WACHTELL, LIPTON, ROSEN & KATZ

51 WEST 52ND STREET
NEW YORK, N.Y. 10019-6150
TELEPHONE: (212) 403 - 1000
FACSIMILE: (212) 403 - 2000

DIRECT DIAL: (212) 403-1309
DIRECT FAX: (212) 403-2309
E-MAIL: DAKatz@WLRK.com

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VIA ELECTRONIC MAIL:
policy@issgovernance.com

Institutional Shareholder Services, Inc.
2099 Gaither Road
Rockville, Maryland 20850

Re: Proposed 2013 Management Say-On-Pay Policy -- Pledging of Company Stock

Ladies and Gentlemen:

On behalf of several of our clients, Wachtell, Lipton, Rosen & Katz is writing to urge ISS ***not*** to adopt the proposed management say-on-pay policy regarding the pledging of company stock as currently drafted. Instead of adding the pledging of company stock by company directors and officers to the list of "problematic pay practices," we believe that ISS' existing policy of "case-by-case" assessment is both appropriate and sufficient.

We believe that the proposed revised policy in its current form is overly broad, and that ISS should, at minimum:

- If ISS is to make any change in its current policy and move away from the case-by-case assessment approach, limit application of the proposed revised policy to executive officers of the company;

- Revise and tailor the current proposed revised policy to specifically target the abuses that could result from an executive officer pledging shares of the company which ISS believes would negatively impact that company's stock price;

- Continue to utilize the case-by-case assessment for outside directors and permit outside directors to pledge a portion of their shares so long as the outside director maintains unpledged shares that exceed the company's stock ownership guidelines for directors and at least 50% of their shares are not subject to pledge; and

- Grandfather all pledges of shares of company stock that exist prior to the implementation of the revised policy.

We would like to emphasize that the interests of the outside directors and executive officers who do elect to pledge their company shares *are*, in fact, *aligned* with the interest of all other "at-risk" shareholders. Unlike a hedging transaction, a stock pledge does not change the at-risk nature of the underlying stock investment. It is to the benefit of the outside directors and executive officers if their company stock performs well because this increases the stock's value, thus allowing the outside directors and executive officers to pledge less shares, thereby increasing their ownership of unpledged assets. This incentive is directly in line with that of all other shareholders who have the same interest in the stock's performance. Moreover, the pledging of shares of company stock allows outside directors and executive officers to continue to hold the shares instead of selling them, thus reducing selling pressure on the company's stock.

To the extent that ISS is concerned that outside directors and executive officers might pledge their stock as part of monetization or hedging strategies in order to shelter them from economic exposure to company stock, thus giving them a different risk profile than other shareholders, company policies limiting the ability to hedge company stock should be implemented. We understand that ISS already monitors company policies on hedging.

ISS suggests that its proposed change is warranted based on the set of circumstances in which an executive officer or outside director who has pledged company stock is forced to sell, for example, to meet a margin call. If a significant amount of company stock is involved, this sale might negatively impact a company's stock price and could potentially violate company insider trading policies. Given that a significant amount of company stock will only be pledged in isolated circumstances, ISS' current case-by-case assessment is the most appropriate way to target this concern.

In view of ISS' concern with the potential for detrimental impact on shareholders from the pledging of company stock, we do believe that executive officers should be treated differently than outside directors on this issue. ISS notes in its proposal:

> While pledging policies are not tied to compensation, a substantial portion of shares owned by most executives and outside directors are delivered under compensation programs. As such, the say-on-pay proposal appears to be a reasonable mechanism for shareholders to initially communicate objections to such policies.

While we agree that for executive officers most of the shares owned are delivered through compensation plans, in our experience that is not the case for outside directors. Although significant stock ownership by outside directors is to be encouraged, to the extent that directors invest their own funds to purchase shares or use their board cash compensation to acquire shares, we believe that minimum stock ownership guidelines are the appropriate mechanism to ensure significant director stock ownership. We agree that shares owned in order to meet stock ownership guidelines should not be permitted to be pledged, but we do not see any rationale for limiting the pledging of shares in excess of director stock ownership guidelines so long as not more than 50% of a director's shares are pledged.

As long as less than 50% of an outside director's stock is pledged (assuming that the director owns unpledged shares in excess of the company's stock ownership guidelines), there should be minimal concern for detrimentally impacting all other shareholders. This bright-line test would help ensure that the interests of outside directors and shareholders remain fully aligned.

We believe that ISS' current case-by-case assessment – as applied to both executive officers and outside directors – appropriately balances the conflicting considerations in this area: it provides companies the freedom to compensate their executive officers through compensation programs, it allows outside directors and executive officers to use their personal assets as they see fit, and it enables ISS to monitor those directors and executive officers who pledge a substantial portion of their shares. Replacing this standard with an automatic "problematic pay practice" label—not moderated by any considerations—would ignore the fact that all corporations and their outside directors and executive officers are situated differently.

Furthermore, in any event, if ISS elects to move forward with this policy, all previously pledged shares should be grandfathered and ISS should exempt outside directors and executive officers who had pledged a portion of their shares prior to the adoption of this policy from receiving "withhold" recommendations. To do otherwise would disregard the fact that this is a new policy, which has been adopted without providing outside directors and executive officers the opportunity to alter their circumstances accordingly; implementation of this new policy would retroactively and unfairly penalize outside directors and executive officers who have organized their financial affairs in a particular way.

Our clients focus significant efforts on corporate governance and compensation matters because they recognize their obligations to their shareholders and take this responsibility very seriously. In this regard, we would like to thank ISS for allowing us the opportunity to present our clients' views on this important matter.

Very truly yours,

David A. Katz