

Proxy voting guidelines for US securities

March 2009



Table of contents

PHILOSOPHY	1
OVERSIGHT	2
VOTING GUIDELINES	3
CORPORATE GOVERNANCE.....	4
Board of directors	4
Shareholder consent mechanisms and oversight of the shareholder franchise..	10
Capital structure	12
Anti-takeover provisions	13
COMPENSATION & RETIREMENT BENEFITS.....	16
AUDITORS & AUDIT RELATED ISSUES	19
MERGERS, ASSET SALES, CAPITAL RESTRUCTURINGS & OTHER SPECIAL TRANSACTIONS.....	20
SOCIAL & ENVIRONMENTAL PROPOSALS	21

BARCLAYS GLOBAL INVESTORS, N.A.

PROXY VOTING GUIDELINES FOR U.S. SECURITIES

PHILOSOPHY

Barclays Global Investors, N.A. (BGI®)¹ carefully considers proxies submitted to funds and other fiduciary accounts (“Funds”) for which it has voting power. BGI votes (or refrains from voting) proxies for each Fund for which it has voting power based on BGI’s evaluation of the best long-term economic interests of shareholders and without regard to the relationship of the issuer of the proxy (or any dissident shareholder) to the Fund, the Fund’s affiliates (if any), BGI or BGI’s affiliates.

BGI seeks to make proxy voting decisions in the manner most likely to protect and promote the long-term economic value of the securities held in client accounts. BGI’s Proxy Voting Guidelines (“Guidelines”) are intended to support economically advantageous corporate practices while leaving direct oversight of company management and strategy to their boards of directors. BGI seeks to avoid micromanagement of companies, as BGI believes that a company’s board of directors is best positioned to represent shareholders and oversee management on their behalf. We strive instead to use voting as a means to encourage companies to follow practices that enhance shareholder value, increase transparency and allow the market to value corporate assets appropriately.

Our policies in support of this philosophy include positions intended to promote effective, independent boards and discourage most anti-takeover and other proposals that would create barriers or costs to transactions that are likely to deliver a premium to shareholders. We also generally oppose actions that would significantly dilute the interests of existing shareholders.

With regard to the relationship between securities lending and proxy voting, BGI’s approach is driven by our clients’ economic interests. The evaluation of the economic desirability of recalling loans involves balancing the revenue producing value of loans against the likely economic value of casting votes. Based on our evaluation of this relationship, we believe that generally the likely economic value of casting most votes is less than the securities lending income, either because the votes will not have significant economic consequences or because the outcome of the vote would not be affected

¹ References to BGI, the BGI Proxy Voting Guidelines, the BGI Proxy Committee and the Global Head of Corporate Governance & Proxy Voting as used herein should be understood to also refer to Barclays Global Fund Advisors (“BGFA”) and the BGFA Proxy Voting Guidelines, the BGFA Proxy Committee and the BGFA Proxy Manager. BGFA is a wholly-owned subsidiary of BGI and has adopted the same Proxy Voting Guidelines and Committee structure as BGI.

by BGI recalling loaned securities in order to ensure they are voted. Periodically, BGI analyzes the process and benefits of voting proxies for securities on loan, and will consider whether any modification of its proxy voting policies or procedures is necessary in light of future conditions.

OVERSIGHT

The BGI Americas Proxy Committee (“Proxy Committee”), a committee of senior BGI executives, oversees the proxy voting process. The Proxy Committee reviews and approves amendments to the BGI Guidelines and grants authority to the Global Head of Corporate Governance and Proxy Voting (“Director”), a dedicated BGI employee without sales or client responsibilities, to vote in accordance with the Guidelines. The Director leads a team of dedicated BGI employees without sales or client responsibilities (“Proxy Group”) to carry out voting and vote operations in a manner consistent with the Proxy Committee’s mandate. The Proxy Group engages companies, as appropriate, in discussions of significant proxy issues, conducts research on corporate governance policy and participates in industry discussions to keep abreast of the field of corporate governance. The Proxy Group, or vendors overseen by the Proxy Group, also monitor upcoming proxy votes, execute proxy votes and maintain records of votes cast. The Proxy Group may refer complicated or particularly controversial matters or discussions to the Proxy Committee for their review, discussion and guidance prior to making a voting decision. The Proxy Committee likewise retains the authority to, among other things, deliberate or otherwise act directly on specific proxies as it deems appropriate. BGI’s U.S. Risk and Compliance Committee oversees certain aspects of the Proxy Committee’s activities.

BGI maintains policies and procedures that are designed to prevent undue influence on BGI’s proxy voting activity that might stem from any relationship between the issuer of a proxy (or any dissident shareholder) and BGI, BGI’s affiliates, a Fund or a Fund’s affiliates. Some of the steps BGI has taken to prevent conflicts include, but are not limited to:

- i) BGI has adopted a proxy voting oversight structure whereby the Proxy Committee oversees the voting decisions and other activities of the Director and the Proxy Group.
- ii) The Proxy Committee has adopted Guidelines, which set forth the firm’s views with respect to certain corporate governance and other issues that typically arise in the proxy voting context. The Proxy Committee reserves the right to review voting decisions at any time and to make voting decisions as necessary to ensure the independence and integrity of the voting process. In addition, the Committee receives periodic reports regarding the specific

- votes cast by the Proxy Group and regular updates on material process issues, procedural changes and other matters of concern to the Committee.
- iii) BGI's U.S. Risk and Compliance Committee oversees the Director, the Proxy Group and the Proxy Committee. The U.S. Risk and Compliance Committee conducts a review, at least annually, of the proxy voting process to ensure compliance with BGI's risk policies and procedures.
 - iv) In certain instances, BGI may determine to engage an independent fiduciary to vote proxies as a further safeguard to avoid potential conflicts of interest or as otherwise required by applicable law. The independent fiduciary may either vote such proxies, or provide BGI with instructions as to how to vote such proxies. In the latter case, BGI votes the proxy in accordance with the independent fiduciary's determination. Use of an independent fiduciary has been adopted for voting the proxies related to any company that is affiliated with BGI, or any company that includes BGI board members or employees on its board of directors.

VOTING GUIDELINES

BGI will take action regarding proxy votes in a manner that BGI, in the exercise of its independent business judgment, concludes is in the best long-term economic interests of the shareholder on whose behalf BGI is authorized to vote. When exercising voting rights, BGI will normally vote on specific proxy issues in accordance with the Guidelines described below and the terms of any instrument giving BGI proxy voting authority. The Guidelines are reviewed regularly and are amended as changes in the marketplace demand, as developments in corporate governance occur, or as otherwise deemed advisable by BGI's Proxy Committee. The Proxy Committee may, in the exercise of its business judgment, conclude that the Guidelines do not cover the specific matter upon which a proxy vote is requested or that an exception to the Guidelines would be in the best long-term economic interests of BGI's clients.

The following issue-specific voting Guidelines are intended to summarize BGI's general philosophy and approach to issues that may commonly arise in the proxy voting context. These Guidelines are not intended to be self-actuating or exhaustive. BGI attempts to apply the Guidelines in the context of the circumstances that led to a shareholder vote on the issue under review. These Guidelines are not intended to limit the analysis of individual issues at specific companies and are not intended to provide a guide to how BGI will vote in every instance. Rather, they share our view about corporate governance issues generally, and provide insight into how we typically approach issues that commonly arise on corporate ballots.

CORPORATE GOVERNANCE

In exchange for providing equity capital to public corporations, shareholders are endowed with certain rights guaranteed in the shareholder franchise and protected by the laws of those states where such corporations are incorporated. Foremost among those rights is the right to vote on matters affecting shareholders' ability to exercise limited oversight and promote due care in the corporation's stewardship of the shareholder's investment. Corporate governance defines the shape and extent of those rights and the ability of shareholders to exercise those rights to protect and further their investment interests. In our view, an optimal corporate governance structure includes a set of fundamental underlying rights and the ability to exercise those rights to promote the interests of shareholders. Among that collection of rights are the right to elect, remove and, in some cases, nominate directors, along with the right to dictate the basic terms of director service; the right to amend the corporation's by-laws, charter or articles (the equivalent of the corporate constitution), including as they relate to voting thresholds and capital structure; and the right to sell shares to the highest bidder, without the board or corporation standing in the way of shareholders' ability to do so. In this section, we examine corporate governance and provide an overview of our approach to voting on matters with the intent of protecting the best long-term economic interests of shareholders.

Board of directors

BGI views the election of a board of directors as one of the most important responsibilities of shareholders in the proxy voting context. Board members are elected to serve as agents of shareholders in overseeing the operation and strategy of a company. BGI believes that the performance of a board is critical to the economic success of every company and to the protection of shareholders' economic interests. Shareholders have an interest in electing effective board members. BGI supports measures that encourage and enable boards to fulfill their primary responsibility to represent the economic interests of shareholders. While we take into consideration the specific needs of companies that are in early rapid growth phases, closely held, or in severe financial difficulties, we view strong boards as a key protection for shareholder value. We also believe that key board committees, such as audit, compensation and nominating committees, should generally be independent. An independent director is an outsider with no significant relationship with the company or its officers other than his or her role as director. We believe that issues of independence may extend beyond the factors included in the independence tests adopted by the U.S. stock

exchanges (i.e. NASDAQ or NYSE). Common impediments to independence include but are not limited to:

- Current employment at the company.
- Former employment within the past five years as an executive of the company.
- Providing substantial professional services to the company and/or members of the company's management.
- Any substantial business relationship within the past three years.
- Shareholders with an exceptionally large ownership stake in the Company.
- Immediate family member of any of the aforementioned.
- Director interlocks.

Election of directors — case-by-case

BGI generally supports board nominees in most uncontested elections. However, BGI may withhold votes from the entire board in certain situations, including, but not limited to:

- Where a board fails to implement shareholder proposals that receive a majority of votes cast at a prior shareholder meeting, and the proposals, in our view, have a direct and substantial impact on shareholders' fundamental rights or long-term economic interests.
- Where a board implements a poison pill without seeking shareholder approval beforehand or within a reasonable period of time after implementation.

BGI may withhold votes from members of particular board committees (or prior members, as the case may be) in certain situations, including, but not limited to:

- An insider or affiliated outsider who sits on any of the board's key committees (i.e., audit, compensation, nominating and governance), which we believe generally should be entirely independent. However, BGI will examine a board's complete profile when questions of independence arise prior to casting a withhold vote for any director. For controlled companies, as defined by the U.S. stock exchanges, we will only vote against insiders or affiliates who sit on the audit committee, but not other key committees.
- Members of the audit committee during a period when the board failed to facilitate quality, independent auditing.

- Members of the audit committee where substantial accounting irregularities suggest insufficient oversight by that committee.
- Members of the audit committee during a period in which we believe the company has aggressively accounted for its equity compensation plans.
- Members of the compensation committee during a period in which executive compensation appears excessive relative to performance and peers, and where we believe the compensation committee has not already substantially addressed this issue.
- Members of the compensation committee where the company has repriced options without contemporaneous shareholder approval.
- The chair of the nominating committee, or where no chair exists, the nominating committee member with the longest tenure, where board members have previously received substantial withhold votes and the board has not taken appropriate action to respond to shareholder concerns. This may not apply in cases where BGI did not support the initial withhold vote.
- The chair of the nominating committee, or where no chair exists, the nominating committee member with the longest tenure, where the board is not composed of a majority of independent directors. However, this would not apply in the case of a controlled company.

BGI may withhold votes from individual board members in certain situations, including, but not limited to:

- Where BGI obtains evidence that casts significant doubt on a director's qualifications or ability to represent shareholders.
- Where it appears the director has acted (at the company or at other companies) in a manner that compromises his or her reliability in representing the best long-term economic interests of shareholders.
- Where a director has a pattern of attending less than 75% of combined board and applicable key committee meetings.

Age limits / term limits — oppose

We typically oppose limits on the pool of directors from which shareholders can choose their representatives, especially where those limits are arbitrary or unrelated to the specific performance or experience of the director in question.

Board size — case-by-case

We generally defer to the board in setting the appropriate size. We believe directors are generally in the best position to assess what size is optimal to ensure a board's effectiveness. However, we may oppose boards that appear too small to allow for effective shareholder representation or too large to function efficiently.

Classified board of directors / staggered terms — oppose

A classified board of directors is one that is divided into classes (generally three), each of which is elected on a staggered schedule (generally for three years). At each annual meeting, only a single class of directors is subject to reelection (generally one-third of the entire board).

We believe that classification of the board dilutes shareholders' right to evaluate promptly a board's performance and limits shareholder selection of their representatives. By not having the mechanism to immediately address concerns we may have with any specific director, we lose the ability to provide valuable feedback to the company. Furthermore, where boards are classified, director entrenchment is more likely, because review of board service generally only occurs every three years. Therefore, we typically vote against classification and for proposals to eliminate board classification.

Cumulative voting for directors — case-by-case

Cumulative voting allocates one vote for each share of stock held, times the number of directors subject to election. A shareholder may cumulate his/her votes and cast all of them in favor of a single candidate, or split them among any combination of candidates. By making it possible to use their cumulated votes to elect at least one board member, cumulative voting is typically a mechanism through which minority shareholders attempt to secure board representation.

BGI may support cumulative voting proposals at companies where the board is not majority independent. However, we may oppose proposals that further the candidacy of minority shareholders whose interests do not coincide with our fiduciary responsibility.

Director compensation — case-by-case

We believe that compensation for independent directors should be structured to align the interests of the directors with those of shareholders, whom the directors have been elected to represent. We believe that independent director compensation packages based on the company's long-term performance and that include some form of long-term equity compensation are more likely to meet this goal.

Indemnification of directors and officers — case-by-case

We generally support reasonable but balanced protection of directors and officers. We believe that failure to provide protection to directors and officers might severely limit a company's ability to attract and retain competent leadership. We generally support proposals to provide indemnification that is limited to coverage of legal expenses. However, we may oppose proposals that provide indemnity for: breaches of the duty of loyalty; transactions from which a director derives an improper personal benefit; and actions or omissions not in good faith or those that involve intentional misconduct.

Independent board composition — support

We generally support shareholder proposals requesting that the board consist of a two-thirds majority of independent outside directors, as we believe that an independent board faces fewer conflicts and is best prepared to protect shareholder interests.

Liability insurance for directors and officers — case-by-case

Proposals regarding liability insurance for directors and officers often appear separately from indemnification proposals. We will generally support insurance against liability for acts committed in an individual's capacity as a director or officer of a company following the same approach described above with respect to indemnification.

Limits on director removal — oppose

Occasionally, proposals contain a clause stipulating that directors may be removed only for cause. We oppose this limitation of shareholders' rights.

Majority vote requirements — case-by-case

BGI generally supports the concept of director election by majority vote. Majority voting standards assist in ensuring that directors who are not broadly supported by shareholders are not elected to serve as their representatives. However, we also recognize that there are many methods for implementing majority vote proposals. Where we believe that the company already has a sufficiently robust majority voting process in place, we may not support a shareholder proposal seeking an alternative mechanism.

Separation of chairman and CEO positions — support

We generally support shareholder proposals requesting that the positions of chairman and CEO be separated. We may consider the designation of a lead director to suffice in lieu of an independent chair, but will take into consideration the structure of that lead director's position and overall corporate governance of the company in such cases.

Shareholder access to the proxy — case-by-case

We believe that shareholders should have the opportunity, when necessary and under reasonable conditions, to nominate individuals to stand for election to the boards of the companies they own. In our view, securing a right of shareholders to nominate directors without engaging in a control contest can enhance shareholders' ability to participate meaningfully in the director election process, stimulate board attention to shareholder interests, and provide shareholders an effective means of directing that attention where it is lacking.

We prefer an access mechanism that is equally applied to companies throughout the market with sufficient protections to limit the potential for abuse. Absent such a mechanism under current law, we consider these proposals on a case-by-case basis. In evaluating a proposal requesting shareholder access at a company, we consider whether access is warranted at that particular company at that time by taking into account the overall governance structure of the company as well as issues specific to that company that may necessitate greater board accountability. We also look for certain minimum ownership threshold requirements, stipulations that access can be used only in non-hostile situations, and reasonable limits on the number of board members that can be replaced through such a mechanism.

Shareholder consent mechanisms and oversight of the shareholder franchise

The mechanisms of shareholder consent and the ability to protect the franchise are the fundamental building blocks of a functioning corporate governance structure. These mechanisms allow shareholders to determine what voting requirements are necessary to make decisions on the range of issues that appear on corporate ballots. They allow shareholders to define the thresholds required to convene shareholder meetings and the manner in which proposals are properly brought forward for shareholder consideration. Below we examine BGI's philosophy regarding oversight of the shareholder franchise. Paramount to this philosophy is the belief that shareholders should reasonably protect their ability to make change where change is required while protecting the stability and ability of the board and management to function under the broad powers delegated to them by the shareholders. It is in search of that balance that we put forth the following views on the fundamental mechanisms for protecting the shareholder franchise.

Adjourn meeting to solicit additional votes — case-by-case

We generally support such proposals when the agenda contains items that we judge to be in shareholders' best long-term economic interests.

Bundled proposals — case-by-case

We believe that shareholders should have the opportunity to review substantial governance changes individually without having to accept bundled proposals. Where several measures are grouped into one proposal, BGI may reject certain positive changes when linked with proposals that generally contradict or impede the rights and economic interests of shareholders. The decision to support or oppose bundled proposals requires a balancing of the overall benefits and drawbacks of each element of the proposal.

Change name of corporation — support

We typically defer to management with respect to appropriate corporate names.

Confidential voting — support

Shareholders most often propose confidential voting as a means of eliminating undue management pressure on shareholders regarding their vote on proxy issues. We generally support proposals to allow confidential voting. However, we will usually support suspension

of confidential voting during proxy contests where dissidents have access to vote information and management may face an unfair disadvantage.

Other business — oppose

We oppose giving companies our proxy to vote on matters where we are not given the opportunity to review and understand those measures and carry out an appropriate level of shareholder oversight.

Reincorporation — case-by-case

Proposals to reincorporate from one state or country to another are most frequently motivated by considerations of anti-takeover protections or cost savings. Where cost savings are the sole issue, we will typically favor reincorporating. In all instances, we will evaluate the changes to shareholder protection under the new charter/articles/by-laws to assess whether the move increases or decreases shareholder protections. Where we find that shareholder protections are diminished, we will support reincorporation if we determine that the overall benefits outweigh the diminished rights.

Shareholders' right to call a special meeting or act by written consent — support

In exceptional circumstances and with sufficiently broad support, shareholders should have the opportunity to raise issues of substantial importance without having to wait for management to schedule a meeting. We therefore believe that shareholders should have the right to call a special meeting or to solicit votes by written consent in cases where a reasonably high proportion of shareholders (typically a minimum of 15%) are required to agree to such a meeting/consent before it is called, in order to avoid misuse of this right and waste corporate resources in addressing narrowly supported interests. However, we may oppose this right in cases where the provision is structured for the benefit of a dominant shareholder to the exclusion of others.

Simple majority voting — support

We generally favor a simple majority voting requirement to pass proposals. Therefore we will support the reduction or the elimination of supermajority voting requirements to the extent that we determine shareholders' ability to protect their economic interests is improved.

Nonetheless, in situations where there is a substantial or dominant shareholder, supermajority voting may be protective of public shareholder interests and we may therefore support supermajority requirements in those situations.

Stakeholder provisions — oppose

Stakeholder provisions introduce the concept that the board may consider the interests of constituencies other than shareholders when making corporate decisions. Stakeholder interests vary widely and are not necessarily consistent with the best long-term economic interests of all shareholders, whose capital is at risk in the ownership of a public company. We believe the board's fiduciary obligation is to ensure management is employing this capital in the most efficient manner so as to maximize shareholder value, and we oppose any provision that suggests the board should do otherwise.

Capital structure

The capital structure of a company is critical to its owners, the shareholders, as it directly impacts the value of their investment and the priority of that investment relative to that of other equity owners or creditors of the corporation. The following is our view on the key capital structure provisions that regularly appear on corporate ballots.

Eliminate preemptive rights — support

Preemptive rights give current shareholders the opportunity to maintain their current percentage ownership despite any subsequent equity offerings. These provisions are no longer common in the U.S., and may restrict management's ability to raise new capital.

We generally support the elimination of preemptive rights, but will often oppose the elimination of limited preemptive rights, (e.g., rights that would limit proposed issuances representing more than an acceptable level of dilution).

Increase in authorized shares — case-by-case

BGI considers industry specific norms in our analysis of these proposals, as well as a company's history with respect to the use of its shares. Generally, we are predisposed to support a company if the board believes additional shares are necessary to carry out the

firm's business. The most substantial concern we might have with an increase is the possibility of use of shares to fund a poison pill plan that is not in the economic interests of shareholders. Therefore, we generally do not support increases in authorized shares where a company has no stated use for the additional shares and/or has a substantial amount of previously authorized shares still available for issue that is sufficient to allow the company to flexibly conduct its operations, especially if the company already has a poison pill in place. We may also oppose proposals that include shares with unequal voting rights.

Stock splits and reverse stock splits — case-by-case

We generally support stock splits that are not likely to negatively affect the ability to trade shares or the economic value of a share. We generally support reverse splits that are designed to avoid delisting or to facilitate trading in the stock, where the reverse split will not have a negative impact on share value (e.g. one class is reduced while others remain at pre-split levels). In the event of a proposal to reverse split that would not also proportionately reduce the company's authorized stock, we apply the same analysis we would use for a proposal to increase authorized stock.

Anti-takeover provisions

We believe in the right to hold, and equally the right to dispose of, shares of the corporation in the free market without unnecessary restriction. In our view, corporate mechanisms designed to limit shareholders' rights to make decisions about when and how they may exercise the right to sell their shares are generally contrary to the right of shareholders to freely trade their shares. These provisions can serve to entrench interests other than those of the shareholders. In our view, shareholders are broadly capable of making decisions about their own interests.

Anti-greenmail provisions — support

Greenmail is typically defined as payments to a corporate raider to terminate a takeover attempt. It may also occasionally refer to payments made to a dissident shareholder in order to terminate a potential proxy contest or shareholder proposal. We typically view such payments as a misuse of corporate assets which denies shareholders the opportunity to review a matter of direct economic concern and potential benefit to them. Therefore, we generally support proposals to prevent boards from making greenmail payments. However,

we generally will oppose provisions designed to limit greenmail payments that appear to unduly burden or prohibit legitimate use of corporate funds.

Blank check preferred — case-by-case

These proposals generally request authorization of a class of preferred stock in which voting rights are not established in advance, but are left to the discretion of the board of directors on a when issued basis. The authority is generally viewed as affording the board the ability to place a block of stock with an investor sympathetic to management, thereby foiling a takeover bid without a shareholder vote. However, in some cases it may be used to provide management with the flexibility to consummate beneficial acquisitions, combinations or financings.

We frequently oppose these proposals, absent a clear benefit to shareholders, because they may serve as a transfer of authority from shareholders to the board and a possible entrenchment device. However, where the company appears to have a legitimate financing motive for requesting the authority, or has a history of using blank check preferred stock for financings, we may support the proposal.

Equal voting rights — support

BGI supports the concept of equal voting rights for all shareholders. Some management proposals request authorization to allow a class of common stock to have superior voting rights over the existing common or to allow a class of common to elect a majority of the board. We oppose such differential voting power as it may have the effect of denying shareholders the opportunity to vote on matters of critical economic importance to them.

However, when a shareholder proposal requests to eliminate an existing dual-class voting structure, we seek to determine whether this action is warranted at that company at that time, and whether the cost of restructuring will have a clear economic benefit to shareholders. We evaluate these proposals on a case-by-case basis, and we consider the level and nature of control associated with the dual-class voting structure as well as the company's history of responsiveness to shareholders in determining whether support of such a measure is appropriate.

Fair price provisions — case-by-case

Originally drafted to protect shareholders from tiered, front-end-loaded tender offers, these provisions have largely evolved into anti-takeover devices through the imposition of supermajority vote provisions and high premium requirements. BGI examines proposals involving fair price provisions and generally votes in favor of those that appear designed to protect minority shareholders, but against those that appear designed to impose barriers to transactions or are otherwise against the economic interests of shareholders.

Poison pill plans — case-by-case

Also known as Shareholder Rights Plans, these plans generally involve issuance of call options to purchase securities in a target firm on favorable terms. The options are exercisable only under certain circumstances, usually accumulation of a specified percentage of shares in a relevant company or launch of a hostile tender offer. These plans are often adopted by the board without being subject to shareholder vote.

Poison pill proposals generally appear on the proxy as shareholder proposals requesting that existing plans be put to a vote. This vote is typically advisory and therefore non-binding. We generally vote in favor of shareholder proposals to rescind poison pills.

Where a poison pill is put to a shareholder vote, our policy is to examine these plans individually. Although we oppose most plans, we may support plans that include a reasonable ‘qualifying offer clause.’ Such clauses typically require shareholder ratification of the pill, and stipulate a sunset provision whereby the pill expires unless it is renewed. These clauses also tend to specify that an all cash bid for all shares that includes a fairness opinion and evidence of financing does not trigger the pill, but forces either a special meeting at which the offer is put to a shareholder vote, or the board to seek the written consent of shareholders where shareholders could rescind the pill in their discretion. We may also support a pill where it is the only effective method for protecting tax or other economic benefits that may be associated with limiting the ownership changes of individual shareholders.

COMPENSATION & RETIREMENT BENEFITS

BGI expects a company's board of directors to establish a compensation structure that incentivizes and rewards executives for performing in a manner consistent with the best long-term economic interests of shareholders. We believe that compensation committees are in the best position to make compensation decisions and should maintain significant flexibility in administering compensation programs, given their knowledge of the wealth profiles of the executives they seek to incentivize, the appropriate performance measures for the company and its industry, and other issues unique to the company. We seek to hold the compensation committee accountable for ensuring executive pay is in-line relative to peers and performance, and we use a number of independent consultants in addition to our own analysis to evaluate and identify companies where this may not be the case. Where a company's executive compensation appears to be excessive relative to peers and performance, or egregious pay practices are identified, we may withhold from compensation committee members through the election of directors. This mechanism sends the strongest message to the board and minimizes shareholder interference in the details of executive compensation policies that are the responsibility of the board.

We note that there are also management and shareholder proposals related to executive compensation that appear on corporate ballots. We generally vote on these proposals as described below, except that we typically oppose shareholder proposals on issues where the company already has a reasonable policy in place that we believe is sufficient to address the issue. We may also oppose a shareholder proposal regarding executive compensation if the company's history suggests that the issue raised is not likely to present a problem for that company.

Adopt advisory resolutions on compensation committee reports — oppose

BGI generally opposes these proposals, put forth by shareholders, which ask companies to adopt advisory resolutions on compensation committee reports (otherwise known as "Say-on-Pay"). We believe that compensation committees are in the best position to make compensation decisions and should maintain significant flexibility in administering compensation programs, given their knowledge of the wealth profiles of the executives they seek to incentivize, the appropriate performance measures for the company, and other issues internal and/or unique to the company. In our view, shareholders have a sufficient and much more powerful "say-on-pay" today in the form of director elections, in particular with regards to members of the compensation committee.

Advisory resolutions on compensation committee reports — case-by-case

In cases where there is an advisory vote on compensation put forth by management, BGI will respond to the proposal as informed by our evaluation of compensation practices at that particular company, and in a manner that appropriately addresses the specific question posed to shareholders. On the question of support or opposition to executive pay practices our vote is likely to correspond with our vote on the directors who are compensation committee members responsible for making compensation decisions. Generally we believe these matters are best left to the compensation committee of the board and that shareholders should not dictate the terms of executive compensation. Our preferred approach to managing pay-for-performance disconnects is via a withhold vote for the compensation committee.

Claw back proposals — case-by-case

Claw back proposals are generally shareholder sponsored and seek recoupment of bonuses paid to senior executives if those bonuses were based on financial results that are later restated. We generally favor recoupment from any senior executive whose compensation was based on faulty financial reporting, regardless of that particular executive's role in the faulty reporting. We typically support these proposals unless the company already has a robust claw back policy that sufficiently addresses our concerns.

Employee stock purchase plans — case-by-case

An employee stock purchase plan ("ESPP") gives the issuer's employees the opportunity to purchase stock in the issuer, typically at a discount to market value. We believe these plans can provide performance incentives and help align employees' interests with those of shareholders. The most common form of ESPP qualifies for favorable tax treatment under Section 423 of the Internal Revenue Code. Section 423 plans must permit all full-time employees to participate, carry restrictions on the maximum number of shares that can be purchased, carry an exercise price of at least 85 percent of fair market value on grant date with offering periods of 27 months or less, and be approved by shareholders. We will typically support qualified ESPP proposals.

Equity compensation plans — case-by-case

BGI supports equity plans that align the economic interests of directors, managers and other employees with those of shareholders. Our evaluation of equity compensation plans in a post-expensing environment is based on a company’s executive pay and performance relative to peers and whether the plan plays a significant role in a pay-for-performance disconnect. We generally oppose plans that contain “evergreen” provisions allowing for the ongoing increase of shares reserved without shareholder approval. We also generally oppose plans that allow for repricing without shareholder approval. Finally, we may oppose plans where we believe that the company is aggressively accounting for the equity delivered through their stock plans.

Golden parachutes — case-by-case

Golden parachutes provide for compensation to management in the event of a change in control. We generally view this as encouragement to management to consider proposals that might be beneficial to shareholders. We normally support golden parachutes put to shareholder vote unless there is clear evidence of excess or abuse.

We may also support shareholder proposals requesting that implementation of such arrangements require shareholder approval. In particular, we generally support shareholder approval of plans that exceed 2.99 times an executive’s current compensation.

Option exchanges — case-by-case

BGI may support a request to exchange underwater options under the following circumstances: the company has experienced significant stock price decline as a result of macroeconomic trends, not individual company performance; directors and executive officers are excluded; the exchange is value neutral or value creative to shareholders; and there is clear evidence that absent repricing the company will suffer serious employee incentive or retention and recruiting problems.

Pay-for-performance plans — support

In order for executive compensation exceeding \$1 million to qualify for federal tax deductions, the Omnibus Budget Reconciliation Act (OBRA) requires companies to link that compensation, for the Company’s top five executives, to disclosed performance goals and

submit the plans for shareholder approval. The law further requires that a compensation committee comprised solely of outside directors administer these plans. Because the primary objective of these proposals is to preserve the deductibility of such compensation, we generally favor approval in order to preserve net income.

Pay-for-superior-performance — case-by-case

These are typically shareholder proposals requesting that compensation committees adopt policies under which a portion of equity compensation requires the achievement of performance goals as a prerequisite to vesting. We generally believe these matters are best left to the compensation committee of the board and that shareholders should not set executive compensation or dictate the terms thereof. We may support these proposals if we have a substantial concern regarding the company's compensation practices over a significant period of time, the proposals are not overly prescriptive, and we believe the proposed approach is likely to lead to substantial improvement. However, our preferred approach to managing pay-for-performance disconnects is via a withhold vote for the compensation committee.

AUDITORS & AUDIT RELATED ISSUES

BGI recognizes the critical importance of financial statements that provide a complete and accurate portrayal of a company's financial condition. Consistent with our approach to voting on boards of directors, we seek to hold the audit committee of the board responsible for overseeing the management of the audit function at a company, and may withhold votes from the audit committee's members where the board has failed to facilitate quality, independent auditing. We take particular note of cases involving significant financial restatements or material weakness disclosures.

The integrity of financial statements depends on the auditor effectively fulfilling its role. To that end, we favor an independent auditor. In addition, to the extent that an auditor fails to reasonably identify and address issues that eventually lead to a significant financial restatement, or the audit firm has violated standards of practice that protect the interests of shareholders, we may also vote against ratification.

From time to time, shareholder proposals may be presented to promote auditor independence or the rotation of audit firms. We may support these proposals when they are consistent with our views as described above.

MERGERS, ASSET SALES, CAPITAL RESTRUCTURINGS & OTHER SPECIAL TRANSACTIONS

In reviewing merger and asset sale proposals, BGI's primary concern is the best long-term economic interests of shareholders. While these proposals vary widely in scope and substance, we closely examine certain salient features in our analyses. The varied nature of these proposals ensures that the following list will be incomplete. However, the key factors that we typically evaluate in considering these proposals include:

Market premium: For mergers and asset sales, we make every attempt to determine the degree to which the proposed transaction represents a premium to the company's trading price. In order to filter out the effects of pre-merger news leaks on the parties' share prices, we consider a share price from a time period in advance of the merger announcement. In most cases, business combinations should provide a premium; benchmark premiums vary by industry and direct peer group. Where one party is privately held, we look to the comparable transaction analyses provided by the parties' financial advisors. For companies facing insolvency or bankruptcy, a market premium may not apply.

Strategic reason for transaction: There should be a favorable business reason for the combination.

Board approval/transaction history: Unanimous board approval and arm's-length negotiations are preferred. We examine transactions that involve dissenting boards or that were not the result of an arm's-length bidding process to evaluate the likelihood that a transaction is in shareholders' interests. We also seek to ensure that executive and/or board members' financial interests in a given transaction do not affect their ability to place shareholders' interests before their own.

Financial advisors' fairness opinions: We scrutinize transaction proposals that do not include the fairness opinion of a reputable financial advisor to evaluate whether shareholders' interests were sufficiently protected in the merger process.

SOCIAL & ENVIRONMENTAL PROPOSALS

In addition to governance-related voting matters, BGI also receives proxies containing shareholder proposals addressing either corporate social and environmental policies or requesting specific reporting on these issues. Our philosophy in reviewing these proposals is consistent with the introductory philosophy of these Guidelines. BGI seeks to make proxy voting decisions in the manner most likely to protect and promote the long-term economic value of the securities held in client accounts. We intend to support economically advantageous corporate practices while leaving direct oversight of company management and strategy to boards of directors. We seek to avoid micromanagement of companies, as we believe that a company's board of directors is best positioned to represent shareholders and oversee management on shareholders behalf. We strive instead to use voting as a means to encourage companies to follow practices that enhance shareholder value, increase transparency and allow the market to value corporate assets appropriately.

Issues of corporate social and environmental responsibility are evaluated on a case-by-case basis within this framework. BGI acknowledges the role these issues play in the reputation of companies. Our preferred method of addressing social and environmental issues of concern is through the election of directors. However, in cases where it appears there is either a significant threat or realized harm to shareholders' interests caused by directors or management that is related to a specific environmental or social issue, BGI may support a shareholder proposal addressing the issue. In considering whether to support such a proposal, BGI seeks to ensure that the company has not already taken sufficient steps to address the concern, that there is a clear and substantial economic disadvantage to the company if the issue is not addressed, and that support of the shareholder proposal would enhance shareholder value in a more effective manner than through our vote on the election of directors.