



February 13, 2006

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

(via electronic submission)

Re: File Number S7-10-05, Release Number 34-52926:  
Internet Availability of Proxy Materials

Dear Ms. Morris,

Computershare and Georgeson Shareholder appreciate the opportunity to comment on the SEC's proposal to allow Internet availability as an alternative distribution channel for proxy materials.

Computershare is the only global transfer agent and the largest transfer agent in the US, operating in 19 countries. We service over 90,000,000 shareholder and employee accounts for 14,000 corporate clients worldwide. Georgeson Shareholder, formed in 1935 (acquired by Computershare in 2003), is the leading proxy solicitor in the US, is based in New York and has operations around the globe. Georgeson Shareholder represents 50% of the Dow 30 and 38% of the Fortune 500 companies and is chosen in more than 1,100 transactions every year. In our combined capacities we mail over 400,000,000 shareholder packages globally each year, with 200,000,000 in the US alone, a significant percent of which are proxy materials. The proxy services we provide to clients include annual meeting consultation; distribution of proxy materials via mail, householding and electronic delivery; solicitation; vote tabulation via Internet, phone and paper channels; and information agent programs. We are advocates for changes in the market structure that protect and enhance the interests of our clients and their stakeholders worldwide. Our efforts are focused on leading the industry to implement changes that will benefit issuers, shareholders and global market participants by eliminating unnecessary costs, creating a more efficient end-to-end proxy process, improving the quality of the proxy process, and increasing transparency of ownership. We have worked with the SEC and NYSE over the past five years to promote such change.

Computershare and Georgeson Shareholder support the SEC's desire to modernize the proxy system and we support the proposed amendments to the proxy rules. We are however recommending some modifications to certain detailed aspects of the proposal which we believe would result in a more efficient and effective process when implemented.

The primary benefits – cost savings, increased efficiency, faster access to information and the positive environmental impact – are significant. We applaud the SEC’s recommendation to give issuers the option to choose a distribution model with the Internet as the default. This proposed notice and access model can progressively create a monumental impact that the current opt-in model for electronic delivery cannot and will not produce, due to inertia. Such a change will require strong leadership from the SEC.

We view the Internet notice and access proposal as a good first step toward a more efficient model for shareholder communications and proxy voting. As the SEC has publicly noted, the current proposal are focused solely on the distribution of materials. They do not address the broader issues we have discussed with the SEC and the NYSE Proxy Review Committee, including allowing issuers to directly communicate with beneficial shareholders, promoting a competitive market-driven model for beneficial shareholder communications and proxy services, and greater transparency of ownership. Issuers -- and ultimately shareholders -- are paying significantly higher than necessary rates (set by the NYSE) without being afforded a choice of service providers for beneficial shareholder communications. We encourage the SEC to address these outstanding issues that we and the coalition formed by the Business Roundtable have presented.

A model based on the Internet availability of proxy materials should include the following attributes:

- Optional for issuers
- Appropriate measures to ensure intermediaries follow an issuer’s choice
- Implied shareholder consent for Internet delivery with appropriate safeguards for shareholders who require paper
- Retains the existing affirmative consent model for electronic delivery
- Optionally, provides an opt-in for future paper requests
- Provides issuers a choice of agents for on-demand shareholder material requests
- Lowers regulated fees for distribution of materials to beneficial holders

We believe such a system is achievable and should be introduced by the SEC commencing with the 2007 proxy season. Based on the success of the model, we believe business combination transactions should be considered as a future enhancement.

Our responses to your detailed questions are attached. Please do not hesitate to contact us at 212-805-7000 for further information.

Sincerely,

Paul Conn  
President, Global Capital Markets  
Computershare Limited

Steven Rothbloom  
President & CEO  
Computershare North America

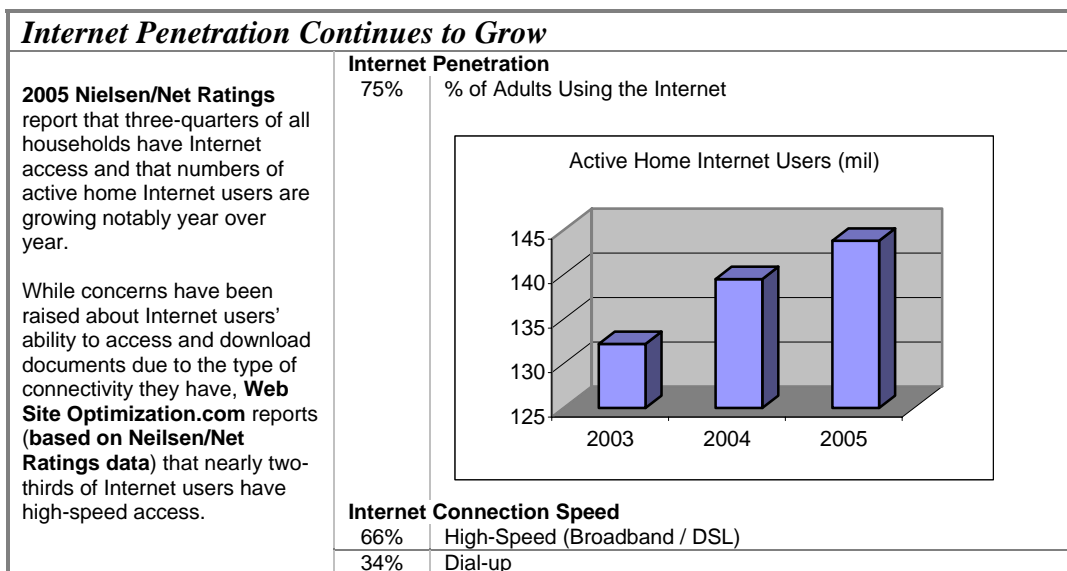
Responses to Requests for Comment on the Internet Availability of Proxy Materials – File Number S7-10-05, Release Number 34-52926:

**I. Introduction & Internet Discussion**

We support the proposed model as an optional alternative to the existing paper model that would be available for issuers and for shareholders, with the same requirements. The ability of the issuer or other soliciting party to choose which documents to publish on the Internet and which to mail is a central aspect of the proposal and we support the choice and flexibility it provides so that each issuer can act based on what is best for the company and its shareholders. In addition, we see the implied consent model as a crucial aspect to realizing the benefits the SEC is seeking.

*Request for Comment*

Based on third-party research which shows three-quarters of adults are online, continued growth of active users and a majority of homes with high-speed Internet access, we believe there is sufficient Internet penetration in the US to support the successful and progressive implementation of the proposed amendments. Notably, the 2005 Equity Ownership Study shows that among those who invest in equities, 47% to 77% use the Internet for financial related purposes. While we know there is, and will continue to be, a population of shareholders not online, these numbers paint a positive picture of opportunity, especially considering the built-in safeguards for those who are either not online or choose not to use the Internet for proxy purposes.



<i>Equity Investor Demographics – Majority of Equity Investors Using Internet</i>			
Age	Percent of Equity Investors * (mean age 51)	Percent Using the Internet **	Percent of Equity Investors Using the Internet for Financial Related Purposes*
Less than 35	15%	84%	77%
35 - 49	33%	83%	72%
50 - 64	33%	71%	69%
65 +	19%	30%	47%
<small>* Source: Equity Ownership in America 2005 by the ICI &amp; SIA  ** Source: Pew Internet &amp; American Life Project, Sept 2005</small>			
An equity ownership study conducted by the ICI and SIA revealed that a majority of equity investors – those ages 35 to 64 – use the internet for financial related purposes.			

Existing technology is available, such as HTML, which provides user-friendly searchable formatting that, without downloading any documents, will increase the “viewing” population. With regard to the ability to download documents, we foresee this to be a little-used application for large documents such as annual reports and potentially proxy statements, particularly given the built-in protections enabling shareholders to request material by phone. Applying the data above, we project that 70% of shareholders will have a propensity to view materials rather than request paper copies. By comparison, only about 35 % of retail shareholders routinely vote their proxies.

Our recommendation is that no specific document formats be required. Format preferences should be up to the issuer, rather than requiring specific technologies. The continuous advent of new browsing and search technologies may quickly outdate the rule. Issuers currently provide a variety of formats to shareholders who have consented to electronic delivery. Most who promote electronic delivery already provide PDF downloadable documents, a link to access free software that will facilitate downloads, and some also provide a user-friendly searchable online document that does not require downloads. In contrast, some companies provide a link to their filings and directly to online voting platforms.

Demands on Internet bandwidth should not present difficulties for issuers. If they choose to use the notice and access model, they will want it to be successful and, in our opinion, will be sufficiently motivated to ensure they are providing sufficient access for shareholders willing to view documents online, either through their corporate website or their designated third-party provider.

## **II. Implied vs. Affirmative Consent**

The implied consent model lies at the heart of the transformational nature and success of the proposed model. This model can be contrasted with the limited success of electronic delivery in today’s paper-based system. Affirmative consent has not been successful due to the apathy of shareholders. Issuers have made great efforts to encourage shareholders to consent to receive proxy materials electronically and the results are below three per cent in most cases. More sophisticated electronic delivery solutions, such as Computershare’s e-Tree™, which provides for having a tree planted for each shareholder who consents to electronic delivery, can bring more robust response rates of up to 20 per cent, but even this innovation requires

effort and expense to promote and obtain affirmative consents. The implication is that 80 % of shareholders want paper, while only 35 % actually vote.

### **III. Eligibility**

The notice and access model should be available to all issuers and all classes of shareholders. We believe it is appropriate to have one standard with appropriate safeguards for those wanting paper.

### **IV. Notice of Internet Availability of Proxy Materials (“notice”)**

We support the proposed changes regarding the notice, and while some issuers may have difficulty meeting the longer 30 day requirement with respect to finalizing materials, we agree with the logic and believe issuers will progressively include this in their planning in order to take advantage of the proposed model. We believe the ability to household the notice, based on previous implied consents, should be retained. The proposal however, does not address how, or if, the amendments impact current electronic delivery rules, though we understand the intent is that the existing rules would continue to apply. We recommend the SEC include language to clarify this point in order to facilitate full electronic delivery. We assume, and recommend, the current electronic voting rules will be retained.

#### *Requests for Comment*

A toll-free phone number to request free copies should be provided. We do not however, agree that using an e-mail address is an efficient request mechanism. The free-form nature of an e-mail message would require excessive manual processing. We recommend a toll-free number be required but other means such as Internet-based request forms and e-mail be permitted, though not required. Many issuers large and small have Internet-based document request features available on their web sites today.

Under the proposed model, a shareholder could request that material fulfillment be sent via e-mail. We recommend that this fulfillment method be removed from, or made optional in, the proposal as the attachment of large documents to an email message could be problematic for certain internet users. Additionally, those who have access to Internet based e-mail would have immediate access to browse and search the materials online.

We agree that only pertinent proxy related information should be sent with the notice and that there should be only one plain English standard for shareholder communications. We have no major concerns with the required wording for the notice as proposed.

With regard to the delivery of paper material, we believe the issuer’s obligation should be considered fulfilled when the requested materials are delivered to the postal authority. We agree that the notice should be filed with the SEC. We believe any requirements for the mailing of a notice due to revised materials should be consistent with the existing paper model (i.e., if revised materials have to be mailed under the paper model, a notice should be sent under the proposed Internet model.)

Adjournment of a meeting should not require the mailing of another notice. Most companies issue a press release in such a case and we see no immediate benefit to an additional mailing.

## **V. Proxy Card**

We support the proposed model allowing issuer the choice of providing the proxy card along with the notice. However, we believe having a downloadable proxy card available on the Internet provides serious challenges with shareholder eligibility and voting control.

### *Requests for Comment*

In our experience, electronic voting is an efficient and convenient mechanism for shareholders. In the current electronic delivery process, the shareholder is provided a control number that allows them access to the appropriate Internet voting site. Whether a shareholder votes on the Internet, via phone or mails a proxy card, there must be a unique identifying number for each shareholder to ensure that only those voting are eligible and to protect the integrity of the tabulation process.

While under the proposal there are certain options available to the issuer, the mailing of a postcard style notice would not allow for such account related information under privacy laws. To accommodate a control number, the postcard notice would be required to be mailed in a sealed envelope given the confidential nature of such information. A postcard notice without a control number will make it more difficult for a shareholder to login to an Internet voting platform. It will however, be completely feasible for a shareholder to browse and search materials online without a control number.

Additionally, we would like to ensure that a combination notice and proxy card is permitted to maximize cost savings.

The option to provide a downloadable proxy card (or VIF for beneficial shareholders), in our view, presents practical challenges if downloadable forms do not include a control number issued and recognized by the proxy tabulator's processing system. Without this form of control we believe a downloadable proxy card may encourage non-eligible voters to attempt to vote, and it would require significant manual processing when received in the mail. Hence, we strongly recommend that downloadable proxy cards be eliminated from the proposal unless such controls are readily available. In our view, if a shareholder is willing to access the Internet to download a proxy card, print, complete and mail it, we believe the shareholder can be educated to use Internet voting which requires no return mail and does not present the same authentication challenges. With Internet voting, shareholders will also be able to print a voting confirmation to confirm how their votes were cast.

## **VI. Bundling of the Proxy Statement with the Proxy Card**

We do not believe issuers should be required to provide the proxy card and proxy statement in the same media. Rather, it should represent a choice as to how information is communicated. We do agree that if the proxy statement is provided in a different media than the notice or proxy card, language should be included to direct shareholders to the Internet or the toll-free number to obtain such information. However, we note that others have strong views that, if separating the proxy card and proxy statement is allowed, issuers will purposely separate the card and the statement in order to influence voting outcomes by discouraging shareholder votes and relying instead on broker discretionary voting. While we believe

discussion about the broker discretionary vote is important, we do not believe it should be allowed to sidetrack or delay the implementation of this proposal.

While simplistic, in our view, we do not believe that the proposed model will materially change shareholder voting behavior – those who vote will continue to vote, and those who don't won't vote. We do not believe the proposed model will materially increase the dependency on the broker discretionary vote. In fact, the proposed model may actually increase voting by streamlining the process.

## **VII. Internet Posting of Proxy Materials**

To maximize the cost savings available through the use of this model, it is in an issuer's best interest to provide easy access to user-friendly materials. We do not believe that EDGAR, in its current form, should be allowed as the only access point to view materials. While we are proponents of "issuer choice", we agree is appropriate to set minimum requirements similar to those proposed. We do believe issuers should be given some latitude in the appearance of the online documents due to the nature of the user-friendly tools that are available and may be developed. Issuers should not be required to publish an "exact" image of the printed copy, but rather should provide the same information to shareholders.

With regard to accessing materials online, in our view, it is not necessary to require a shareholder to go through extra "preregistration" steps to access publicly available materials. Authentication will however remain a prerequisite for online voting, as is the case today.

## **VIII. Period of Reliance on the Proposed Model**

As proposed, we agree that issuers should be able to choose the method of furnishing materials with respect to a particular meeting without binding their decision for subsequent meetings. We also agree that shareholders should not be bound by their last choice for subsequent meetings.

### *Request for Comment*

We believe an issuer should have the right to choose whether to store a shareholder's request for paper for future meetings. Depending on the demographics of the issuer's shareholder base, it may make sense to retain requests for paper if there is a significant population of shareholders who will continuously ask for copies. We do not believe regulation should mandate this option unless the proposal would otherwise be defeated.

## **IX. Additional Soliciting Materials**

The posting of additional soliciting materials should be permitted not required. We don't believe the intent of the proposed amendments is to add requirements that do not apply under the existing rules for paper distribution.

## **X. Requests for Copies of Proxy Material**

The fulfillment of requests for material is common in the industry, though not necessarily under the proposed timeframe. Given the structure of today's fulfillment systems, we recommend that three business days is more appropriate than the proposed two business days. We do agree that the requests should be fulfilled promptly by the issuer and that

shareholders should be responsible for requesting materials in sufficient time to receive and review them prior to voting.

#### *Requests for Comment*

Under the proposed model, it is the shareholder's responsibility to request materials in sufficient time to review them and vote and we believe it would be appropriate to require that the notice contain a "last date to request" of 15 days prior to the meeting. This would allow 3 days to mail requested materials, 3-4 days for postal delivery, 6-7 days to review and return a proxy card and 1-2 days to process the vote. We do not find it practical to mandate a minimum period of time after receipt of the notice during which shareholders can request a copy.

Many issuers currently mail materials more than 30 days in advance of the meeting and while it might be practical to allow a longer fulfillment time in such cases, we believe the copies should be mailed promptly, within three business days. First class mail is the only alternative available given the required turnaround time. Issuers should not be required to send material by an expedited means (e.g., courier).

Notwithstanding higher postage and transactional costs, we still expect issuers to save significant sums given the small number of shareholders that we expect will request paper copies than receive them today.

Establishing precise print requirements for a company's first year under the notice and access model will require a degree of conservative estimation. We do not believe the regulations should include a procedure to mitigate the possibility that an issuer will run out of paper copies. Issuers, we believe, will be conservative in the first year and will print sufficient copies to fulfill all shareholder requests rather than breach the regulations.

#### **XI. The Role of Intermediaries**

With regard to what intermediaries are allowed to do, we believe the intermediaries should be required to abide by an issuer's decision regarding the notice model used each year. The issuer should provide the intermediary the exact notice they have filed and, other than voting instructions, intermediaries should not be permitted to make changes to the notice.

We believe the issuer should be responsible for the publishing of material on a website. It would be preferable to require that intermediary's link to the designated site rather than seek to replicate the information unless they are specifically authorized by the issuer to do so.

Where the issuer elects to deliver a postcard notice, we believe that the issuer need only provide the intermediary with one copy of the notice, to be printed and delivered to beneficial holders by the intermediary.

Given the majority of accounts represent beneficial shareholders, this is where a significant portion of the cost savings can be captured in this segment. There are however some logistical issues to be resolved.



While under this proposal, the distribution of the notice and tabulation of votes remains unchanged, a change we recommend is that issuers should have the right to choose a fulfillment agent and should be given the information necessary to enable them to satisfy on-demand requests from all shareholders – registered and beneficial, excluding OBOs.

Information should include:

- the total number of beneficial accounts (broken down by NOBO and OBO)
- the total number of electronic delivery affirmative consents (broken down by OBO and NOBO)
- the names addresses and relevant control details for voting purposes (excluding OBOs)

Under this model, OBOs are most affected as they will need to contact their intermediaries to request copies of materials. This raises a broader policy issue about who should bear the cost of OBO communications.

### **XIII. NYSE Fees**

#### *Request for Comment*

Consistent with today’s paper-based system, it is appropriate to permit intermediaries to charge the issuer for forwarding copies to beneficial shareholders provided:

- a) intermediaries follows the mode of communication chosen by the issuer,
- b) issuers have the ability to choose the agent for beneficial shareholder on-demand fulfillment, and
- c) issuers are not precluded from accessing relevant beneficial shareholder information, perhaps while initially excluding OBOs.

The cost for communicating to OBOs should be borne by either the shareholder or their nominee.

The intermediary incentive fee was instituted under a paper default model, thus the incentive was to promote electronic delivery. The proposed system however, will create an electronic default model rendering the incentive fee concept obsolete. In its place, we believe the NYSE should establish new (lower) fees to reflect the streamlined process for:

- mailing the notice, proxy card, and proxy statement
- mailing notice and proxy card (if permitted)
- mailing notice postcard (with and without an envelope)
- electronic delivery (reflecting the cost of electronic distribution, not a historic incentive fee)

We believe the NYSE will need to revise its fees as the commercial cost of a postcard notice (inside an envelope) is approximately 15 cents, while a notice with a proxy card and business reply envelope costs around 28 to 35 cents and e-mail distribution costs between 15 and 20 cents, depending on volume. These costs compare unfavorably to current NYSE rates of 45 cents to \$1.00.

In addition, we believe the SEC and NYSE should not set fees but rather facilitate competition to enable fees to be set by the market.

#### **XIV. Furnishing Internet Proxy Material by Soliciting Parties other than Issuers**

The proposed model provides a cost effective mechanism for shareholders as well. We believe the same requirements should apply and the same issues previously discussed in the document should be addressed.

While we believe the new model will provide some cost relief to shareholders wishing to enter into a proxy contest, we do not believe proxy contests will be waged frivolously as many other expenses must be incurred beyond distribution.

#### **XV. Business Combination Transactions**

We believe the inclusion of business combinations in the proposed model could result in significant incremental cost savings. Allowing the notice and access model, with required language directing shareholders to the materials for specific reasons, may increase shareholder review and voting as they would have the ability to search for information more easily. In principle, we see no reason to exclude business combinations from the notice and access model. However, perhaps the SEC would consider the inclusion of business combinations at a later date if not adopted with the proposed model.

#### **XVI. Cost-Benefit Analysis**

Until such time as, a) greater certainty is delivered with regard to the proposal, b) service providers have defined and priced their services, and c) an estimate is made of how many copies would be required to fulfill requests, it is difficult for issuers to calculate total cost savings. However, as a general principle, we believe significant savings will be captured through reduced paper and postal costs and potentially lower NYSE fees, partially offset by increased unit costs for on-demand fulfillment at low volumes and first class postage.

We have consulted our Client Advisory Board. These clients support the proposed model, particularly given its optional nature. While intuitively they believe there will be significant cost savings, they are still trying to calculate the full financial benefits given there is no historical precedent from which to determine on-demand fulfillment requirements.

#### **XVII. Ease of Communications**

As the proposal does not seek to modify the intermediary distribution rules or the voting mechanics, the Internet Availability of Proxy Materials proposal *does not fundamentally improve the communications* channel between companies and their beneficial shareholders. Our Client Advisory Board (indicative of our clients in general) continues to ask about ways to facilitate a more effective, efficient and direct communications process. In this regard, we urge the SEC to next turn its attention to the issue of direct communications, greater transparency and competition in the marketplace.