



CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

TOM QUAADMAN
VICE PRESIDENT

1615 H STREET, NW
WASHINGTON, DC 20062-2000
(202) 463-5540
tquaadman@uschamber.com

September 12, 2011

The Honorable Mary Schapiro
Chairman,
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

The U.S. Chamber of Commerce (“Chamber”) is the world’s largest business federation representing the interests of more than three million businesses of every size, sector and region. The Chamber created the Center for Capital Markets Competitiveness (“CCMC”) to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy. As you know, the CCMC is highly concerned about the lack of transparency and potential conflicts of interest in the operation of proxy advisory firms and has previously requested that the Securities and Exchange Commission (“SEC”) exercise supervision in this area.

In this connection, the CCMC respectfully requests that the SEC closely monitor the activities of Glass-Lewis, which is a wholly-owned subsidiary of the Ontario Teachers’ Pension Plan Board (“Ontario”), in relation to Ontario’s pressure upon McGraw-Hill Companies, Inc. (“McGraw-Hill”) to reorganize its business model. This is a situation where conflicts of interest could be expected to develop, and there should be a strong regulatory interest in understanding how Glass-Lewis is managing these potential conflicts today and in the future.

Last month, news reports indicated that Ontario and Jana Partners LLC were pressuring McGraw-Hill to take measures to break up and/or reorganize businesses to boost the value of McGraw-Hill’s stock.¹ This matter of “corporate control” is a matter between the shareholders, directors and management of McGraw-Hill and should be one for them to resolve in the interests of the corporation and all of its shareholders.

¹ See, e.g., “A Call to Buff S&P’s Image,” *The Wall Street Journal* (Aug. 23, 2011).

The Honorable Mary Schapiro
September 12, 2011
Page Two

However, in this case, Ontario also wholly owns Glass Lewis which is a proxy advisory firm. As such, Glass Lewis could issue voting policies and recommendations that are directly or indirectly influenced by Ontario's own unique interests. This creates, in our view, a potential appearance of impropriety and conflict of interest that may color the debate in this case. We believe that such actions could cause harm to the corporate governance system and adversely impact the integrity of proxy voting systems and hamper the long-term management of a corporation.

The CCMC has filed several comment letters with the SEC on the Concept Release on the U.S. Proxy System (File Number S7-14-10). In these comment letters the CCMC has expressed concern regarding the unaccountability and lack of transparency in the development of voting policies and vote recommendations by proxy advisory firms. Because of the importance of advisory firms in the proxy voting systems there should be clearly defined procedures and transparency in the development of voting policies and recommendations to provide certainty in the system, while avoiding potential conflicts of interest. Failure of the advisory firms to avoid conflicts may harm corporate governance systems, undermine confidence in the market place and endanger the ability of advisory firms' clients to meet their fiduciary duties as shareholders.

In commenting on the concept release the CCMC has called upon the SEC to create a supervisory regime to ensure the transparent development of voting policies and recommendations while preventing conflicts of interests in the operation of proxy advisory firms. The CCMC continues to stand by this position and accordingly requests that the SEC closely monitor the Glass Lewis ratings, regarding the actions of its parent organization, to prevent conflicts of interest and potential degradation of corporate governance through the misuse of proxy advisory services.

We look forward to discussing this issue with you further.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Quaadman', with a long horizontal flourish extending to the right.

Tom Quaadman