



PROXY Governance, Inc.  
8180 Greensboro Drive  
8th Floor  
McLean, VA 22102  
proxygovernance.com

Michael J. Ryan, Jr.  
President & Chief Operating Officer  
703-245-5808  
ryanm@proxygovernance.com

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Elizabeth M. Murphy  
Federal Advisory Committee Management Officer  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Dear Ms. Murphy:

For the past several months we have been exploring the opportunity to reconstitute the current company PROXY Governance, Inc. into a not-for-profit – The PROXY Governance Institute. In summary, the Institute would provide individual and institutional investors independent corporate governance advice and proxy voting recommendations and would provide a robust proxy voting platform for electronically voting proxies; much of the infrastructure needed for this effort has been operational for more than five years.

The underlying premise of this concept is that corporate governance and, by extension, proxy voting are matters of public policy with important societal implications that transcend any one company, shareholder or group of shareholders. The basic concept, therefore, is to establish an entity that serves individual and institutional investors, issuers and the public interest by providing low-cost – and, in some cases, free – independent and conflict-free corporate governance advice and information. Further, and equally important, The PROXY Governance Institute would allow third parties to express their governance views on the voting platform and allow individual and institutional investors to execute their proxies in accordance with a wide range of governance views. Under this approach, corporate governance and proxy voting would be much more accessible to the full range of investors and would be more transparent and conducted with greater due process.

As we pursue this concept, I wanted to present it to the SEC Investor Advisory Committee for its consideration; please see attached overview. I would welcome the opportunity to discuss it with the Committee or any of the Subcommittees. I look forward to hearing from you and am available to answer any questions you may have.

Sincerely,

A handwritten signature in black ink that reads 'Michael J. Ryan, Jr.' in a cursive script.

Michael J. Ryan, Jr.

Attachment

# THE PROXY GOVERNANCE INSTITUTE

Serving Investors, Issuers and the Public Interest

## CONCEPT SUMMARY

Corporate governance is the foundation of a company's corporate culture and critical to achieving long-term shareholder value. More broadly, corporate governance practices transcend individual companies and investors, affecting the economy as a whole and the long-term progress of society. Viewed from this broad public policy perspective, corporate governance serves overlapping objectives for the overall benefit of society:

- Protecting and Enhancing Investors' Capital;
- Developing Productive and Responsible Corporations; and
- Creating Long-Term and Sustainable Economic Activity.

Balanced against its importance, little doubt exists that investors, issuers and the public are underserved by the current tools, mechanisms and infrastructure for assessing and participating in corporate governance.

This is not to suggest that this area has been ignored. To the contrary, the U.S. Securities and Exchange Commission and a vast array of lawyers, consultants and governance professionals have invested many years and resources in providing the marketplace with enormous amounts of information and data. The SEC and Department of Labor have imposed a fiduciary duty for proxy voting on many investors. Issuers expend hundreds of millions of dollars annually preparing and distributing proxies to each shareholder.

The challenge is that the business incentives for providing ready access to quality corporate governance and proxy voting services are substantially narrower than the wide-ranging need for these services. This is the classic "last mile problem" experienced throughout society: ensuring that the quality goods and services produced are reasonably accessible to all those who need them.

The question, therefore, becomes whether a new approach and business model can be developed by the private sector to better align the societal need with the business opportunity by transforming the availability and access to corporate governance and proxy voting services in an efficient manner. In some respects, the answer is easy: challenge conventional thinking, fight entrenched interests and leverage technology. Another critical element: take advantage of unique opportunities when they present themselves.

PROXY Governance, Inc. ("PG") was established six years ago to address some of the concerns outlined above. While PG's approach to governance, its work product and research and voting technology are highly regarded, its influence in addressing these challenges has not met expectations. This has led to a reevaluation of the basic business model and has resulted in the conclusion that a superior way to address the multitude of challenges – including serving individual investors, for which there is no business incentive to serve but for which there is a rapidly growing need – is to redeploy PG's services in a new business model supported by users fees and supplemented by third party sponsorship. Key points concerning this concept and new business model are set forth on the reverse side.

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## KEY POINTS

### **Problems in Corporate Governance and Proxy Voting**

- Lack of investor participation – individuals and many institutions are marginalized
  - Separately, they do not amount to much
  - Collectively, this is a large block ... particularly in important and close elections
- “Check-the-box” voting
  - Many small/medium-sized and even some large institutions conduct little or no analysis
  - Simply vote in lock-step with the crowd or, in the case of individuals, do not vote at all
- “One-size-fits-all” governance
  - Grossly oversimplifies the importance and complexity of board decision-making
  - Promoted and reinforced by “check-the-box” voting

### **Overview of Innovative Thinking and New Approach**

- Reconstitute PROXY Governance, Inc. and expand investor access to:
  - Thoughtful corporate governance research and recommendations
  - State-of-the-art and market-tested proxy voting technology
- Serve individual and institutional investors – no consulting services to issuers
- Offer basic corporate governance and proxy voting services for free and reduced cost

### **Services to be Offered by a Reconstituted PGI**

- Free independent proxy voting recommendations and rationale on a case-by-case basis
- Detailed analysis offered as a premium service
- State-of-the-art proxy voting technology and easy-to-use, robust proxy voting tools
  - Free for individual investors
  - Institutional investors pay discounted user fees
- Third parties have “open” access to PGI’s platform to express governance and voting views
- Education, communication & engagement tools for investors, directors & issuers

### **PGI’s Governance**

- Board of Governors comprising representatives of investors, issuers and directors
- Governing documents codify case-by-case, company-specific approach
- Transparent proxy voting policy subject to public notice and comment
- Due process to enable shareholder proponents and issuers to appeal PGI recommendations

### **Funding**

- Transition Activities – \$1-5 million, depending on nature and extent of services
- Long-Term Funding – \$5-20 million annually, depending on nature and extent of services
  - User fees, appeal fees and independent research and data sales
  - Consortium and foundation funding