



**RICHARD H. MOORE**  
**Treasurer**  
**State of North Carolina**

July 10, 2007

The Honorable Christopher Cox  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Chairman Cox:

As the sole fiduciary for the \$75 billion North Carolina pension plan and a member of the NYSE Regulation board, I am uniquely concerned about corporate governance issues that have increasingly come before the Commission. Two of the most important issues currently under consideration are uninstructed broker voting and access to the proxy. One of the shareholder's greatest rights and responsibilities is to vote for directors at each company's annual meeting. Both uninstructed broker votes and limitations on proxy access have significant impacts on a shareholder's ability to choose directors.

The current NYSE Rule 452, which allows brokers to cast votes for uninstructed shares in routine matters, undermines the rights of shareholders and skews vote tallies in favor of management recommendations. Brokers oftentimes do not share the interests and economic incentives of a company's beneficial owners in making decisions on directors. The Commission should support revisions to Rule 452 that designate director elections as "non-routine" matters and that protect the rights of shareholders to choose the directors who represent them.

The recent director vote at CVS/Caremark is a strong example of how broker voting can impact the results in director elections. According to company reports, director Roger Headrick received 57 percent of the votes cast at the annual meeting. However, according to calculations by an investor group, if uninstructed broker votes were not included within that tally Headrick would only have received 43 percent of the votes cast. Under CVS majority-vote rules, Headrick would have been forced to resign at that time.

The CVS/Caremark shareholders were concerned about Headrick's role in merger negotiations and about his possible role in suspiciously-timed stock option grants. Although Headrick has recently tendered his resignation, the process should have been resolved when the shareholders voted at the annual meeting against his re-election. Further, the underlying issues were not fully resolved by the resignation of Roger Headrick, and I would urge the SEC to conclude its investigation into possible stock options back-dating with expediency.

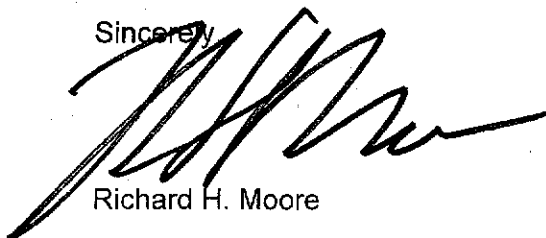
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The Commission has also been considering revisions to Rule 14a-8. I have been deeply involved in the proxy access issue, and I believe it is important that revisions to Rule 14a-8 clarify that shareholders have the right to submit proposals regarding procedures for nominating or electing directors. Long-term shareholders, like the North Carolina pension fund, use shareholder proposals to encourage corporate governance reforms at companies in which they invest. Because of the way such funds are structured, it is not always possible to simply sell holdings and walk away from a company when reforms are needed. It is thus vital that shareholders have the ability to put their concerns before management and other owners for a vote, and thereby encourage better governance at these companies.

This is particularly important in the realm of director elections. The Second Circuit Court of Appeals, in the *AFSCME v. AIG* case, reversed an SEC decision that had allowed AIG to omit from its proxy statement a proposal concerning the processes by which directors could be nominated. Following that decision, the North Carolina Retirement Systems and other institutional investors filed a similar proposal at Hewlett-Packard (HP) that garnered strong support. Despite the 2<sup>nd</sup> Circuit's decision and the strong support for the HP proposal, the Commission has not clarified its position on proxy access proposals for nominating directors. The Commission should take this opportunity to make it clear that they will support shareholders' rights and draw up an amendment that protects shareholders' ability to submit proxy access proposals to a vote of the company's owners.

Following the House Financial Services Committee hearing on June 26, 2007, it is clear that there is significant interest in resolving these issues. Thank you for your attention to these matters, and I look forward to supporting SEC proposals that protect shareholder rights.

Sincerely,

A handwritten signature in black ink, appearing to read "R. H. Moore", written in a cursive style.

Richard H. Moore

cc: Commissioner Paul S. Atkins  
Commissioner Roel C. Campos  
Commissioner Kathleen L. Casey  
Commissioner Annette L. Nazareth  
John Nester, Director of Public Affairs