

LEADING SOLUTION FOR RECALLING SHARES ON LOAN

The accurate and timely recalling of shares is increasingly important to the success of institutional investors. As the use of securities lending by both beneficial owners and custodians increases, institutional investors must be prepared to face a number of issues regarding the practice and its implications on the voting process. Securities lending poses substantial conflicts for institutional investors. While lending programs can generate significant revenue, the failure to recall and vote shares in some instances can result in manipulation of the outcome of the meeting by borrowers who have different investment goals. Additionally, the potential for clients to cast votes for shares that are out on loan while the borrower also votes shares can result in a “double count” of the votes.

The SEC requires a fund to recall a security on loan to vote proxies if the fund knows that a vote concerning a material event (e.g. a merger) will occur. Institutional investors are faced with the dilemma of evaluating the importance of upcoming meetings in a timely manner so that they can effectively recall shares for those proxies deemed sufficiently material.

Glass Lewis' Share Recall service is powered by Glass Lewis' objective analysis of corporate governance issues, economic and financial matters and M&A transactions. The Share Recall service enables lenders to maximize their share lending program by selectively recalling shares for important proxies. Glass Lewis provides notice of the meeting prior to record date, information on meeting type (annual or special), and a ranking of the meeting's importance. The Share Recall service removes the burden of evaluating an upcoming meeting's importance from investors by using a proprietary algorithm.

GLASS, LEWIS & CO. EXISTS TO SERVE THE GLOBAL INSTITUTIONAL INVESTOR COMMUNITY. GLASS LEWIS DOES NOT PROVIDE CONSULTING SERVICES TO ISSUERS.

GLASS LEWIS' INDEPENDENT AND EXPERT RECOMMENDATIONS ENABLE FIDUCIARIES TO CONFIDENTLY FULFILL THEIR PROXY VOTING RESPONSIBILITIES.

The algorithm considers the following factors:

- Previous withhold votes of >10%
- Excessive executive compensation as evidenced by a history of high pay for mediocre performance
- SEC issues such as restatements, late filings, or material weaknesses
- Voting results from the prior years
- Related-party transactions
- Change in auditors
- Code of ethics waivers
- Dramatic single-day stock price drops in the past year
- Restatement or non-reliance on financials
- Late filings
- Auditor fees
- Noteworthy disclosures
- Meeting type

Using these indicators, Glass Lewis performs a daily calculation to determine the meeting materiality of approximately 5,000 U.S. based companies and ADR's. After weighing the meeting type and any "negative" governance factors associated with the company, Glass Lewis then designates each company into one of three materiality categories: Very Important, Important and Not Important.

Subscribers to the Share Recall service receive a daily email or XML data feed alert notifying them when a company in their holdings issues a proxy with a record date in the next 20 days, as well as the materiality score of said company, providing institutional investors ample time to cost-effectively recall stock.

ABOUT GLASS LEWIS

Glass, Lewis & Co. is a leading investment research and proxy advisory firm, serving institutions that collectively manage more than US \$15 trillion. Glass Lewis helps institutional investors make more informed investment and proxy voting decisions by identifying business, legal, governance and financial statement risks at more than 15,000 companies worldwide.