CENTER FOR CAPITAL MARKETS COMPETITIVENESS

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The Honorable Mary Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

The U.S. Chamber of Commerce ("Chamber") is the world's largest business federation representing the interests of more than three million businesses of every size, sector and region. The Chamber created the Center for Capital Markets Competitiveness ("CCMC") to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy. The CCMC is highly concerned about the lack of transparency and tangible conflicts of interest in the operation of proxy advisory firms, and it has previously requested that the Securities and Exchange Commission ("SEC") exercise supervision in this area.

In this connection, the CCMC respectfully requests that the SEC closely monitor the activities of San Francisco-based proxy advisor Glass, Lewis & Co., LLC ("Glass Lewis") and its activist pension fund owner, Ontario Teachers' Pension Plan Board ("Ontario"). Earlier this month, Ontario publicly announced its opposition to the Board of Directors of NYSE-listed Canadian Pacific Railway Ltd. ("CP"), which is currently facing a proxy contest from an activist hedge fund.[1] The very next day, Glass Lewis issued its vote recommendation which, like its parent Ontario, was in opposition to the CP Board.

Both Glass Lewis and Ontario claim they make corporate governance decisions independently of one another, but the fact that the owner's interests were made known to the public just prior to publication of the subsidiary's vote recommendation demonstrates the very strong possibility that Ontario's own unique interests are being

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[1] "UPDATE: Glass Lewis Supports Ackman's Canadian Pacific Board Slate" Wall Street Journal online (May 9, 2012). Available at: http://online.wsj.com/article/BT-CO-20120509-712663.html

deliberately reflected in Glass Lewis' vote recommendations, and that the mutual positions are being coordinated in some manner. The mere appearance of a tangible conflict of interest should be sufficient to justify an inquiry by the SEC.

The present situation with CP is only the most recent and perhaps most severe instance of conflicts arising with respect to Glass Lewis and the activities of its activist owner. Last September, CCMC posed a similar issue to the SEC[2], as Ontario had been publicly pressuring the McGraw-Hill Board to reorganize. In that letter, we urged the SEC to consider how the dynamic between the activist shareholder parent, and the proxy advisor that it controls, could threaten to cause serious harm to the corporate governance system, adversely impact the integrity of proxy voting systems and observance of important fiduciary duties, and hamper the long-term management of a corporation. There should be a strong regulatory interest in understanding how Glass Lewis is managing these potential conflicts, if at all, today and in the future.

The CCMC has filed several comment letters with the SEC on the Concept Release on the U.S. Proxy System (File Number S7-14-10). In these comment letters the CCMC has expressed concern regarding the unaccountability and lack of transparency in the development of voting policies and vote recommendations by proxy advisory firms. Because of the importance of advisory firms in the proxy voting system, there should be clearly defined procedures and transparency in the development of voting policies and recommendations to provide certainty in the system, while avoiding potential conflicts of interest. These procedures should be tied to actual due diligence that demonstrates consistency between voting policies and their implementation, on the one hand, and the economic interests of the actual individuals and fund participants purported to be served by the proxy advisor client. Failure of the advisory firms to avoid conflicts may harm corporate governance systems, undermine confidence in the market place, and endanger the ability of advisory firms' clients to meet their fiduciary duties as shareholders.

In commenting on the concept release the CCMC has called upon the SEC to create an oversight system to ensure the transparent development of voting policies

[2] CCMC letter to Chairman Schapiro re: McGraw-Hill (September 12, 2011). Available at: http://www.centerforcapitalmarkets.com/wp-content/uploads/2010/04/McGraw-Hill-Letter-9.12.2011.pdf

and recommendations while preventing conflicts of interests in the operation of proxy advisory firms. The CCMC continues to stand by this position and accordingly requests that the SEC to investigate the potential conflict of interest in the CP matter and closely monitor the Glass Lewis ratings, regarding the actions of its parent organization, to prevent conflicts of interest and potential degradation of corporate governance through the misuse of proxy advisory services.

We look forward to discussing this issue with you further.

Sincerely,

Tom Quaadman