



Proxy Vote Reporting and “Interim Vote Status Information” Broadridge Financial Solutions, Inc.

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On behalf of its bank and broker clients, Broadridge provides voting information to issuers and other soliciting parties under the specific circumstances described below.

Introduction

The U.S. proxy voting system has been established through a combination of rules of the Securities and Exchange Commission, the rules of the New York Stock Exchange (“NYSE”), NASDAQ and FINRA, and State law as well as best practices developed by issuers, investors, brokers and banks. At the core of this system are two goals - ensuring that shareholders can exercise their voting rights, and ensuring that soliciting parties can solicit votes in a way that is efficient, reliable, accurate and fair.

Under the current system, issuers and other soliciting parties distribute proxy materials to shareholders directly in the case of registered shareholders, and indirectly through brokers and banks in the case of “street name” shareholders who own shares through brokers and banks. The proxy rules and the rules of the NYSE and FINRA generally require that brokers and banks forward soliciting materials and other proxy communications to street name holders, along with requests for voting instructions or a proxy. Broadridge acts as an agent for many brokers and banks in this distribution process. When a broker or bank forwards proxy materials and a voting instruction form through Broadridge or otherwise, it is engaging in an exempt “solicitation” under the proxy rules.¹ Under the terms of the relevant exemption, the broker or bank is required to “impartially” instruct the street name holder as to how to vote or request voting instructions from the street name holder.

¹ Rule 14a-2(a)(1) exempts any solicitation by a person in respect of securities carried in his name or held in his custody if such person: (i) receives no compensation other than the reimbursement of expenses; (ii) furnishes to all persons solicited copies of soliciting material furnished to him for that purpose; and (iii) does no more than “impartially” (a) instruct the person solicited as to how to transmit the proxy to the person who is originally soliciting it, or (b) request instructions as to the giving of a proxy and state that a proxy will be given if no instructions are received by a certain date.

Broadridge’s actions on behalf of banks and brokers do not technically involve a solicitation. Rule 14a-1 excludes from the definition of solicitation “the performance by any person of ministerial acts on behalf of a person soliciting a proxy.” Although there is little gloss on the meaning of “ministerial acts” under Rule 14a-1, the SEC has indicated that the phrase includes mailing proxy soliciting and related materials on behalf of a company when such materials have been furnished by the company, as well as the tabulation of proxies when they are returned by shareholders.

Over a course of nearly four decades, technology has continually evolved in a way that gives Broadridge the ability to distribute proxy communications, process voting instructions, and report votes at greater speeds and with high levels of accuracy. One result of these developments is that soliciting participants that have the opportunity to receive voting results can be furnished with information more quickly and more frequently than was technically feasible years ago. These developments enable greater efficiencies in solicitation and greater levels of transparency. For example, Broadridge provides votes and voting information to issuers well in advance of a shareholder meeting – enabling them to better manage the solicitation process and to ensure their ability to attain quorum. In contested solicitations, this is particularly important as it allows issuers and other soliciting parties to avoid potential meeting- and market disruptions associated with the tabulation of competing proxy cards.

Although no single entity alone is responsible for the technologies and practices that are in place today, Broadridge has made substantial investments in technology, human capital and operational processing. The technologies and practices that Broadridge has adopted reflect years of outreach and substantial input from clients and all other constituents, as well as continuous refinement. Broadridge also maintains open and regular communications with the SEC and other regulators to keep them apprised of its practices and developments.

Interim Voting Information - Overview

In connection with its distribution of soliciting materials provided by issuers and other soliciting parties, Broadridge has historically provided such parties with votes and voting information in advance of the shareholder meetings to which the proxy solicitation relates. The distribution of such information has been described in the press and by market participants as the distribution of “preliminary vote tallies” or “interim voting reports.” For the purposes of this paper, we describe such information as “interim vote status information.”

As discussed later in this outline, Broadridge generally provides interim vote status information to the participants in a proxy contest, and until 2013, it provided interim vote status information to parties conducting exempt solicitations. For these purposes, “exempt solicitors” refers to parties that are engaged in a proxy solicitation but that do not furnish a proxy card - e.g., a “vote no” or “withhold vote” campaign under Rule 14a-2(b)(1). Broadridge provides interim vote status information to a third party that has not distributed a proxy card if (i) the issuer whose proxy solicitation is at issue has requested that Broadridge do so, and (ii) the third party executes a confidentiality agreement among Broadridge, the issuer, and the third party.

Distribution of Interim Vote Status Information in Uncontested Proxy Solicitations

For purposes of this outline, an “uncontested solicitation” is a proxy solicitation by an issuer. In recent years, Broadridge has distributed proxy materials in connection with an average of approximately 12,000 uncontested shareholder meetings annually in the United States.

NYSE Rule 451(b)(1) does not explicitly require that brokers report votes or issue proxies at all prior to the date of the meeting. Instead, NYSE Rule 451(b)(1) provides that record holders may at their discretion cast uninstructed votes (for certain permissible proposals) on behalf of street name holders (i) fifteen days before the meeting date (when materials are distributed at least 25 days before the meeting), or (ii) ten days before the meeting date (when materials are distributed *within* 25 days of the meeting). In accordance with this structure, Broadridge first issues a “Broadridge Client Proxy” - the official proxy vote issued by Broadridge, as attorney-in-fact, on behalf of its clients - when brokers may first cast uninstructed votes as permitted by Rule 451 (i.e., 15 or 10 days before the meeting date, depending on when the proxy materials were distributed).

After the initial vote is issued, Broadridge’s practice, on behalf of its bank and broker clients (“Nominees”), is to issue supplemental votes by Broadridge Client Proxy each day before the meeting. Broadridge provides up to three additional supplemental votes on the day of the meeting.

The Broadridge Client Proxy reports voting at the Nominee level for each proposal included in an issuer’s proxy materials. Aggregated voting instructions for each Nominee’s customer account holders, as a group, are provided (*e.g.*, For, Against, Abstain, or Withhold), and the Nominee’s total shares are displayed. The Broadridge Client Proxy is furnished by conventional mail, fax, or online. Broadridge’s PostEdge® system provides all issuers and their agents with online access to a pdf of the Broadridge Client Proxy.

In addition to the Broadridge Client Proxy described above, starting on the day after proxy solicitation materials are distributed, Broadridge provides an issuer and the issuer’s agent (*e.g.*, solicitor) with access to an internet website that contains voting information. The information is displayed at the Nominee level and contains the cumulative aggregated instructions for each proposal on the issuer’s proxy card (i.e., it does not display votes of client account holders). This information is not a ‘vote’ and it is not a Client Proxy. The information is furnished to issuers online through Broadridge’s ICSonline platform.

Distribution of Interim vote Status Information in Contested Solicitations

For purposes of this outline, a “contested solicitation” is one in which an opposition proxy card has been filed and is distributed. In recent years, Broadridge has processed approximately 40 to 70 contested solicitations annually.

As is the case with uncontested solicitations, NYSE Rule 451 does not explicitly require that Nominees report votes or issue proxies in the days before a contested solicitation. For decades it has been the practice for Broadridge to issue official votes, on behalf of its clients, through the Broadridge Client Proxy to all parties that have solicited a proxy and distributed a proxy card the day before the meeting. Broadridge also issues supplemental Broadridge Client Proxies as votes come in - up until the close of the polls.

In addition to the Broadridge Client Proxy issued at the end of a contested solicitation, Broadridge provides interim vote status information to all of the parties to a contested solicitation. This information, referred to as a “Contest Status Report,” is included in a spreadsheet that is sent by email to all of the parties to a proxy contest, beginning on the day after Broadridge begins the proxy distribution process for a party to the contested solicitation. A Contest Status Report is not an official vote; it is not a Broadridge Client Proxy.

In a contested solicitation, all soliciting parties get the same information at the same time. They get information regarding votes with respect to their own proxy card and the proxy card distributed by the other parties to the proxy contest. Issuers and counter-soliciting parties have the certainty of knowing the results of the street vote at the close of polls – thereby avoiding potential meeting and/or market disruptions. This practice has been in place for contested solicitations since the 1980s, and regular participants in contested solicitations have long been aware of it.

Distribution of Vote Status Information in Exempt Solicitations

For purposes of this outline, an “exempt solicitation” is typically a letter or similar communication prepared by a third party (commonly a shareholder) that does not involve the distribution of a proxy card. In recent years, Broadridge has processed an average of approximately 20 such communications annually.²

There are no SEC rules or other rules that require Nominees to report interim vote status information to a party conducting an exempt solicitation -- although for the past ten years the practice was to provide such information in the limited number of instances when it was requested by the third party. From September, 2007 to May, 2013, Broadridge fulfilled eleven requests by exempt solicitors for vote status information. The vote status information provided to exempt solicitors was limited to the proposals that were the subject of the exempt solicitation, and showed the total shares voted (*i.e.*, For, Against, Abstain, Withhold) on the date requested with respect to such proposals. The information was aggregated across all Nominee clients (*i.e.*, not by each Nominee) and sent by email. This information was not a Broadridge Client Proxy and did not constitute an official vote.

The practice of reporting vote status information to exempt solicitors has evolved over the past decade. It was modified in 2011 due to concerns issuers had with the potential for misuse of the data. As a result of those concerns, Broadridge implemented a practice of using a two-party confidentiality agreement (between Broadridge and the exempt solicitor) before the information was released. We were not aware of any concerns from exempt solicitors with this modified

² Based on a review of records from September 1, 2007 to May 23, 2013, Broadridge processed 110 exempt solicitations from third parties. None of these solicitations involved the distribution by the proponent of its own proxy card. In each case, Broadridge was instructed to send materials to a subset of the issuer’s shareholders based on a minimum threshold of shares held. Of the exempt solicitations for this period, Broadridge received 11 requests for an interim voting report (two of which related to the same meeting).

practice. The SEC, an independent steering committee, and many other participants were aware of the modification.³

Beginning in the spring of 2013, the practice of providing vote status information to exempt solicitors was discontinued for a period of several months. This was due to concerns Broadridge's broker-dealer clients raised about regulatory requirements and contractual obligations and the view that the elimination of vote status information to third parties in exempt solicitations would not impact the meeting process or disrupt the market for an issuer's stock as its elimination could, potentially, in contested solicitations. Broadridge consequently engaged brokers, issuers, institutional investors, regulators, and other industry participants in numerous discussions about these concerns in the hopes of finding a way to address them to the satisfaction of all parties. Based on these discussions, procedures for providing interim voting reports to exempt solicitors were modified and, as of late 2013, Broadridge was prepared to facilitate provision of an issuer's vote status information to an exempt solicitor upon instruction from the issuer and upon execution of a three-party confidentiality agreement (among Broadridge, the exempt solicitor, and the issuer). Between December, 2013 and April, 2014, a few issuers inquired about the practice, and vote status information was provided to one shareholder proponent.

Broadridge will continue to monitor these developments – understanding, of course, that as a practical matter issuers may not wish to involve Broadridge in providing their vote status information to shareholders. While recognizing there is no law, rule, regulation, or contract requiring that votes be provided to entities that do not furnish a proxy card, Broadridge will continue to look for ways to apply technology solutions to address the practical needs of all participants in the proxy distribution process.

As with all of its activities, Broadridge intends to act impartially in its role as agent for Nominees. If there is concern that the practice of providing interim voting information is inconsistent with that objective, Broadridge welcomes clarification from the SEC and other regulators, whether that be through interpretive guidance or rulemaking. Broadridge is and wishes to remain impartial on these matters.

³ The independent steering committee consists of representatives of banks, brokers, issuers and institutional investors that have expertise on aspects of the proxy process. It provides guidance to Broadridge; it monitors performance related to certain criteria it establishes; and it meets regularly with the SEC and NYSE.