

July 12, 2013

Mr. Edward Knight  
Executive Vice President & General Counsel  
NASDAQ OMX  
805 King Farm Boulevard  
Rockville, MD 20850

**VIA EMAIL: [Edward.knight@nasdaqomx.com](mailto:Edward.knight@nasdaqomx.com)**

Dear Mr. Knight: 

We are writing in support of the submission by the Council of Institutional Investors (“CII”) proposing that the NASDAQ OMX act to introduce a new listing requirement. The proposed rule would require an issuer that intends to list its equity securities on the NASDAQ Stock Market or the NASDAQ OMX BX (collectively, “NASDAQ”) adopt a majority voting standard in uncontested elections of directors with a requirement that incumbent directors who do not receive a majority of votes promptly resign from the board.

The California State Teachers’ Retirement System (“CalSTRS”) was established for the benefit of California’s public school teachers 100 years ago and is the largest educator-only pension fund in the world. CalSTRS serves the investment and retirement interests of nearly 862,000 plan participants. The long-term nature of CalSTRS’ liabilities, and its responsibilities as a fiduciary to its members, makes the fund keenly interested in governance issues that affect the companies in which we invest. We are active members of CII, including my current role as role as Chair, and have been long-term supporters of their efforts to promote best practices in the marketplace that help safeguard the retirement savings of our beneficiaries.

As a long-term shareholder, CalSTRS believes that director accountability is of utmost importance. We have Corporate Governance Principles<sup>1</sup> that uphold this view and lay the foundation of our proxy voting activities, corporate engagements, and market-wide governance initiatives. In fact, we have a specific principle regarding director election standards:

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<sup>1</sup> CalSTRS Corporate Governance Principles are available at <http://www.calstrs.com/corporate-governance-overview>



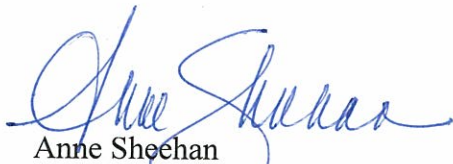
*Charters and by-laws should provide that directors in uncontested elections are to be elected by a majority of the votes cast. In contested elections, plurality voting should apply. An election is contested when there are more director candidates than there are available seats.*

In addition to our policy, CalSTRS has embarked on a campaign in an effort to get more companies to adopt majority voting for their director election standard. The past three years we have engaged with over 200 companies, in the Russell 2000 Index, with overwhelming success. Many companies are willing to adopt majority vote without CalSTRS taking action through a shareholder proposal and once proposals are filed even more companies are willing to implement a majority vote standard, with CalSTRS ultimately withdrawing its proposal.

We believe the current default standard of plurality voting, completely disenfranchises shareholders and makes the shareholder's role in director elections meaningless. This is even more apparent in instances when there is a resignation policy and a director fails to receive majority support, yet the director is reappointed to the very seat left vacant by his/her resignation. We therefore ask the NASDAQ to consider proposing rules for approval by the Securities and Exchange Commission that would require an issuer seeking to list its equity securities to adopt a majority voting standard in uncontested elections. The listing standard should include a requirement whereby any incumbent director not receiving a simple majority of the votes cast should resign promptly, and with finality.

We believe the time has come to establish effective investor voting rights, and a uniform listing standard will allow shareholders to remove poorly performing directors and increase directors' accountability to the owners of the company, its shareholders. We would welcome the opportunity to meet you or your colleagues to discuss this request in more detail. In the meantime, if you have any questions please do not hesitate to contact me directly or my colleague, Aisha Mastagni at 916-414-7418 or by email at [amastagni@calstrs.com](mailto:amastagni@calstrs.com).

Sincerely,



Anne Sheehan  
Director of Corporate Governance