To: The Secretary
Ontario Securities Commission

I have been a user of proxy advisory firm products for over a decade both currently at Coerente Capital Management* and at Jarislowsky Fraser Limited where I was President and Chair of the Investment Committee. At neither firm did we ever vote exclusively as recommended by the advisory firm. Advisory firm reports on corporate governance issues and in particular on compensation save us significant time and effort when conducting our own analysis in the voting of proxies. Their work in recommending deals, takeovers, mergers etc. however has been less than exemplary. I have often quizzed the proxy firm's individuals in charge of valuation work and found them mostly uninformed as they have little long term experience in analysing the companies being evaluated, their assets or managements. Beyond the quality of some work, what remains of significant concern is the conflict of interest faced by the proxy advisory firms as many not only take fees from subscribers such as ourselves, but also from the same corporations they are providing proxy analysis about or in some cases the companies involved in a transaction.

I would suggest the best solution is to not allow proxy advisory firms to receive fees from the same corporations they are analyzing but this would be unrealistic as I believe it is up to them to develop their own business models. It should however be fully disclosed if a proxy advisory firm has received a fee from the company being analyzed in the most recent five year period, or if they currently receive fees or if they expect to solicit the subject firm as client over the next five years. This type of disclosure should be clearly attached to each analysis and therefore the reader can judge for themselves any potential conflict. I would suggest a high level of disclosure for transaction analyses as well. The skill set of the individuals, any history and the factors analyzed should be outlined. This would not be dissimilar from what is provided in some "valuation" work conducted by firms when trying to justify their expertise and thoroughness of any analysis.

You should note that this level of disclosure is greater than what the regulators currently require of other participants in our industry and in particular the brokerage and advisory firms involved in transactions and takeovers. I believe a higher level of "conflict" and "competency " disclosure should be wide spread in our industry. Conflicts are rampant in the investment business and simple "small print" type disclosure is inadequate. My thirty five years of industry experience suggests that you should "follow the money" when judging any recommendation be it on governance or transaction related items. I have been particularly critical and have written various security commissions in the past about the inherent conflict of interest apparent in "fairness of opinion" work when it is conducted by a brokerage firm that, while not involved in the subject deal, has most likely dealt with the principals of the deal in the past and/or hope to in the future.

You outlined in your proposals the problems with regard to conflicts and competency. They are real and they exist within the proxy advisory business but also elsewhere in our industry. "Small print" disclosure, which appears to be recommended in your proposed policy, is not adequate. Disclosure that is up front for readers to see will provide the ultimate client (the shareholder) with a clearer view of any potential conflicts and perhaps lead them to question how decisions are made and maybe even change a few business models within the investment industry.

Sincerely,

Len Racioppo, Managing Director