

Rule 452 Change

NYSE GRANTS EXEMPTION FOR INVESTMENT COMPANIES FROM RULE 452

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Last year the NYSE approved a change to Rule 452 that precluded member organizations (brokerage firms) from issuing discretionary or “routine” voting for uncontested director/trustee elections. With news of this change, the Investment Company Institute (“ICI”) stepped in to challenge this ruling on behalf of the mutual fund industry. The main concern is the additional costs of solicitation required to make up for the lack of the discretionary voting. These costs could more than double without much, if any, benefit to shareholders. In the end, the NYSE agreed with the ICI’s position and has therefore exempted investment companies from the rule change. Director and Trustee proposals, if uncontested, will remain eligible for routine broker voting.

Notice and Access for Mutual Funds

SEC RULES REGARDING NEW PROXY DISTRIBUTION POLICIES CONTINUE TO EVOLVE

As a follow up to the SEC’s Notice and Access model for delivering proxy material to shareholders, the new Shareholder Choice amendments are set to take effect on a voluntary basis on January 1, 2008, and will be mandatory beginning January 1, 2009.

Under Shareholder Choice, an issuer will have three options regarding how to supply proxy material for shareholder meetings: utilizing Notice and Access, delivering a full set of material, and, most notably, using a combination of both delivery options.

“While there are significant cost savings in utilizing Notice and Access exclusively, one must consider the detrimental effects to the initial vote response as 95% of the initial vote comes from mail returns,” said Thomas Nader, Senior Managing Director of The Altman Group. “Therefore we recommend a strategy to utilize the full set option for the top-tier shareholders who normally hold a significant majority of the shares but represent a small number of accounts. For the remaining population we would take advantage of the cost benefits that Shareholder Choice has to offer without concern about loss of initial voting responses. While the distribution of shares for each mutual fund is unique, we can always identify the breakpoint where cost savings and proxy returns are both maximized.”

Altman Group Update

THE ALTMAN GROUP AIMS FOR SIMPLICITY IN THE SOMETIMES COMPLEX WORLD OF PROXY VOTING

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With the onset of the new SEC Rules regarding proxy distribution, voting proxies will not get any easier for the retail investors. For years shareholders have been bombarded with huge, complex proxy packages and generic online proxy voting sites. Now, to confuse matters further, shareholders will be expected to proactively go to the internet to access and review their proxy statement and vote online. While this is certainly the wave of the future, it will take a considerable amount of time for shareholders to embrace this new way of receiving and voting their proxies.

Because of the new rules, The Altman Group has completely overhauled its internet voting site and created a new state-of-the-art website capable of satisfying the new requirements of Shareholder Choice. Through this website shareholders will be provided with new conveniences when reviewing and voting proxies. “We went through the painstaking process of completely revamping our website in order to accommodate not only the new provisions regarding Shareholder Choice, but to simplify the process for shareholders,” said Paul Torre, Senior Managing Director of The Altman Group. “Let’s face it, getting shareholders to vote is not getting any easier, as shareholders have always been and remain apathetic towards voting. By simplifying the process for shareholders and making it more user friendly, we are hoping to make Shareholder Choice that much more attractive to shareholders, and thus dramatically increase voter participation online.”

Image of The Altman Group’s voting site front page



The Mutual Fund Proxy Team:

Paul Torre	Jeremy Read	Helen Lo
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When planning your next proxy, please contact us so that we can discuss ways to help make your project a success.

The Altman Group, Inc.

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