

REFERENCE TITLE: public pensions; proxy voting

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1503

Introduced by
Senators Gowan; Mesnard; Representative Olson

AN ACT

AMENDING TITLE 38, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 6.1;
RELATING TO PENSION BENEFIT PLANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 38, Arizona Revised Statutes, is amended by adding
3 chapter 6.1, to read:

4 CHAPTER 6.1

5 FIDUCIARY DUTIES AND PROXY VOTING

6 ARTICLE 1. GENERAL PROVISIONS

7 38-971. Definitions

8 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

9 1. "CONSUMER" MEANS A PERSON WHO IS A RESIDENT OF THIS STATE AND
10 EITHER:

11 (a) HAS AN INTEREST IN AN INVESTMENT COMPANY, INCLUDING MUTUAL
12 FUNDS AND EXCHANGE TRADED FUNDS, THAT IS REGISTERED WITH THE UNITED STATES
13 SECURITIES AND EXCHANGE COMMISSION AND THAT DIRECTLY OR INDIRECTLY OWNS
14 SHARES OF AN ENTERPRISE REGULATED BY THIS STATE.

15 (b) IS A BENEFICIARY OF OR PARTICIPANT IN A PENSION BENEFIT PLAN.

16 2. "ECONOMIC ANALYSIS":

17 (a) MEANS A WRITTEN ANALYSIS DEMONSTRATING THE FACTORS CONSIDERED
18 IN EVALUATING THE ECONOMIC IMPACT OF A SHAREHOLDER-SPONSORED PROPOSAL.

19 (b) INCLUDES:

20 (i) THE SUBJECT MATTER OF THE SHAREHOLDER-SPONSORED PROPOSAL.

21 (ii) AN EVALUATION OF THE ISSUER'S STATED REASONS FOR OPPOSITION TO
22 THE SHAREHOLDER-SPONSORED PROPOSAL.

23 (iii) AN EVALUATION OF WHETHER THE SHAREHOLDER-SPONSORED PROPOSAL
24 IS CONSISTENT WITH THE INVESTMENT OBJECTIVES AND RISK MANAGEMENT PROFILE
25 OF THE PENSION BENEFIT PLAN IN WHICH THE PARTICIPANTS AND BENEFICIARIES
26 ARE INVESTED.

27 (iv) AN EVALUATION OF THE ECONOMIC BENEFITS AND COSTS OF
28 IMPLEMENTING THE SHAREHOLDER-SPONSORED PROPOSAL OVER A TIME PERIOD THAT IS
29 CONSISTENT WITH THE INVESTMENT OBJECTIVES AND RISK MANAGEMENT PROFILE OF
30 THE PLAN.

31 (v) THE QUANTIFIABLE IMPACT OF THE SHAREHOLDER-SPONSORED PROPOSAL
32 ON THE INVESTMENT RETURNS OF THE PARTICIPANTS AND BENEFICIARIES OF THE
33 PLAN.

34 (vi) AN EXPLANATION OF THE MODELING, PROCEDURES AND PROCESSES USED
35 TO COMPLETE THE ECONOMIC ANALYSIS.

36 3. "FIDUCIARY" MEANS A PERSON WHO, WITH RESPECT TO A PENSION
37 BENEFIT PLAN, DOES ANY OF THE FOLLOWING:

38 (a) EXERCISES DISCRETIONARY AUTHORITY OR DISCRETIONARY CONTROL WITH
39 RESPECT TO MANAGEMENT OF THE PLAN OR EXERCISES AUTHORITY OR CONTROL WITH
40 RESPECT TO ACQUISITION, MANAGEMENT OR DISPOSITION OF THE PLAN'S ASSETS.

41 (b) RENDERS INVESTMENT ADVICE FOR A FEE OR OTHER DIRECT OR INDIRECT
42 COMPENSATION WITH RESPECT TO MONIES OR OTHER ASSETS OF THE PLAN OR HAS
43 AUTHORITY OR RESPONSIBILITY TO DO SO.

44 (c) HAS DISCRETIONARY AUTHORITY OR DISCRETIONARY RESPONSIBILITY IN
45 THE ADMINISTRATION OF THE PLAN.

1 4. "INVESTMENT COMPANY" HAS THE SAME MEANING AS DEFINED IN 15
2 UNITED STATES CODE SECTION 80a-3.

3 5. "PENSION BENEFIT PLAN" OR "PLAN" MEANS A PLAN, FUND OR PROGRAM
4 THAT IS ESTABLISHED, MAINTAINED OR OFFERED BY A PUBLIC ENTITY, INCLUDING A
5 PUBLIC RETIREMENT SYSTEM, IF BY ITS TERMS OR AS A RESULT OF SURROUNDING
6 CIRCUMSTANCES THE PLAN, FUND OR PROGRAM DOES ANY OF THE FOLLOWING:

7 (a) PROVIDES RETIREMENT INCOME OR OTHER RETIREMENT BENEFITS TO
8 EMPLOYEES OR FORMER EMPLOYEES.

9 (b) RESULTS IN A DEFERRAL OF INCOME BY EMPLOYEES FOR A PERIOD
10 EXTENDING TO THE TERMINATION OF COVERED EMPLOYMENT OR BEYOND.

11 6. "PROXY ADVISORY FIRM" MEANS A PERSON WHO IS ENGAGED IN THE
12 BUSINESS OF PROVIDING PROXY VOTING ADVICE, RESEARCH, ANALYSIS, RATINGS OR
13 RECOMMENDATIONS TO A FIDUCIARY OR PROVIDING PROXY VOTING ADVICE, RESEARCH,
14 ANALYSIS, RATINGS OR RECOMMENDATIONS RELATING TO AN ISSUER OF SECURITIES.

15 7. "PUBLIC ENTITY" MEANS THIS STATE, A POLITICAL SUBDIVISION OF
16 THIS STATE, A PUBLIC SCHOOL CORPORATION AND A PUBLIC OFFICER, BOARD,
17 COMMISSION, DEPARTMENT, AGENCY AND AUTHORITY EMPOWERED BY LAW TO ENTER
18 INTO PUBLIC CONTRACTS FOR THE EXPENDITURE OF PUBLIC MONIES, INCLUDING THE
19 ARIZONA BOARD OF REGENTS AND INSTITUTIONS UNDER THE CONTROL OF THE ARIZONA
20 BOARD OF REGENTS.

21 8. "SAY ON PAY PROPOSAL" MEANS A RESOLUTION SUBJECT TO A
22 SHAREHOLDER VOTE TO APPROVE THE COMPENSATION OF EXECUTIVES AS REQUIRED BY
23 THE SECURITIES EXCHANGE ACT OF 1934 (15 UNITED STATES CODE SECTION
24 78n-1(a)(1)).

25 9. "SOLE ECONOMIC INTEREST" MEANS THE MAXIMIZATION OF RISK-ADJUSTED
26 INVESTMENT RETURNS OF THE PARTICIPANTS AND BENEFICIARIES OF A PENSION
27 BENEFIT PLAN OVER A TIME PERIOD CONSISTENT WITH THE RISK MANAGEMENT
28 PROFILE OF THE PLAN.

29 38-972. Fiduciary voting responsibilities; annual report

30 A. A FIDUCIARY SHALL VOTE ALL SHARES HELD DIRECTLY OR INDIRECTLY
31 BY, SUBJECT TO OR ON BEHALF OF A PENSION BENEFIT PLAN FOR THE BENEFIT OF
32 THE PLAN'S PARTICIPANTS AND BENEFICIARIES IN THE SOLE ECONOMIC INTEREST OF
33 THE PLAN'S PARTICIPANTS AND BENEFICIARIES.

34 B. FOR THE PURPOSES OF THIS SECTION, WITH RESPECT TO A
35 SHAREHOLDER-SPONSORED PROPOSAL, THERE IS A REBUTTABLE PRESUMPTION THAT A
36 FIDUCIARY VOTES ITS SHARES IN THE SOLE ECONOMIC INTEREST OF THE PLAN'S
37 PARTICIPANTS AND BENEFICIARIES IF THE FIDUCIARY'S VOTE FOLLOWS THE
38 RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE ISSUER OF THE SHARES IF
39 THE BOARD INCLUDES A MAJORITY OF INDEPENDENT DIRECTORS.

40 C. WITH RESPECT TO A SHAREHOLDER-SPONSORED PROPOSAL, A FIDUCIARY'S
41 VOTE IN A MANNER INCONSISTENT WITH THE RECOMMENDATION OF THE BOARD OF
42 DIRECTORS OF THE ISSUER OF THE SHARES IS PRESUMED TO BE IN THE SOLE
43 ECONOMIC INTEREST OF THE PLAN'S PARTICIPANTS AND BENEFICIARIES IF ANY OF
44 THE FOLLOWING CRITERIA ARE MET:

1 1. THE FIDUCIARY CONDUCTS AND DOCUMENTS AN ECONOMIC ANALYSIS
2 DEMONSTRATING THAT THE VOTE IS IN THE SOLE ECONOMIC INTEREST OF THE PLAN'S
3 PARTICIPANTS AND BENEFICIARIES.

4 2. ON BEHALF OF THE FIDUCIARY, A THIRD PARTY CONDUCTS AND DOCUMENTS
5 AN ECONOMIC ANALYSIS DEMONSTRATING THAT THE VOTE IS IN THE SOLE ECONOMIC
6 INTEREST OF THE PLAN'S PARTICIPANTS AND BENEFICIARIES AND THE FIDUCIARY
7 DETERMINES THAT THE ECONOMIC ANALYSIS ADEQUATELY DEMONSTRATES THAT THE
8 VOTE IS IN THE SOLE ECONOMIC INTEREST OF THE PLAN'S PARTICIPANTS AND
9 BENEFICIARIES.

10 D. A FIDUCIARY MAY NOT VOTE IN A MANNER THAT DOES ANY OF THE
11 FOLLOWING:

12 1. SUBORDINATES THE ECONOMIC INTEREST OF THE PLAN'S PARTICIPANTS
13 AND BENEFICIARIES TO ANY ENVIRONMENTAL, SOCIAL, POLICY, GOVERNANCE OR
14 IDEOLOGICAL GOAL.

15 2. PROMOTES ANY ENVIRONMENTAL, SOCIAL, POLICY, GOVERNANCE OR
16 IDEOLOGICAL GOAL, UNLESS, BASED ON AN ECONOMIC ANALYSIS, IT IS DETERMINED
17 THAT THE VOTE IS IN THE SOLE ECONOMIC INTEREST OF THE PLAN'S PARTICIPANTS
18 AND BENEFICIARIES AND TO MAXIMIZE RISK-ADJUSTED INVESTMENT RETURNS OF THE
19 PLAN'S PARTICIPANTS AND BENEFICIARIES.

20 E. WITH RESPECT TO SHAREHOLDER-SPONSORED PROPOSALS, A FIDUCIARY
21 SHALL ANNUALLY DISCLOSE IN A REPORT TO THE STATE TREASURER BOTH:

22 1. EACH VOTE THAT IS INCONSISTENT WITH THE RECOMMENDATION OF AN
23 ISSUER'S BOARD OF DIRECTORS COMPOSED OF A MAJORITY OF INDEPENDENT
24 DIRECTORS.

25 2. THE ECONOMIC ANALYSIS CONDUCTED AND DOCUMENTED WITH RESPECT TO
26 EACH VOTE DESCRIBED IN SUBSECTION C OF THIS SECTION TO DETERMINE THAT THE
27 VOTE WAS IN THE SOLE ECONOMIC INTEREST OF THE PLAN'S PARTICIPANTS AND
28 BENEFICIARIES.

29 F. THE REPORT REQUIRED UNDER SUBSECTION E OF THIS SECTION SHALL BE
30 CERTIFIED BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER, OR
31 AN INDIVIDUAL ACTING ON BEHALF OF THE CHIEF EXECUTIVE OFFICER OR CHIEF
32 FINANCIAL OFFICER, OF THE FIDUCIARY.

33 G. AT LEAST ONCE EVERY THREE YEARS, A FIDUCIARY SHALL BACK TEST ITS
34 ECONOMIC ANALYSIS TO ENSURE THAT THE MODELS, PROCEDURES AND PROCESSES THE
35 FIDUCIARY USES TO PREDICT THE SOLE ECONOMIC INTEREST OF THE PLAN'S
36 PARTICIPANTS AND BENEFICIARIES ARE ACCURATE AND SHALL DELIVER A REPORT
37 DETAILING THE BACK TESTING TO THE STATE TREASURER. BASED ON THE BACK
38 TESTING, THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE
39 FIDUCIARY, OR AN INDIVIDUAL ACTING ON BEHALF OF THE CHIEF EXECUTIVE
40 OFFICER OR CHIEF FINANCIAL OFFICER, SHALL CERTIFY THAT THE ECONOMIC
41 ANALYSIS PERFORMED BY THE FIDUCIARY AND INCLUDED IN THE REPORT WAS
42 EFFECTIVE.

43 38-973. Proxy advisory firms

44 A. WITH RESPECT TO ANY ENTERPRISE THAT IS REGULATED BY THIS STATE,
45 A PROXY ADVISORY FIRM MAY NOT:

1 1. PROVIDE PROXY VOTING ADVICE WITH RESPECT TO
2 SHAREHOLDER-SPONSORED PROPOSALS SUBMITTED TO THE ENTERPRISE UNLESS THE
3 PROXY ADVISORY FIRM BASES ITS VOTING RECOMMENDATIONS ON THE SOLE ECONOMIC
4 INTEREST OF THE ENTERPRISE'S SHAREHOLDERS.

5 2. WITH RESPECT TO A COMPANY-SPONSORED SAY ON PAY PROPOSAL, PROVIDE
6 PROXY VOTING ADVICE THAT UNDERMINES THE USE OF DISCRETION BY AN
7 INDEPENDENT COMPENSATION COMMITTEE OF THE ISSUER'S BOARD OF DIRECTORS, IS
8 BASED ON PRIOR SHAREHOLDER SUPPORT LEVELS BEYOND THE LEVEL AT WHICH THE
9 PROPOSAL PASSED UNDER THE RELEVANT STATE LAW OR RELIES ON ASSUMPTIONS OR
10 METHODOLOGIES THAT ARE NOT CONSISTENT WITH GENERALLY ACCEPTED ACCOUNTING
11 PRINCIPLES.

12 B. WITH RESPECT TO A SHAREHOLDER-SPONSORED PROPOSAL SUBMITTED TO AN
13 ENTERPRISE REGULATED BY THIS STATE:

14 1. THERE IS A PRESUMPTION THAT A PROXY ADVISORY FIRM'S VOTING
15 RECOMMENDATION IS BASED IN THE SOLE ECONOMIC INTEREST OF THE ENTERPRISE'S
16 SHAREHOLDERS IF THE RECOMMENDATION IS CONSISTENT WITH THE RECOMMENDATION
17 OF THE BOARD OF DIRECTORS OF THE ISSUER OF THE SHARES AND THE BOARD IS
18 COMPOSED OF A MAJORITY OF INDEPENDENT DIRECTORS.

19 2. A PROXY ADVISORY FIRM MAY RECOMMEND A VOTE THAT IS INCONSISTENT
20 WITH THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE ISSUER OF THE
21 SHARES IF THE PROXY ADVISORY FIRM CONDUCTS AND DOCUMENTS AN ECONOMIC
22 ANALYSIS DEMONSTRATING THAT THE VOTE IS IN THE SOLE ECONOMIC INTEREST OF
23 THE ENTERPRISE'S SHAREHOLDERS.

24 C. A PROXY ADVISORY FIRM MUST ANNUALLY DISCLOSE IN A REPORT TO THE
25 STATE TREASURER ALL OF THE FOLLOWING:

26 1. EACH VOTE RECOMMENDATION THAT IS INCONSISTENT WITH THE
27 RECOMMENDATION OF AN ISSUER'S BOARD OF DIRECTORS COMPOSED OF A MAJORITY OF
28 INDEPENDENT DIRECTORS.

29 2. THE ECONOMIC ANALYSIS CONDUCTED AND DOCUMENTED WITH RESPECT TO
30 EACH VOTE RECOMMENDATION DESCRIBED IN SUBSECTION B, PARAGRAPH 2 OF THIS
31 SECTION TO DETERMINE THAT THE VOTE RECOMMENDATION IS IN THE SOLE ECONOMIC
32 INTEREST OF THE REGULATED ENTERPRISE'S SHAREHOLDERS.

33 D. WITH RESPECT TO A SHAREHOLDER-SPONSORED PROPOSAL TO BE
34 CONSIDERED FOR VOTING BY A PLAN:

35 1. A PROXY ADVISORY FIRM MAY NOT PROVIDE PROXY VOTING ADVICE TO A
36 PLAN UNLESS THE PROXY ADVISORY FIRM BASES ITS VOTING RECOMMENDATIONS ON
37 THE SOLE ECONOMIC INTEREST OF THE PLAN'S PARTICIPANTS AND BENEFICIARIES.

38 2. THERE IS A PRESUMPTION THAT A PROXY ADVISORY FIRM'S VOTING
39 RECOMMENDATION IS IN THE SOLE ECONOMIC INTEREST OF THE PLAN'S PARTICIPANTS
40 AND BENEFICIARIES IF THE RECOMMENDATION IS CONSISTENT WITH THE
41 RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE ISSUER OF THE SHARES AND
42 THE BOARD IS COMPOSED OF A MAJORITY OF INDEPENDENT DIRECTORS.

43 3. A PROXY ADVISORY FIRM MAY RECOMMEND A VOTE THAT IS INCONSISTENT
44 WITH THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE ISSUER OF THE
45 SHARES IF THE PROXY ADVISORY FIRM CONDUCTS AND DOCUMENTS AN ECONOMIC

1 ANALYSIS DEMONSTRATING THAT THE VOTE IS IN THE SOLE ECONOMIC INTEREST OF
2 THE PLAN'S PARTICIPANTS AND BENEFICIARIES.

3 4. A PROXY ADVISORY FIRM SHALL DISCLOSE IN AN ANNUAL REPORT TO THE
4 BOARD OF TRUSTEES OR AN OVERSIGHT BODY TO THE PLAN BOTH OF THE FOLLOWING:

5 (a) EACH VOTE RECOMMENDATION THAT IS INCONSISTENT WITH THE
6 RECOMMENDATION OF AN ISSUER'S BOARD OF DIRECTORS COMPOSED OF A MAJORITY OF
7 INDEPENDENT DIRECTORS.

8 (b) THE ECONOMIC ANALYSIS CONDUCTED AND DOCUMENTED WITH RESPECT TO
9 EACH VOTE RECOMMENDATION DESCRIBED IN PARAGRAPH 3 OF THIS SUBSECTION TO
10 DETERMINE THAT THE VOTE RECOMMENDATION IS IN THE SOLE ECONOMIC INTEREST OF
11 THE PLAN'S PARTICIPANTS AND BENEFICIARIES.

12 E. WITH RESPECT TO A COMPANY-SPONSORED SAY ON PAY PROPOSAL, A PROXY
13 ADVISORY FIRM MAY NOT PROVIDE TO A PLAN PROXY VOTING ADVICE THAT:

14 1. UNDERMINES THE USE OF DISCRETION BY AN INDEPENDENT COMPENSATION
15 COMMITTEE OF THE ISSUER'S BOARD OF DIRECTORS.

16 2. IS BASED ON PRIOR SHAREHOLDER SUPPORT LEVELS BEYOND THE LEVEL AT
17 WHICH THE PROPOSAL PASSES UNDER STATE LAW.

18 3. RELIES ON ASSUMPTIONS OR METHODOLOGIES THAT DO NOT COMPLY WITH
19 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

20 38-974. Consumer right to disclosure

21 A. IF A CONSUMER HAS A REASON TO BELIEVE THAT SHARES UNDERLYING THE
22 CONSUMER'S INVESTMENT HAVE BEEN VOTED IN A MANNER INCONSISTENT WITH THE
23 CONSUMER'S BEST ECONOMIC INTEREST, A CONSUMER MAY SUBMIT A REQUEST TO
24 OBTAIN A COPY OF THE DOCUMENTED ECONOMIC ANALYSIS DEMONSTRATING THAT THE
25 VOTE IS SOLELY IN THE BEST ECONOMIC INTEREST OF THE CONSUMER. IN EACH
26 CASE THAT THE CONSUMER IS AN INVESTOR, BENEFICIARY OR PARTICIPANT, THE
27 CONSUMER MAY SUBMIT THE REQUEST TO THE INVESTMENT COMPANY THAT OWNS SHARES
28 OF AN ENTERPRISE REGULATED BY THIS STATE OR THE PLAN. THERE IS A
29 PRESUMPTION THAT A VOTE IS IN THE SOLE ECONOMIC INTEREST OF THE CONSUMER
30 IF THE VOTE IS CONSISTENT WITH THE RECOMMENDATION OF THE BOARD OF
31 DIRECTORS OF THE ISSUER OF THE SHARES AND THE BOARD IS COMPOSED OF A
32 MAJORITY OF INDEPENDENT DIRECTORS.

33 B. THE INVESTMENT COMPANY OR PLAN SHALL RESPOND IN WRITING TO THE
34 CONSUMER WITHIN NINETY DAYS AFTER RECEIPT OF A REQUEST DESCRIBED IN
35 SUBSECTION A OF THIS SECTION BY DOING ONE OF THE FOLLOWING:

36 1. PROVIDING THE CONSUMER WITH THE REQUESTED ECONOMIC ANALYSIS.

37 2. INFORMING THE CONSUMER THAT AN ECONOMIC ANALYSIS IS NOT
38 AVAILABLE IF THE INVESTMENT COMPANY DID NOT CONDUCT AND DOCUMENT AN
39 ECONOMIC ANALYSIS.

40 3. INFORMING THE CONSUMER THAT THE VOTE AT ISSUE WAS CAST
41 CONSISTENT WITH THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF THE ISSUER
42 OF THE SHARES AND THE BOARD IS COMPOSED OF A MAJORITY OF INDEPENDENT
43 DIRECTORS.

1 C. INFORMATION DESCRIBED IN SUBSECTION B OF THIS SECTION MUST BE
2 PROVIDED BY THE INVESTMENT COMPANY OR PLAN FREE OF CHARGE NOT MORE THAN
3 TWICE ANNUALLY PER CONSUMER.

4 38-975. Prohibitions against conflicts of interest,
5 disenfranchising shareholders and undermining
6 independent board of directors

7 A. A PLAN MAY NOT ENTER INTO AN AGREEMENT WITH A PROXY ADVISORY
8 FIRM WITH RESPECT TO THE PROVISION OF PROXY ADVISORY SERVICES UNLESS THE
9 PROXY ADVISORY FIRM ACKNOWLEDGES IN WRITING AND ACCEPTS UNDER CONTRACT ITS
10 OBLIGATIONS UNDER THIS SECTION.

11 B. A PROXY ADVISORY FIRM MAY NOT PROVIDE PROXY VOTING ADVICE TO A
12 PLAN IF AN ACTUAL OR POTENTIAL CONFLICT OF INTEREST EXISTS THAT COULD
13 REASONABLY BE EXPECTED TO AFFECT THE OBJECTIVITY OR RELIABILITY OF THE
14 PROXY VOTING ADVICE. FOR THE PURPOSES OF THIS SUBSECTION, AN ACTUAL OR
15 POTENTIAL CONFLICT OF INTEREST THAT COULD REASONABLY BE EXPECTED TO AFFECT
16 THE OBJECTIVITY OR RELIABILITY OF THE PROXY VOTING ADVICE INCLUDES THE
17 FOLLOWING ACTS BY A PROXY ADVISORY FIRM OR ANY OF ITS AFFILIATES:

18 1. RECEIVING OR SEEKING TO RECEIVE FEES FOR CONSULTING SERVICES
19 FROM EITHER:

20 (a) THE ISSUER OF THE SHARES OR ANY OF ITS AFFILIATES THAT IS THE
21 SUBJECT OF ANY PROXY VOTING ADVICE, WRITTEN REPORT, RESEARCH, ANALYSIS,
22 RATING OR RECOMMENDATION FURNISHED BY THE PROXY ADVISORY FIRM.

23 (b) THE SPONSOR OF A SHAREHOLDER-SPONSORED PROPOSAL OR ANY OF ITS
24 AFFILIATES THAT IS THE SUBJECT OF THE PROXY VOTING ADVICE.

25 2. BEING A MEMBER OF ANY ORGANIZATION THAT ACTIVELY SUPPORTS A
26 SHAREHOLDER-SPONSORED PROPOSAL THAT IS, OR IS SUBSTANTIALLY SIMILAR TO,
27 THE SUBJECT OF THE PROXY VOTING ADVICE.

28 C. A PROXY ADVISORY FIRM MAY NOT PROVIDE PROXY VOTING ADVICE TO A
29 PLAN IF ITS VOTING RECOMMENDATION IS NOT CONSISTENT WITH THE
30 RECOMMENDATION OF A BOARD OF DIRECTORS OR A COMMITTEE OF THE BOARD OF
31 DIRECTORS WHEN THE RECOMMENDATION IS DECIDED BY A MAJORITY OF INDEPENDENT
32 DIRECTORS AND THE RECOMMENDATION IS BASED, IN WHOLE OR IN PART, ON A
33 DECISION BY THE BOARD OF DIRECTORS OR THE COMMITTEE TO EITHER:

34 1. PURSUE THE ADJUDICATION OF A BUSINESS DISPUTE IN UNITED STATES
35 FEDERAL COURT OR STATE COURT.

36 2. EXERCISE ITS DISCRETION IN CONNECTION WITH EXECUTIVE
37 COMPENSATION DECISIONS.

38 D. A PROXY ADVISORY FIRM MAY NOT PROVIDE PROXY VOTING ADVICE TO A
39 PLAN IF ITS NEGATIVE VOTING RECOMMENDATION IS BASED, IN WHOLE OR IN PART,
40 ON THE LEVEL OF SHAREHOLDER SUPPORT RECEIVED WITH RESPECT TO A PREVIOUS
41 PROPOSAL SUBMITTED TO A VOTE AT THE COMPANY IF THE COMPANY'S PREVIOUS
42 PROPOSAL WAS APPROVED BY SHAREHOLDERS PURSUANT TO THE LAWS OF THE STATE OF
43 INCORPORATION OF THE COMPANY.

