LAWNDALE
CAPITAL MANAGEMENT, LLC

Andrew Shapiro
President

By Electronic Delivery

To: Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Date: October 25, 2010

Re: **File Number S7-14-10 - Comments on Concept Release on the U.S. proxy system**

To the Commission:

Lawndale Capital Management, LLC, a Sustaining Member of the Council of Institutional Investors ("CII"), is an investment advisor that specializes in relational and activist investing. Throughout our firm's 18-year history, Lawndale has been an outspoken proponent of strong corporate governance as a means to protect and enhance shareholder value. Lawndale regularly proposes improvements to its portfolio company's governance structures and regularly submits proposals and director nominees for shareholder vote.

One aspect of advancing strong corporate governance is ensuring the proxy voting system is accurate, efficient and unbiased. In many respects, those are the attributes that already exist in the present system. Any changes to the current system should be limited to those that might improve on an attribute, but without weakening another.

Privacy is of fundamental importance to investors and ultimately the financial system. Our following comments to this Concept Release relate to privacy issues:

- It is unfortunate but common that an issuer's management and board see shareholder advocates, such as Lawndale, as hostile. Changes to the current process that transfer greater control over the timing and methods of proxy information dissemination, and also vote receipt and tabulation, are certainly a goal of these issuer parties. Without belaboring the point with substantial support, I believe that the current proxy rules and mechanisms are already skewed in favor of issuers to the detriment of alternative proposals and nominees. Changes in privacy rules that further tilt this balance in favor of issuers are not desirable and seem to contradict the SEC's mission "to protect investors."

- In the current NOBO/OBO regime, third parties who are independent of issuers execute the process. Changes to NOBO/OBO system that eliminate the privacy of a

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shareholder's ownership and vote from an issuer or its advisor's may have serious negative ramifications that would further bias the voting system further toward issuers.

As you can appreciate, investment managers seek equal access to the legitimate flow of informational due diligence and managerial interaction. Removing ownership and voting process confidentiality risks retaliation and favoritism by issuers as weapons to influence votes in favor of issuer's positions. Investment managers will almost always 'capitulate' on a proxy vote that may provide an intangible or long-term benefit of governance change versus more near term and tangible due diligence information flow and intelligence. Confidentiality is necessary to allow objective voting to take place and not interfere with the legitimate flow of investment due diligence interaction that would come from retaliatory treatment.

- In addition to using information flow as a tool to gain favor, issuers who are provided greater control over the proxy process could also bias results via inequitable timing of mailing proxy materials with shareholders hostile to management being mailed late and possibly not receiving their proxies in time to even cast their vote. Late arriving proxies are an instance we have seen on many occasions but, as long as ownership privacy has been maintained, we haven't questioned the integrity of the process. Confidentiality is necessary maintain the integrity of the voting process.

- Finally, changes to the NOBO/OBO regime and other proxy and Section 13 disclosure rules that reduce investor privacy also risk disruptions in the efficient allocation of capital. For example, prematurely (before Sections 13G/D's 5% ownership threshold), mandating disclosure to the issuer or the public of an investor's holdings and trading activity raises the likelihood of copycats emulating our positions and investment strategy. This disclosure hinders our ability to buy in scale at attractive prices and diminishes the value of our proprietary work product. Reduced returns for our efforts would in turn discourage the costly research function we perform, deter investment activity, and the efficient pricing of securities and market liquidity that comes from this activity.

Thank you for the opportunity to submit comments on this Concept Release. We welcome the opportunity to discuss our concerns and those of others with the Commission and its staff.

Sincerely,

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