



INSTITUTIONAL SHAREHOLDER SERVICES

February 13, 2006

Via Electronic Mail to Rule-Comments@sec.gov

Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549-9303

Re: Commission Proposal Regarding Internet Availability of Proxy Materials under the proxy rules of the Securities Exchange Act of 1934, File No. S7-10-05

Dear Mr. Katz:

Institutional Shareholder Services Inc. ("ISS") is pleased to submit these comments on the Commission's proposed amendments to the proxy rules under the Securities Exchange Act of 1934. We commend the Commission both for its consideration of widely adopted technical advances and for the range of questions asked in an attempt to improve the proxy materials distribution process for investors and issuers. Institutional Shareholder Services generally endorses the proposed amendments with the expectation that these changes will facilitate wider access to, and review of, proxy materials helping investors to make more informed investment decisions, increase investor participation in the proxy voting process, save money for issuers (ultimately benefiting their stockholders) and allow for additional "low cost" communication between investors and issuers as well as between dissident shareholders. Finally, these proposed changes will accelerate the ongoing movement of proxy voting in the United States from a paper based process to a electronic, data based process which should increase timeliness, accuracy and consistency.

With twenty years of experience and more than 1,600 institutional clients around the globe, ISS is the world's leading provider of proxy voting and corporate governance services. Our core business assists institutional investors with all aspects of proxy voting, from the analysis of proxy proposals and the formulation of voting decisions through the mechanics of casting proxy votes, vote disclosure and recordkeeping.¹

Our voting services allow institutional investors to outsource the mechanics of proxy voting or to cast their own votes electronically through our web-based proxy voting platform.

¹ We also offer a comprehensive database of securities class actions and services to assist institutional investors in participating in applicable class action settlements. Completely separate from our institutional business, ISS also serves the corporate market with a variety of governance web-based tools and other services that assist issuers with identifying and complying with corporate governance best practices. A complete listing of our products and services is available at www.issproxy.com.

The amendments proposed by the Securities and Exchange Commission will not directly impact the services ISS provides to our clients, but the changes may impact the manner in which we service institutional investors. The changes proposed by the SEC will certainly impact the majority of “retail” investors. To ensure that the changes to the existing process are beneficial to all investors, ISS respectfully requests the SEC to consider the following suggestions when considering the final rule changes:

1. The changes proposed by the SEC allow for differing means of proxy material distribution depending on issuer preference or agenda type (business combination transactions). Variations in the distribution process will erode suggested cost savings to issuers and potentially confuse investors. To eliminate this possibility, ISS encourages the SEC to require proxy cards/vote forms to be distributed to investors at the same time as the “Notice of available materials”. In addition, ISS suggests that “business combination transactions” should be allowed to follow the “Notice and Access” process. Consistency in the proxy distribution process is very important to issuers, intermediaries and investors.
2. The ability to view proxy materials online or to acquire hard copy originals is a requirement if investors are to make informed voting decisions. Requiring issuers and intermediaries to make proxy materials available online is consistent with today’s common practice and is a logical practice to continue. The process to acquire hardcopy materials under the proposed rules would be a new activity and one that requires some consideration. As mentioned above, consistency of process is important, with timeliness of delivery a key attribute as well. The suggested process of having intermediaries request materials from issuers (or maintain an inventory of materials on hand) to forward to investors will only add time and cost to the process. Instead, ISS would suggest that both issuers and intermediaries make materials available online, but issuers (or their designated agent) bear the responsibility (and cost) to provide hard copy proxy materials to a shareholder upon demand from the shareholder.
3. The proposed rules for “soliciting parties” offer significant flexibility and will greatly reduce the costs to conduct a “proxy contest”. The current costs for investors to challenge company management are substantial and that bar would be lowered by the proposed changes. In our opinion, it is preferable for “soliciting parties” to engage in some level of constructive dialogue with company management before launching a proxy contest. Once a contest is launched, it is important for a level playing field with known rules to exist, otherwise investors may be confused by the variation in the proxy voting process from a “normal” shareholder meeting. In this regards, ISS asks the SEC to consider holding “soliciting parties” to the same distribution, notification and access standards as issuer management.

As stated above, ISS supports the proposed amendments allowing an alternative method for distributing proxy materials. We believe these changes have the potential to improve the process for investors (both retail and institutional alike) and issuers. ISS believes that it would be enormously helpful to the industry if the Commission were to consider and clarify the points mentioned above when issuing any final amendments to the proxy distribution rules. We very much appreciate the opportunity to express our views on this issue. If you have any questions regarding our comments, please contact Diana Bourke, Executive Vice President, Institutional Shareholder Services, at 301-556-0549.

Respectfully,



John M. Connolly
President and Chief Executive Officer

Cc: The Honorable Christopher Cox
The Honorable Paul S. Atkins
The Honorable Roel C. Campos

The Honorable Cynthia A. Glassman
The Honorable Annette L. Nazareth