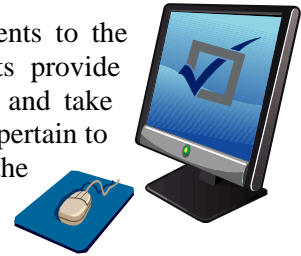


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## **CONFIDENTIALITY**

This document is intended solely for the use of the individual or entity to which it is addressed and contains information that is privileged and confidential. You are hereby notified that any dissemination, distribution or copying of this communication or any part thereof is prohibited. It is understood and agreed upon by the recipient or agent thereof that this material shall not be distributed to third parties unless and until The Altman Group is notified of such request and agrees to distribution thereof.

On July 26, 2007 the Securities and Exchange Commission adopted amendments to the proxy rules under the Securities Exchange Act of 1934. These amendments provide shareholders with a choice in the way in which they receive proxy materials and take advantage of the internet as a means of obtaining them. While these amendments pertain to all issuers and other soliciting persons, this discussion will be focused on the application of these new rules as they pertain to registered investment companies.



This SEC Rule formally titled *Shareholder Choice Regarding Proxy Materials* finalizes a voluntary model adopted by the SEC in early 2007 known as “Notice and Access”. Under the Shareholder Choice amendments, issuers and other soliciting persons will be required to post their proxy materials on an Internet Web site and provide shareholders with a notice of the Internet availability of said materials. Alternatively, issuers may choose to furnish shareholders with paper copies under procedures that are substantially similar to the traditional means of providing paper proxy materials. Lastly, an issuer has the option to utilize both these delivery options within one proxy campaign. One caveat to the Shareholder Choice Rule is that that fund reorganizations or other business combination proposals must be mailed using the conventional print/mail process.

The SEC finds the benefits of these new rules to include a greater flexibility for shareholders with the ability to take advantage of the internet, a potential reduction in paper processing and postage costs for issuers and a reduction in what may be regarded as the environmental costs of the proxy solicitation process. The Altman Group stands behind the SEC’s Shareholder Choice amendments and we look forward to helping our valued clients take full advantage of these new rules. The following discussion is intended as an overview of the new rules, and how they relate to our proxy solicitation process. Should you have any questions at all regarding the Shareholder Choice amendments or the proxy process in general, please do not hesitate to contact Thomas Nader at 212-400-2609.

## HOW SHAREHOLDER CHOICE WORKS

Registered investment companies will have to comply with the new Shareholder Choice rules for any solicitation beginning on or after January 1, 2009 and may comply with the amendments beginning January 1, 2008. The SEC’s “Shareholder Choice” model, which has been in effect on a strictly voluntary basis since July 1, 2007, essentially offers issuers with three options for making proxy materials available to shareholders. The three options are:

**OPTION 1 – “Notice Only”**

**OPTION 2 – “Full Set Delivery”**

**OPTION 3 – “A Combination of Notice Only and Full Set Delivery”**

Option one, “**notice only**”, will have the same requirements as the current voluntary “notice and access” model which are:

1. *Post* the proxy materials on a secure Internet Web site
2. *Send* a Meeting Notice to shareholders to inform them of the electronic availability of the proxy materials (at least 40 calendar days before the meeting)
3. *Respond* to shareholder requests for paper or electronic copies of proxy materials for the current shareholder meeting
4. *Respond* to shareholder requests for paper or email copies for all future shareholder meetings (if so requested by shareholder)

Option two, “**full set delivery**”, will follow procedures that are substantially similar to the traditional means of providing paper proxy materials. However, the added requirements are that issuers:

1. *Send* a Notice in the package along with the hard copy proxy materials **or** incorporate all of the information required to appear in the Notice in the proxy statement or proxy card (more on this below).
2. *Post* the proxy materials on a publicly accessible website no later than the date the first Notice is sent to shareholders

Option three, **a combination of both procedures within a give proxy campaign.**

This option gives you flexibility rather than having to choose one option or the other as the exclusive means for providing proxy materials to shareholders. As an alternative, an issuer may use the Notice option to provide materials to some shareholders and the “full set delivery” to provide materials to other shareholders. (Note: these provisions are available for proxy solicitations beginning January 1, 2008)

**The Altman Group** can provide an initial mailing analysis of the registered and beneficial shareholder base in each fund to determine whether it would be prudent to stratify the mailing. By doing so larger share positions receive a complete package while accounts with smaller positions receive the more cost-effective Notice. The vote requirement, proxy timeline and other factors would all be considered by The Altman Group when providing this recommendation.

## THE NOTICE REQUIREMENTS

### Timing



Under the “notice only” option a Notice must be mailed to shareholders **at least 40 calendar days before the shareholder meeting date.** The “full set delivery option, while it still incorporates Notice requirements, does not require the 40 day minimum notice period.

### Contents



The Notice (officially the “Notice of Internet Availability of Proxy Materials”) must contain specific information (as noted below) whether it is mailed as a separate notice under the “notice only” option or incorporated into the proxy materials under the “full set delivery” option (note: it need not be incorporated in the actual proxy statement in the later option, but if not incorporated must accompany those materials). Since the Notice requirements for “full set delivery” include much but not all of the information required under the “notice only” option the following color-coding will be used.

**ALL components below are required for “notice only”, but only the information in **blue** is required as part of “full set delivery”.**

- A prominent legend in bold face type that states:

**“Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on [insert meeting date].**

- **This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.**
- **The [proxy statement] [information statement] [annual report to security holders] [is/are] available at [insert Web site address].**

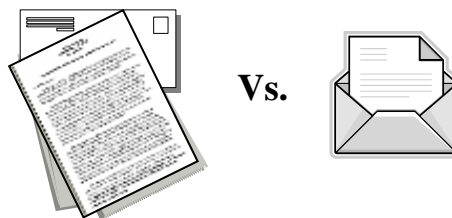
- **If you want to receive a paper or e-mail copy of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy as instructed below on or before [insert a date] to facilitate timely delivery.**
- The date, time and location of the meeting.
- A clear and impartial identification of each separate matter intended to be acted on, and the issuer’s recommendations, if any, regarding those matters, but no supporting statements.
- A list of the materials being made available at the specific Web site.
- (1) A toll-free number; (2) an e-mail address; and (3) an Internet Web address where the shareholder can request a copy of the proxy materials, for all meetings and for the particular meeting to which the Notice relates.
- Any control/identification numbers that the shareholder needs to access his or her proxy card
- Instructions on how to access the proxy card (provided that such instructions do not enable a shareholder to execute a proxy without having access to the proxy statement).
- Information about attending the shareholder meeting and voting in person.

In addition to the requirements above the SEC states that:

1. The Notice must be written in plain English.
2. The Notice may contain only the information specified by the rules and any other information required by state law.
3. The Notice may contain a protective warning to shareholders, advising them that no personal information other than the identification or control number is necessary to execute a proxy.
4. A registered investment company may send its Notice together with the prospectus and/or annual report to shareholders.
5. The issuer must file the Notice no later than the date that it first sends the Notice to Shareholders.
6. Issuers may household the Notice pursuant to Rule 14a-3(e).

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## THE DIFFERENCES BETWEEN THE “FULL SET DELIVERY” OPTION AND THE “NOTICE ONLY” OPTION



The “full set delivery” option varies from the “notice only” option in the following ways:

- An issuer may accompany the Notice with a copy of the proxy statement, annual report (if required), a proxy card and business return envelope;
- An issuer does not need to prepare a separate Notice if the issuer incorporates all of the Notice information into the proxy statement and proxy card;
- Since the issuer has already provided shareholders with a full set of materials under the full set delivery option, the issuer is not required to provide a shareholder with copies of the proxy materials upon request;
- Because shareholders will not need extra time to request paper or e-mail copies, the issuer does not need to comply with the “40 day Notice and Access” requirement

- Since the full set of proxy material includes a proxy card or request for voting instructions, the issuer is not required to provide any another means for voting at the time the Notice is provided unless they choose to do so; and
- The issuer does not need to include the Notice components (listed above under “Contents”) except for those elements in blue.



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## WEBSITE, THE DELIVERY OF PROXY MATERIALS AND VOTING

### The Website

At the heart of the Shareholder Choice amendments is the ability for shareholders to access proxy materials on a publicly accessible website, free of charge. The Altman Group has been offering mutual funds and their shareholders a secure website designed for voting proxies online. Following the proposed changes in January 2007, we undertook a total redesign of our voting website to include the functionality required under the “Notice and Access” model and at the same time provide improve upon and simplify the voting process for shareholders. As you will see in the following screen shots, proxyonline.com has achieved its objective of being the most sophisticated yet shareholder-friendly proxy voting site in the industry. Proxyonline.com provides our clients’ shareholders with the following functionality:



- **Log-in.** Shareholders may log-in to our secure, encrypted Web site using a unique algorithmic contrived control number found on their proxy card or Meeting Notice. Per the SEC guidelines proxyonline.com does not install permanent “cookies” but rather establishes a secure session which ends when the user terminates the session navigates away or closes the browser.
- **Security.** Proxyonline.com employs state-of-the-art security with the industry standard secure socket layer (SSL) and 1024 bit encryption. Further, the site’s server is a completely independent server used for the sole purpose of displaying proxyonline.com pages and does not contain any confidential shareholder information. A physically separate server houses the secure control numbers used to authenticate shareholders at login. With our website there is zero liability concerning potential theft of shareholder information. Three times daily or when requested, the web server is matched to our proprietary database server in order to process shareholder voting and requests.
- **View, Download or Print Proxy Materials.** All proxy documents are hosted on our website in Adobe’s Portable Document Format (PDF). PDF is now the de facto standard for sharing digital documents. Computer’s not already equipped with PDF viewing software can download and install the free version of Adobe Reader by following a link provided on our site. 
- **View, Download or Print Sample Proxy Cards.** A sample of the proxy card for that particular shareholder meeting can also be accessed online. Those samples do not include any specific shareholder information.
- **Requests for Proxy material.** For proxy campaigns utilizing the “notice only” option shareholders may select an option to request copies of the materials either electronically via email or a paper copy via the U.S. Post Office. The package will include a proxy statement and any accompanying proxy documents, a ballot and business reply envelope. As per the SEC rules, all requests for hard copies will be processed by our mail/fulfillment facility and sent via USPS First Class mail within 72 hours of the request. All electronic requests will be completed within a 24 hour period. 

- **Request Hard Copies or E-mail Copies of Materials for All Future Proxies.** Shareholders may also elect to have all future proxy correspondence from that particular issuer sent to them via US Postal Service or via e-mail. The Altman Group maintains an electronic database of such shareholder elections which will be cross-referenced with the mailing databases on future proxy mailings by the same issuer based on the shareholder’s account number. The Altman Group can also provide a copy of this list in either an electronic or hard copy form, to the issuer at the close of the proxy solicitation or at anytime it is requested. That list will be delivered to the issuer in whatever format the issuer requests – provided that the delivery method is secure.
- **Vote Their Proxy.** Whether shareholders received their proxy statement in the initial proxy mailing (“full set delivery”) or have gone to proxyonline.com as part of the “notice only” option it is critical that shareholder have the option while they are there to cast their voting instructions quickly and easily. Proxyonline.com allows shareholders to view all of their household investments at once within the same fund or across multiple funds within the same fund family. At that point a shareholder can choose to cast a proxy vote for some or all positions (shareholders can return to the site at any time prior to the proxy meeting to complete their proxy voting or change their vote). To be sure that a shareholder has accurately selected their proxy voting instructions, the voting screen is followed by a review screen and finally by a confirmation screen. A confirmation number is provided and shareholders also have the option of entering their email address to have a confirmation e-mailed to them.



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### **THE DIFFERENTIATION BETWEEN REGISTERED ACCOUNTS VS. BENEFICIAL AND HOW THEY ARE HANDLED FOR SHAREHOLDER CHOICE**

Proxy mailings are segregated into two separate mailings: one to registered (or direct) accounts and one to beneficial accounts. While the task of forwarding proxy materials to registered accounts is done by the tabulator of your choice, the mailings on behalf of banks and brokers is handled by Broadridge. A question often asked is: how should websites be referenced in the proxy statement and/or Notice so as not to confuse shareholders who may not know the difference between beneficial and registered ownership?

With respect to the Notice document utilized under the new “**notice only**” option, the answer is simple. A Meeting Notice is developed for a particular proxy campaign. This Meeting Notice will be mailed to all direct or registered holders with the pertinent website to utilize for their proxy needs. A separate but substantially similar version of the Notice would be drafted by Broadridge for mailing to beneficial holders. The two versions would differ only by format (TAG’s format is very customizable) and the website site for holders to login to review the material and vote. TAG oversees the setup procedures at Broadridge to ensure the project is set up correctly.

There are a couple of ways to approach the Notice as it is incorporated into the “**full set delivery**” option. The SEC rules require some Notice elements (mentioned above under “Contents”), but these elements may either be incorporated into the proxy statement and card **or** included as a separate notice. Since the proxy statement in most cases will be distributed to both registered and beneficial holders, a central webpage to furnish the statement can be used for both registered and beneficial shareholders. It is important to note that particular voting instructions should remain on the proxy card and the statement should simply point the holder to the card for their options.

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## PROXYONLINE.COM SCREENSHOTS

The following screenshots and information on proxyonline.com are intended merely as an overview of some of the functionality of our website. Please contact The Altman Group for a set of test control numbers that will allow you to explore the site in further detail and examine its full functionality.

**HOME SCREEN.** The home screen is an initial public screen where the shareholder is prompted to enter their control number in order to login. In addition the home screen contains an overview functionality of proxyonline.com as well as a question and answer section to provide shareholders with answers to commonly mentioned questions about the voting process. The goal with this screen is to present a highly innovative solution to the proxy process to lead shareholders to login.

WELCOME TO  
proxyonline.com

To login, enter your control number below

Control Number:

**LOGIN**

Powered by The Altman Group

proxyonline.com incorporates the highest security standards, so take confidence in knowing that the vote you cast here is secure.

**What is proxyonline.com?**  
Proxyonline.com is a multifaceted website designed to simplify the sometimes convoluted task of reviewing and voting your proxies. At proxyonline.com we conveniently host your proxy information and simplify the task of viewing, downloading and voting your proxies for Shareholder Meetings. Additionally we also offer you the opportunity to elect to receive a hardcopy of the proxy material via the mail.

**To Begin,** simply enter your control number in the box located on the upper right hand side of this page. Your control number is the bold 12 digit number found on your proxy card or Shareholder Meeting Notice you received. Be sure to enter the entire control number correctly.

**Should you have any questions,** about this website, the proxy material you received or casting your vote, please call **800.314.9816**. Representatives are available Monday through Friday from 9:00 a.m. to 10:00 p.m. Eastern Time.

**Frequently asked questions**

- ▶ Why did I receive a proxy notice or proxy material?
- ▶ What is a proxy?
- ▶ What can I do on proxyonline.com?
- ▶ What is a control number?
- ▶ Where is my control number located?
- ▶ I recently received a Notice for an upcoming shareholder meeting. Where can I find the proxy statement?
- ▶ I can not log in using my control number?
- ▶ Do I have to vote?
- ▶ When is the last opportunity I have to issue my

**VOTE**

HOME ABOUT/TERMS OF USE PRIVACY POLICY CONTACT GET ACRBAT READER

**SUMMARY SCREEN.** The summary screen provides shareholders with a “welcome” greeting to affirm that they have successfully logged in. The welcome page identifies the key aspects of the shareholder meeting as well as important calendar information related to the proxy including the number of days remaining prior the shareholder meeting. Below that, a shareholder’s investment(s) are listed beside downloadable PDF copies of the pertinent proxy statement, sample proxy card and any other supporting materials. The key feature on this page is our ability to deliver all householded positions for a shareholder at one time via one control number. This takes the monotonous task of entering a control number for each position they have. The box below this information allows a shareholder to add other investment(s) to this list that may have arrived in a separate package due to householding requirements (some shareholders have investments under different Tax IDs and as such would receive separately mailed packages). The Altman Group is the first proxy firm to utilize technology to present related and unrelated householded account to one individual on a summary page. This is extremely important since there is no longer a need for the shareholder to enter additional control numbers for each position they own. In addition this significantly streamlines the voting process with a few simple clicks of the mouse.

Tuesday, January 22, 2008 LOG OUT

proxyonline.COM

# WELCOME!

1. SUMMARY 2. VOTE 3. REVIEW 4. CONFIRM

You have successfully logged into your **proxy summary page** for:

Meeting date: **Wednesday, February 20, 2008**  
 Record date: **Tuesday, January 15, 2008**  
 Days to Meeting: **29**

**ABC Strategic Funds**

On this page you will be able to view your investments, request paper copies, view/download the proxy statement, and vote your shares.

The Funds' records indicate that you are the owner of shares for the funds listed below on the record date. **It is extremely important that you take a few moments and vote your shares by checking the vote box and then "Continue".**

FUNDS ▲	PROXY STATEMENT VIEW' / PRINT	PROXY CARD VIEW' / PRINT	VOTE
<b>ABC Growth Fund</b> <small>Control Number: 0301123456789</small>			<input type="checkbox"/>

\*You can view the documents in Adobe PDF format. If you do not have Adobe Acrobat Reader, you can download it [HERE](#).

**IMPORTANT NOTICE:** If you own multiple investments under different social security numbers (i.e. joint accounts, investments for a minor) or investments listed at different addresses, you should have received multiple proxy packages.

CONTINUE

To add these positions to the above view in order to simplify the voting process, please enter the control number below.

Control Number:  →

If you would like to receive a copy proxy material via email or the post office, please click [HERE](#).

[HOME](#)   [ABOUT/TERMS OF USE](#)   [PRIVACY POLICY](#)   [CONTACT](#)   [GET ADOBE READER](#)

In addition, the summary page supports the Shareholder Choice requirement which states you must give shareholders the ability to request a copy of the proxy material electronically via email or request a paper copy via the U.S. Post Office. When requesting a copy, shareholders are also prompted to decide whether they would like to receive their proxy material in the same fashion for future shareholder meetings. The Altman Group will retain this information and pass it back to the Fund at the end of a give campaign. The Altman Group can also maintain these lists for future proxies if a client so requests.

The screenshot displays the proxyonline.com website interface. At the top, it shows the date "Tuesday, January 22, 2008" and a "LOG OUT" link. The main header features the "proxyonline.com" logo and a "WELCOME!" message. A progress bar indicates the current step: "1. SUMMARY", "2. VOTE", "3. REVIEW", and "4. CONFIRM".

The main content area includes a message: "You have successfully logged into ABC Strategic Funds". Below this, it states: "On this page you will be able to view/download the proxy statement". A note mentions: "The Funds' records indicate that it is extremely important that you".

A "FUNDS" section lists "ABC Growth Fund" with a control number "0301123456789". An "IMPORTANT NOTICE" is provided: "If you own multiple accounts, investments for which you have received multiple proxy packages. To add these positions to the above please enter the control number below". A "Control Number:" field is present.

An overlaid "Request A Copy" dialog box is the central focus. It contains the following text: "You have elected to receive a copy of the proxy material. Please select the method by which you would like the material sent to you. In addition, if you are also interested in receiving a copy of all future proxy correspondence, please click the box below your distribution selection and submit." Below this, it says: "Be sure to review all material and vote your shares." The dialog offers two options: "Hardcopy Material" (Via the US Mail) and "Electronic Mail" (Type your E-Mail address below and click Submit). Each option has a "Future Election" checkbox and a "SUBMIT" button.

On the right side of the main page, there is a date range "February 20, 2008 to January 15, 2008" and a "CONTINUE" button.

The footer contains navigation links: "HOME", "ABOUT/TERMS OF USE", "PRIVACY POLICY", "CONTACT", and "GET ACR.OBAT READER".

**VOTING SCREEN.** The voting screen is prompted when a shareholder clicks on the vote box for an individual position or clicks the “Vote All” box. The Vote All option is a new feature for internet voting since other voting sites require you to enter a control number to vote each investment. Our goal was to simplify this process and streamline voting with a few simple clicks. The voting screen displays the applicable proposals for that fund (one fund at a time) and allows shareholders to, “Vote as My Board Recommends”, all proposals for, against or abstain or vote separately on each proposal. Once the voting direction is indicated, the shareholder clicks submit.

Thursday, August 17, 2007 LOG OUT

proxyonline.com
VOTE

1. SUMMARY
2. VOTE
3. REVIEW
4. CONFIRM

**ABC Strategic Funds**  
**ABC Growth Fund**  
 PROXY FOR A SPECIAL MEETING OF SHAREHOLDERS ON JULY 20, 2007  
 Control Number: 1234567891234  
[View PDF](#)

**VOTING OPTIONS**

Vote along with the recommendations of your board:

VOTE AS MY BOARD RECOMMENDS

Check all proposals:      For      Against      Abstain

\*Any proposals not voted will be marked as favorable.

PROPOSITIONS	FOR	AGAINST	ABSTAIN
1. To approve an Agreement and Plan of Reorganization, pursuant to which the Fund would be reorganized into a newly formed Delaware statutory trust to be named ABC Agressive Growth Fund.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. To approve a change to the Fund's fundamental investment restriction pertaining to industry concentration.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

← Go back to Summary page
SUBMIT

[HOME](#)    [ABOUT/TERMS OF USE](#)    [PRIVACY POLICY](#)    [CONTACT](#)    [GET ACROBAT READER](#)

**REVIEW SCREEN.** The review screen displays the voting instructions selected by the user in the previous step and asks the users to click on either “Change Vote” to alter their vote or “Confirm” to cast their vote. To ensure the integrity of the vote, the vote will not be registered until a shareholder clicks “confirm”. NOTE: Shareholders can log back into the site at any time prior to the meeting to change their voting instructions. In addition, a shareholder’s control number will permit him or her to access the proxy documents for up to 1 year from the shareholder meeting date.

Thursday, August 17, 2007 LOG OUT

proxyonline.com

# REVIEW

1. SUMMARY
2. VOTE
3. REVIEW
4. CONFIRM

**HIGHLAND FUNDS**  
 ABC Growth Fund  
 PROXY FOR A SPECIAL MEETING OF SHAREHOLDERS ON JULY 20, 2007  
 Control Number: 1234567891234  
[View PDF](#)

PROPOSITIONS	FOR	AGAINST	ABSTAIN
1. To approve an Agreement and Plan of Reorganization, pursuant to which the Fund would be reorganized into a newly formed Delaware statutory trust to be named ABC Agressive Growth Fund.	✓		
2. To approve a change to the Fund's fundamental investment restriction pertaining to industry concentration.	✓		

CHANGE VOTE
CONFIRM

HOME
ABOUT/TERMS OF USE
PRIVACY POLICY
CONTACT
GET ACROBAT READER

Voting powered by **TALON** FINANCIAL TECHNOLOGIES
 Copyright ©2007. All Rights Reserved
 The Altman Group

**CONFIRMATION SCREEN.** The confirmation screen displays the voting instructions as they have been cast and provides a confirmation number. This information can be printed or e-mailed to the shareholder if requested. On these screen we also give the shareholder the opportunity to elect to receive a copy of the confirm via email.

Thursday, August 17, 2007 LOG OUT

proxyonline.COM

# CONFIRMATION

[1. SUMMARY](#) [2. VOTE](#) [3. REVIEW](#) [4. CONFIRM](#)

**ABC Strategic Funds**  
ABC Growth Fund  
PROXY FOR A SPECIAL MEETING OF SHAREHOLDERS ON JULY 20, 2007  
Control Number: 1234567891234

PROPOSITIONS	FOR	AGAINST	ABSTAIN
1. To approve an Agreement and Plan of Reorganization, pursuant to which the Fund would be reorganized into a newly formed Delaware statutory trust to be named ABC Agressive Growth Fund.	✓		
2. To approve a change to the Fund's fundamental investment restriction pertaining to industry concentration.	✓		

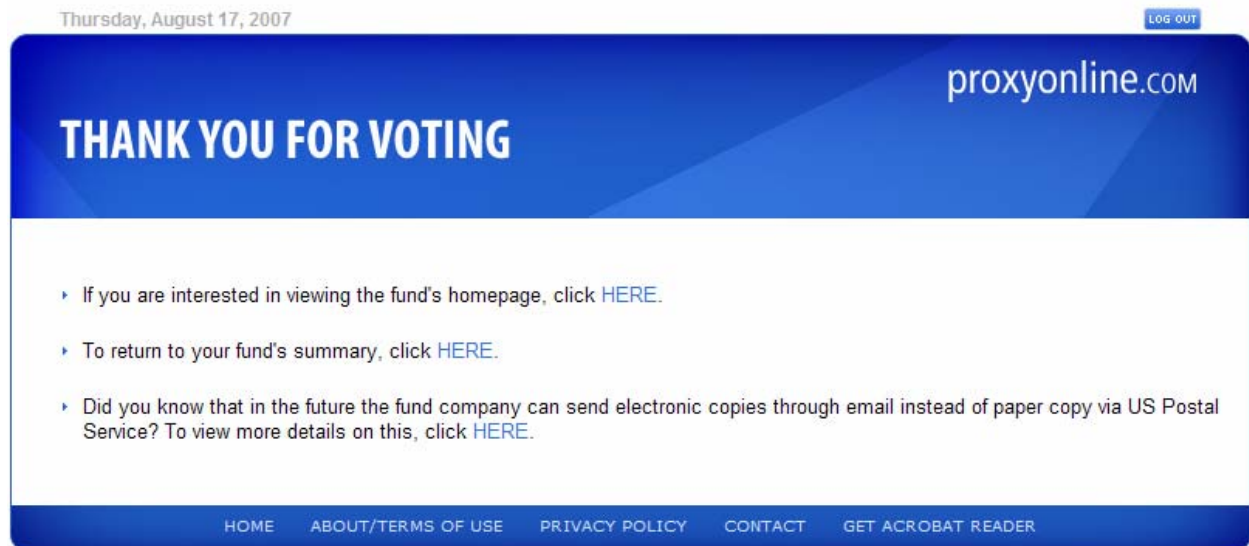
Confirmation number: **012345678**

**If you want your confirmation emailed to you, please enter your email below:**

To exit voting and to return to the summary page, please click [HERE](#)

[HOME](#) [ABOUT/TERMS OF USE](#) [PRIVACY POLICY](#) [CONTACT](#) [GET ACROBAT READER](#)

There are additional screens including some intermediate confirmation screens. Again, we encourage you to take a “test drive” and review the full functionality of the site. Please contact us for test control numbers. We believe that proxyonline.com is truly heads and shoulders above similar offerings by other proxy firms. While beneficial shareholders may be stuck using the cumbersome Web site of the industry’s primary street intermediary, it is important that issuers can offer their registered shareholders a more sophisticated online voting experience – one that reflects well on the issuing firm.



## Website Customization

The login page is generally static as it is utilized by many different mutual fund firms. However, the Welcome Page and subsequent pages can be a bit customized to a particular proxy solicitation. Most importantly, we have left space in our design for our clients to incorporate their logo should they choose to. This offers another opportunity to put an issuer’s brand name in front of their shareholders during the proxy process.

Also you have the option of first steering shareholders to your website site for branding purposes. A simply button on your page can programmed to load our website if clicked. Most shareholders will not even realize they have left your site.

~

## HOW THE SHAREHOLDER CHOICE AMENDMENTS IMPACT THE PROXY PROCESS

### SEC's Cost-Benefit Analysis

The SEC Final Rule states that the Shareholder Choice amendments are “intended to provide all shareholders with the ability to choose the means by which they access proxy materials, to expand the use of the Internet, potentially to lower the costs of proxy solicitations, and finally to improve the efficiency of the proxy process and shareholder communications.” Certainly providing shareholders with greater choice and access are very positive aspects of this rule change. With regard to lowering the costs of solicitations, specifically the paper and postage costs, the SEC admits that as the voluntary model only became effective after July 1, 2007 it has not yet been used by many soliciting parties and therefore useful data on cost-savings is not yet available. However we are currently working on several large scale projects utilizing Shareholder Choice and will have useful information to report once completed.

### The Altman Group's Analysis and General Recommendations

Overall, we find these amendments to be quite positive for both shareholders and mutual funds. However, as a party responsible for obtaining shareholder participation in the proxy voting process, we feel that the “**notice only**” option should be used judiciously – at least for the time being. Until sufficient data can be obtained on how the “notice only” model affects shareholder response rates, strong consideration should be made as to whether choosing that model will negatively impact a proxy solicitation. Certainly that model has merit when applied to a proxy solicitation with only routine proposals or one for which the issuer controls sufficient shares to mitigate a weak shareholder response. A proxy solicitation which includes a non routine item on the agenda is likely more suitable for a combination of both delivery options. This way you can take advantage of the cost benefits of the Notice Only option for some shareholders while mailing the proxy material to the others in order to maintain the initial vote response. This rationale presumes that shareholders who are sent the proxy material by mail (rather than a one-page notice on how to obtain it themselves) are more likely to respond to the initial proxy mailing.

In the end, examining all relevant aspects of a proxy campaign and developing the most cost-effective strategy for obtaining a shareholder vote without undue stress on a shareholder population is part of the service that The Altman Group provides. In our experience, our methodology demonstrates a greater attention to detail and more in depth planning and analysis than that of any of our competitors.



This Document is intended as an overview of the new Shareholder Choice amendments and their application to our proxy solicitation process. For additional questions or to discuss the specific needs of your proxy event, please do not hesitate to contact The Altman Group.

## OTHER SHAREHOLDER CHOICE RULES OF NOTE

- **Posting of Subsequent Solicitation Materials.** The rules state that subsequent solicitation materials must be posted on the Web site no later than the date those materials are sent to shareholders or made public. We have some clients that do not regard non-material “reminder” letters to be additional solicitation materials, while other clients do. Proxyonline.com does accommodate posting of any subsequent materials when requested to do so.
- **Follow Up Mailings or Solicitation:** Under Notice and Access option, reminder mailings or solicitation follow up calls are not allowed in the 10 day period beginning from the point the initial Notice is mailed.
- **Follow Up Mailing Enclosures:** Under Notice and Access option, reminder of follow up letters to stimulate voting must be mailed with a copy of the Notice included in the package.
- **Repeat Delivery of Proxy Card.** Under the “full set delivery” option, reminder proxy cards (mailed together with a reminder letter) may be mailed without a Notice as the reminder card would have been preceded by a proxy statement.

<b>Questions:</b>
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**If there are any issues concerning the new Shareholder Choice options that we have not covered, please let us know by contacting us at (212) 400-4657 or [mfproxy@altmangroup.com](mailto:mfproxy@altmangroup.com).**

TheAltmanGroup

Winner of the 2004 and 2006 Biennial TOPS Award for *Highest Rated Solicitation Firm*