

RESOLUTION

MAJORITY VOTE FOR DIRECTORS

Urging all investment funds to adopt the Council of Institutional Investors policy on majority vote.

WHEREAS, Shareholders elect the members of corporate boards of directors, and it is those directors who are responsible to act in the best interests of the shareholders, and

WHEREAS, Shareholders are increasingly concerned about the performance of board members in representing their interests, and where the situation warrants are “withholding” their support for these directors for election to the board. Shareholders are also looking for more effective means to influence board membership, through the nomination process (including access to the proxy) and by asking for board members to be elected by majority rather than plurality of votes, and

WHEREAS, Under most state corporate laws, including Delaware’s statutes, a plurality vote is the default standard in the election of the board of directors. While these laws typically provide shareholders with the ability to set a different threshold, only a handful of companies set a majority (of the shares cast or outstanding) as the vote requirement in board elections. Under the current plurality system, a board-backed nominee in an uncontested election needs to receive only a single affirmative vote to claim his or her seat in the boardroom. Even if holders of a substantial majority of the votes cast “withhold” support, the director nominee “wins” the seat; and

WHEREAS, Under a majority vote standard, a director nominee would have to receive support from holders of a majority of the votes cast in order to be elected (or re-elected) or resign from the board; and

WHEREAS, The basic premise of majority voting is that the current plurality board election system is undemocratic in uncontested elections. Directors who run unopposed keep their board seats even when they fail to win majority support; and

WHEREAS, Director accountability is the hallmark of good governance. The board election process must ensure that shareholders’ expressions of dissatisfaction with the performance of directors have meaningful consequences. A majority

vote standard transforms the director election process from a symbolic gesture to a meaningful voice for shareholders, and

WHEREAS, The Council of Institutional Investors has adopted the following policy:
“When permissible under state law, companies’ charters and by-laws should provide that directors are to be elected by a majority of the votes cast. If state law requires plurality voting (or prohibits majority voting) for directors, boards should adopt policies asking that directors tender their resignations if the number of votes withheld from the candidate exceeds the votes for the candidates, and providing that such directors will not be re-nominated after expiration of their current term in the event they fail to tender such resignation.”

NOW, THEREFORE BE IT RESOLVED, that the National Association of State Treasurers urges all investment funds to adopt the Council of Institutional Investors policy on majority vote.

Approved this 20th Day of August, 2008 by
the National Association of State Treasurers

Hon. Lynn Jenkins
NAST President
Kansas State Treasurer