

The Securities Transfer Association:

## 2011 Transfer Agent Survey to Estimate the Costs of a Market-Based Proxy Distribution System

### **I. Introduction**

The Securities Transfer Association, (“STA”), is an industry trade association, established in 1911, comprised of transfer agents that provide services to over 12,000 large and small public companies in the United States. The STA and its members work closely with issuers of securities on a variety of public policy matters and have been active over many years in advocating for a fair and efficient system for proxy distribution and communications. Because of its influence on corporate governance matters, the proxy processing system is extremely important to the operation of the capital markets in the United States.

At present, many shareholders in the U. S. hold their securities in “street name” within their brokerage accounts, rather than holding shares in their own name as a registered owner on the records of an issuer’s transfer agent. There is currently one major provider that distributes annual meeting proxy materials to these beneficial owners—Broadridge Financial Services, Inc. (“Broadridge”)—while transfer agents generally distribute proxy materials to the registered shareholders listed on their records.

The fees that issuers must pay to broker-dealers for the distribution of these materials to street name holders have been approved by the Securities and Exchange Commission (“SEC”), primarily through rules adopted by the New York Stock Exchange (“NYSE”), the NASDAQ Stock Exchange (“NASDAQ”), and the Financial Industry Regulatory Authority (“FINRA”). These proxy fees have not been updated by any stock exchange or registered securities association for almost a decade, although a NYSE Proxy Fee Advisory Committee is currently reviewing the NYSE fee structure.

The STA believes that a significant opportunity exists to offer greater efficiencies, innovation, and cost savings to issuers, through the introduction of free market competition in the delivery of proxy distribution and communications services. For this reason, the STA initiated a comprehensive survey of its members, to determine if more cost-effective services could be provided to issuers with the introduction of free market competition.<sup>1</sup>

This survey compared twenty (20) Broadridge invoices for beneficial owner data processing and proxy distribution services—based on a regulated fee structure—with the free market prices currently charged by transfer agents to provide the same services to registered shareholders of public companies.

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<sup>1</sup> This 2011 cost survey is the second of its type by the STA. A more limited STA survey was completed in October of 2010. See Securities Transfer Association, Estimated Cost Savings of a Market Based Proxy Distribution Model, October 14, 2010, available at <http://www.stai.org/pdfs/STA-White-Paper-10-14-2010.pdf>.

## **II. The STA Proxy Distribution Fee Survey**

This STA survey was based upon a regulatory proposal developed in 2009 by the Shareholder Communications Coalition to reform the proxy distribution and communications system.<sup>2</sup> Under this proposal, the current proxy functions of beneficial owner list compilation and proxy distribution would be separated, providing issuers with the opportunity to select a proxy distributor of their own choosing. Once a beneficial owner list is obtained from a central intermediary providing data aggregation services, issuers and their agents would be responsible for transmitting annual or special meeting materials and actual proxy forms to all shareholders, including beneficial owners. The prices for proxy distribution and communications services would be established by free market competition among service providers handling these functions, in the same manner as service providers are currently selected for proxy services involving registered shareholders.

The results of this comprehensive STA survey indicate that cost savings to individual public companies would be significant in a free market pricing system, averaging more than 42% when compared to actual Broadridge invoices provided by twenty (20) different issuers. The amount of cost savings for each issuer invoice evaluated in this study depended on the size of the issuer, the number of beneficial owner positions, the level of processing and suppression fees charged by Broadridge, and whether the Notice and Access format was utilized.

## **III. Methodology of the STA Survey**

This survey was conducted with the largest transfer agent members of the STA. The six firms participating in the survey account for more than 90% of transfer agent services provided to issuers for registered accounts.

In completing each survey, the participating STA members used actual Broadridge invoices, which included individual account position volumes, that were provided to them by twenty (20) different issuers for this purpose. All identifying information about each issuer was removed from each invoice before it was distributed for comparison; only the processing volumes and itemized Broadridge charges remained.

The account positions on the invoices ranged from approximately 110 to more than 2,000,000.<sup>3</sup> The transfer agents were asked to determine what they would charge to distribute materials to each of these issuers, using the rate cards they currently use for registered accounts, in negotiating directly with issuers in the free market. The transfer agent price quotes were submitted in a standardized format to the staff of the STA, where an average of the six responses was computed for each of the twenty (20) invoices.

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<sup>2</sup> See Shareholder Communications Coalition, Public Issuer Proxy Voting: Empowering Individual Investors and Encouraging Open Shareholder Communications, August 4, 2009, available at <http://www.shareholdercoalition.com/CoalitionDiscussionDraftAug2009.pdf>.

<sup>3</sup> The exact position numbers for each issuer will not be disclosed, in order to protect the anonymity of the twenty (20) issuers cooperating with the STA on this study.

In developing the invoice data for this survey, postage and sales tax were not considered. In addition, the agents were asked to assume that the services of a central intermediary providing data aggregation services would be needed to: (a) retrieve the necessary beneficial owner data from brokers and banks holding the individual accounts, and (b) provide this data to the issuers and their transfer agents.<sup>4</sup>

In order to ensure a true and accurate comparison between beneficial owner and registered shareholder costs, an estimated data aggregation fee from a central intermediary was added to the transfer agent price quotes. For the purposes of this survey, the STA assumed that the expense of obtaining a list of beneficial owners from a central intermediary should involve a cost that does not exceed the current Broadridge fees for obtaining a Non-Objecting Beneficial Owner (“NOBO”) list, as the data processing functions required to provide a list of all beneficial owners for an individual issuer are not different than providing a list of NOBOs for this same purpose.

The current cost of obtaining a NOBO list from Broadridge ranges from between 10.5 cents and 16.5 cents per name, depending on the number of names requested. As approved by the SEC, the Broadridge fee schedule for obtaining a NOBO list is as follows:

1,000 to 10,000 positions:	\$0.165 per position
10,001 to 100,000 positions:	\$0.115 per position
100,001 positions and Over:	\$0.105 per position <sup>5</sup>

This fee schedule has been in place for many years now, and the STA believes that an actual market-based cost of providing a list of names, contact information and shareholder preferences, and share position for all beneficial owners of an issuer should be substantially less than the current cost of obtaining a NOBO list. In fact, the STA estimates that this information should be provided for no more than five cents (\$0.05) per position, based on current pricing within the data processing market for financial service transactions.<sup>6</sup> However, for purposes of this transfer agent survey, the STA has used the per position cost of obtaining a NOBO list as its estimate for calculating this cost for the transfer agent survey. As the STA goal was to present conservative results, actual issuer savings should exceed the reported results because of improving efficiencies in data processing technologies.

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<sup>4</sup> This process is more fully described in a policy paper issued by the Shareholder Communications Coalition on August 4, 2009. See *supra* footnote 2.

<sup>5</sup> Broadridge Financial Solutions, Inc., 2010 Fee Schedule, available at [http://www.broadridge.com/investor-communications/us/corporations/pdfs/Reference\\_Rev1\\_31.pdf](http://www.broadridge.com/investor-communications/us/corporations/pdfs/Reference_Rev1_31.pdf); See also Broadridge Financial Solutions, Inc., Fee Schedule, effective May 21, 2008. The fees on the 2008 fee schedule include the current \$0.065 broker fee approved by the stock exchanges and registered securities associations.

<sup>6</sup> This 5-cent per position number also is similar to the fee structure used by the National Securities Clearing Corporation (“NSCC”) for exchanging account information between broker-dealers and mutual funds. When this NSCC service began in 1989, the fee for each beneficial owner position or record was approximately 6 cents for each side of the transaction. As a result of the NSCC’s “at-cost” structure, this fee has been lowered substantially, as a result of technological developments and other factors over the past 20 years. The fee for exchanging similar account information between broker-dealers and mutual funds is now 10 cents for 100 records, or \$0.001 for each beneficial owner position (per side). See National Securities Clearing Corporation, Rules & Procedures, at 265, effective September 23, 2011, available at [http://www.dtcc.com/legal/rules\\_proc/nscc\\_rules.pdf](http://www.dtcc.com/legal/rules_proc/nscc_rules.pdf).

#### **IV. The STA Survey Results**

The STA study results demonstrate that issuers could realize significant cost savings if SEC rules are changed to permit free market competition in the provision of proxy distribution services, instead of through a fee schedule established by regulators, as shown in the table below.

Moreover, in order to compare beneficial owner pricing and cost savings, the transfer agent prices and savings shown below incorporate an anticipated cost to the agents to obtain a list of beneficial owners. The actual fees that transfer agents currently charge issuers for registered shareholder proxy services—in a free market process—are therefore substantially lower than the regulated prices charged for proxy services to beneficial owners.

The following table summarizes the estimated cost savings for beneficial owner proxy services, based on the twenty (20) price quotes provided to the STA by each of the six transfer agents:

##### **Cost Savings for Issuers at Multiple Levels of Beneficial Ownership**

<u>Issuer Beneficial Owner Positions</u>	<u>Broadridge Invoice (\$)<sup>7</sup></u>	<u>Transfer Agent Average Quote(\$)<sup>8</sup></u>	<u>Issuer Cost Savings (\$)</u>	<u>Issuer Cost Savings (%)</u>
110	\$363	\$496	-\$133	-37%
260	\$944	\$826	+\$118	+13%
775	\$6,000	\$2,461	+\$3,539	+59%
950	\$1,857	\$1,150	+\$707	+38%
1,100	\$2,080	\$1,441	+\$639	+31%
1,350	\$2,521	\$1,839	+\$682	+27%
5,000	\$8,305	\$4,879	+\$3,426	+41%
5,500	\$5,716	\$3,692	+\$2,024	+35%
8,000	\$9,641	\$3,490	+\$6,151	+64%
13,000	\$16,187	\$10,471	+\$5,716	+35%
28,000	\$41,565	\$16,706	+\$24,859	+60%
45,000	\$57,667	\$27,410	+\$30,257	+52%
47,000	\$49,747	\$27,428	+\$22,319	+45%
55,000	\$70,168	\$26,477	+\$43,691	+62%
60,000	\$65,587	\$34,958	+\$30,629	+47%
105,000	\$127,792	\$26,116	+\$101,676	+80%
240,000	\$200,553	\$94,529	+\$106,024	+53%
290,000	\$279,758	\$86,540	+\$193,218	+69%

<sup>7</sup> The position numbers and invoice amounts for Broadridge have been rounded and are not the exact figures on the actual issuer invoice, in order to protect the anonymity of each issuer providing the STA with a copy of its Broadridge invoice. To calculate the amount used in this survey, the STA determined a per position cost based on the actual Broadridge invoice and then applied that calculation to the number of beneficial owners, as rounded up or rounded down by the STA.

<sup>8</sup> This estimate includes the cost of obtaining the list of beneficial owners, as described above in the STA methodology discussion.

2,000,000	\$1,408,298	\$941,732	+\$466,566	+33%
2,000,000	\$1,344,049	\$784,532	+\$559,517	+42%
		<b>Average Savings</b>	<b>+\$80,081</b>	<b>+42%</b>

As a group, these issuers paid Broadridge \$3,698,797.85 for proxy processing services. In a system in which an issuer can choose its own proxy distributor, these issuers would only pay approximately \$2,097,171.11, with a total savings of \$1,601,626.74, or an average of \$80,081.34 per issuer.

Except for an issuer with 110 beneficial owner positions, the average transfer agent pricing for providing the same data processing and proxy distribution services as Broadridge would result in very significant cost savings to issuers, ranging from 13% (260 positions) to 80% (105,000 positions), or an overall average savings of more than 42%.

In the survey, the savings to issuers became more significant as the volumes increased, averaging more than 50% for issuers with 5,000 or more beneficial owner positions. Additionally, there were no transfer agent price quotes which exceeded the Broadridge invoice amount for any of the issuers with 5,000 positions or more. In other words, of the fourteen (14) invoices involving beneficial owner positions between 5,000 and 2,000,000 positions, not one individual transfer agent quote was higher than the Broadridge invoice for the same number of positions, including the estimated cost for obtaining the beneficial owner list.<sup>9</sup>

As noted above, the transfer agent average includes the cost of obtaining the names, contact information and shareholder preferences, and share position from a central intermediary, at the current pricing for obtaining the NOBO list from Broadridge. A spreadsheet with more information about these calculations is provided in Appendix A to this document.

## **V. The Primary Differences between Broadridge and Transfer Agent Pricing**

What follows is a more detailed discussion about the differences in pricing between what Broadridge charges for beneficial owner proxy services and what the typical transfer agent charges for the same services to registered shareholders.

The survey demonstrated at least four critical areas where the regulated fees charged by Broadridge significantly exceed the free market fees charged by transfer agents:

- **Processing Fees.** Broadridge charges a \$0.40 basic processing fee and a \$0.10 intermediary fee, adding up to a total processing fee of \$0.50 per position. These fees drop to \$0.45 per position for issuers with 200,000 or more beneficial owners.

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<sup>9</sup> Of the twenty (20) Broadridge invoices evaluated in the survey, fourteen (14) of the invoices were for issuers with beneficial owner positions between 5,000 and 2,000,000. Each of six transfer agents submitted a price quote to provide the same proxy processing services as Broadridge for these fourteen (14) invoices, for a total of 84 quotes. Not one of these 84 transfer agent quotes was higher than the Broadridge invoice amount for the same number of positions.

All of the participating transfer agents charge processing fees that are significantly lower than these regulated fees for similar services, which would result in a significant cost savings to issuers in this category. The processing fees charged by Broadridge also include costs for print communication services and Broadridge does not reduce this fee for positions that do not require paper communications services. This is despite the fact that the basic processing fee was originally intended to be charged primarily for an actual proxy package being mailed to a beneficial owner.<sup>10</sup>

- Paper and Postage Elimination Fees. Broadridge charges a \$0.50 per position fee for suppressing the need to mail proxy materials to certain beneficial owner positions, such as for householding, e-delivery, and managed accounts. This fee is reduced to \$0.40 per position for issuers using the Notice and Access format. This fee is also reduced to \$0.25 per position for large issuers, *i.e.*, those with 200,000 or more beneficial owners.

As noted in the SEC Concept Release on the U.S. Proxy System, Broadridge charges a recurring fee for suppressing a mailing after the year in which a shareholder makes an election for e-delivery, even though the only continuing role for a data processor is to ensure that the shareholder did not change his or her election.<sup>11</sup> In addition, Broadridge charges a suppression fee for broker-dealer managed accounts, which are accounts not receiving proxy materials because the investor has delegated investment and voting responsibilities to a third-party investment adviser.<sup>12</sup>

In the STA survey, the average transfer agent charges for specific suppression fees were smaller than what Broadridge charges, resulting in significant cost savings for issuers. Transfer agents do not apply these fees in the same manner as Broadridge and also do not charge on a per position basis for managed accounts. The stated STA position is that individual positions within managed accounts are the responsibility of the broker-dealer to suppress from receiving any proxy materials within their own accounting platform; issuers should not be charged for these positions suppressed by the broker-dealers.

Similar to the processing fees noted above, these suppression fees also have a print communications component to them and Broadridge does not reduce these fees for positions that do not require any print communications services.

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<sup>10</sup> See Order Approving Proposed Rule Change Relating to the Transmission of Proxy and Other Shareholder Communication Material, SEC Release No. 34-41177, 64 Fed. Reg. 14,294, at 14,295 (Mar. 24, 1999) (“Under the fee structure in effect prior to March 14, 1997, NYSE member firms were permitted to charge NYSE issuers a basic processing fee of \$.60-\$.70 for each proxy package (*i.e.*, proxy statement, form of proxy, and annual report) *delivered to a beneficial owner.*”) (emphasis added).

<sup>11</sup> See Concept Release on the U.S. Proxy System, Securities and Exchange Commission, 75 Fed. Reg. 42, 982, at 42,997 (July 22, 2010).

<sup>12</sup> A longer discussion and analysis of the managed account charges by Broadridge can be found on pages 7-10.

- Nominee Coordination Fees. Broadridge charges a nominee coordination fee of \$20 per nominee. This fee resulted in approximately \$100,000 in extra charges on the twenty (20) invoices reviewed by the STA, or an average of \$5,000 for each issuer.

This fee is rarely, if ever, charged by any of the transfer agents and, under the market-based proxy distribution model advocated by the STA, should be included in any fees paid for receiving the beneficial owner list from a central intermediary.

- Notice and Access Fee. Broadridge charges a per-position fee for issuers electing the Notice and Access format authorized by the SEC. This fee is tiered, starting at \$0.25 per position for the first 10,000 beneficial owners and then reducing itself to \$0.05 per position for any beneficial owner positions that exceed 500,000.<sup>13</sup>

Broadridge fees for the Notice and Access format, which are currently not approved by the SEC, are generally at a level that is higher than the average fees charged by the transfer agents, especially for issuers with 45,000 or more beneficial owner positions.

## **VI. Broadridge Charges for Broker-Dealer Managed Accounts**

One of the largest differences in pricing between beneficial owner services and registered shareholder services involves broker-dealer managed accounts. Managed accounts are typically of two types: wrap fee accounts and separately managed accounts (“SMAs”).

A wrap fee account is an arrangement between a broker-dealer, investment adviser, or other financial intermediary and an investor in which the latter receives discretionary investment advisory, execution, clearing, and custodial services in a bundled form.<sup>14</sup> In exchange for these bundled services, the investor pays an all inclusive or “wrap” fee, determined as a percentage of the assets held in the wrap fee account.

Under regulations to implement the Investment Advisers Act of 1940, the SEC defines a wrap fee program as “an advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.”<sup>15</sup> This definition is intended to apply to wrap fee arrangements that are part of a wrap fee “program,” a term that typically describes arrangements that have some degree of uniformity among participating clients.<sup>16</sup>

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<sup>13</sup> For positions between 10,001-100,000, the fee is \$0.20 per position; for positions between 100,001-200,000, the fee is \$0.15 per position; and for positions between 200,001-500,000, the fee is \$0.10 per position. For beneficial owner positions that total 6,000 or less, Broadridge charges a flat fee of \$1,500.

<sup>14</sup> See Steven W. Stone, Wrap Fee Programs and Separately Managed Accounts, ALI-ABA Investment Adviser Regulation, January 2009, available at [http://www.morganlewis.com/pubs/stevestone\\_presentation\\_wrapfeeprgs.pdf](http://www.morganlewis.com/pubs/stevestone_presentation_wrapfeeprgs.pdf).

<sup>15</sup> 17 C.F.R. § 275.204-3(h)(5).

<sup>16</sup> See Disclosure by Investment Advisers Regarding Wrap Fee Programs, SEC Release No. IA-1411, 59 Fed. Reg. 21,657, at 21,658 (footnote 8) (Apr. 26, 1994).

In adopting Rule 3a-4 under the Investment Company Act of 1940—a safe harbor from registration under the Act for managed accounts—the SEC stated the following with respect to proxy voting in wrap fee accounts:

... if a client delegates voting rights to another person, the proxies, proxy materials, and, if applicable, annual reports, need be furnished only to the party exercising the delegated voting authority.<sup>17</sup>

Separately managed accounts are not currently defined by SEC rules, although they certainly include wrap fee programs.<sup>18</sup> These accounts operate in the same fashion, where multiple beneficial owners delegate their proxy voting decisions to a single investment manager, as a part of an institutional program sponsored by a broker-dealer or other financial intermediary.

For both wrap fee accounts and separately managed accounts, a broker-dealer or other investment adviser exercising investment discretion over the account is typically authorized by the account agreement to: (1) receive proxy materials and other related documents from issuers, on behalf of a beneficial owner; and (2) vote proxies on behalf of such beneficial owner, when the need arises.

The documentation and data processing for both wrap fee accounts and separately managed accounts are standardized within a broker-dealer's accounting platform; and both types of accounts are flagged at the time they are created for a broker-dealer's own purposes, as well as to suppress transaction confirmations and issuer communications at the beneficial owner level.

In reviewing the twenty (20) issuer invoices used for this STA survey, Broadridge does not charge issuers for wrap fee accounts; however, it is clearly charging for all separately managed accounts at the beneficial owner level. This is occurring even though only one proxy package is being delivered to a broker-dealer or other financial intermediary who has the authority to vote on behalf of these beneficial owners.

Despite the fact that wrap fee accounts and separately managed accounts are functionally identical for proxy distribution purposes, Broadridge is charging processing fees, paper and postage elimination fees, and notice and access fees for each individual beneficial owner, despite the fact that only one proxy package is actually being provided to the broker-dealer or financial intermediary sponsoring a separately managed account program.<sup>19</sup>

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<sup>17</sup> Status of Investment Advisory Programs Under the Investment Company Act of 1940, SEC Release No. IC-22579, 62 Fed. Reg. 15,098, at 15,015 (Mar. 31, 1997).

<sup>18</sup> See Amendments to Form ADV, SEC Release No. IA-3060, 75 Fed. Register 49,234, at 49,246 (footnote 182) (Aug. 12, 2010) (“Under wrap fee programs, which are sometimes referred to as ‘separately managed accounts,’ advisory clients pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in the client’s account.”).

<sup>19</sup> These fees can be as high as \$1.15 for each beneficial owner (e.g., \$0.50 service and intermediary processing fee; \$0.40 paper and postage elimination fee; and \$0.25 notice and access fee). There also can be additional ProxyEdge fees charged by Broadridge, but these ProxyEdge fees were not evaluated by this STA survey.

As a part of its analysis of the twenty (20) Broadridge invoices, the STA has calculated the total managed account charges paid by these issuers as follows:

**Broadridge Charges for Managed Accounts in Twenty (20) Issuer Invoices**

<u>Issuer Beneficial Owner Positions</u>	<u>Managed Account Positions</u>	<u>Total Managed Account Fees</u>	<u>Percentage of Invoice</u>
110	0	\$0	0.00%
260	0	\$0	0.00%
775	15	\$14	0.23%
950	20	\$20	1.08%
1,100	25	\$25	1.20%
1,350	50	\$50	1.98%
5,000	800	\$720	8.67%
5,500	100	\$100	1.75%
8,000	3,000	\$3,000	31.12%
13,000	1,000	\$1,100	6.80%
28,000	9,000	\$9,900	23.82%
45,000	6,000	\$6,600	11.45%
47,000	1,000	\$1,100	2.21%
55,000	16,000	\$17,600	25.08%
60,000	5,000	\$5,500	8.39%
105,000	65,000	\$71,250	55.75%
240,000	60,000	\$49,000	24.43%
290,000	120,000	\$97,500	34.85%
2,000,000	250,000	\$187,500	13.31%
2,000,000	400,000	\$280,000	20.83%

**Total Managed Account Charges: \$730,979**  
**Average Percentage of Invoice: 13.65%**  
**Percentage of Total Dollar Charges: 19.76%**

According to this data, these twenty (20) issuers were charged more than \$700,000 as a group in unnecessary managed account fees, or an average of approximately \$35,000 per issuer. For all of the issuer invoices evaluated by this STA survey, these charges comprised 19.76% of the total charges by Broadridge in all the invoices.<sup>20</sup> A spreadsheet with a breakdown of these calculations is provided in Appendix B to this document.

The STA believes that there is no justification for these charges to issuers. Separately managed accounts are a large profit center for broker-dealers and the suppression of beneficial owner accounts which are enrolled in these discretionary investment programs should be the responsibility of each broker-dealer. Issuers should not be charged for these account positions at

<sup>20</sup> These twenty (20) issuers paid a total of \$3,698,797.85 in proxy processing fees to Broadridge, excluding postage and sales tax. Of this amount, \$730,978.50 was paid in managed account charges, representing 19.76% of the total fees paid.

the beneficial owner level and, instead, should only be charged for the one proxy package that is provided to the sponsor of these investment programs.

The STA brought this issue to the attention of the SEC in 2010.<sup>21</sup> Currently, the New York Stock Exchange Proxy Fee Advisory Committee is evaluating proxy distribution fees, and the issue of managed account charges to issuers is on the agenda for this Committee. The STA also intends to bring this issue to the attention of other stock exchanges and registered securities associations, as a result of the significance of this issue and because these organizations share responsibilities for the oversight of proxy distribution fees.

## **VII. Conclusion**

This STA survey demonstrates that a market-based model will result in significant cost savings to both large and small issuers in the delivery of data processing and proxy distribution services. A comparison of twenty (20) different Broadridge invoices to the price quotes of six different transfer agents shows savings to issuers of between 13% and 80%, for public companies with more than 110 beneficial owner positions. Overall, the cost savings averaged more than 42%, when transfer agent pricing is compared to the regulated fees that Broadridge is charging. In dollar terms, these twenty (20) issuers would have saved \$1,601,626.74, or an average of \$80,081 per issuer, in a free market system.

These savings would be achieved at all beneficial owner position levels, except for the smallest issuer at 110 positions. And the cost savings would become even more significant as the volumes increase, averaging more than 50% for issuers with 5,000 or more beneficial owner positions.

Further demonstrating the financial inefficiencies of the current regulated fee model, the Broadridge invoices involving 5,000 positions or more were higher than every single individual transfer agent price quote—including the cost of obtaining the beneficial owner list—for that number of beneficial owner positions. In other words, for issuers with between 5,000 and 2,000,000 positions, not one individual transfer agent quote was higher than the Broadridge invoice for each particular issuer, even when an estimate is included for the cost of obtaining the beneficial owner list.

The primary differences between the registered and beneficial rates for proxy processing are attributable to both the size and the type of fees charged by Broadridge. Several of these fees are not charged at all by transfer agents, or are charged at a substantially reduced level.

Additionally, Broadridge also charges a recurring fee for suppressing a mailing, even though the only continuing role for a data processor is to ensure that a shareholder did not change his or her election. Finally, and as noted above, there is also a Broadridge practice of charging issuers suppression fees for managed accounts, which are accounts in which no proxy

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<sup>21</sup> See Letter from Thomas L. Montrone, The Securities Transfer Association, to Mary L. Schapiro, Chairman, Securities and Exchange Commission, June 2, 2010, [available at http://www.stai.org/pdfs/STA\\_Letter\\_to\\_SEC\\_re\\_Managed\\_Accounts\\_6-2-2010.pdf](http://www.stai.org/pdfs/STA_Letter_to_SEC_re_Managed_Accounts_6-2-2010.pdf).

materials are to be sent to the beneficial owner level because of a delegation of investment authority to a third-party adviser.

This STA survey demonstrates that almost all issuers can achieve significant cost savings through the development of a market-based pricing system for proxy distribution and communications services, instead of having services performed by a single service provider, using a fee schedule established through an SEC regulatory process.

October 3, 2011

Attachments: Appendix A  
Appendix B

Appendix A  
 Broadridge and Transfer Agent (TA) Pricing Comparisons  
 10/3/2011

Beneficial Owner Positions	Broadridge Invoice Fees	TA Average Fees	Managed Account Positions	Net Beneficial Positions*	Current NOBO List Fee	Total TA Average Fees	Dollar Savings	% Saved
110	\$363.39	\$478.33	0	110	\$18.15	\$496.48	-\$133.09	-37%
260	\$943.74	\$782.67	0	260	\$42.90	\$825.57	\$118.17	13%
775	\$5,999.52	\$2,335.50	15	760	\$125.40	\$2,460.90	\$3,538.62	59%
950	\$1,857.28	\$996.50	20	930	\$153.45	\$1,149.95	\$707.33	38%
1,100	\$2,080.43	\$1,263.83	25	1,075	\$177.38	\$1,441.21	\$639.23	31%
1,350	\$2,521.38	\$1,624.17	50	1,300	\$214.50	\$1,838.67	\$682.71	27%
5,000	\$8,305.47	\$4,186.00	800	4,200	\$693.00	\$4,879.00	\$3,426.47	41%
5,500	\$5,716.48	\$2,801.33	100	5,400	\$891.00	\$3,692.33	\$2,024.15	35%
8,000	\$9,641.03	\$2,665.00	3,000	5,000	\$825.00	\$3,490.00	\$6,151.03	64%
13,000	\$16,186.96	\$8,591.33	1,000	12,000	\$1,880.00	\$10,471.33	\$5,715.63	35%
28,000	\$41,565.13	\$14,020.83	9,000	19,000	\$2,685.00	\$16,705.83	\$24,859.30	60%
45,000	\$57,667.04	\$22,425.17	6,000	39,000	\$4,985.00	\$27,410.17	\$30,256.87	52%
47,000	\$49,746.55	\$21,637.83	1,000	46,000	\$5,790.00	\$27,427.83	\$22,318.72	45%
55,000	\$70,167.89	\$21,491.50	16,000	39,000	\$4,985.00	\$26,476.50	\$43,691.39	62%
60,000	\$65,586.56	\$28,132.50	5,000	55,000	\$6,825.00	\$34,957.50	\$30,629.06	47%
105,000	\$127,791.66	\$21,015.83	65,000	40,000	\$5,100.00	\$26,115.83	\$101,675.83	80%
240,000	\$200,553.20	\$74,128.67	60,000	180,000	\$20,400.00	\$94,528.67	\$106,024.53	53%
290,000	\$279,757.71	\$67,190.00	120,000	170,000	\$19,350.00	\$86,540.00	\$193,217.71	69%
2,000,000	\$1,408,297.79	\$756,481.67	250,000	1,750,000	\$185,250.00	\$941,731.67	\$466,566.12	33%
2,000,000	\$1,344,048.62	\$615,031.67	400,000	1,600,000	\$169,500.00	\$784,531.67	\$559,516.95	42%
	\$3,698,797.85	\$1,667,280.33			<b>Total Fees:</b>	\$2,097,171.11	\$1,601,626.73	
						<b>Average Savings:</b>	\$80,081.34	42.45%
						<b>Median Savings:</b>	\$14,234.88	43.25%

\*Note: all transfer agent quotes did not include charges for managed accounts

Appendix B  
 Broadridge Managed Account Charges  
 10/3/2011

Beneficial Owner <u>Positions</u>	Notice and <u>Access Issuer?</u>	Managed Account <u>Positions</u>	Broadridge Processing Fees <u>\$.50 or \$.45</u>	Broadridge P/P Elim Fee <u>\$.50, \$.40 or \$.25</u>	Broadridge N/A Fee <u>0.25 (tiered)</u>	Total <u>Charges</u>	Percentage of <u>Total Invoice</u>
110	no	0	\$0.00	\$0.00		\$0.00	0.00%
260	no	0	\$0.00	\$0.00		\$0.00	0.00%
775	yes	15	\$7.50	\$6.00		\$13.50	0.23%
950	no	20	\$10.00	\$10.00		\$20.00	1.08%
1,100	no	25	\$12.50	\$12.50		\$25.00	1.20%
1,350	no	50	\$25.00	\$25.00		\$50.00	1.98%
5,000	yes	800	\$400.00	\$320.00		\$720.00	8.67%
5,500	no	100	\$50.00	\$50.00		\$100.00	1.75%
8,000	no	3,000	\$1,500.00	\$1,500.00		\$3,000.00	31.12%
13,000	yes	1,000	\$500.00	\$400.00	\$200.00	\$1,100.00	6.80%
28,000	yes	9,000	\$4,500.00	\$3,600.00	\$1,800.00	\$9,900.00	23.82%
45,000	yes	6,000	\$3,000.00	\$2,400.00	\$1,200.00	\$6,600.00	11.45%
47,000	yes	1,000	\$500.00	\$400.00	\$200.00	\$1,100.00	2.21%
55,000	yes	16,000	\$8,000.00	\$6,400.00	\$3,200.00	\$17,600.00	25.08%
60,000	yes	5,000	\$2,500.00	\$2,000.00	\$1,000.00	\$5,500.00	8.39%
105,000	yes	65,000	\$32,500.00	\$26,000.00	\$12,750.00	\$71,250.00	55.75%
240,000	yes	60,000	\$27,000.00	\$15,000.00	\$7,000.00	\$49,000.00	24.43%
290,000	yes	120,000	\$54,000.00	\$30,000.00	\$13,500.00	\$97,500.00	34.85%
2,000,000	yes	250,000	\$112,500.00	\$62,500.00	\$12,500.00	\$187,500.00	13.31%
2,000,000	no	400,000	\$180,000.00	\$100,000.00		\$280,000.00	20.83%
<b>Total Charges:</b>						\$730,978.50	
<b>Average % of Invoice:</b>							13.65%
<b>% of Total Dollar Charges:</b>							19.76%