THE MARCO CONSULTING GROUP

February, 2013

Dear Administrator:

Enclosed is a Report that explains every vote at every company for which the Marco Consulting Group cast proxies for the fund in 2012 and Executive Summaries that review in a general way developments and trends in the corporate governance arena during 2012

Please note that our Proxy Policy Statement has been revised to reflect general support for proxy access proposals "if they are reasonable designed to enhance the ability of substantial shareholders to nominate directors." See page 44 of the Executive Summary.

If you have any questions about the enclosed or need additional copies, please let me know.

We appreciate the opportunity to vote your proxies.

Very Truly Yours,

Greg A. Kinczewski
Vice President/General Counsel

Enclosure

THE MARCO
CONSULTING
GROUP

EXECUTIVE SUMMARY

2012 PROXY REPORT

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INTRODUCTION

Marco Consulting Group ("MCG") has been a registered investment advisor since 1989 and has been voting proxies for benefit plans ever since. Most of its proxy voting clients are either subject to ERISA or use it as a guide.

MCG's policies and practices are in complete compliance with Interpretative Bulletin 08-2 issued by the Department of Labor ("DOL") in October, 2008, on proxy voting for ERISA benefit plan trustees.

The Interpretative Bulletin provides:

> Proxy Voting is a fiduciary act of plan asset management under the Employee Retirement Income Security Act of 1974 ("ERISA").
>
> It is appropriate, although not mandatory, for benefit plans to adopt a proxy voting policy.
>
> If plan trustees delegate their proxy voting to an investment advisor, the trustees must still monitor both the voting procedures and the individual votes cast by the advisor.
>
> Actively monitoring or influencing the management of corporations in which plans own stock is consistent with, but not required by, ERISA.
>
> ERISA fiduciaries should determine if the cost of exercising their shareholder rights will have an economic value on the plan's investment that will outweigh the cost of exercising such rights.

This Executive Summary reviews general developments and trends in the corporate governance arena during 2012. Separate from this Executive Summary, MCG provides its clients with a report that lists and explains every issue at every company for which it voted the client's proxies in 2012. The votes are cast pursuant to and in accordance with the attached Proxy Policy Statement (see Tab V).

The Proxy Policy Statement has been amended to distinguish between the wide range of shareholder proposals seeking shareholder access to the companies' proxy material to nominate members of the board of directors. In the past the Proxy Policy Statement expressed general support for such proposals as long as they did not promote hostile takeovers

In 2012, a diverse group of investors sought proxy access at 22 individual companies with proposals ranging from 3% shareholders for three years—which MCG supported as a reasonable standard which reflected a rule enacted by the Securities and Exchange Commission ("SEC") but invalidated by a court decision on procedural grounds--to one hundred or more investors with $2,000 worth of stock held for one year—which MCG opposed as being so low a standard that it would encourage frivolous nominations.

The Proxy Policy Statement has been revised to reflect general support for proposals "if they are reasonable designed to enhance the ability of substantial shareholders to nominate directors." See page 44 of the attached Proxy Policy Statement.

Progress On Compensation, Declassifying Boards, Independent Chairs, Proxy Access

The value of shareholders engaging and educating companies on a sustained basis was evident on a widespread basis in 2012, ranging from executive compensation to independent chairmen to proxy access, but the most vivid example was the declassification of boards of directors so that all directors are held accountable on an annual basis instead of being staggered over three years.

In 1987, shareholder proposals to declassify boards of directors only averaged 16% of the vote. As recently as 10 years ago, more than half of the S&P 500 had classified boards. But thanks to continual shareholder engagement, by 2012 declassified board proposals were averaging 81% of the vote and nearly two-thirds of the S&P 500 has a declassified board.

The engagement/education process on advisory votes on executive compensation, commonly called Say on Pay ("SOP"), has only been in place in the U.S. since 2011 but the results are encouraging. The number of companies with failed votes increased from 41 in 2011 to 59 in 2012 and shareholders are learning to actively negotiate with companies that receive poor votes to improve their compensation policies and practices.

A coalition of 11 institutional investors active in the Council of Institutional Investors ("CII") and the National Conference of Public Employee Retirement Systems used low 2011 SOP votes to target 10 companies in 2012 with a package of four shareholder reform proposals (independent board chair, no gross ups of excise taxes in change of control, no accelerated vesting of equity awards in change of control, substantial retention of equity awards). Of the 35 proposals eligible for submission, investors withdrew 17 following successful negotiations. Of the 18 that went to a vote, the average support was 40% for no gross ups, 38% for no accelerated vesting, 27% for an independent chair and 22% for substantial retention of equity awards.

The case for having an independent Chairman of the Board to monitor the Chief Executive Officer ("CEO") on behalf of shareholders instead of allowing the CEO to supervise himself was strengthened in 2012. A majority of shareholders voted in favor of having an independent chairman at four companies--Keycorp, Kindred Healthcare, McKesson Corporation and Sempra Energy. Independent chair proposals garnered an average of 36% support, an all-time high according to Georgeson.

The Securities and Exchange Commission ("SEC") had issued a rule in 2010 that allowed investors with a 3% stake held for three years to nominate their own directors on proxy ballots but it was stricken by a Federal Appeals Courts in 2011. That prompted the SEC to put the regulation on hold and instead allow investors to request access to proxies on a company-by-company basis through shareholder resolutions of their own design. In 2012, a diverse group of investors sought proxy access at 22 individual companies with proposals ranging from 3% shareholders for three years (the same as the stricken SEC rule) to one hundred or more investors with $2,000 worth of stock held for one year. Two proposals that reflected the stricken SEC rule received majority votes at Chesapeake Energy (60%) and Nabors Industries (56%). Four proposals with a threshold of 1% held for one year (the standards in an earlier SEC proposal rule) received between 31% and 38% support. Proposals that went as low as one hundred or more investors with $2,000 worth of stock for one year received 14% and 31%.

In other significant developments in 2012:

--The Chesapeake Energy board and Chairman/CEO, plagued by disclosure of potential conflicts of interest and having underperformed its peer group for the past five year period while paying its Chairman/CEO one and a half times the median of those peers, became a poster child for corporate governance reform. Only 20% of shareholders supported the SOP—the lowest vote received by any S&P 500 company. The two directors up for election, given the current classified board structure, received only 27% and 26% support. On shareholder proposals: 98% supported majority voting for election of directors; 87% supported eliminating a supermajority voting requirement; 62% approved giving shareholders access to the company proxy to nominate their own directors; 55% favored incorporation in Delaware; and 45% voted for disclosure of political lobbying payments. All that occurred after the company made significant concessions on selecting an independent chair, implementing a majority vote standard for director elections, and reshaping its compensation.

--Progress was made on a number of fronts regarding enhanced disclosure of corporate political spending. The campaign coordinated by the Center for Political Accountability since 2003 for increased disclosure went over the 100 mark in companies agreeing to some form of enhanced disclosure. The Business Round Table, a conservative business group comprised of leading CEOs that works on public policy, updated its operating principles to recommend that at companies engaged in political activities "the board of directors should have oversight responsibility and consider whether to adopt a policy on disclosure of these activities." In 2012 the SEC staff also stated it is looking at a rulemaking petition.

--Institutional shareholders filed a lawsuit against Wal-Mart after *The New York Times* revealed in scathing detail a culture of corruption in the Company's Mexico subsidiary operations that top executives back home, including the CEO and Chairman, attempted to conceal. In November, Wal-Mart released a statement that indicates it may have bribery problems in other markets, including but not limited to Brazil, China and India.

Further details on these and the other most significant developments in corporate governance in 2012 can be found behind Tab IV.

Majority Votes For 92 Shareholder Proposals

In 2012, 92 shareholder proposals received support from a majority of the votes cast "for" and "against," an increase of four from the 88 shareholder proposals that received majority votes in 2011.

All 92 proposals sought corporate governance reform. In 2011 five of the proposals that received majority votes were in the social and environmental category--three were environmental, one was for sexual orientation non-discrimination and the other was for disclosure of political spending.

According to Georgeson, three categories accounted for 76% of the 92 proposals that received majority votes in 2012—41 proposals to repeal classified boards, 17 proposals for a majority vote to elect uncontested directors and 12 proposals to eliminate/reduce supermajority vote provisions. These categories also averaged a majority vote: 81% for repeal classified boards, 69% for eliminate/reduce supermajority vote, and 61% for a majority vote to elect uncontested directors.

The other categories with multiple proposals were to allow shareholders to call special meetings (5), to allow shareholders to act by written consent (5), for an independent chairman of the board (4), to allow shareholders to redeem or vote on a poison pill plan (3), for shareholders to have access to the company's proxy to nominate directors (2).

Georgeson reported that in 2012 there were 37 proposals that received over 80% of the votes cast for and against as compared to 19 in 2011.

98.4%	Baxter	Eliminate/Reduce Supermajority Provisions
98.1%	Baxter	Repeal Classified Board
97.6%	Edwards Lifesciences	Repeal Classified Board
97.4%	Best Buy	Repeal Classified Board
97.0%	Paccar	Majority Vote for Uncontested Directors
96.4%	Lorillard	Repeal Classified Board
95.5%	MEMC Electronic	Repeal Classified Board
93.5%	Quest Diagnostics	Repeal Classified Board
92.9%	ANN Inc.	Repeal Classified Board
92.8%	Lexmark	Repeal Classified Board
92.7%	CF Industries	Repeal Classified Board
91.6%	CF Industries	Majority Vote for Uncontested Directors
91.4%	Peoples United Financial	Repeal Classified Board
91.1%	Cognizant Technology	Repeal Classified Board

90.8%	Healthway	Repeal Classified Board
89.9%	International Bancshares	Majority Vote for Uncontested Directors
89.7%	Hospitality Properties	Repeal Classified Board
89.4%	Chipolte	Repeal Classified Board
89.0%	Apache	Repeal Classified Board
87.9%	QEP Resources	Repeal Classified Board
87.7%	Ryder Systems	Repeal Classified Board
87.3%	CarMax	Repeal Classified Board
86.2%	Chesapeake Energy	Eliminate/Reduce Supermajority Provisions
85.6%	Vornado Realty	Repeal Classified Board
84.9%	Snap-On	Repeal Classified Board
84.5%	Johnson Controls	Repeal Classified Board
84.5%	Masco	Repeal Classified Board
84.0%	Graco	Majority Vote for Uncontested Directors
82.6%	Energen	Repeal Classified Board
82.6%	FMC	Repeal Classified Board
82.5%	U.S. Steel	Repeal Classified Board
82.4%	Edwards Lifesciences	Eliminate/Reduce Supermajority Provisions
81.9%	FLIR Systems	Repeal Classified Board
81.6%	Vornado Realty	Majority Vote for Uncontested Directors
81.0%	EQT	Repeal Classified Board
80.5%	Salesforce.com	Repeal Classified Board
80.1%	Apple	Majority Vote for Uncontested Directors

The most frequently voted corporate governance shareholder proposals by MCG during 2012 were: independent board chair; repeal classified board; require a majority vote for uncontested directors; substantial retention of equity awards; shareholder right to act by written consent; cumulative voting and eliminate/reduce supermajority provisions.

II

SHAREHOLDER PROPOSALS ON CORPORATE GOVERNANCE

Independent Board Chair

Although having an independent chairman of the board (instead of the CEO or some other insider serving as chairman) would be a dramatic change in the U.S., it is common in other countries, particularly in the United Kingdom.

The rationale for this proposal is simple and logical. One of the prime responsibilities of the board of directors is to supervise and monitor on behalf of shareholders the executives that run the company. How effective is that supervision/monitoring going to be if the chairman of the board is also the CEO or some other company insider?

Since many of the companies that were embroiled in the 2008 financial crisis did not have an independent Chairman of the Board of Directors, this proposal received a new impetus in 2009. A record 27 proposals came to a vote then and another record 45 were voted on in 2010. The number of proposals dropped to 30 in 2011 but rebounded in 2012 to a new record 57.

Georgeson reported that in 2012, proposals seeking an independent chair averaged 36% of the votes for and against, an increase from the 32% average in 2011 and an all-time high, surpassing the previous record high of 35% in 2009. MCG supported all 57 such proposals it voted on in 2012.

Repeal Classified Boards

In a classified board, the directors are typically divided into three staggered classes with each class elected for a three-year term. For example, Class A is elected in 2013 and is not up for reelection until 2016. Class B is elected in 2014 and is not up for reelection until 2017. Class C is elected in 2015 and is not up for reelection until 2018.

MCG believes that the classified board structure is not in the best interests of shareholders because it does not allow them to hold board members accountable on an annual basis and makes it virtually impossible to challenge their actions as board members except in the year they stand for reelection.

A 2004 Harvard study found that classified boards are correlated with an economically significant reduction in firm value. Classified boards are also a takeover defense because an acquirer cannot replace all of the members at the same time.

In 2012, according to Georgeson, proposals to declassify boards of directors averaged 81% of the vote (up from 77% in 2011). MCG supported all 54 such proposals it voted on in 2012.

Majority Vote Standard For Director Elections

Corporate governance activists started filing shareholder proposals seeking a majority vote standard for uncontested director elections in 2005 when the SEC abandoned its initial effort to grant shareholders access to companies' proxies to nominate directors. Georgeson reports that 77% of S&P 500 companies have now voluntarily adopted a majority vote standard for uncontested elections.

For years, most boards of directors were elected by a plurality vote standard—nominees who get the most votes win. In a non-contested election (which most are) the only vote options are "for" and "withhold authority." That means a nominee could have only one share cast "for" him/her and still be elected, regardless of how many shareholders withheld their votes for that nominee.

According to Georgeson, the average support for such resolutions that went to a vote in 2012 was 61% of votes cast for and against (compared to 57% in 2011). MCG supported all such 39 proposals it voted on in 2012.

Substantial Retention of Equity Awards

These proposals request that senior executives be required to retain a significant portion (typically 75%) of shares obtained through compensation plans until their employment is terminated. The rationale for this proposal is that retention of shares past employment will better align the interests of the executives with shareholders and focus the executives on the companies' long term success by discouraging excessive risk-taking and promoting long-term, sustained value creation.

Although a number of companies have adopted guidelines that require senior executives to own a minimum number of company shares that is a multiple of the executives' base salary, these executives are frequently granted awards of shares far above that multiple and are free to sell them.

Activist shareholders have expressed concern that minimum stock ownership guidelines based on a multiple of salary do not go far enough to ensure that equity compensation builds executive ownership and that a retention requirement approach is superior to a stock ownership guideline because a guideline loses effectiveness once it has been satisfied.

According to Georgeson, the average vote on these proposals in 2012 was 24% of the votes cast for and against (same as 2011). MCG supported all 32 of such proposals it voted on in 2012.

Act By Written Consent

The proponents of the resolution, which first began appearing with regularity in the 2010 season, state that the right to act by written consent gives shareholders the opportunity to raise important matters outside the normal annual meeting cycle.

An action by written consent gives shareholders the right to approve certain corporate matters without having to call a meeting of shareholders or to give notice to all shareholders about the matters being approved. In some instances, an action by written consent could be more efficient and cost-effective than holding a special meeting. Shareholders could also use the written consent process to try and effectuate change, including using the right to call a special meeting and, in some cases, to remove directors.

According to Georgeson, this proposal averaged 45% in 2012 (compared to 48% in 2011 and from the 54% average in 2010). The downward trend can be attributed to ISS switching from across-the-board support to a case-by-case analysis that factored in the rest of a company's governance structure. MCG supported all 21 such proposals it voted on in 2012.

Cumulative Voting

Cumulative voting entitles each shareholder to votes equal to the number of shares he or she holds multiplied by the number of directors to be elected. For example, if a shareholder has 100,000 shares and there are 10 nominees, he will have 1 million votes. Shareholders are allowed to lump all their votes for a few favored directors instead of spreading them equally among all candidates. Using the example above, a shareholder could cast 500,000 shares each for two nominees or even cast all 1 million shares for a single candidate.

MCG believes that cumulative voting is one of the most effective ways shareholders can attempt to elect board members who represent their interests.

The average vote in 2012 for cumulative voting proposals, according to Georgeson, was 25% of the votes cast for and against (as compared to 33% in 2011). MCG supported all 20 of such proposals it voted on in 2012.

Eliminate Supermajority Votes

The by-laws at some companies provide that on certain issues—such as amending by-laws—a simple majority vote of the shareholders (i.e., one more than 50%) will not suffice and a supermajority vote (e.g., 66.6% or 75%) is required.

Supermajority requirements have become a more important issue recently because most shareholder proposals are "precatory" in nature, which means advisory. When some companies ignore majority votes on precatory proposals, shareholders have reacted by filing binding proposals, many times as an amendment to the company's by-laws.

Shareholders can address the supermajority issue head on by filing proposals asking companies to voluntarily eliminate supermajority vote provisions. MCG's position is that a majority vote by shareholders should be sufficient for all matters.

In 2012, according to Georgeson, proposals to eliminate supermajority votes received an average vote of 69% (compared to 62% in 2011). MCG supported 19 of the 20 proposals it voted on in 2012. The one eliminate supermajority vote proposal it opposed was at News Corp because the supermajority vote requirement was necessary to protect minority shareholders from the Murdoch family voting block.

III

BOARD PROPOSALS ON CORPORATE GOVERNANCE

Election Of Directors

MCG analyzes nominees for boards of directors on a case-by-case basis, focusing primarily on the following factors:

<u>The financial performance of the company during the tenure of incumbent nominees</u>. If the company has consistently under performed a broad market index and/or its peer group over an extended time, MCG will generally vote to withhold authority for all nominees to the board, unless the board has taken firm, positive steps to improve the company's performance.

<u>Whether nominees serve as independent, outside directors or as insiders (senior executive employee, former employee, relative of a senior executive employee, or contractor with the company)</u>. Since the board is supposed to represent shareholders by monitoring and directing key executives, common sense dictates that the interests of shareholders will not be given priority over the key executives if a majority of the board consists of insiders who are directly tied to the interests of the company's key executives. Stock Exchange listing requirements call for a majority of independent outsiders on boards, but the Enron, Tyco and WorldCom scandals showed that a mere majority of independent outsiders on the board is not sufficient to protect shareholder interests. Therefore, since 2004 MCG began withholding authority from all insider nominees if there is not a two-thirds majority of independent outsiders on the board.

<u>Whether the board has taken any action that is egregiously adverse to shareholder interests, such as repricing underwater stock options</u>. In such cases, MCG will vote to withhold authority for all nominees to the board.

<u>Whether any nominees failed to attend 75% of their board and committee meetings without a valid excuse, such as illness or being away on company business</u>. If they have attendance problems and no valid excuse, MCG will vote to withhold authority for them.

In 2012, MCG voted on 41,420 nominees for boards of directors, compared to 42,063 nominees in 2011.

In 2012, MCG voted in favor of 23,394 nominees (57% compared to 55% in 2011), against 17,533 nominees (42% compared to 43% in 2011), and abstained on 493 (1% compared to 2% in 2011).

Ratification Of "Independent" Auditors

Up until 2001, votes to ratify a company's independent auditors were the most routine of issues and even the most diligent of proxy voting agents rubberstamped the company's choice.

Then the SEC required companies to disclose how much they paid their accountants for "other" work and how much they paid them for their "independent" audit work in the prior year. Shareholders were startled to learn that, on the average, companies were paying their accountants three times more for "other" work than for their "independent" audit work.

MCG reacted immediately by voting against the ratification of auditors who were being paid substantial amounts from the company for "other" services, which resulted in it voting against Arthur Andersen as Enron's auditors in 2001—months before the scandal surfaced. MCG also began to abstain on the ratification of auditors in countries that do not require disclosure of auditor compensation.

In 2002, Congress passed the Sarbanes-Oxley Act ("SOX"), which limited the auditor conflict issue, although it still allowed auditors to perform tax and other non-audit related services for companies they audit. In 2003, when the disclosures were for pre-SOX 2002 audit fees, MCG only voted in favor of 13% of all auditors.

Although auditors continue to receive substantial amounts of money for non-audit services in the post-Sarbanes-Oxley era, the amount has dropped significantly. In 2005 MCG voted for a majority of auditors for the first time since the disclosures began.

In 2012, MCG cast votes on 5,833 "independent" auditors. MCG voted for 3,475 (60% compared to 66% in 2011) of the auditors, against 1,974 (34% compared to 29% in 2011) of the auditors and abstained on 384 (6% compared to 5% in 2011) of the auditors. The abstentions reflect the failure of overseas companies to sufficiently disclose auditor fees, which prevents an evaluation of potential auditor conflicts.

Compensation

Cash and stock bonus plans are used by companies to award their key executives, outside directors and rank-and-file employees.

Cash plans are analyzed by MCG by studying if the plans have specific and challenging performance standards. If they do, the next question is whether the standards for calculating bonuses produce results that are not excessive.

Stock plans can take many forms. The most common are: stock option plans, which give the option holder the right to exercise the option to buy stock at a set price in the future; restricted stock plans, which grant stock to a person at no cost, but the person has no right to the stock until certain conditions are met (sometimes the mere passage of time); and employee stock ownership plans, which allow stock to be purchased by all full-time and some part-time employees through payroll deductions and are subject to federal guidelines.

The factors MCG weighs when it reviews stock plans on a case-by-case basis include whether:

> Are performance standards specified for the grant of stock that serve as a true reward for past superior performance and an incentive for future performance?
>
> Is the amount of dilution to current shareholder equity excessive? Any amount in excess of 5% dilution is suspect.
>
> Do change-in-control provisions allow for the vesting of options or restricted stock to accelerate?
>
> Can underwater options (i.e., their fair market value has dropped below their exercise price) be repriced?
>
> Is participation in the plan widespread?
>
> Are the number of shares any individual can receive reasonably limited?

In 2012, MCG voted on 5,197 compensation plans. MCG voted in favor of 1,142 (22% compared to 29% in 2011) of the plans, against 3,437 (66% compared to 61% in 2011) of the plans and abstained on 618 (12% compared to 10% in 2011) because overseas companies did not provide adequate background information.

2012 was the second year of advisory say-on-pay shareholder votes ("SOP) at nearly all publicly-traded U.S. companies. The threshold query for MCG in analyzing such votes is whether a company's compensation reflected its performance. In resolving that issue, MCG relied on research data that showed how the company had performed versus its peers in total return to shareholders and how it had paid its CEO and other top executives versus its peers. MCG also checked whether restricted stock awards were performance vesting or time vesting.

The next queries were to determine the amount of dilution in stock compensation plans, if the company had given its executives golden parachutes and, if it did, whether golden parachutes included tax gross-up payments?

MCG would then weigh all the factors. Decisions to (a) vote against compensation at companies that substantially underperformed their peers but substantially overcompensated their executives and (b) vote for compensation at companies that substantially outperformed their peers and substantially undercompensated their executives were relatively easy to reach. (NOTE: MCG's analysis at overseas companies is hampered by the lack of data for peer group comparisons on compensation and performance.) When the performance/compensation peer group analysis was less black-and-white, the dilution/golden parachute/tax gross-ups analysis became more significant.

In 2012, MCG voted on 3,667 domestic and overseas management proposals for an advisory vote on compensation. It voted in favor of 1,215 (33% compared to 35% in 2011) and against 2,415 (66% compared to 65% in 2011) and abstained on 37 (1%) companies for which it did not have adequate background information. MCG's voting record on just 2,357 domestic companies was 916 in favor (39% compared to 40% in 2011), 1,439 against (61% compared to 60% in 2011) and two abstentions.

The Dodd-Frank legislation also enables shareholders to decide if they want to vote on a company's executive compensation annually, every two years or every three years. MCG believes that annual approval is in the best interests of shareholders. In 2012 it voted that way at 227 meetings.

Common Stock Increases

Increases in common stock authorizations can negatively affect shareholder value because once the increases are approved by shareholders, the board of directors can issue the additional shares at its discretion, without seeking approval of the shareholder.

This could include issuance of shares for financial recapitalization plans or for acquisitions or to thwart hostile (but desirable from a shareholder view) takeovers. And, whenever such shares are issued, they also dilute current shareholders' proportion of earnings and control of the company.

MCG carefully scrutinizes attempts to increase common stock authorizations. In scrutinizing such proposals, MCG studies whether an excessive amount of stock is being sought, such as more than 50% of the amount currently available, or, if there is very little stock currently available, more than 50% of the amount currently authorized. MCG also studies whether there is a specific purpose for increasing the stock authorization—such as an acquisition or a stock split.

In 2012, MCG voted on increases in common stock authorization at 324 companies. MCG voted in favor of 121 (37% compared to 49% in 2011) of the increases, against 197 (61% compared to 47% in 2011) of the increases and abstained on 6 (2% compared to 4% in 2011).

IV

FOR IMMEDIATE RELEASE
January 7, 2013

MCG LISTS 10 MOST SIGNIFICANT CORPORATE GOVERNANCE DEVELOPMENTS IN 2012

Positive developments for shareholders in 2012 on issues ranging from executive compensation to declassified boards to independent chairmen to proxy access highlight the Marco Consulting Group's ("MCG") annual list of the 10 Most Significant Corporate Governance Developments.

MCG is the largest investment consultant to multiemployer benefit plans in the United States. MCG provides more than 400 multiemployer and public benefit plans with an aggregate asset valuation of $127 billion with investment consulting, fiduciary and proxy-voting only services.

MCG Chairman Jack Marco said that although the value of shareholders engaging and educating companies on a sustained basis was evident on a widespread basis in 2012, the most vivid example was the declassification of boards of directors so that all directors can be held accountable on an annual basis instead of being staggered over three years.

"Back in 1987 declassified board proposals only averaged 16% of the vote," Marco said. "As recently as 10 years ago, more than half the S&P 500 had classified boards. But thanks to continual shareholder engagement and education over 25 years, by 2012 declassified board proposals were averaging 81% of the vote and nearly two-thirds of the S&P 500 has declassified boards.

"The engagement/education process on advisory votes on executive compensation has only been in place on a widespread basis in the U.S. since 2011 but the results are encouraging," Marco continued. "The number of companies with failed votes increased from 41 in 2011 to 59 in 2012 and shareholders are learning to actively negotiate with companies that receive poor votes to improve their compensation policies and practices."

Marco noted that there was substantial progress in 2012 on a traditional issue—having an independent chairman of the board of directors to enhance supervision of management—and a relatively new one—shareholders having access to the company's proxy materials to nominate a limited number of directors. Four shareholder proposals seeking an independent chair passed and had an average vote of 36%, an all-time high. Two shareholder proposals on proxy access received a majority vote and a number were withdrawn after successful negotiations with companies.

MCG's list of the 10 most significant developments in corporate governance in 2012 is:

1. Shareholder Support for Declassified Boards Climbs Towards Unanimous. In 1987, proposals seeking to require all directors to stand for election annually (instead of being divided into three classes with only one class up for election each year) received an average of 16% support. Shareholder reformers opposed classified boards because it prevented annual accountability of directors and discouraged takeovers that could be beneficial to shareholders. In 2012, these same proposals garnered an average vote of 81% according to proxy solicitation firm Georgeson—compelling evidence of the market-wide effects of sustained investor education of fellow shareholders and pressure on companies regarding bad corporate governance policies. ISS reported that 10 years ago, a majority of S&P 500 companies had classified boards but by 2012 the pendulum had swung to where nearly two-thirds of all S&P 500 companies have declassified boards.

2. More Failed Votes and Shareholder Engagement in Second Year of Comprehensive Say-on-Pay ("SOP") Votes. In 2012, U.S. shareholders voted down compensation plans at 59 companies in the Russell 3000 index, up from 41 in 2011--which was the first year of widespread advisory votes on compensation at U.S. publicly traded firms pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank). For the most part, investors reacted against misalignment between poorly performing companies and outsized compensation when casting votes against these plans. Overall, average shareholder support edged upwards in 2012 one percentage point to 91%. Many companies that received poor SOP votes in 2011 revamped policies and practices to fare better the next go-round. A coalition of 11 institutional investors active in the Council of Institutional Investors ("CII") and the National Conference of Public Employee Retirement Systems used low 2011 SOP votes to target 10 companies in 2012 with a package of four shareholder reform proposals (independent board chair, no gross ups of excise taxes in change of control, no accelerated vesting of equity awards in change of control, substantial retention of equity awards). Of the 35 proposals eligible for submission, investors withdrew 17 following successful negotiations. Of the 18 that went to a vote, the average support was 40% for no gross ups, 38% for no accelerated vesting, 27% for an independent chair and 22% for substantial retention of equity awards. Three of the 18 proposals that went to a vote in 2012 will not be refiled in 2013 due to post-meeting Company responsiveness. The coalition will engage 10 companies again in 2013--six with the reform package (three reengagements from 2012, three new targets) and four with a new proposal that requests the companies disclose quantifiable performance metrics, numerical formulas and payouts to enable shareholders to determine the specific awards that will result from specific performance when they are asked to approve future performance based stock compensation plans.

3. Poor SOP Votes in UK and Australia Have Heightened Consequences.

The CEOs of three UK firms-- Aviva, AstraZeneca and Trinity Mirror--stepped down after failed 2012 SOP votes. The U.K. market is posed for new reforms in 2013 that will require companies to submit pay plans to shareholders every three years for a binding vote, in addition to the annual advisory version. Australia implemented a "two-strikes" rule that came into full effect in 2012. Companies that fail to get a supermajority of 76% of support for their executive pay plans two years in a row must allow shareholders to vote on whether to reject the entire board of directors and elect new officers. Twelve companies were at risk for a second strike in 2012. They all instituted dramatic changes to their remuneration packages in the run-up to the 2012 votes, including a dismissal of the CEO in at least one case. Shareholders voted against the remuneration plans at only two of those companies (Cabcharge and Linc Energy) but in both cases a majority voted to spare the board.

4. Chesapeake Energy Becomes Poster Child for Corporate Governance Reform. The Chesapeake Energy board and Chairman/CEO faced scrutiny after several undisclosed potential conflicts of interest came to light in 2012—which coincided with the Company having underperformed its peers group for the past one, three and five year periods while paying its Chairman/CEO one and a half times the median of those peers. Four days ahead of the annual meeting, the Company acquiesced on a number of issues. It reached an agreement with major investors to reconstitute the board replacing four directors with new independents—and selecting a new independent Chairman; agreed to implement a majority vote standard, subject to shareholder approval, and to apply the standard to the 2012 director elections; committed to seek relief in 2013 from the Oklahoma statue it helped pass to require classified boards; and made adjustments to its compensation plans. Shareholders felt it was too little too late. Only 20% of shareholders supported the SOP—the lowest vote received by any S&P 500 company. The two directors up for election, given the current classified board structure, received only 27% and 26% support. On shareholder proposals: 98% supported majority voting for election of directors; 87% supported eliminating a supermajority voting requirement; 62% approved giving shareholders access to the company proxy to nominate their own directors; 55% favored incorporation in Delaware; and 45% voted for disclosure of political lobbying payments.

5. Wide Variety of Proxy Access Proposals Filed At 22 Companies—Two That Mirror SEC Stricken Rule Get Majority Vote. The SEC had issued a rule in 2010 that allowed investors with a 3% stake held for three years to nominate their own directors on proxy ballots but it was stricken by a Federal Appeals Courts in 2011. That prompted the SEC to put the regulation on hold and instead allow investors to request access to proxies on a company-by-company basis through shareholder resolutions of their own design. In 2012, a diverse group of investors sought proxy access at 22 individual companies with proposals ranging from 3% shareholders for three years (the same as the stricken SEC rule) to one hundred or more investors with $2,000 worth of stock held for one year. A number of the proposals were withdrawn after negotiations with the companies and some were omitted from the ballot because they ran afoul of SEC rules. Two proposals that reflected the stricken SEC rule received majority votes at Chesapeake Energy (60%) and Nabors Industries (56%). Four proposals with a threshold of 1% held for one year (the standards in an earlier SEC proposal rule) received between 31% and 38% support. Proposals that went as low as one hundred or more investors with $2,000 worth of stock for one year received 14% and 31%.

6. Argument for Independent Chairman Grows. The case for having an independent Chairman of the Board to monitor the CEO on behalf of shareholders instead of allowing the CEO to supervise himself was strengthened in 2012. A majority of shareholders voted in favor of having an independent chairman at four companies-- Keycorp, Kindred Healthcare, McKesson Corporation and Sempra Energy. Independent chair proposals garnered an average of 36% support, an all-time high according to

Georgeson. GMI Ratings found that companies that combined the roles of CEO and chairman paid more for the leadership and had worse long-term performance. Its study of 180 North American companies with a market capitalization of $20 billion or more found executives serving in both roles had a median of $16 million in total compensation, compared with a combined $11 million paid to CEO and chairmen where the roles are separate. The group also found combined CEO/chairs tended to take on more risk, showing a greater risk of defaulting on debts, laying off employees, selling assets or restructuring, or taking other steps to deal with a weakened financial condition. The study also revealed that while total shareholder return is higher for companies with the combined leadership roles in the short term, five-year returns are nearly 28% higher at companies with a separate CEO and chairman.

7. Investors Have Much to Say on Golden Parachutes. In addition to SOP advisory votes, Dodd-Frank gives shareholders an advisory vote on severance packages at companies that are undergoing a change in control. Voting results show shareholders were not hesitant to vote down severance payments in 2012 even while supporting the merger or acquisition that triggered the award. While shareholders approved all merger and acquisition votes in 2012, they voted down three golden parachutes at Coventry Health Care, Interline Brands and Cooper Industries. The median vote for the say on golden parachutes was 85%, according to ISS data. An element of severance packages that has drawn investor attention in the last few years is whether executives are eligible for severance benefits and accelerated equity awards even if they do not lose their jobs as part of a change in control. Plans that require a termination in employment are referred to as "double-triggered" while those that provide awards even if the executives stay on at the new entity are called "single-triggered." Shareholders filed 12 proposals in 2012 on either asking companies to implement a double trigger or requesting that equity awards vest on a pro rata basis, rather than all at once in the case of a change in control. The combined median for these two proposals was 41% in 2012.

8. Business Roundtable, SEC and Shareholders Ponder Political Contributions. Shareholders have been filing proposals for a number of years asking for board oversight and disclosure of political spending. Few companies were disclosing information related to their political spending when the Center for Political Accountability began its shareholder campaign in 2003. In 2012 the Business Roundtable (BRT), a conservative business group comprised of leading CEOs that works on public policy, updated its operating principles to recommend that at companies engaged in political activities "the board of directors should have oversight responsibility and consider whether to adopt a policy on disclosure of these activities." In 2012 the SEC staff also stated it is looking at a rulemaking petition that was filed by ten academics with expertise in corporate and securities law, including Lucian Bebchuk of Harvard Law School, requesting mandatory disclosure of political spending, which has generated 300,000 comments. It is unclear what the SEC's timeline may be. At least 100 companies have now agreed to report their political spending, although the level of detail in the reporting varies widely. WellPoint, which had a policy to disclose trade association dues or similar payments, became the focus of a 2012 "vote no" campaign after it omitted its special assessment payments to a trade group that were fed into a $86 million U.S. Chamber of Commerce ad campaign against the Affordable Care Act. Shareholder support for proposals requesting companies to disclose their political contributions varied widely in 2012 depending on the particular information or action requested. The median vote for proposals seeking a full accounting of political spending and proposals that tacked on lobbying payments to that request was 25%, including a majority vote at WellCare and six additional votes that received more than 40% support. Shareholders withdrew 13 proposals in response to companies improving their disclosure. Three proposals asking companies to end political spending each received less than 6% of the vote. Proposals requesting that companies put political spending decisions to an advisory vote of shareholders received similarly low levels of support.

9. "Zombie Directors" Haunt Boards. In 2012, 46 of 51 directors at Russell 3000 companies who failed to get majority support from shareholders even though they were running unopposed remained on the board either because the companies' bylaws only required that nominees receive a plurality of votes—not difficult to do if there is no opposition--or the companies refused to accept a resignation of a director. CII coined these directors "zombies" since shareholders voted them out, yet they remain alive on the board. The zombie directors may not come up for election again until 2015 since half of the affected companies have classified boards. Two-thirds of shareholder proposals seeking a majority voting standard for directors running unopposed received at least 51% of the vote in 2012 and nearly all the remaining votes received at least 40% support.

10. Wal-Mart Investigated for Rampant Bribery to Speed Expansion in Mexico. If Chesapeake Energy is 2012's poster child for belated corporate governance reform, Wal-Mart was the company most in need of it. *The New York Times* revealed in scathing detail a culture of corruption in the Company's Mexico subsidiary operations that top executives back home, including the CEO and Chairman, attempted to conceal. The U.S. Foreign Corrupt Practice Act (FCPA) bars American companies operating abroad from bribing foreign officials. Wal-Mart de Mexico, according to the article, paid up to $24 million in bribes to buy zoning approvals, reductions in environmental impact fees and the allegiance of neighborhood leaders and politicians. The result was the rapid expansion of Wal-Mart de Mexico stores and the promotion of its CEO to Wal-Mart's Vice Chairman. The U.S. Justice Department, the SEC and Mexican authorities are investigating the allegations and shareholder lawsuits have been filed against the

Company led by the Indiana Electrical Workers Pension Trust Fund IBEW, the California State Teachers' Retirement System and the New York City Employees' Retirement System. Meanwhile, the story continues to unfold. In November, Wal-Mart released a statement that indicates it may have bribery problems in other markets, including but not limited to Brazil, China and India.

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Proxy Policy Statement

Proxy Policy Statement

This statement sets forth the guidelines of the Marco Consulting Group (MCG) regarding the voting of client proxies.

Our policy is designed to reflect the fiduciary duty to vote proxies in favor of shareholder interests. In determining our vote, we will not subordinate the economic interest of the plan participants to any other entity or interested party.

Per the terms of ERISA, we will "cast the (client's) proxies in a timely manner solely in the interests of the participants and beneficiaries of (client's) Plan for the exclusive purpose for providing benefits to participants and their beneficiaries and defraying the reasonable expenses of administering the Plan with care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity familiar with such matters would use in the conduct of an enterprise of like character and with like aims in accordance with the documents and instruments governing the Plan in accord with the provisions of ERISA."

U.S. Department of Labor Interpretative Bulletin 08-2, October, 2008, directs fiduciaries to determine if the cost of exercising their shareholder rights—including but not limited to expenditures related to developing proxy resolutions, proxy voting services and the analysis of the likely net effect of a particular issue on the economic value of the plan's investment—will have an effect on the economic value of the plan's investment that will outweigh the cost of exercising such rights. This is a very uncomplicated determination for MCG clients.

--MCG clients expend no amounts on the development of proxy resolutions. All such costs (research, drafting, responding to company no-action requests, negotiating with companies, travel to and attending meetings) are covered by MCG's consulting or proxy voting fee.

--MCG's full service consulting clients pay no proxy voting fee—it is included in the consulting fee. MCG's proxy voting only clients pay a fee that depends on the number and size of equity portfolios. The average fee that proxy voting only clients pay to discharge their fiduciary duty for proxy voting is a fraction (0.0018% or .18 of 1 basis point) of the equity asset valuation of MCG's proxy voting only clients.

--The minimal cost to MCG's clients to exercise their shareholder rights through shareholder resolutions and to discharge their fiduciary duty for proxy voting is far outweighed by the benefits to the economic value of the clients' investment from supporting good corporate governance issues, as consistently shown in numerous studies and surveys of leading institutional investors and actual events. Specifically:

> A survey in 2000 by the World Bank of 200 institutional investors In the U.S., Europe, Asia and Latin America whose aggregate assets were valued at $3.25 trillion revealed that 75% of the respondents considered corporate governance to be at least as important as financial performance when evaluating assets and 80% said they would pay more for shares of a well-governed company than a poorly-governed company with comparable financials. The good governance factors were: a majority of independent directors; formal evaluations of directors; company responsiveness to requests on governance issues; directors holding significant shares of the company; and a large portion of director compensation being paid in stock.
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> A 2003 study of 1,600 major U.S. and foreign companies by Governance Metrics International that assessed businesses on 600 criteria (e.g., auditor independence, conflict of interest among top executives, potential share dilution from stock options, board independence, financial disclosure and internal controls) found that over three years, companies with the poorest governance ratings lost an average of 13% a year compared with a loss of 1.8% for all companies. Companies with good governance ratings beat those rated near the bottom for periods of over five and 10 years. The study concluded that superior governance does not necessarily generate superior returns, but inferior governance does evidence inferior returns.
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> A 2003 study in the Quarterly Journal of Economics, "Corporate Governance and Equity Prices," found that those firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth and lower capital expenditures.
>
> A 2004 Harvard University study found that classified boards are correlated with an economically significant reduction in firm value. The study applied a standard financial economic measure know as Tobin's Q (market value of assets divided by their book value) to more than 1,400 companies accounting for more than 90% of the total capitalization of the U.S. stock market. Having a classified board reduced a company's Tobin's Q value by an average of three to four per cent.

A 2004 study in Financial Analysts Journal found that as the number of outside directors on board and key committees increased, the likelihood of misdeeds decreased, which lends support to the corporate governance activists who argue that a substantial majority of independent outsiders is needed on boards to protect shareholders, not just the simple majority in the listing requirements of the New York Stock Exchange and NASDAQ. The study compared 133 companies accused of fraud from 1978-2001 with another sample of 133 no-fraud companies of similar size and in the same industries.

In 2005, an Institutional Shareholder Services study showed that companies with better corporate governance outperformed poorly-governed companies in return on investment, annual dividend yield, net profit margin and price-to-earnings ratio.

In 2006, Institutional Shareholder Services surveyed more than 300 large investors overseeing $10.5 trillion in assets in 19 countries and found that: 94% of investors view corporate governance as critical to their companies; 63% think corporate governance will become even more critical over the next three years; 67% believe that corporate governance offers value; and 58% think that corporate governance enhances investment returns.

A 2007 study by Governance Metrics that graded the S&P 500 companies on more than 400 corporate governance variables as well as their stock performance from July 1, 2003 through June 30, 2006, found that those companies that were graded above average on corporate governance outperformed the S&P 500 in total shareholder return (13.46% to 11.32%) and those companies with below average corporate governance ratings underperformed the S&P 500 (10.53% to 11.32%).

A 2007 study by Wilshire Consulting for the California Public Employees' Retirement System (CalPERS) showed that of the 128 poorly performing focus list companies CalPERS engaged from 1987-2005 to improve their corporate governance: the companies underperformed their respective benchmarks by 86.7% for the five years preceding CalPERS activism; the companies outperformed their respective benchmarks by 12.2% for the subsequent five-year period.

In 2007, Institutional Shareholder Services attributed shareholder activism with creating $3.3 billion in additional value for Caremark shareholders by forcing CVS to restructure its acquisition of Caremark.

Each proxy will be reviewed on a case-by-case basis with final decisions based on the merits of each case. In reviewing the proxy issues, we will use the following Issue Guidelines for each of the categories of issues listed below. If any conflicts of interest should arise, MCG will resolve them pursuant to the steps prescribed in the Administrative Procedures section below.

Issue Guidelines

Election of Directors

The members of the boards of directors are elected by shareholders to represent the shareholders' interests. This representation is most likely to occur if two-thirds of the members are independent outsiders as opposed to insider directors (such as senior management employees, former employees, relatives of management or contractors with the company). If two-thirds of the board is not represented by independent outsiders, a vote will usually be cast to withhold authority on the inside directors.

Other factors that will be considered when reviewing candidates will be the number of corporate boards on which they already serve (ideally directors with fulltime jobs should serve on no more than three other boards and no individual should serve on more than five other boards), their performance on committees and other boards, the company's short-term and long-term financial performance under the incumbent candidates, the company's responsiveness to shareholder concerns (particularly the responsiveness to shareholder proposals that were approved by a majority of shareholders in the past 12 months) and other important corporate constituents, the overall conduct of the company (e.g., excessive executive compensation, adopting anti-takeover provisions without shareholder approval) and not attending at least 75% of Board and Committee meetings unless there is a valid excuse.

Recently, more emphasis has been placed on the independence of key Board committees—audit, compensation and nominating committees. It is in the best interests of shareholders for only independent directors to serve on these committees. Votes will be withheld from any insider nominee who serves on these committees.

In contested elections of directors, the competing slates will be evaluated upon the personal qualifications of the candidates, the quality of the strategic plan they advance to enhance long-term corporate value, management's historical track record, the background to the proxy contest and the equity ownership positions of individual directors.

Ratification of Auditors

The ratification of auditors used to be universally considered a routine proposal, but a disturbing series of audit scandals at publicly-traded companies and SEC-mandated disclosures that revealed auditors were being paid much more for "other" work at companies in addition to their "audit" work have demonstrated that the ratification of auditors needs to be scrutinized as much as the election of directors.

Although the Sarbanes-Oxley Act of 2002 attempted to address the issue of auditor conflicts of interest, it still allows auditors to do substantial "other" work (primarily in the area of taxes) for companies that they audit. Therefore MCG will weigh the amount of the non-audit work and if it is so substantial as to give rise to a conflict of interest, it will vote against the ratification of auditors. Concern will be raised if the non-audit work is more than 20% of the total fees paid to the auditors. Other factors to weigh will be if the auditors provide tax avoidance strategies, the reasons for any change in prior auditors by the company, and if the same firm has audited the company for more than seven years.

Routine Proposals

Routine proposals are most commonly defined as those which do not change the structure, by laws, or operation of the company to the detriment of the shareholders. Traditionally, these issues include:

-Indemnification provisions for directors;
-Liability limitations of directors;
-Stock splits/reverse stock splits;
-Name changes.

Given the routine nature of these proposals, proxies will usually be voted with management. However, each will be examined carefully. For example, limitations on directors' liability will be analyzed to ensure that the provisions conform with the law and do not affect their liability for such actions as the receipts of improper personal benefits or the breach of their duty of loyalty. The analysis of a proposal to limit directors' liability would also taken into consideration whether any litigation is pending against current board members.

Non-Routine Proposals

Issues in this category are more likely to affect the structure and operation of the company and, therefore will have a greater impact on the value of a shareholder's investment. We will review each issue in this category on case-by case basis.

As previously stated, voting decisions will be made based on the financial interest of the plan beneficiaries. Non-routine matters include:

Mergers/Acquisitions and Restructuring
Our analysis will focus on the strategic justifications for the transaction and the fairness of any costs incurred.

Advisory Votes on Compensation Policies and Practices
To evaluate compensation policies and practices, the threshold query is "does a company's compensation reflects its performance"? This will be determined by how a company has performed for shareholders compared to its peer group as well as by how a company has compensated its executives compared to its peer group. Whether restricted stock awards are time vesting or performance vesting will also be taken into consideration. Additional queries will be made to determine the level of dilution in stock compensation plans, and to ascertain if golden parachutes have been awarded to executives and, if they have, whether they pay tax gross-ups. The threshold query will carry the most weight, but the additional queries can be persuasive in the event the answer to the threshold query is not clear cut. There will also be an option as to whether the company should have these advisory votes on compensation on an annual basis or every two or three years. An annual basis is in the best interests of shareholders.

Advisory Votes on Severance Packages In Connection with Mergers/ Acquisitions
The factors to weigh are whether the total payment is in excess of 2.99 times salary and bonus, whether excise taxes are grossed-up, if there is a double trigger for cash payments and whether the accelerated vesting of stock awards is excessive.

Fair-Price Provisions
These attempts to guard against two-tiered tender offers in which some shareholders receive less value for their stock than other shareholders from a bidder who seeks to take a controlling interest in the company. There can be an impact on the long-term value of holdings in the event shareholders do not tender. Such provisions must be analyzed on a case-by-case basis.

Reincorporating
A company usually changes the state or country of its incorporation to take advantage of tax and corporate laws in the new state or country. These advantages will be weighed along with any loss in shareholder rights and protections under the laws of the new state or country.

Changes in Capitalization
Our inquiry will study whether the change is necessary and beneficial in long run to shareholders. An example of a change that was neither was at Harcourt, Brace & Jovanich, which took on $3 billion in debt to ward off future hostile suitors and saw the value of its price per share plummet from $44.00 to $0.75. Creation of blank check preferred stock, which

gives the board broad powers to establish voting, dividend and other rights without shareholder review, will be opposed.

Increase in Preferred and Common Stock
Such increases can cause significant dilution to current shareholder equity and can be used to deter acquisitions that would be beneficial to shareholders. We will determine if any such increases have a specific, justified purpose and if the amounts of the increase are excessive.

Stock/Executive Compensation Plans
The purpose of such plans should be to reward employees or directors for superior performance in carrying out their responsibilities and to encourage the same performance in the future. Consequently, the plan should specify that awards are based on the executive's/director's and the company's performance. In the case of directors, their attendance at meetings should also be a requirement. In evaluating such plans we will also consider whether the amount of the shares cause significant dilution (5% or more) to current shareholder equity, how broadbased and concentrated the grant rates are, if there are holding periods, if the shares are sold at less than fair market value, if the plan contains change-in-control provisions that deter acquisitions, if the plan has a reload feature, and if the plan allow the repricing of "underwater" options.

Employee Stock Purchase Plans
These are broad-based plans, federally regulated plans which allow almost all fulltime and some part-time workers to purchase limited amounts of company stock at a slight discount. Usually the amount of dilution is extremely small. They will normally be supported because they do give workers an equity interest in the company and better align their interests with shareholders.

Creation of Tracking Stock
Tracking stock is designed to reflect the performance of a particular business segment. The problem with tracking stocks is they can create substantial conflicts of interest between shareholders, board members and management. Such proposals must be carefully scrutinized and they should be supported only if a company makes a compelling justification for them.

Approving Other Business
Some companies seek shareholder approval of management being given broad authority to take action at a meeting without shareholder consent. Such proposals are not in the best interests of shareholders and will be opposed.

Corporate Governance Proposals

We will generally vote against any management proposal that is designed to limit shareholder democracy and has the effect of restricting the ability of shareholders to realize the value of their investment. Proposals in this category would include:

Golden Parachutes
These are special severance agreements that take effect after an executive is terminated following a merger or takeover. In evaluating such proposals we will take into account the salaries, bonuses, stock option plans and other forms of compensation already available to these executives to determine if the additional compensation in the golden parachutes is excessive. Shareholder proposals requesting that they be approved by shareholders will be supported.

Greenmail Payments
Greenmail is when a company agrees to buy back a corporate raider's shares at a premium in exchange for an agreement by the raider to cease takeover activity. Such payments can have a negative impact on shareholder value. Given that impact, we will want there to be a shareholder vote to approve such payments and we will insist that there be solid economic justification before ever granting such approval.

Super Majority Voting
Some companies want a super majority (e.g., 66%) vote for certain issues. We believe a simple majority is generally in the best interest of shareholders and we will normally vote that way unless there is strong evidence to the contrary.

Dual Class Voting
Some companies create two classes of stock with different voting rights and dividend preferences. We will examine the purpose that is being used to justify the two classes as well as to whom the preferred class of stock is being offered. Proposals that are designed to entrench company management or a small group of shareholders at the expense of the majority of shareholders will not be supported. Proposals that seek to enhance the voting rights of long-term shareholders will be given careful consideration.

Fair Price Proposals
These require a bidder in a takeover situation to pay a defined "fair price" for stock. Our analysis will focus on how fairly "fair price" is defined and what other anti-takeover measures are already in place at the company that might discourage potential bids that would be beneficial in the long term to shareholders.

Classified Boards
These are boards where the members are elected for staggered terms. The most common method is to elect one-third of the board each year for three-year terms. We believe the accountability afforded by the annual election of the entire board is very beneficial to stockholders and it would take an extraordinary set of circumstance to develop for us to support classified boards.

Shareholders' Right To Call Special Meetings and Act By Written Consent
These are important rights for shareholders and any attempts to limit or eliminate them should be resisted. Proposals to restore them should be supported.

Shareholder Proposals

Proposals submitted by shareholders for vote usually include issues of corporate governance and other non-routine matters. We will review each issue on a case-by-case basis in order to determine the position that best represents the financial interest of the plan beneficiaries. Shareholders matters include:

Poison Pill Plans
These plans are designed to discourage takeovers of a company, which can deny shareholders the opportunity to benefit from a change in ownership of the company. Shareholders have responded with proposals to vote on the plans or to redeem them. In reviewing such plans we check whether the poison pill plans were initially approved by shareholders and what anti-takeover devices are already in place at the company.

Independence of Boards and Auditors
The wave of corporate/audit scandals at the start of the 21st Century provided compelling evidence that it is in the best interests of shareholders to support proposal seeking increased independence of boards (e.g., requiring supermajority of independents on boards, completely independent nominating, compensation and audit committees, stricter definitions of "independence", disclosures of conflicts of interest) and auditors (e.g., eliminate or limit "other" services auditors perform, rotation of audit firms). A related issue is the independence of analysts at investment banking firms. Proposals seeking to separate the investment banking business from the sell-side analyst research and IPO allocation process should be supported.

Cumulative Voting
This allows each shareholder to vote equal to the number of shares held multiplied by the number of directors to be elected to the board. Shareholders can then target all their votes for one of a few candidates or allocate them equally among all candidates. It is one of the few ways shareholders can attempt to elect board members. In studying cumulative

voting proposals we will review the company's election procedures and what access shareholders have to the nominating and voting process.

Confidential Voting
Most voting of proxies in corporate America is not confidential. This opens the process to charges that management pressures shareholders or their investment mangers to vote in accordance with management's recommendations. We believe the concept of confidential voting is so fundamental to the democratic process and is so much in the best interest of shareholders that we would oppose it only in the most extraordinary circumstances.

Shareholder Access To the Proxy For Director Nominations
Proposals to provide shareholders access to the company proxy statement to advance non-management board candidates will generally be supported if they are reasonably designed to enhance the ability of substantial shareholders to nominate directors and are not being used to promote hostile takeovers.

Separate Chairperson and Chief Executive Officer
The primary purpose of the board of directors is to protect shareholder interests by providing independent oversight of management. If the Chair of the Board is also the Chief Executive Officer of the company, the quality of oversight is obviously hindered. Therefore, proposals seeking to require that an independent director serve as Chair of the Board will be supported. An alternative to this proposal would be the establishment of a lead independent director, who would preside at meetings of the board's independent directors and coordinate the activities of the independent directors.

Term Limit For Directors
Proposals seeking to limit the term for directors will normally not be supported because they can deny shareholders the service of well-qualified directors who have effectively represented shareholder interests.

Broader Participation On Boards
A more diverse board of qualified directors is in the best interests of shareholders. Therefore proposal requesting companies to make efforts to seek more qualified women and minority group members will be supported.

Greater Transparency and Oversight
Shareholders benefit from full disclosure of board practices and procedures, company operating practices and policies, business strategy, and the way companies calculate executive compensation. Proposals seeking greater disclosure on these matters will generally be supported.

Executive/Director Compensation
Proposals seeking to tie executive and director compensation to specific performance standards, to impose reasonable limits on it or to require greater disclosure of it are in the best interests of shareholders. The expense of options should be included in financial statements (as required in Canada). Financial performance is the traditional measurement for executive compensation—the more specific the better. Other performance measures can be a useful supplement to the traditional financial performance measurement and are worthy of consideration. Examples are regulatory compliance, international labor standards, high performance workplace standards and measures of employee satisfaction.

High Performance Workplaces
We will support proposals encouraging the high performance workplace practices identified in the Department of Labor's report that contribute to a company's productivity and long-term financial performance.

Codes of Conduct
Proposals seeking reports on and/or implementation of such commonly accepted principles of conducts as the Ceres Principles (environment), MacBride Principles (Northern Ireland), Code of Conduct for South Africa, United Nations' International Labor Organization's Fundamental Conventions, fair lending practices and the U.S. Equal Employment Opportunity Commission are in the best interests of shareholders because they provide useful information and promote compliance with the principles.

Pension Choice
There has been a recent trend by companies to convert traditional defined benefit pension plans into cash-balance plans. This has proved controversial because cash-balance plans often hurt older workers and may be motivated by a company's desire to inflate its book profits by boosting surpluses in its pension trust funds. Proposals giving employees a choice between maintaining their defined benefits or converting to a cash-balance will generally be supported.

Say on Pay
Shareholders in the United Kingdom, Australia, Norway, the Netherlands and Sweden have had an advisory vote on companies' compensation reports for a number of years. Say on Pay proposals will be supported because they give shareholders meaningful input on a company's approach to executive compensation without entangling them with the micromanagement of specific plans.

Majority Vote Standard for Director Elections

For years, most boards of directors were elected by a plurality vote standard—nominees who get the most votes win. In a non-contested election (which most are) the only vote options are "for" and "withhold authority." That means a nominee could have only one share cast "for" him/her and still be elected, regardless of how many shareholders withheld their votes for that nominee. Therefore, proposals requesting that nominees in non-contested elections receive a majority of the votes cast will be supported.

Administrative Procedures

The procedures for receipt and voting of proxies by MCG are as follows:

1. The client notifies the custodian bank to forward all proxies to us.
2. We track the portfolio to ensure current listing of all securities held.
3. We track the shareholders meeting dates to ensure that all proxies are voted on time.
4. We notify the bank of any missing or improper proxies to secure all proxies due the Fund.
5. We provide a report annually on shares voted and positions taken. Clients are welcome to contact MCG at any time to find out how we have voted on a particular issue.
6. The Securities and Exchange Commission (SEC) has expressed concern that proxy-voting agents may have material conflicts that can affect how they vote proxies. The SEC notes that advisers may render services to a publicly traded company or they may have business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships. Since we do not render services to publicly traded companies and we do have a comprehensive, detailed proxy voting policy that dictates the overwhelming majority of our votes, it is extremely unlikely that such material conflicts will arise. If they do, any MCG employee will immediately recuse himself/herself from the analysis/voting of the pertinent issue and our General Counsel will deal with the issue. If our General Counsel also has a material conflict, he will recuse himself/herself and refer the issue to our President. If our President also has a material conflict, he will recuse himself/herself and the issue will be referred to MCG's outside law firm for resolution.
7. For SEC record keeping purposes, we will retain copies of (i) our proxy voting policies and procedures; (ii) proxy statements received as preserved through access to the SEC's EDGAR system; (iii) records of the votes we cast as preserved on MCG's proxy voting platform; (iv) records of client requests for proxy voting information; (v) documents we prepared material to making a decision on how to vote as preserved on MCG's proxy voting platform.

January 1, 2013

This report was printed and assembled internally by union employees.