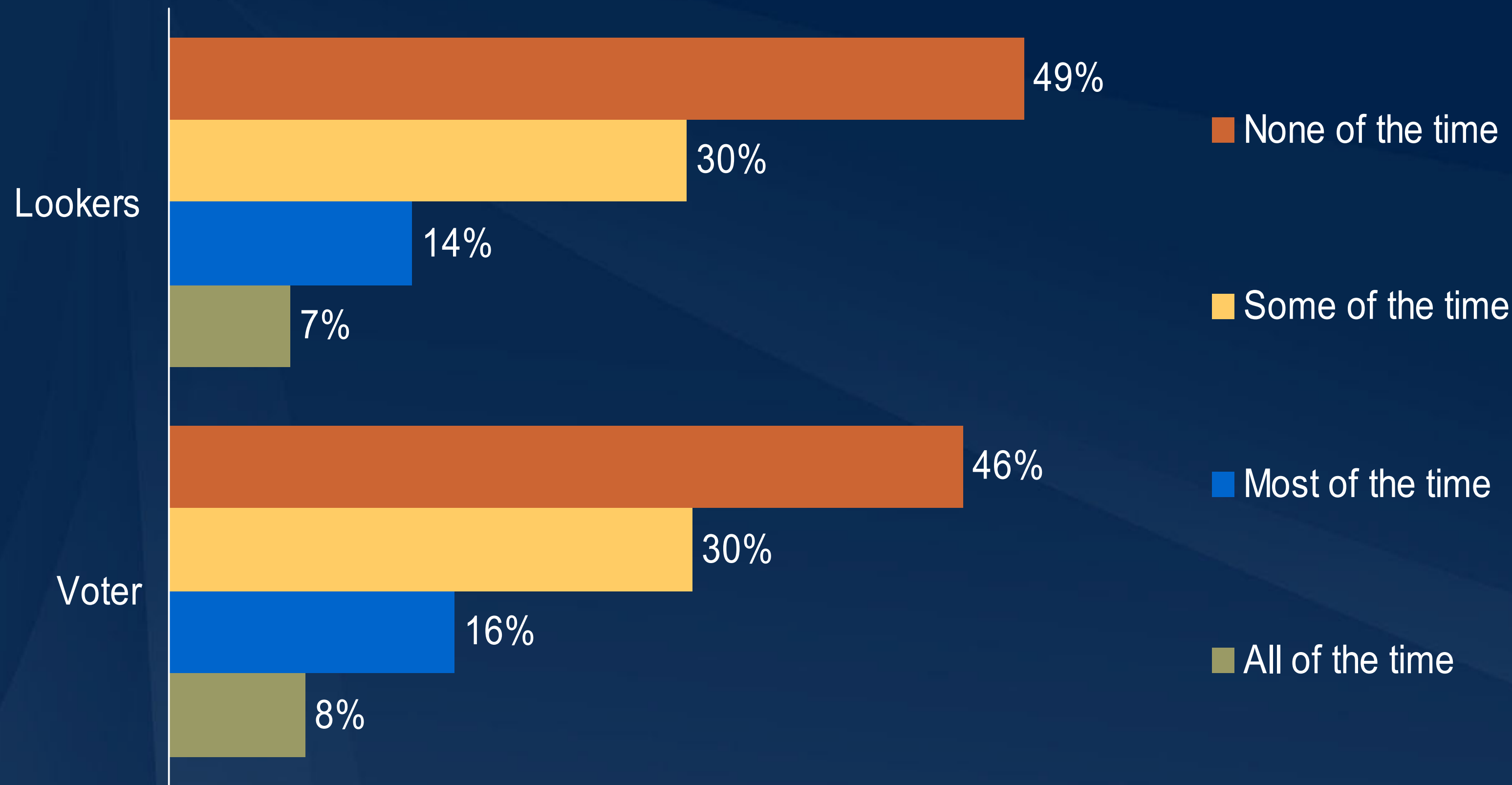
Few would vote without looking at the annual report and proxy voting information under the new rule.

Q21. How often would you vote without looking at the annual report and proxy voting information?

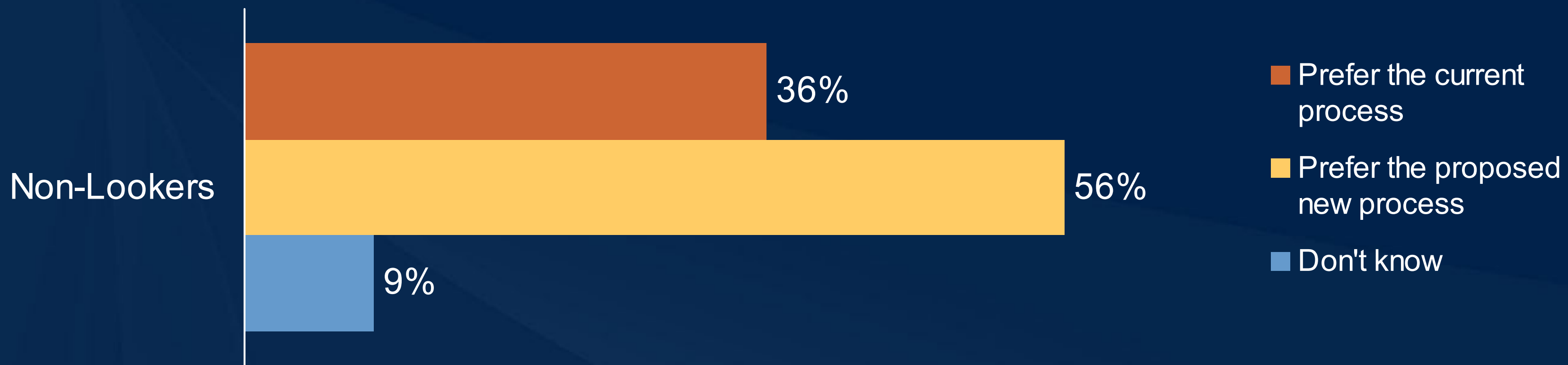


Base: 1,437 Shareholders
n=1,019 Voters, n=1,236 Lookers

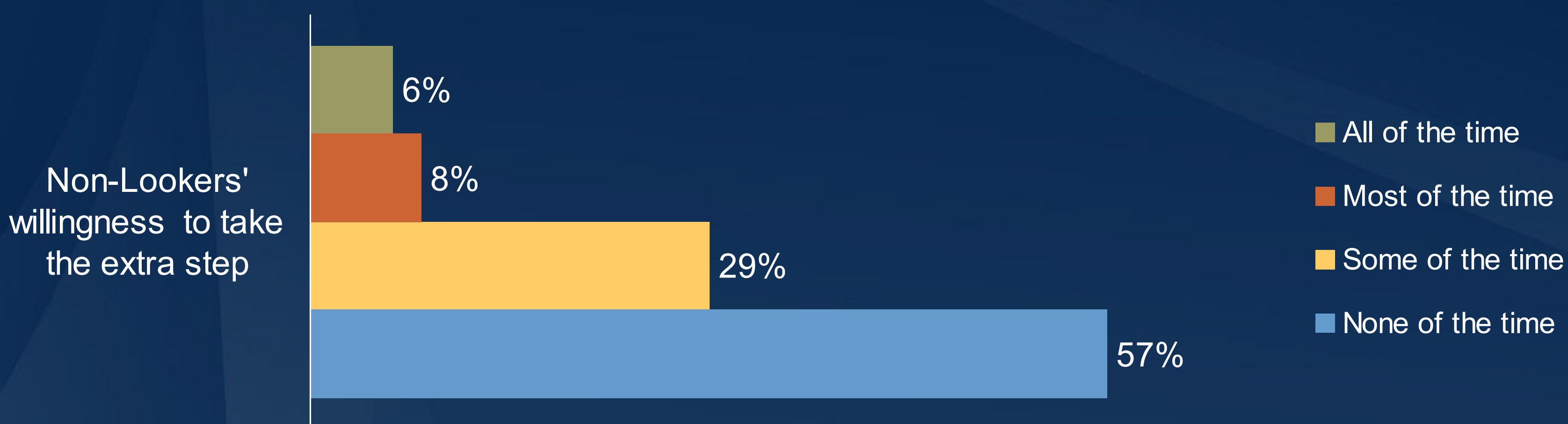
Source: ADP Shareholder Phone Survey January 2006

Non-lookers prefer the proposed rule, but they are also more likely not to take the extra step required to get information.

Q25. Do you prefer the current process or the proposed new process?



Q12. How often do you think you would take the extra step to get the information for each of your holdings?

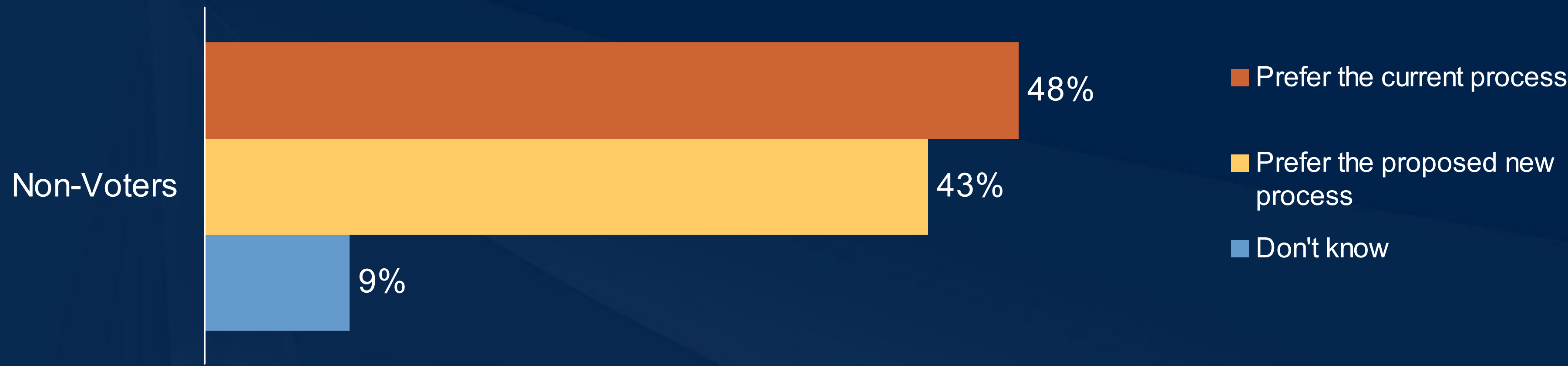


Source: ADP Shareholder Phone Survey January 2006

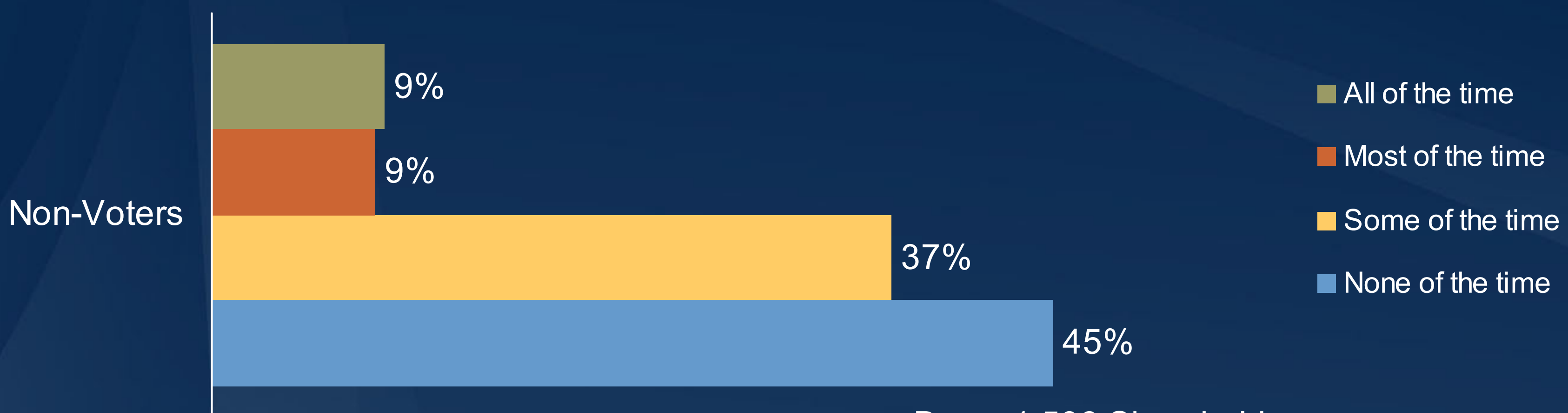
Base: 1, 437 Shareholders
N=201 Non-Lookers

43% of Non-voters prefer the proposed rule, but they are unlikely to take the extra step to get information.

Q25. Do you prefer the current process or the proposed new process?



Q12. How often do you think you would take the extra step to get the information for each of your holdings?



Base: 1,506 Shareholders
n=418 Non-Voters

Source: ADP Shareholder Phone Survey January 2006

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Study commissioned by ADP conducted by Forrester Research, Inc. 2006

Question	Response	Mail Receiver Count	Mail Receiver Column N %	All Online Rec'vr Count	All Online Rec'vr Column N %	Lookers Count	Lookers Column N %	Non-Lookers Count	Non-Lookers Column N %	Voters Count	Voters Column N %	Non-Voters Count	Non-Voters Column N %
<READ> Hello, my name is __________ and I am conducting a national survey on behalf of FORRESTER RESEARCH - a market research company. I will not be trying to sell you anything on this call.													
The survey is about companies' annual reports and proxy voting.													
First, we will ask you one question to see if you are eligible to participate, and if you are, the survey should take between approximately 13 and 15 minutes.													
It is important to know that this is a confidential survey; all of your responses will be aggregated so that no one will be able to identify your responses to these questions.													
Q2a. How often do you go online? This includes access from home, work, or elsewhere to an online service, the Internet, or the World Wide Web. (Select one answer)	Don't have access at all <SKIP to Q3a>	191	15.4%	5	2.5%	169	13.7%	27	13.2%	148	14.5%	48	11.4%
	Have access but never use	45	3.6%	1	0.7%	41	3.3%	5	2.4%	36	3.6%	10	2.3%
	Less than once a month	29	2.3%	0	0.0%	25	2.0%	4	2.2%	19	1.9%	10	2.3%
	About once a month	23	1.8%	5	2.4%	25	2.0%	3	1.4%	17	1.6%	11	2.6%
	Several times a month	44	3.5%	6	2.8%	42	3.4%	8	3.8%	26	2.6%	23	5.5%
	About once a week	31	2.5%	4	1.9%	30	2.4%	5	2.6%	20	2.0%	15	3.6%
	Several times a week	211	17.1%	24	11.9%	204	16.5%	31	15.3%	171	16.8%	64	15.2%
	Daily (weekdays and weekend)	662	53.6%	157	77.8%	700	56.7%	119	59.1%	581	57.0%	238	57.0%
2B. What type of Internet access do you have at home?	Dial-up	387	37.0%	56	28.5%	403	37.8%	40	22.9%	335	38.5%	108	29.1%
	Cable/DSL/Satellite, (other high speed Internet connectio...	533	51.0%	130	66.2%	561	52.6%	102	58.3%	455	52.2%	208	56.2%
	Other	27	2.6%	5	2.7%	28	2.6%	5	2.6%	21	2.4%	11	3.1%
	I don't have internet access at all at home	83	7.9%	5	2.7%	66	6.2%	22	12.3%	48	5.5%	40	10.9%
	I do not know (DO NOT READ)	15	1.4%	0	0.0%	8	0.8%	7	3.8%	12	1.4%	3	0.7%
CODE (as per Forrester Technographics Definition): IF Q2A = 4 through 8 = 'ONLINE' IF Q2A = 1 OR 2 OR 3 = 'OFFLINE'													
<READ> You said earlier that you own shares of stock. As a shareholder, you receive an annual report and proxy voting information for every company you own shares of stock in. 3A. How do you currently receive annual reports and proxy voting information from those companies?	I only receive my annual reports and proxy voting information over the Internet	0	0.0%	55	27.3%	49	3.9%	6	3.2%	37	3.6%	18	4.4%
	I only receive my annual reports and proxy voting information by mail	1,235	100.0%	0	0.0%	1,047	84.8%	188	93.5%	863	84.7%	373	89.2%
	I receive my annual reports and proxy voting information by mail AND over the Internet <SKIP TO Q3b>	0	0.0%	146	72.7%	140	11.3%	7	3.3%	119	11.7%	27	6.5%
	I don't get that information; my financial advisor handles all of it. <SKIP TO Q11>	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	Other <SKIP TO Q11>	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

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		Mail Receiver		All Online Rec'vr		Lookers		Non-Lookers		Voters		Non-Voters	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
CODE: IF Q3=1 THEN 'INTERNET ONLY' IF Q3=2 THEN 'MAIL ONLY' IF Q3=3 THEN 'BOTH' MAIL AND INTERNET ONLY													
Q3b. <MAIL AND INTERNET ONLY> <IF Q3a =3 then 'BOTH' ask> Which method do you prefer? (Select one)	Mail	0	0.0%	43	29.6%	42	29.8%	2	24.6%	32	26.8%	11	41.6%
	Internet	0	0.0%	64	43.5%	61	43.7%	3	39.5%	52	43.6%	12	43.3%
	Neither	0	0.0%	12	8.0%	9	6.7%	2	35.8%	9	7.6%	3	9.8%
	No opinion	0	0.0%	28	18.9%	28	19.8%	0	0.0%	26	21.9%	1	5.3%
Q4. When you receive annual reports and proxy voting information from companies, how often do you look at them? (Select one)	Always <SKIP TO Q6a, b or c>	441	35.7%	63	31.3%	504	40.8%	0	0.0%	435	42.7%	70	16.6%
	Most of the time <SKIP TO Q6a, b or c>	269	21.7%	53	26.4%	322	26.0%	0	0.0%	272	26.7%	50	12.0%
	Some of the time <SKIP TO Q5a>	338	27.3%	72	35.8%	410	33.2%	0	0.0%	264	25.9%	146	34.8%
	Never <SKIP TO Q5b>	188	15.2%	13	6.5%	0	0.0%	201	100.0%	48	4.7%	153	36.6%
CODE: IF Q4 = 1 OR 2 OR 3 THEN 'LOOKER' IF Q4 = 4 THEN 'NON-LOOKER'													
Q5a. <IF Q4 = 3 then ASK > Please indicate the reasons you only look at the annual reports and proxy voting information you receive some of the time. (Select all that apply)													
5A1. The information is difficult to understand	Yes	139	41.0%	21	29.5%	160	39.0%	0	0.0%	102	38.4%	58	40.0%
5A2. The information is not relevant	Yes	64	18.8%	18	25.5%	82	20.0%	0	0.0%	53	19.9%	29	20.2%
5A3. I am just not interested	Yes	78	23.1%	17	23.8%	95	23.2%	0	0.0%	59	22.2%	37	25.1%
5A4. I prefer to get this information in a different way than I do now	Yes	36	10.7%	8	11.8%	45	10.9%	0	0.0%	33	12.3%	12	8.3%
5A5. I rely on my financial advisor to explain the information to me	Yes	64	19.0%	11	15.1%	75	18.3%	0	0.0%	49	18.5%	26	17.9%
5A6. Other	Yes	78	23.1%	20	27.4%	98	23.9%	0	0.0%	61	23.1%	37	25.4%
Q5b. <IF Q4 = 4 then ASK> Please indicate the reasons you do not look at the annual reports and proxy voting information you receive. (Select all that apply)													
5B1. The information is difficult to understand	Yes	64	34.1%	4	27.3%	0	0.0%	68	33.7%	13	26.4%	55	35.9%
5B2. The information is not relevant	Yes	29	15.3%	3	24.5%	0	0.0%	32	15.9%	8	15.6%	24	16.0%
5B3. I am just not interested	Yes	81	43.0%	4	33.0%	0	0.0%	85	42.4%	21	43.0%	64	42.2%
5B4. I prefer to get this information in a different way than I do now	Yes	12	6.5%	2	14.8%	0	0.0%	14	7.0%	6	13.1%	8	5.1%
5B5. I rely on my financial advisor to explain the information to me	Yes	49	26.3%	4	30.6%	0	0.0%	53	26.6%	22	44.8%	32	20.8%
5B6. Other	Yes	31	16.4%	1	9.3%	0	0.0%	32	15.9%	4	8.1%	28	18.4%
qq003.67	Internet	0	0.0%	55	27.3%	49	3.9%	6	3.2%	37	3.6%	18	4.4%
	Mail	1,235	100.0%	0	0.0%	1,047	84.8%	188	93.5%	863	84.7%	373	89.2%
	Both	0	0.0%	146	72.7%	140	11.3%	7	3.3%	119	11.7%	27	6.5%

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		Mail Receiver		All Online Rec'vr		Lookers		Non-Lookers		Voters		Non-Voters	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
qq003.69	Looker	1,047	84.8%	188	93.5%	1,236	100.0%	0	0.0%	970	95.3%	265	63.4%
	Non-looker	188	15.2%	13	6.5%	0	0.0%	201	100.0%	48	4.7%	153	36.6%
qq003.71	Online	971	78.6%	195	96.8%	1,001	81.0%	165	82.2%	815	80.0%	351	84.0%
	Offline	264	21.4%	6	3.2%	235	19.0%	36	17.8%	204	20.0%	67	16.0%
Q6a. <INTERNET LOOKER ONLY> <IF Q4 = 1 OR 2 OR 3, 'LOOKER', AND Q3a = 1 'INTERNET'> When you receive annual reports and proxy voting information over the Internet, which of the following do you usually do? (Select one answer)	Look at them online	0	0.0%	42	86.8%	42	86.8%	0	0.0%	32	87.2%	10	85.8%
	Download and print them and look at the printed version	0	0.0%	5	10.4%	5	10.4%	0	0.0%	4	11.3%	1	7.8%
	Other	0	0.0%	1	2.8%	1	2.8%	0	0.0%	1	1.6%	1	6.4%
Q6b. <MAIL LOOKER ONLY> <IF Q4 = 1 OR 2 OR 3, 'LOOKER', AND Q3a = 2 'MAIL' > When you receive annual reports and proxy voting information through the mail, which of the following do you usually do? (Select one answer)	Look at them once, and then throw them away	518	49.4%	0	0.0%	518	49.4%	0	0.0%	378	46.3%	140	60.5%
	Save them and refer to them as needed	429	41.0%	0	0.0%	429	41.0%	0	0.0%	352	43.1%	77	33.3%
	Other	101	9.6%	0	0.0%	101	9.6%	0	0.0%	86	10.6%	14	6.2%
Q6c. <MAIL AND INTERNET LOOKER ONLY> <IF Q4 = 1 OR 2 OR 3, 'LOOKER', AND Q3a = 3 'BOTH' > When you receive annual reports and proxy voting information through the mail or the Internet, which of the following do you usually do? (Select one answer)	Look at them online	0	0.0%	23	16.5%	23	16.5%	0	0.0%	22	19.0%	1	3.5%
	Download and print them and look at the printed version	0	0.0%	3	2.0%	3	2.0%	0	0.0%	3	2.4%	0	0.0%
	Look at the paper version received through the mail	0	0.0%	30	21.8%	30	21.8%	0	0.0%	22	19.1%	8	35.8%
	A mixture of all of the above	0	0.0%	81	58.1%	81	58.1%	0	0.0%	69	58.6%	12	55.8%
	Other	0	0.0%	2	1.6%	2	1.6%	0	0.0%	1	1.0%	1	4.9%
Q7a. <MAIL LOOKER ONLY><IF Q4 = 1 OR 2 OR 3, 'LOOKER', AND Q3a = 2 'MAIL' then ASK> Are you aware that you can receive annual reports and proxy voting information over the Internet? (Select one).	Yes	752	71.8%	0	0.0%	752	71.8%	0	0.0%	612	74.9%	140	60.8%
	No	296	28.2%	0	0.0%	296	28.2%	0	0.0%	205	25.1%	91	39.2%
Q7b. <MAIL LOOKER ONLY><IF Q4 = 1 OR 2 OR 3, 'LOOKER', AND Q3a = 2 'MAIL' then ASK > What are the reasons you choose not to receive annual reports and proxy voting information over the Internet? (Select all that apply)													
7B1. I don't have easy access to the Internet	Yes	125	12.0%	0	0.0%	125	12.0%	0	0.0%	103	12.6%	22	9.7%
7B2. I'm worried about the security of my personal information on the Internet	Yes	142	13.5%	0	0.0%	142	13.5%	0	0.0%	125	15.3%	17	7.2%
7B3. I find it difficult to look at this kind of information on the Internet	Yes	135	12.9%	0	0.0%	135	12.9%	0	0.0%	123	15.1%	12	5.1%
7B4. I do not want to print the information at my expense	Yes	113	10.8%	0	0.0%	113	10.8%	0	0.0%	105	12.8%	8	3.7%
7B5. I prefer to look at this information on paper	Yes	377	36.0%	0	0.0%	377	36.0%	0	0.0%	310	37.9%	67	29.2%
7B6. Other	Yes	207	19.7%	0	0.0%	207	19.7%	0	0.0%	162	19.8%	45	19.5%

FORRESTER Study commissioned by ADP conducted by Forrester Research, Inc. 2006		Mail Receiver		All Online Rec'vr		Lookers		Non-Lookers		Voters		Non-Voters	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
Q8a. <INTERNET ONLY> <IF Q3a =1 'INTERNET' then ASK> Please indicate your reason(s) for receiving annual reports and proxy voting information over the Internet. (Select all that apply).													
8A1. My financial advisor automatically enrolled me to receive the information over the Internet	Yes	0	0.0%	5	9.9%	5	11.2%	0	0.0%	3	6.8%	3	16.0%
8A2. I get the information faster	Yes	0	0.0%	17	31.2%	14	29.6%	3	43.3%	12	33.5%	5	26.4%
8A3. I prefer to look at the information and analyze it online	Yes	0	0.0%	27	49.9%	27	55.4%	1	8.1%	20	55.6%	7	38.4%
8A4. It reduces the amount of e-mail I get	Yes	0	0.0%	9	15.6%	9	17.6%	0	0.0%	8	20.5%	1	5.6%
8A5. Other	Yes	0	0.0%	13	22.9%	9	19.5%	3	48.6%	7	19.2%	6	30.4%
Q8b. <MAIL ONLY> <IF Q3a =2 'MAIL' then ASK> Please indicate your reason(s) for receiving annual reports and proxy voting information through the mail. (Select all that apply)													
8B1. My financial advisor automatically enrolled me to receive the information through the mail	Yes	384	31.1%	0	0.0%	304	29.1%	80	42.5%	233	27.1%	151	40.5%
8B2. I get the information faster	Yes	98	7.9%	0	0.0%	88	8.4%	10	5.3%	78	9.0%	20	5.3%
8B3. I prefer to look at the information and analyze it on paper	Yes	622	50.3%	0	0.0%	593	56.6%	29	15.4%	518	60.0%	104	28.0%
8B4. It reduces the amount of email I get	Yes	213	17.2%	0	0.0%	194	18.5%	19	9.9%	182	21.1%	30	8.1%
8B5. Other	Yes	290	23.5%	0	0.0%	218	20.8%	72	38.3%	183	21.2%	107	28.8%
Q8c. <MAIL AND INTERNET ONLY> <IF Q3a = 3 'BOTH' then ASK> Please indicate your reason(s) for receiving annual reports and proxy voting information through the mail and/or the Internet. (Select all that apply).													
8C1. My financial advisor automatically enrolled me to receive the information this way	Yes	0	0.0%	44	30.3%	42	29.8%	3	39.7%	35	29.0%	10	35.9%
8C2. I get the information faster	Yes	0	0.0%	42	28.9%	39	28.2%	3	44.4%	39	32.4%	4	13.7%
8C3. It enables me to do a more thorough job of analyzing the info	Yes	0	0.0%	46	31.2%	46	32.7%	0	0.0%	40	33.4%	6	21.5%
8C4. I prefer to get it both ways	Yes	0	0.0%	40	27.6%	40	29.0%	0	0.0%	35	29.5%	5	19.6%
8C5. Other	Yes	0	0.0%	32	22.2%	31	21.9%	2	27.8%	24	19.8%	9	32.6%
Q9. <ALL RESPONDENTS> How frequently do you vote your proxy ballot? (Select one answer)	Always	335	27.1%	50	24.6%	371	30.0%	14	6.9%	385	37.8%	0	0.0%
	Most of the time	217	17.6%	55	27.2%	260	21.1%	11	5.7%	271	26.6%	0	0.0%
	Some of the time	311	25.2%	52	25.7%	339	27.5%	23	11.4%	362	35.6%	0	0.0%
	Never	373	30.2%	45	22.5%	265	21.5%	153	76.0%	0	0.0%	418	100.0%
Q10a. <IF Q9 = 3. 'Some of the time' then ASK> What is the main reason you only vote your shares some of the time? Please specify…													
10A1. I don't believe my vote has much impact	Yes	87	28.1%	18	35.0%	100	29.4%	6	23.9%	105	29.0%	0	0.0%
10A2. I don't get to it in time	Yes	68	21.8%	11	20.4%	73	21.4%	6	24.3%	78	21.6%	0	0.0%

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		Mail Receiver		All Online Rec'vr		Lookers		Non-Lookers		Voters		Non-Voters	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
10A3. I don't understand what I am voting on	Yes	59	18.8%	4	8.6%	57	16.7%	6	27.3%	63	17.4%	0	0.0%
10A4. I'm satisfied with the direction management is taking the company	Yes	39	12.4%	8	16.3%	47	13.9%	0	0.0%	47	13.0%	0	0.0%
10A5. I'm not satisfied with the direction management is taking the company	Yes	6	1.9%	0	0.0%	6	1.7%	0	0.0%	6	1.6%	0	0.0%
10A6. My financial advisor votes on my behalf	Yes	9	2.9%	2	3.6%	10	2.9%	1	3.8%	11	3.0%	0	0.0%
10A7. Other (SPECIFY)	Yes	59	19.1%	10	19.9%	63	18.6%	6	27.7%	70	19.2%	0	0.0%
We would like to ask you a few questions about a proposed change to the way you get annual reports and proxy voting information. Today, as a shareholder, you automatically receive annual reports and proxy voting information for each of your investments free of charge. Companies automatically send you printed copies. If you give permission, companies automatically e-mail the information to you instead. Many companies also provide much of this information on the Internet. (Pause)													
The Securities and Exchange Commission is considering changing the rule. Under the proposed new rule, a company could choose to put all of the information on a website, instead of automatically sending it to you. The company would send you a notice to inform you that its annual report and proxy voting information are available. You could view the information on the Internet or print it yourself. (Pause)													
The notice would also inform you that if you want to receive printed or electronic copies free of charge, you could request them by calling a toll-free number or sending an e-mail message. The information would arrive by mail or e-mail approximately 5-10 days later. The proposed new rule would apply to every company you own stock in. In essence, under the current rule , companies automatically send you the information. With the proposed rule , you would have to take steps to get the information. I would now like to ask you a few questions about the proposed change. Would you like me to go through it again before answering?	Yes	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
	No	1,235	100.0%	201	100.0%	1,236	100.0%	201	100.0%	1,019	100.0%	418	100.0%
Q12. Earlier you mentioned you automatically receive annual reports and proxy voting information. If the information was no longer automatically sent to you, but instead you had to take steps to get it, how often do you think you would take the extra step to get the	All of the time	146	11.8%	44	22.1%	179	14.5%	12	6.0%	152	14.9%	39	9.3%
	Most of the time	193	15.6%	51	25.4%	227	18.4%	16	8.0%	207	20.3%	37	8.8%
	Some of the time	491	39.7%	69	34.2%	502	40.6%	58	28.7%	407	39.9%	153	36.6%

Study commissioned by ADP conducted by Forrester Research, Inc. 2006		Mail Receiver Count	Mail Receiver Column N %	All Online Rec'vr Count	All Online Rec'vr Column N %	Lookers Count	Lookers Column N %	Non-Lookers Count	Non-Lookers Column N %	Voters Count	Voters Column N %	Non-Voters Count	Non-Voters Column N %
information for each of your holdings?	None of the time	406	32.8%	37	18.4%	327	26.5%	115	57.3%	253	24.9%	189	45.3%
Q13. <IF ONLINE AND MAIL > < IF Q2A = 4 through 8 then 'ONLINE' AND IF Q3a ='MAIL' then ASK>. Under the proposed new rule, you will have to take new or additional steps to get your annual reports and proxy voting information. Please state if you are likely or unlikely to do the following; (Select one answer for each row).													
Q13A. Go to the companies' websites and look at the information online	Likely	491	50.6%	0	0.0%	426	52.0%	66	43.0%	346	52.1%	145	47.2%
	Unlikely	480	49.4%	0	0.0%	393	48.0%	87	57.0%	318	47.9%	162	52.8%
Q13B. Download and print out the information from the Internet	Likely	239	24.6%	0	0.0%	219	26.7%	21	13.5%	189	28.5%	50	16.3%
	Unlikely	732	75.4%	0	0.0%	600	73.3%	132	86.5%	475	71.5%	257	83.7%
Q13C. E-mail a request for information to be sent to you	Likely	351	36.2%	0	0.0%	313	38.2%	38	25.0%	258	38.9%	93	30.3%
	Unlikely	620	63.8%	0	0.0%	506	61.8%	114	75.0%	406	61.1%	214	69.7%
Q13D. Call the toll free number to request that information be sent to you	Likely	341	35.1%	0	0.0%	311	38.0%	30	19.5%	264	39.7%	77	25.2%
	Unlikely	630	64.9%	0	0.0%	508	62.0%	123	80.5%	401	60.3%	230	74.8%
Q13E. Do nothing	Likely	404	41.6%	0	0.0%	300	36.6%	105	68.7%	231	34.8%	173	56.4%
	Unlikely	567	58.4%	0	0.0%	519	63.4%	48	31.3%	433	65.2%	134	43.6%
Q14 <IF OFFLINE AND MAIL > <IF Q2a = 1 or 2 or 3 = 'OFFLINE' AND Q3a ='MAIL' then ASK> Under the proposed new rule, you will have to take new or additional steps to get your annual reports and proxy voting information. Please state if you are likely or unlikely to do the following; (Select one answer for each row)													
Q14A. Call a toll free number to request that paper copies be sent to you	Likely	137	51.9%	0	0.0%	133	58.2%	4	11.5%	112	56.4%	25	38.2%
	Unlikely	127	48.1%	0	0.0%	95	41.8%	32	88.5%	87	43.6%	41	61.8%
Q14B. Do nothing	Likely	106	40.1%	0	0.0%	83	36.3%	23	64.8%	66	33.2%	40	61.2%
	Unlikely	158	59.9%	0	0.0%	146	63.7%	13	35.2%	133	66.8%	25	38.8%
Q15. <IF 'BOTH' MAIL AND INTERNET> < IF Q3a = 3 'BOTH' then ASK> Under the proposed new rule, you will have to take new or additional steps to get your annual reports and proxy voting information. Please state if you are likely or unlikely to do the following; (Select one answer for each row).													
Q15A. Go to the companies' websites and look at the information online	Likely	0	0.0%	100	68.6%	98	70.5%	2	29.2%	90	75.4%	10	38.4%
	Unlikely	0	0.0%	46	31.4%	41	29.5%	5	70.8%	29	24.6%	17	61.6%
Q15B. Download and print out the information from the Internet	Likely	0	0.0%	49	33.4%	49	35.0%	0	0.0%	39	32.8%	10	36.1%
	Unlikely	0	0.0%	97	66.6%	91	65.0%	7	100.0%	80	67.2%	17	63.9%
Q15C. E-mail a request for information to be sent to you	Likely	0	0.0%	66	44.8%	65	46.4%	1	11.9%	57	47.5%	9	32.7%
	Unlikely	0	0.0%	81	55.2%	75	53.6%	6	88.1%	63	52.5%	18	67.3%
Q15D. Call the toll free number to request that information be sent to you	Likely	0	0.0%	45	30.6%	44	31.2%	1	18.5%	38	31.8%	7	25.1%
	Unlikely	0	0.0%	102	69.4%	96	68.8%	5	81.5%	81	68.2%	20	74.9%
Q15E. Do nothing	Likely	0	0.0%	45	30.6%	39	27.8%	6	88.1%	30	24.9%	15	55.8%
	Unlikely	0	0.0%	102	69.4%	101	72.2%	1	11.9%	90	75.1%	12	44.2%
Q16. <ALL RESPONDENTS> Are you more or less likely to look at the annual reports and proxy voting information under the proposed	More likely	193	15.7%	43	21.5%	193	15.6%	44	21.9%	166	16.3%	71	16.9%
	Less likely	461	37.3%	51	25.3%	465	37.6%	47	23.4%	399	39.2%	113	27.0%
	Stay the same	467	37.8%	98	48.6%	466	37.7%	99	49.1%	369	36.2%	196	46.9%

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		Mail Receiver		All Online Rec'vr		Lookers		Non-Lookers		Voters		Non-Voters	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
new rule? (Select one answer)	Don't know/no opinion	114	9.2%	9	4.6%	112	9.1%	11	5.6%	85	8.4%	38	9.1%
Q17. Do you think the proposed new rule would affect your likelihood to cast a proxy vote? Please select one answer from the following:	It will not change my voting behavior	566	45.8%	115	57.1%	588	47.6%	93	46.4%	477	46.8%	204	48.9%
	I'll be more likely to vote	172	13.9%	33	16.4%	165	13.3%	40	20.0%	122	12.0%	83	19.8%
	I'll be less likely to vote	333	26.9%	36	17.8%	341	27.6%	28	13.9%	323	31.7%	45	10.9%
	I will not vote at all	121	9.8%	13	6.4%	104	8.4%	30	14.9%	65	6.4%	68	16.3%
	Don't know (DO NOT READ)	44	3.6%	4	2.2%	39	3.2%	10	4.8%	31	3.1%	17	4.1%
Q18a. <IF Q17 = 3 THEN ASK> Please give the main reason why you are less likely to vote. (Select one answer only)	I would get my financial advisor to vote on my behalf	27	8.1%	2	4.4%	22	6.5%	6	22.2%	27	8.2%	2	4.3%
	It would be too inconvenient	138	41.5%	11	31.6%	142	41.7%	7	26.7%	137	42.3%	13	28.0%
	I am less likely to look at the information	90	27.1%	9	25.6%	90	26.5%	9	31.7%	86	26.7%	13	28.6%
	Waiting a number of days for proxy voting information to ...	24	7.1%	4	12.5%	28	8.2%	0	0.0%	28	8.7%	0	0.0%
	Other	54	16.2%	9	25.9%	58	17.0%	5	19.4%	46	14.1%	18	39.0%
Q18b. <IF Q17 = 4 THEN ASK> Please give the main reason you are not likely to vote at all. (Select one answer only)	I would get my financial advisor to vote on my behalf	13	11.1%	4	31.7%	14	13.6%	3	11.4%	7	10.6%	11	15.5%
	It would be too inconvenient	38	31.1%	3	20.9%	36	35.2%	4	12.4%	28	42.1%	13	18.5%
	I am less likely to look at the information	20	16.3%	2	17.5%	19	18.3%	3	9.7%	15	22.6%	7	10.4%
	Waiting a number of days for proxy voting information to ...	7	5.4%	1	10.6%	7	6.3%	1	4.6%	3	4.8%	5	6.9%
	Other	44	36.1%	2	19.3%	28	26.6%	19	61.8%	13	19.8%	33	48.6%
Q19. Under the proposed new rule, the notice that you would receive in the mail could also include a ballot for voting. This ballot would present only an overview of the issues to be voted on. But you could use it to vote without having to go to the Internet to get the annual report and proxy voting information, or without requesting copies and waiting for them to arrive.													
Q20. If a ballot were included with the notice, would you be more or less likely to vote?	More likely	730	59.1%	113	56.1%	743	60.1%	100	49.6%	636	62.4%	207	49.5%
	As likely	233	18.8%	47	23.1%	252	20.4%	27	13.7%	204	20.0%	76	18.1%
	Less likely	160	12.9%	29	14.6%	156	12.6%	33	16.5%	132	12.9%	57	13.7%
	Not likely	113	9.2%	12	6.2%	85	6.9%	41	20.3%	48	4.7%	78	18.7%
Q21. How often would you vote without looking at the annual report and proxy voting information?	All of the time	90	7.3%	11	5.4%	87	7.0%	13	6.6%	80	7.8%	21	4.9%
	Most of the time	165	13.3%	33	16.3%	173	14.0%	24	12.0%	167	16.4%	31	7.3%
	Some of the time	339	27.4%	66	32.8%	368	29.8%	37	18.5%	307	30.1%	98	23.5%
	None of the time	642	52.0%	92	45.5%	607	49.2%	127	62.9%	465	45.7%	268	64.2%
Q22. Do you think that the proposed new process will take you less time? (Select one)	Yes, it will take less time	365	29.5%	73	36.3%	351	28.4%	87	43.1%	283	27.8%	154	36.9%
	No, it will take more time	475	38.4%	63	31.2%	496	40.2%	41	20.4%	421	41.3%	117	27.9%
	It will stay the same	221	17.9%	42	20.7%	222	18.0%	40	20.1%	181	17.8%	81	19.5%
	Don't know/no opinion	175	14.2%	24	11.9%	166	13.4%	33	16.4%	133	13.1%	66	15.7%
Q23. Do you think the proposed new process will be easier or harder for you than the current process? (Select one)	The new process will be easier	343	27.7%	70	34.9%	317	25.6%	96	47.7%	257	25.2%	156	37.3%
	The new process will be harder	556	45.0%	57	28.5%	567	45.9%	46	22.8%	475	46.6%	139	33.2%
	No change	244	19.7%	56	27.8%	256	20.7%	43	21.6%	208	20.4%	92	22.0%

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		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
	Don't know/no opinion	93	7.6%	18	8.8%	95	7.7%	16	7.9%	80	7.8%	31	7.5%
Q24. <IF Q23 =2 'Harder' then ASK> What is the main reason you think that the proposed new process would be more difficult for you? (Select one).	I don't have access to a printer at home	22	4.0%	0	0.0%	22	3.9%	0	0.0%	18	3.7%	4	3.2%
	I don't have an e-mail account	56	10.1%	5	9.3%	58	10.2%	3	6.8%	50	10.6%	11	7.9%
	It will take more time and effort to contact each company	348	62.7%	42	72.9%	362	63.7%	29	62.5%	310	65.4%	80	57.7%
	Other (Please specify)	129	23.3%	10	17.8%	125	22.1%	14	30.7%	96	20.3%	43	31.2%
Q25. Overall, which process do you think you would prefer? The current process, in which you receive annual reports and proxy voting information automatically by mail or email? [Interviewer note: Pause here.] Or the proposed new process, in which you would need to get the materials yourself from the Internet or by calling or sending an email to each company that you own stock in, every year?	Prefer the current process	776	62.8%	106	52.6%	811	65.6%	71	35.5%	680	66.7%	202	48.4%
	Prefer the proposed new process	379	30.7%	80	39.7%	347	28.1%	112	55.7%	279	27.4%	180	43.0%
	Don't know	80	6.5%	15	7.6%	78	6.3%	18	8.8%	60	5.9%	36	8.6%
Q26. I would now like to read to you two statements which we would like you to evaluate by responding on a scale of 1 to 5. With 1 being 'Strongly Disagree', 2 being 'Somewhat Disagree', 3 being 'Neither Agree nor Disagree', 4 being 'Somewhat Agree' and 5 being 'Strongly Agree'. I will read each of the individual statements in turn…..													
Q26A. I gather my own investment information and make investment decisions on my own.	Strongly Disagree	193	15.6%	22	11.1%	162	13.1%	54	26.7%	131	12.9%	85	20.2%
	Somewhat Disagree	140	11.4%	13	6.6%	133	10.8%	20	10.1%	119	11.6%	35	8.3%
	Neither Agree or Disagree	199	16.1%	28	14.1%	202	16.4%	25	12.4%	171	16.8%	57	13.5%
	Somewhat Agree	287	23.3%	54	26.9%	298	24.1%	43	21.6%	246	24.2%	95	22.8%
	Strongly Agree	415	33.6%	83	41.3%	440	35.6%	59	29.2%	352	34.5%	147	35.1%
Q26B. I always seek advice from experts before making investment decisions and rely heavily on their counsel.	Strongly Disagree	237	19.2%	46	22.9%	249	20.1%	34	16.9%	204	20.0%	79	19.0%
	Somewhat Disagree	220	17.8%	52	26.0%	243	19.7%	29	14.5%	212	20.8%	60	14.4%
	Neither Agree or Disagree	231	18.7%	36	17.8%	235	19.0%	32	15.8%	184	18.1%	82	19.6%
	Somewhat Agree	237	19.2%	38	18.7%	241	19.5%	34	16.7%	192	18.9%	83	19.8%
	Strongly Agree	311	25.2%	29	14.5%	267	21.6%	73	36.2%	226	22.2%	114	27.2%
27. What is your age? (DO NOT READ ANSWERS)	(18-24)	19	1.5%	9	4.4%	21	1.7%	6	3.1%	16	1.5%	12	2.8%
	(25-29)	53	4.3%	25	12.7%	67	5.4%	12	6.0%	46	4.5%	33	7.8%
	(30-34)	82	6.6%	20	9.8%	90	7.2%	12	6.1%	69	6.8%	33	7.8%
	(35-39)	131	10.6%	23	11.6%	125	10.1%	29	14.5%	89	8.7%	65	15.5%
	(40-44)	174	14.1%	32	15.9%	174	14.1%	32	15.9%	138	13.5%	68	16.4%
	(45-49)	128	10.3%	28	14.0%	133	10.8%	23	11.3%	106	10.4%	50	12.0%
	(50-54)	143	11.5%	17	8.2%	135	10.9%	25	12.2%	119	11.7%	40	9.5%
	(55-59)	149	12.1%	13	6.5%	142	11.5%	20	10.0%	117	11.5%	45	10.7%
	(60-64)	119	9.7%	9	4.7%	115	9.3%	14	7.0%	100	9.8%	29	6.9%
	(65-69)	57	4.6%	5	2.3%	49	4.0%	12	6.1%	48	4.7%	14	3.3%
	(70-74)	50	4.0%	8	3.8%	55	4.5%	2	1.1%	49	4.9%	8	1.9%

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		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
	(75+)	100	8.1%	8	4.1%	100	8.1%	8	4.1%	91	8.9%	17	4.1%
	Prefer not to say)	31	2.5%	4	2.1%	30	2.5%	5	2.5%	30	3.0%	6	1.3%
28. What is your gender? (RECORD BY VOICE, IF CLEAR)	Male	607	49.1%	132	65.5%	658	53.2%	81	40.3%	536	52.6%	203	48.6%
	Female	627	50.7%	68	34.0%	575	46.5%	120	59.7%	480	47.1%	215	51.4%
	Prefer not to say	2	0.1%	1	0.5%	3	0.2%	0	0.0%	3	0.3%	0	0.0%
Q29. May I ask what your ethnic background is? () <DO NOT READ UNLESS REQUIRED>	Biracial or multiracial	7	0.5%	3	1.4%	9	0.7%	1	0.3%	7	0.7%	2	0.5%
	Black or African-American descent	26	2.1%	6	3.2%	27	2.2%	5	2.4%	21	2.1%	11	2.7%
	East Asian, Southeast Asian, or Pacific Islander descent	10	0.8%	5	2.6%	13	1.1%	3	1.2%	12	1.2%	3	0.8%
	Hispanic or Latino	18	1.4%	3	1.5%	18	1.4%	3	1.4%	18	1.8%	2	0.6%
	Native American, American Indian, or First Nation	8	0.7%	3	1.3%	10	0.8%	1	0.6%	11	1.1%	0	0.0%
	South Asian descent (Indian sub-continent)	4	0.3%	0	0.2%	4	0.3%	0	0.0%	1	0.1%	3	0.7%
	White or Caucasian	1,090	88.3%	167	82.9%	1,081	87.5%	176	87.7%	888	87.2%	369	88.4%
	Other	72	5.9%	14	6.8%	73	5.9%	13	6.4%	59	5.8%	27	6.4%
Q30. Do you own a second home or vacation home? (Select one answer)	Yes <SKIP to Q31>	251	20.4%	46	22.8%	257	20.8%	40	19.9%	220	21.6%	77	18.5%
	No <SKIP to Q32>	984	79.6%	155	77.2%	978	79.2%	161	80.1%	799	78.4%	341	81.5%
Q31. Do you have a computer in that second home or vacation home with internet access? (Select one answer)	Yes - with broadband access	56	22.3%	18	38.4%	63	24.3%	11	27.6%	57	25.9%	17	21.6%
	Yes - without broadband access	30	11.8%	4	9.3%	30	11.7%	4	10.2%	27	12.3%	7	9.1%
	No	166	65.9%	24	52.3%	165	64.0%	25	62.3%	136	61.8%	54	69.3%
Q32. Approximately – how many companies do you own individual stocks in? (Select one answer)	Fewer than 5	638	55.2%	84	43.6%	614	52.8%	108	58.6%	475	49.4%	246	64.1%
	5 to 20	427	37.0%	87	45.1%	453	38.9%	61	33.3%	393	40.8%	121	31.4%
	More than 20	90	7.8%	22	11.3%	97	8.4%	15	8.1%	95	9.9%	17	4.5%
Q33. In the past year, how many times did you buy or sell stock? <DO NOT READ ANSWERS>	(0)	403	32.6%	27	13.4%	353	28.6%	77	38.1%	284	27.9%	146	34.9%
	(1)	131	10.6%	20	9.7%	126	10.2%	25	12.4%	95	9.4%	55	13.3%
	(2-3)	216	17.5%	31	15.6%	211	17.0%	37	18.2%	187	18.4%	60	14.4%
	(4-5)	122	9.9%	31	15.6%	137	11.1%	16	7.8%	117	11.4%	37	8.8%
	(6-10)	90	7.3%	32	15.9%	109	8.8%	13	6.4%	98	9.7%	23	5.6%
	(11-25)	96	7.8%	32	16.0%	118	9.6%	10	4.8%	91	8.9%	37	8.9%
	(26-49)	27	2.2%	7	3.5%	31	2.5%	3	1.4%	27	2.6%	7	1.6%
	(50-99)	21	1.7%	4	2.2%	24	1.9%	2	0.9%	17	1.6%	9	2.2%
	(100+)	14	1.1%	4	2.1%	16	1.3%	2	0.8%	15	1.5%	3	0.7%
	(Prefer not to say)	116	9.4%	12	6.1%	110	8.9%	18	9.2%	88	8.7%	40	9.5%
Q34. What would you estimate to be the total value of your household members' combined financial assets (do NOT include the value of your primary home, employer-sponsored retirement accounts (e.g., 401(k),), or any ownership of a private business)? (Select one)	Under $25,000	132	10.7%	17	8.7%	123	10.0%	26	13.0%	88	8.7%	61	14.6%
	$25,000 - $99,999	376	30.4%	55	27.2%	363	29.4%	68	33.8%	291	28.6%	140	33.4%
	$100,000 - $199,999	181	14.7%	40	19.9%	195	15.8%	26	12.8%	160	15.7%	61	14.5%
	$200,000 - $499,999	105	8.5%	17	8.7%	104	8.5%	18	8.9%	92	9.0%	31	7.4%
	$500,000 - $999,999	63	5.1%	19	9.5%	74	6.0%	9	4.4%	66	6.5%	17	4.0%
	$1,000,000 - $9,999,999	44	3.6%	7	3.3%	43	3.5%	8	4.0%	39	3.8%	12	2.8%
	$10,000,000 - $19,999,999	4	0.3%	0	0.0%	2	0.2%	2	0.8%	2	0.2%	2	0.4%

Study commissioned by ADP conducted by Forrester Research, Inc. 2006		Mail Receiver		All Online Rec'vr		Lookers		Non-Lookers		Voters		Non-Voters	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
	$20,000,000 or more	5	0.4%	1	0.4%	5	0.4%	1	0.4%	4	0.4%	2	0.4%
	Prefer not to say	326	26.4%	45	22.3%	327	26.4%	44	21.8%	276	27.1%	94	22.5%

Impact of the SEC's Notice and Access Proxy Proposal: An Online Survey of Consumer Reaction, Attitudes and Motivations

Presented to:

ADP

January 27, 2006

Survey Background and Objectives

- The survey covers current voting behaviors as wells as reactions and impacts of the SEC's Notice and Access proposal;
  - How investors in stock shares receive annual reports and proxy voting information ("materials") today, and why, and how receipt might be impacted under the proposed rule
  - Whether investors review information, and how this might change
  - Whether investors vote, and how this might change
- To understand the broad-scale consumer reaction to the SEC's Notice and Access Proxy Proposal
- To understand how reactions would vary by specific demographic groups, an analysis was done by gender, age, race and income groups.

The comScore Panel

- comScore measures the continuous online activity of more than 1.5 million people in the US, enabling the measurement of their online and offline consumer behavior

- The consumer panel is a representative cross section of the US population

- We track all secure session activity including transactions, online payments, stock transactions/online trading, credit/banking applications, and offline statement views

- Permission to survey panelists; Permission to match to 3rd party databases; Addition of other offline data through partnerships

Study Methodology

- Random sample of comScore panelists representing Web users from comScore US online panel. Ninety-four percent (94%) say they are daily Web users.
- 2026 respondents classified as:
  - 78 receive annual reports/proxy voting information over the Internet
  - 1517 receive annual reports/proxy voting information by Mail
  - 143 receive annual reports/proxy voting information over the Internet and by Mail
    - Note: Quota sampling was applied for the above segments
  - 288 do all their investing through mutual funds/managed accounts or do not own shares in a public company
- Data collection time period: January 3, 2006 – January 11, 2006
- Medium: Online survey via pop-up and email invitations
- Incentive: comScore Rewards Points (approximately equal to $3 per participant)
- Questionnaire Length: Approximately 10 minutes

Study Methodology (con't)

- Results are weighted to be representative of the online investing population, by:
  - Gender
  - Income
  - Internet connection speed (Narrowband or Broadband)
- Results have been tested for statistical significance at the 95% confidence level. Margin of error varies due to differing base sizes.
- 5-point scale questions are reported without the 'neutral' option (rating of 3 on a 5-point scale) in order to better reflect results of respondents who have a definite opinion.

Key Findings

Current Method of Receiving and Reviewing Materials

Materials Received via Internet Only

- Over 80% of those receiving materials via the Internet *only,* say they look at these materials online – slightly more than 13% print them for viewing.
- Those receiving materials by Internet only show little difference in their propensity to view materials online when analyzed by income, age and gender. Approximately 8 of 10 respondents consistently say they view these materials online, regardless of age/income range or gender.

Materials Received via Mail Only

- Almost all (over 97%) of those receiving materials strictly by Mail say they review those materials at home (and nowhere else).
- Well over 90% say they review materials at home regardless of age, income or gender.

Materials Received via Both Mail and Internet

- Among those receiving materials via both methods, over 90% of those receiving materials via Mail say they look at the materials they receive by Mail.
- Similarly, slightly less than 80% of those within this segment who receive materials via Internet say they actually view online the materials they receive via the Internet; almost 29% say they print these materials for viewing.

Note: Investors who receive materials via Internet or via Both Mail and Internet have elected electronic delivery.

Key Findings

Current Readership Behavior

- More than 67% of all respondents say they review the materials they receive Always/Most of the Time.

- When reading Annual Reports, respondents are most likely to say they review Financial Statements, regardless of how they receive materials. Over 95% of those receiving materials by both Mail and the Internet say they review Financial Statements, followed by Mail only (over 89%) and Internet only (over 76%).

- When reading Proxy Statements, the large majority of respondents say they review Stock Performance, regardless of method of receipt. A large majority of those receiving materials via Mail only and both Mail and the Internet also say they read Proposals to be Voted On.

Key Findings

Current Voting Behavior

- Those receiving materials via the Internet only and via both Mail and the Internet are more likely than those receiving via Mail only to say that they vote their shares Always/Most of the Time.
- Those receiving materials via the Internet only are more likely to be motivated to vote in opposition to or in favor of management whereas the large majority of those receiving materials via Mail only or both Mail and the Internet are more likely to say they "carefully review the information and make a voting decision".
- Among those receiving materials via the Internet only or both Mail and the Internet, the most frequently cited reason for not voting is, "I don't believe my vote has much impact".
- Generally, older and higher income respondents are more likely to say they vote Always/Most of the Time than younger, lower income respondents.
- Those receiving by Mail only have a wider, more evenly distributed set of reasons for not voting, including:
  - **"It is not worth the time and effort"**
  - **"The information is too difficult to understand"**
  - **"I don't believe my vote has much impact"**

Key Findings

Overall Reaction to the Proposed New SEC Rule

- The majority of respondents (54.3%) portrayed their overall reaction to the proposed new SEC rule as Very Unfavorable/Unfavorable. Some differences in overall reaction exist based on how annual reports and proxy materials are currently received:
  - Those receiving materials via Internet only are much more likely to view the rule favorably than are those receiving materials by Mail.
  - The majority of those currently receiving materials through both Mail and Internet are somewhat more likely to view the rule favorably than those using Mail only.
- A majority (62.4%) of all respondents indicated that they Strongly Disagree/Disagree that the new rule will increase their likelihood to vote, but over 70% of those using Mail only said they Strongly Disagree/Disagree that the new rule will prompt them to vote more.
- As a general rule, the older the respondent, the more likely they were to Strongly Disagree/Disagree that the new rule would increase their likelihood of voting their shares. Gender and income are less influential drivers of negative or positive feelings about likelihood to vote.

Key Findings

Attitudes Towards Proposed Rule

- Among all respondents, especially those receiving their materials via Mail only, the rule evokes serious concerns about Internet privacy and security. Specifically, the majority of all respondents were most likely to Strongly Disagree/Disagree with the following 4 statements (in descending order, by percentage Strongly Disagree/Disagree):
  - "Receiving the information by e-mail is more private than mail"
  - "Receiving the information by e-mail is more secure than mail"
  - "Voting over the Internet is more secure than voting by mail"
  - "The proposed rule better ensures my voting privacy than does the current process"

  (Note: Approximately 70% or more of Mail only respondents Strongly Disagree/Agree with the above statements).

- Those receiving materials via Internet only tend to be less concerned about privacy and security, more comfortable providing personal information over the Internet and less willing to wait for printed materials to be delivered via the Mail.

- Those using both Mail and the Internet are more comfortable providing their personal information online, but they are concerned about the privacy and security of materials received via e-mail and the online voting process itself.

- Those receiving by Mail only show the highest concerns about online privacy and security in general and are, therefore, the most likely to Strongly Disagree/Disagree that the new rule will increase their likelihood to vote their shares.

Key Findings

The Age Difference

- Respondents aged 51 and older stand out as a key segment that could potentially react negatively and be adversely impacted by the SEC's proposed new rule.

- The overall reaction of this group to the proposed SEC rule is unfavorable – over 70% say their reaction is Very Unfavorable/Unfavorable.

- Members of the 51 and older segment also *disagree* that the new rule will increase their likelihood of voting their shares – over 72% Strongly Disagree/Disagree that the new rule will increase their likelihood of voting.

- Members of the 51 and older segment are more active and engaged in the voting process than their younger counterparts:
  - Almost 70% say they read annual reports and voting materials Always/Most of the Time; over 42% Always read their materials
  - They are much more likely than younger people to review Proposals to be Voted On within their proxy materials (78.7% to 59.3%)
  - They are almost twice as likely to say they Always vote their shares (41.4% to 21.6%)

- This segment is still much more likely than younger people to be receiving annual reports and proxy materials by Mail. Almost 47% of those receiving their materials by Mail are members of this age group (compared to only slightly more than 28% of those receiving their materials via the Internet only).

Key Findings

The Age Difference (continued)

- Respondents aged 51 and older are very concerned about the perceived lack of security and privacy of the Internet as a channel for receiving and providing information that is sensitive and important to them – Over 7 in 10 respondents in this group indicated that the Internet is not a private and secure channel for disclosing information related to the voting process.

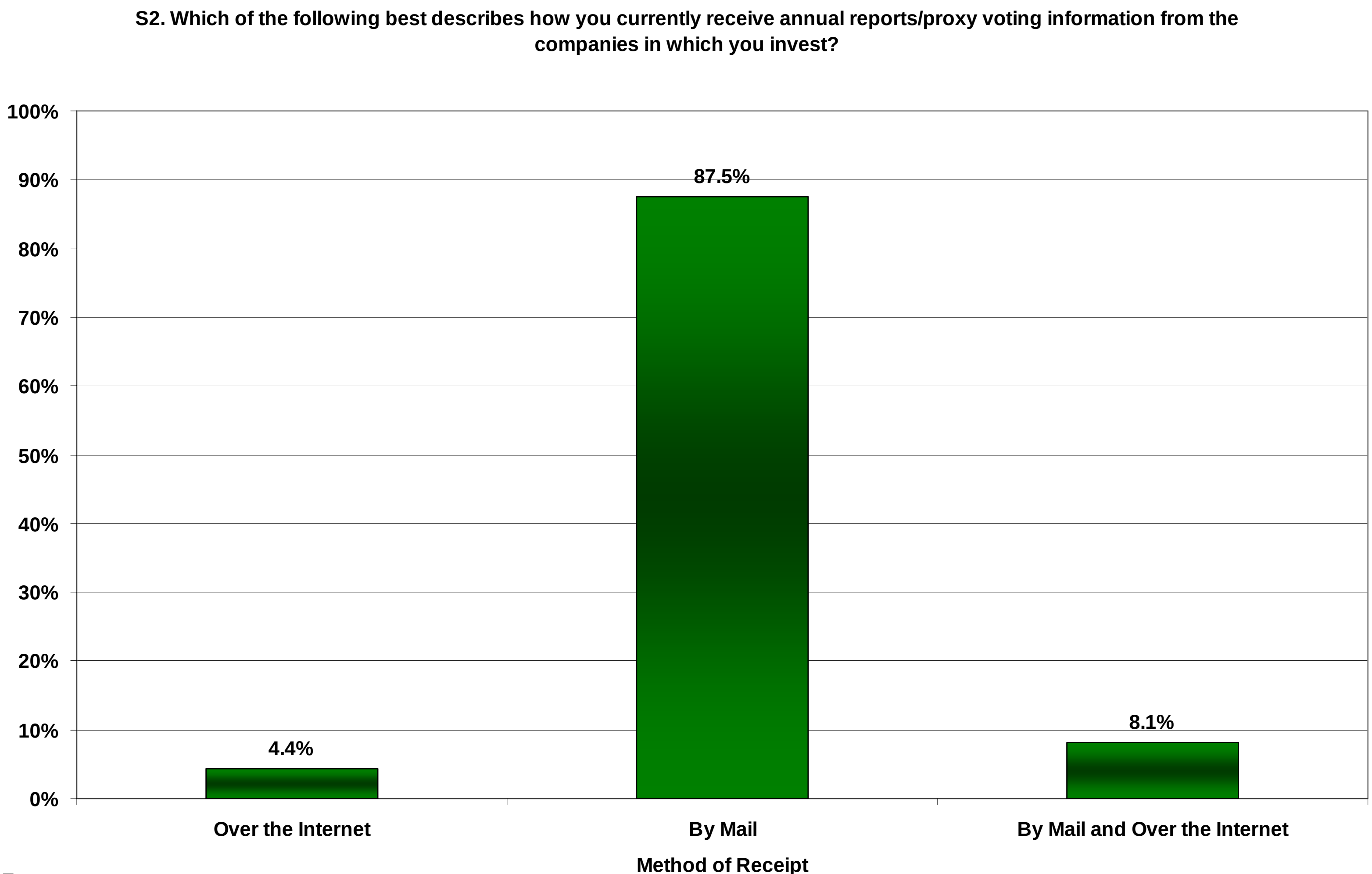
- Over 77% of respondents aged 51 and older say they Strongly Disagree/Disagree the “the proposed rule is beneficial to me”.

- Given their growth as a percentage of the total US population and the correlation of age to higher incomes and more investable assets, the proposed new SEC rule could be perceived as having a substantial adverse impact on this group and, by extension, the general concept of shareholder democracy.

Current Method of Receiving And Reviewing Materials

Method of Receipt of Proxy Materials

The very large majority (87.5%) of respondents indicate that they currently receive their materials by Mail, followed by those receiving via Mail and Over the Internet (8.1%) and those receiving strictly via the Internet (4.4%).



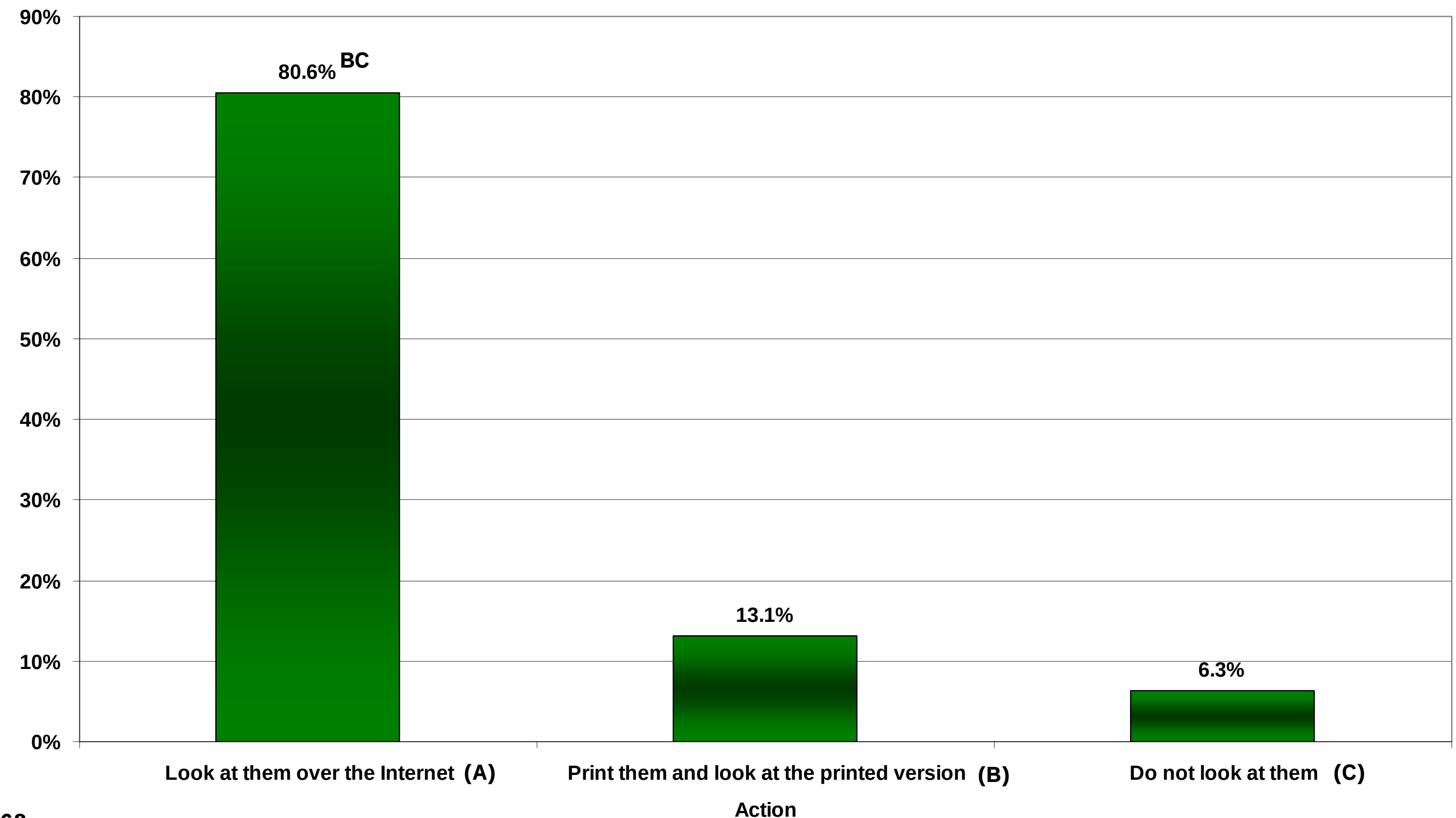
n = 1597

Internet Only

Preferred Method of Receiving and Reviewing Materials

As expected, the large majority of those who receive their materials exclusively via the Internet (80.57%) say they review these materials online – only slightly more than 13% print the materials to view them.

Q1. When you receive annual reports/proxy voting information over the Internet, which of the following do you do?



n = 68

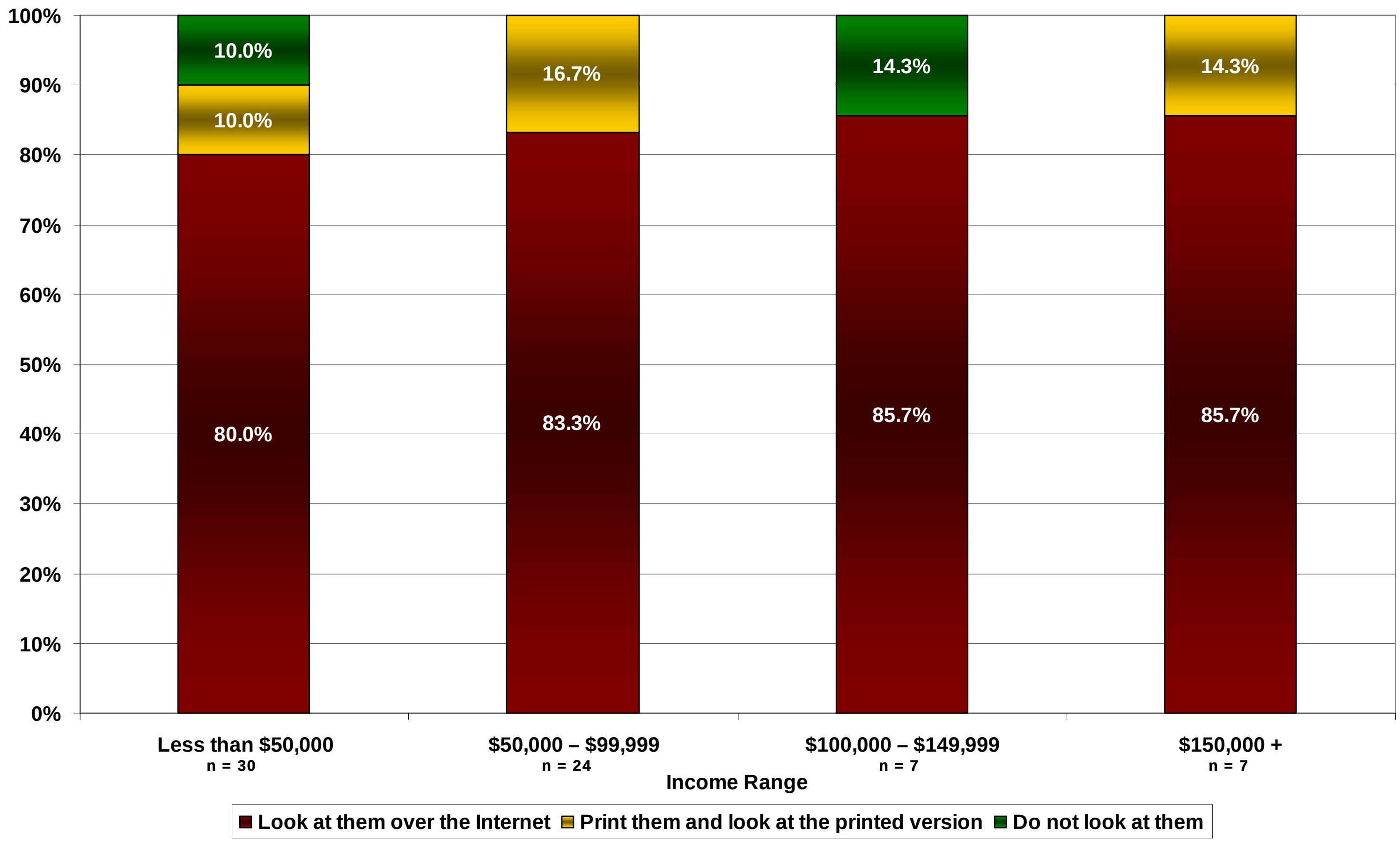
Letters indicate statistical significance at the 95% confidence level

Internet Only

Preferred Method of Receiving and Reviewing Materials

There is little variation by income range among those receiving their materials via the Internet only. Over 8 out of 10 respondents say they review their materials over the Internet, regardless of income.

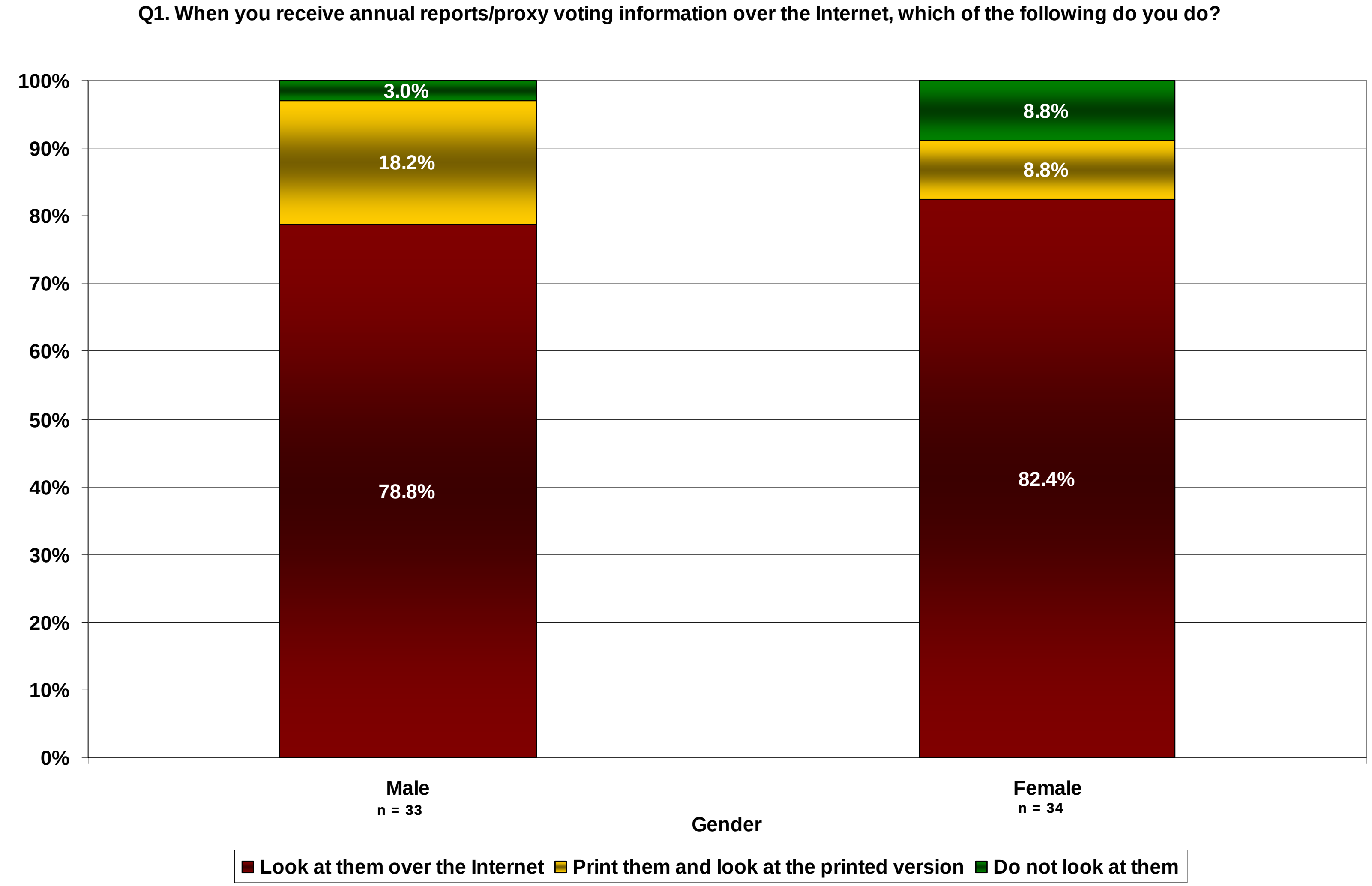
Q1. When you receive annual reports/proxy voting information over the Internet, which of the following do you do?



Internet Only

Preferred Method of Receiving and Reviewing Materials

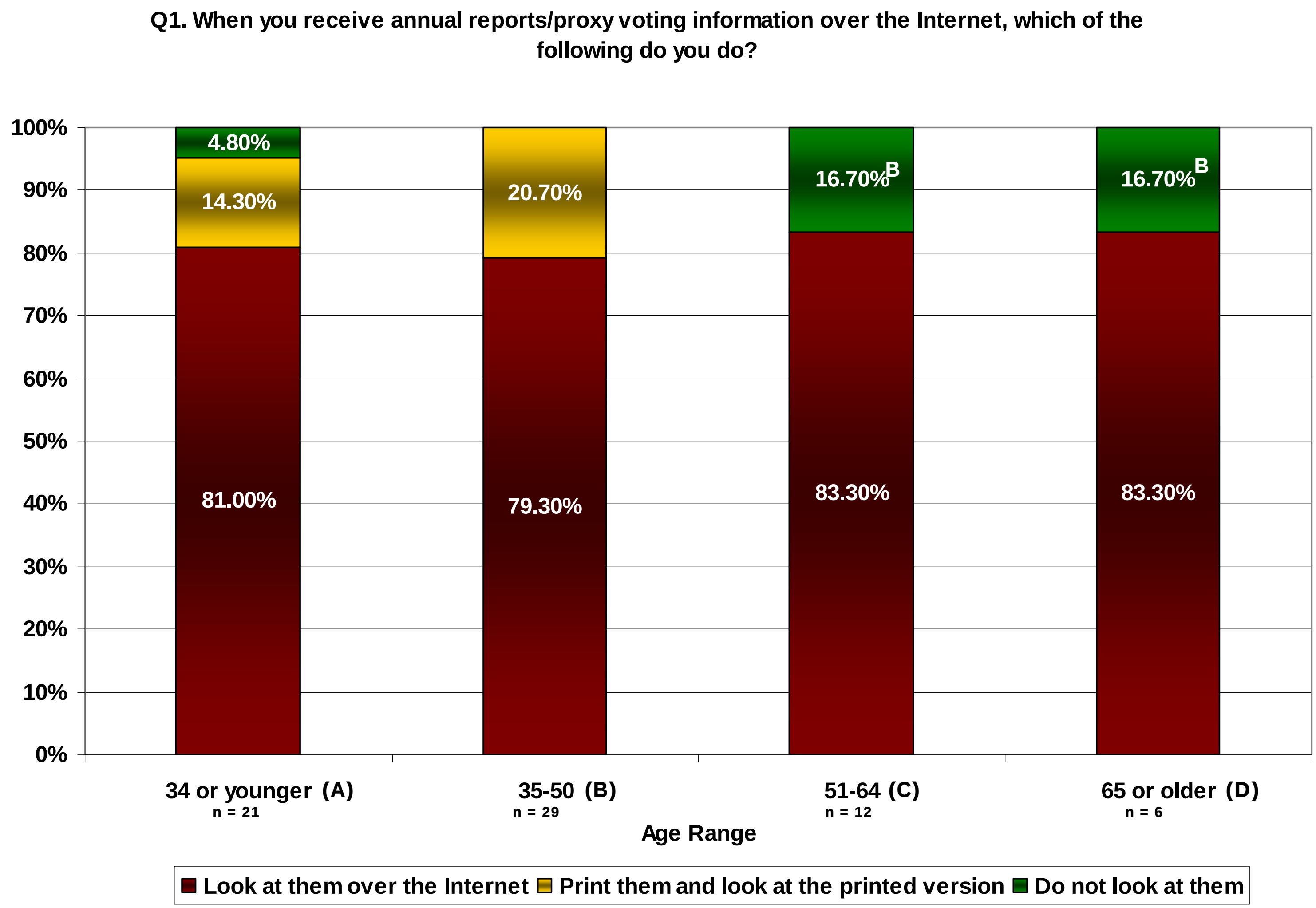
Men are somewhat more likely than women to print materials they receive over the Internet for viewing.



Internet Only

Preferred Method of Receiving and Reviewing Materials

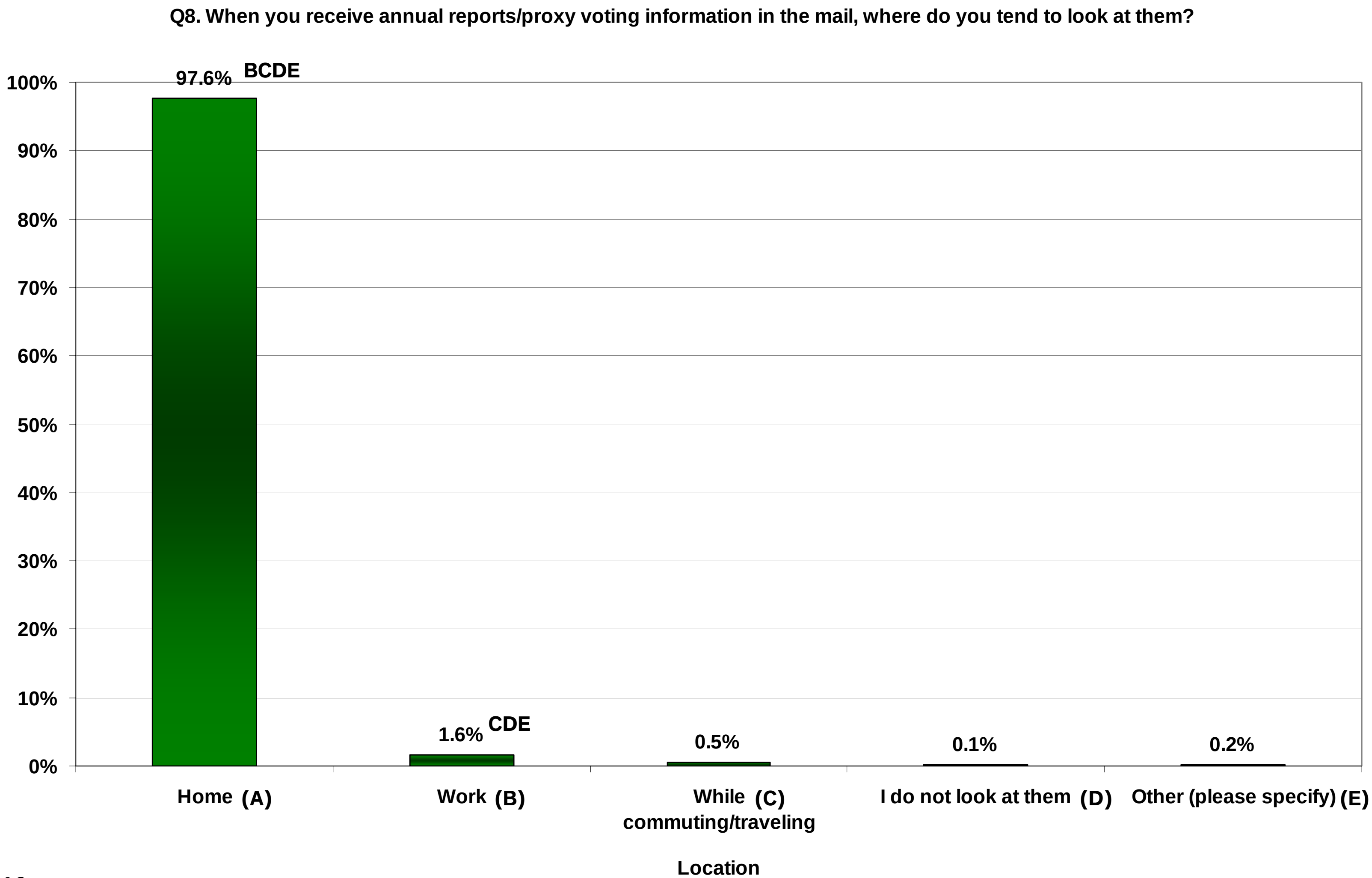
Approximately 8 of 10 respondents receiving materials via Internet only say they view those materials over the Internet, regardless of age.



Mail Only

Preferred Method of Receiving and Reviewing Materials

Almost all (97.6%) of those receiving materials by Mail say they review these materials at home.



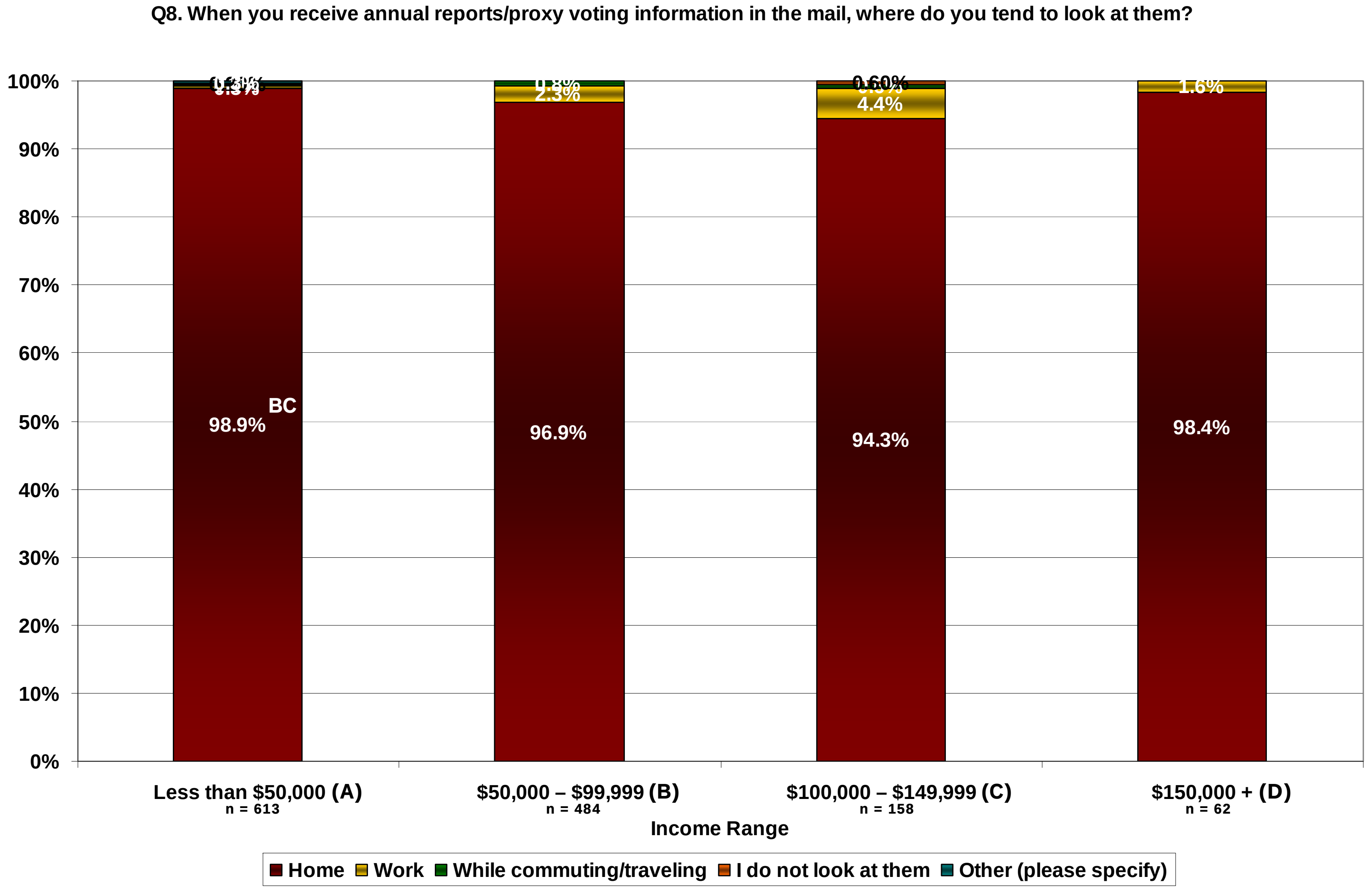
n = 1316

Letters indicate statistical significance at the 95% confidence level

Mail Only

Preferred Method of Receiving and Reviewing Materials

Similarly, there is no real difference within the Mail group based on income...



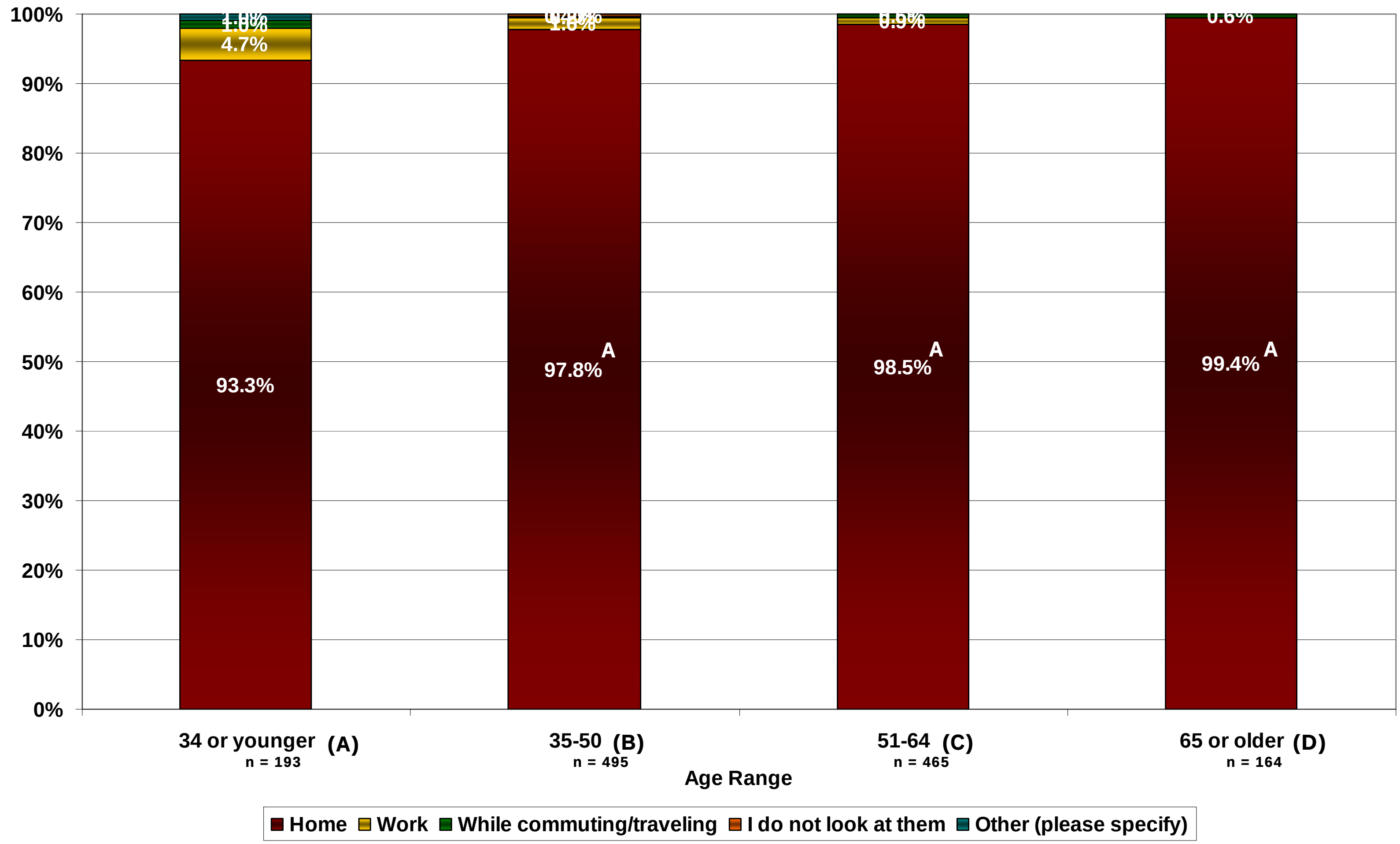
Letters indicate statistical significance at the 95% confidence level

Mail Only

Preferred Method of Receiving and Reviewing Materials

...nor is there any real difference by age or gender.

Q8. When you receive annual reports/proxy voting information in the mail, where do you tend to look at them?



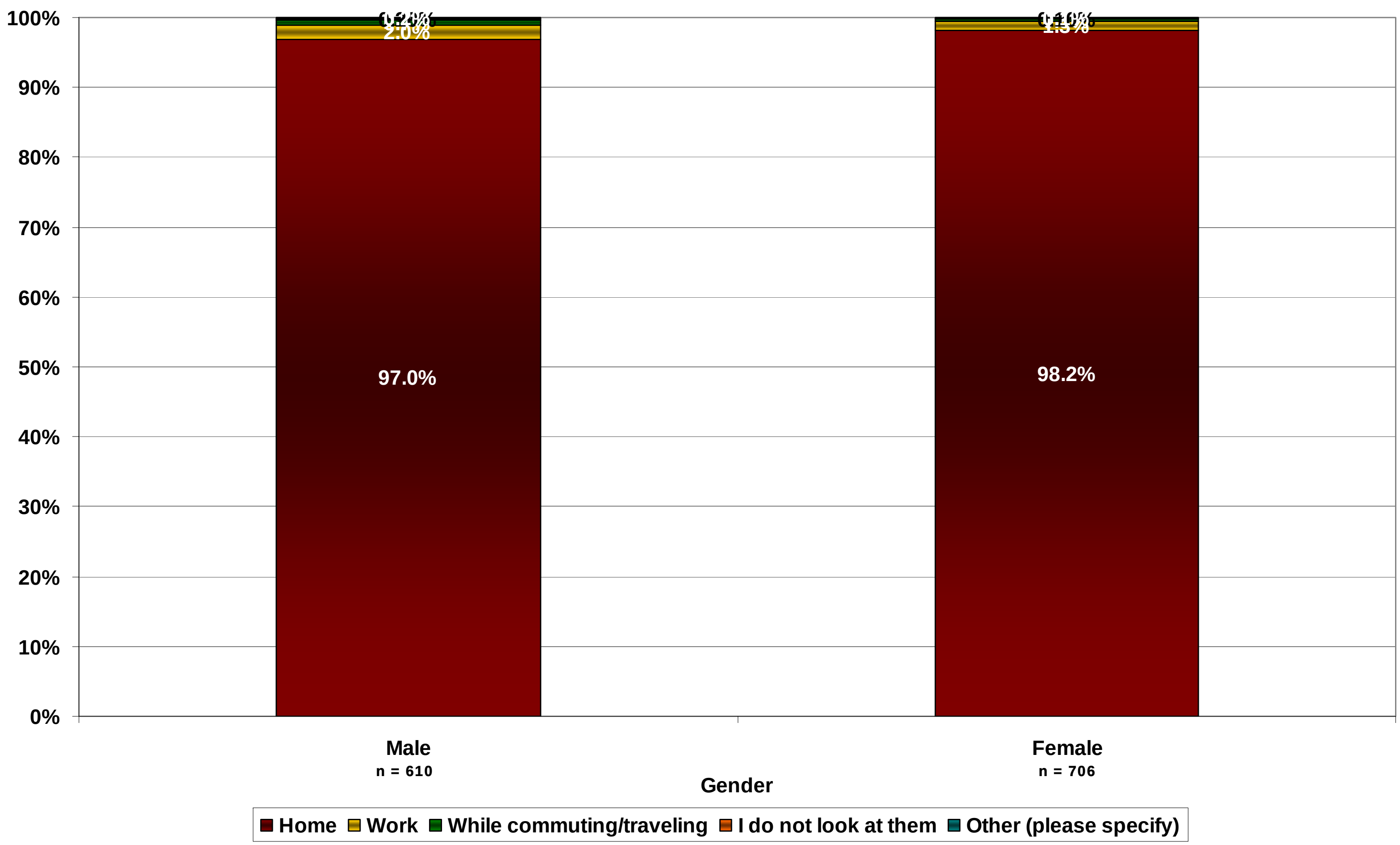
Letters indicate statistical significance at the 95% confidence level

Mail Only

Preferred Method of Receiving and Reviewing Materials

...nor is there any real difference by age or gender.

Q8. when you receive annual reports/proxy voting information in the mail, where do you tend to look at them?



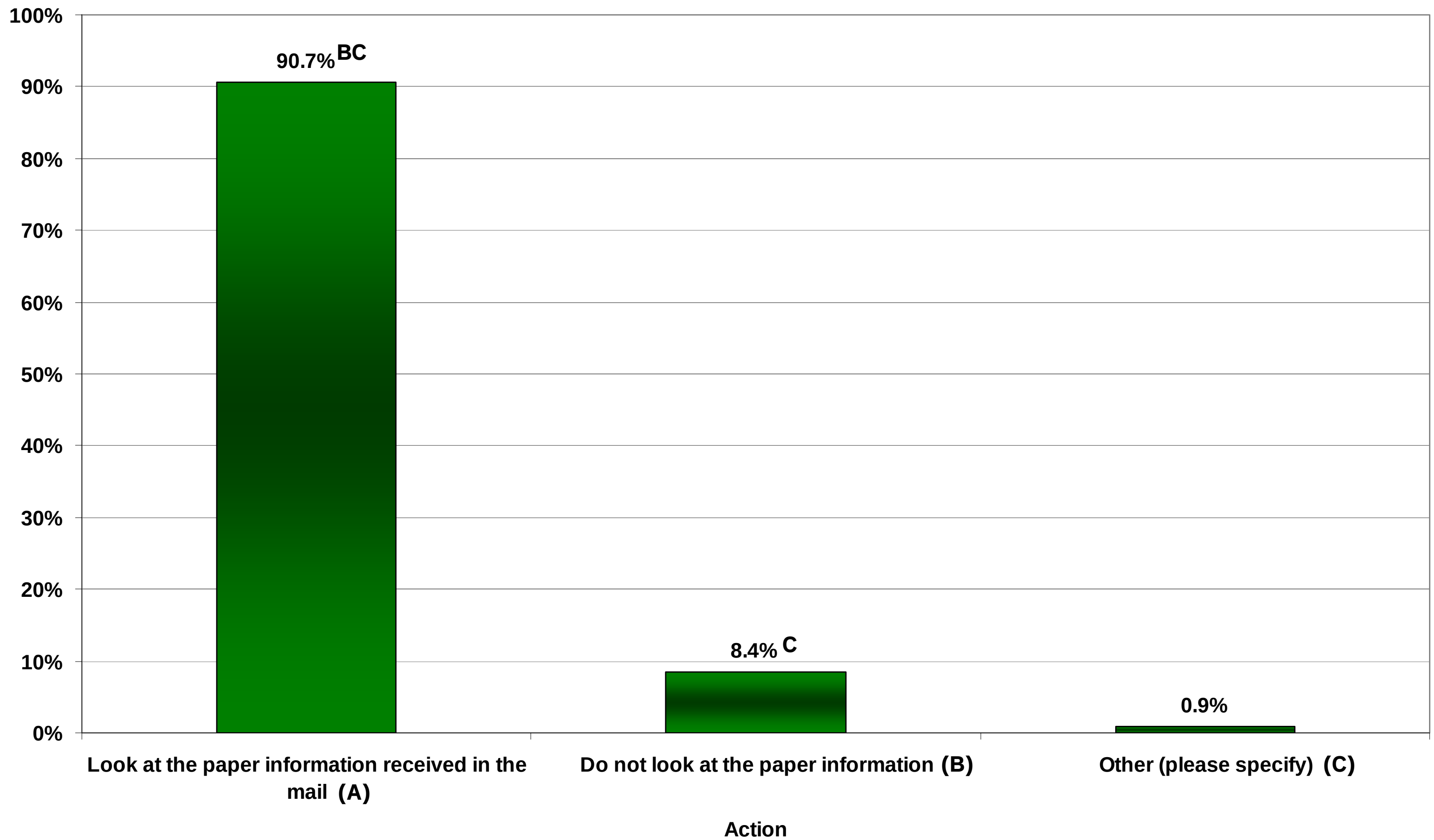
 Letters indicate statistical significance at the 95% confidence level

Both Internet and Mail

Preferred Method of Receiving and Reviewing Materials

Among those receiving materials via both methods, 90.7% look at “hardcopy” materials they receive by mail, while only slightly more than 8% do not look at them at all.

Q15. When you receive annual reports/proxy voting information through the mail, which of the following do you do?



n = 127

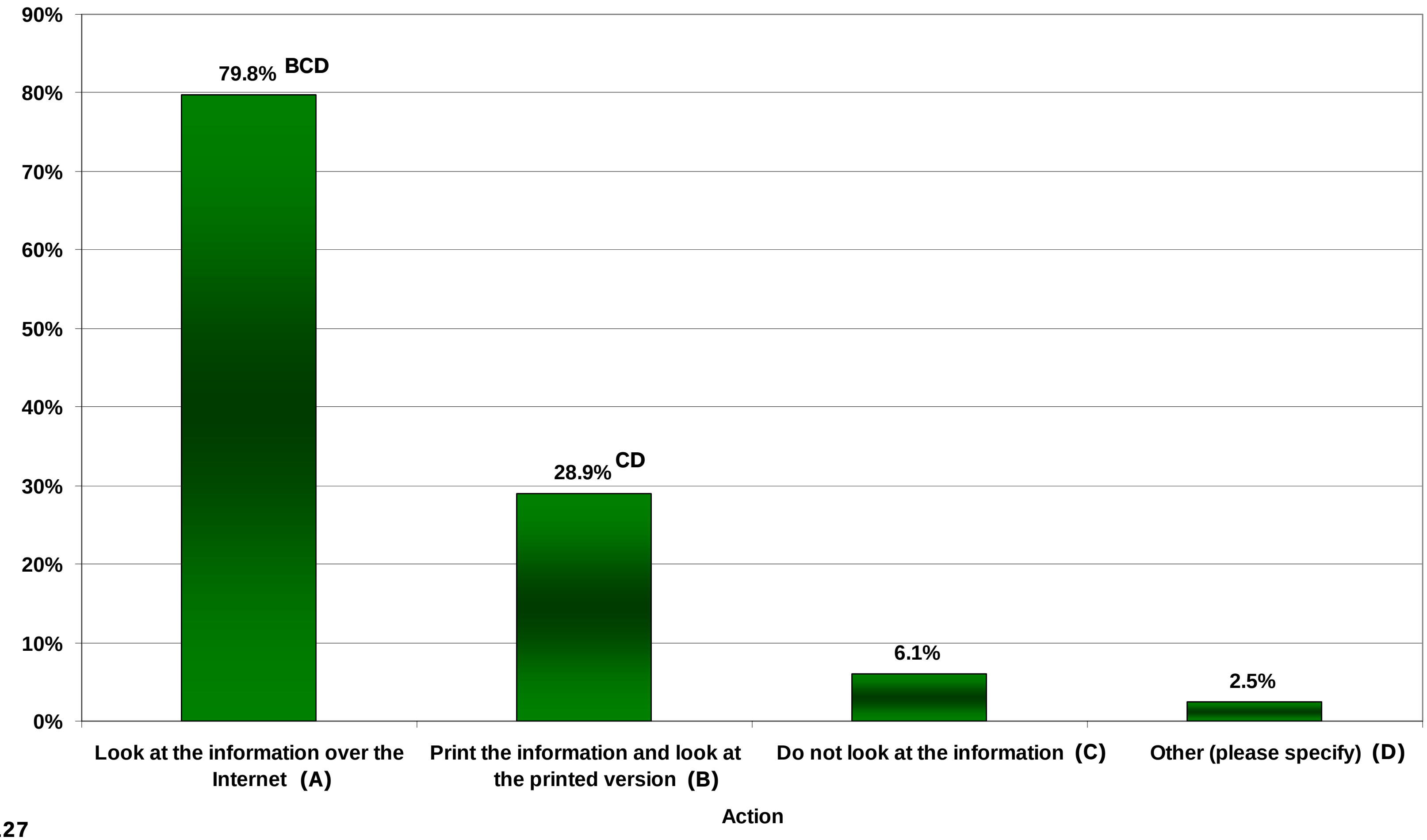
Letters indicate statistical significance at the 95% confidence level

Both Internet and Mail

Preferred Method of Receiving and Reviewing Materials

Among those receiving materials via both methods, the large majority (79.8%) look at these materials online when they receive them over the Internet, while 28.9% print them for viewing.

Q15-1. When you receive annual reports/proxy voting information over the Internet, which of the following do you do?



n = 127

Letters indicate statistical significance at the 95% confidence level

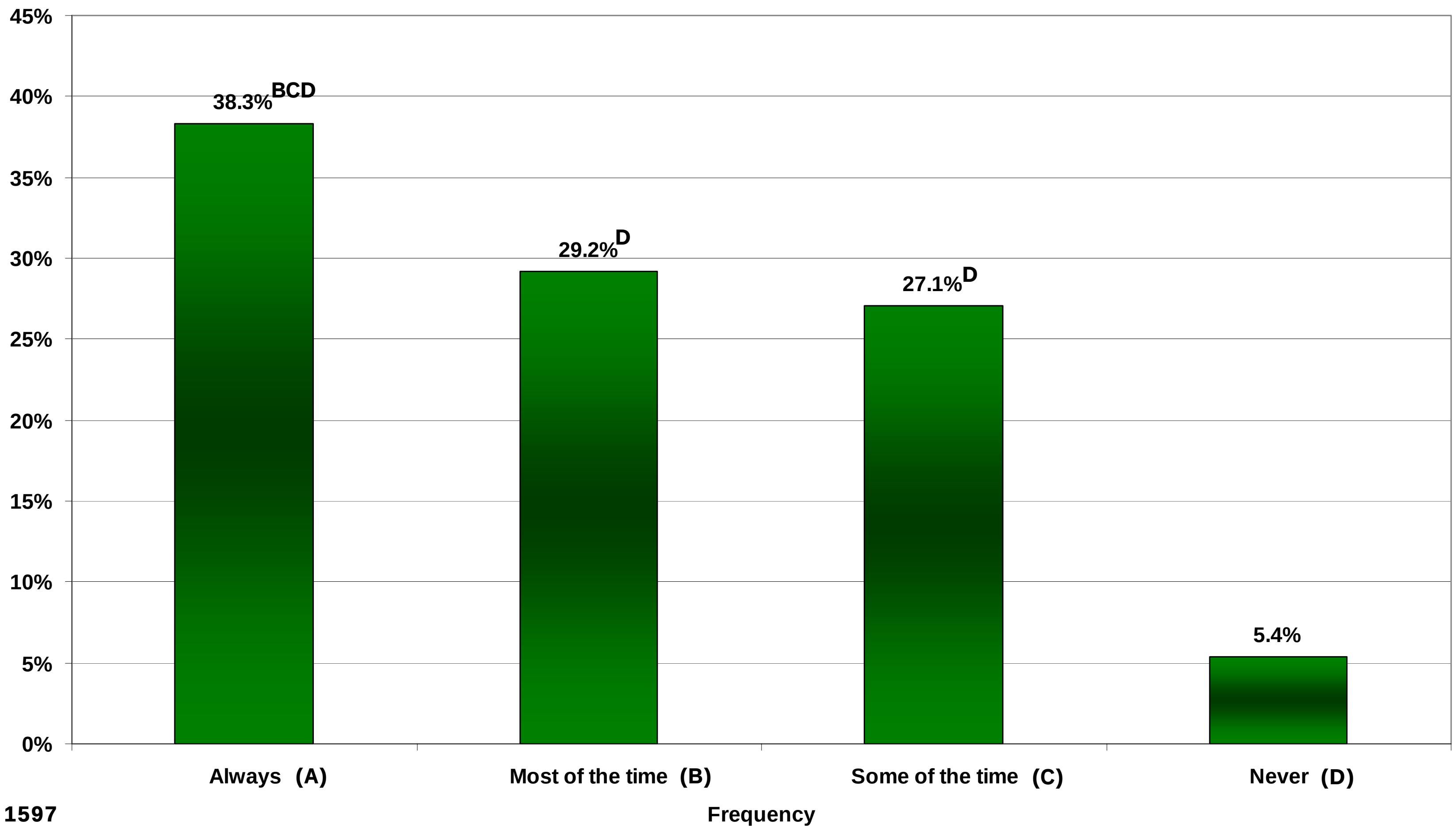
Readership Behavior

Readership Behavior

Frequency of Viewing Materials

A majority of respondents (67.5%) say they review the materials they receive Always/Most of the Time.

S2. When you receive annual reports/proxy voting information from the companies in which you invest, how often do you look at them?



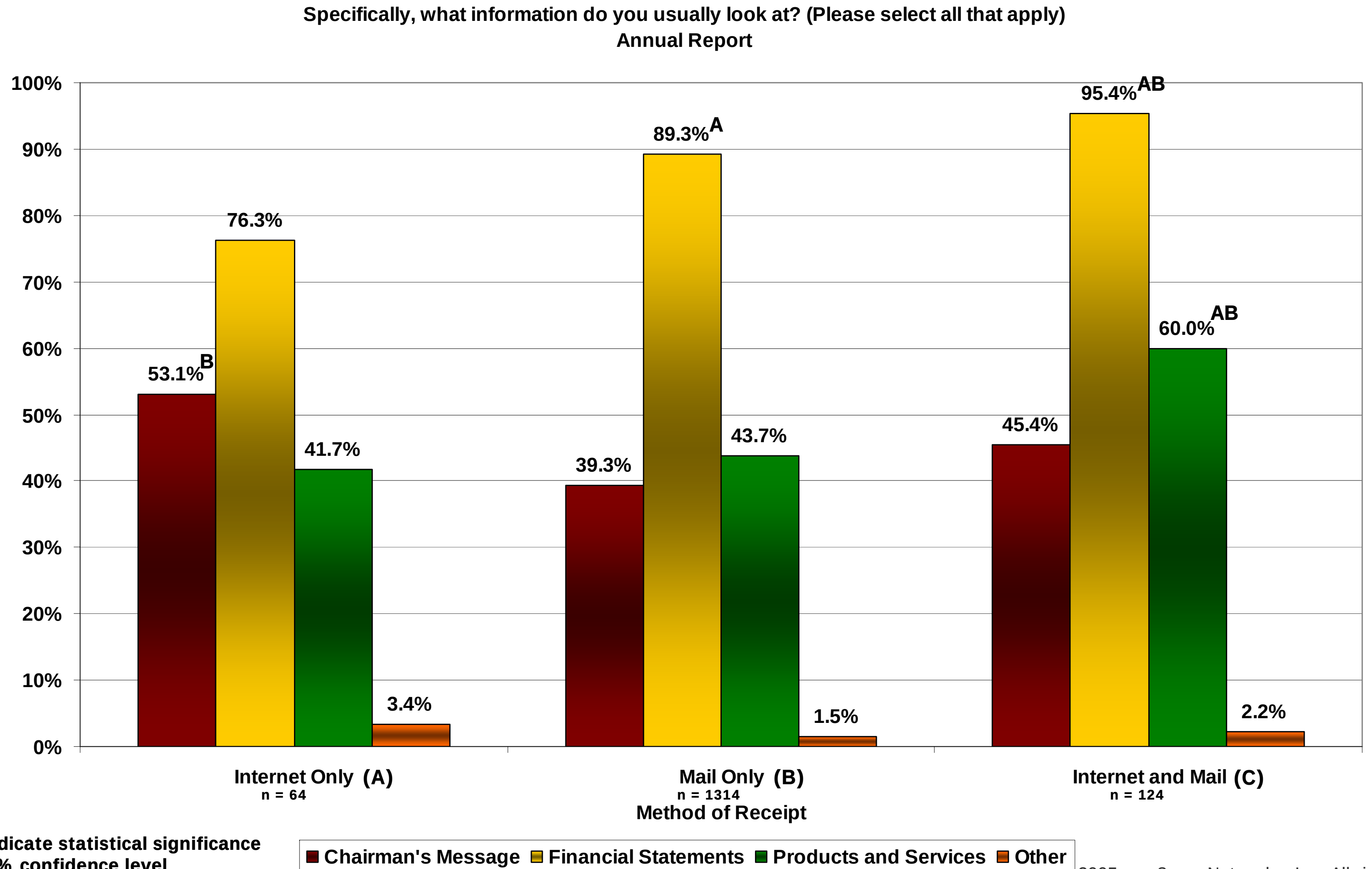
n = 1597

Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Annual Reports

The very large majority of respondents (from 76.3% to 95.4%) say they read Financial Statements in annual reports. The majority (53%) of those receiving materials via Internet only also read the Chairman's Message, while the majority of those receiving via Both Internet and Mail (60%) also read about Products and Services.

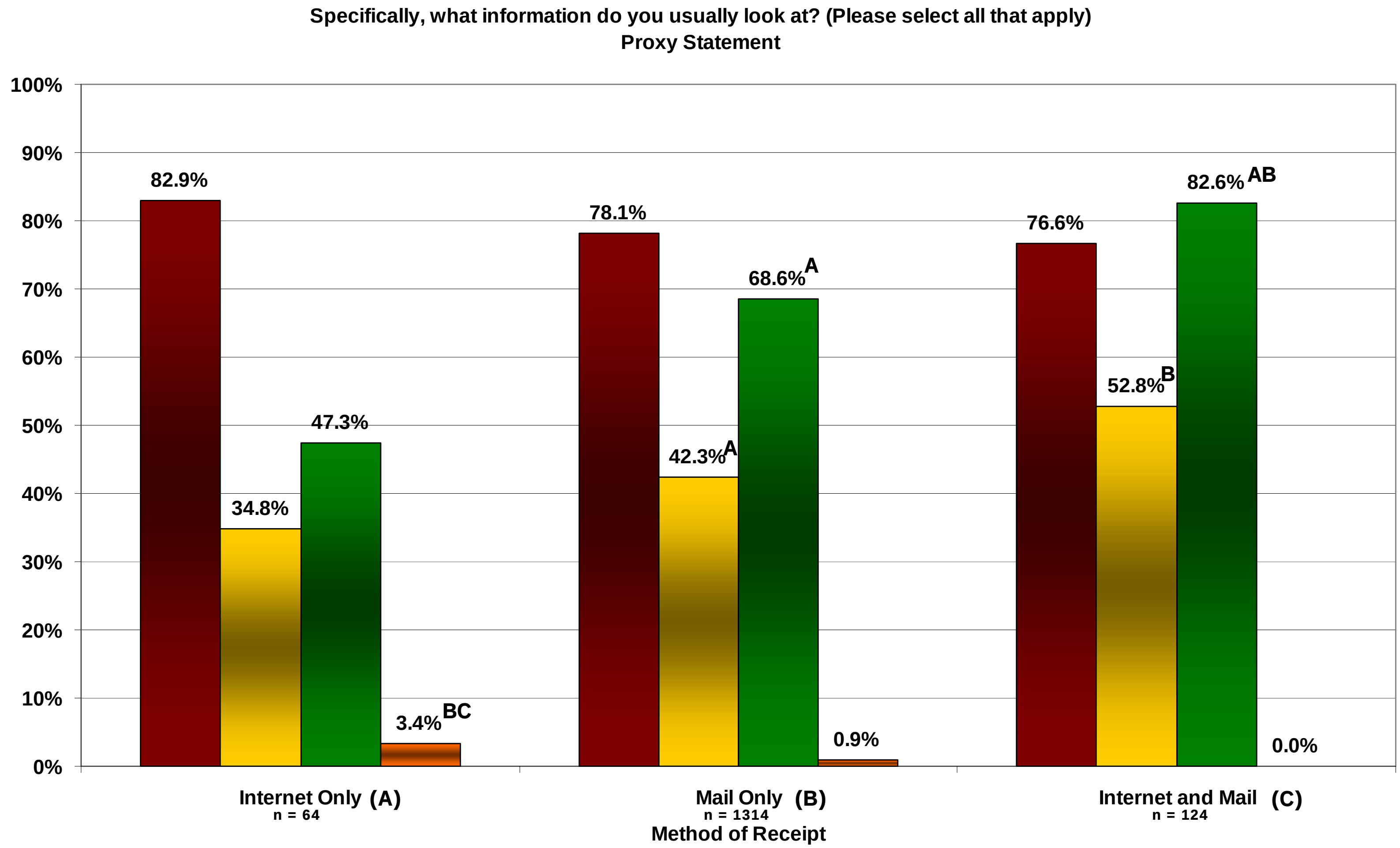


Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Proxy Statements

The large majority of respondents (from 76.6% to 82.9%) say they read proxy statements to get information on Stock Performance. Those receiving materials via Mail only and via Both Internet and Mail also show a high likelihood to read Proposals to be Voted On (68.5% for Mail and 82.6% for Mail and Internet).

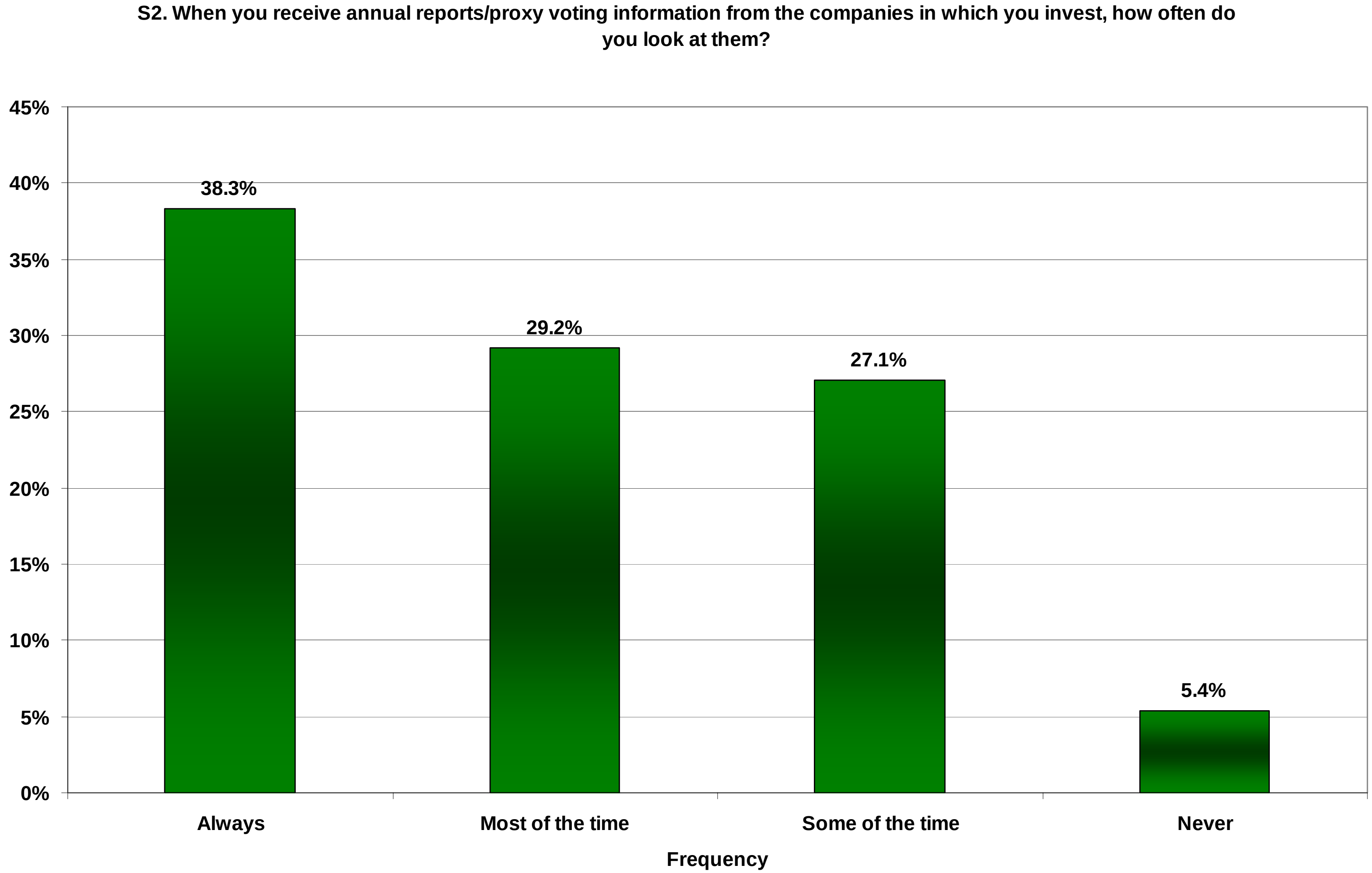


Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Frequency of Viewing Materials

A majority of all respondents (67.5%) say they review the materials they receive Always/Most of the Time.

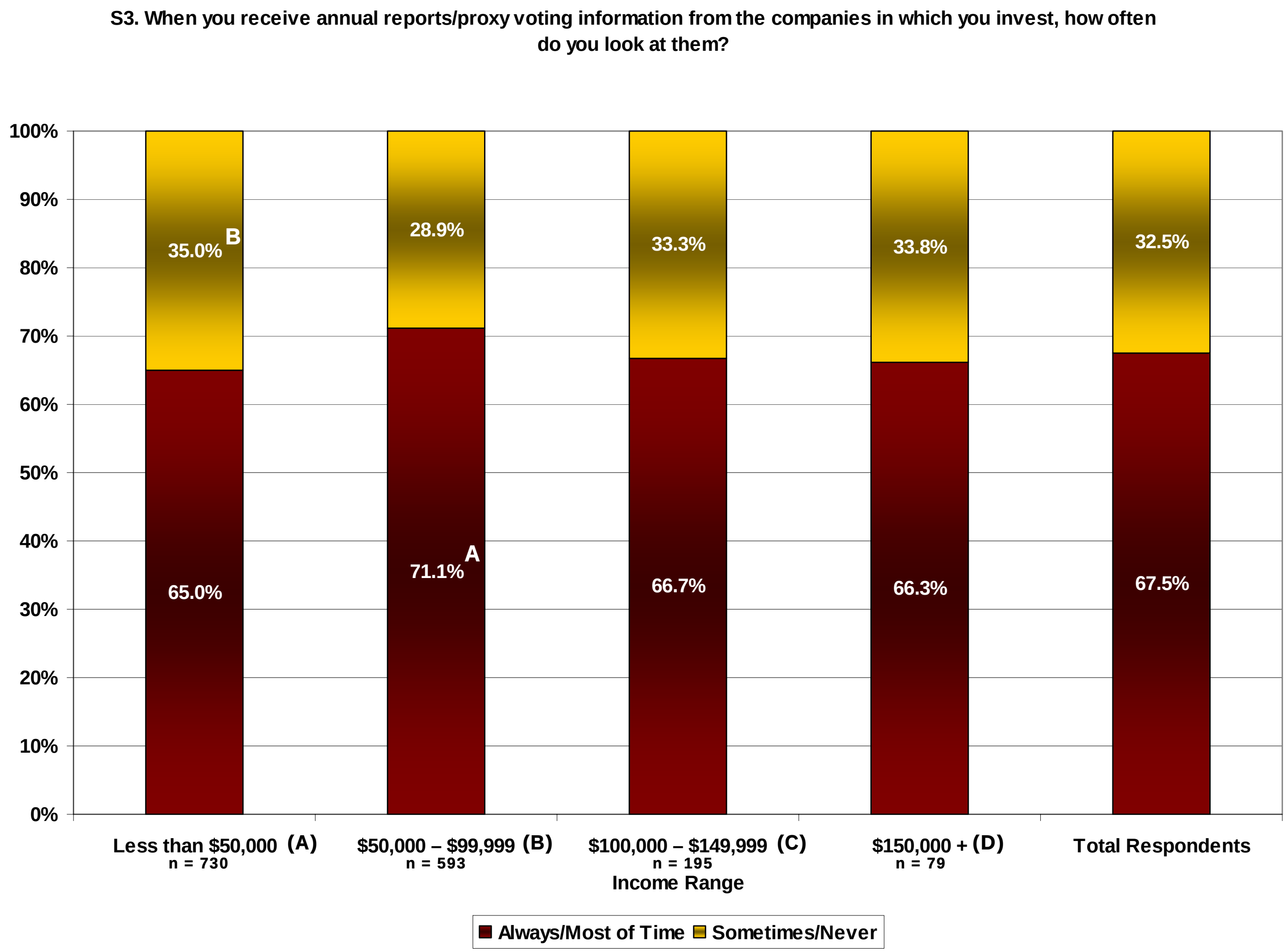


n = 1597

Readership Behavior

Frequency of Viewing Materials

Respondents with incomes of less than $50,000 are more likely than higher income groups to say they Sometimes/ Never look at the materials they receive.

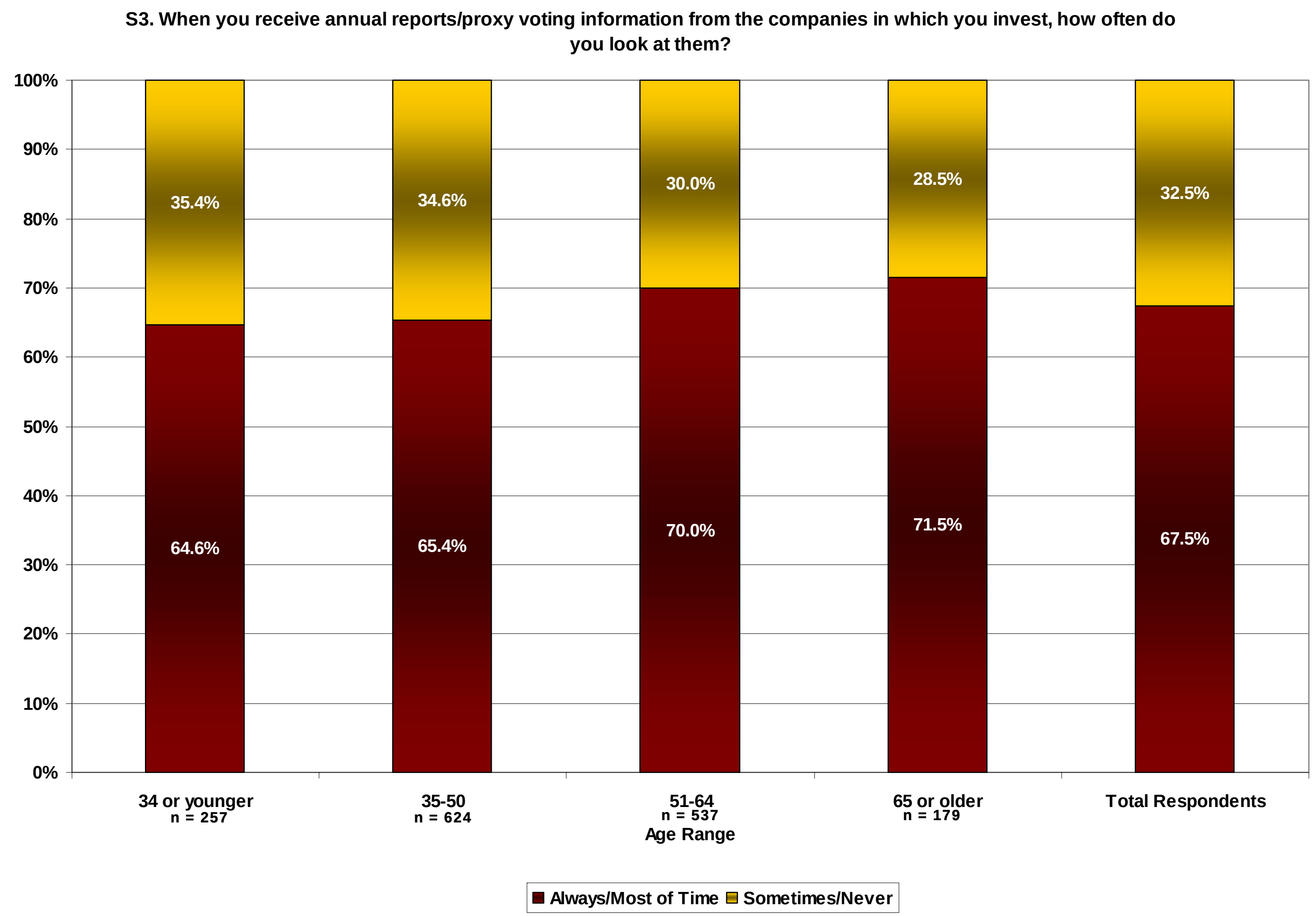


Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Frequency of Viewing Materials

Likewise, respondents younger than 35 years old are a slightly more likely than older groups to say they Sometimes/Never look at the materials they receive.

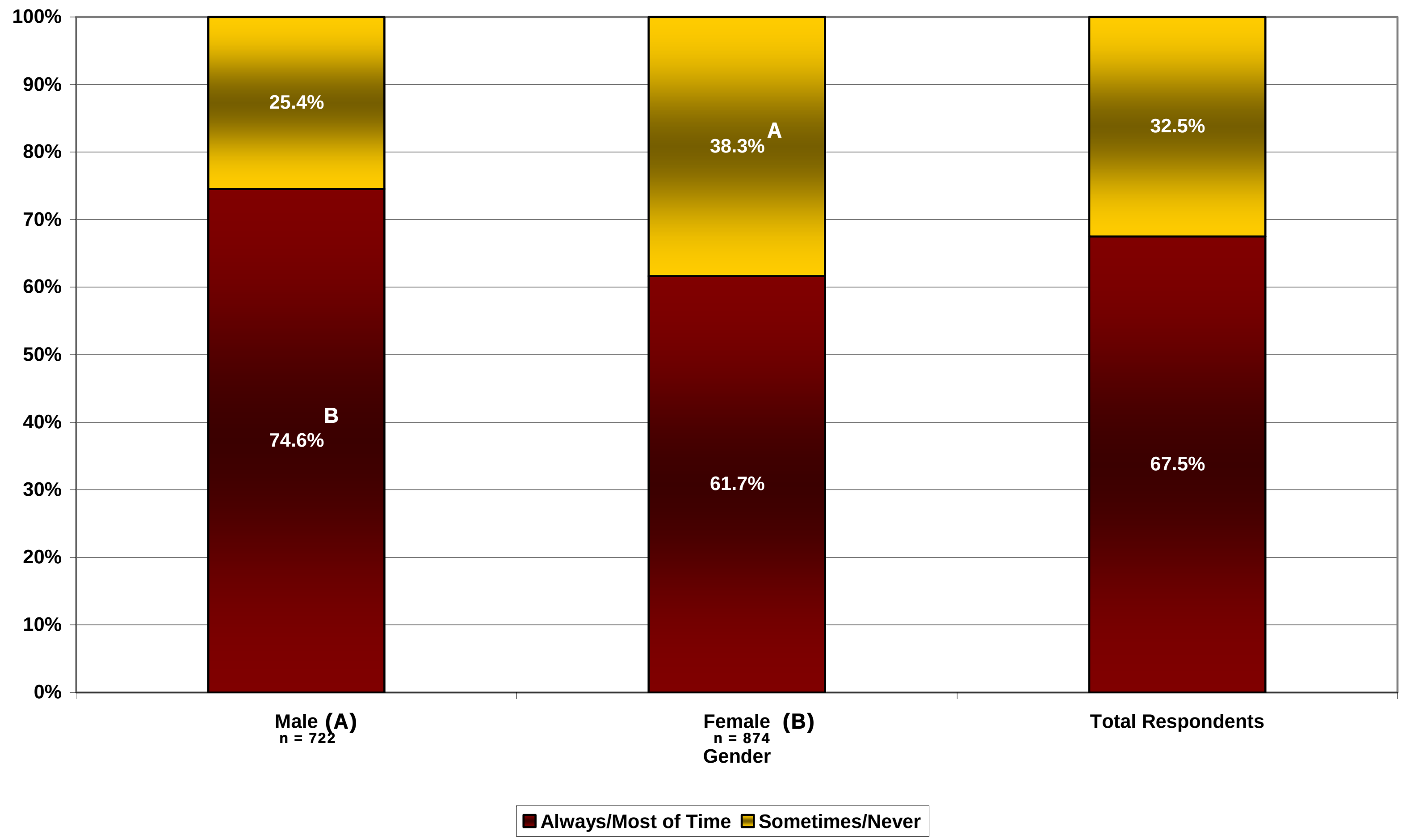


Readership Behavior

Frequency of Viewing Materials

On the other hand, men are significantly more likely than women to say they look a the materials they receive Always/Most of the Time.

S3. When you receive annual reports/proxy voting information from the companies in which you invest, how often do you look at them?



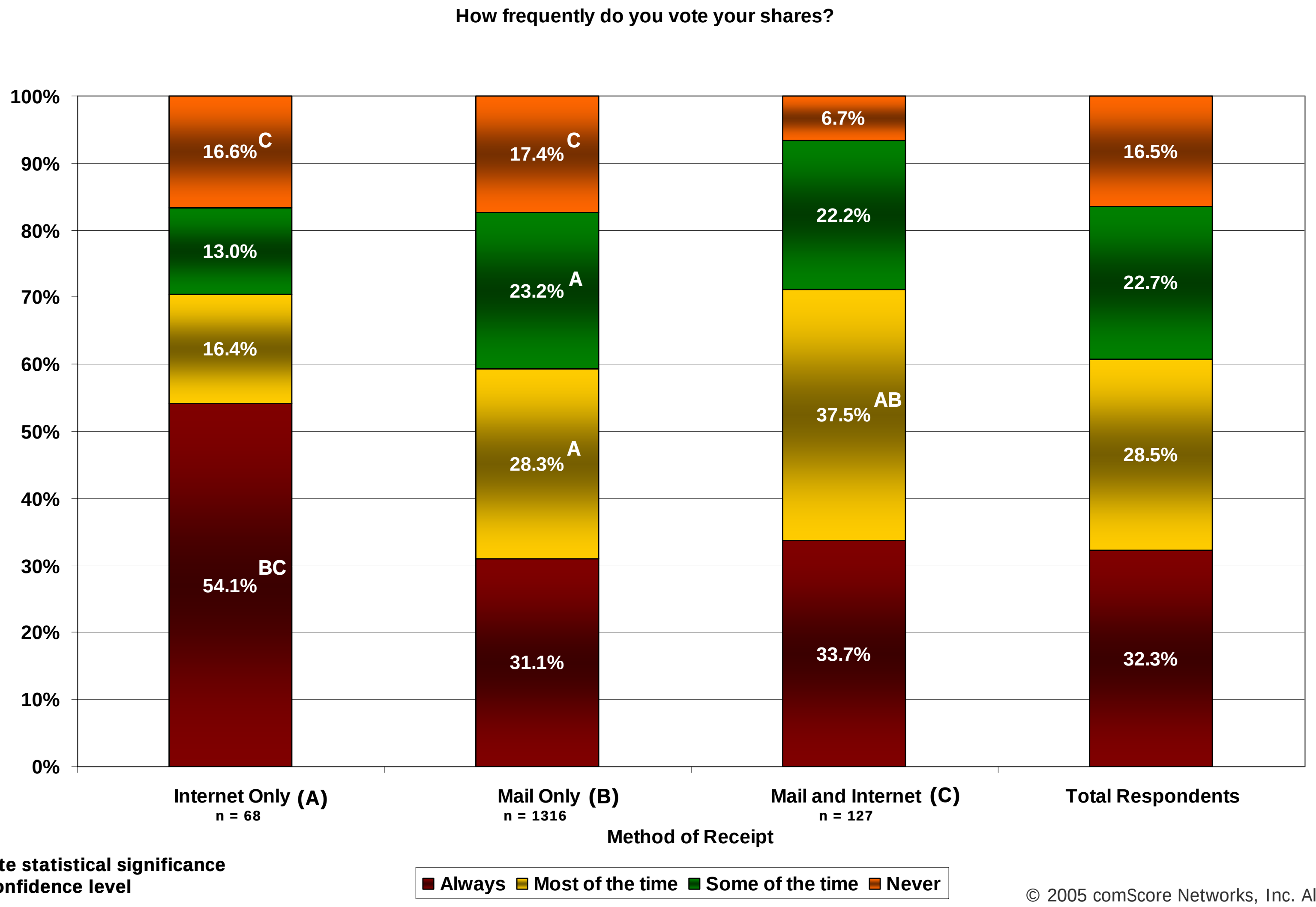
 Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Voting Behavior

Voting Frequency

Over 70% of those receiving their materials via the Internet only and via the Both Internet and Mail say they vote Always/Most of the Time, while 59.4% of those receiving via Mail vote Always/Most of the Time.



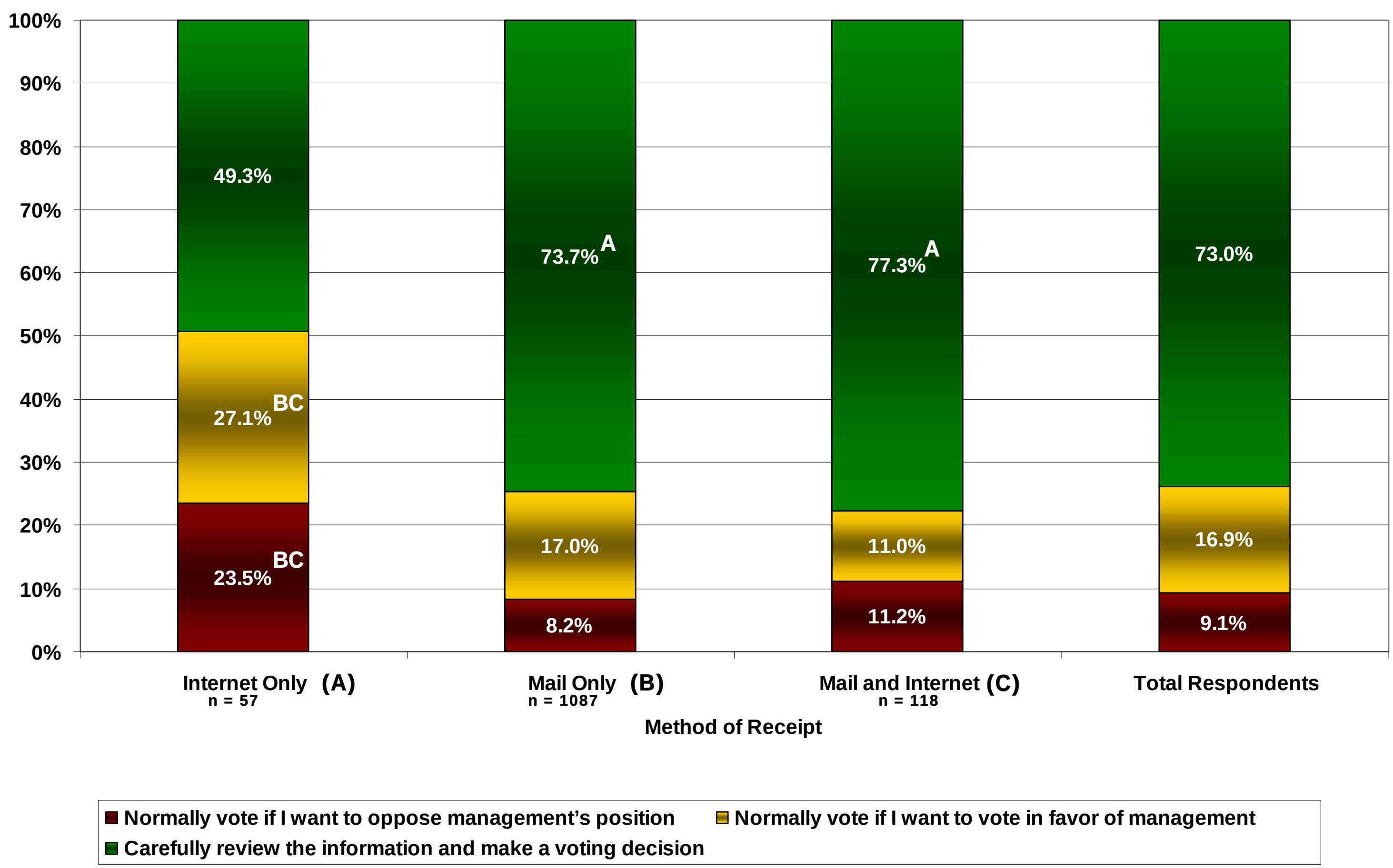
Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Voting Actions

A slight majority (50.6%) of those receiving materials over the Internet only are more likely to say they vote in favor of or in opposition to management's position, while 7 out of 10 of those receiving materials via Mail only or Both Internet and Mail say they "carefully review the information and make a voting decision".

When you vote your shares, which of the following do you do?

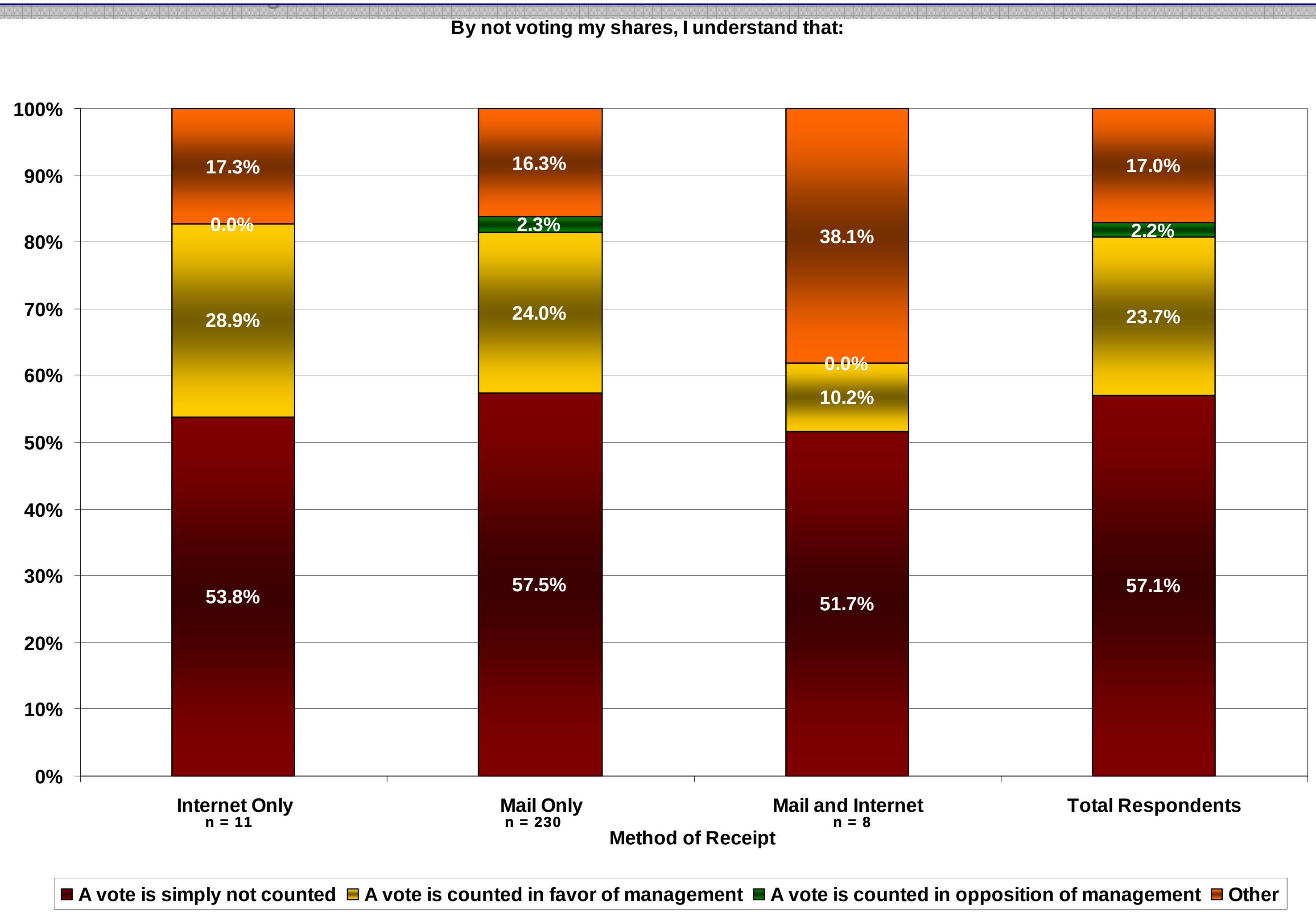


 Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Beliefs About Not Voting

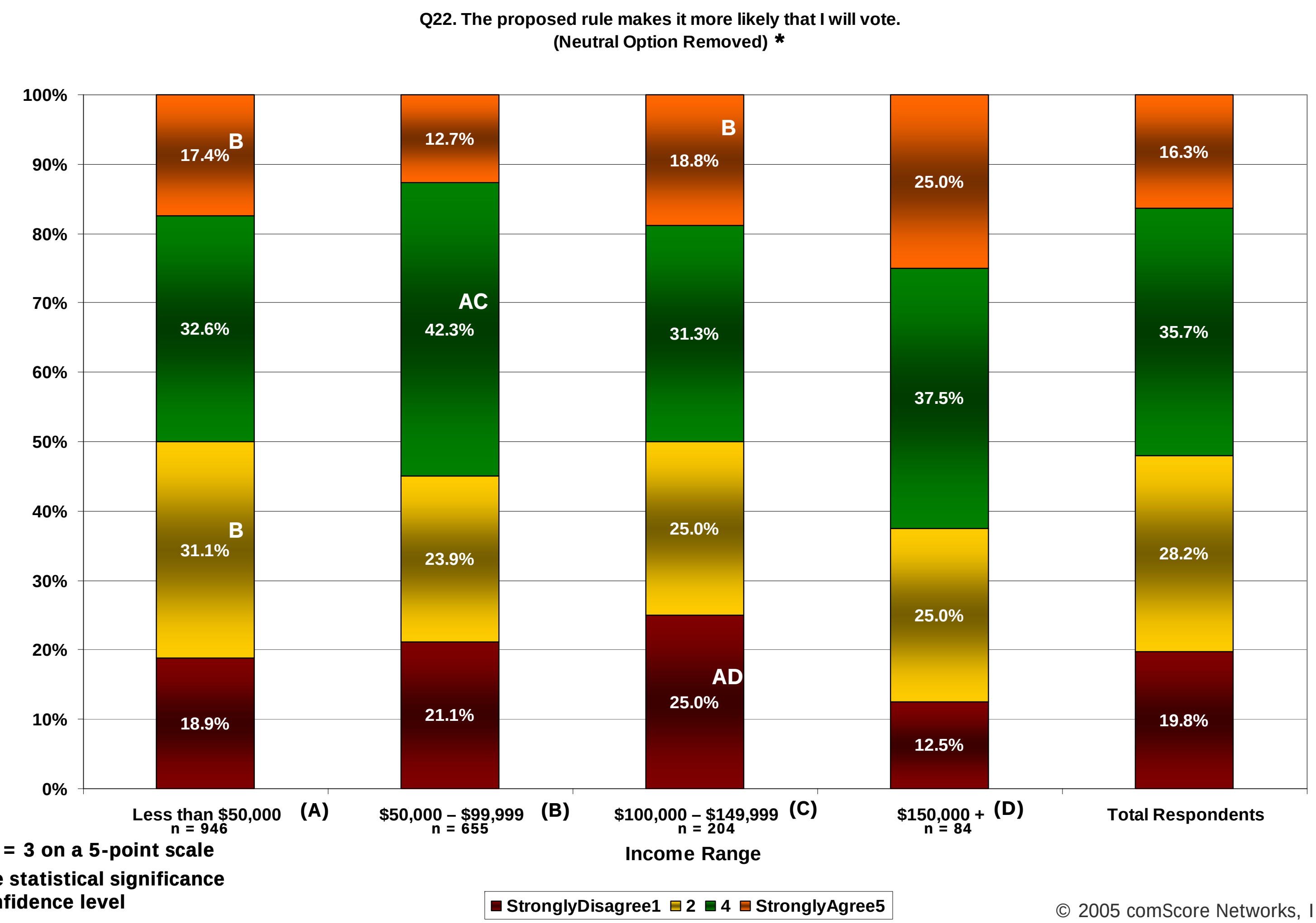
Those who receive materials via both Mail and the Internet appear to be the least likely to understand that not casting a vote is the same as voting in favor of management. The majority of all respondents, however, appear not to understand the true result of not voting.



Voting Behavior

Likelihood to Vote by Income Range

Respondents with incomes of $100,000 - $149,000 are significantly more likely than lower income respondents to say they Strongly Disagree that the proposed rule makes it more likely that they will vote.



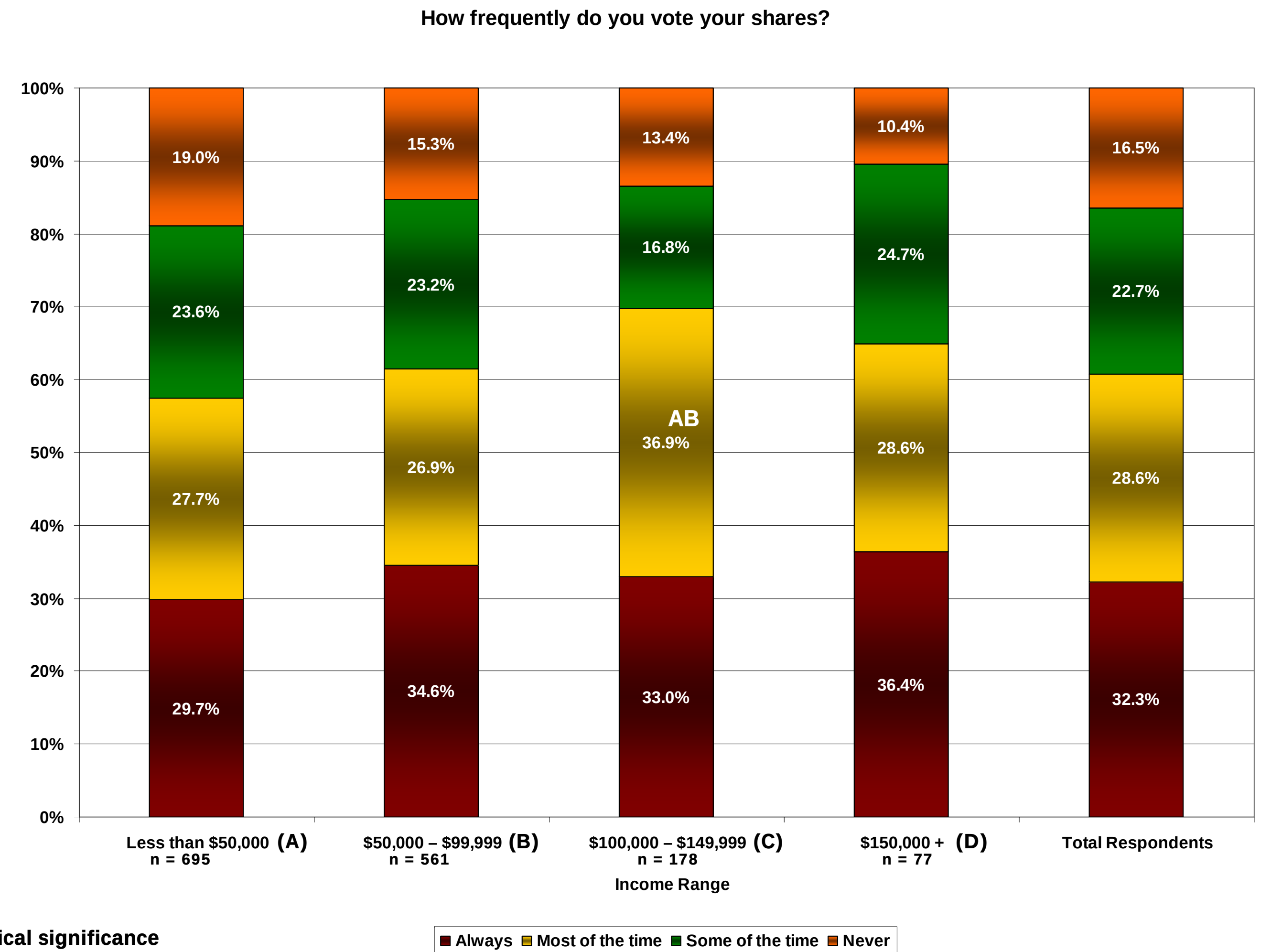
*Neutral option = 3 on a 5-point scale

Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Voting Frequency

Respondents with incomes of less than $50,000 are the most likely to say they vote Some of the Time or Never, while almost 70% of those with incomes of $100,000 - $149,000 say they vote Always or Most of the Time (significantly higher than those with lower incomes). Generally, higher incomes yield a majority who say they vote Always/Most of the Time.

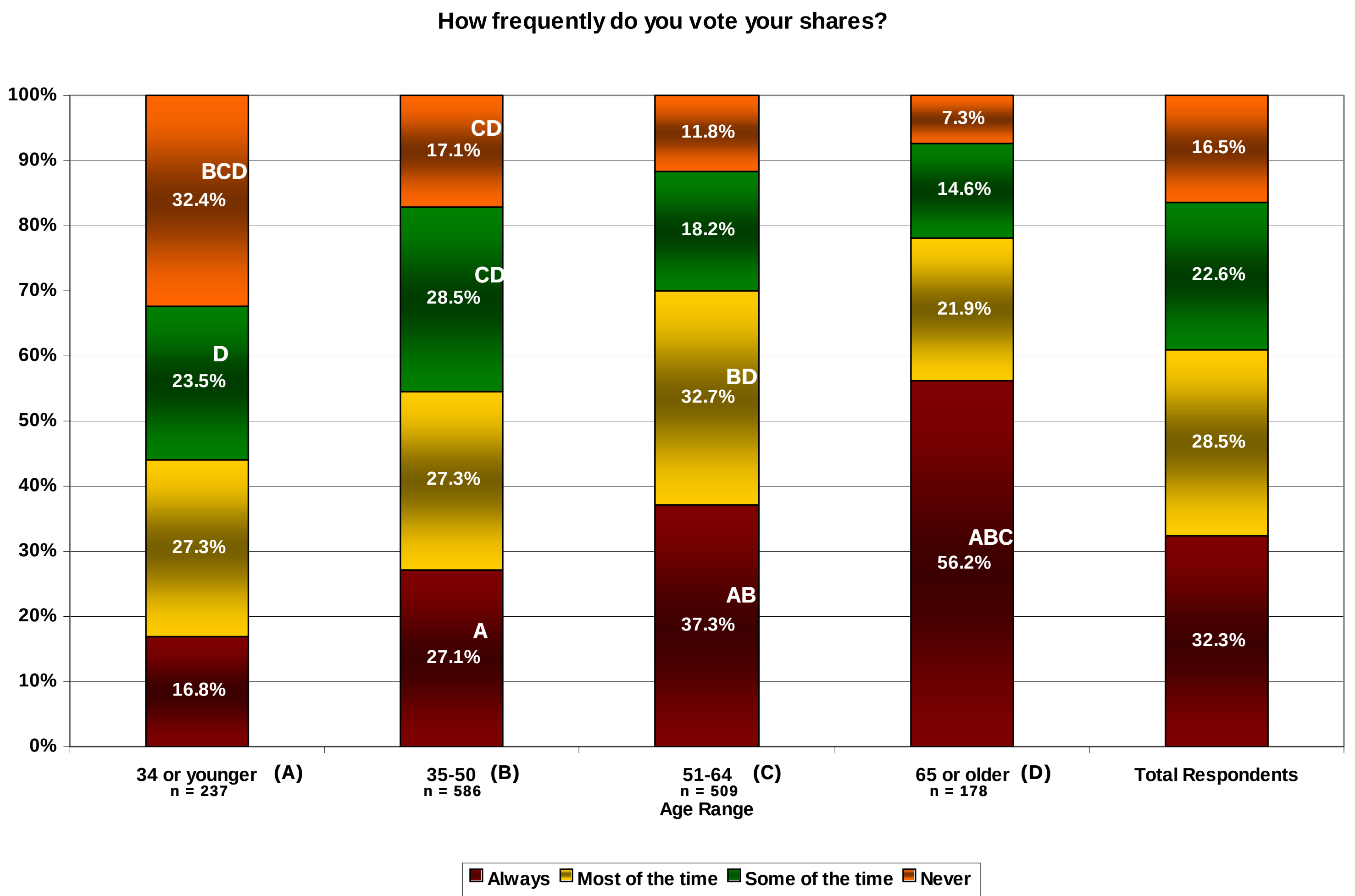


Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Voting Frequency

In addition, older respondents are substantially more likely to say they vote Always/Most of the Time than are younger respondents.

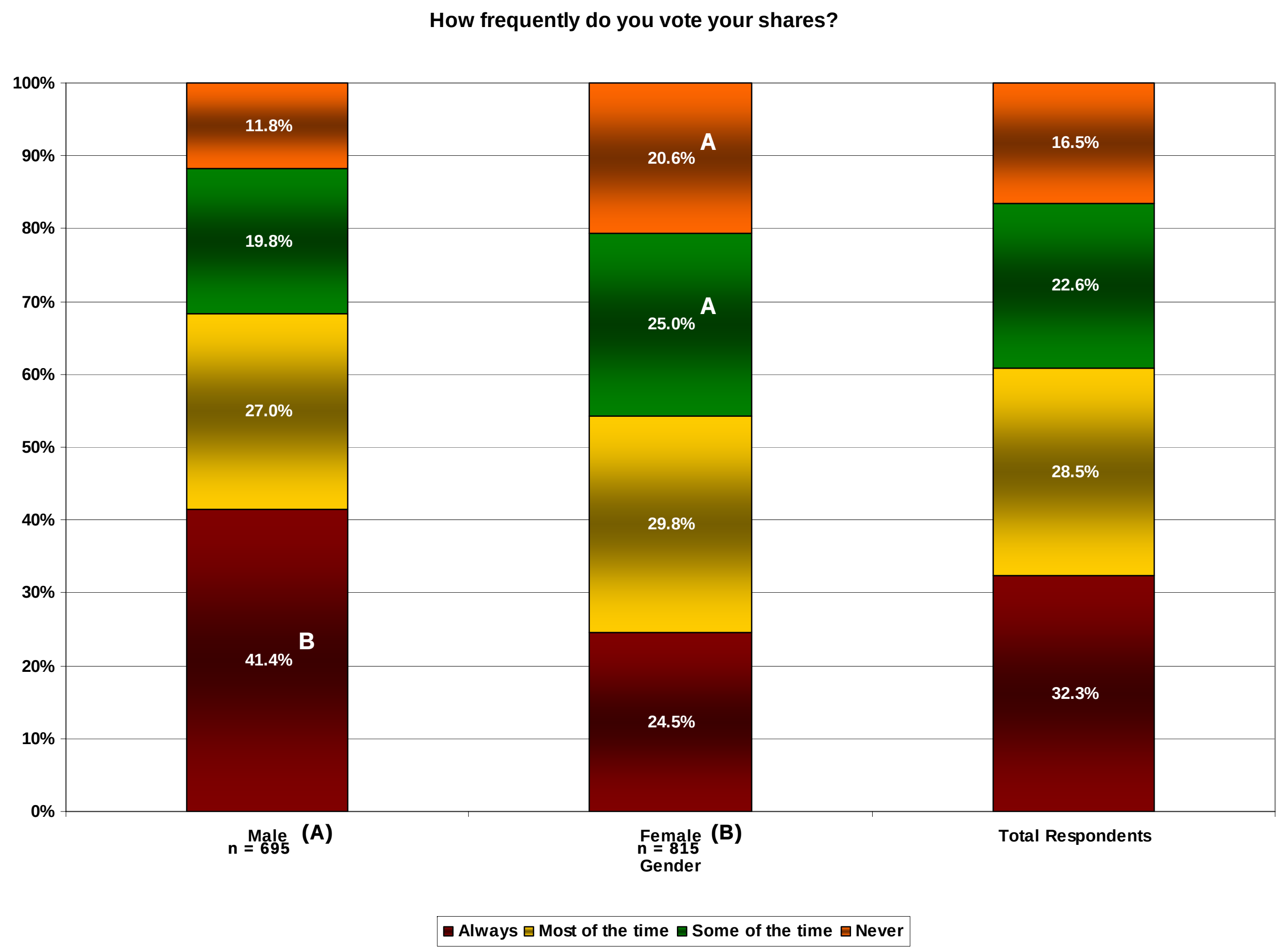


Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Voting Frequency

Men are somewhat more likely than women to say they vote Always/Most of the Time (and men are significantly more likely to say they Always vote), but the majority for <u>both</u> males and females say this.



Letters indicate statistical significance at the 95% confidence level

Overall Reaction to Proposed Rule and Impact on Readership, Voting and Other Key Action Steps

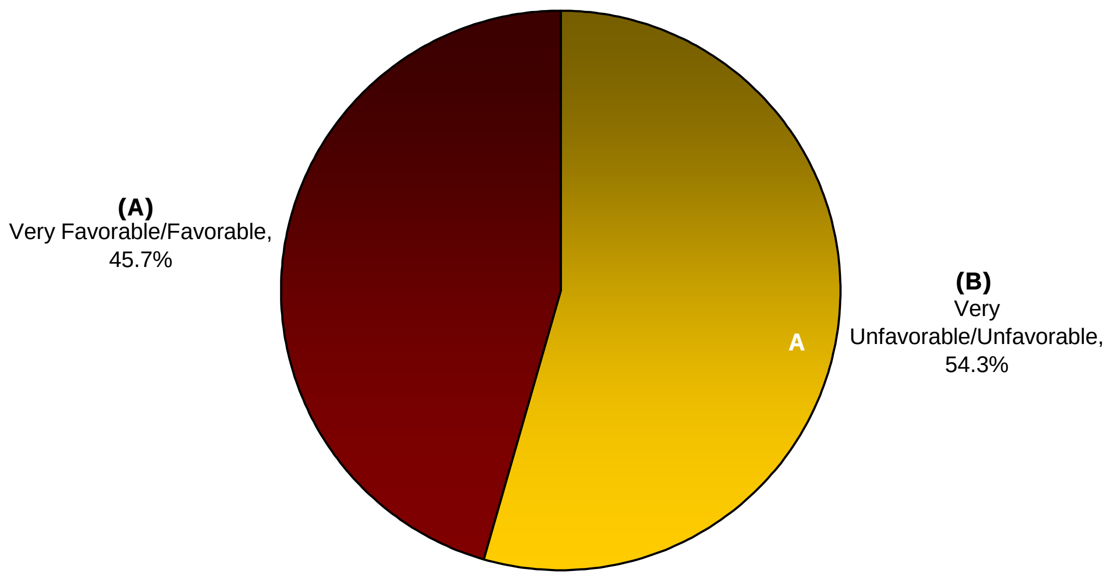
Total Respondents

Overall Reaction to Proposed Rule

Total Respondents

The majority of total respondents say their overall reaction to the proposed new SEC rule is Very Unfavorable/Unfavorable.

23. What is your general reaction to the proposed rule for obtaining annual reports and proxy voting information? (Total Respondents)



n = 1889

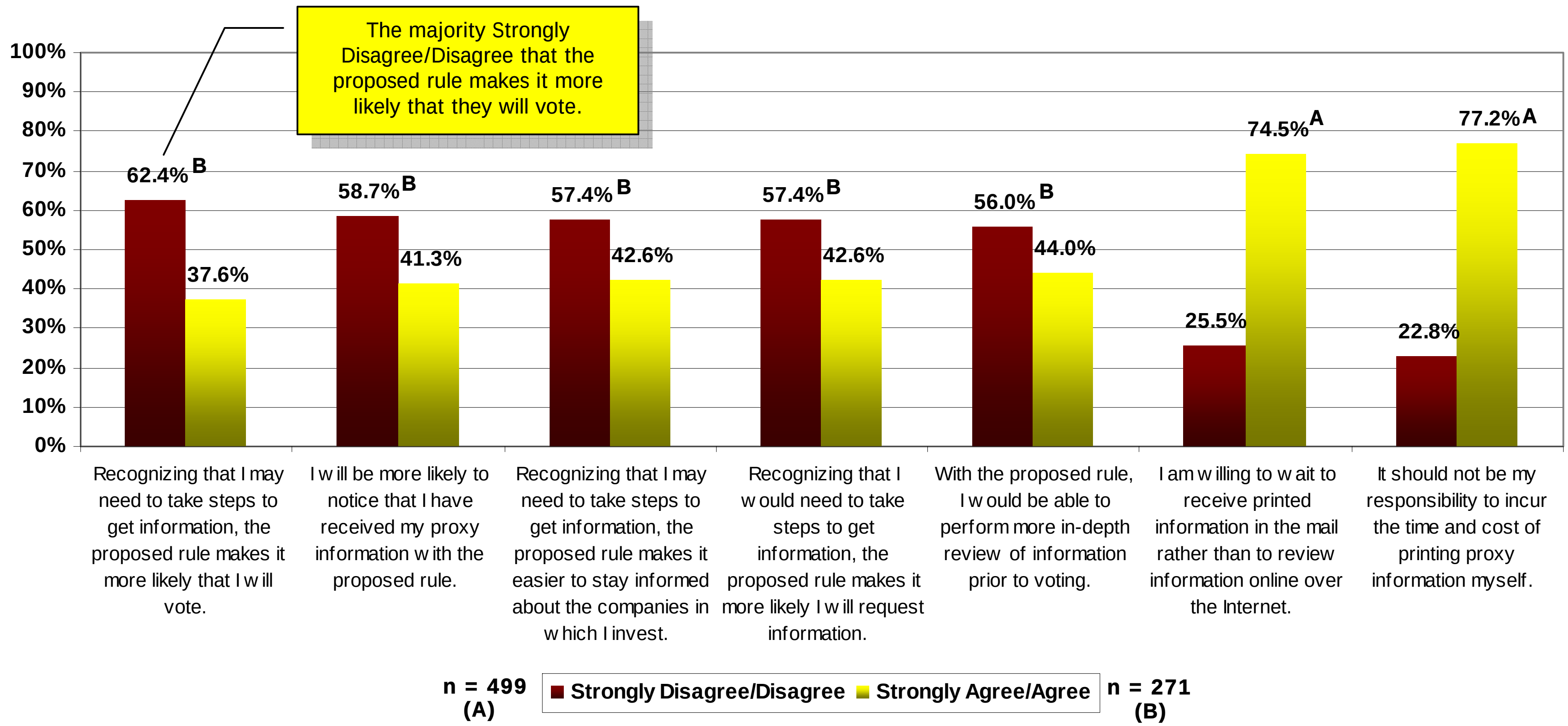
Letters indicate statistical significance at the 95% confidence level

Attitudes Towards Proposed Rule

Total Respondents: Impact on Key Action Steps

For selected key action steps related to proxy material review and voting, the majority of total respondents show relatively negative attitudes towards the new rule. Specifically, over 62% Strongly Disagree/Disagree that the new rule "makes it more likely that I will vote." Respondents also say they Strongly Agree/Agree that they are willing to wait for printed materials and do not believe they should be responsible for printing materials received over the Internet.

Q22. Based on your understanding of the current rule and of the proposed rule, please provide your level of agreement or disagreement with the following statements.



Letters indicate statistical significance at the 95% confidence level

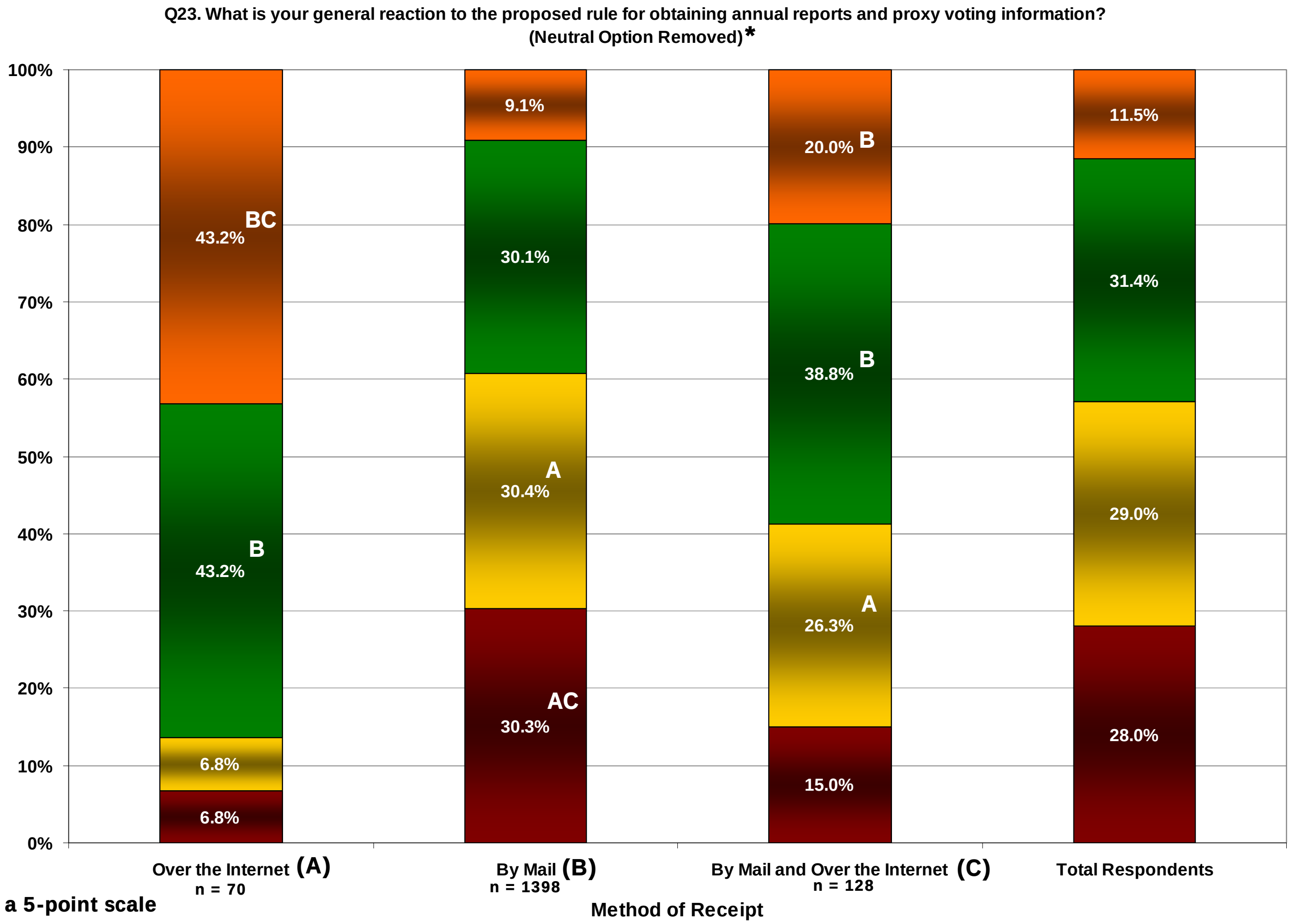
Overall Reaction to Proposed Rule and Impact on Voting

By Current Method of Receiving Annual Reports and Proxy Voting Information

Overall Reaction to Proposed SEC Rule

Reaction by Method of Receipt of Materials

Those currently receiving their materials by Mail are significantly more likely to view the proposed rule unfavorably than those receiving materials over the Internet. The majority of those receiving material via both methods tend to view the proposed rule favorably.



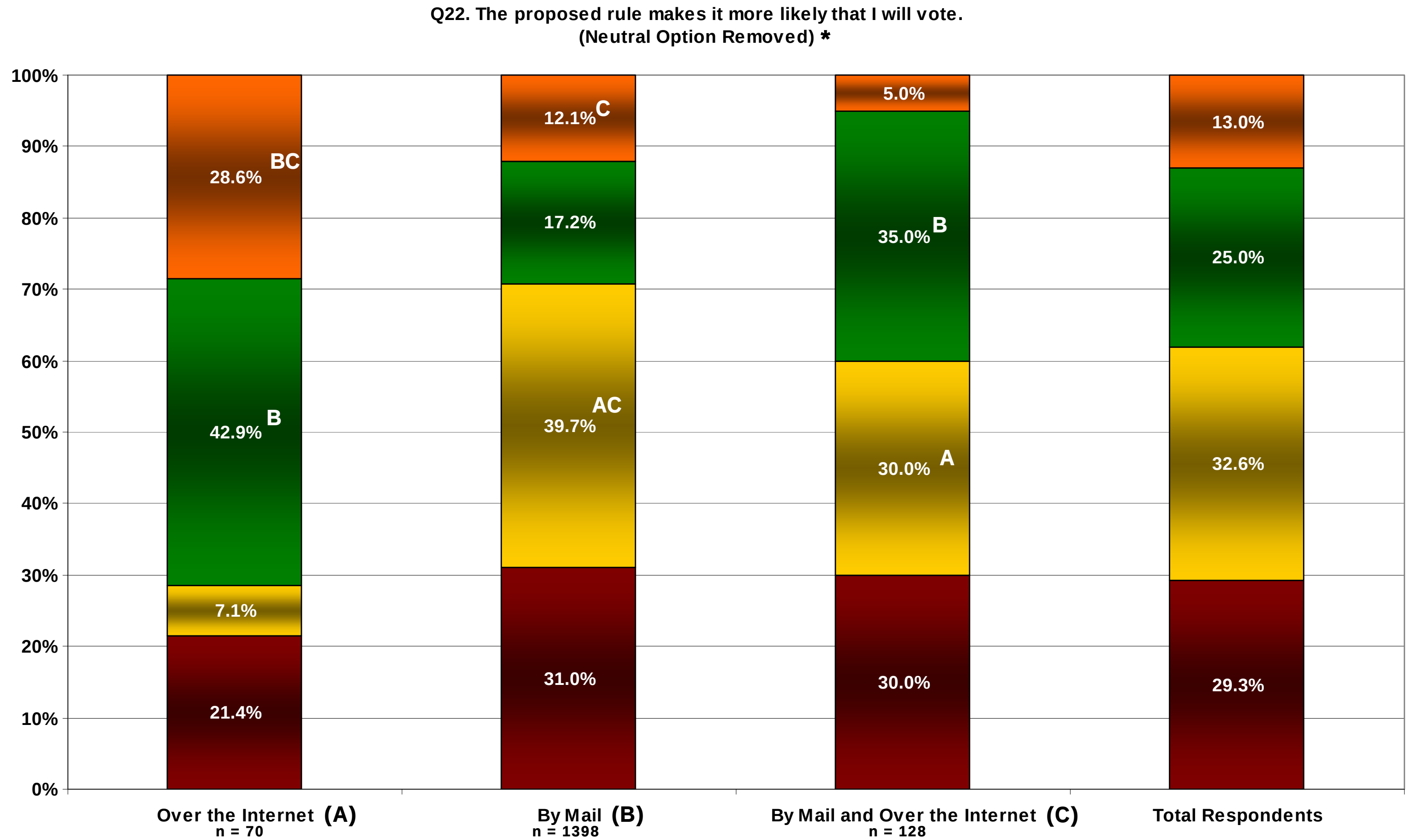
*Neutral option = 3 on a 5-point scale

Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Likelihood to Vote

Similarly, the large majority (70.7%) of those receiving their materials via Mail Strongly Disagree/Disagree that the new rule will make them more likely to vote. Over 70% of those receiving materials over the Internet Strongly Agree/Agree that the new rule will increase their likelihood of voting.



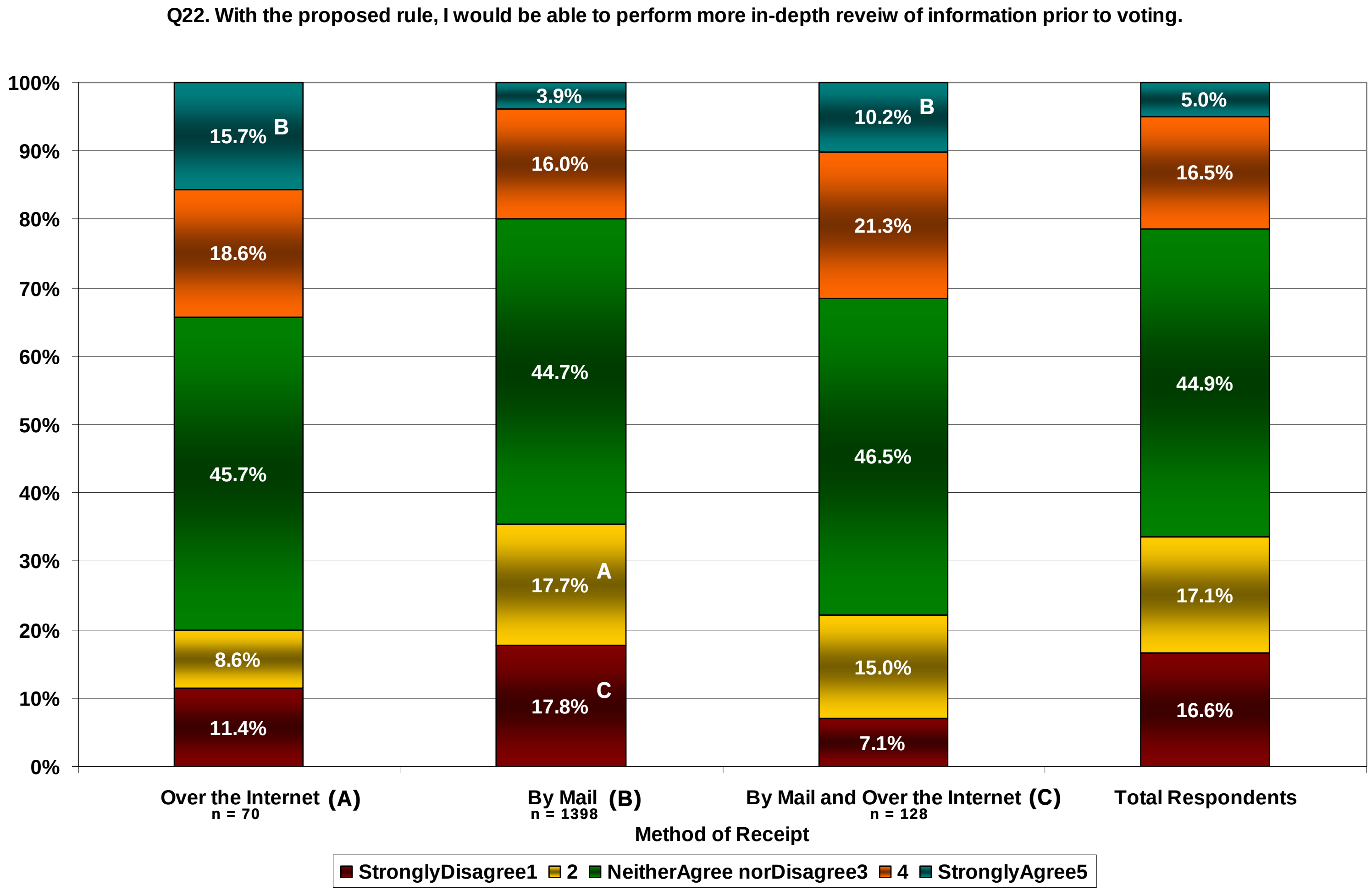
*Neutral option = 3 on a 5-point scale

Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Impact of Rule on Viewing

Those receiving materials via the Internet and via Mail and Internet are more likely to say they Strongly Agree/Agree that the proposed rule would allow them to do more in-depth reviews prior to voting – 34.3% for Internet; 31.5% for Both Internet and Mail. Those receiving by Mail only (35.5%) are more likely to Strongly Disagree/Disagree that the new rule will support more in-depth reviews.

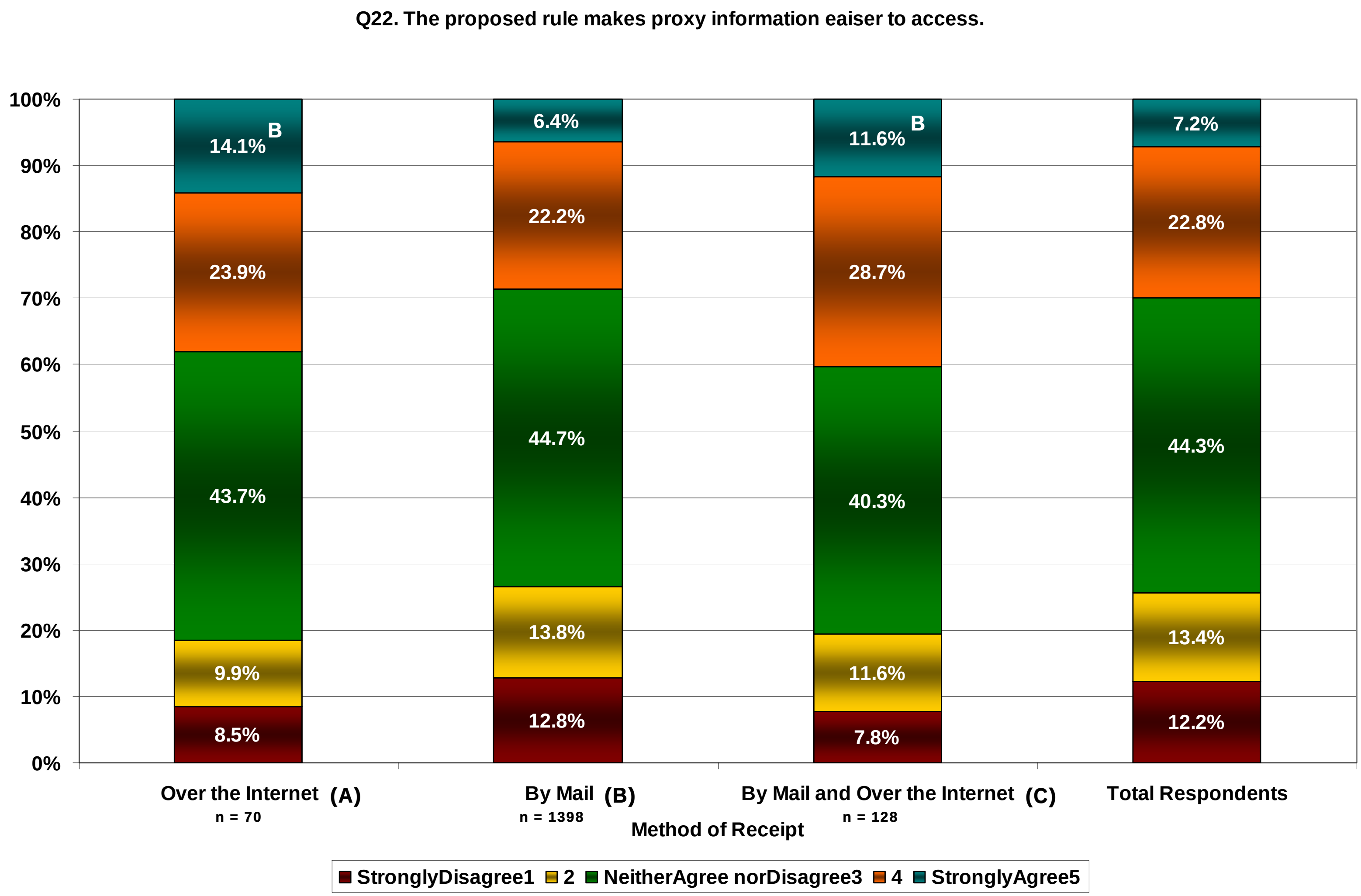


Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Impact of Rule on Viewing

Those receiving materials over the Internet only or by Mail and the Over the Internet are more likely to Strongly Agree/Agree that the proposed rule makes proxy information easier to access.



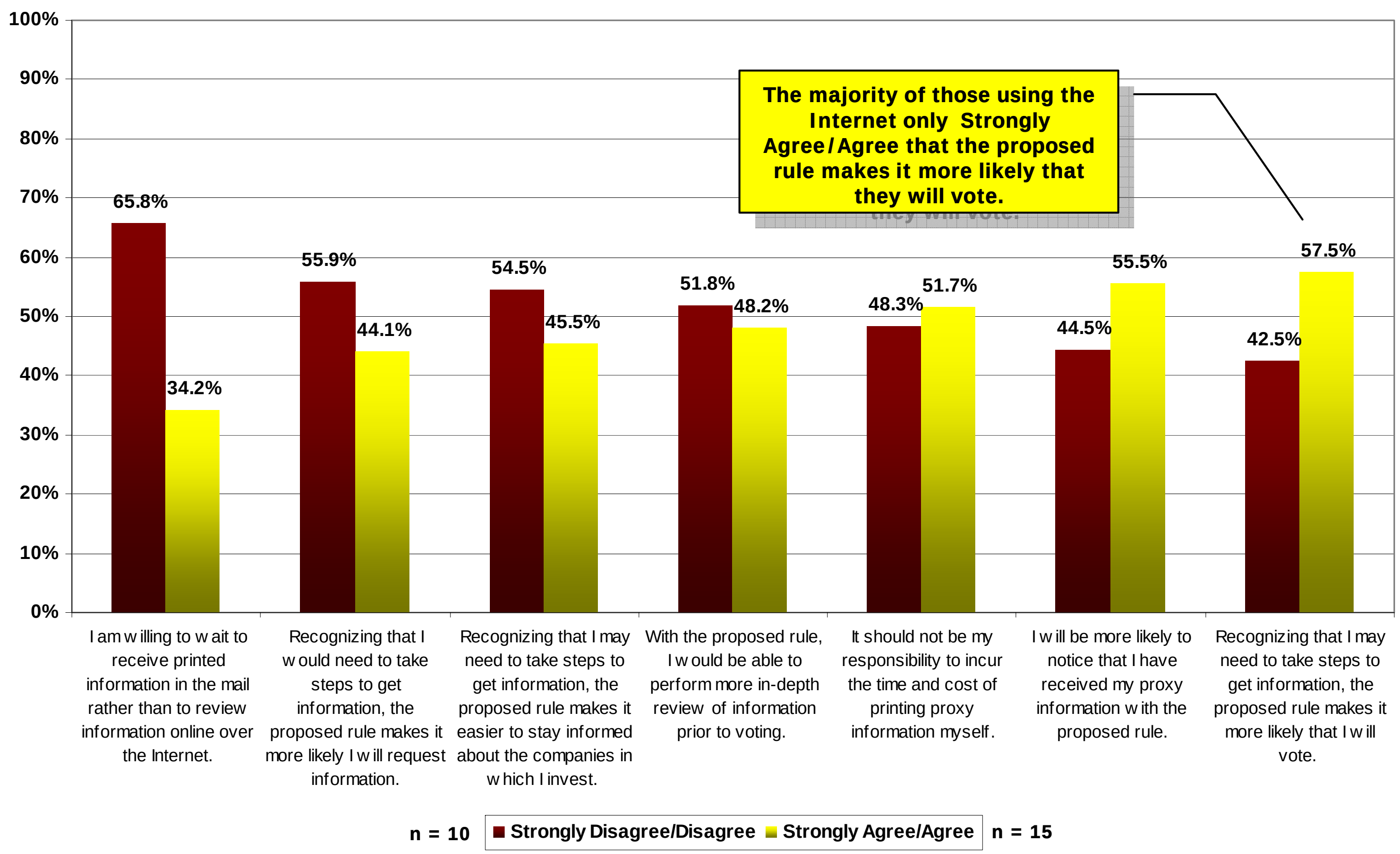
Letters indicate statistical significance at the 95% confidence level

Attitudes Towards Proposed Rule

Internet Only Respondents: Impact on Key Action Steps

Among those using the Internet only, there is much greater comfort with this channel and less patience with waiting for mail to start the proxy review and voting process. Almost 66% say they Strongly Disagree/Disagree that they are "willing to wait to receive printed information…". A majority also say they are more likely to request information and review it in greater depth as a result of the new rule.

Q22. Based on your understanding of the current rule and the proposed rule, please provide your level of agreement or disagreement with the following statements.



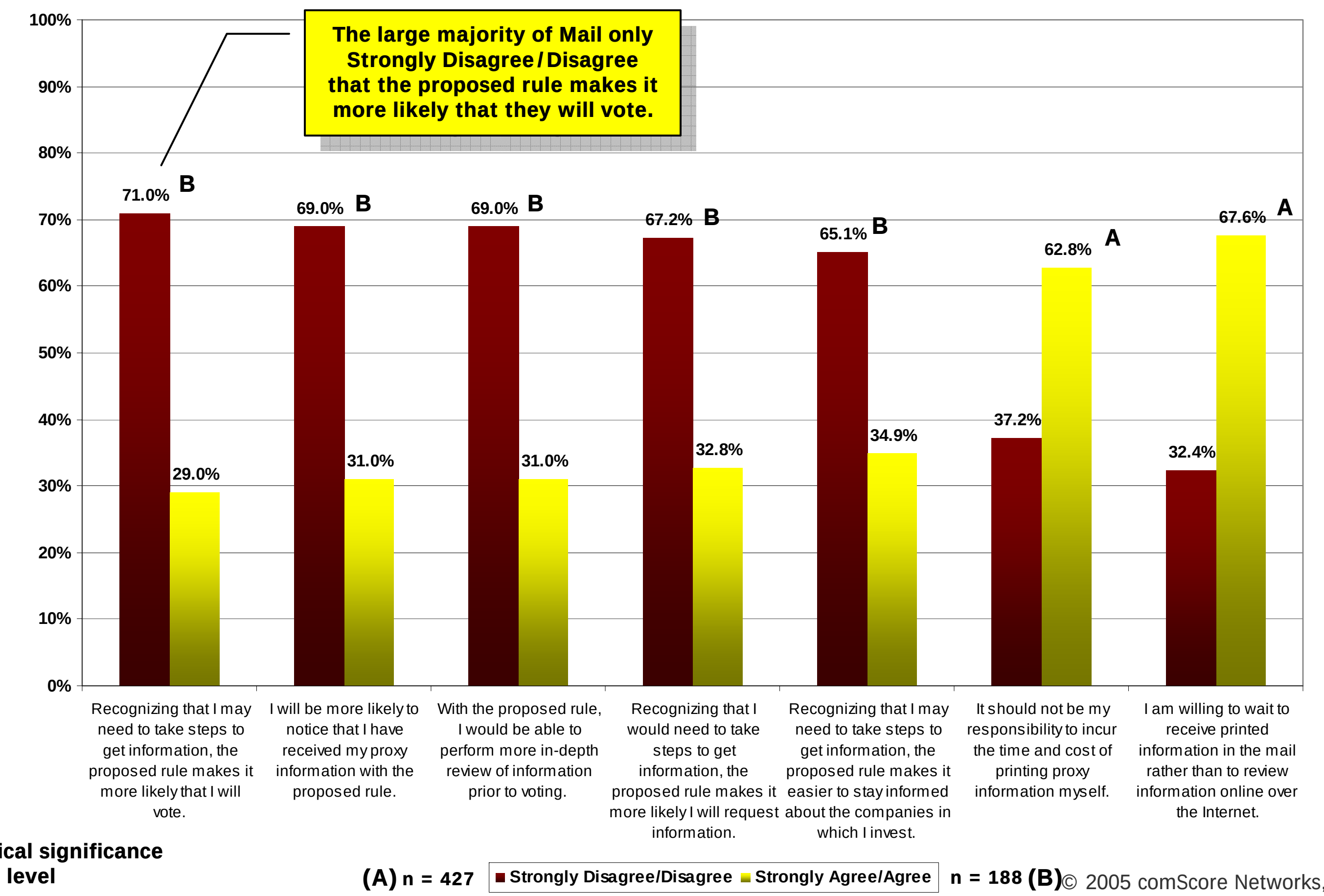
Letters indicate statistical significance at the 95% confidence level

Attitudes Towards Proposed Rule

Mail Only Respondents: Impact on Key Action Steps

Respondents receiving materials by Mail only are generally much more negative than other respondents in their attitudes toward the new rule and its impact on key action steps. Over 70% say they Strongly Disagree/Disagree that the new rule will make them more likely to vote. A large majority also Strongly Disagree/Disagree that the new rule will make them more likely to request information or that the rule will make them more informed about companies they invest in.

Q22. Based on your understanding of the current rule and of the proposed rule, please provide your level of agreement or disagreement with the following statements.



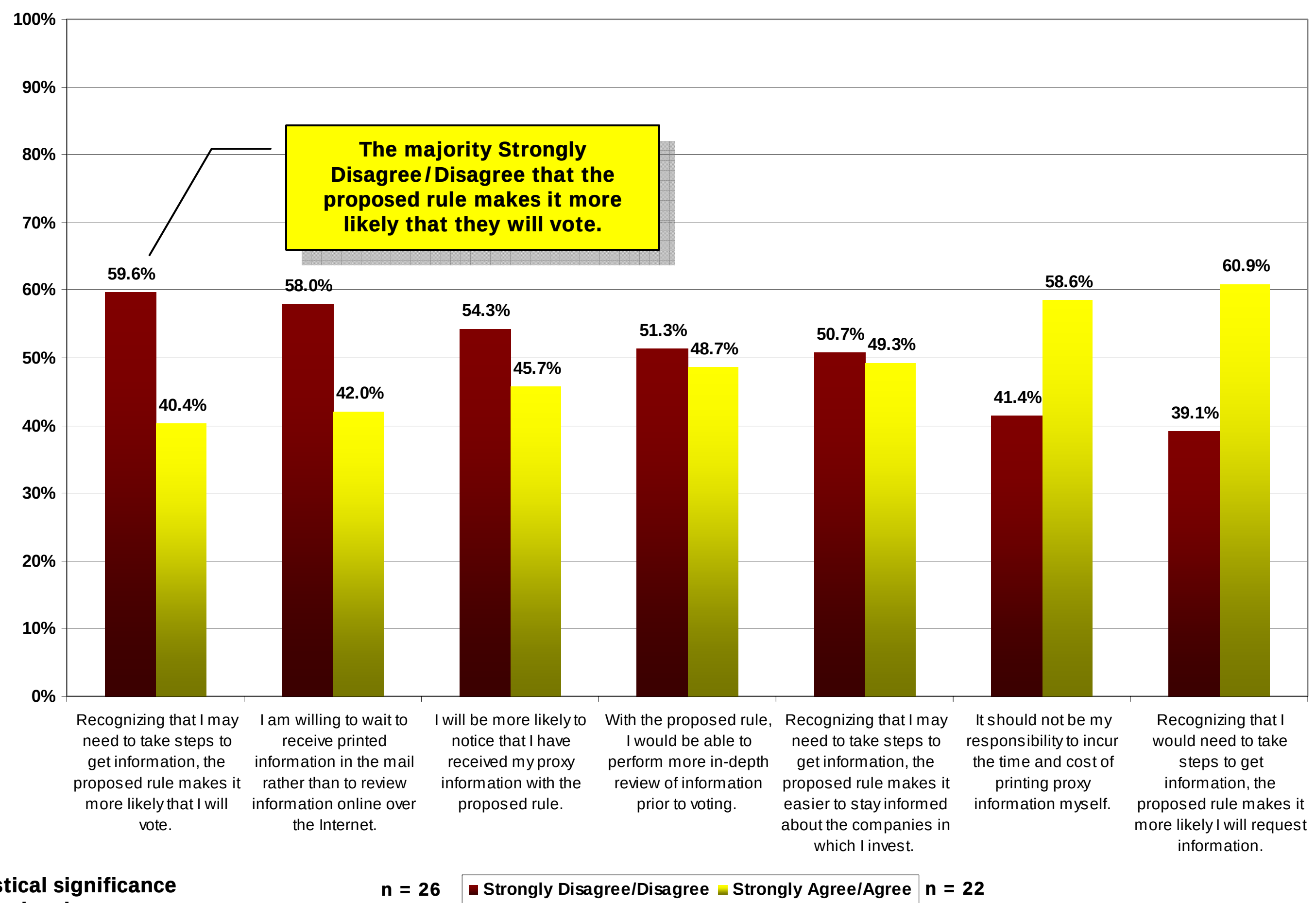
Letters indicate statistical significance at the 95% confidence level

Attitudes Towards Proposed Rule

Both Internet and Mail Respondents: Impact on Key Action Steps

The majority of those receiving materials via both Mail and Internet also appear to be uncomfortable with the rule. Almost 60% say they Strongly Disagree/Disagree that the new rule will increase their likelihood to vote. At the same time, they are also impatient to receive their materials and are more likely to request more information online.

Q22. Based on your understanding of the current rule and the proposed rule, please provide your level of agreement or disagreement with the following statements.



Letters indicate statistical significance at the 95% confidence level

Overall Reaction to Proposed Rule and Impact on Voting

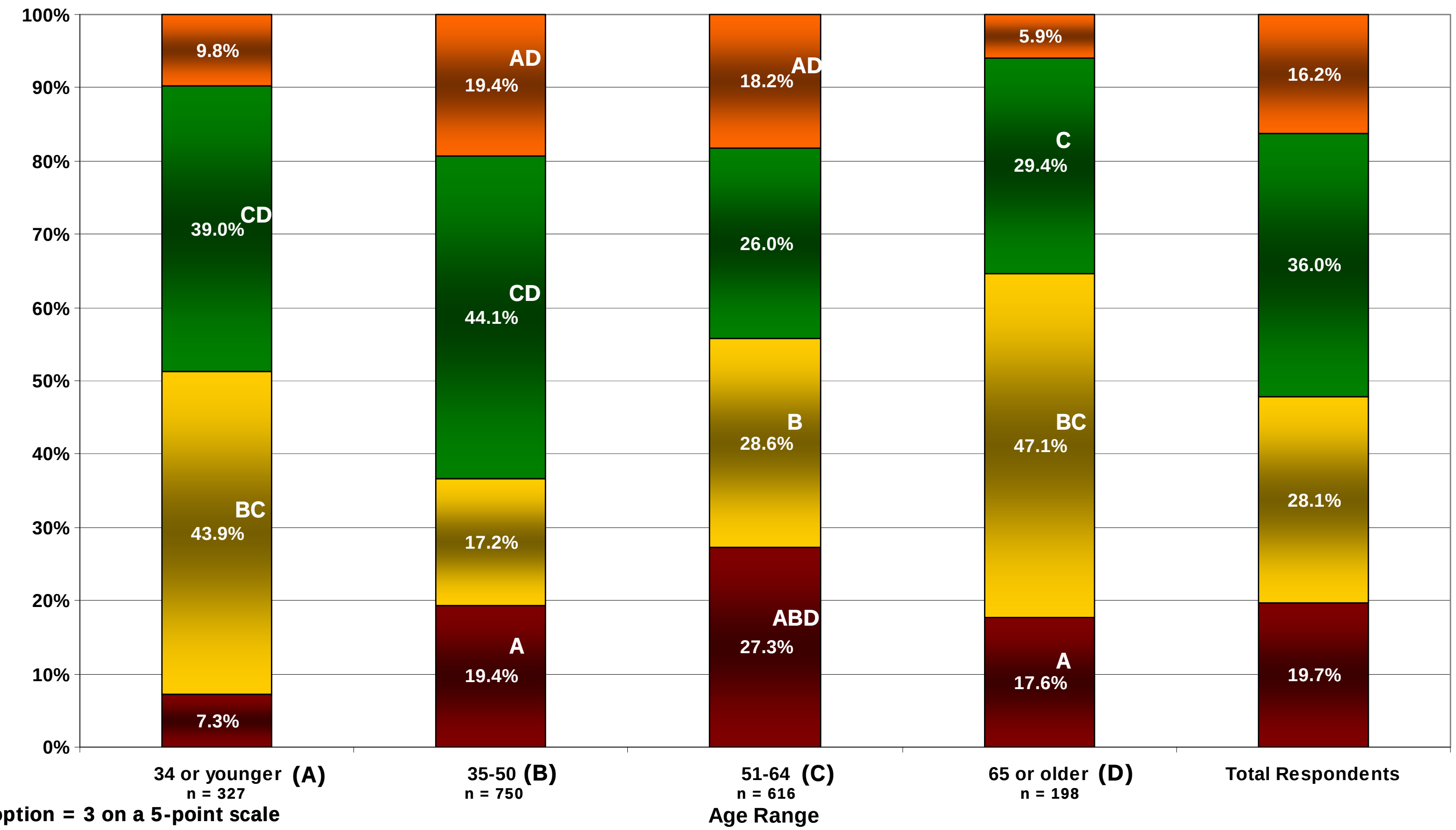
By Demographic Groups

Voting Behavior

Likelihood to Vote by Age Group

The youngest (less than 34) group tends to be split on the impact of the rule on their likelihood to vote – perhaps because this group has the least experience voting at all. As a general rule for those 35 and older, the older the group, the more likely it is to Strongly Disagree/Disagree that the new rule will increase the likelihood to vote.

Q22. The proposed rule makes it more likely that I will vote.
(Neutral Option Removed)*



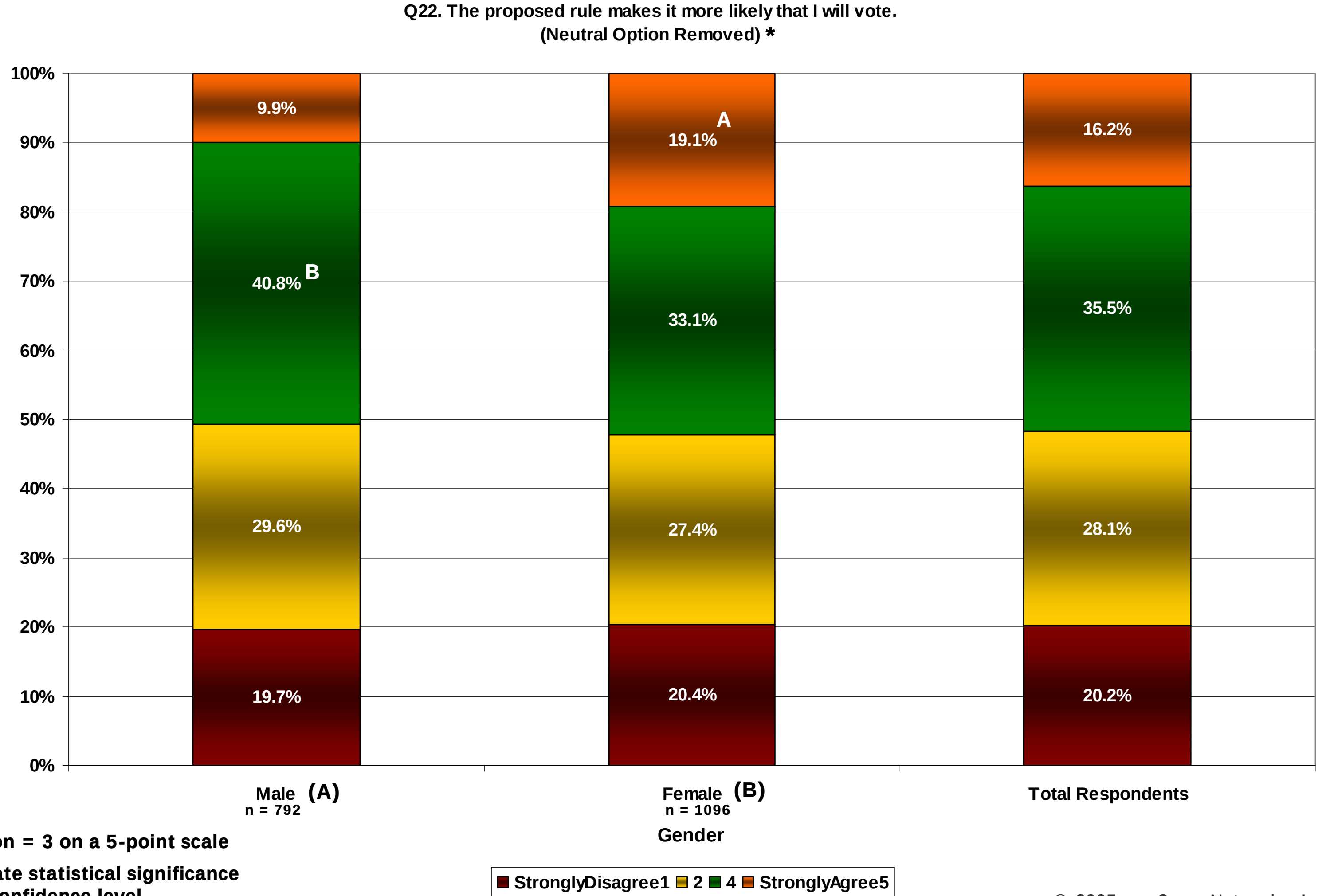
*Neutral option = 3 on a 5-point scale

Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Likelihood to Vote by Gender

The proportion of men and women who Strongly Disagree/Disagree that the new rule will increase their voting is roughly the same. Women are more likely to Strongly Agree that the rule will increase their likelihood to vote than men (19.1% to 9.9%).



*Neutral option = 3 on a 5-point scale

Letters indicate statistical significance at the 95% confidence level

The Age Difference

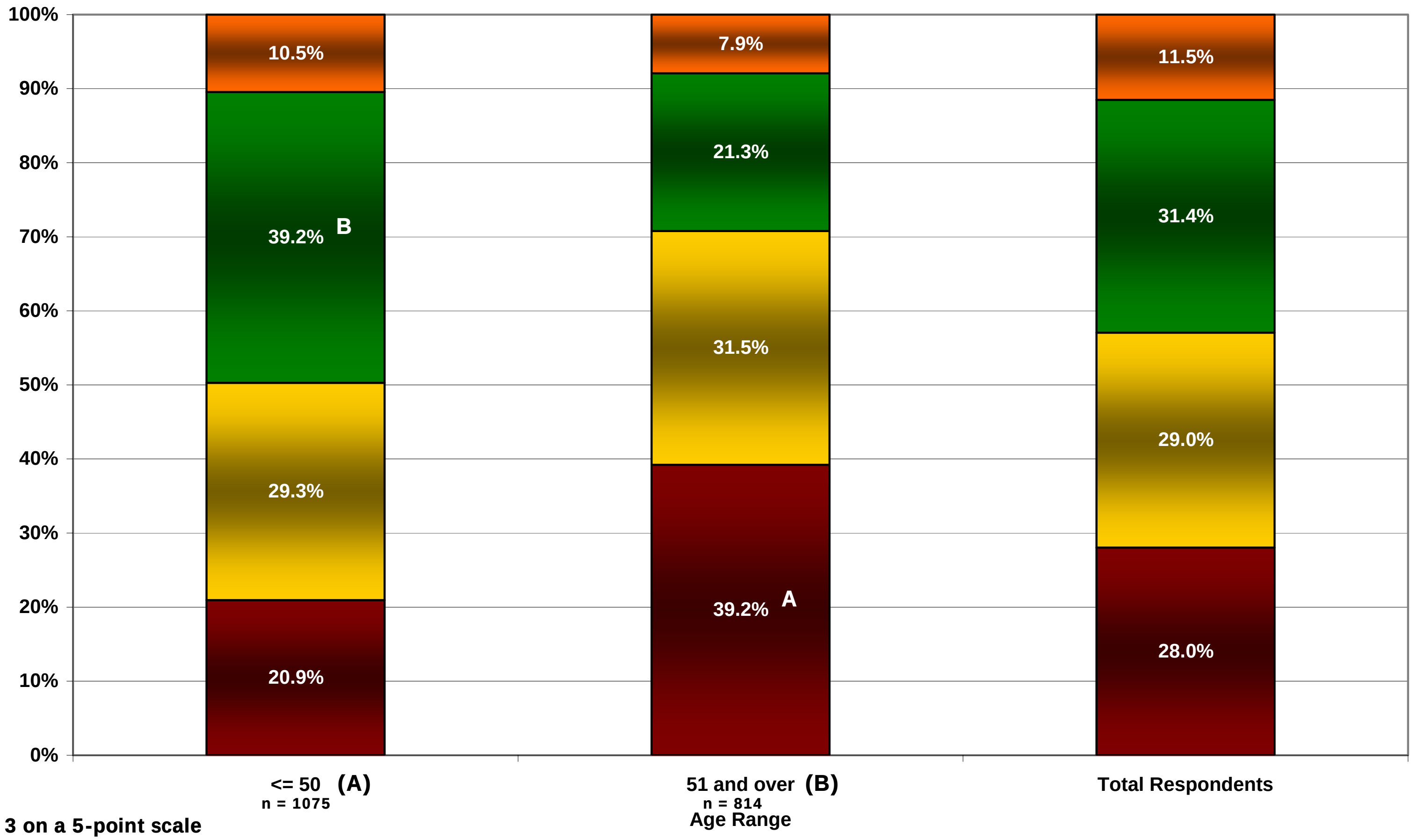
The Proposed SEC Rule and its Effect on People Aged 51+

Overall Reaction to Proposed SEC Rule

By Age Group: Over and Under 51 Years Old

Respondents 51 and over are much more likely to view the proposed SEC rule unfavorably than are younger respondents. Over 70% say their overall reaction is Very Unfavorable/Unfavorable versus only slightly more than 50% among those 50 and younger.

Q23. What is your general reaction to the proposed rule for obtaining annual reports and proxy voting information?
(Neutral Option Removed) *



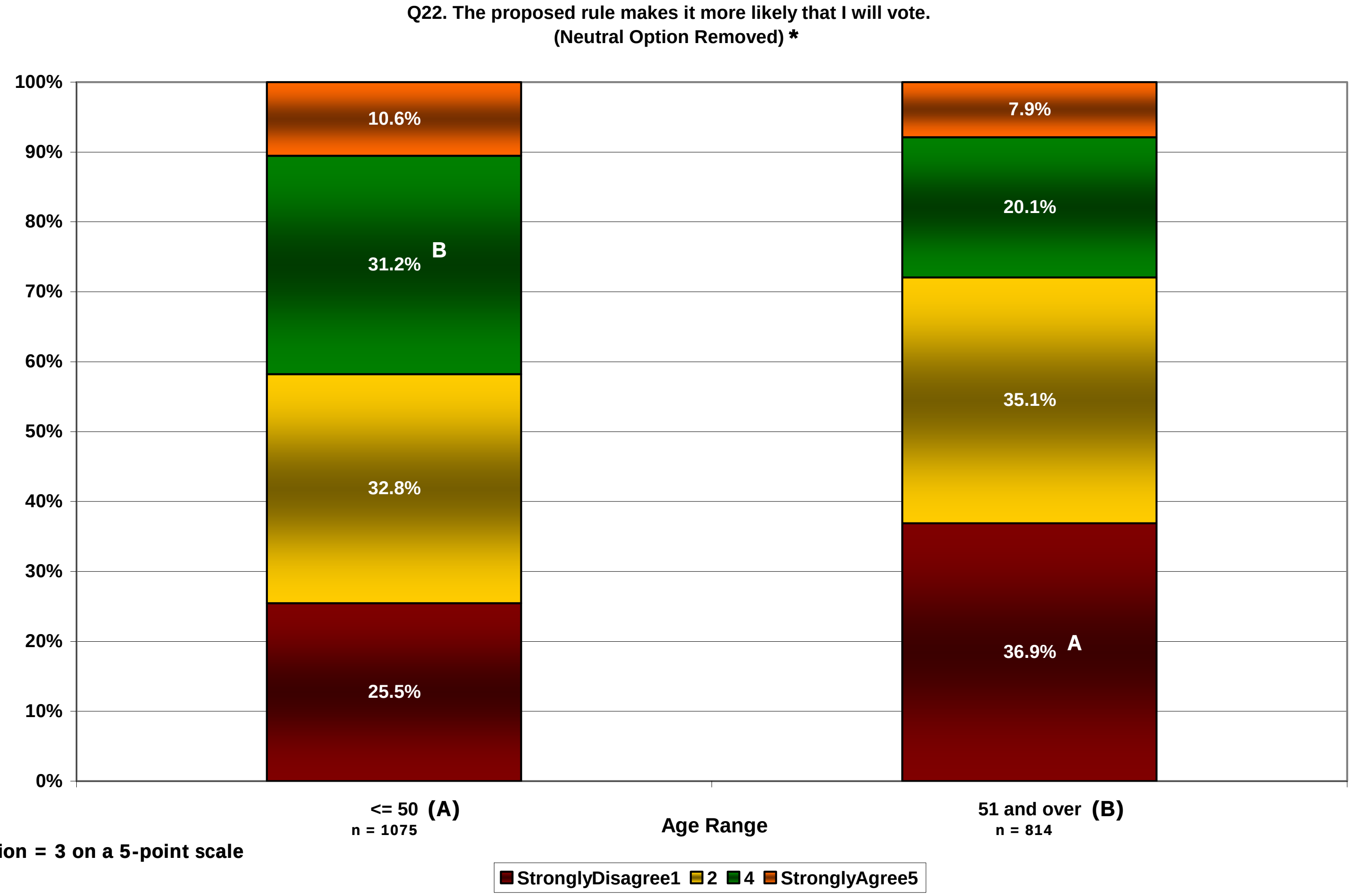
*Neutral option = 3 on a 5-point scale

Letters indicate statistical significance at the 95% confidence level

Voting Behavior: Likelihood to Vote

By Age Group: Over and Under 51 Years Old

Slightly more than 72% of respondents 51 and older say they Strongly Disagree/Disagree that the proposed rule will increase their likelihood to vote. Only slightly more than 58% of younger respondents say they Strongly Disagree/Disagree that the new rule will increase their likelihood to vote.



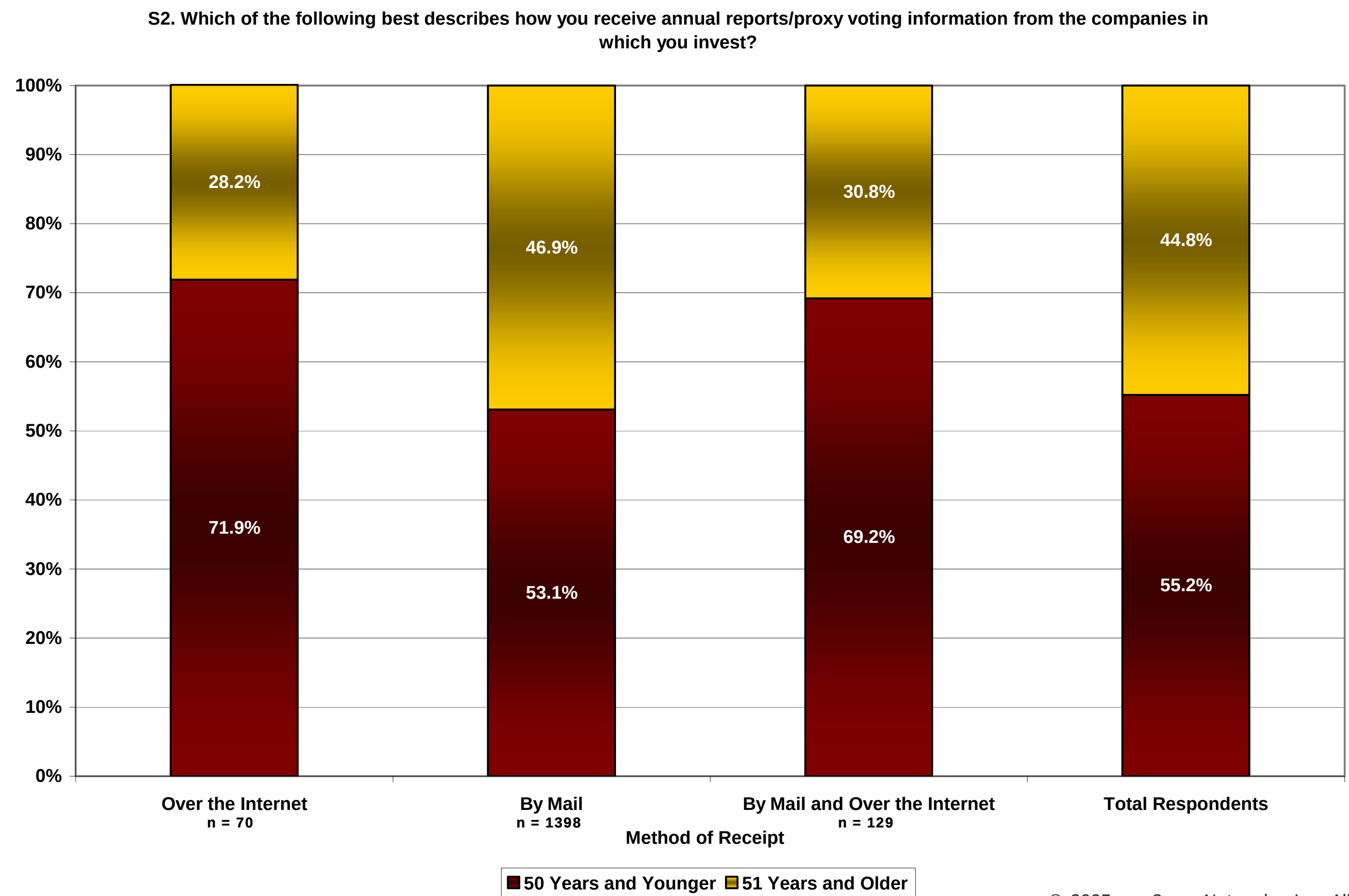
*Neutral option = 3 on a 5-point scale

Letters indicate statistical significance at the 95% confidence level

Method of Receipt of Proxy Materials:

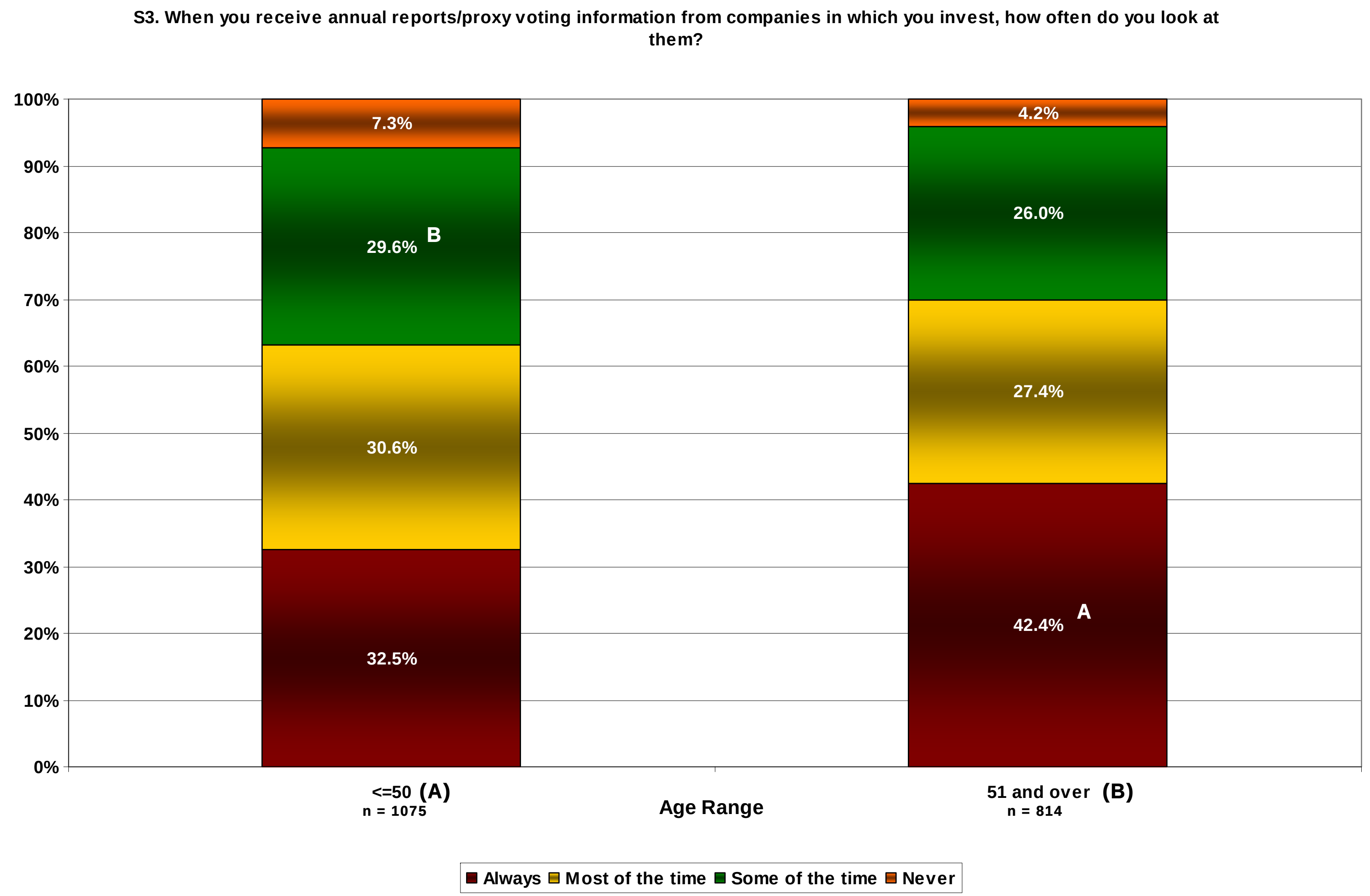
By Age Group: Over and Under 51 Years Old

People aged 51 or older people constitute the majority of those receiving annual reports/proxy information by Mail. Almost 47% of those saying they receive their materials by Mail over 50 compared to only 28.2% who receive their materials via the Internet and 30.8% By Mail and Over the Internet.



Readership Behavior – By Age Group

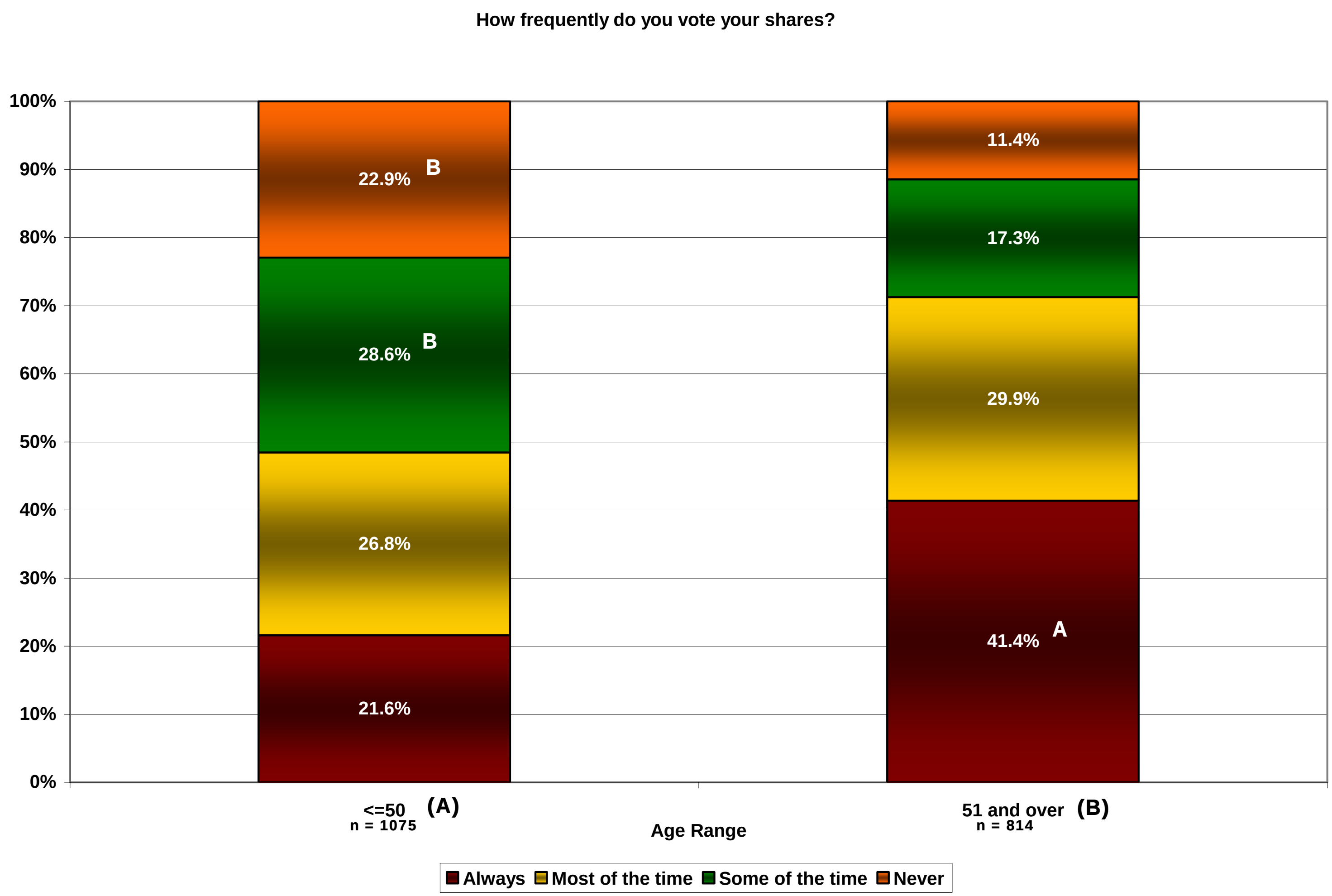
Respondents 51 and older are more likely than their younger counterparts to say they Always read the materials they – (42.4% to 32.5%). Younger people are more likely to say they Never read their materials.



Letters indicate statistical significance at the 95% confidence level

Voting Behavior
Voting Frequency by Age Group

Respondents 51 and older are almost twice as likely than younger respondents to say they Always vote their shares (41.4%). The large majority of the 51+ group says they vote Always/Most of the Time (71.3%) – less than half of the younger group votes Always/Most of the Time (48.4%).



Letters indicate statistical significance at the 95% confidence level

Attitudes Toward Proposed SEC Rule

In general, respondents 51 and older are substantially more negative about the proposed SEC rule than their younger counterparts. Over 77% say they Strongly Disagree/Disagree that "the proposed new rule is more beneficial to me", compared to only 58.1% of the younger group. Over 75% of those 51 and older also Strongly Disagree/Disagree with the statement "the proposed rule makes it more likely that I will vote".

% Strongly Disagree/Disagree	(A) n = 1075	(B) n = 814
	<=50	>=51
Receiving the information by email is more private than by mail	74.4%	88.7%A
Receiving the information by email is more secure than by mail	74.5%	86.9%A
The proposed rule better ensures my voting privacy than does the current process.	62.5%	83.7%A
Voting over the Internet is more secure than voting by mail.	68.7%	83.7%A
The proposed rule is more beneficial to me than the current rule.	58.1%	77.1%A
Recognizing that I may need to take steps to get information, the proposed rule makes it more likely that I will vote.	64.3%	75.5%A
The proposed rule enhances shareholder democracy.	55.2%	74.5%A
The proposed rule makes company management more accountable.	55.6%	73.9%A
I am uncomfortable providing my name and address to companies whose stock I own.	69.7%	73.7%
With the proposed rule, I would be able to perform more in-depth review of information prior to voting.	52.3%	73.4%A

The 51 and older respondents also show suspicion of electronic means of delivery, with over 8 out of 10 saying they Strongly Disagree/Disagree that receiving the information via email is more private or secure as well as the same proportion saying they Strongly Disagree/Disagree that the rule will better ensure voting privacy than does the current process.

 Letters indicate statistical significance at the 95% confidence level

Attitudes Toward Proposed SEC Rule

Respondents 51 and older generally do not believe that the proposed rule increases the likelihood that they will request information or makes it easier to stay informed – over 7 out of 10 say they Strongly Disagree/Disagree with these statements.

% Strongly Disagree/Disagree	(A) n = 1075 <=50	(B) n = 814 >=51
The proposed rule is generally more beneficial to shareholders than the current process.	53.7%	73.1% A
Recognizing that I would need to take steps to get information, the proposed rule makes it more likely I will request information.	60.0%	71.6% A
I will be more likely to notice that I have received my proxy information with the proposed rule.	58.9%	71.4% A
Recognizing that I may need to take steps to get information, the proposed rule makes it easier to stay informed about the companies in which I invest.	57.5%	71.1% A
It will take less time to review information and vote with the proposed rule than it does with the current process.	48.9%	69.8% A
The proposed rule makes proxy information easier to access.	41.0%	58.7% A
My information is more likely to be delivered on time with the proposed rule.	34.3%	55.6% A
It should not be my responsibility to incur the time and cost of printing proxy information myself.	38.1%	38.7%
I am willing to wait to receive printed information in the mail rather than to review information online over the Internet.	39.7%	37.0%
Companies will provide the same amount of information over the Internet as they currently provide through printed information.	27.7%	36.7% A

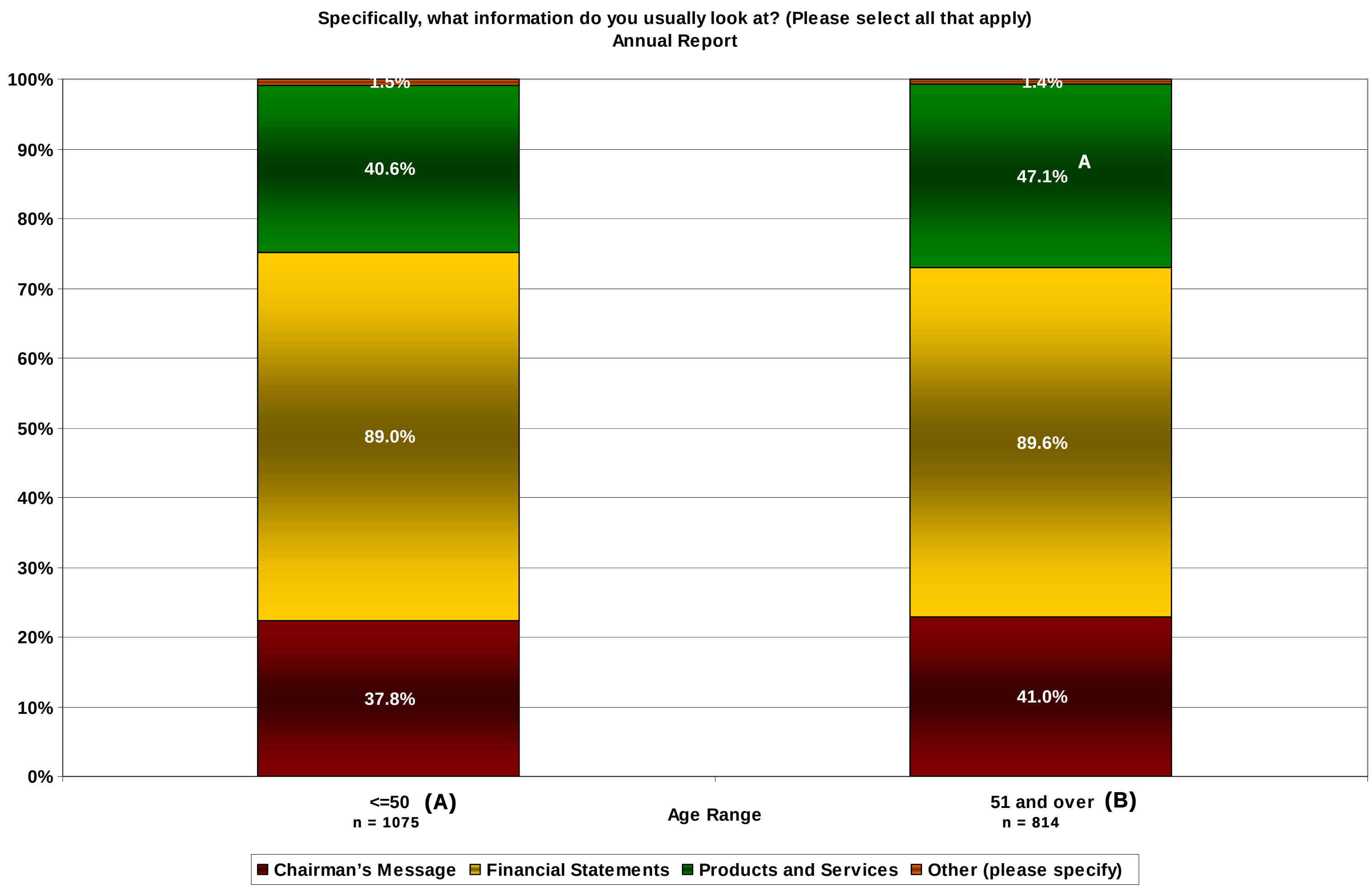
Respondents 51 and older are also more likely than the younger group to wait for printed materials to be delivered by mail than via the Internet. Only 37% Strongly Disagree/Disagree that they are willing to wait for mailed materials – meaning that more than 63% agree that they are willing to wait.

Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Annual Report

There is little difference between older and younger groups relative to what they say they review within the Annual Report. The large majority of both groups say they read Financial Statements, while those 51 and older are more likely to read material related to Products and Services and the Chairman's message.

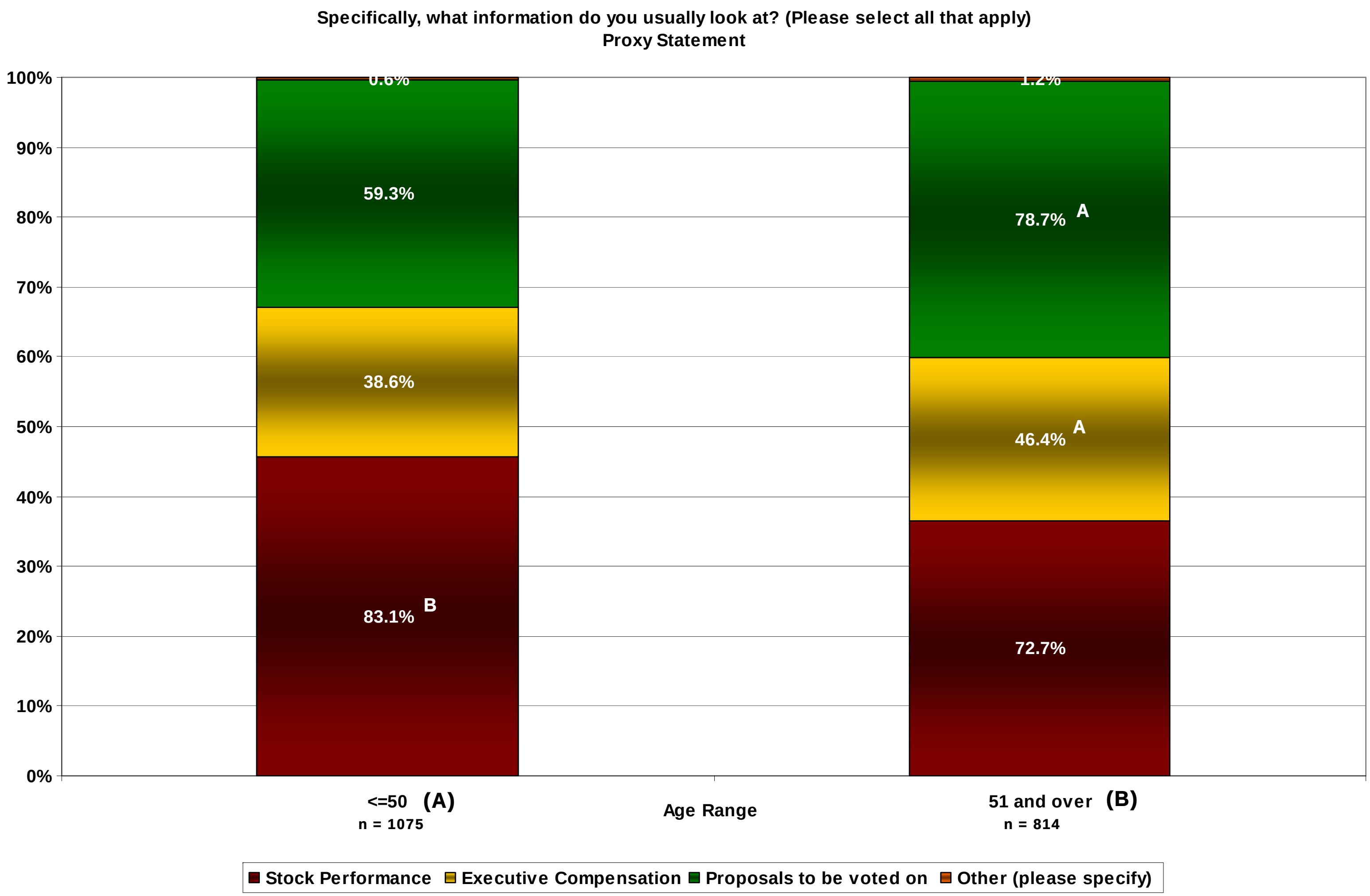


Letters indicate statistical significance at the 95% confidence level

Readership Behavior

Proxy Statement

Respondents 51 and older are much more likely to review Proposals to be Voted On (78.7%) than younger respondents (59.3%), while younger respondents are more likely to review stock performance (83.1%).



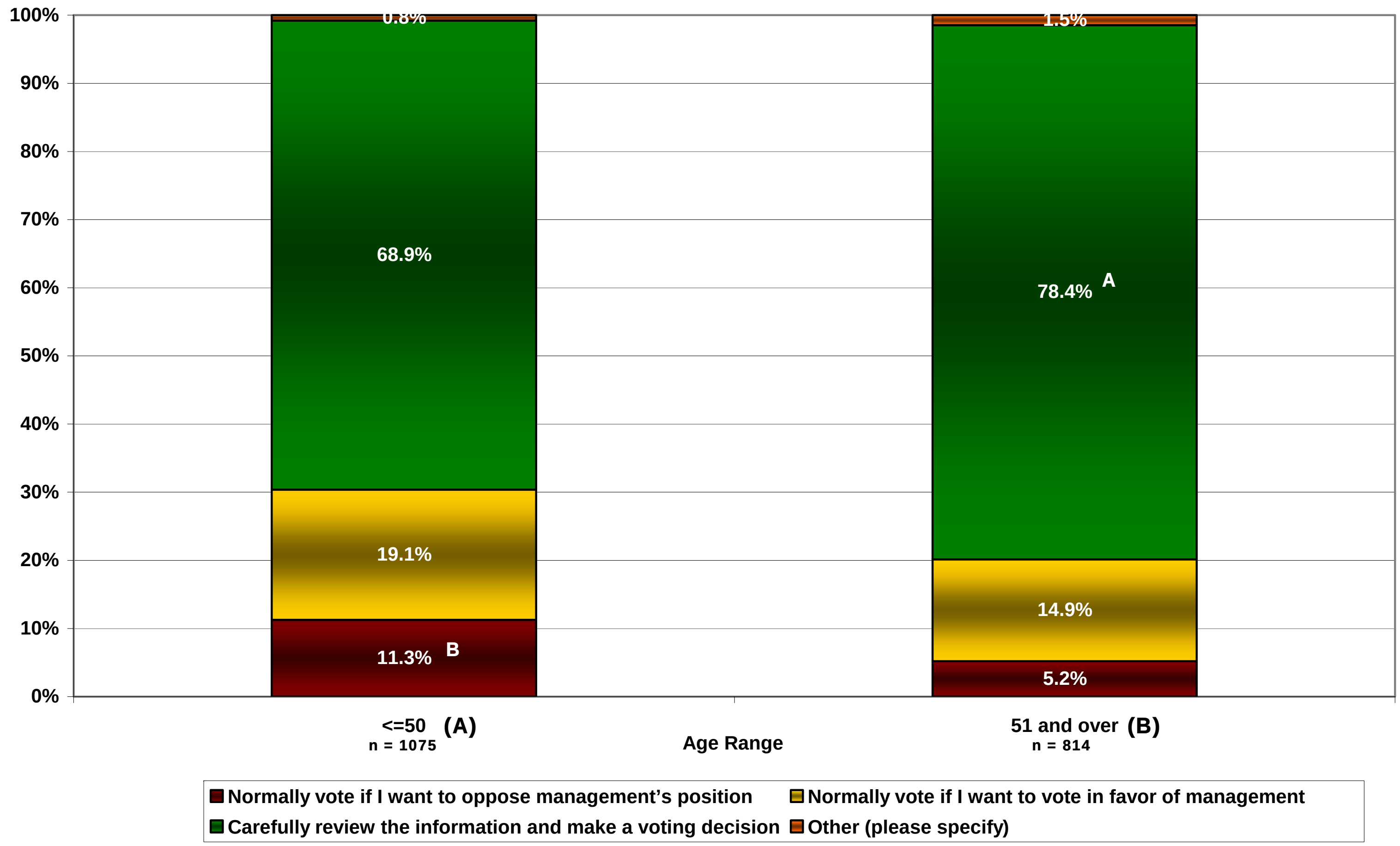
Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Voting Actions

While the majority of both groups is likely to they "carefully review the information and make a voting decision", this is more prevalent in the 51 and older group.

When you vote your shares, which of the following do you do?

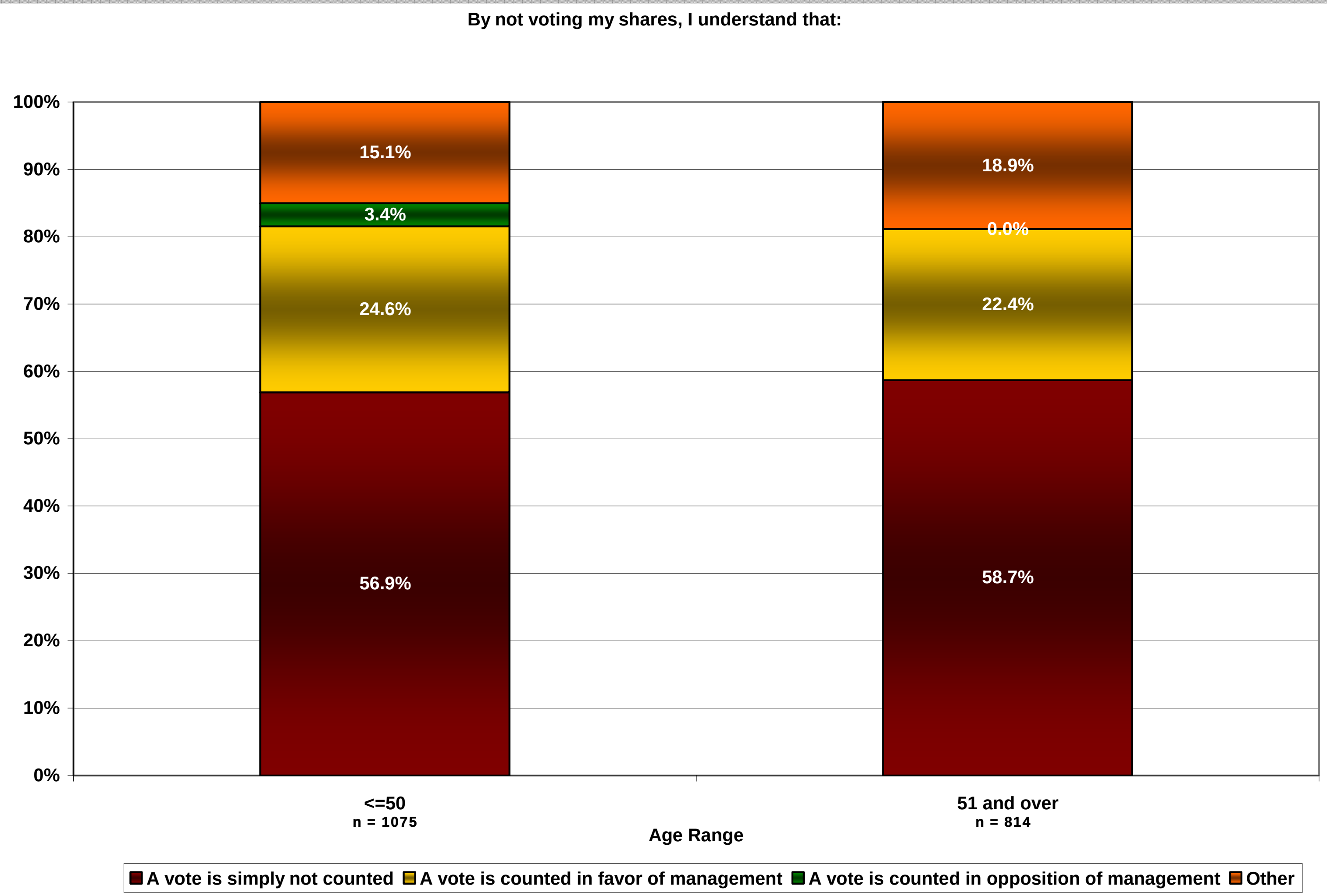


 Letters indicate statistical significance at the 95% confidence level

Voting Behavior

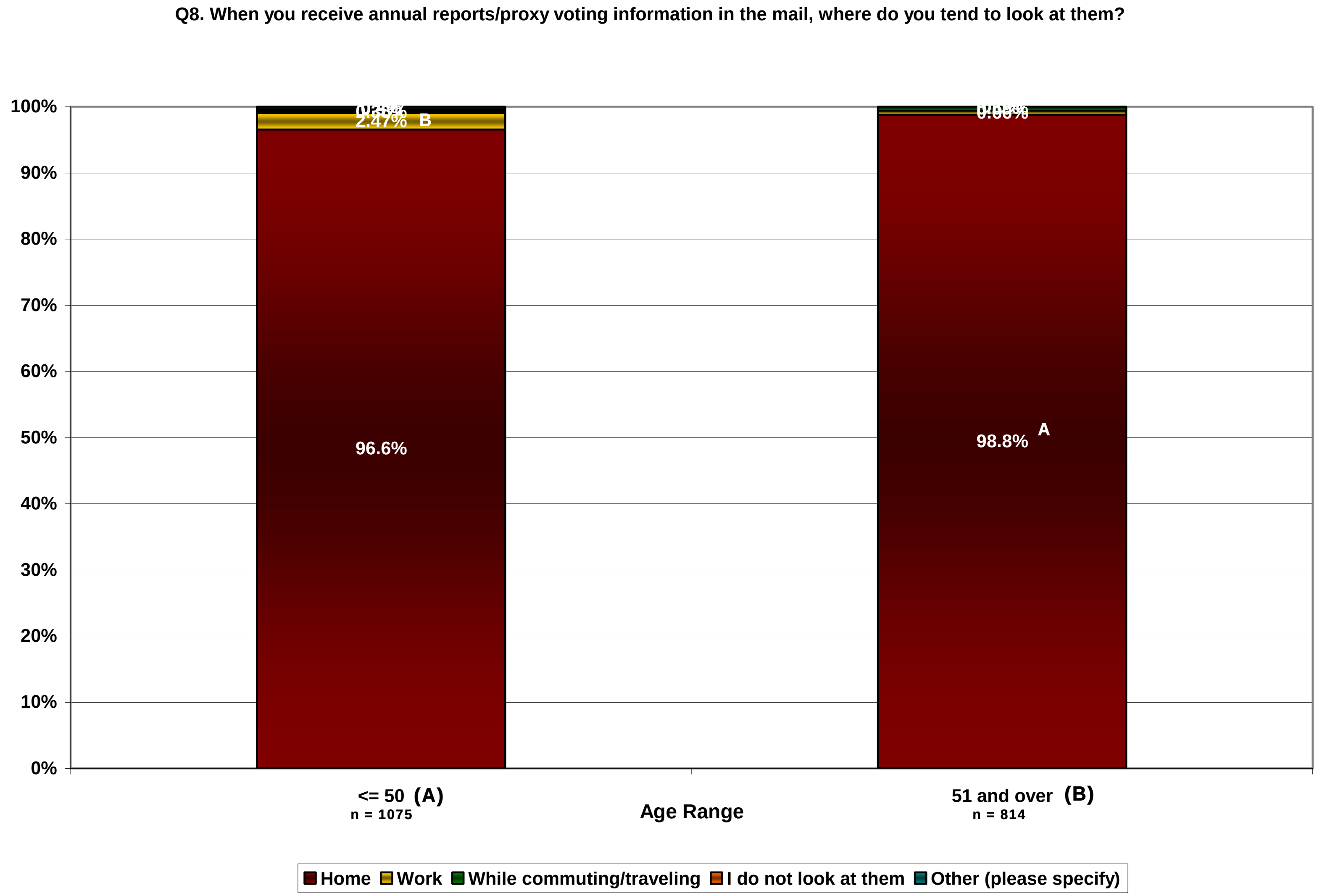
Beliefs About Not Voting

The majority in both groups holds the false belief that “a vote is simply not counted”. Less than one-fourth of either group correctly responds that “a vote is counted in favor of management”.



Location for Reviewing Materials

Almost all respondents receiving their materials by Mail say they review their materials at home.

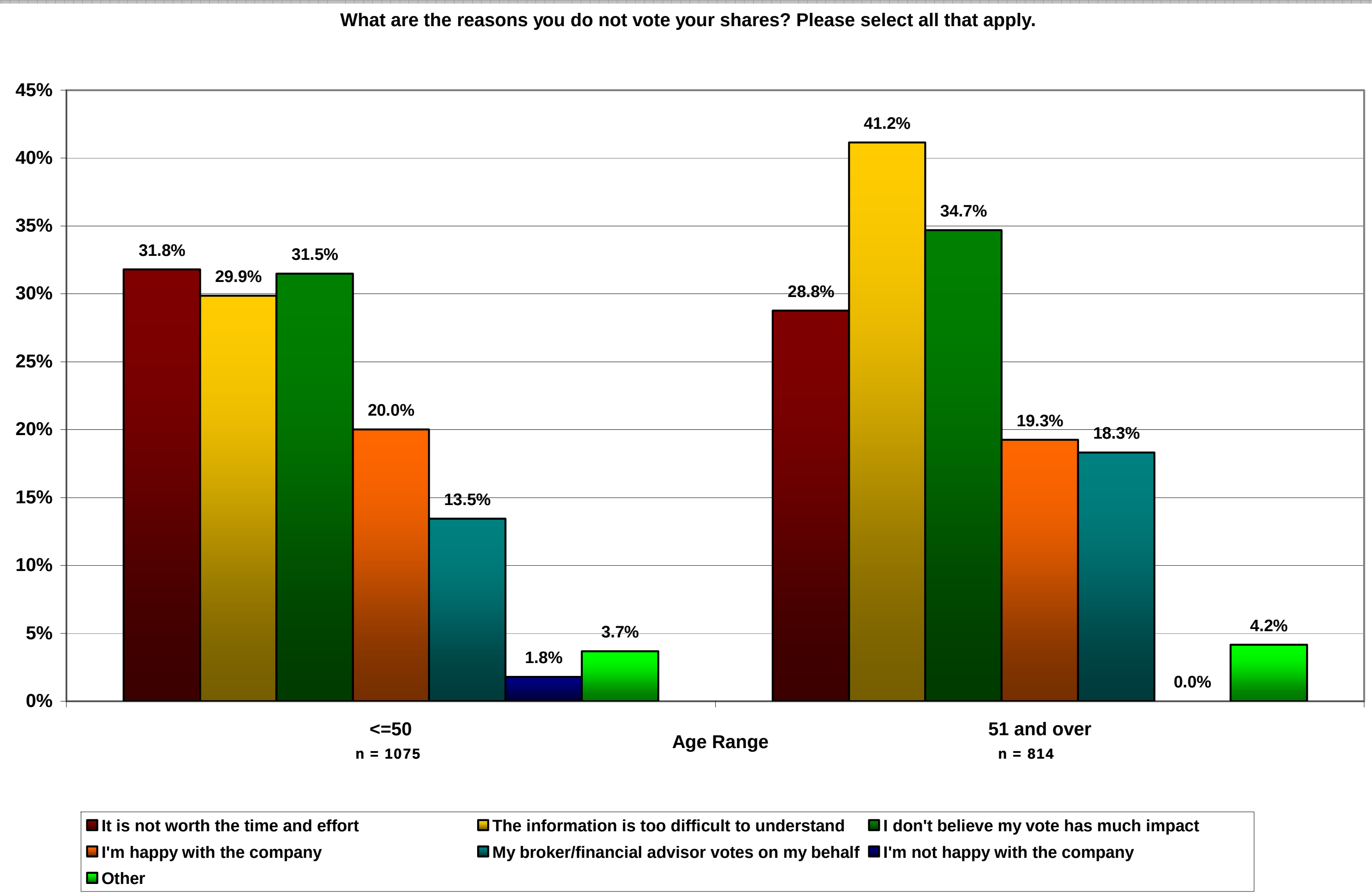


Letters indicate statistical significance at the 95% confidence level

Voting Behavior

Reasons for Not Voting

Respondents 51 and older are most likely to say they did not vote because proxy information is “too difficult to understand” (41.2%). The second most likely reason for not voting within this group is a belief that their vote does not have much impact (34.7%). The younger group is more likely to say voting is “not worth the time and effort” (31.8%).

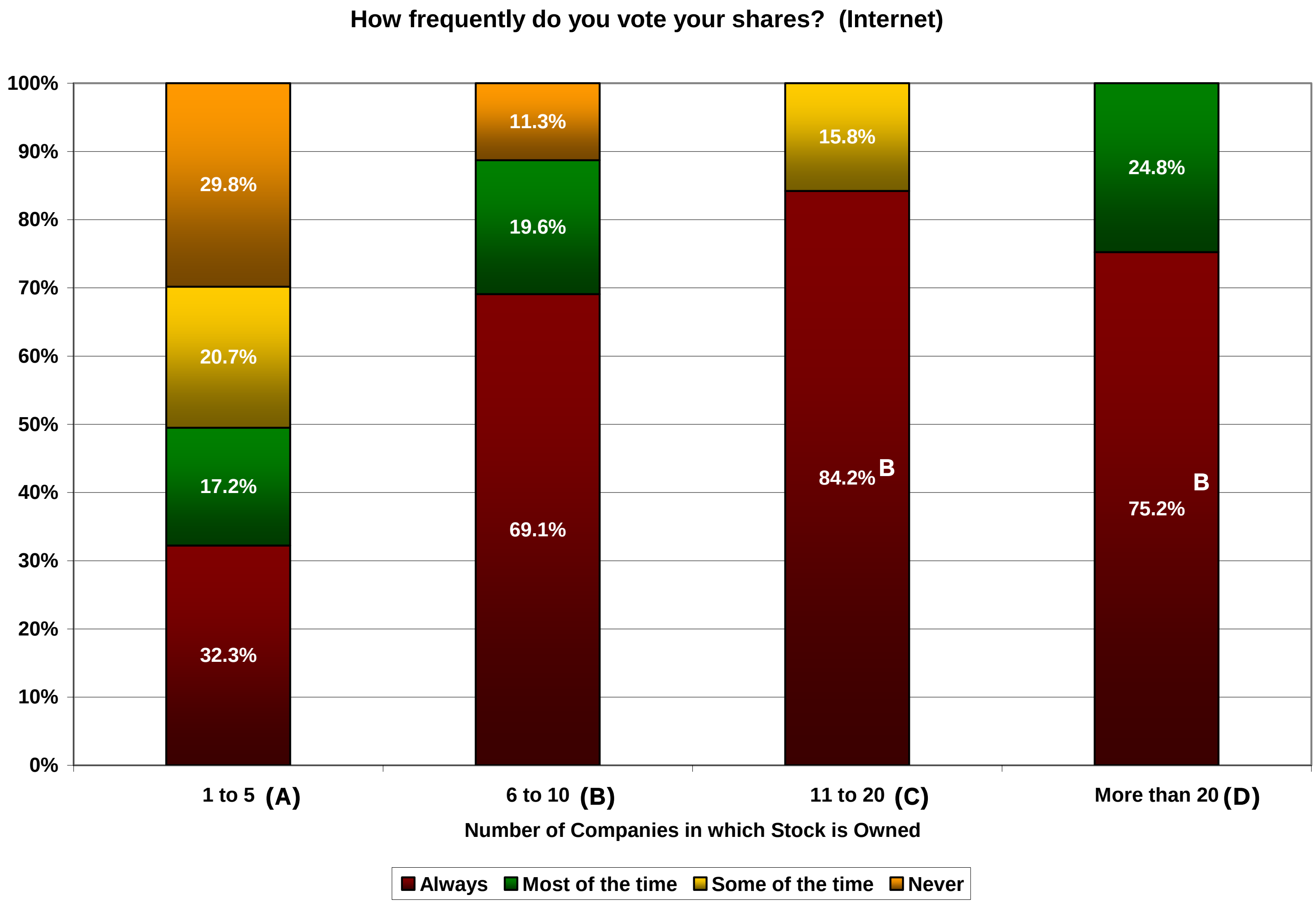


Appendix

Voting Frequency and Investment Behavior

Frequency and The Number of Companies in Which a Position is Held

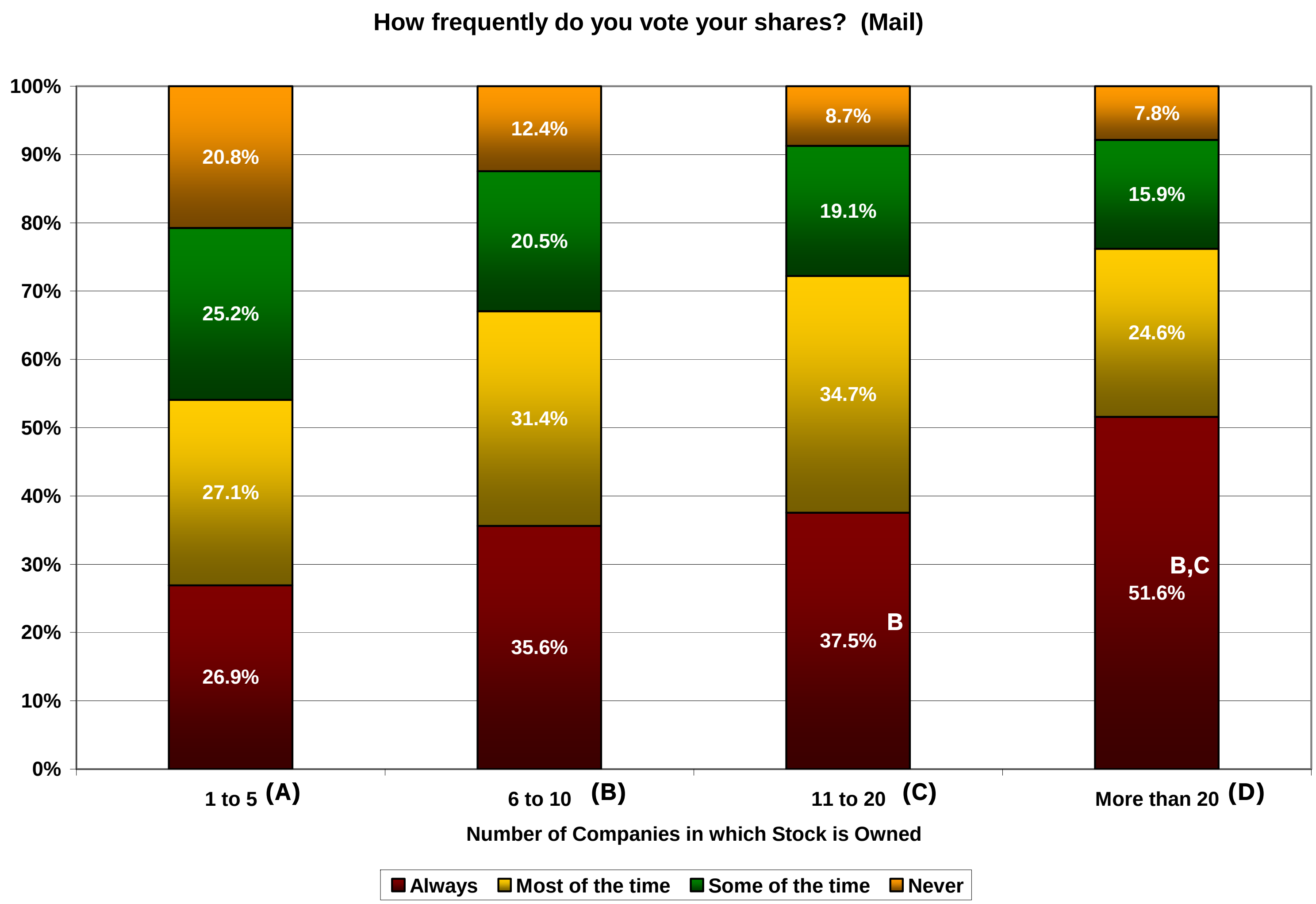
For respondents who receive their materials through the Internet only, the proportion of those saying they vote their shares Always/Most of the Time increases as the number of companies in which they own stock increases.



Voting Frequency and Investment Behavior

Frequency and The Number of Companies in Which a Position is Held

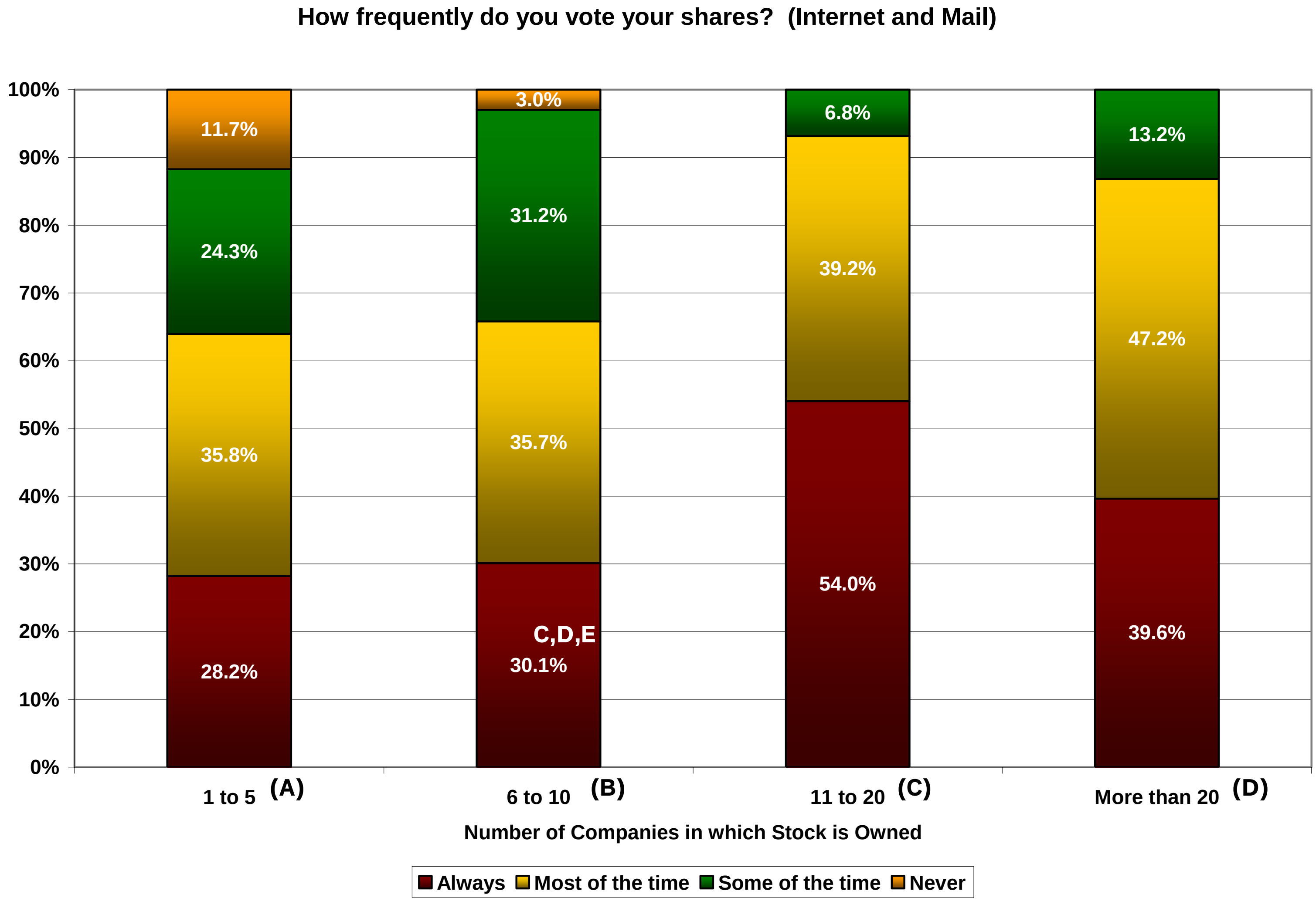
Likewise, for those receiving their voting materials strictly via the Mail, the percentage of those saying they vote their shares Always/Most of the Time increases as the number of companies owned increases.



Voting Frequency and Investment Behavior

Frequency and The Number of Companies in Which a Position is Held

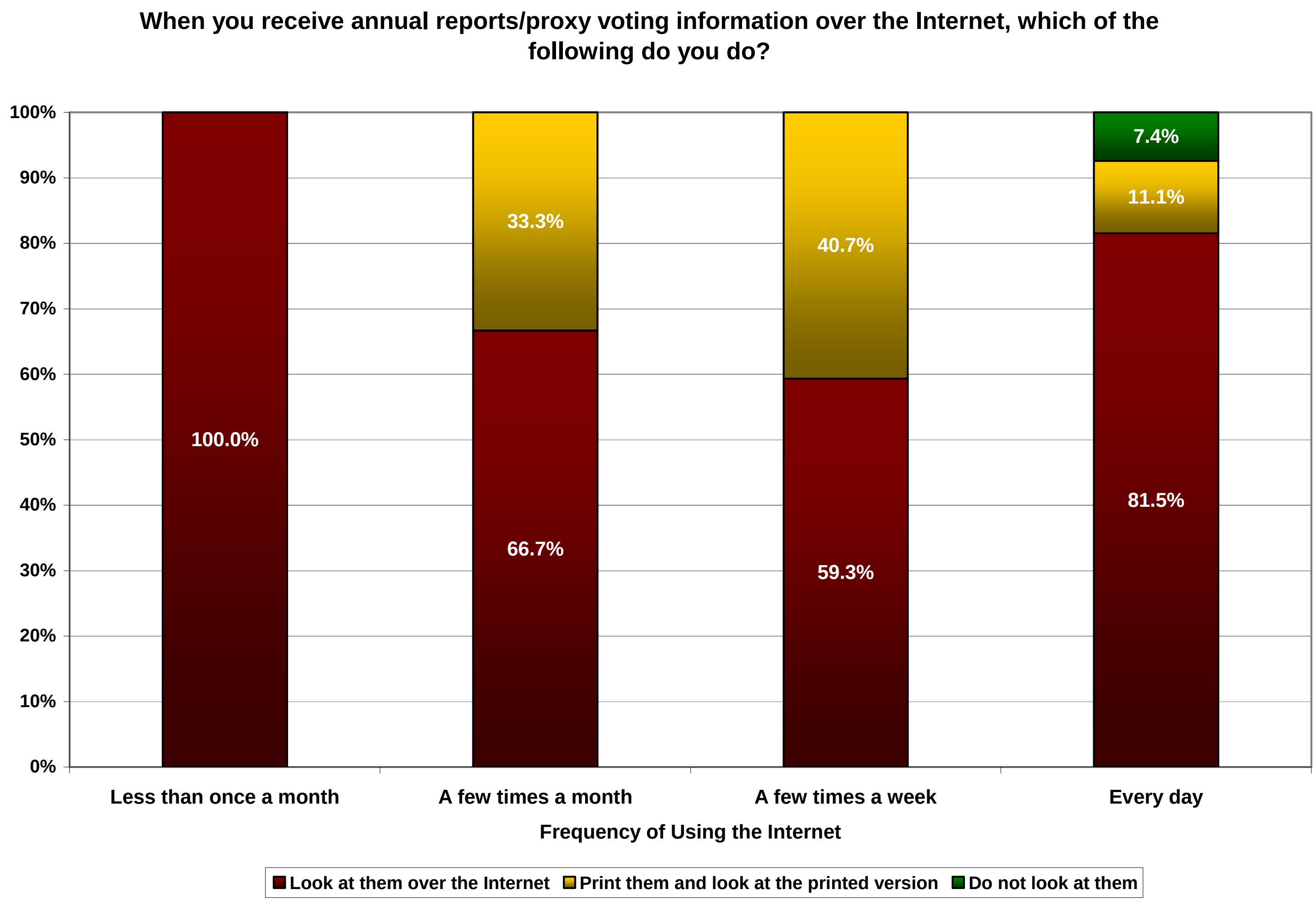
This pattern generally holds for those receiving their materials via Both Internet and Mail, although the percentage voting Always/Most of the Time decreases slightly among those owning share in more than 20 companies.



Frequency of Internet Usage

Relationship to How Proxy Materials are Reviewed

The majority of respondents say they review their materials over the Internet, regardless of their frequency of using the Internet. At the same time, a healthy percentage of sporadic Internet users (a few times a month/week) print their materials for viewing.

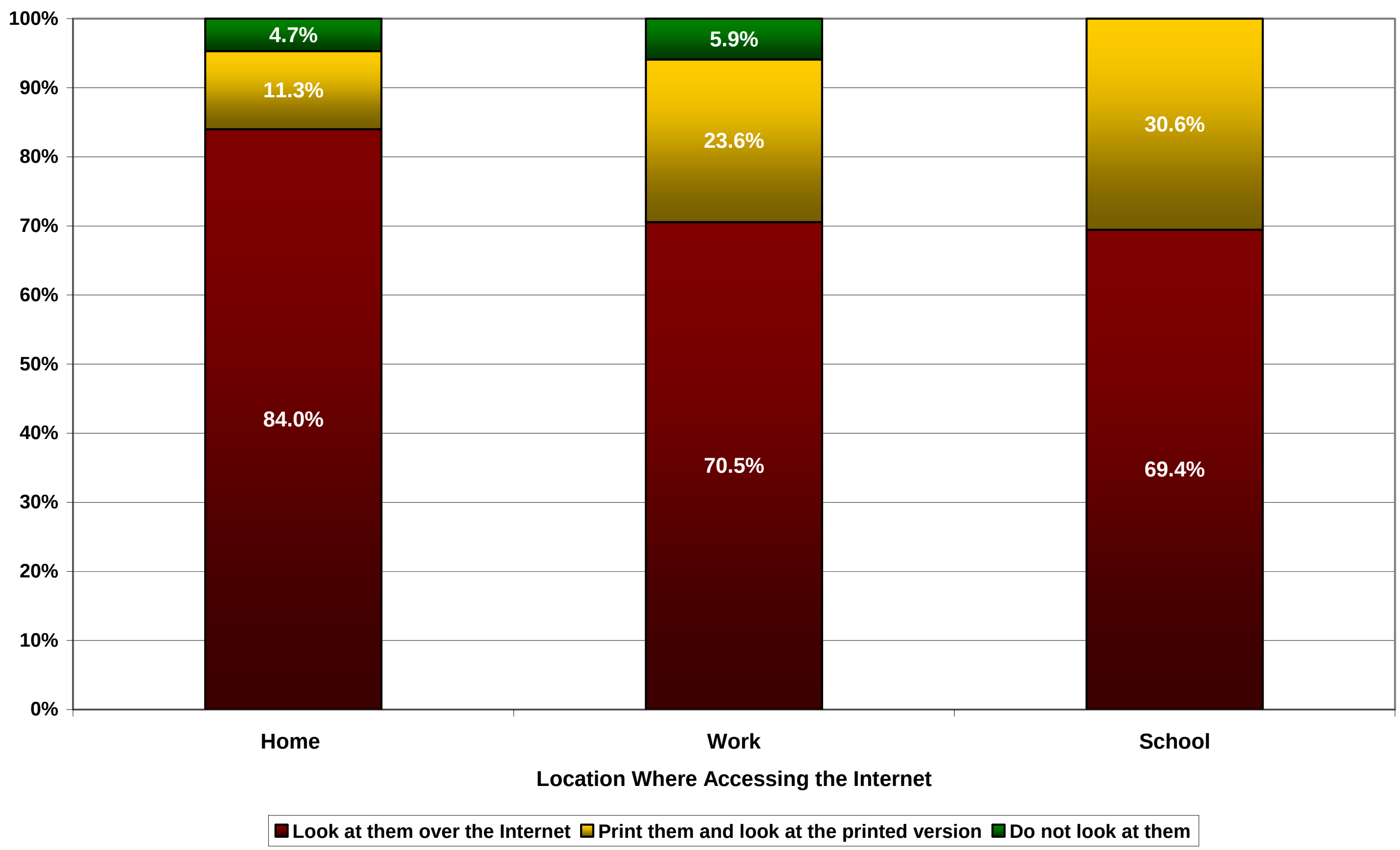


Internet Access Location

Relationship to How Proxy Materials are Reviewed

The large majority of respondents say they view the materials they receive over the Internet online, regardless of the location from which they access the Internet.

When you receive annual reports/proxy voting information over the Internet, which of the following do you do?



Defaults and Deciding to Use Information

A White Paper Reviewing the Role of Defaults in Decision Making: Implications for Investor Participation in the Proposed Notice and Access Scenario

Eric J. Johnson

Columbia Business School

Columbia University

February 12, 2006

Defaults and Deciding to Use Information

Summary

To improve consumer protection, the e-proxy regulation must address two related but separate questions:

(1) Are all consumers better off when the internet is used for dissemination of annual statements and participation in voting, and
(2) Will the change in the default from the current delivery by mail to access by internet appreciably change behavior?

In this document, we examine the second question; reviewing a series of studies which have looked at the role of defaults in a large set of public policy and investment decisions. Many studies show that defaults change behavior, even when the decisions involve substantial amounts of money. This paper references some of the major studies on defaults and reviews why they make a difference. We conclude that caution must be exercised in the choice of defaults for providing information about securities.

Introduction

Every decision has a default or a choice that is made when we take no action. For example, by default, an employee saves no money in a 401(k) plan. An employee must make an active decision to allocate money to the account. By default, in the United States, no one is an organ donor; they must actively choose to become one.

The current proposal by the SEC suggests a change in default. Currently shareholders receive by mail an annual report, proxy statement, and ballots for voting. If they desire electronic delivery, they make a request and all subsequent communication will be done electronically. Under the new regulation, electronic availability becomes the default, and a shareholder will need to make a request to receive the same material by mail. In this note, we examine how this change is likely to affect shareholder's access to the material and participation in voting. We do this by first reviewing many studies which examine the influence of defaults, and then discuss the reasons that defaults may have an effect.

Evidence

The first paper to examine defaults by Samuelson and Zeckhauser (1988) identified a *status quo bias*. This suggested that people showed a preference for the current state of affairs or status quo. Because they did this even when it would be in their best interest to make a change, they termed this a bias, or mistake. The paper contained many studies, including faculty choices of health and retirement plans, both consequential decisions.

Sometimes the status quo is changed, for example when a government or company introduces a new policy or changes an existing policy. These changes allow us to measure the influence of defaults. Johnson, Hershey, Meszaros and Kunreuther (1993) examined how people chose auto insurance policies. They noticed that two states, New Jersey and Pennsylvania were about to introduce similar insurance reforms. In response to rising auto insurance rates, both states were introducing a policy, sometimes called 'no fault' which covered all hospital bills and lost wages, but did not allow people involved in an accident to sue other parties for pain and suffering. The no-fault policy was significantly less expensive than the 'full tort' policy. The plans in New Jersey and Pennsylvania were quite similar, but there was one important difference: In New Jersey, the no-fault policy was adopted if the consumer took no action, in Pennsylvania; the consumer needed to opt-in to the less expensive no-fault policy – if no action was taken, the more expensive full tort policy was adopted. In both states, all policy holders were mailed explanations of the two policies, and could change from the *no-action* default by simply mailing in a form.

To look at the effect of the different defaults, Johnson et al, both did a questionnaire study with a sample of policy holders, and examined what policies were adopted in the two states. The questionnaire simply required people to check a box to change defaults. The study showed that the different defaults mattered: When no-fault was the default, the full tort policy was selected by 23% of the respondents, but when full tort was the default, 53% of the respondents chose it. Of course, this was not a real choice involving actual changes in insurance costs. In Philadelphia, for example, the difference in the cost of the two policies was substantial: The full tort policy cost about $300 more (a 21% increase) than the no-fault policy.

However, the choices in New Jersey and Pennsylvania showed big differences. In New Jersey 20% selected the more expensive policy, in Pennsylvania, 75% chose the more expensive policy. These differences have persisted over the years. Johnson and Goldstein estimate that over $2 billion dollars more coverage has been sold in Pennsylvania because of the choice of defaults. This estimate does not include the costs of additional litigation due to these choices.

In a particularly important study, Madrian and Shea (2001)looked at the effect of defaults on one of the most important economic decision made by most people: Savings decisions in their defined contribution retirement plans, 401(k)s. Normally, the default for these plans is that no money is invested. For most people, this would be a mistake: The funds and interest in a 401(k) are tax sheltered until retirement, and in many companies, contributions from an employee are matched by the company to some degree.
Madrian and Shea conducted a field experiment with one company where they changed the default from the normal contribution of zero, to three percent. As before, employees could easily change the default by filing a form. The effect was dramatic, increasing participation among new employees from 49% to 86%.

In a follow-up study, Choi, Laibson, Madrian and Metrick (Choi, Laibson, Madrian, & Metric, 2001) look at the effectiveness of defaults when compared to other ways of increasing savings, and find the choice of defaults is a very important factor. In fact a savings plan, called Save More Tomorrow, which employs the principle of automatic increases in contributions to the 401(k) plans is the only factor that is as effective.

Another study of defaults by Bellman and Johnson (Bellman, Johnson, & Lohse, 2001; E. J. Johnson, Bellman, & Lohse, 2002) is interesting, because they examined defaults that were very easy to change. People, after filling out a research study on the internet were asked if they wanted to be contacted with more information. Johnson et al. varied both the way the question was phrased, and whether a response box was already checked. All that was required to change the default was a simple mouse click, perhaps the easiest possible way of having a decision-maker record a choice. Despite this, there were significant effects of both question phrasing and whether or not the box was pre-checked.

Several researchers (Gimbel, Strosberg, Lehrman, Gefenas, & Taft, 2003; Eric J. Johnson & Goldstein, 2003) have looked at default's effects on the decision to become an organ donor. This was motivated by the observation that in several European countries the default is that one is an organ donor, but in others, as in the United States, must make an active choice to become an organ donor. The results of questionnaire studies (Eric J. Johnson & Goldstein, 2003), and actual donation rates (Gimbel, Strosberg, Lehrman, Gefenas, & Taft, 2003; Eric J. Johnson & Goldstein, 2003) (Abadie & Gay, 2004) show a sizeable difference. Figure 1 shows the number of people in a number of European countries who, according to the organ donation registry in each country, are willing to be donors.

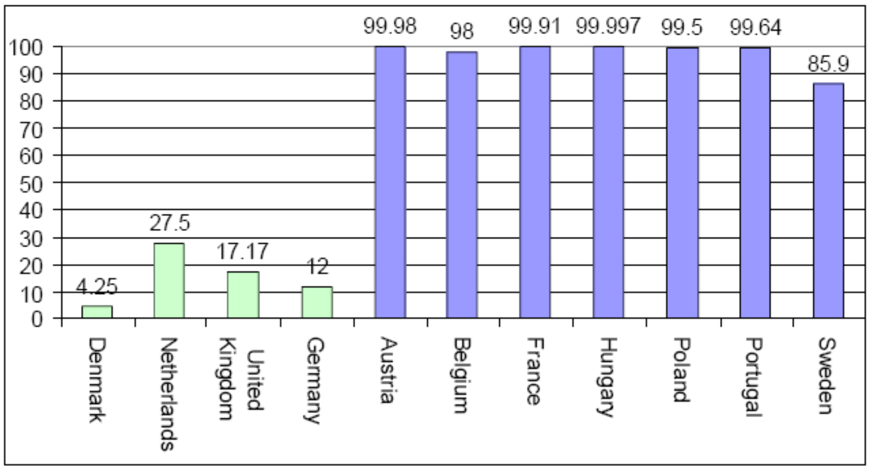


Figure 1:Effective Consent Rates, by Country. The four leftmost bars are the opt-in default, the blue bars the opt-out default.

Because there are differences between the countries, several of these researchers have tried to control statistically for factors such as education, religious beliefs and infrastructure. Even with these controls the differences due to defaults are so large that Abadie and Gay (2004) suggest that the current shortfall in heart donations in the US, (which is substantial, 80,000 people are currently awaiting a donated organ) could be overcome by a change in default. Estimates range from a low of 16% increases in donated organs to slightly above 50%.

While they have not been subjected to randomized controls, such defaults seem to be used by companies in the design of configurations, such as web sites in which consumers make choices to customize their purchase. Research that is in process at Columbia University shows the choice of defaults can increase the average price paid for a moderately priced European sedan by over be increased €1000 simply by presenting certain defaults.

In sum, the evidence is that the choice of a no action default can substantially change the behavior of customers.

What Causes Default Effects?

Researchers have identified three possible reasons why defaults matter: (1) Physical and Cognitive effort, (2) Implied Endorsement, and (3) Loss Aversion.

Physical and cognitive effort refers to the fact that changing defaults requires the expenditure of some time by the consumer: They may have to fill out a form, hunt for a stamp, and read directions that are sometimes opaque. In addition, the actual act of making a choice takes time, and in some cases, like in organ donation, can be aversive. However, these effort explanations cannot explain all default effects. Often such effort would be justified by the substantial amounts of money involved, as in the case of auto insurance or contributions t 401(k) savings plans, and often recording a preference only takes a web click.

Implied endorsement suggests that the consumer, when faced with a decision, infers that the organization offering the choice has selected the best option as the default. Thus, in the case of auto insurance, people may infer that the state, by selecting the default, is suggesting that the default course of action is the right one for most people. There is recent evidence that people, in certain instance make this inference. Applied to securities regulation, this explanation is particularly bothersome, since it implies that investors will infer that regulators do not think receiving information is important.

Loss aversion explanations rely on the common finding in behavioral economics that a loss has greater impact upon decision-making than the equivalent sized gain. According to this explanation, expending money or effort to change the default receives too much weight. In the savings plan example, people who wanted to change from 0% contributions have to give up some immediate income to increase their long term saving. Because of loss aversion, that reduction (loss) gets more weight, and for some people is not worth the increase. However, if the default was 3%, no income reduction is felt, and in fact loss aversion now magnifies the cost of giving up the contribution to savings.

It is probably the case that depending upon the circumstances, all three explanations apply to different degrees. One of the things that make defaults so powerful is that they have multiple causes, and addressing one cause alone is not sufficient.

What is the Right Default?

If defaults make a difference, how do we know what is the right default? Economists and legal scholars have started to ask this question, and developed an interesting answer: Defaults should encourage the behavior that makes the most people better off. This approach (Camerer, Issacharoff, Loewenstein, O'Donoghue, & Rabin, 2003; Thaler & Sunstein, 2003) makes the following argument: If defaults have an effect, they should be used to improve peoples' average outcomes.

In a case like retirement savings, where Americans are typically described as under-saving toward their retirement, changing the default from zero to some positive number seems to make sense. Choice is not taken away in these cases; people with strong feelings can always change the default. The argument is that it helps people who are unreasonably lazy or suffer from loss aversion, and in fact, makes the correct implied endorsement. If the sole goal of SEC information provision was consumer consumption of information and participation in voting, it would appear that the current system of mailing information unless investors opt-out and select electronic forms, would be the better default. The proposed rule takes something away.

Recommendations.

Of course, the current protocol for information provision does have its costs, and a targeted benefit of the proposed regulation is significant cost savings for public companies. However, existing data provides an important cautionary note: Such a system could decrease use of information and participation in voting by investors. Given that danger, the SEC might well want to proceed with caution.

A second recommendation concerns the nature of the opt-in decision. Since the effort of opting-in is likely to impact whether or not an individual looks at information, then the SEC would be wise to provide the easiest means possible to opt-in. The proposed rule's mechanism does the opposite: One must opt-in for each security for each year. This requires significant effort on the part of the consumer, and is likely to amplify default effects. Since consumers information needs are unlikely to change from year to year, making the selection sticky (that is, in force until changed by the consumer) would seem to maximize consumer welfare. In addition, allowing this election to occur for all securities at once would benefit consumers.

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Channel Factors That Block (Psychologically) Effective Access:

Unforeseen Risks of the Proposal on "Internet Availability of Proxy Materials"

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The purpose of this paper is to identify research that is relevant to the proposed rule on "Internet Availability of Proxy Materials," and to discuss its implications for behavior change. We wish to address the risks raised by the proposed "Notice and Access" rule through a psychological and behavioral–economics lens. In doing so, we will argue that subtle changes in the proxy-voting process may lead to significant, possibly adverse, effects. For example, recent experimental research on opt-in and out-out programs shows that subtle changes to default mechanisms can dramatically affect behavior. We believe that any changes, as well as the current status-quo, ought to be more carefully tested to ensure protection of the relationship between investors and their firms.

If enacted by issuers, Notice and Access would require millions of investors to take additional steps to get the annual financial reports and proxy statements which they automatically receive today. These extra steps include: (i) going online and searching a website, (ii) calling a toll-free number, providing personal information, and waiting for requested copies, or, (iii) sending an e-mail message to request the information. When things do go smoothly, the extra required steps seem to be but small, perhaps inconsequential nuisances; the implicit argument being that consumers who "really want" paper copies can easily get that information. Against that view, we will argue that recent research in psychology and economics shows that requiring these "extra steps" likely introduces large psychological barriers to access, ones which even the investors themselves are unlikely to forecast. The paper will proceed by outlining several established bodies of research to make this argument.

Situational Influences and "Channel" Factors

Psychological research suggests that, just as a small rock in the path can channel running water into a different direction, human behavior has a strong tendency to be channeled into paths of least resistance. In fact, seemingly minor situational details or "channel" factors are major determinants of what people do (Ross and Nisbett, 1991). "Open" channels (e.g., situations in which there is a prior commitment, or that require only a small first-step to be taken) may facilitate some behaviors, while "closed" channels (e.g., those that require new actions for established entitlements) can block other behaviors.

In other words, small barriers can have large effects on behavior. We worry that requiring investors to take extra (albeit small) steps in getting the proxy materials they now get automatically may block investors from utilizing important resources. An example of this was demonstrated in the classic study by Leventhal, Singer, and Jones (1965), wherein educational messages were used to persuade college seniors that getting a tetanus shot was worthwhile. Although seemingly convinced, only 3% of these seniors actually went on to get a tetanus shot. However, in a similar group of students who were given the same messages, nearly ten times more students went on to get a tetanus shot when they were both (1) asked to declare a time when they would go to the infirmary and (2) given a campus map with the infirmary circled on it. More recently, Bertrand, et al. (2004), conducted field experiments in the United States to examine savings behavior. In one of their studies, several public workshops were offered on the merits of opening a bank account. In the standard workshop, participants interested in opening an account were given referral letters for them to complete at a nearby bank where they could open an account. In another set of workshops, a bank representative was on hand to allow completion of most of the paperwork at the workshop itself. Since participants still had to go to the bank to present the completed forms and to actually open the account, this variation seems relatively insignificant from an economic perspective. However, the presence of the bank representative dramatically increased take-up. The message is that, if the ultimate goal of the SEC is to ensure that information is disclosed to investors, introducing new extra steps for investors to take before getting that information places closed channel factors in a path that is otherwise open today.[1]

The Status-Quo Bias

In our eyes, another key feature of the Notice and Access proposal is the nature of the default it sets. It would set the default as receiving those materials online so that investors would actively have to "opt-in" to receive paper-based proxy materials. A large body of evidence has shown that defaults such as these can affect behavior, often dramatically. For example, several countries including Austria, Belgium, France, and Sweden, presume consent to organ donation (with family consultation), requiring those who do not want to be organ donors to *opt-out*, rather using a U.S.-style system wherein non-consent is presumed and where would-be donors must *opt-in* to grant consent. Johnson and Goldstein (2003) find that European countries with opt-in organ-donor programs have effective consent rates between 4-28%, while European countries with opt-out programs have effective consent rates ranging from 86-100%.

Defaults have been shown to matter even in large financial decisions, e.g., retirement savings. Madrian and Shea (2001) showed that both 401(k) participation and portfolio composition is dramatically affected by what the company initiates as the default. All else being equal, a full six out of ten employees (61%) maintained their savings behavior at the level of the company default, compared to less than 25% when the default was no such enrollment. The downside is that, in accepting the default, 61% of these employees also did nothing to increase the fairly low 3% default contribution rate. By "suggesting" a 3% contribution rate via their automatic enrollment option, the company caused participants to shift away from the otherwise 6+% contribution levels down to exactly 3%. Also, by "suggesting" a money market fund via their default-allocation, the company caused participants to maintain a substantially more conservative portfolio, one dominated by the money market fund rather than by stocks. Without such a combination of defaults, only 1% of the cohorts participated in the combination of a 401(k) plan at a contribution rate of 3% with 100% of contributions being allocated to the money market fund. This means that nearly all of the 61% represents participant "inertia," not the savings choices that they would have made regardless of the defaults.

[1] This is especially important given that the online process may not always go smoothly. For example, internet connections can be slow or unreliable, passwords can be forgotten and must be retrieved, or websites may be difficult to navigate through or hard to find or be "down." These “small” hassles can serve as further significant blockages to action.

This type of investor inertia has been found in many settings. Benartzi and Thaler (1999) show that when firms offer investment options for retirement accounts, the percentage of stock funds offered is an excellent predictor of the percentage of stock funds chosen; e.g., when 3 stock funds and 1 bond fund are offered, employees put 75% (3:1) of their money into stock funds. The researchers show that even "sophisticated" buyers make such naïve allocations, and that these allocations "stick" throughout the buyers' careers. Likewise, Samuel and Zeckhauser (1988) suggest that people tend to keep inherited investment portfolios as these portfolios come to them, even when trained in the basics of economics and finance, and even when these inheritances have various risk profiles which may not match the unbiased preferences of the benefactors. Interestingly, Choi and colleagues (2005) found that offering a no-default alternative that forced choice increased enrollment in 401(k) plans, albeit not as much as having enrollment as the default. In other words, a poorly set default (e.g. non-participation in a retirement plan) can result in bad outcomes for individuals, even on decisions they care about.

We worry because Notice and Access changes the status quo, and because it does so without the investor's consent and without proper investigation into what the effects of either default (current or proposed) might be. The past research suggests that investor participation may decline sharply

Procrastination

As barriers to action, channel factors are different from "transaction costs" in that, economically speaking, the *costs* of the action can be tiny while the potential *benefits* of the action can be large. For example, on a cost–benefit analysis, it is surely worth the effort to handle the paperwork needed to redeem a large rebate, but (as we discuss below), rebate-redemption is something people frequently fail to do. Reconsidering the tetanus study, it certainly seems worth the hassle of *getting* a map rather than forever being unprotected against tetanus. Likewise, consider Choi and colleagues' (2001) group of self-reported under-savers: out of every 100 respondents, 68 reported that their savings rate was too low; 24 of those 68 planned to increase their 401(k) contribution rate in the next few months; *but only 3 of those 24 actually did so, even after four months*. What might be going wrong in these situations?

Experimental evidence on choices over time has repeatedly shown that people are prone to self-control problems (Frederick et. al. 2002). People tend to choose hedonic options in the present and virtuous options for the future. When people finally do muster the self-control to choose virtuous options in the present, their continued capacity for such self-control gradually diminishes, "like a muscle" (Muraven & Baumeister, 2000). Furthermore, the initial procrastination, in turn, can produce a strong tendency toward further inertia. After all, when one decides against a seemingly beneficial action, it is not as if one is resigning from ever doing it, but one merely leaves it open to do "tomorrow." Indeed, the costs and risks associated with short delays are often minuscule. The problem, of course, is that these costs and risks add up almost imperceptibly over time because the agent makes repeated decisions to delay… tomorrow never comes. Exacerbating the temptation to procrastinate is the tendency for people to under-weigh small costs and benefits, making the costs of further delay seem not only small, but utterly inconsequential (Markowitz, 1952; Cain & Loewenstein, 2006). On the upside, when contemplating the usually small costs and benefits of taking action today vs. taking action tomorrow (no really, tomorrow), a comparatively small psychological nudge may be all that is needed to overcome the perceived barriers to immediate action. In this way, small channel factors can lead to big effects, merely by "getting the ball rolling."

The "tomorrow never comes" phenomenon has significant implications in a proxy-voting environment. Votes get counted, annual meetings occur, business moves on, and well-intentioned investors, who never actually got to their voting activity, missed out because the extra steps it took to vote made action less likely. For those who prefer to receive their proxy materials via mail, by getting annual financial information and proxy statements into their hands, today's system of disclosure arguably provides higher levels of voting than would occur under Notice and Access. The inherent virtue of the current process for disclosing information to investors is that if investors do nothing and remain passive, they will continue to get their proxy materials. By this design feature, procrastination does not inhibit disclosure the way it would under Notice and Access.

Detachment and Moral Wriggle-Room.

The rule changes might have an impact through one other important channel as well: investors' feeling of a "moral" responsibility to vote. Since proxy voting is a public good, a large portion of investors' desire to vote surely comes from a sense of responsibility. Changing the amount of information that is put into investors' hands (as opposed to leaving it as merely "available" online) may alter the extent to which investors feel detached. Dana and colleagues (2004; 2005; forthcoming) show that many people do not feel responsible for their behavior when it is easy to keep themselves "strategically ignorant" of the outcomes of that behavior. In one experiment, when the consequences of a particular choice were common knowledge, the majority of participants chose the pro-social option. However, when the same consequences of the same choice were left as (freely and instantly) "available," a majority of participants acted anti-socially.[2] This happened because participants could plausibly – even if dishonestly – claim that they "did not look at" the consequences of their behavior. We concede that it may be the shareholder's right to remain ignorant of company issues (and that shareholders can also avoid opening their mail). But the point here is that, under the new proposal, investors may be inclined to detach, especially when it is plausible that they did not get around to ordering, seeking out, or even "clicking on" the proxy-materials. Indeed, the mix of information put "in-hand" vs. left as "easily-retrievable" can have subtle but significant impact on what shareholders feel compelled to do.

Rebates and Forecasting

These results so far suggest that many of the changes proposed may deter investors from seeking proxy materials. Do investors realize this? Surveys suggest that the majority – though, interestingly, not a vast majority – feel that it would not affect them. What does past research tell us about how to interpret this data? In this section, we shall argue that surveys of investors' perceptions of their likely behavior under a Notice and Access scenario (e.g., will you take steps to get information? is it likely that you will read the information? are you likely to vote?) should be regarded with caution. People often make incorrect predictions about their future selves, and they

[2] For example, in one experiment, all outcomes were pre-determined and could be known, merely by clicking on a "reveal" button that was on the very computer screen on which the participant was making his or her choice.

err on the side of being overly optimistic, especially when forecasting their ability to get over small situational obstacles. These predictions could potentially represent untested, best-case scenarios.

People are generally overconfident in their ability to perform future actions (Gregory, Cialdini, & Carpenter, 1982; Griffin et al., 1990). This is especially true when the agent has little experience with the type of event being predicted or when feedback on such events has been delayed or is ambiguous (Hogarth, 1987), as is the case with a novel change such as Notice and Access. An interesting example is the case of rebates. When consumers purchase items, they are often affected by the offer of a rebate. This suggests they feel they are going to redeem it. Yet, in fact, this can be a faulty forecast, as many consumers do not redeem the rebates. Research verifies that (i) consumers are overly optimistic about how likely they are to redeem a rebate, and that (ii) this leads consumers into purchasing products for which rebates go unredeemed (Greenman, 1999; Jolsen et al., 1987). As Gourville and Soman (2004) argue, when consumers forecast the likelihood of rebate-redemption, they "anchor" on scenarios where redemption is successful and then try to adjust or offset this scenario by anticipated variations in which redemption is unsuccessful (see also: Tversky & Kahneman, 1974; Quatrrone, 1982). Theoretically, the consumer *could* imagine an exhaustive set of unsuccessful redemption scenarios, in order to sufficiently adjust the initial (successful) scenario "down" to an accurate prediction; but research shows that people typically generate too few such scenarios and therefore insufficiently adjust (Fischhoff, Slovic, & Lichtenstein, 1977). As Schoemaker (1991) argues, people typically and automatically generate scenarios consistent with the optimal target (successful redemption), rather than counter-scenarios (of unsuccessful redemption). Indeed, whenever consumers face ambiguous situations, as is often the case, they tend to use any ambiguity or subjective unknowns in the situation to justify choosing the tempting or appeasing option (Hsee, 1995; Soman & Gourville, 2001).

Self-deception about the likelihood of future rebate redemption overly tempts some consumers into purchasing goods that come with rebates, and self-deception also tempts some of those same consumers to delay rebate redemption until "tomorrow." The problems that consumers have with rebate redemption suggest that even the investors themselves may not have accurate assessments of how likely they are to overcome seemingly small barriers to investor participation.

The Dangers of the SEC's Proposal Summarized

The SEC lists three main desiderata for proxies: (i) timely and adequate notice, (ii) effective access, and (iii) evidence of delivery (Fried Frank, 1998). We worry that Notice and Access may provide lower levels of *psychologically effective* access than those provided to investors today. The evidence cited so far hopefully makes clear that apparently small barriers to access and changes in the status quo can effectively deter access. There are good reasons that the SEC would demand that shareholders be at least mailed "notifications" of the presence of online proxy materials, rather than merely leaving all it up to shareholders to "check online, from time to time." Likewise, there are good reasons to put substantial information into the actual hands of investors. As a default, consumers should receive enough information to make informed decisions, though perhaps not so much as to overwhelm them. The information in-hand should be sufficient to inform investors and provide sufficient momentum towards maintained participation. At the very least, it is our strong belief that any proposed method of shareholder notification (and even the current) ought to be properly tested to assess its true effectiveness.

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ADP Investor Communication Services

Security and Exchange Commission

Request for Comment

Release Nos. 34-52926; IC-27182; File No. S7-10-05

February 2006

Note: **This document follows the Table of Contents of the SEC Proposed Rule. ADP's comments are outlined accordingly and numbered for easy reference.**

I. Introduction

II. Background

Request for Comment

1. *Has Internet access become sufficiently widespread to make a "notice and access" model for furnishing proxy materials a viable model?*

Forrester Consumer Technographics data is the largest household census, second in size only to the U.S. census. Its baseline contains 23,000 'investor households.' The margin of error on the study is +/-1%.

Forrester's Technographics data indicates that 81% of US shareholders live in a household with Internet access, and that such access is not evenly distributed. Approximately 8 million, out of a total of 42 million, investor households are not online. These offline investors fall disproportionately into certain demographic groups, including:

- Seniors
- Lower income households
- Rural and small market locations
- East South Central States – AL, KY, MS, TN
- African Americans

Further, Forrester's census indicates that the type of Internet access, broadband vs. dial-up, is a key determinant of online behavior. This and other technologies are important for viewing documents of the length and complexity of annual reports and proxy voting statements.

Broadband access is not evenly distributed, and some of the same demographic groups lack sufficient access to high-speed connections, newer personal computers, appropriate software, and printers. Just 38% of investor households have broadband access at home. Therefore, at least 25 million out of 42 million investors lack sufficient access.

The bottom line according to Forrester is that because current technology is not evenly distributed, "the SEC proposal may well have the effect of reducing shareholder participation - reducing the number of investors who look at and act on shareholder communications."

2. *Is the means by which most shareholders access the Internet sufficient to access lengthy documents such as annual reports, proxy statements, and information statements?*

(Refer to Comment 1, above)

3. *Would investors be excessively burdened by having to download and print these documents?*

Most investors who are online today indicate it should not be their responsibility to incur the time and cost of printing materials. 77% of respondents to the comScore online survey say they "Strongly Agree/Agree" with the statement, "It should not be my responsibility to incur the time and cost of printing proxy information myself." 75% of respondents to the Forrester telephone survey indicate they would be *unlikely* to "Download and print out the information from the Internet."

Forrester and comScore studies show that many investors do not wish to view these materials on a website. Therefore, the Proposed Rule shifts costs from issuers to investors.

ADP has communicated the opportunity to enroll in e-delivery in over 3 billion notifications to investors. Analysis shows that 2.4 million investors who initially consent to e-delivery, out of a total of over 12.5 million, subsequently rescinded their consent to e-delivery. In approximately 85,000 exit comments from those rescinding their consent, more than half noted that it is too difficult to download and print the information or that they would prefer to view it in paper form.

An analysis of costs/benefits is being conducted by Lexecon. We will report separately as soon as it is available.

4. *As technology has progressed, so has the amount of content that can be transmitted electronically. Many Internet Web sites currently use advanced formatting that may not be compatible with, or may substantially slow, dial-up connections. Do shareholders need broadband technology to efficiently download lengthy documents such as annual reports, proxy statements, and information statements? If so, do shareholders have sufficient access to broadband technology to make the proposal described in this release feasible?*

(Refer to Comment 1, above)

5. *As part of the "notice and access" model, should we require issuers and other soliciting persons to make their proxy materials available in a format that can be readily downloaded by shareholders over dial-up connections?*

In large numbers, investors indicate they are looking at the annual reports and proxy voting information today. Over 95% of respondents to the online survey and 87% of respondents to the telephone survey indicate they look at annual reports and proxy voting information at least some of the time. In the telephone survey, of the 13% who say they "Never" look, 42% indicate "I am just not interested." 34% say, "The information is difficult to understand," and 16% say "The information is not relevant."

ADP is committed to building upon current levels of investor participation. We believe new technology such as XBRL solutions offer the potential for providing more value to current "lookers," and could undoubtedly encourage some "non-lookers" to increase their participation, and would also encourage more investors to opt-in for e-delivery.

6. Should we require issuers and other soliciting persons to provide, where available, links to third-party Web sites from which shareholders would be able to download, free of charge, any software necessary to view the documents?

Yes. This is a current industry practice.

7. Do issuers have sufficient bandwidth on their Internet Web sites to handle any anticipated increased traffic?

Due to the variability in the technical proficiency across the issuer community, ADP believes this question would need to be answered on an issuer-by-issuer basis. Bandwidth is only one aspect of an effective web program.

It is important for the SEC to consider questions of availability, reliability, up-time management and disaster recovery. It is important that there be 'delivery assurance' in furnishing materials on a website. Questions of performance measurement, compliance with notification deadlines, and shareholder accessibility during the solicitation period, should be considered by the SEC – to ensure that future levels of system integrity are at the standard provided by ADP today.

In ADP's experience, traffic patterns for access to issuers' websites are heavily concentrated on the first day after notification e-mails are distributed. As part of the current service offering, ADP ensures that materials are available on the website -- in advance of sending e-mail notification to investors. Hosting sites and ISPs are often traffic-bound the day after the release, and senders' messages get aborted, i.e., "This Page Cannot Be Displayed" may appear.

The SEC should also consider how to measure, monitor, and enforce performance in meeting access requirements, including how broker-dealers would establish if they have met the criteria for the 10-day discretionary vote.

8. What actions would issuers have to take to ensure that their Internet Web sites have sufficient capacity to handle the increased traffic?

Such evaluation would need to be made on an issuer-by-issuer basis. Certain key disaster recovery and performance factors might need to be defined by the SEC, for example:

- Capacity Planning – Plans that will ensure that periodic volume spikes do not overload availability

- Security – Protection of Shareholder information and voting rights
- Resilience – System recovery from hackers and denial-of-service attacks
- Disaster Recovery – In the case of catastrophic failure, materials will need to be made available immediately, though a separate site, and all voting records would need to be restored.

Given that an issuer is not being mandated to use the 'notice and access' solution, these costs would need to be considered by each issuer individually, and depend on the requirements ultimately mandated in order to ensure investors have the intended access to online materials.

9. *Should the proposed model instead be based on obtaining a shareholder's consent? If so, what type of consent should be required (e.g., should a shareholder's affirmative consent, implied consent, or other type of consent be required?) and should any disclosure be required in connection with the request for consent? If so, what disclosure should be required?*

At a minimum, it would be a significant step backward for the rule to eliminate the current preference database for e-delivery.

As proposed, the rule provides language for the Notice that specifies, "If you want to receive a paper or e-mail copy of these documents, you must request one." Not pushing emails to investors who have already consented to e-delivery would be a step backward for efficiency and participation.

The research on 'defaults' concludes that requiring investors to opt-in for each of their holdings each year would likely result in decreased participation**.**

The Forrester Survey specifically tested for participation by identifying the behavior of shareholders that look at the materials provided in the proxy process and found that:

- 82% of all shareholders look at annual reports and proxy materials at least some of the time
- 72% of those that look at this information are aware of the e-delivery option but prefer to get paper

III. Description of the Proposed Amendments

A. Proposed "Notice and Access" Model for Furnishing of Internet Proxy Materials by an Issuer

10. *Should the "notice and access" model be available with respect to all shareholders of all issuers, or should there be limitations on its use? In addressing each of the questions above, commenters are asked to address differences in the degree to which different categories of investors in particular types of issuers have access to, and are prepared to use, the Internet in receiving communications from the issuer.*

The online and telephone surveys indicate that investors are not apt to take the new steps the Proposed Rule would require of them. The decline in participation would be expected to be broadly experienced.

11. *Should the availability of the "notice and access" model depend on the nature of the issuer? For example, should the "notice and access" model be available for all issuers or should its availability depend on the issuer's Securities Act registration statement form eligibility (e.g., Form S-3 eligibility) or the issuer's Exchange Act reporting history (e.g., only those issuers that are current in their Exchange Act reporting)? In addressing each of the questions above, commenters are asked to address differences in the degree to which different categories of investors in particular types of issuers have access to, and are prepared to use, the Internet in receiving communications from the issuer.*

In the Open Meeting on November 29, 2005, the Director of the SEC Division of Corporation Finance suggested that cost/benefit tradeoffs of the Proposed Rule -- to small- and mid-cap issuers -- might not be sufficient to cause them to use the new rule.

In contrast, it was suggested that the largest issuers, whose shares are substantially institutionally held, and who have significant numbers of individual shareholders, might benefit from fewer physical distributions without being dissuaded by the incremental costs associated with applying the Proposed Rule (e.g., toll-free number/call center, web document creation and hosting, and the like). In addition, the largest firms may not have the same risks associated with attaining quorum that smaller firms might encounter with some proposals and meetings – they also may not have the potential exposure associated with downstream solicitation expenditure.

We believe the benefits of shareholder communications should continue to be enhanced for all issuers. We would encourage all issuers to avail themselves of best practices for effectively communicating through compliance materials that are smaller and lighter.

We also understand that investors value a consistent process across all of their equity holdings. The Proposed Rule potentially creates difficulties in this regard.

A given shareholder may encounter delivery and presentation inconsistencies due to the choices of issuers within the same portfolio or account. For institutional investors, this would create workflow challenges not present in the current system/rules. ADP internal records show that 99% of the institutions that use its proprietary ProxyEdge delivery and voting platform request at least one copy of these materials. In general, confusion created by variability in the process would not enhance investor participation, and it could result in added costs to issuers and intermediaries in the form of service delivery and investor education.

12. *Should the availability of the "notice and access" model depend on the nature of the issuer's investors? For example, should the "notice and access" model be equally available with respect to all shareholders (e.g., institutional versus individual shareholders, more financially sophisticated shareholders versus less financially sophisticated shareholders)? In addressing each of the questions above, commenters are asked to address differences in the degree to which different categories of investors in particular types of issuers have access to, and are prepared to use, the Internet in receiving communications from the issuer.*

The research suggests that requiring investors to take more steps than they do today to get information and vote their proxies -- or to take steps they prefer not to take – would diminish participation across the board.

Forrester's Technographics data shows that the disadvantages of the Proposed Rule are also disproportionately felt by groups who are not online or who do not have broadband access to the Internet. The data indicate that investors do not use the Internet for interactions that are analogous to getting shareholder information and voting proxies.

Today's investor choice model does not prejudice any shareholder group, or inconvenience investors by requiring them to access information in ways they have not chosen today.

13. *Should mutual funds, closed-end funds, business development companies, and other investment companies be permitted to use the "notice and access" model? In addressing each of the questions above, commenters are asked to address differences in the degree to which different categories of investors in particular types of issuers have access to, and are prepared to use, the Internet in receiving communications from the issuer.*

The Proposed Rule, as defined, would have a number of serious unintended consequences for corporate governance. We believe it is important to address the concerns of investors and issuers in any new proposals.

III.A.1. Notice of Internet Availability of Proxy Materials

14. *Is it appropriate to provide issuers with the alternative of using the "notice and access" model to furnish annual reports and proxy statements or information statements, as proposed?*

Research shows that the "notice and access" model would have a number of serious unintended consequences. Decreased investor participation would amplify the controversies surrounding the so-called "broker" or "10-day" vote (NYSE Rule 452).

The Forrester Survey finds that 70% of shareholders will never take the extra step (e.g., calling an 800 number) to get annual reports and proxy voting materials or will only take it some of the time. Among voters, two-thirds would not take the extra step. More than twice as many say they are less likely to look at materials under the proposed new rule and 38% of voters would be less likely to vote under the proposed new rule.

15. *Should we modify the proposed "notice and access" model in any way? If so, how?*

ADP believes in the SEC's goals of efficiency for issuers and protection for investors. However, in addition to having a number of unintended negative consequences, the Proposed Rule would represent a massive change for shareholders. Given the number of questions raised as Requests for Comment (149 of which are listed herein) and the implications of the research, it would be advisable to proceed cautiously. We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

Set forth herein are some potential modifications to the Proposed Rule originally explored by ADP and, based on the Forrester and comScore data, determined to have negative consequences:

Active Voters Modification

At the SEC's Open Meeting on November 29, 2005, the Division of Corporation Finance noted that approximately 55% of shareholders do not vote at shareholder meetings and expressed concern about the costs of sending them proxy materials. ADP, in its capacity as agent for bank and broker nominees, has access to multi-year data about shareholder accounts that have not voted. One possible modification to the Proposed Rule would be to allow issuers to use the "notice and access" model for any shareholder account that has had no voting activity for some reasonable period of time.

This approach would serve the dual purpose of continuing to provide materials to active voters in the form they prefer, while allowing issuers to decrease costs without any negative impact on voting participation. However, as the third party research shows, there is a significant percentage of shareholders that look at the materials yet choose not to vote. Such shareholders should be viewed as participating in the process today.

E-mail Proxy Delivery

The Proposed Rule could be modified to allow bank and broker intermediaries to use an implied consent model for those of their customers who have already consented to receive other communications through the Internet and e-mail. If a customer has provided an e-mail address to its bank or broker intermediary or has otherwise consented to electronic delivery of other communications (*e.g.*, account statements, trade confirmations, etc.), then the intermediary could notify such customer that proxy materials would be distributed by electronic delivery unless the customer objects.

Using this approach, issuers would realize immediate costs savings and shareholders would be receiving materials in a format for which they have already consented for other communications from their intermediary. However, as the third party research shows, the fact that a shareholder desires to use the Internet and email for certain activities does not mean such shareholder desires to use the Internet and email for all activities. Over 70% of shareholders who receive paper materials today are aware they could receive e-delivery yet choose not to. This modification would result in some of the same negative consequences as the Proposed Rule.

16. *The proposed requirement that an issuer choosing to rely on the "notice and access" model would have to send the Notice of Internet Availability of Proxy Materials to shareholders 30 days or more in advance of the shareholder meeting date is designed to provide sufficient time for a shareholder to request a copy of the proxy materials, if desired, and to review the materials prior to voting. Would the proposed 30-day period achieve this objective? Would a shorter or longer period be more appropriate? If so, please specify the length of the period that would be more appropriate and explain why.*

Beyond the concerns contained herein regarding the proposal, we estimate a 45-day requirement would be necessary to ensure that foreign shareholders and some institutions receive materials within the same time periods they realize today. ADP's analysis of average transit times for foreign shareholders over the past three years indicates that a 30-day window leaves no time for requesting materials, reviewing them and casting votes.

In addition, many issuers have difficulty today preparing materials in a timely enough manner to meet a 30-day solicitation period. ADP internal analysis of three years' of data reveals that:

- 6,535 companies mailed 30 days prior to the meeting date, or earlier;
- 9,696 companies mailed between 21 and 30 days before their meetings,
- 3,116 companies mailed between 15 and 20 days before their meetings,
- 8,329 companies mailed less than 15 days before their meetings.

The voting percentages for these four groups are 62.67%, 62.29%, 51.03%, and 40.50% respectively. It should be noted that the above timeframes measure the time from 'mail date' to 'meeting date.' Under the Proposed Rule, shareholders would have less time to request and receive materials. If forced to meet a 30-day solicitation window, many companies would not be able to comply. Smaller companies have relatively more trouble managing to a 30-day window.

If institutions request copies of proxy materials for the many positions they own, the reduced time vs. today to review the materials, would likely cause gridlock and ultimately less votes and participation. ADP internal records show that 99% of the institutions that use its proprietary ProxyEdge delivery and voting platform request at least one copy of the materials.

17. *Are the proposed means by which a shareholder can request a copy of the proxy materials appropriate?*

(Refer to Comments 12 and 16, above)

18. *Should the issuer's provision of an e-mail address from which shareholders can request copies be optional?*

To facilitate participation, shareholders should be given every possible opportunity to get materials. We note in the research, however, that few shareholders said they were likely to use this option.

The Forrester telephone survey asked shareholders how likely they would be to engage in a second step to be able to receive materials. They responded as follows:

- 70% of shareholders will never take an extra step to get shareholder information or will only take it some of the time
- Among current voters, 65% say they would not take the extra step
- Among those shareholders that currently look at materials, 68% say they would not take the extra step

Additionally, of on-line shareholders that currently receive their proxy information by mail, 64% say they would be unlikely to e-mail a request for information to be sent by the Issuer.

An analysis by ADP of 6,091 proxy jobs for U.S. listed companies processed between May 2004 and May 2005 shows that 63.8% of the beneficial shares are held in accounts designated as Objecting Beneficial Owners (OBOs) who have already proclaimed their preference for anonymity. Requests for information should be handled in ways that are consistent with investors' wishes for privacy. We believe this is best accomplished by broker-dealers' involvement in the process. Fulfillment and process control by intermediaries is the only way to ensure anonymity and to maintain the integrity of the proxy voting process.

19. *Should the rules expressly reference other appropriate means by which shareholders can request a copy of the proxy materials?*

Yes. (Refer to Comment 18, above)

20. *Should the rules specifically require that the issuer provide shareholders with a postage-paid, pre-addressed reply card to request a copy of the materials?*

To facilitate participation, shareholders should be given every possible opportunity to get materials, consistent with cost efficiencies for issuers.

The Forrester Survey asked shareholders how willing they would be to engage in a second step to be able to receive materials. They responded as follows:

- 70% of shareholders will never take an extra step to get shareholder information or will only take it some of the time
- Among current voters, 65% say they would not take the extra step
- Among those shareholders that currently look at materials, 68% say they would not take the extra step

21. *Should we permit issuers to household the Notice of Internet Availability of Proxy Materials, as proposed? If not, why not?*

The householding methodology and process have provided substantial savings to issuers since 2000. ADP has eliminated 30,260,355 positions, and saved issuers $104.9 million in printing and mailing costs (assumes $3.466 per mailing). Householding efficiencies under the Proposed Rule will likely be reduced without the efforts of broker-dealers and ADP processing.

22. *Should we require or permit additional information in the Notice of Internet Availability of Proxy Materials? For example, if the issuer is aware that a proxy contest is being effected, should it be required to indicate in the Notice that such a contest exists? Also, if the issuer recommends a vote in opposition to a shareholder proposal, should it be required to state that the proxy statement contains the shareholder's statement in support of the proposal?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

23. *Should we permit the Notice to include a request for the shareholder's affirmative consent to future electronic delivery of the Notice?*

Despite concerns regarding other aspects of the proposal, this would be an efficient means to invite enrollment in e-delivery.

24. *We have proposed that the Notice contain "a clear and impartial identification" of matters to be acted upon. This language mirrors language currently found in Rule 14a-4 related to the proxy card to indicate that such identification should be as brief as it currently is on proxy cards. We also propose that a soliciting party*

may not include a supporting statement. We have included these proposals because we do not intend the Notice to become a means of persuading shareholders how to vote. Should the rules be more specific regarding the brief and factual nature that we intend for the identification of matters to be acted upon? Is the language of the proposed legend appropriate? If not, what should be changed and why?

ADP does not view this as a processing matter, and therefore does not offer a comment.

25 *Should we permit materials in addition to the proxy card and a return envelope to accompany the Notice of Internet Availability of Proxy Materials? If so, what types of materials should we permit?*

62% of voters who responded to the Forrester telephone survey indicated they would be more likely to vote if a ballot were included with the Notice. Among current voters surveyed, 65% say they would not take the extra step to obtain copies and 54% indicated that if a ballot were included with the Notice they would vote "All," "Most," or "Some" of the time without looking at the material. This would suggest that voting would be less-informed without proxy materials being included with the ballot.

26. *For investment companies, should we permit a copy of the company's current prospectus or profile to accompany the proxy card and Notice?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

27. *Should we require issuers to apply plain English principles to the Notice of Internet Availability of Proxy Materials, as proposed? If so, should we apply requirements similar to those in Rule 421(d) or Rule 421(b) under the Securities Act?*

Per the Forrester Survey, 24% of shareholders who never vote commented that they did not understand the matters to be voted on.

28. *Should we establish different plain English standards for the Notice? If so, what?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

29. *Is it unnecessary to apply plain English principles to the Notice, given the brevity of the Notice and factual nature of the information to be included in the Notice?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

30. *Is it appropriate to impose a separate obligation on the issuer under Section 14(a) to provide a copy of the proxy materials to requesting shareholders? If not, are there other options that we should consider to ensure that copies are available to shareholders that desire them?*

Beyond the concerns contained herein regarding the proposal, every effort should be made to make it easy for shareholders to get materials, consistent with process efficiencies.

31. *Should an issuer or other soliciting person be permitted to charge a requesting shareholder for a paper copy of the proxy materials?*

We did not test the impact on investor protection and participation of charging for materials, however, even without charging the survey finds that participation drops.

32. *Should the proposed rules instead indicate that an issuer does not satisfy its requirement to furnish a proxy or information statement to a shareholder requesting a copy until it provides that copy to the shareholder?*

Process performance measurement and control are features of the current process.

33. *Should we require the Notice to be filed with the Commission under Rule 14a-6(b), as proposed?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

34. *Should we create a new EDGAR form type for filing the Notice?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

35. *Should a special EDGAR form type be created for a Notice regarding the availability of a Schedule 14C information statement? Would it cause confusion if such a Notice is filed under a Regulation 14A rule?*

ADP does not offer a comment at this time.

36. *As noted above, the proposed rules would require a second Notice if revised proxy materials are required to be furnished to shareholders and the issuer wishes to rely on the proposed model to do so. Are there other situations in which an issuer should be required to furnish a second Notice?*

Beyond the concerns contained herein regarding the proposal, in the event of an adjourned meeting and a subsequent change in materials, we understand a new notice would be required at least 30 days before the new meeting.

If an issuer should decide to send out reminder notices, we believe a second Notice of Internet Availability of Proxy Materials should accompany the reminder mailing.

III.A.2.i. Proxy Card

37. *Should the rules, as proposed, permit an issuer to furnish a proxy card and the Notice of Internet Availability of Proxy Materials to shareholders separately and through the use of different media, subject to the proposed limitations? If not, why not?*

The proxy card should be available to the shareholder in the form the shareholder prefers and in our opinion should be included with the notice to aid the control process, but under no circumstances should the shareholder be asked to print out a generic proxy card. Without the proper controls in place, this could easily compromise the integrity of the voting process.

38. *Would it be more appropriate to require that the proxy card always be furnished together with and through the same delivery means as the Schedule 14A proxy statement and the annual report to shareholders? For example: if the proxy card was furnished electronically, the proxy statement and annual report to shareholders also would have to be furnished together with the proxy card electronically, regardless of the means by which the Notice of Internet Availability of Proxy Materials was furnished; or if the proxy card was furnished in paper, the proxy statement and annual report to shareholders also would have to be furnished together with the proxy card in paper, regardless of the means by which the Notice of Internet Availability of Proxy Materials was furnished. Conversely, should we require that the proxy card always accompany the Notice, regardless of the manner in which the proxy statement and/or the annual report to shareholders was furnished? Please provide support for your position.*

As indicated above in Comment 25 above, the research indicates there is a tradeoff between participation and informed voting.

A Proxy Card/Voting Instruction Form (VIF) could be designed to fit into a single envelope, and the associated incremental postage cost to include it with the Notice would be small.

39. *Exchange Act Rule 14a-6 requires the preliminary filing of the proxy statement and the proxy card. That rule provides an exclusion from the preliminary filing requirement for so-called "plain vanilla" proxy materials that relate to a meeting of security holders at which only a specified list of common matters are to be considered. Those proxy materials may be filed in definitive form only. Would it be more appropriate to require that the proxy card be furnished together with and by the same means as the proxy statement and the annual report to shareholders, regardless of the means by which the Notice of Internet Availability of Proxy Materials is furnished, unless Rule 14a-6 would permit the proxy materials to be* *filed in definitive form only, or unless the meeting addresses only those matters listed in Rule 14a-6, notwithstanding the exclusion in that rule regarding solicitations in opposition? In either of those situations, would it be appropriate to permit or require the Notice of Internet Availability of Proxy Materials and the proxy card to be furnished together and by the same means even if the proxy materials and/or the annual report to shareholders were furnished separately and/or through a different means (for example, the Notice of Internet Availability of Proxy Materials and proxy card furnished together in paper and the proxy statement and/or the annual report to shareholders posted on an Internet Web site)?*

In order to maintain high levels of informed participation, the research indicates that the proxy card should accompany the proxy statement. Investors have expressed their belief that the card and materials should not be separated.

40 Would a shareholder be more or less likely to access and review the proxy statement and annual report before voting if these documents were posted electronically on the Internet Web site, but the proxy card was delivered to shareholders in paper with the Notice?

Shareholders would be more likely to vote if the proxy card or VIF was included with the Notice. However, shareholders will be significantly less likely to read any materials that were A) not delivered in the preferred form (paper or e-delivery) and B) not provided at the same time as the Notice.

Furthermore, both the telephone survey and the online survey indicate that 72% of the shareholders who are online and receive printed materials are aware that e-delivery is an option. From the telephone survey, the reasons for not choosing e-delivery are:

- 50% I prefer to look at this information on paper
- 19% I'm worried about the security of my personal information on the Internet
- 18% I find it difficult to look at this kind of information on the Internet
- 17% I don't have easy access to the Internet
- 15% I do not want to print the information at my expense

The surveys also indicate that investors are not likely to take the extra step and clearly prefer not to view materials online.

41. Would the proposed model increase issuers' dependency on discretionary broker voting? Would it increase the amount of discretionary voting?

The proposed model would significantly increase the importance of the discretionary vote.

ADP analysis of all proxy jobs for U.S. issuers processed in 2003, 2004 and 2005 shows that uninstructed broker shares accounted for 25.2%, 23.2% and 23.8% of the beneficial shares, respectively. Given indications from the research that participation would decrease among individual investors by up to 38%, the broker vote could increase to approximately 28.6% using 2005 data as a base. This will make the broker discretionary vote more controversial for institutional investors and more critical to small and mid-cap issuers who need it to attain quorum in routine situations.

42. Are there circumstances in which brokers or other intermediaries might be uncertain as to their ability to cast discretionary votes (e.g., if a shareholder requests delivery of the proxy materials but has not sent voting instructions 10 days prior to the meeting)? What might be the consequences of such uncertainty?

Managing the number of shares that are eligible for the broker vote will be a challenge when issuers and intermediaries are potentially fulfilling hard copy requests.

Under the Proposed Rule, shareholders would have the ability to request materials directly from issuers, and brokers therefore would not know if materials were sent. Today, brokers rely in part on U.S. Postal documentation for complying with the criteria necessary to issue discretionary votes. The Proposed Rule does not specify a level of control that is equal to what is provided under current rules.

43. Should there be increased or more prominent disclosure regarding how those discretionary broker votes operate? If so, what added disclosure should be required? Where should such disclosure appear (e.g., on the Notice)?

U.S. proxy process participants should continue to work together to ensure that investors are clearly educated on their rights, and on the mechanics of process.

44. Much shareholder voting currently is tabulated through the use of machine readers to identify and verify a shareholder's position. If an issuer posts its proxy card on the Internet Web site along with other proxy materials and permits shareholders to print out the proxy card and return it to the tabulator, should we adopt rules that would require the printout to include bar codes or other identification conducive to the automated processing of votes? Do we need to provide for the ability to include such codes on the Notice?

Control procedures need to be clearly articulated. However, we do not believe a specific technology should be incorporated into regulation. Broker-dealers and custodian banks are responsible for providing the information necessary to ensure process integrity and control. It would be impossible for issuers to post proxy cards that can be voted by a beneficial shareholder.

45. If an issuer chooses to post its proxy card on an Internet Web site, what, if any, technological difficulties would this present for voting the proxies?

The voting control procedures are among the most important components of the proxy voting process. Managing the eligibility and correct voting rights of each shareholder is of critical importance to the integrity of the process and is significantly complicated by the Proposed Rule.

Voting instructions cannot simply be distributed without controls and a database associating position records with voting authority. Therefore, we do not believe issuers would have the necessary data or controls to provide a proxy card to beneficial shareholders.

46. *In this regard, please discuss the technology that is available, or may be developed, for posting proxy cards and voting through Internet Web sites. Are additional rule changes necessary to facilitate the use of this technology?*

Online proxy voting via the Internet has been available to beneficial shareholders for almost ten years. In the 2005 proxy season, over 8 million shareholders voted 23 billion shares via ADP Internet voting technologies. The technology and the process are robust, audited and well documented.

ADP has developed and maintains a state-of-the-art proxy voting web site that:

- Is compatible with all known browsers
- Operates at high-availability, with a fully redundant infrastructure
- Provides disaster recovery at the transaction level
- Provides a consistent 'look and feel' for over 75% of the shareholders across all issuers.

An ADP analysis of all the proxy jobs for U.S. issuers processed over the years 2003, 2004 and 2005 shows that of all the ballots and shares distributed via paper, 36.44% of the shares were returned via the Internet (ProxyVote.com). Of the ballots distributed electronically, 28.64% of the shares were returned via the Internet.

47. *If an issuer chooses not to send a proxy card with its Notice, should an intermediary be allowed to decide whether to send out a request for voting instructions with the Notice?*

Since intermediaries are responsible for ensuring the distribution of material and the tabulation of voting instructions, they should be permitted to utilize procedures to ensure the faithful discharge of their fiduciary responsibilities.

48. *A beneficial owner cannot, in most cases, execute a valid proxy because a beneficial owner is not the holder of record under state law. Instead, a beneficial owner typically submits voting instructions to its intermediary. If an issuer chose to post its proxy card on a Web site with other proxy materials, should the rules require the intermediary to establish its own Internet Web site to post its request for voting instructions? Should the proxy materials be placed on that Internet Web site as well?*

If ADP ascertains at the time of material distribution that an issuer posted documents on the Internet or if it is available on EDGAR, they are made available to beneficial shareholders. If beneficial shareholders consent to e-delivery, their hard copy is suppressed and they receive an e-mail notification with hyperlinks to the material and voting site. This process has been in place for almost a decade and we see no need for changes.

The current process requires the issuer to provide the Internet address (URL) of the material. The beneficial voting site and the e-mail notification provide access to the material through these URLs. This process should continue since it ensures that any changes made to the material, by the issuer, are automatically available to all shareholders without having to synchronize multiple web sites.

It should be noted that much of the technology that is currently being used for electronic distribution and intelligent print utilizes EDGAR filings. If the SEC were to change the use of EDGAR as the repository, many related processes would require significant software upgrades across the industry to manage the new formats and locations.

49. *Should the intermediary be required to create its own Notice, or use some other means, to clarify to beneficial owners that they cannot execute the proxy available on the issuer's Web site?*

The issuer's notice should provide instructions to beneficial owners regarding the use of their web site and voting instructions.

Under the current process, the issuer distinguishes between the two processes, for registered and beneficial shareholders, in their Notice and Proxy Statement and the intermediary designates on the voting instruction form the beneficial voting web site. Since this disclosure and instruction process has a long history of working, the issuer should continue to make this distinction in their materials.

50. *Should issuers adopt some means to prevent persons other than holders of record from being able to print or download the proxy card from its Web site?*

We do not believe that the printing of generic proxy cards from a web site without proper controls is a feasible option.

It is only through personalization with unique identifiers, such as the currently supplied control numbers, that the integrity of the process can be assured. Finally, for the beneficial process, only the nominees know which accounts are beneficial shareholders for any meeting and which entities have voting authority for those accounts.

51. *If an intermediary creates its own Notice and directs beneficial owners to its own Internet Web site to obtain proxy materials and the request for voting instructions, should the proxy rules be amended to provide that an issuer would not be required to send copies of its Notice to the intermediaries pursuant to Rule 14a-13?*

The existing proxy model, executed by intermediaries for beneficial shareholders, provides for a consistent delivery and process for the shareholder. It is through this consistency that intermediaries can establish standardized infrastructure and procedures to support the process and ensure the highest level of participation. Beneficial shareholders should be directed to web sites and/or call-centers established by their intermediaries to maintain the integrity of the process.

52. *When and how should the intermediary notify the issuer that it will create its own Notice?*

(Refer to Comment 51, above)

III.A.2.ii. Internet Web Site Posting of Proxy Materials

53. *Should the issuer be able to make its proxy materials electronically available only on the EDGAR Web site? If so, how would it make the glossy annual report electronically available to shareholders?*

Beyond the concerns contained herein regarding the proposal, we believe that the EDGAR web site should not be the only location on the Internet for proxy materials since this shifts the responsibility to the SEC for maintaining availability. Issuers should be able to provide all requested materials, including annual reports, to their shareholders on their website or on an independent website. These URLs should be provided to the independent third party as well for fulfillment purposes.

Providing materials in a graphical presentation is an important component. The SEC filing format is not conducive to online reading and/or printing. Graphics, search capability, and pagination which match a table of contents are a minimum standard for web presentation of materials of this nature and length.

54. *Should we require issuers following the proposed model to post all of their proxy materials on the Internet Web site so that those materials would be readily accessible in one place?*

Yes. The issuer’s website should be easily accessible. Shareholders should not have to navigate through a website for information.

Shareholders should have access to one site, with multiple links (if necessary), at one URL address.

55. *Should we require companies to electronically post on the Web site any soliciting materials that are disseminated prior to furnishing a proxy statement pursuant to Rule 14a-12?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

56. *Should the rules, as proposed, require proxy materials posted on an Internet Web site to be presented in a format that is substantially identical in appearance to the format used in paper copies of the materials?*

The market research did not test the format investors wish to have, only their preferences on the mode of delivery.

57. *Are there any advantages to requiring or permitting the proxy materials to be posted electronically in HTML or ASCII format (e.g., would this lessen concerns about the ability of shareholders to easily download the materials or speed the downloading process)?*

Rather than choosing a format or technology, we believe that any rules should require standards for online presentation. These standards should include such things as:

- A table of contents with navigation to the appropriate pages
- Document printing with pagination
- Online documents with levels of information that are similar to those of printed versions

While HTML posted materials are lightweight, requiring lower bandwidth for online viewing, they do not allow for the printing of documents in the same format and presentation as the printed version. Many issuers today that offer an HTML version of their material also provide a PDF version for printing and downloading.

58. *Should issuers have to post their proxy materials in both PDF and HTML formats?*

Rather than choosing a format or technology, we believe that any rules should require standards for online presentation.

59. *Should there be additional specified requirements regarding the Internet Web site posting of information? For example, should the alternative model specifically prohibit or require: pre-registration by shareholders at the Web site before they are granted access to the proxy materials; the issuer's use of third-party Web sites to host the issuer's proxy materials; or the issuer's use of disclaimers of liability or responsibility for the information?*

Adding procedures to the process that do not provide investors with benefits may result in less participation.

60. *Should we require annual reports to security holders to be filed, or furnished, on EDGAR?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.A.2.iii. Period of Reliance on the Proposed Model

61. *Should a shareholder and/or the issuer be bound by the shareholder's initial decision as to whether or not to request a copy of the proxy materials in subsequent proxy seasons? If so, should the issuer be subject to the 30-day notice period regarding delivery of the Notice of Internet Availability of Proxy Materials in subsequent proxy seasons only with respect to shareholders who made an initial decision to request a copy of the proxy materials (with the result that the issuer could, for example, deliver the Notice to other shareholders 25 days rather than 30 days before the new meeting date)?*

Given the negative impact on participation as indicated by the research, it would be important to consider ways which make it easy for investors to be protected.

Through a three-year analysis of our database covering all proxy distributions in the U.S., we have ascertained that the average individual has 1.14 accounts with 3.84 positions in each. The average shareholder wanting a hardcopy of each proxy would have to make 4.4 contacts with issuers every year.

62. *Should an adjournment of a shareholder meeting require the issuer to deliver a second Notice of Internet Availability of Proxy Materials? If so, should the issuer have to deliver that Notice to shareholders at least 30 days before the adjourned meeting date?*

(Refer to Comment 36, above)

63. *Should an issuer be required to deliver an additional Notice of Internet Availability of Proxy Materials to shareholders whenever state law requires the delivery of a shareholder meeting notice?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.A.2.iv. State Law Notices

64. *Would the proposed rules create any problems or conflicts with state law? If so, how should those problems be resolved?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.A.2.v. Additional Soliciting Materials

65. *Under current rules, issuers are required to file with the Commission additional soliciting materials used after furnishing the proxy statement, but issuers are not required to otherwise furnish them to shareholders. We propose that, under the alternative model, these additional materials be filed with us and posted on the specified Internet Web site. Given an issuer's general interest in seeing that such*

materials are publicized, would such proposed steps be sufficient, or would it also be appropriate to require a public notice of additional soliciting materials, such as a press release?

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.A.3. Requests for Copies of Proxy Materials

66. As proposed, it would be the responsibility of a shareholder desiring a copy of the proxy materials to request one in sufficient time to receive the materials before the meeting. Is this appropriate?

Beyond the concerns regarding lower participation and voting, we do not believe that 30 days is sufficient enough time to allow all shareholders equal opportunity to request and receive copies of material.

ADP performs regular transit time testing throughout the year. Transit time testing for domestic USPS Standard Mail indicates an average time for letters of 8.7 calendar days (with a low of 5 days and a high of 11 days). Transit time testing for USPS First Class indicates an average for flats of 5.2 days (with a low of 5 days and a high of 7 days). Looking at the longest delivery transit times for each leg of the process, we see the following:

- 11 calendar days for the delivery of the Notice
- 2 business days to fulfill the hard copy request (as per SEC proposal)
- 7 calendar days for the delivery of requested copies
- 5 calendar days for the returned vote via Business Reply Envelope (tested by ADP)

Total transit time would be 25-27 days (accounting for a 2 business day turn-around). The Proposed Rule therefore leaves little time for the investor to react to the notice, read the material and cast a vote. While this is a worst-case scenario, the ‘notice and access’ process, should consider the participation needs of a dispersed shareholder base and varying transit times.

In the case of foreign shareholders, the transit time averages 11 business days for each leg. Therefore, 30 days is insufficient.

67. Should the Notice of Internet Availability of Proxy Materials state a date by which a shareholder desiring a copy must request it a specified number of days in advance of the meeting date (e.g., a shareholder must request a copy no later than 10 or 15 days before the meeting date)? If so, how far in advance of the meeting date should the shareholder have to request a copy?

Requests for copies of investor material are generally accepted and fulfilled by issuers today. A shareholder should be able to request/receive materials at any time.

Since Internet and telephone voting are available to all beneficial shareholders, then there should not be a request date cut-off for delivery copies of material. A shareholder receiving a copy of the material the day before the meeting could still have the opportunity to vote their shares electronically and be counted at the meeting.

The Proposed Rule does not indicate how the broker vote would be handled. It raises questions such as how brokers would monitor the 10-day vote requirement when investors are requesting copies throughout the solicitation period, and whether delivery of the Notice and the disclosure of the material URLs are sufficient to satisfy the 10-day rule -- regardless of whether the investor requests materials.

68. *Establishing a deadline by which shareholders must request copies might increase the likelihood that a shareholder will receive materials before the meeting, but also would reduce the amount of time that shareholders have to make the request. Which of these competing interests, if any, is more important?*

Shareholders should be able to request/receive materials at any time. This question presupposes that a shareholder would only request materials to support a voting decision. The Forrester Survey has shown that shareholders save the material and use it throughout the year as a research source.

69. *Alternatively, should the proposed rules mandate a minimum period of time after receipt of the Notice of Internet Availability of Proxy Materials during which a shareholder could request a copy of the proxy materials? If so, how long should this period be? Should that period be 15 days, 10 days, or a shorter or longer period?*

Shareholders should be able to request/receive materials at any time. This question presupposes that a shareholder would only request materials to support a voting decision.

70. *Should an issuer have to respond to a request for a copy of the proxy materials made after the annual meeting date, as proposed? If not, why not? If so, should there be any limit on the period after the annual meeting date during which an issuer must respond to a request for a copy?*

Most issuers currently and readily provide this type of information today.

71. *Is the proposed two-business-day requirement an appropriate period of time for the issuer to respond to a shareholder's request for a copy of the proxy materials? Should the issuer be required to do so in one business day?*

While we believe the two-day business requirement is appropriate, we question the 30-day minimum period for the entire process (as referred to in Comments above).

72. *Would the issuer need more time, such as three or four business days? If a longer period of time is provided, should the 30-day minimum period between the sending of the Notice and the meeting also be lengthened? If not, why not?*

Beyond the concerns regarding lower participation and voting, we do not believe that 30 days is sufficient time to allow all shareholders equal opportunity to request and receive copies of material.

Furthermore, if the turnaround time is lengthened, then the 30-day minimum between the sending of the notice and the day of the meeting should also be lengthened. In fact, we believe the 30-day minimum is too short even with the proposed two-business day turnaround. (For analysis, refer to Comment 66, above.)

73. *Is the proposed requirement that an issuer provide requested paper copies by first class mail or other reasonably prompt means appropriate?*

Use of first class mail is appropriate, and may be the only method available for this type of distribution process.

Many of the options available today to lower postage costs would not be available under the Proposed Rule since minimum volumes are not likely to be achievable in a fulfillment operation.

74. *Should an issuer have to provide the requested paper copy by more expedited means, such as overnight or two-day delivery?*

Based upon the transit time analysis, expedited delivery would be required for all requests received within one week of the meeting. This would be necessary for foreign shareholders as well.

75. *Should an issuer have more time to respond to requests for copies if it sends the Notice more than 30 days prior to the meeting?*

Due to the nature of the proxy process with concurrent issuer meetings and varying shareholder behavior between issuers, predictions of volumes for intermediaries is difficult to propose.

We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

76. *Should the proposed rules provide a mechanism for a shareholder that requests a copy of the proxy materials to indicate that he or she wants to continue receiving a copy of the issuer's proxy materials for every subsequent meeting where the issuer relies on the "notice and access" model until the shareholder subsequently advises the issuer otherwise? For example, should the rules require an issuer and/or intermediary to develop a list of shareholders who always want their materials in paper? If so, why? If not, why not? How would such a system work?*

Since 72% of those that look at this information are aware of the e-delivery option but prefer to get paper, and given the negative impact on investor participation as indicated by the survey respondents, it would be necessary to consider ways to make it easy for investors.

ADP, as agent for bank and broker nominees, maintains a "preference" database indicating whether beneficial shareholders wish to receive shareholder communication materials in paper or via e-delivery. The existing preference database currently maintains over 10 million e-mail addresses. This database allows investors to maintain preferences on an account basis, and not on an issuer-by-issuer basis, simplifying the process and providing for consistency.

77. *At the time the proxy materials are being prepared and printed, the issuer is unlikely to have a reliable estimate regarding the number of shareholders that will request copies of the proxy materials, particularly in the issuer's first year of reliance on the "notice and access" model. The issuer would have to maintain or prepare a sufficient supply of paper copies to satisfy all shareholder requests for paper copies. Thus, at least in the first year, when the issuer does not have previous experience with this model, it may have to print an excessive number of paper copies. Should we consider any procedures to mitigate this possibility? If so, what types of procedures would be appropriate?*

Under the proposed model, estimating and controlling inventory may prove challenging in year one, and beyond, and may result in additional costs to issuers.

If intermediaries are able to manage their customers' preferences on an account basis, and not on an issuer-by-issuer basis, the 'material estimating' process becomes similar to the reliable system that exists today for issuers.

Without the ability to have a good estimate of material requests, issuers would not have any way of gauging the economic benefits or detriments of notice and access.

We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

III.B. The Role of Intermediaries

III.B.1. Background

III.B.2. Proposed Amendments

78. *Should the proposed alternative model be limited to the furnishing of proxy materials by issuers to their record holders?*

Beneficial shareholder proxy processing requires access to account voting authority information to ensure secure delivery, monitoring of material delivery for 10-day vote processing, and includes vote processing on secure, machine readable forms. Assuming the Proposed Rule was approved, while it is not impossible for issuers to furnish proxy materials to beneficial shareholders, the complexity of record-keeping and data sharing among thousands of issuers and intermediaries would likely make the process extremely complex and costly to administer.

79. *Is it appropriate to allow the issuer to compel the intermediary to undertake the obligations that would be required under the proposed model?*

While it is the obligation of the intermediary to distribute the material in accordance with rules set by the SRO's and the SEC, the material to be distributed is the responsibility of the issuer. In addition, the issuer would not have the necessary data to manage the process such as distribution to managed accounts and maintaining the integrity of the 10-day vote.

80. *Are there practical problems with an issuer's reliance on the proposed "notice and access" model in connection with the furnishing of proxy materials and requests for voting instructions to beneficial owners?*

There are several practical issues with regard to issuers furnishing proxy materials and requests for voting instructions to beneficial owners. They are:

- Voting instructions cannot simply be distributed without controls, and a database associating position records with voting authority. Only the nominees have the necessary data to execute this process.
- Shareowner confidentiality can be efficiently maintained if an investor contacting an issuer utilizes the existing process of control numbers.
- Management of the 10-day vote would require synchronization of records between the issuer and the intermediary for those investors requesting hardcopy.

Depending upon the make-up of a particular issuer's shareholder base, lower shareholder vote participation could result in difficulties in reaching quorum, resulting in additional expenses such as more mailings and/or engagement of a proxy solicitor.

81. *Should intermediaries or their agents be allowed to use the "notice and access" model regardless of whether the issuer chooses to furnish documents to its record shareholders in reliance on the proposed model? If so, should the issuer have to supply copies of the proxy materials to intermediaries for forwarding to beneficial owners who request them?*

It is unlikely that intermediaries would choose to provide less information to their clients.

82. *Should intermediaries be able to use e-mail addresses that they have obtained from their customers for electronic delivery of the Notice of Internet Availability of Proxy Materials even if their customers have not specifically consented to the electronic delivery of proxy materials?*

We believe the SEC can continue to enhance the efficiency and effectiveness of the current system by allowing intermediaries to utilize the e-mail addresses they have received from their customers for proxy distribution.

Changing the rules to allow for an implied consent will allow intermediaries to use e-mail addresses that are collected during account opening and maintenance. This will have the affect of significantly increasing the number of opportunities to collect e-mail addresses for the purpose of delivery proxies and shareholder communications. There are still some negative consequences with implied consent.

83. *Is the proposed requirement that the issuer or soliciting party deliver a sufficient number of copies of its Notice of Internet Availability of Proxy Materials to intermediaries at least five business days prior to the proposed deadline for furnishing the Notice of Internet Availability of Proxy Materials appropriate?*

Beyond the concerns contained herein regarding the proposal, we believe that five- business days is not sufficient and advise that the requirement should be at least six-business days to allow the intermediary the full five-business days from receipt of the material to mail.

Five-business day turn-around is the current requirement under the current rules and is necessary for the adequate processing of all beneficial shareholder records and the scheduling of mailings.

84. *Would this proposed requirement present special difficulties for a soliciting person other than the issuer, given the differences in the timing requirements for delivery of the Notice if the soliciting person is reacting to the issuer's solicitation?*

The 30-day minimum period for the entire process is not sufficient to ensure that all shareholders have an opportunity to request copies and vote prior to the meeting (as addressed in Comments above).

Since a soliciting person would be reacting to the issuer's solicitation, they would be working under an even more compressed timeframe. This would render the 'notice and access' process less useful and less beneficial.

85. *Is it appropriate to require the issuer to send copies of the proxy materials to beneficial owners who request copies directly from the issuer?*

In order to maintain consistency in the process, and protect a high degree of service in the investor's experience, we do not believe that beneficial owners should be directed to issuers for material.

An analysis by ADP of 6,091 proxy jobs for U.S. listed companies processed between May 2004 and May 2005 shows that 63.79% of the beneficial shares are held in accounts designated as Objecting Beneficial Owners (OBOs) who have already stated a preference for anonymity. Requests for information should be handled in ways that are consistent with investors' wishes for privacy. We believe this is best accomplished by broker-dealers' involvement in the process. Fulfillment and process control by intermediaries is the only way to ensure anonymity and to maintain the integrity of the proxy voting process.

86. *Should the intermediary be required to estimate the number of copies that it is likely to need to satisfy requests from its beneficial owner customers? If so, would the intermediary have a reasonable basis to make such an estimate?*

Under the rules as proposed, it will be impossible for any party (issuer or intermediary) to estimate the number of copies that it is likely to need to satisfy requests from the beneficial owners.

If intermediaries are able to manage their customers' preferences on an account basis, and not on an issuer-by-issuer basis, the 'material estimating' process becomes similar to the reliable system that exists today.

Without the ability to have a good estimate of material requests, issuers would not have any way of gauging the economic benefits or detriments of notice & access for the company.

We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

87. *Would the flow of copies from issuer to intermediary to beneficial owner be overly time-consuming?*

A more reasonable requirement would be to direct a participating issuer to deposit with the intermediary copies of the material for distribution to beneficial shareholders that want paper fulfillment.

Registered shareholders make up approximately 25% of the shareholder account base and 15% of the shares across all issuers. Therefore, a majority of fulfillment requests would be satisfied by intermediaries. Also, it should be noted that the unit cost of pick-and-pack fulfillment is six times the cost of mass fulfillment.

88. *Should intermediaries be allotted less time to forward e-mail copies of the proxy materials?*

If materials are available, intermediaries do not need two business days to process requests for e-mail fulfillment.

89. *The issuer might be able to trace the identity of anyone accessing the Web site on which the proxy materials are posted through the use of "cookies" or other technology. Should the rules require that the proxy materials to be accessed by beneficial owners be posted on a Web site that protects the confidentiality of an OBO's identity? If so, should this Web site be separate from the issuer's Web site? Are there other ways to protect the identities of OBOs without placing an excessive burden on issuers or intermediaries?*

Under current rules Objecting Beneficial Owners have requested and are granted the right to protect their identity from an issuer. Therefore the rules should ensure that this confidentiality is maintained. All possible steps need to be taken to protect the identity and security of shareholders.

90. *Should issuers be permitted to request proof of a person's status as a beneficial owner when they receive requests for copies of their proxy materials?*

While it is important to determine a requesting person's status as a shareholder, enacting such a requirement would unnecessarily burden beneficial shareowners as it is likely there would be repetitive or inconsistent questions from various issuers.

The most appropriate and efficient method for handling beneficial owners requesting proxy material is to require these requests to be processed through the intermediary, and to leverage the current Control process.

91. *Should we require issuers to provide copies to all persons requesting copies?*

Requests for copies of investor material are generally accepted and fulfilled by issuers today.

92. *Keeping in mind that only shareholders would receive the Notice, is there a possibility that the issuer would be unduly burdened by excessive requests for copies?*

The recipient of the request for material would need a fulfillment process with the associated warehouse space, pick-and-pack mailing process, and call center – none of which are required by the existing process.

Under the proposed model, estimating and controlling inventory may also prove challenging and may result in additional costs to issuers. If intermediaries are able to manage their customer's preferences on an account basis, and not on an issuer-by-issuer basis, the material estimate process becomes similar to the reliable system that exists today.

Without the ability to have a good estimate of material requests, issuers would not have any way of gauging the economic benefits of 'notice and access' for the company.

We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

93. *Is there a concern that beneficial owners may erroneously attempt to execute a proxy card if the issuer posts its proxy card on the same Internet Web site as the proxy statement?*

We do not believe that the printing of generic proxy cards from a web site without proper controls is a feasible option. Personalization with unique identifiers, such as a control number, assures process integrity.

If a proxy card were to be made available on the issuer site in the public domain, a beneficial owner could print and submit a proxy card. In this scenario, additional procedures and controls, in addition to today, would have to be added to the vote reconciliation and tabulation process to ensure accuracy.

94. *Should the rules separate the voting mechanisms for registered holders and beneficial owners to prevent confusion?*

Yes. These voting mechanisms are separated today, and should remain separated in order to ensure the same high level of reliability.

It is the intermediaries who are the record keepers and who are responsible for maintaining those records. Throughout the proxy solicitation process, intermediaries are responsible for the accuracy of the records. Intermediaries also require access to voting information in real time to answer questions from investors. Finally, intermediaries are responsible for submitting the proxy, for the shares held in nominee name, to the tabulator for reconciliation and tabulation. Therefore, intermediaries should be in control of voting data at all times. It should be noted that intermediaries honor special processing requests for the distribution preferences of account holders, the designation of voting authority for account holders, and special relationships between accounts, often based on legal requirements such as co-fiduciary trusts. These special processing arrangements need to be honored consistently in order for the accounts to be serviced in compliance with the legal requirements of trusts. All of our various special processing rules together apply to over 40% of beneficial accounts. In addition, the accounts to which they apply have a significant percentage of the beneficial shares.

95. *Should we require intermediaries to establish their own Web sites to post proxy materials to help prevent any such confusion?*

From our discussion with intermediaries, such a requirement would not be objectionable if intermediaries are able to recoup their costs for maintaining such sites.

96. *Is it likely that intermediaries or third parties will develop Web sites to facilitate use of the "notice and access" model?*

Yes, it is reasonable to assume that intermediaries would continue to support development to eliminate physical distribution of materials, if proper incentives exist to support their costs of doing so.

Under the current rules, intermediaries have created an infrastructure that eliminates beneficial material distribution, through various methods, including Internet delivery, to over 41% of all positions. Since 2000, issuers have saved hundreds of millions of dollars through the elimination of over 393 million mailings.

97. *Is it appropriate to permit intermediaries to charge the issuer for forwarding copies? If so, what would be an appropriate fee?*

Intermediaries will incur costs forwarding copies.

98. *Should the beneficial owner desiring to maintain anonymity bear this cost?*

Our studies did not examine the impact on investor participation if shareowners were required to pay for information.

99. *Should the beneficial owner's intermediary instead bear this cost?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

100. *Is it reasonable for intermediaries (or their agents) to continue to collect an incentive fee from issuers for each set of proxy materials that they deliver electronically rather than in paper if the Commission adopts the proposed "notice and access model"?*

Yes. Electronic delivery will continue to be the most efficient and cost-effective means of distribution even in the proposed process. The economic incentive provided to intermediaries has benefited issuers over the past five years through the elimination of over 393 million mailings.

Greater acceptance of electronic delivery would continue to provide economic benefit to issuers, even under the proposed model.

101. *Should the incentive fee be a one-time charge (assessed only the first time a paper copy is suppressed) or a recurring fee?*

Issuers save money each and every time an intermediary eliminates the need to distribute paper copies of proxy materials. And given that intermediaries would have continuing costs to support the electronic delivery of proxy materials, and that issuers would benefit from each electronic delivery, it is inappropriate to only allow a "one-time" charge.

Continuing costs include such things as continuous enrollment web site enhancements and maintenance, maintaining high-availability redundant servers, opt-out capability, e-mail address maintenance, e-fail processing, and database maintenance.

102. *Should the self-regulatory organizations establish new fees that an intermediary may charge as reasonable for services rendered to an issuer when the issuer relies on the proposed "notice and access" model, if adopted? If so, what type of fee schedule would be appropriate?*

We are not able to suggest a fee at this time since these are only Proposed Rules and the full details of the process and estimated volumes are not available.

What we do know is that under the proposed model fulfillment process would require warehouse space, a pick-and-pack mailing process, and a call center– none of which are required by the existing.

We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

III..C. Proposed "Notice and Access" Model for Furnishing of Internet Proxy Materials by Soliciting Persons Other Than the Issuer.

103. *Should soliciting persons other than the issuer be able to take advantage of the 'notice and access' model? Why or why not?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.C.1 Mechanics of Proxy Solicitations by Persons Other Than the Issuer

104. *Should the rules, as proposed, permit a soliciting person to furnish a proxy card and the Notice of Internet Availability of Proxy Materials to shareholders separately and through the use of different media, subject to the proposed limitations? If not, why not?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

105. *Would it be more appropriate to require that the proxy card always be furnished together with and through the same delivery means as the Schedule 14A proxy statement? For example: If the proxy card was furnished electronically, the proxy statement also would have to be furnished together with the proxy card electronically, regardless of the means by which the Notice of Internet Availability of Proxy Materials was furnished; or If the proxy card was furnished in paper, the proxy statement also would have to be furnished together with the proxy card in paper, regardless of the means by which the Notice of Internet Availability of Proxy Materials was furnished. Conversely, should we require that* *the proxy card always accompany the Notice, regardless of the manner in which the proxy statement was furnished? Please provide support for your position.*

(Refer to Comment 25, above)

106. *Would it be more appropriate to require that the proxy card be furnished together with and by the same means as the proxy statement, regardless of the means by which the Notice of Internet Availability of Proxy Materials is furnished, unless Rule 14a-6 would permit the proxy materials to be filed in definitive form only, or unless the meeting addresses only those matters listed in Rule 14a-6, notwithstanding the exclusion in that rule regarding solicitations in opposition? In either of those situations, would it be appropriate to permit or require the Notice of Internet Availability of Proxy Materials and the proxy card to be furnished together and by the same means even if the proxy materials were furnished separately and/or through a different means (for example, the Notice of Internet Availability of Proxy Materials and proxy card furnished together in paper and the proxy statement posted on an Internet Web site)?*

(Refer to Comment 25, above)

107. *Under the proposed model, how would a shareholder that is not solicited directly but goes to the soliciting person's Web site vote his or her shares?*

Under the current process, if a shareholder not receiving material from a soliciting person wants to vote their beneficial shares, they contact their intermediary to execute their vote.

We do not believe that the printing of generic proxy cards from a web site without proper controls is a feasible option. Personalization with unique identifiers, such as a control number, ensures process integrity, as occurs today. Finally, for the beneficial process, only the nominees know which shareholders are the owners of records for any meeting.

108. *Should the soliciting person be required, upon request from such shareholder, to provide the shareholder with a means for voting, for example, by providing the shareholder with a personal identification number or similar unique identifier and form to submit a proxy or voting instructions? Should we adopt rules addressing such voting systems to promote more accurate voting results?*

(Refer to previous Comment)

109. *Under certain exchange rules, a broker is precluded from exercising its voting discretion for shares for which no voting instructions are received (commonly referred to as "broker non-votes") on several types of non-routine matters listed in the rules. Matters that are the subject of a contest are considered non-routine. Staff at the exchanges determine whether a contest exists for purposes of the discretionary broker voting rule based on exchange rules and interpretations. For example, a NYSE interpretation suggests that a person other than the issuer*

must solicit at least 50% of the issuer's shareholders for a contest to exist under its discretionary broker voting rule. Should the widespread accessibility of a soliciting person's proxy statement and card affect current exchange interpretations?

ADP does not view this as a processing matter, and therefore does not offer a comment.

110. *Should the proposed rules permit, as the current rules do, a soliciting person other than the issuer to limit its proxy solicitation to shareholders that are willing to access the proxy materials electronically, thus eliminating any need for the soliciting shareholder to send copies? Is this concept of a conditional proxy solicitation feasible?*

From a processing perspective, this concept is feasible and is available in the existing ADP process.

111. *Should such conditional solicitations be limited only to instances where the soliciting person posts the proxy card on an Internet Web site and does not send a copy of the proxy card with the Notice, to ensure that only shareholders who can access the proxy materials can vote?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.C.2. Timeframe for Sending Notice of Internet Availability of Proxy Materials

112. *A proxy contest often involves a number of communications from both the issuer and the other soliciting person and time may be at a premium in such situations. Would the proposed model provide sufficient time for shareholders who desire copies to obtain materials from a soliciting person other than the issuer in the context of a proxy contest? We note that it would take more time for the delivery of proxy materials to beneficial owners through intermediaries than for delivery of the materials directly by the soliciting person to record owners.*

(Refer to Comment 66, above)

113. *Should a soliciting person other than the issuer conducting an electronic-only solicitation be required to comply with a specified timeframe for sending its materials? If so, what should that timeframe be?*

Beyond concerns mentioned, sufficient time for the shareholder to receive and consider the material should be afforded. If the solicitation is electronic only, the turnaround time for receipt and possible response is greatly reduced, and request for hardcopy material is not an option. The time frame for this type of distribution can be much shorter than a 'notice and access' solicitation.

114. *Should a soliciting person other than the issuer that is following the "notice and access" model, but not conducting an electronic-only solicitation, be required to provide the materials to solicited shareholders within the proposed timeframe?*

Beyond concerns mentioned, timeframes for both the issuer and a soliciting person should provide a reasonable amount of time for the shareholder to receive and consider the material before voting.

115. *Would ten days after the issuer first sends its solicitation be sufficient time for a soliciting person other than the issuer to prepare its soliciting materials? Would a shorter period, such as five days or five business days, be sufficient?*

Timeframes for both the issuer and a soliciting person should provide a reasonable amount of time for the shareholder to receive and consider the material before voting.

III.C.3. Content of the Notice of Internet Availability of Proxy Materials of a Soliciting Person Other Than the Issuer

116. *Are there other instances when the Notice of a soliciting person other than the issuer should differ from the issuer's Notice?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

117. *Should the rule require specific language that a soliciting person other than the issuer must insert in its Notice under these conditions? If so, what language would be appropriate?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

118. *If the soliciting person is not aware of the full agenda for the meeting when it sends its Notice, should it be required to disclose on the Notice that the proxy card and Notice may not contain all matters to be acted upon?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

119. *Should we require such a soliciting person to amend its proxy card to contain all items in the agenda?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

120. *Is there another way to ensure that shareholders learn that executing a partial proxy card would invalidate their votes on other matters? If so, what additional requirements would be necessary?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.C.4. Shareholder Lists and the Furnishing of Proxy Materials by the Issuer

121. *Under the "notice and access" model, should the issuer be required to share affirmative consents to electronic delivery that the issuer already has obtained from its shareholders with persons conducting their own proxy solicitations?*

For beneficial shareholder distributions, where the nominee is responsible for the distribution, electronic delivery is already available for soliciting persons.

122. *Under the "notice and access" model, should the issuer be required to share information with soliciting persons regarding shareholders who have requested copies?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

123. *If the issuer chooses to send proxy materials on behalf of a soliciting person, should the soliciting person have the right to direct the issuer to (See proposed Note 3 to Exchange Act Rule 14a-7) comply with a particular means of doing so, such as the "notice and access" model?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

124. *If the issuer relied on the "notice and access" model in a previous proxy season, should it be required to share information with a soliciting person about the number of shareholders who requested copies in a past season?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.C.5. The Role of Intermediaries

125. *Should we revise Rules 14b-1 and 14b-2 to explicitly require intermediaries to send proxy or other soliciting materials on behalf of soliciting persons other than issuers?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

126. *Are such revisions necessary or appropriate even if we do not adopt the "notice and access" proposal?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

III.D. Business Combination Transactions

127. *Should the proposed "notice and access" model be available for transactions involving business combination transactions? Why or why not?*

All matters brought before shareholders should be viewed as important information regarding corporate governance matters and company performance that can affect shareholder value. Accompanying material, even for "routine" proxies, can be lengthy and/or complex. The Forrester Survey results show that shareholders do not read lengthy documents online or tend to skim them rather than read them word-for-word. If notice and access is does not adequately protect and inform shareholders for business combinations, then it should not be viewed as adequate for proxies.

128. *Business combination transactions sometimes are the object of a proxy contest. Would this prohibition unnecessarily harm the ability of persons opposed to the transaction to undertake an efficient contest?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

129. *Exchange Act Rule 13e-3, so-called "going private transactions," Should the "notice and access" model not be available with regard to proxy materials related to those transactions?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

130. *Should the "notice and access" model not be available in other types of transactions? For example, should it apply to roll-up transactions, liquidations of assets, or reverse stock splits? Are there other matters to which the proposed "notice and access" model should not apply?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

131. *For registered investment companies, are there any types of matters (e.g., changes in investment adviser or management and distribution fee increases) to which the proposed model should not apply?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

IV. Conforming and Correcting Revisions to the Proxy Rules

V. Paperwork Reduction Act

VI.A.-D. Cost-Benefit Analysis

VI.E. Cost-Benefit Analysis – Request for Comments

132. *We seek comments and empirical data on all aspects of this Cost-Benefit Analysis. Specifically, we ask the following: Would issuers be willing to furnish proxy materials pursuant to the proposed alternative model? If so, what proportion of issuers would be expected to follow the proposed alternative model?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

133. *Would soliciting persons other than issuers be willing to furnish proxy materials pursuant to the proposed alternative model? If so, what proportion of these persons would be expected to follow the proposed alternative model?*

ADP does not view this as a processing matter, and therefore does not offer a comment.

We believe a thoughtful pilot program and gap analysis could definitively test many aspects of the Proposed Rule.

134. *What added costs would issuers incur if they choose to follow the proposed alternative model? Of those costs, which would be one-time costs and which would be annual costs?*

An analysis of ongoing costs/benefits is being conducted by Lexecon. Lexecon is not addressing one-time costs as they are issuer specific. We will report separately as soon as it is available.

135. *What cost savings would issuers realize if they choose to follow the proposed alternative model? Of those savings, which would be one-time savings and which would be annual savings?*

An analysis of ongoing costs/benefits is being conducted by Lexecon. Lexecon is not addressing one-time costs as they are issuer specific. We will report separately as soon as it is available.

136. *Are there any other one-time or annual costs or benefits that we should consider?*

Lexecon is conducting an analysis of costs/benefits. We will report separately as soon as it is available.

137. *What proportion of shareholders would be expected to request paper copies?*

The Forrester telephone survey asked shareholders currently receiving mail copies how likely they would be to engage in a second step to be able to receive materials. They responded as follows:

- 40% "some of the time"
- 16% "most of the time"
- 12% "all of the time"

Lexecon is conducting an analysis of costs/benefits. We will report separately as soon as it is available.

138. *What proportion of beneficial owners would likely request paper copies from intermediaries rather than from issuers?*

(Refer to comment 137, above)

139. *What costs would intermediaries incur as a result of processing objecting beneficial owners' requests for proxy materials?*

A fulfillment process would require warehouse space, a pick-n-pack mailing process, and a call center, all of which does not exist today under the existing process.

140. *Would smaller broker-dealers be precluded from taking advantage of economies of scale in processing such requests?*

We have not analyzed this question.

141. *Does the requirement that issuers provide copies of the proxy materials give rise to inefficiencies? Specifically, because requests for proxy materials might come over time, a bulk mailing method may not be available to issuers. Furthermore, under the proposals, issuers would have to deliver copies of the proxy materials by first class mail or equivalent means of delivery. To what degree would this increase the per-unit cost to the issuer?*

Lexecon is conducting an analysis of costs/benefits. We will report separately as soon as it is available.

142. *To what degree would the cost of proxy contests be reduced by these proposals? What are the other costs of such contests?*

ADP conducted an internal analysis of proxy contests through interviews with issuers and their agents, as well as a review of proxy documents. Our analysis shows that 87% of the cost of a proxy contest is related to legal, document creation, and solicitation fees. Of the remaining 13%, less than one-third is associated with the printing and distribution of material.

143. *What effect might these proposals have on shareholder participation in the proxy process?*

The research indicates that investor protection will be decreased by the Proposed Rule. (Refer to studies by Forrester and comScore, and summary of research on defaults.)

144. *Would reducing the financial barriers to conducting proxy contests lead to improved corporate governance? Conversely, might parties use the proposals to conduct nuisance contests?*

(Refer to Comment 142, above)

145. *Will the proposed amendments likely affect the ease of investor communications? What evidence related to this issue should we consider in evaluating the net benefit of the proposals?*

The proposed amendments will likely cause investor communications to become more complex.

All existing requirements and procedures with regard to preparing and producing materials will remain under the current rules. There will, however, be additional processes required to provide fulfillment for hard copy requests that does not exist today. In addition, the new inconsistency between distributions, between mailings from the same issuer as well as between issuers, will cause some level of confusion for some investors, increasing calls to intermediaries and issuers.

146. *Would the proposals increase, reduce, or have no effect on the voting returns from shareholders?*

The research indicates that investor protection will be decreased by the Proposed Rule. (Refer to studies by Forrester and comScore, and summary of research on defaults.)

147. *Would issuers be more dependent on discretionary broker votes?*

The current broker vote constitutes approximately 20% of voted shares. We believe that this will increase for the reasons below.

In the Forrester Survey, over 25% of respondents said they would be less likely to vote and 9.5% said they would not vote at all. Of those that currently receive proxy information through the mail, 27% would be less likely to vote and 10% would not vote at all.

Of those that report voting today, 38% responded they would be less likely to vote under the proposed new rule. And of the shareholders reporting that they look at the material today, 36% of that group stated they would be less likely to vote.

While time did not permit a detailed analysis by company, based on specific routine and non-routine proposals, we were able to broker votes by size of company. We believe this to be significant in evaluating the increased influence of the broker vote which would be a likely result of the Proposed Rule. ADP analysis of all proxy jobs for U.S. issuers processed in 2003, 2004 and 2005 shows that uninstructed broker shares accounted for 25.2%, 23.2% and 23.8% of the beneficial shares, respectively. Given indications from the research that participation would decrease among individual investors by up-to 38%, the broker vote could increase to approximately 28.6% using 2005 data as a base. This will make the broker vote more controversial for institutional investors and more critical to small and mid-cap issuers who need it to attain quorum in routine situations.

148. *Should there be increased or more prominent disclosure regarding how those discretionary broker votes operate? What added disclosure should be required? Where should such disclosure appear (e.g., on the Notice)?*

We believe more education of investors is a good thing.

149. *The rules do not require shareholders to print out copies of the proxy materials. However, shareholders may incur costs if they choose to print out the materials. We solicit comment on the costs that may be associated with shareholders choosing to print out copies.*

Lexecon is conducting an analysis of costs/benefits. We will report separately as soon as it is available.