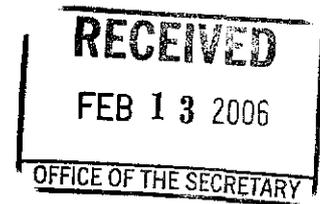


DELORES J. KILLETTE
VICE PRESIDENT
AND CONSUMER ADVOCATE



87-10-05 - 110

February 10, 2006



Jonathan G. Katz, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

In Ref to: File Number ~~S7-11-05~~

Dear Mr. Katz:

Thank you for the opportunity to comment on the proposed rule of the Securities and Exchange Commission entitled "Internet Availability of Proxy Materials" that was published in the Federal Register on December 15, 2005 (70 Fed. Reg. 74597-74622). We are pleased to provide the following comments for your consideration.

As the Consumer Advocate for the Postal Service, my goal is to ensure that our agency provides value and service for consumers and business customers. Because of our core mission, the Postal Service closely follows consumer research, studies, and business trends that impact communications and delivery. In our comments, we sought to share certain key findings with you which we hope you find useful as the rule-making is considered. Considerable research demonstrates a clear preference by shareholders for mail delivery. To ensure shareholder needs are met, we believe that the current rules should remain the same, or that any changes be further studied and field tested.

Please do not hesitate to contact Zoë Strickland at 202-268-3040 if you require further information or any form of assistance.

Sincerely,

A handwritten signature in cursive script that reads "Delores J. Kilette".

Delores J. Kilette

Attachment

COMMENTS OF THE UNITED STATES POSTAL SERVICE ON THE PROPOSED RULE OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROXY MATERIALS

The Securities and Exchange Commission (SEC) proposed rule-making changes the standards regarding how proxy materials are delivered to shareholders. Currently, issuers and other entities mail proxy materials to shareholders unless they have requested electronic delivery. Under the proposed rule-making, issuers could post the materials on a Web site and send a notice to each shareholder advising them how to access the online material, although shareholders can request mailed delivery. In essence, this changes the default mechanism for how materials are delivered.

The SEC requested comments on numerous questions related to the rule-making. We have organized our response in the following sections:

- Summary of issues;
- Background for our comments;
- Consumer expectations and preferences;
- Practical issues such as reliability of the new process, costs, and security; and
- Recommendations.

We have also attached a list of questions from the SEC notice that we feel are particularly relevant to our comments.

SUMMARY

The Postal Service believes that the needs of shareholders should be a primary consideration for the rule-making. This includes shareholder preferences for how they receive their proxy materials, such as how or if they use the Internet, as well as how they process and trust information. It also includes significant practical considerations. The new process may not ensure that critical proxy materials are delivered to shareholders as reliably. It may also raise certain security risks for shareholders, and shift costs to them. For these reasons, the Postal Service believes that further study is warranted and that additional modifications are needed to supply protections for shareholders. We present several recommendations that address these issues for consideration.

BACKGROUND

For more than two centuries, the Postal Service has provided businesses and consumers a secure, reliable method of sending packages and letters. The Postal Service operates one of the largest, fastest, most secure communications network in the world, providing universal access for today's customers. Last year we delivered over 206 billion pieces of mail to 142 million delivery addresses. In 2005, the Postal Service delivered well over 100 million proxy statements to shareholders and institutional investors. Every year, as over a million new addresses are added and 17 percent of Americans move temporarily or permanently, the Postal Service processes 44 million change of address requests and forwards 3 billion pieces of mail, at no extra charge to the moving customer.

But today's Postal Service is not yesterday's Post Office. The modern world of hardcopy and electronic communications requires continuous adoption of the latest technologies to increase efficiencies and improve customer service. We recognize the value of improving access and reducing the cost of providing customers with the information they need to conduct their financial affairs. In 2004, usps.com served over 250 million visitors, sold 90 million dollars in stamps, and provided mailing information and secure online transactions for purchasing postal products and services. These comments and recommendations are intended to address how the modern business environment can best provide both issuers and shareholders with secure delivery of financial information today and in the future.

CONSUMER EXPECTATIONS AND PREFERENCES

The Postal Service believes that the SEC and issuers should closely examine and give strong consideration to consumer expectations and preferences. Given evolving technologies, a considerable amount of research and studies have been conducted in recent years regarding how consumers obtain and process information. Examples include studies on consumer trust in information and organizations; preferences related to hard copy and electronic documents; and Internet usage. Based on considerable data, it appears that consumers have a strong preference for hard copy, especially concerning documents that bear on trust and confidence. Proxy materials are often lengthy and complex, and contain important financial information or voting materials. Confidence in them is critical. Possible issues to consider include whether readers believe online documents are authentic or unaltered, and how online access bears on their confidence in the process or how the organization interacts with its customers.

Trust is a major concern in today's business environment.

Trust has become one of the primary issues in today's business landscape. Corporations, government agencies, and other entities pay increased attention to customer and public trust in how they do business. Government, industry associations, and issuing firms should carefully consider the impact of the proposed rule on shareholder confidence in the documents, process, and issuing organizations.

Since its inception, the Postal Service has served as the trusted delivery agent for American businesses and consumers. The Postal Service operates under regulatory and policy standards which provide consistent controls for every piece of mail from pickup to delivery. Consumers recognize the value of this framework, and they trust it. Independent national consumer surveys conducted in 2004 and 2005 by the Ponemon Institute, a well-known researcher on privacy-related topics, ranked the Postal Service first for trustworthiness among government agencies and in the top ten among national corporations.

Recent studies have examined various drivers of consumer trust. One such driver appears to be how information is provided to consumers. Surveys conducted by the Ponemon Institute from 2003 – 2005 measured how consumers trust documents received in hard copy and electronic format. Documents from four industries were examined: retail banking, financial services, information technology, and brokerage & investment management services. Consumers were provided hard copy and electronic versions of various documents, including privacy notices, software licenses, and investor prospectus statements, and were asked if the message contained in each document could be trusted. In each industry, the trust level was higher for hard copy versus an electronic PDF file on a Web site. The brokerage industry demonstrated the largest gap: 72.4 percent trusted the electronic version, while 85 percent trusted the mailed hard copy prospectus – a gap of 12.6 percent.

Consumers have expressed certain preferences for printed documents.

In addition to trust, numerous studies report other reasons for consumer preference for hard copy. According to research conducted by Cap Ventures in 2003 entitled "The Future of Paper," only 20 percent of respondents chose electronic media as the most effective way to read financial or SEC-mandated materials. In an Online Banking study by the Ponemon Institute in 2005, only 17 percent would choose to view financial statements online without also having them mailed. Multiple studies by the Electronic Document Systems Foundation conducted in 2005 found that "Many customers insist on paper-based communications, and will continue to do so in the foreseeable future." In these studies, consumers cited privacy, security, and regulatory requirements as top concerns in favoring paper over electronic communications. One of their studies concluded that companies "will continue

to have to fund both paper-based and electronic communications channels in order to meet customer expectations.”

Because onscreen information has become a common presence in everyday life, researchers have conducted studies to determine if reading information on paper was quicker and easier than reading the same information online. In 2001, Wayne State University conducted experiments that noted significant differences between reading online and reading hard copy. Researches found that reading hard copy was 10 percent to 30 percent faster than reading the same material online. The study reported one reason for the gap was that online readers often lost their place when reading long lines of text online, while hard copy readers were able to keep better track of their place in the text. A study by InsightExpress that came out this year found that 68 percent of consumers don't read any magazines online, saying that “the physical presence of paper brings credibility.” Internet access to online presentation of financial information has been common for two decades, but investors continue to make investment decisions based on reading and analyzing printed text on multi-page newsprint documents delivered daily, such as the Wall Street Journal.

The government has examined this issue as well. The Electronic Signatures in Global and National Commerce Act of 2001 directed the Department of Commerce (DOC) to report to Congress on the relative effectiveness of traditional and electronic mail for delivery of records. The DOC reported consumers continued to prefer traditional mail for the delivery of some records. After independent research and review of comments received, the report compared both systems for universal access, reliability, authentication, and privacy/security. The report concluded, “[electronic] benefits do not mean that electronic communication provides the same degree of reliability and universal access that is currently provided by traditional mail.”

The Postal Service has also completed research in 2004 and 2005 regarding consumer preferences. Some studies found, consistent with the above research, that certain consumers prefer delivered documents over Internet access. According to the “Value of Mail in A Multi Channel World” study, 63 percent of respondents voiced concern about the security of financial transactions over the Internet. 75 percent valued the privacy of mail and 67 percent considered that mail is easier to deal with than email. The “Mail Moment Consumer Research Study” found that, compared to the Internet, 86 percent believe mail is more private and personal, 71 percent believe mail is a better way to keep up to date, and 70 percent believe mail is easier to use.

The Postal Service has also found that, depending on the consumer and transaction, other consumers prefer both mail and Internet access. In these instances, consumers are better prepared to conduct certain transactions on a Web site if they receive similar information by mail. In one study, we found that consumers who receive a catalog or direct mail piece from a retailer or mail order company spend more time, make more purchases, and spend more money than consumers who do not receive a catalog or direct mail piece. In another study, we found that consumers who receive a direct mail offer for a credit card apply for the credit card more often, and apply at competitor's sites less often, than those who receive the offer by email or by a banner ad. In both cases, direct mail better prepares consumers prior to a visit to a Web site. They can consider the offer longer and are able to assess options better, allowing them to spend their time while on site on conducting the transaction. Consumers who do not receive the mail must spend their time on both getting prepared to conduct the transaction and then conducting the transaction, and may not be able to consider the transaction as much or as carefully as those who receive the mail before the visit.

Many shareholders do not have access to the Internet or do not prefer to use it for these purposes.

The Postal Service commends the SEC's commitment to retain printed document delivery for any shareholder who wants it. Electronic delivery is now available for all investors who are willing and able to make that choice. It is important to consider, however, how changing the default standard may impact other shareholders who do not have this option or preference.

Fundamental issues to examine include how many shareholders have or do not have Internet access, and, for those who do, how many still prefer mailed delivery over downloaded materials. As part of this analysis, the different types of investors who are not currently using Internet access to obtain their materials should be considered. First, there are many investors who lack access to the Internet. 25-30 percent of American households are not online, according to current estimates, and this figure includes current investors as well as potential future investors. The Pew Internet Project (PIP) reports 63 percent of Americans 65 and older are not online. Ongoing PIP studies of Internet penetration have identified a stable core percentage of households making a deliberate choice to forego Internet access. What happens to all the shareholders who do not have Internet access if they receive the proposed notice and fail to request mailed delivery? Second, PIP studies have shown that many Americans who do have Internet access have chosen a cafeteria approach, using the Internet only for specific limited activities rather than adopting a totally online lifestyle. Internet penetration is thus not necessarily a good proxy for shareholder preference.

PRACTICAL ISSUES FOR CONSIDERATION

As the rule-making indicates, there are many aspects of the new process that will need to be considered and clarified to ensure the process is effective. Under the proposed rule, issuers and other entities could choose to use the new process and send a notice to all shareholders that proxy material is available on an Internet site or by mail upon request. The rule-making does not specify whether the notice should be sent via First-Class Mail® or postcard. It also does not specify if in subsequent years the notice must continue to be mailed. Instead, it requests comments on possible requirements for providing it by the same delivery method used by the recipient to obtain their proxy materials, whether electronically or by mail. Proxy materials would be made available on an Internet site for shareholders to download, but requirements for controlling shareholder access to the site were not detailed, and requirements for protecting shareholder personal or preference information were not included.

This process raises several practical considerations that the SEC and issuers should consider as they evaluate the rule-making. Examples include consumer understanding of the process and notice; the reliability of the proposed access mechanism; costs and who bears them; and various privacy and security issues.

Consumers may not understand the new process and notice.

The SEC should carefully examine how shareholders will understand the new process, and take into account that not all shareholders will do so when they first receive the new notice. Existing mailed proxy statements and similar investment documents are immediately recognizable by recipients. If notices are provided by First-Class Mail or postcard, even with suggested standard language, it is likely some shareholders will not read it closely or understand the implications. Shareholders may, for instance, scan the notice and consider it to be advertising mail (which often also has bold print), and not understand that it will serve as a replacement for proxy materials unless they take action. In that case, shareholders may fail to request mailed notices, if that is their preference, and may not access materials on the Internet either. Shareholder understanding should increase over time based

on communications with their financial advisors, or if subsequent mailed notices are required on a periodic basis, but it is unlikely that all shareholders will understand it based on one notice.

The proposed method of delivery may be less reliable so that shareholders do not receive needed information, especially over time.

The Postal Service has served as a reliable delivery vehicle for many decades. In 2005, the Postal Service delivered fifty percent more mail to 32 million more addresses than it did 20 years ago. In order to ensure accurate and reliable delivery, the Postal Service maintains a continuously updated database of mailing address changes and forwarding instructions. This ensures the convenient delivery of mail to the recipient at their selected address.

There may be delivery and forwarding problems if issuers can choose, based on a non-response to a mailed notice, to rely on a shareholder's email address on record for sending subsequent notices. Email does not currently maintain an equivalent record of reliable performance. Email addresses can change frequently, and there is no email forwarding service similar to mail forwarding. Even if email addresses are current and valid, several recent studies have shown that a significant percentage of permission-based emails are bounced or deleted by Internet Service Providers (ISPs). According to several recent studies by Pivotal Veracity and other email deliverability consulting services, almost 22 percent of opt-in emails are deleted, bounced or misrouted by 16 major ISPs. In addition, consumers tend not to access email as frequently, which could be a problem for time-sensitive materials. According to Postal Service research, 98 percent of consumers collect and sort their mail daily, while only 78 percent of online consumers access their email account daily.

A recent example regarding the importance of reliable delivery involves the aftermaths of Hurricane Katrina. The SEC Web site announced that the Postal Service listings of Louisiana Zip Codes with temporarily suspended delivery service would be used to determine eligibility for extensions of legally required deadlines. While mail delivery has not been similarly suspended for many decades, the Postal Service standard practices were available and universally understood. Under the proposed rule-making's dependence on universal Internet availability, there would be no similar entity to determine if a particular firm, ISP, or geographic area's interruption of service would be eligible for a similar extension.

Costs may not significantly decrease, but will be shifted to shareholders and others.

The SEC understandably seeks information relating to cost savings and shifts related to the proposal. We suggest there are two aspects to consider: the extent of cost savings for issuers, and the extent to which costs will shift to shareholders and businesses.

In the rule-making, the SEC included certain estimated costs for issuers. For example, the rule-making estimates that issuers incur an average of approximately 5 dollars for printing and 95 cents for postage to print and mail proxy material packages. It is likely that this estimate reflects issuers' costs for mass production printing and volume purchases of paper. The estimate also reflects substantial fixed costs for annual report design and preparation, and issuers would continue to bear such costs under the proposed rule even if only one printed copy were requested. Per unit costs are likely to increase, however, because of lower volumes and more erratic mailing schedules (and potential loss of postal discounts) that will result from mailing to only some shareholders on a request basis. The SEC should consider how these per unit cost increases impact cost savings. Likewise, other estimated costs not yet raised by the SEC rule-making should also be considered. This includes estimates of costs to the issuer for making the material available online, or for responding to potential increases in customer service inquiries and IT helpdesk support as the change is implemented. Another example includes estimated costs to the issuer for printing and mailing proxy materials on short notice to investors who request it.

In addition to performing a deeper analysis of issuer cost savings, the SEC should also carefully consider the extent to which costs will be shifted, and what those costs might be. The SEC proposal acknowledges that some may print the materials, entailing paper and printing costs. Currently shareholders do not bear printing or mailing costs, except as a possible pass-through cost from issuers. Printing at home is relatively inefficient and costly. While the commonly used home inkjet printers are low cost items, the required cartridges are not. Whatever the reason, studies show that consumers are reluctant to print lengthy documents from their home computers, even though, as described above, consumers prefer to review hard copy materials. According to studies conducted by the Ponemon Institute, 38.5 percent of consumers will not print a document more than three pages to their local printer, and 29.5 percent will never print to a local printer. It is possible shareholders might download documents onto a disk and print them at a print shop, but this is inconvenient and also costly. According to the Web sites of major national print shops, the average costs for printing electronic documents are typically eight to ten cents per black and white page, and 75 to 85 cents per color page. A proxy package of 24 downloaded color pages could cost as much as 18 dollars for single-sided printing of loose unbound pages.

Since research shows few consumers will print lengthy documents at home, and printing via print shops can be costly and inconvenient, some shareholders may accomplish that printing with equipment and materials available at their small business or corporate workplace. The personal use of Internet access and printing resources at the workplace is not a savings, but a cost transfer to an unwitting provider that probably also includes a substantial per unit increase. Whatever the cost required for printing supplies and paper, whether accomplished at home or at the workplace, the cost of printing has probably not been saved but merely transferred. The net result is that either shareholders will not access hard copy documents to increase their understanding of the material, or printing costs will be transferred to them or some other entity.

There are potential security concerns related to both the mailed notice and Internet access.

The security of personal and financial communications has become a critically important issue to consumers and businesses. There are two aspects of the proposed rule-making that relate to security which should be carefully considered for appropriate modification. The first is the security of the mailed notice that describes how material may be accessed on the Web. The second involves security issues related to the Web site.

With regard to the mailed notice to shareholders, as mentioned, it is unclear whether the mailing should be done by a postcard or by First-Class Mail. When the proposed rule-making was introduced at the open meeting on November 29, 2005, the Chairman indicated that "companies, and others sending proxy statements, would have to provide postcard notice to each investor that proxy materials are available on a specified Web site." Media coverage reported that the notice "could be the size of a postcard." The proposed rule-making itself includes no mention of using a postcard, or that the notice could be postcard size, but it does provide estimated postage rates that could mean a notice in postcard format would be permitted.

As an initial point, the SEC should examine whether its suggested required language for the mailed notice could be printed within the message area of a post card. The proposed rule-making takes a full page to present the required language that must be prominently placed in bold-face type on the notice.

On a more fundamental level, however, there are privacy and security issues associated with the notice that should require the use of a sealed First-Class Mail envelope. While both a postcard and sealed envelope notice would display the addressee's name and address, only a postcard would also display that the addressee was a shareholder of a certain corporation, and how to access proxy materials about that corporation on a provided Web site address. This is precisely the sort of

personal financial information deemed inappropriate for postcard mailings by many government, industry, and consumer groups, including the following examples:

- Florida's Attorney General's Web site (and several other state Web sites) advises consumers to "Never put your credit card or any other financial account number on a postcard or on the outside of an envelope."
- The Health Insurance Portability and Accountability Act of 1996 (HIPAA) recommends "sending medical information to a patient in a closed envelope rather than on a postcard."
- In his 2004 report, "Personal Data Leakages and Consumer Privacy," privacy pioneer Dr. Alan Westin cites British insurer Prudential's mailing to policyholders of 250,000 unsealed promotional postcards that contained personal data as a deliberate data privacy exposure incident, rather than an inadvertent data security leakage.
- We understand that financial institutions that comply with the Gramm-Leach-Bliley Act do not print any personal or account information on a postcard.

In contrast, First-Class Mail is contained in a sealed envelope that is fully protected by Postal Service regulations and traditions.

With regard to Internet access, the SEC poses several questions regarding the security of the Web site where the proxy material will be posted. These questions warrant further consideration if the proposal is implemented. As the SEC indicates, some of the issues concern how shareholders access the site, such as by registration, and what privacy policies or authentication requirements apply. In addition, we believe security issues should be reviewed that relate to online shareholder databases which might include account information or any contact information such as phone numbers and email addresses. Security breaches of online data have received enormous public attention and concern. This last October, after an online brokerage site was hacked and looted for thousands of personal identities, the SEC Web site was updated to include stronger cautions about recent trends in online threats related to investment and securities. Clever counterfeit phishing sites have been launched that are designed to fool customers of trusted organizations into providing personal financial information. As a result, a variety of surveys reflect reduced consumer trust in some online activities, and, in certain cases, in associated organizations or industries.

Online proxy voting raises particular security concerns. John R. Engen, author of "How I Cracked Proxy-Vote Security" in the February 2003 issue of Corporate Board Member magazine, wrote about the security issues associated with online proxy voting. After accidentally transposing two digits in his "control number" Mr. Engen was able to vote an online proxy for a company in which he held no shares. Several security firms recommended an examination of voting procedures by an elections inspector. A voting site maintained by a transfer agent for registered shareholders was also recently the source of reported problems.

POSTAL SERVICE RECOMMENDATIONS

1. The existing rule should be maintained because it reflects likely shareholder preferences, it provides reliable and secure delivery recognized by shareholders, and it does not shift increased costs to shareholders and other entities.

The Postal Service recommends the existing rule be maintained and the proposal not be adopted in its present form. The current default mechanism for delivering materials best reflects known consumer preferences. Mailed proxy materials should continue as the default for delivering proxy information, with an option to choose Internet access, rather than the reverse as proposed. There is considerable and extensive research showing many consumers prefer to receive hard copy mailings of complex financial documents, such as proxy materials, rather than accessing them electronically. Considerations like reliability, security, and cost also favor the default. We believe that the SEC rule should reflect this preference – that the needs of shareholders should be a primary concern of all parties.

It is insufficient that shareholders can affirmatively request mailed proxy materials. The research is equally clear that consumers typically ignore such choice mechanisms, so that whatever default is established tends to be implemented. There is widespread discussion of the causes for the consumer inaction, from confusion to apathy. But it is widely accepted that most consumers fail to express a preference.

When consumers are asked by mail, phone, or electronic means to express their preference for either of two options, the great majority choose neither. Industry research shows a similar tendency for most investors to consistently decline opportunities to express a preference. This behavior is consistent whether the preference is to provide or withhold consent to any option. This lack of preference results in the default becoming the de facto selection, and for that reason the default option is critical.

According to a study by Rubin and Lenard entitled "Privacy and the Commercial use of Information," most consumers fail to act when faced with opt-in and opt-out decisions, finding that only 5 percent opt-in or out, with 90 percent taking no action at all. The study concludes that "consumers tend not to change the default, whatever it might be...the available evidence indicates that the vast majority of consumers accept the default." Similar findings have been reported by various speakers before Congressional committees. When noted law professor Fred Cate testified before the 2001 Senate Hearing on Internet Privacy, he said, "We don't want to take the time to make those decisions." He noted further that two large companies tested the response rates to opt-in and opt-out by sending email messages to statistically similar subsets of their respective customer bases. One email said that the customer's personal information would be used unless the customer opted out; the other said the information would not be used unless the customer opted in. In both tests, the response rates were the same - customers did not respond to either.

The current default mechanism reflects shareholder needs and preferences, and should remain the same.

2. The proposal should be postponed while further analyses of the impact on shareholders is completed.

The Postal Service recommends postponing a final rule to permit the completion of impact assessments. Shareholder issues that need further study include the time and materials required to educate shareholders on the change (including the effectiveness of the format and language of the new notice); the potential for increased or decreased participation and response rates; and the effect

of changing the default channel on shareholders who decline to express a preference, including those who do not have or use Internet access.

The SEC should consider approving a test mailing of proposed notices to a broad cross-section of shareholders. Such a pilot would provide tangible data on the impact of the proposed process on response or participation rates that could support adoption or modification of the proposal.

Further study may demonstrate that all statements currently mailed should continue to be mailed until shareholders express a preference for electronic access. Alternatively, issuers could be required to set up an automated process to mail materials to shareholders who have not downloaded their proxy materials.

3. All mailed notices should be sent in First-Class Mail envelopes.

The Postal Service recommends the proposal be modified to require that all notices be mailed in sealed First-Class Mail envelopes. We base this recommendation on three reasons. First, the space required for clearly presenting the information specified by the SEC would appear to exceed a postcard's usable message area. Second, shareholders are more likely to read and understand the notice and associate it with previously mailed statements. Third, and most important, the information presented is of a personal financial nature. Such materials should be contained in a sealed First Class Mail envelope, rather than the back of a postcard, to ensure appropriate privacy and security protections.

4. All notices should be mailed at least annually.

The Postal Service recommends the proposal be modified to make it clear that notices must be mailed at least annually. Without a periodic mailing, it is more likely that the issuer will lose track of the shareholder altogether, or not be aware of the shareholder's preferences either initially or as they may change. The fundamental contact information for shareholders is their mailing address of record. National address change and mail forwarding information is securely maintained and updated daily by the Postal Service. In contrast, other delivery points, such as email addresses and cell phone numbers, are impermanent and fluid. There is no equivalent secure universal directory and update service for email addresses, URLs, domains, or ISPs. For all of these reasons the Postal Service believes that it is inappropriate to assume that shareholders who do not respond to a single mailed notice have impliedly consented not to receive further mailed notices. Annual notices will also provide a mechanism for shareholders who wish to alter their preferences.

5. The SEC should explore hybrid solutions for shareholders who prefer a combination of mail and electronic data.

The Postal Service recommends the SEC explore other options for delivering proxy materials. The proposal presents two mutually exclusive options. It describes investors as either receiving information in electronic format via the Internet channel or in printed format via the mail channel. Many investors already use the Internet channel to obtain information in electronic format. They use sophisticated software to search and analyze the information electronically, and can then choose to print some or all of the information. A second group have different preferences, and want the mail channel for delivery. While they prefer the printed format for some uses, they would also prefer the electronic format for sophisticated searches and analyses. As an example, under current rules, proxy statements mailed to shareholders can also include a duplicate version in CD-ROM format. Such a hybrid mailing would provide the benefits of electronic information without foregoing mail reliability and security. This is also consistent with our research findings about how consumers get increased value from catalogs through both mail and electronic channels.

ATTACHMENT - SEC QUESTIONS RELEVANT TO USPS COMMENTS

Is the means by which most shareholders access the Internet sufficient to access lengthy documents such as annual reports, proxy statements, and information statements? Would investors be excessively burdened by having to download and print these documents? (SEC proposed rule-making, 70 FR 74600)

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? (SEC proposed rule-making, 70 FR 74600)

Are the proposed means by which a shareholder can request a copy of the proxy materials appropriate? Should the issuer's provision of an e-mail address from which shareholders can request copies be optional? Should the rules expressly reference other appropriate means by which shareholders can request a copy of the proxy materials? 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? (SEC proposed rule-making, 70 FR 74602)

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? Should we permit the Notice to include a request for the shareholder's affirmative consent to future electronic delivery of the Notice? (SEC proposed rule-making, 70 FR 74602)

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? For investment companies, should we permit a copy of the company's current prospectus or profile to accompany the proxy card and Notice? (SEC proposed rule-making, 70 FR 74602)

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? (SEC proposed rule-making, 70 FR 74602)

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. (SEC proposed rule-making, 70 FR 74602)

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? (SEC proposed rule-making, 70 FR 74603)

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? 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? (SEC proposed rule-making, 70 FR 74603)

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? 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? 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? (SEC proposed rule-making, 70 FR 74603)

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? (SEC proposed rule-making, 70 FR 74604)

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? 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)? Should issuers have to post their proxy materials in both PDF and HTML formats? (SEC proposed rule-making, 70 FR 74604)

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? (SEC proposed rule-making, 70 FR 74604)

Is the proposed requirement that an issuer provide requested paper copies by first class mail or other reasonably prompt means appropriate? Should an issuer have to provide the requested paper copy by more expedited means, such as overnight or two-day delivery? 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? (SEC proposed rule-making, 70 FR 74604)

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? (SEC proposed rule-making, 70 FR 74605)

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? (SEC proposed rule-making, 70 FR 74607)

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? Should we require issuers to provide copies to all persons requesting copies? 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? (SEC proposed rule-making, 70 FR 74607)

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? Should the rules separate the voting mechanisms for registered holders and beneficial owners to prevent confusion? Should we require intermediaries to establish their own Web sites to post proxy materials to help prevent any such confusion? Is it likely that intermediaries or third parties will develop Web sites to facilitate use of the "notice and access" model? (SEC proposed rule-making, 70 FR 74607)

What proportion of shareholders would be expected to request paper copies? What proportion of beneficial owners would likely request paper copies from intermediaries rather than from issuers? (SEC proposed rule-making, 70 FR 74614)

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 degree would this increase the per-unit cost to the issuer? (SEC proposed rule-making, 70 FR 74614)

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? (SEC proposed rule-making, 70 FR 74614)

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. (SEC proposed rule-making, 70 FR 74614)