

November 5, 2007

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Dear Chairman Cox:

I am writing on behalf of the Council of Institutional Investors to express the association's deep disappointment with the commission's reported decision to delay action on the New York Stock Exchange proposal to eliminate uninstructed broker votes in director elections.

This is the second time in the past year that the SEC has declined to approve this long overdue rule change. According to a September 24 letter that the exchange sent to its listed companies, the commission will consider the proposal as "part of a broad range of issues relating to shareowner communications and proxy access." The Council does not believe that it is necessary or useful to delay this discrete reform, which an NYSE working group of investors, brokerage industry officials and corporate executives reviewed thoroughly.

As you know, the Council of Institutional Investors has long advocated changes to Rule 452, and believes that eliminating the ability of brokers to vote uninstructed client shares for the election of directors is a critical first step. Allowing brokers to cast votes for uninstructed shares skews voting results and is akin to stuffing the ballot box for management.

We recognize that the NYSE initiative was opposed by a variety of market participants. But we believe the other alternatives reportedly under consideration—such as proportional voting—could further complicate the already Byzantine proxy voting process and result in abuses. Quorum concerns of some publicly traded companies, especially small companies and those with significant retail ownership, can be addressed by including the ratification of auditors on the proxy ballot. This is a step that companies can take on their own and one that the Council believes is a best practice for all public companies.

We would be pleased to discuss this further if you have any questions or would like additional information. The Council urges the commission to reconsider the matter in time for the next proxy season. At the least, we hope the SEC acts as speedily as possible to make the proposed rule change a reality by the 2009 proxy season.

Sincerely,

Amy Borrus
Deputy Director