

The Revolution in Corporate Governance and Proxy Processing



Panelists:

Noland Cheng, *Chairman, SIFMA Operations Committee*
Managing Director, Morgan Stanley

Richard J. Daly, *Chief Executive Officer*
Broadridge Financial Solutions, Inc. (formerly ADP Brokerage Services Group)

Michael Finck, *President, SIFMA Corporate Actions Division*
Managing Director, Bank of New York

Betsy Murphy, *Chief, Office of Rulemaking, Division of Corporate Finance*
SEC

Annemarie Tierney, *Assistant General Counsel*
NYSE Euronext



Broadridge™

SIFMA Presentation

Richard J. Daly

Chief Executive Officer

Broadridge Financial Solutions, Inc.

Agenda

- Notice & Access
- Proportional Voting
- DTCC Over Reporting Prevention Service

Overview of SEC Notice and Access Rule

- The Notice and Access Rule provides Issuers with the option of operating in the traditional manner or utilizing Notice and Access
- The full text of the Rule can be found at <http://www.sec.gov/rules/final/2007/34-55146.pdf>
- The Rule calls for all accounts that have not consented for e-delivery or hard-copy mailings to receive a Notice of Internet Availability (“Notice”) rather than full hard-copy proxy mailings as sent today
- This Notice must be finished mailing by the 40th day before the shareholder meeting
- Issuers have the ability to send materials to any account or classification of accounts they choose

Overview of SEC Notice and Access Rule

- When a shareholder receives a Notice they may:
 1. Go to the internet to view their materials and vote
 2. Request materials for that meeting from the intermediary via telephone, internet or e-mail
 3. Request materials for that meeting from the intermediary via telephone, internet or e-mail and consent their account to receive all future meeting materials
 4. Do nothing
- A shareholder can request delivery of meeting materials in hardcopy via mail or electronically via e-mail
- Requests for material from beneficial holders must be directed to the intermediary
 - The intermediary has 3 days to send the request to the issuer
 - The issuer has 3 days to send material to the intermediary
 - The intermediary then has 3 days to complete the fulfillment of the request
- A detailed audit trail will be available to track each request as well as the activities from receipt of request to delivery of material

Overview of SEC Notice and Access Rule

- Effective the week of March 19, 2007 consent collection began via:
 - All Standard Vote Instruction Forms (“VIF”)
 - Non-Standard VIFs that allow space
 - Telephone Voting System
 - Internet Voting System www.ProxyVote.com
 - Issuer Approved Registered Proxies
- The collection of consents requires an expansion to the preference database utilized for storing shareholder Household and E-delivery consents

Overview of SEC Notice and Access Rule

- Through the efforts of SIFMA, the SEC recognized the complexity of the street ownership structure
- As a result, the SEC rule requires that all beneficial processing related to Notice and Access be handled through the intermediary, thereby ensuring the continued integrity of the street proxy process
- Sample of New Intermediary Processing Requirements
 - New Preference database
 - E-mail and telephone infrastructure to support requests
 - Fulfillment capabilities to handle request of paper materials for Bank/Broker customers
 - Establishment of dual mailing infrastructure (Notice & Access, conventional)
 - Database management to handle hybrid approach

Overview of SEC Notice and Access Rule

- Broadridge will continue to service our clients by performing all applicable intermediary responsibilities required under this new regulation
- Once all procedures and processes have been established we will be implementing the appropriate adjustments to our audit processes including:
 - ISO certification
 - Deloitte and Touche Audit covering Steering Committee Measurements
 - Deloitte and Touche Audit covering compliance with certain SEC and NYSE regulations
- Affirmative consents for e-delivery in place today will apply under N&A. E-delivery continues to be the most efficient means for shareholders to receive their proxy materials. Any opportunities to increase consents will be explored.

Proportional Voting History

- Proportional Voting (sometimes referred to as Echo Voting) has been utilized for many years in processing 401k voting.
- The process has been selectively applied by several brokers who hold large positions in some Mutual Funds in order to vote the unvoted shares of such funds.
- We first offered Proportional Voting in lieu of the traditional discretionary voting with Management for the 2006 proxy season. At that time, we were processing one client in this manner.
- For the 2007 proxy season, Broadridge implemented Proportional Voting for four large broker clients

Proportional Voting Mechanics

- Client Record Processing
 - Each broker defines Proportional Voting parameters for their firm including the definition of retail shares
 - The implementation of Proportional Voting is available to all brokers
- Determining Eligible Shares
 - To facilitate proportional vote processing, a new vote “bucket” has been created to hold the retail voted shares
 - The percentages used to calculate the proportional vote will be determined from these retail vote returns only

Vote Reporting

- The initial vote (issued fifteen or ten days before the meeting) will report only instructed shares.
- An additional line item has been added to the Broadridge client proxy providing the tabulator with the total number of retail shares reported by the participating brokers.
- Two days before the meeting, the proportional vote will be issued with any newly voted shares.
- The Day Before Meeting and Day of Meeting votes will be issued with any newly voted shares as well as the recalculation of the proportional vote.

Vote Reporting (Client Proxy)

SUPPLEMENTAL (BROKERS) 02/28/07 PAGE 1

			01	02	03	04	*
A.G. EDWARDS & SONS	17358	FOR	-150	-150	-150	1650	
020X/DTC 00201		AGN	0	150	150	150	
		ABS	150	0	0	0	
			01	02	03	04	*
		FOR	17208	17208	17208	2000	
VOTE TO DATE		AGN	0	150	150	150	
		ABS	150	0	0	0	
			01	02	03	04	*
GOLDMAN, SACHS & CO	2000000	FOR	3381	3381	3381	3381	
0005/DTC 00005		AGN	0	0	0	0	
		ABS	0	0	0	0	
			01	02	03	04	*
		FOR	550346	52706	52706	52706	
VOTE TO DATE		AGN	0	65856	65856	65856	
		ABS	670	432454	432454	432454	
→	*** UNINSTRUCTED RETAIL SHARES FOR CLIENT 005:			50020	***		
			01	02	03	04	*
MERRILL LYNCH	2203500	FOR	-5550	-5550	-5550	-5550	
0161/DTC 00161		AGN	0	550500	550500	550500	
		ABS	550500	0	0	0	
			01	02	03	04	*
		FOR	26325	35825	35825	35825	
VOTE TO DATE		AGN	0	588015	588015	588015	
		ABS	597515	0	0	0	
→	*** UNINSTRUCTED RETAIL SHARES FOR CLIENT 161:			1574660	***		
			01	02	03	04	*
MORGAN STANLEY	8352	FOR	-775	-775	-775	-775	
0015/DTC 00015		AGN	0	-115	-115	-115	
		ABS	-115	0	0	0	
			01	02	03	04	*
		FOR	556	1256	1256	1256	
VOTE TO DATE		AGN	0	0	0	0	
		ABS	700	0	0	0	
→	*** UNINSTRUCTED RETAIL SHARES FOR CLIENT 015:			6879	***		

ABC CORPORATION
 C/O ADP INVESTOR COMMUNICATIONS
 5970 CHEDWORTH WAY
 MISSISSAUGA, ON L5R 4G5

CUSIP 123456789
 MEETING 03/09/07
 RECORD 02/15/07

DTCC Over Reporting Prevention Service

- DTCC Responds to the Broadridge Record Date file with omnibus positions for all participants that have authorized such data to be sent
- Record Holder Banks have positions applied from their omnibus accounts to the Respondent Banks identified in their response file
- Votable positions are created and compared against the CUSIP level data reported in the response file
- Discrepancies are highlighted in the DTCC Comparison Reports and Position Missing Reports
- Any votes received which will create an over vote situation are pended until resolution

Report Descriptions

- DTCC Record Date Comparison Report – Generated within 48 hours of record date, it reflects the firm's position versus DTCC's position for each security. There is an indication on the report of whether the position reported is under or over DTCC. These are the items requiring reconciliation.
- DTCC Position Missing Position Report – Generated the same time as the Comparison Report, this report identifies those securities where the firm responded with a position but DTCC did not. DTCC should be contacted in these situations.
- DTCC Overvote Pending Report – This report is generated when Broadridge receives vote instructions that exceed the DTCC record date position. It reflects the accounts that are in a pending vote status until the positions are adjusted. No votes will be issued for these accounts until the discrepancy is resolved.

DTCC Over Reporting Prevention Service

- Provides the ability to combine multiple DTCC Participant numbers in order to calculate the clients full votable position.
- Association Table provided to tabulators with each vote released by Broadridge. The Association Table reflects any additional Participant numbers the client maintains in addition to their primary number. Also instructs the tabulator to reconcile against the sum of all the client's Participant numbers listed on the table.
- E-mail notification to clients when they have a Position Missing Report or votes in Pending Status. URL link to both reports is embedded in each e-mail.
- Clients have the flexibility to either adjust the DTCC or account positions as necessary via Broadridge's ICS Online or through their Client Service Representative.
- The service allows the clients to vote the maximum allowable beneficial shares for a meeting without exceeding their DTCC position.
- There are 300 clients currently using the service.

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