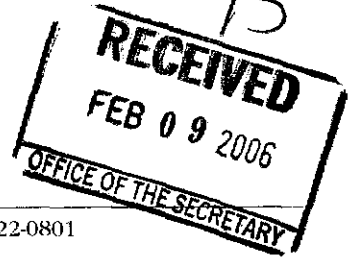


COUNCIL OF INSTITUTIONAL INVESTORS

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February 8, 2006

Nancy Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Internet Availability of Proxy Materials (File Number: S7-10-05)

Dear Ms. Morris:

I am writing on behalf of the Council of Institutional Investors, an association of more than 130 public, corporate and union pension funds with combined assets of over \$3 trillion. As a leading voice for long-term, patient capital, the Council believes that timely, efficient disclosures to investors are integral to a strong corporate governance system and that the ability of investors to receive proxy-related disclosures without undue hurdles is of paramount importance.

While we commend the Commission for taking the first steps toward electronic disclosure of proxy materials through its proposed "Notice and Access" rule and support efforts to improve the efficiency and effectiveness of the proxy delivery/voting systems and processes, we have concerns regarding the implementation of this shift and the possible impact upon shareowners. As a result, we oppose an immediate shift to electronic disclosures. Instead, the Council encourages the Commission to consider a slower paced, phased-in approach to introducing electronic delivery, through possible mechanisms such as test groups, an opt-in voluntary system, or by starting with investors who are already voting online.

Some of the aspects of the proposed rule that concern the Council:

- *Increase in broker votes.* Any shift to a new delivery system may cause confusion and require retraining and establishment of new processes for shareowners and issuers alike. Possible impacts of this start-up cost include a drop-off in the number of shareowners voting and a corollary increase in broker votes under the New York Stock Exchange's 10-day rule. The Council is firmly against broker votes as stated often in the past as they undermine the voting process. Increasing the number of broker votes because shareowners are unfamiliar with a new disclosure delivery system is an unacceptable potential side effect of the proposed rule.

- *Separation of ballot/voting mechanism from the disclosures.* The rule as proposed does not require that the proxy ballot be tied to the disclosure materials. The separation of these items is a serious concern to the Council as it introduces an additional step to shareowners wishing to act in an informed manner when voting. A more detailed discussion of the associated concerns on this issue is detailed in the January 11, 2006, comment letter submitted by Mr. Richard Trumka of the AFL-CIO.
- *Too many steps for shareowners.* The proposed rule would require that shareowners contact each company in which they hold shares (or require that their intermediaries do so) in order to receive paper materials. This approach causes delays in delivery of a minimum 2 – 4 days and creates complexity in the system. Because shareowners have no ability to “opt out” of electronic delivery across their portfolios, a shareowner will have to make a call or send an email to each company in which he or she holds shares. This cost in terms of a shareholder’s time and possible confusion should not be underestimated.
- *Disproportionate adverse impact.* Research from the Forrester Survey (submitted to the SEC by Automatic Data Processing) indicates that nearly 20% of shareowners are not online and that less than 40% of shareowners have the broadband internet access that enables easier downloads of lengthy materials. Additionally, there is a disproportionate impact on groups who have lower levels of internet access, specifically senior citizens, minorities, Southerners, lower-income investors and those living in rural areas.
- *Possible privacy abuse.* The proposed rule would require that shareowners wishing to view the electronic disclosures visit a website listed by the issuer that could be located anywhere but on the SEC’s EDGAR site. In light of the many public examples of information being tracked, collected and misused on reportedly well-protected websites, the potential for privacy abuse is a risk that needs to be addressed.
- *Misleading claims on cost reductions.* Many investors prefer to read lengthy, technical documents on paper rather than on a screen. Under the proposed rule, those shareowners must take the additional step of contacting the issuer/intermediary which represents a cost in terms of time or of bearing the printing costs by themselves. Shareowners wishing to solicit votes still will need to bear the legal and other associated costs which often comprise the bulk of expenditures for such fights.

Given these concerns, we suggest that the proposed rule be rolled out gradually on a voluntary, opt-in basis for shareowners or, in the first phase, for a voluntary test group of participants. For example, many of the concerns listed here would be ameliorated if the first users of the proposed rule comprised a voluntary group of investors who already have access to electronic voting systems, broadband internet terminals and established processes for proxy voting.

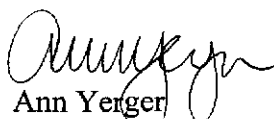
Since costs benefits have been used as an argument for electronic dissemination, we request that the SEC urge the NYSE to again evaluate the cost structures of proxy delivery—whether paper or electronic—as the NYSE continues to serve as the rate-setter

for this monopoly-dominated business. Potential cost savings exist in the current system and we encourage a thorough review of pricing models and “fee-sharing” vehicles that do not benefit the issuer or the shareowner community.

Finally, we consider electronic disclosure to be one part of the broader issue of the proxy process and, as discussed in our October 14, 2005 letter entitled *Investor Response to “Coalition Views on Shareholder Communications” (Re: SEC File Number 4 – 493)*, we repeat our strong interest in a working group of relevant market participants led by an objective, impartial chair to discuss how the process might be strengthened.

We look forward to working with you on future steps towards the electronic dissemination of proxy materials in a manner that does not create hurdles for investors to receive these important, time sensitive materials.

Regards,


Ann Yerger
Executive Director

CC: Chairman Christopher Cox
Commissioner Paul Atkins
Commissioner Roel Campos
Commissioner Cynthia Glassman
Commissioner Annette Nazareth
Alan Beller, Director of the Division of Corporation Finance