Frederic W. Cook & Co., Inc. is pleased to submit comments on the ISS draft 2013 policy voting guidelines released for comment on October 16, 2012. Our comments pertain to the changes under consideration for U.S. Management Say-on-Pay proposals.

Peer Group Construction

We welcome the changes to (1) start with a company's 8-digit GICS code rather than the 6-digit GICS code and (2) consider other GICS codes represented in the company's self-selected peer group. We recommend the following steps for selecting peer groups:

1. Screen the subject company's self-selected peers and use all who meet reasonable size criteria unless there is a clear disconnect based on business comparability

2. Screen the subject company's 8-digit GICS code for additional companies meeting reasonable size criteria, adding companies that position the subject company near the median

3. Screen the 8-digit GICS codes of the subject company's self-selected peers, adding companies that position the subject company near the median

4. Expand to 6-digit GICS codes and repeat Steps 2 and 3 as needed to identify additional companies

5. Expand to 4-digit GICS codes and repeat as necessary

6. When screening for additional companies in Steps 2 to 5, we agree with the proposal to give preference to companies identifying the subject company as a peer, all else being equal (i.e., the subject company is not positioned farther from the median)

Based on our experience, there will still be companies for which peer group construction will remain a challenge. These are companies with disproportionately large or small revenue or asset size compared to their closest peers or, because of the nature of their business, trade at an atypical multiple of revenue or assets, which cause those metrics to be less relevant indicators of size. When this is the case, we recommend using a narrower range of market cap size (i.e., 0.33 to 3.0 times the subject company, which is somewhat broader than the 0.45 to 2.1 range used for revenue or assets, with flexibility to expand) to select companies to include in a peer group rather than using a broader range of market cap size (i.e., 0.2 to 5.0 times the subject company) to identify outliers to exclude from a peer group. We believe use of more than one size metric is appropriate for certain situations to select a subject company's closest peers and to achieve the objective of positioning the subject company near the median, which could be in terms of market cap size rather than revenue or assets.

Realizable Pay

We acknowledge that developing a single definition of realizable pay is a challenge, and we do not have consensus within our own firm on a common definition because of inconsistency in proxy disclosure rules applicable to stock-based versus cash-based long-term incentives, timing of individual option exercises, and other issues that are unique to each company's circumstances. As a result, we are not providing comments on a definition of realizable pay.

For any definition that ISS determines to use, however, we recommend that realizable pay be measured over a period of three years to enable a meaningful analysis of alignment with company performance as represented by TSR. In our experience, a shorter period is overly susceptible to external economic and market factors for meaningful analysis and longer periods complicate the analysis due to increased potential for changes in incumbent executives.

Pledging of Company Stock

We believe it is difficult to set a level of pledging that could cause concern to investors if it is defined at the individual officer or director level. Many large companies wanting to be aligned with "best practice" have amended their insider trading policies to prohibit holding company shares in margin accounts and pledging company shares as collateral for loans. We expect the prevalence of pledging is inversely related to company market cap size and that problematic levels of pledging are usually found in smaller, closely held companies. For some of these companies, there may be significant founding family ownership represented on the board, and company stock is the family's principal asset. Such situations may warrant different treatment than other situations where this is not the case.

We believe pledging should be evaluated on a case-by-case basis, should be measured in terms of aggregate shares held by officers and directors and, when significant (e.g., more than 25% of outstanding shares) should be directed at the board rather than at the management say-on-pay proposal. While the pay program gives rise to stock ownership, we see pledging of shares as a board governance issue, not a compensation program issue.

Respectfully,

Wendy J. Hilburn