

2011

GOVERNANCE REPORT



SBA FLORIDA



PROXY VOTING STATISTICS
(FISCAL YEAR ENDING JUNE 30, 2010)

VOTES IN FAVOR OF DIRECTORS

73.2%

VOTES IN FAVOR OF AUDITORS

96.1%

VOTES IN FAVOR OF
MERGER AGREEMENTS

93.8%

VOTES IN FAVOR OF
ALL GOVERNANCE ISSUES

71.4%

VOTES IN FAVOR OF
ENVIRONMENTAL/SOCIAL ISSUES

55.4%



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The SBA prepares additional reports on corporate governance topics and significant market developments, covering a wide range of shareowner issues. Historical information, including prior annual report segments, can be found within the governance section on the SBA's website at www.sbafla.com.



This year's corporate governance report contains details about the State Board of Administration's proxy voting and governance activities during the most recent fiscal year. Through active support of corporate governance reforms and prudent voting of company proxies, the SBA works to enhance shareowner value and support long-term investment objectives.

The State Board of Administration (SBA) supports the adoption of internationally recognized governance practices for well-managed corporations including independent boards, transparent board procedures, performance-based executive compensation, accurate accounting and audit practices, and policies covering issues such as succession planning and meaningful shareowner participation. The SBA also expects companies to adopt rigorous stock ownership and retention guidelines, annually seek shareowner ratification of external auditors, and implement well designed incentive plans. As noted in a recent Fitch Ratings research piece, "Assessing an issuer's governance practice begins with its board of directors. An independent, active, knowledgeable, and committed board of directors signals a robust governance framework. A board that is not committed to fulfilling its fiduciary responsibilities can open the door for ineffective, incompetent, and in some cases, unscrupulous management behavior."

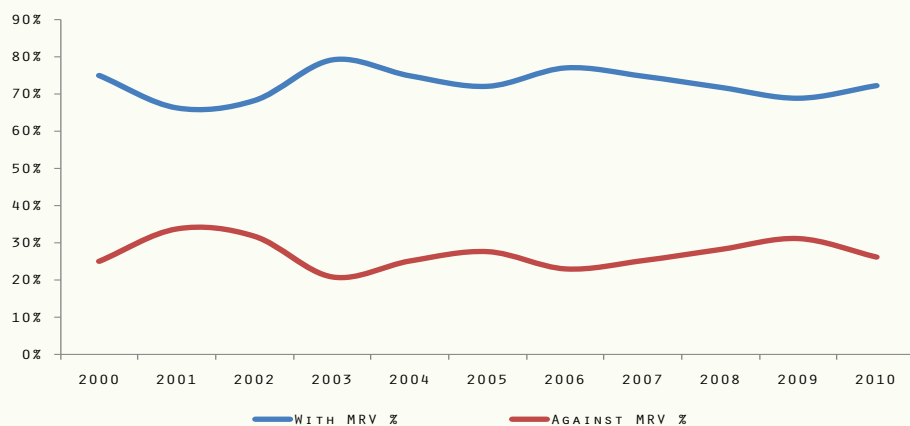
The proxy vote is a fundamental right tied to owning stock. Pursuant to guidance from the U.S. Department of Labor, the SBA fiduciary responsibility requires proxies to be voted in the best interest of fund participants and

beneficiaries. The SBA routinely votes proxies on all publicly-traded equity securities held within domestic and many international stock portfolios. These portfolios may be managed within either the defined benefit or defined contribution plans of the Florida Retirement System (FRS) or other non-pension trust funds. For omnibus accounts, including open-end mutual funds utilized within the FRS Investment Plan, the SBA votes proxies on all shares for funds that conduct annual shareowner meetings.

For fiscal year 2010, the SBA retained four of the leading proxy advisory and governance research firms: MSCI-Institutional Shareholder Services (ISS),

Glass, Lewis & Co., ProxyGovernance, and The Corporate Library. These firms assist the SBA in its analysis of individual voting items and the monitoring of boards of directors, executive compensation levels, and other significant governance topics. In December 2010, ProxyGovernance discontinued its operations and will not be used for proxy research during 2011.

During the 2010 fiscal year, the SBA continued to use Institutional Shareholder Services (ISS) as external voting agent. The SBA's voting agent executes, reconciles, and records all applicable proxy votes via a web-based database. The SBA utilizes governance research services, in conjunction with



SBA PROXY VOTING RELATIVE TO MANAGEMENT'S RECOMMENDED VOTE ("MRV")

VOTE BENCHMARKING: SBA VS. INDIVIDUAL INSTITUTIONAL INVESTORS

	SBA (FY 2010)	iShares Russell 3000	Fidelity Spartan Total Mkt. Index Fund	TIAA-CREF Equity Index	Vanguard Total Stock Mkt. Index Fund
Number of Company Proxies	3,566	2,630	2,624	2,630	2,729
Number of Ballot Items Voted	28,282	19,822	19,900	19,902	20,510
WITH Management Recommended Vote (MRV) %	73.3	92.3	82.9	91.4	91.9
AGAINST MRV %	26.1	7.7	17.1	8.6	8.1
Key Ballot Item Voting (% of "For" Votes):					
Elect Directors	73.2	92.4	86.2	92.9	93.3
Approve Omnibus Stock Plans (Compensation)	0.8	95.4	27.3	77.2	80.6
Submit Poison Pill to Shareowner Vote	100.0	100.0	100.0	100.0	100.0
Separate Chairman and CEO Positions	100.0	14.3	26.2	14.3	0.0
Require a Majority Vote for the Election of Directors	97.1	43.8	42.4	100.0	9.1
Sustainability Reporting	93.3	0.0	0.0	93.3	0.0
Report on Environmental Policies	50.0	0.0	0.0	50.0	0.0
Ratify Auditors	96.1	100.0	100.0	99.7	99.8
Source: RiskMetrics Group Voting Analytics Database; data represents aggregate vote statistics for each institution's proxy voting of Russell 3000 companies for the Period July 1, 2009 through June 30, 2010, as reported to the SEC in N-PX filings.					

our proxy voting guidelines, in order to execute voting decisions. ISS provides specific analysis of proxy issues and meeting agendas. ISS research coverage includes the Russell 3000 Index, which represents approximately 98 percent of the U.S. public equity market, as well as foreign equity proxies. Glass, Lewis & Company (GLC) research also covers the entire U.S. stock universe of Russell 3000 companies and select non-U.S. equities.

In addition, the SBA subscribes to various specialized services. During the fiscal year, the SBA continued to utilize corporate governance research services offered by GovernanceMetrics International (GMI), The Corporate Library (TCL), KLD Research, IW Financial, Jantzi Sustainalytics, MSCI ESG Research, and Equilar. ISS provides the SBA analyses of corporate employment activities within Northern Ireland, as well

as research tied to the Protecting Florida's Investments Act (PFIA). For additional discussion of compliance with Florida statutes, please refer to the appendices. For more information on the current roster of research providers that the SBA uses, as well as other information, please see the corporate governance section of the SBA website. [www.sbaffla.com]

The first meeting of the newly created Corporate Governance & Proxy Voting Oversight Group ("Proxy Committee") was held on January 14, 2010. The Proxy Committee is a subset of the SBA's Senior Investment Group (SIG) and meets at least quarterly to oversee the SBA's corporate governance and proxy voting activities.

SBA VOTING SUMMARY

In the 2010 fiscal year, the SBA executed votes on 3,566 public company proxies

covering 28,282 individual voting items, including director elections, audit firm ratifications, executive compensation plans, merger approval, and other management and shareowner proposals. The SBA voted for, against, or abstained on 73.3 percent, 26.4 percent, and 0.1 percent of all ballot items, respectively. Of all votes cast, 26.1 percent were against the management-recommended vote, down five percent from the previous year.

While the SBA is not predisposed to disagree with management recommendations, some management recommendations may not be in the best interests of all shareowners. On behalf of participants and beneficiaries, the SBA emphasizes the fiduciary responsibility to analyze and evaluate all management recommendations very closely. Particular attention is paid to decisions related to: director elections, executive compensation

structures, various anti-takeover measures, and proposed mergers or other corporate restructuring.

Board elections represent one of the most critical areas in voting since shareowners rely on the board to monitor management. The SBA supported 73.2 percent of individual nominees for boards of directors, voting against the remaining portion of directors primarily due to concerns about the candidate's independence, attendance, workload, and overall board performance. The SBA also withholds votes from directors who fail to observe

good corporate governance practices or demonstrate a clear disregard for the interests of shareowners.

The SBA voted to ratify the board of directors' selection of external auditor in over 96 percent of such items. Votes against auditor ratification are cast in instances where the audit firm has demonstrated a failure to provide appropriate oversight, significant financial restatements have occurred, or when significant conflicts of interest exist, such as the provision of outsized non-audit services.

The SBA considers on a case-by-case basis whether a company's board has implemented equity-based compensation plans that are excessive relative to other peer companies or those that may not have an adequate performance orientation. As part of this analysis, the SBA reviews the level and quality of a company's compensation disclosure in the belief that shareowners are entitled to comprehensive disclosures of such practices in order to make efficient investment decisions. Quality disclosure is found to be severely lacking at many companies, raising critical

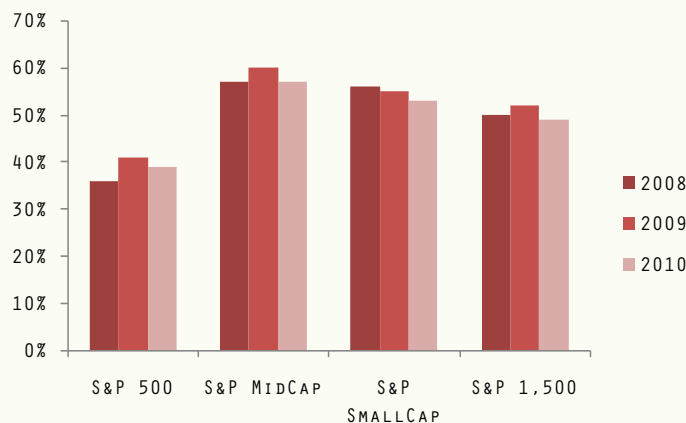
SBA VOTING STATISTICS (FISCAL YEAR 2010)				
CATEGORY/DESCRIPTION	FOR	AGAINST/ WITHHOLD	WITH MRV*	AGAINST MRV*
Ratify Auditors	95.9%	3.1%	96.7%	3.3%
Reimburse Proxy Contest Expenses	85.7%	14.3%	14.3%	85.7%
Declassify the Board of Directors	96.7%	1.6%	93.4%	6.6%
Elect Directors	73.1%	5.3%/21.2%	73.5%	26.5%
Elect Supervisory Board Member	83.1%	10.8%	89.2%	10.8%
Approve Reverse Stock Split	86.4%	13.6%	86.4%	13.6%
Approve Merger Agreement	93.8%	6.3%	93.8%	6.3%
Approve Sale of Company Assets	75.0%	12.5%	87.5%	12.5%
Amend Omnibus Stock Plan	1.7%	97.6%	2.2%	97.8%
Approve Omnibus Stock Plan	0.8%	98.0%	1.6%	98.4%
Amend Restricted Stock Plan	37.5%	56.3%	43.8%	56.3%
Approve Restricted Stock Plan	38.9%	61.1%	38.9%	61.1%
Amend Stock Option Plan	10.3%	74.4%	25.6%	74.4%
Approve Repricing of Options	40.0%	60.0%	40.0%	60.0%
Approve Stock Option Plan	40.5%	59.5%	40.5%	59.5%
Approve Stock Option Plan Grants	15.8%	78.9%	26.3%	73.7%
Adopt or Amend Shareholder Rights Plan (Poison Pill)	9.4%	90.6%	12.5%	87.5%
Amend Articles/Charter Governance-Related (MRV)	16.7%	83.3%	16.7%	83.3%
Separate Chairman and CEO Positions	100.0%	0.0%	0.0%	100.0%
Eliminate/Restrict Severance Agreements (CIC)	100.0%	0.0%	0.0%	100.0%
Submit Shareholder Rights Plan (Poison Pill) to SH Vote	66.7%	0.0%	33.3%	66.7%
Performance-Based and/or Time-Based Equity Awards	100.0%	0.0%	0.0%	100.0%
Climate Change	20.0%	80.0%	80.0%	20.0%
Equal Employment Opportunity	100.0%	0.0%	0.0%	100.0%
Report on Corporate Political Contributions	82.9%	17.1%	17.1%	82.9%
*"MRV" is the management recommended vote; percentages may not add to 100%; abstentions & no-votes are excluded.				

questions about the transparency of their compensation practices.

Over the last fiscal year, the SBA supported 33 percent of all non-salary (equity) compensation items—while supporting 99 percent of shareowner resolutions asking companies to adopt an advisory vote on executive compensation (a.k.a., “Say-on-Pay”), 62 percent of executive incentive bonus plans, and 72 percent of management proposals to adopt or amend restricted stock plans in which company executives or directors would participate (33 percent for the amendment of such plans).

Increasingly, the SBA has supported sustainability reporting requirements and improved environmental disclosures issued by companies in its portfolio. The SBA supported 93 percent of shareowner resolutions asking companies to publish sustainability reports, 20 percent of shareowner proposals dealing with climate change and global warming, 72 percent of shareowner resolutions asking companies to produce reports assessing the impact on local communities, and 85 percent of shareowner resolutions regarding greenhouse gas emissions. [see the table on prior page for other individual voting statistics]

Several annual shareowner



DECLINING PRESENCE OF CLASSIFIED BOARDS AMONG MOST COMPANIES

meetings garnered public attention and represented high profile votes for their investors. Motorola was first company in U.S. history to receive less than a majority level of support for its compensation structure—its pay plan received the support of only 45 percent of its shareowners. Occidental Petroleum was the second U.S. company to have its compensation framework voted down, receiving only a 46 percent favorable support level. KeyCorp was the first company having received assistance from the Troubled Asset Relief Program (“TARP”) to receive less than a majority level of support.

Boards of directors were not immune from scrutiny, whereby MasseyEnergy directors received reelection only by a narrow margin. Three of its directors won by extremely slim margins—a company press release stated Richard Gabrys won with 55.36 percent approval, Dan Moore with 55.09 percent approval, and Baxter Phillips Jr. with 57.83 percent approval. All three directors served on Massey’s safety committee. Other ballot items on the MasseyEnergy proxy received higher levels of support. Investors gave 95.1 percent support to a shareowner proposal seeking board declassification. There was 63.9 percent approval for a shareowner proposal seeking majority voting in board elections.

FirstEnergy’s majority voting shareowner proposal won 77 percent of the votes cast. Incredibly, it was the sixth year in a row shareowners have voted in favor of this specific investor

proposal. As a result, the SBA withheld support from FirstEnergy directors due to their failure to implement the proposal which has been supported by a majority of its shareowners. Director support at the meeting ranged from 58 percent to 65 percent of votes cast.

Within foreign equity markets, the SBA withheld support for two directors (Cynthia Carroll and George David) at BP plc’s annual general meeting due to their lack of stock ownership (despite serving on the board for more than one year). We voted in favor of BP’s “Executive Directors Incentive Plan,” although with some reservation given the compensation committee’s discretion to confer bonuses outside of the stated performance metrics. Another interesting feature of the plan is a three year bonus deferral element with a significant emphasis on achievement of high levels of safety and environmental performance. The SBA voted against a shareowner proposal to study the feasibility of the Sunrise oil sands project (feasibility in terms of oil price volatility, oil demand, anticipated GHG regulation, and legal and reputational risks due to possible ESG damage). The vote against the shareowner resolution was based on BP’s recent disclosure enhancements of its oil sands operations and oil price volatility assumptions. BP has also committed to producing a Canadian sustainability report during 2011.

GLOBAL PROXY VOTING

In 2010, the SBA worked with The Corporate Library to analyze its proxy voting among nine externally managed foreign equity portfolios totaling approximately \$9 billion. The vote audit examined a total of 33,729 individual ballot items (proxy voting decisions) across 257 distinct voting categories. The purpose of the foreign equity proxy vote audit was to evaluate the external

(continued on Page 10)



Stewardship

As part of the SBA's mission to invest, manage and safeguard the assets of its various mandates, the SBA plays a vital role in supporting initiatives to ensure that public companies meet high standards of independent and ethical corporate governance. Our fiduciary responsibility to the Florida Retirement System (FRS) and other managed trust funds goes beyond direct investment decisions. It also encompasses efforts to strengthen the governance of companies in which we invest.

Shareowner Value

The SBA's corporate governance activities are focused on enhancing share value and ensuring that public companies are accountable to their shareowners, with independent boards of directors, transparent disclosure, accurate financial reporting, ethical business practices and policies that protect and enhance the value of SBA investments. The SBA adheres to the philosophy that corporate governance plays an important role in enhancing our financial objectives as a long term investor.

Governance

The SBA acts as a strong advocate on behalf of FRS members and beneficiaries, retirees and other clients to strengthen shareowner rights and promote leading corporate governance practices at U.S. and international companies in which the SBA holds stock. Our active support of corporate governance reforms, prudent voting of company proxies, and adoption of investment protection principles demonstrates our commitment to the highest ethical standards and practices.



SBA PROXY VOTING STATISTICS
(FISCAL YEAR ENDING JUNE 30, 2010)

TOTAL PROXIES VOTED

3,566

TOTAL BALLOT ITEMS VOTED

28,284

TOTAL PORTFOLIOS VOTED

62

DISTINCT VOTING CATEGORIES

283

VOTES FOR
(ALL BALLOT ITEMS)

73.3%

VOTES AGAINST/ABSTAIN
(ALL BALLOT ITEMS)

26.5%

VOTES FOR
(MANAGEMENT RECOMMENDED VOTE)

72.3%

“Most investors have neither the resources nor the stomach to stick with such a long and bitter fight. They sell their stock and walk away from the mess. Boy Scouts are trained to leave campgrounds cleaner than they found them, but investors are not Boy Scouts. When frustrated investors take what is called the Wall Street Walk, bad boards and directors are left free to inflict further damage.”

**John Gillespie & David Zweig
Authors of, "Money For Nothing"**

international shareowner organizations including the International Corporate Governance Network (ICGN). In addition, the SBA works closely with the members of the Council of Institutional Investors’ Ad-hoc International Committee, which is Co-Chaired by SBA staff.

In addition to individual equities, the SBA also receives proxy statements for mutual fund shareowner meetings. For mutual funds, the issues brought before investors frequently deal with amendments to fundamental investment policies or the realignment of fund structure within fund families. Such voting items are covered within the SBA 'Proxy Voting Guidelines' Mutual Fund segment.

managers’ voting activities as well as to benchmark those voting decisions against similar SBA votes and those of a major corporate governance research provider. The vote audit examined aggregate voting results, voting by each individual manager, and benchmarked external manager voting against SBA internal voting decisions.

While the managers adhered to responsible voting practices, the SBA found a variety of voting strategies in place. While this variance was to be expected across a diverse range of investment mandates, SBA staff determined it was more efficient to align its international proxy voting practices by

transitioning to in-house proxy voting. Under the new practice, to be implemented in April 2011, international shares will be voted by SBA staff in accordance with the SBA’s Corporate Governance Principles and Proxy Voting Guidelines.

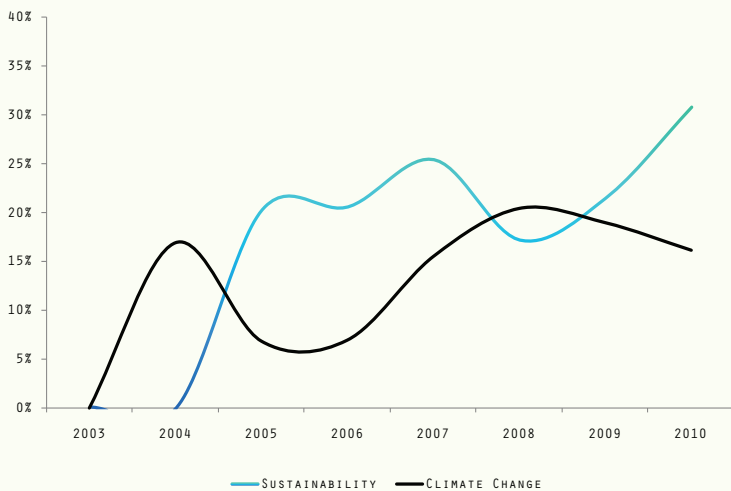
As global markets and investors are becoming increasingly integrated, the SBA continues to seek meaningful international standards for corporate governance, fair treatment of foreign and minority shareowners, equal access to information, and corporate transparency. The SBA’s international efforts include advocating for greater shareowner voting rights in various

capital markets and continuing to improve corporate governance and regulatory standards throughout global equity markets. The SBA seeks to develop better corporate governance standards through interaction with several

2010 PROXY SEASON

Key issues during the 2010 proxy season - which focuses on the months of April through June - included heightened scrutiny of executive compensation and related “say-on-pay” advisory votes, increased prevalence of climate risk and environmental shareowner resolutions, as well as management proposed amendments to corporate bylaws/charters allowing opt-out for proxy access (many firms decided to act ahead of anticipated reforms by the SEC to allow for proxy access).

Over four years after its initial introduction, the SEC approved an amendment to the New York Stock Exchange rule to eliminate broker discretionary voting in uncontested director elections. Broker discretionary votes in uncontested director elections were generally voted in favor of the management slate. Beginning in January 2010, brokers were prohibited from voting the shares of retail shareholders in either contested or uncontested director elections unless the broker was instructed by the retail shareholder about how to vote. The amendment



INCREASING SUPPORT FOR SUSTAINABILITY & ENVIRONMENTAL SHAREOWNER PROPOSALS

0181924571

SBA REGULATORY COMMENTARY

FEBRUARY 3, 2011 - comment letter to the Securities & Exchange Commission (SEC) on proposed rules requiring companies to disclose in their annual reports all conflict minerals originated in the Democratic Republic of the Congo (DRC).

NOVEMBER 22, 2010 - comment letter to the SEC on proposed rules on shareowner approval of executive compensation, "say-on-pay," frequency of shareowner votes on executive compensation, and executive compensation relating to change of control (golden parachutes).

OCTOBER 20, 2010 - comment letter to the SEC on its concept release on the U.S. proxy system, including the role of the proxy advisory firms, over and under-voting, vote tabulation and confirmation, advance voting instructions, dual record dates, and XBRL data tagging.

MARCH 15, 2010 – comment letter to the Japanese Financial Services Agency detailing comments on proposed amendments to improve corporate governance disclosures surrounding statutory auditor qualifications.

JANUARY 19, 2010 – comment letter to the SEC detailing comments on proxy access research studies and opt-out provisions.

DECEMBER 16, 2009 – signatory on a letter to Senators Chris Dodd and Richard Shelby in support of self funding for the SEC.

NOVEMBER 2, 2009 – comment letter to the NASDAQ Stock Market supporting the adoption of corporate governance best practices and improved listing standards.

SEPTEMBER 16, 2009 – comment letter to the SEC in support of proposed rules on enhanced disclosure of compensation, director and nominee qualifications, and risk management.

AUGUST 17, 2009 – comment letter to the SEC detailing support for the proposed rules for facilitating shareholder director nominations (proxy access).

eliminated potential shareowner dilution and conflicts of interest between brokers and company management.

Historical legislation was being crafted by the Congress and anticipated by companies for implementation in the 2011 proxy season. The Dodd-Frank Wall Street Reform and Consumer

Protection Act was signed into law in July of 2010 and included several major corporate governance reforms.

In January, the SEC issued final rules providing shareowners with a right to three precatory (advisory) votes on executive compensation. "Say-on-Pay" requires companies to provide shareowners with an

advisory vote on executive compensation at least once every three years. The rule also requires companies to provide additional disclosure in their annual meeting proxy statement including whether the vote is non-binding and if and how the results will be considered.

"Say when on Pay" requires companies to allow shareowners to vote on how often they would like to be presented with a "Say-on-Pay" vote: every one, two, or three years. This rule also requires companies to disclose the frequency vote in their proxy and whether the vote is non-binding. Smaller companies, however, are exempt for two years and are not required to conduct a say-on-pay or frequency vote until January 2013.

All companies are required to allow shareowners to vote on "Golden Parachutes" or compensation arrangements with executive officers in connection with a merger, acquisition, consolidation, proposed sale or other disposition of company assets. All transactions must be disclosed no matter the structure including going-private or third-party tender offers. Agreements and understandings that the acquiring and target companies have with the named executive officers of both companies must be disclosed in both narrative and tabular formats.

PROXY ACCESS

The SEC passed a new rule which would give shareowners greater "Proxy Access" and an avenue to challenge unresponsive directors. By a 3-2 vote, the SEC gave individual (or groups of shareowners) who held 3 percent ownership for 3 years the right to put candidates on corporate ballots. Shareowners would be able to nominate at least one director and as much as 25 percent of a board. In September, the Business Round Table and the U.S. Chamber of Commerce filed legal challenges to the rule arguing that the SEC failed to adequately measure the costs imposed on companies. As a result, the SEC put a hold on the implementation



of Proxy Access until the legal questions are resolved, with its earliest application occurring in 2012 if it passes the legal challenges. [see Page 21 for more on proxy access]

In an August 2009 comment letter to the SEC, and as part of a follow up letter in January 2010, SBA staff described the value and efficacy of the ability of shareowners to nominate director candidates. Both letters are available on the SEC's website. Some opponents of proxy access raised concerns about the short and long-term effects of allowing investors to nominate their own board representatives, focused on special interests and the potential for disrupting board continuity as well as the labor market for directors.

However, it is difficult to conceive that a candidate seeking to represent special interests could achieve victory in an board election. Special interests are by definition limited to a minority of shareowners. If elected by a majority or preponderance of shares, such an agenda can no longer be considered "fringe"

or special interest. For this reason, SBA staff does not consider the claim that a small minority could impose their will on the majority of investors. The SEC's proposal provided further protection against such a scenario by requiring disclosure designed to highlight any such interests or relationships.

Opponents of proxy access also suggested that the presence of directors

elected via facilitated nomination may cause disruption in the boardroom and affect the functioning of the overall board. Judging by the vitriol in past particularly heated and personal proxy battles waged, this is not an entirely unreasonable speculation. However, if the minority slate proposed through the proxy access vehicle is successful in winning board positions, it is then legally incumbent upon each board member to act in the best interests of all shareowners according to the board's fiduciary duty. A director or directors who are disruptive to the point that it impedes the board's functioning must be dealt in this legal regard, and as this potential is not limited to directors who have been elected through the facilitated nomination process, SBA staff does not support any rationale tied to restricting proxy access for minority slate candidates for this reason. As it is shareowners

capacity, the importance of a director's pride or reputation cannot be placed above the priority of ensuring our invested companies have the most qualified and well-equipped directors. If a candidate desires the opportunity to assist in the oversight and management of a firm, it should be worth the chance that the candidate may ultimately be unsuccessful in their bid for a seat on the board. It is our opinion that a well-qualified director candidate will assume this risk. These are paid positions of considerable importance and responsibility, and in the interest of shareowners, it cannot come with a guarantee of tenure or election. Further, competition in this area may discourage less qualified individuals, as noted in the SEC proposal, and thereby increase the overall quality of the board.

SHAREOWNER ACTIVISM

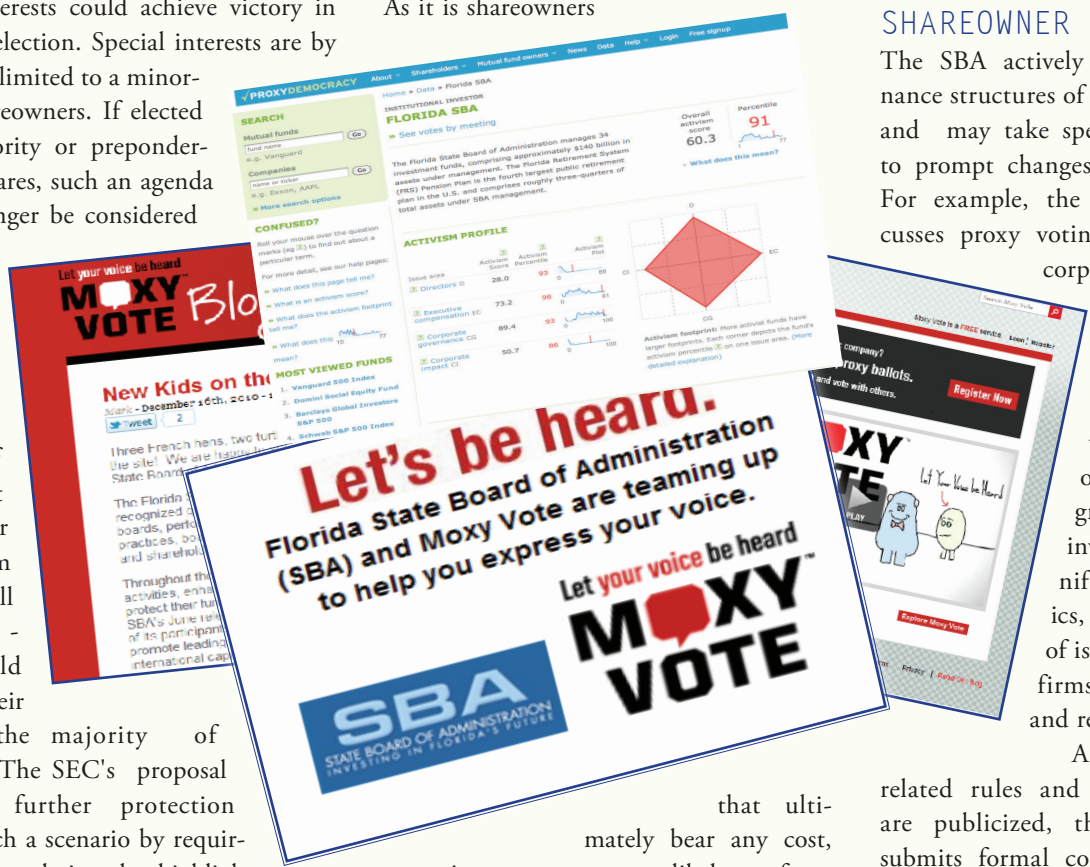
The SBA actively monitors the governance structures of individual companies, and may take specific action intended to prompt changes at those companies. For example, the SBA frequently discusses proxy voting issues and general corporate governance topics

directly with public companies in which shares are held. The SBA routinely interacts with other shareowners and groups of institutional investors to discuss significant governance topics, helping to stay abreast of issues involving specific firms and important legal and regulatory changes.

As new governance-related rules and regulatory proposals are publicized, the SBA periodically submits formal comment to regulatory oversight bodies such as the Securities & Exchange Commission, the New York Stock Exchange, the Financial Accounting

that ultimately bear any cost, investors are more likely to favor their ability to cast votes that take into account any such possibility.

As SBA staff serve in a fiduciary



VOTING RESULTS ON TOP SHAREOWNER PROPOSALS FOR 2010

	# of Proposals		Average Support		% SBA Support FY 2010*
	2010	2009	2010	2009	
Require majority vote to elect directors	30	49	57.6%	59.3%	96.3%
Repeal classified board	48	69	58.7%	64.8%	96.0%
Independent board chairman	36	38	29.0%	33.7%	100.0%
Redeem or vote on poison pill	3	6	58.3%	68.9%	100%
Advisory vote on compensation	49	79	44.6%	45.6%	100%
Eliminate supermajority vote	32	13	71.1%	70.5%	96.6%
Retention period for stock awards	26	13	24.5%	25.9%	100%

Source: ISS Governance Services, "2010 Proxy Season Scorecard as of July 1, 2010". 2009 data represents full year results.
*Note: SBA ballots voted are a subset of all shareowner proposals voted.

Standards Board and the Public Company Accounting Oversight Board. During 2010, the SBA submitted formal regulatory comments to the SEC, the Financial Services Agency of Japan, and to the NASDAQ Stock Market. On October 20, 2010, the SBA submitted a comment letter to the SEC covering the regulation of proxy advisory firms, securities lending impact on voting, empty voting, OBO/NOBO, over/under voting, efficiency of the voting chain, and dual record dates, among other topics.

PROXY ADVISORY FIRMS

Proxy advisory firms play an important role in helping pension fund managers fulfill their fiduciary duties with respect to proxy voting by providing an analysis of issues on the ballot, executing votes and maintaining voting records. Without proxy advisors and the services they offer to clients, the SBA would find it difficult to analyze and vote the volume of proxies demanded through our extensive global equity holdings. The global integration of the financial markets and the rise of

complex multinational corporations have exacerbated the types and volume of proxy issues before shareowners.

As a result, the role of independent proxy advisory firms is critical to assist investors in decoding voting items and providing valuable advice to shareowners. It is reasonable to expect proxy advisory firms to provide clients with substantive rationales for vote recommendations; minimize conflicts of interest and disclose the details of such conflicts; and correct material errors promptly and notify affected clients as soon as practicable.

The SBA actively uses the recommendations of proxy advisory firms to assist in making voting decisions. As a client, the SBA routinely critiques the proxy recommendations, research models, analytical framework, and governance policies of each of our external proxy advisory firms. Such client feedback is vital to maintaining relevant and accurate proxy recommendations. Proxy advisory firms should provide relevant research which supports their recommendations and disclose, to an extent, the methods upon which they

"Although shareholder participation should not directly relate to ordinary business matters or the day-to-day operations of the company, shareholders should, at the very least, ensure that the decision-making process is efficient and effective. Therefore, shareholders must be willing to speak out and be ready to vote against boards that persistently ignore their concerns and interests."

***CFA Institute
Shareholder Rights in Asia
Are Shareholders Flexing Their Muscles to Protect Themselves?***

make their recommendations. Proxy advisory firms are one of the few significant participants in the voting process that are not generally required to be registered or regulated by the Commission. SBA staff believes there should be additional transparency surrounding the application of policies and varied analytical methodologies used by proxy advisory firms and supports additional regulation of the industry, including requiring all proxy advisory firms to register with the Commission as investment advisors.

Because of the possibility for

conflicts of interest to arise for proxy advisory firms who consult companies on some of the same issues for which they provide shareowner recommendations, SBA staff supports proxy advisory firms being subject to regular audits in order to provide assurance that there are strong internal controls within the advisory firms, which prevent conflicts of interest from occurring. Independent external audits of proxy advisory firms' models and advice would also serve to ensure to clients the soundness and proper application of stated analyses and policies.

Although the SBA's own experience with the quality and accuracy of proxy advice has been very good, there may need to be more examination of the frequency (and materiality) of research errors to ensure investors can rely on proxy advisory firms' recommendations.

SBA staff support the disclosure by proxy advisory firms of their methodologies, guidelines, assumptions and rationales used in making their voting recommendations, as long as no proprietary methods or sources are released. External auditing of proxy advisory firms

SEC's Enhanced Proxy Disclosures

Effective February 28, 2010, the SEC implemented "Enhanced Proxy Disclosures":

1. New disclosure regarding the qualifications and skills of director nominees and directors as well as added disclosure regarding directorships within the past five years (instead of just current directorships) and involvement in an expanded list of legal proceedings within the past ten years (instead of just five years).
2. New disclosure focusing on compensation-related risks for all employees (not just named executive officers), although the requirement applies only if the risks are considered "reasonably likely" to have a "material adverse effect" on the company.
3. New disclosure regarding the board's role in risk oversight.
4. Disclosure concerning board leadership structure (i.e., whether the chairman is also the CEO or on the appointment and functions of a lead independent director).⁸ Companies are also required to discuss whether diversity is a factor in the selection of board candidates.
5. New disclosures regarding fees paid to compensation consultants and affiliated entities if a consultant that is providing executive or director compensation consulting services, or any of its affiliates, provides other services over \$120,000.
6. The requirement to report the value of stock and option awards at the aggregate "grant date fair value" of such awards (instead of by the dollar amount expensed during the year for financial statement purposes).
7. The requirement to report the results of shareholder votes within four days on Form 8-K (instead of in the next periodic report).



Global Business

may provide greater discipline in the way vote recommendations are determined, thereby ensuring a better proxy voting system.

Although most investors do not believe that proxy advisory firms have undue control or are overly powerful in their role as advisors, for many institutional investors they are a major source of information with which proxy voting decisions are made. Some issuers and other market participants contend that proxy advisory firms have too much influence. SBA experience, combined with relevant market-wide voting patterns, strongly contradicts this assertion.

For example, data on director elections clearly illustrates proxy advisory firms' limited influence. Of 15,044 baseline client recommendations for director nominees in 2010 by Institutional Shareholder Services (ISS), 13 percent were "withhold" or "against." The actual statistic for SBA proxy voting, for the same time period, stock universe, and director ballot item, was 25.1 percent ("withhold" or "against" votes). Of the 1,879 nominees receiving "withhold" or "against" baseline recommendations with available voting results, less than 5 percent

failed to receive majority support from shareowners. The average shareowner support for nominees with a "withhold" or "against" baseline recommendation from ISS was 77 percent.

SBA staff has measured the correlation of the SBA's actual voting decisions with several of the major proxy

among different proxy advisory firms but also across different types of voting issues and time periods. SBA staff believes that proxy advisors' clout has been greatly exaggerated by many organizations which are divorced from the actual procedures used by institutional investors to make voting decisions. Such pundits may not have an

"...since state-owned corporations in fast growing BRICs (Brazil, Russia, India, and China) have emerged as serious competitors to the traditional corporations, with the resultant state capitalism emerging as an alternative form of the traditional corporate governance. At this time it is difficult to predict the economic consequence of the global trend in the increased state role in governance of corporations."

***Lemma Senbet, Chair Professor of Finance
Smith School of Business, University of Maryland***

advisory firms. The relationship between actual SBA proxy votes and the firms' recommended votes vary greatly, not only

adequate understanding of the investment decision making process and organizational context of large institutional

“The board is elected directly by shareholders to grow the value of the enterprise, and in doing so, to protect their interests. In turn, the board hires CEOs and their top teams to make it happen. These top managers are agents who perform their jobs on behalf of the investors. They are hired to perform, not preside.”

Robin A. Ferracone, Executive Chair, Farient Advisors
Author of "Fair Pay, Fair Play—Aligning Executive Performance and Pay"

investors. Investors' use of proxy advisors' services, whether governance research or vote execution, does not equate to the "outsourcing" of voting decisions. It is critical to recognize that proxy advisors' clients retain the ability to vote however they choose and in accordance with their own written voting guidelines. The SBA independently develops its corporate governance principles and proxy voting guidelines, but does rely heavily on the external research and synthesis of issuer filings performed by proxy advisory firms, in order to supplement the evaluation of ballot items. In sum, investors are ultimately accountable for proxy voting decisions cast in their own name and on behalf of their beneficiaries.

As a long-term shareowner, the SBA considers company engagement to be an important element in maximizing shareowner value. During fiscal year 2010, the SBA engaged with numerous companies to address a wide range of corporate governance issues including improving voting standards for director elections and their sustainability reporting.

MAJORITY VOTING

In mid-2010, the SBA focused on increasing the use and adoption of majority voting at companies within the Russell 3000 stock index that employed a plurality standard or a weaker form of majority voting procedures (normally plurality plus the presence of a resignation policy) in their director elections.

The engagement process was undertaken in two phases. The first, centering on sending letters to approximately 508 companies in the Russell 1000 Index and, the second, sending approximately 1,647 letters to the remaining firms in the Russell 2000

index. In total, letters were sent to 2,155 companies.

SBA staff has received a very high level of response, and are updating its records to reflect recent bylaw amendments for those firms that have adopted majority voting procedures and/or have forwarded our concerns to the Board's Governance & Nominating Committee for further consideration. Dialogue continues with numerous firms and the SBA actively engages companies on the policy topic.

SHAREOWNER PROPOSALS

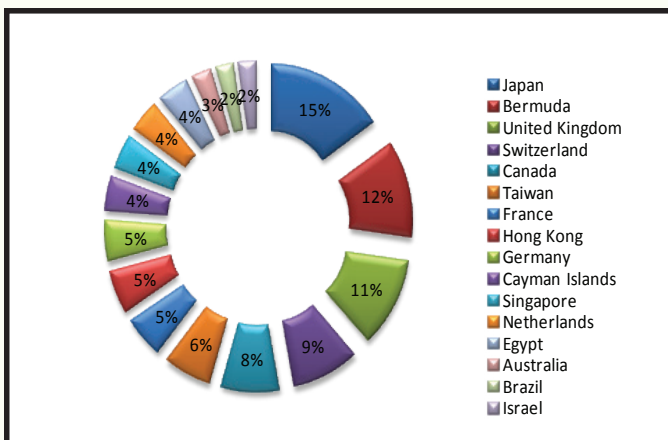
The SBA sponsored a shareowner proposal for consideration at Hospitality Properties Trust (HPT) in an effort to remove the company's 75 percent super majority vote requirements to amend specific sections within its certificate of incorporation and by-laws and the two-thirds vote requirements to remove certain directors/trustees. The proposal received 86,490,619 votes, or 70 percent of the votes outstanding, which was less than the 92,535,251.25 votes (75 percent of the outstanding shares) required for its adoption. So, although the SBA's resolution received the backing of almost 89 percent of the votes cast, due to the company's super majority voting requirements, the proposal needed close to 95 percent of the outstanding shares to be considered passing (on average, approximately 85 percent of a company's outstanding shares are voted).

SUSTAINABILITY

As a member of Ceres and the Investor Network on Climate Risk (INCR), the SBA participated in an investor outreach effort involving 58 global investors with \$2.5 trillion in assets under management. Investor letters were sent to 27 oil/gas companies, including ExxonMobil and Petrobras, and 26 insurance firms worldwide. Each firm was asked to respond by November 1, 2010.

The oil/gas letter

(continued on Page 21)



SBA GLOBAL PROXY VOTING
 (BY COUNTRY-EXCLUDING USA)

Summary of the Dodd Frank Act

Disclosure of CEO/Board Chairman Structure—requires disclosure of why the company has the positions of CEO and chairman of the board of directors filled by the same person or by different individuals. As the SEC has already adopted rules, last December 2009 covering this disclosure requirement; it is not clear what, if any, additional rulemaking will be done.

No Broker Discretionary Vote for Compensation Matters—broker discretionary votes under NYSE Rule 452 for director elections were eliminated in the Summer of 2009. The Act now codifies this requirement through an amendment to Section 6(b) of the Exchange Act, and also requires the stock exchanges to amend their rules to further prohibit broker discretionary voting for executive compensation matters (including so-called "say-on-pay" votes) and any other "significant matter" as defined by SEC rule.

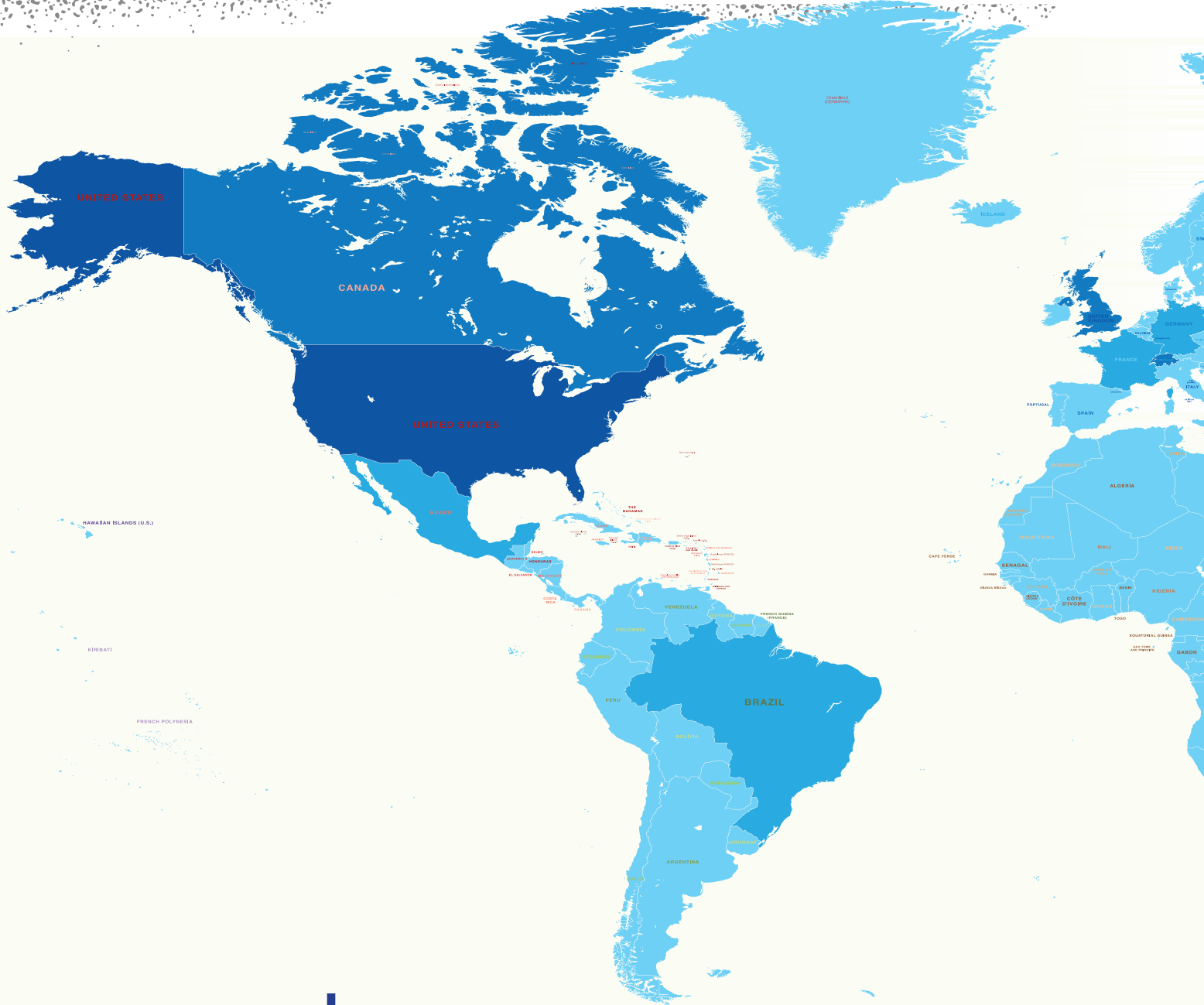
Say on Pay (Executive Compensation) and Say When on Pay—section 951 of the Act requires public companies to provide their shareholders periodically (at least once every 3 years) with a non-binding vote ("say-on-pay") on the compensation of their executives, based on the compensation paid to the company's NEOs, which includes the compensation committee report, compensation discussion and analysis, compensation tables and related disclosures. In addition to the vote on executive compensation, companies must also ask shareholders to cast a vote on whether the company should hold shareholder advisory votes on executive compensation every year or every 2 or 3 years. It is unclear whether this is also an advisory vote or a binding vote. After the first "say-when-on-pay" vote, shareholders must be asked at least once every six years whether they prefer an annual, biennial or triennial advisory vote.

Say on Pay (Golden Parachutes)—requires companies to provide their shareholders with specific disclosures about, and a separate non-binding vote on, any "golden parachute" compensation arrangements with any named executive officers of the company (or the acquiring company) concerning any type of compensation (whether present, deferred or contingent) that is based on or related to the merger or acquisition transaction. The golden parachute disclosure will first be required in connection with any vote on a merger, acquisition or similar transaction after January 21, 2011. The SEC is expected to adopt rules specifying the required disclosures about golden parachutes within the same time frame. If the company's golden parachute arrangements have previously been subject to a vote of shareholders as part of the periodic shareholder vote on executive compensation as described above, no separate shareholder vote on the golden parachute arrangements is required in connection with a vote on the merger or acquisition transaction.

Compensation Committee Independence—similar to audit committee independence requirements, section 952 of the Dodd-Frank Act has added to the Exchange Act a new Section 10C that requires that each member of the compensation committee to be independent as defined by the relevant stock exchange. In defining independence, the listing standards must take into consideration the sources of compensation of the director (including consultancy, advisory and other fees paid to the director by the issuer) and whether the director is affiliated with the issuer, any subsidiary of the issuer or any affiliates. It is important to note that directors affiliated with large shareholders (such as hedge funds and private equity funds) may not be eligible to serve on compensation committees under the new requirements since they may be deemed to be affiliated with the issuer (which does not compromise independence pursuant to current stock exchange rules). Controlled companies are exempt from the requirement.

Compensation Committee Consultants, Legal Counsel and Other Advisors—Section 952 also sets up several other requirements, also to be imposed through listing standards, for compensation committees with regard to the consultants, legal counsel and other advisors those committees may engage. The Act specifies that compensation committees may, but are not required to, engage consultants, legal counsel and other advisors only after taking into consideration the Commission's definition of "independent" for these purposes. In crafting that definition, the Commission must consider: other services provided to the issuer by the consultant, how the fees received from the issuer compare to the total revenue of the consultant, the policies and procedures of the consultant that are designed to prevent conflicts of interest, any business or personal relationships between the consultant and any members of the compensation committee, and any

(continued on Page 20)



global proxy voting

The SBA votes proxies wherever practical, across all global capital markets. This map is a visual graphic of the most prevalent countries for corporate proxy voting.

Global equity voting has increased markedly over the last few years as the SBA has expanded its global investments, as both the market capitalization and sheer number of non-U.S. equity investments continues to intensify.

stock of the issuer owned by the consultant. The SEC's definition of independence must also be "competitively neutral" among categories of consultants, legal counsel and other advisors. It is unclear whether the SEC will issue a "bright-line" standard for determining independence or use a facts-and-circumstances approach. Other provisions make clear that the issuer must also make appropriate funding available to the compensation committee for these purposes. In addition, a compensation committee need not follow any advice received from such consultant or advisor, and nothing in the Act limits the committee from exercising its own judgment. Implementation may occur over an extended period of time as the SEC is given until July 16, 2011 to issue rules directing the exchanges to amend their listing standards to preclude the listing of any issuer that is not in compliance with these provisions, which will then take additional time to accomplish.

Compensation Disclosures - Act in Sections 952 and 953 requires that companies make three new disclosures relating to compensation:

Pay versus Performance: the relationship between "executive compensation actually paid" and the financial performance of the issuer, "taking into account any change in the value of the shares of stock and dividends of the issuer and any distributions." The definition of "executive compensation actually paid" will need to be determined and could differ from "total compensation" disclosed in the Summary Compensation Table today. The exact format will depend on the SEC's rule but it could be required in graph form similar to the stock charts that were used in past years.

Internal Pay Ratio: companies must disclose the median of the annual total compensation of all employees of the company (other than the CEO) as well as the annual total compensation of the CEO and then providing a ratio comparing those two figures. Calculation of "annual total compensation" of an employee for purposes of this provision of the Act must be determined in accordance with the rules for named executive officers in Item 402 of Regulation S-K. As drafted this provision will be considerably burdensome. Some expect that the SEC will not write rules implementing this provision until the 2012 proxy season. In the meantime, some have raised with the SEC the difficulties of calculating the annual total compensation (including pension benefits) for all employees, full or part time, domestic or foreign. Furthermore, this disclosure will be required in any filings "described in Section 10(a)" which covers much more than proxy statements and annual reports on Form 10-K.

Hedging: the Act directs the SEC to issue rules requiring companies to disclose whether directors and employees are permitted to "hedge or offset any decrease in the market value of equity securities," whether granted to the director or employee as compensation or held, directly or indirectly, by the director or employee.

Clawbacks—Section 954 of the Act also creates a new Section 10D of the Exchange Act requiring listed companies to develop and implement policies to recapture - or "claw back" - compensation "erroneously awarded" to executives prior to a restatement of the company's financial statements. This requirement is mandatory, covers all present and former executive officers and does not require misconduct by the company or any officer as a condition to invoking the clawback. Given its broad application and relatively expansive scope, the clawback provision may be one of the most significant aspects of the Act. The clawback provisions of the Dodd-Frank Act go well beyond existing law and practice. The Act requires a listed company in the case of an accounting restatement due to the material noncompliance of the issuer with any financial reporting requirement, to recover: from all present and former "executive officers" (not just the NEOs) any incentive-based compensation (including stock options) received in excess of what would have been paid under the accounting restatement for three years preceding the date on which the company is required to prepare the restatement regardless of whether there was any fraud or misconduct involved (that is, the policy must apply to any accounting errors, intentional or not, resulting in a material restatement). This can have a significant impact all executive officers who have received pay tied to metrics based on accounting measures. Companies should review those components of executive compensation tied to accounting metrics in light of this new development.

Summary of Proxy Access (Rule 14a-11)

Eligibility

Shareholders (or a group of shareholders) who hold 3% of a company's outstanding shares, and have held them for three years continuously may nominate, and include in the company's proxy, up to 25% of the board or one director, whichever number is greater.

To determine whether a shareholder or group has continuously held 3% of voting and economic ownership of the shares, loaned shares will be counted, borrowed shares will not be counted, and shares sold short will not be counted.

Companies can use the no-action process to exclude nominees if they believe a nominee or a nominating shareholder does not satisfy the requirements.

Only shareholders who have disclaimed any intent to change control or to gain a number of seats greater than that allowed under the Rule will be allowed to nominate.

The shareholder, or group, with the largest number of shares will have their nominees on the proxy, rather than those "First to File."

The date to file will be no earlier than 150 days and no later than 120 days from the anniversary of company's mailing the prior year. Thus, if the Rule is effective by November 1, a notice of intent to nominate could be made to those companies whose mailing last year was March 1st or later (i.e. 120 days from the anniversary of last year's mailing.)

Companies cannot opt out of the Rule.

The Commission also adopted amendments to Rule 14a-8 to allow shareholder proposals that would propose a proxy access scheme; but a shareholder cannot propose a more lenient threshold than Rule 14a-11 provides.

Amendments to the proxy solicitation rules were also adopted that will facilitate communication between shareholders seeking to form a nominating group and to deem such shareholders to be not soliciting under the proxy rules.

Advance-notice requirements

Advance notice of nomination on a new Schedule 14N must be filed with the SEC and provided to the company by the nominating shareholder during a window period of 120 to 150 calendar days before the anniversary of the date that the company mailed its proxy materials for the prior year's annual meeting.

Alleged Violation of

Administrative Procedure Act

On September 29, 2010, the U.S. Chamber of Commerce and the Business Roundtable petitioned the U.S. Court of Appeals for the District of Columbia Circuit for a review of the proxy access rules, alleging, among other things, that the rules are arbitrary and capricious and violate the Administrative Procedure Act and that the SEC failed to properly assess the rules' effects on "efficiency, competition and capital formation" as required by law. Pending resolution of that petition, the SEC stayed the operation of Rule 14a-11 and related amendments.

included questions on five key topics: company investments in spill prevention and response activity, including offshore drilling and spill response capability; spill contingency plans for managing deepwater blowouts; lessons learned from the BP spill, including their position on possible new regulations and more robust enforcement on offshore drilling in the Gulf and elsewhere; possible actions to improve their safety contractor selection and oversight practices; and governance systems

for overseeing management of offshore oil and gas operations. The insurance letter asked if insurers were: considering adjustments to their overall exposure to offshore oil and gas operations, including possible changes in policy volume; considering changes in their underwriting criteria; supportive of new regulations that would reduce offshore drilling risks.

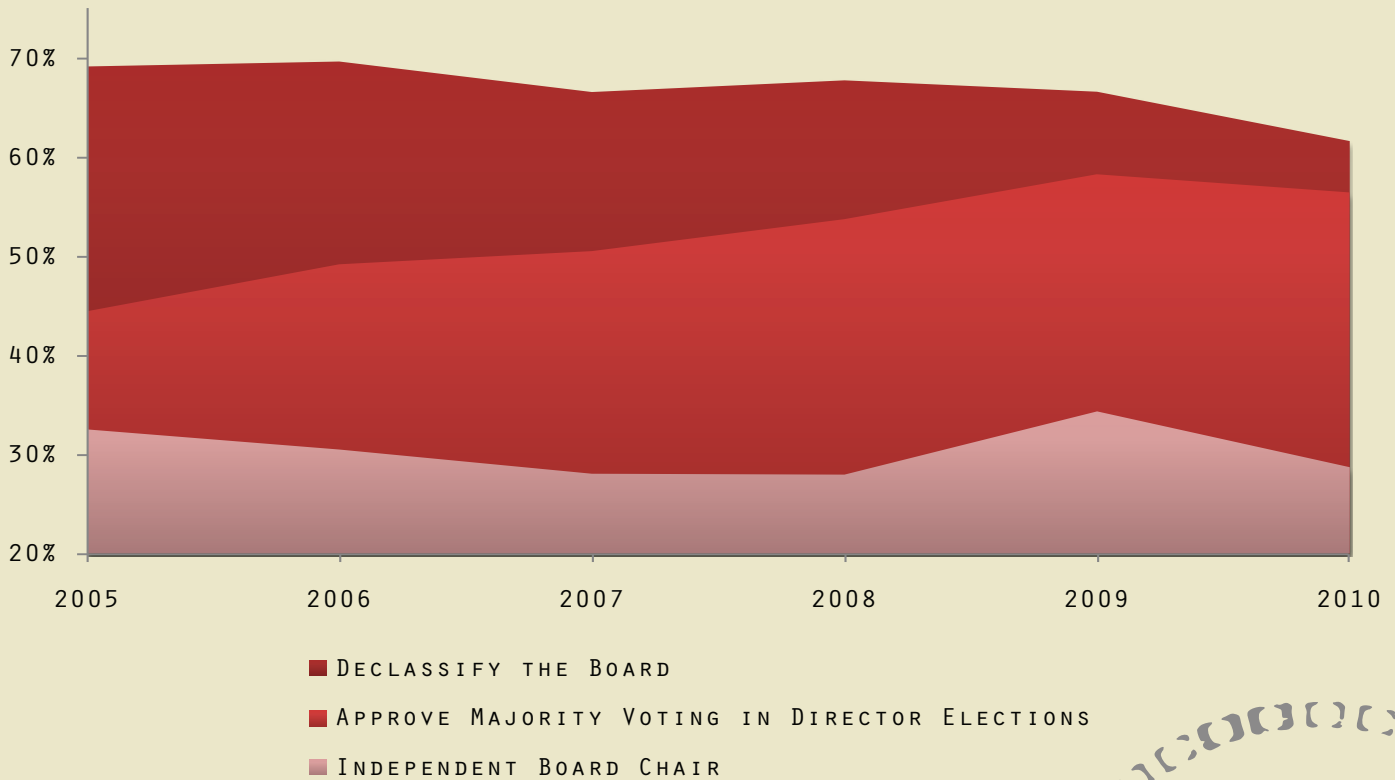
As of mid-November, Ceres and INCR had received responses from 22 of the 27 oil companies that received the

letter. SBA staff continues to work with Ceres and INCR to develop a summary report and evaluate company responses.

INVESTOR ADVOCACY

In a continued effort to increase the transparency of voting decisions and governance actions, the SBA posts historical and current proxy voting records, as well as other information about investments and corporate governance activities on its

PROXY VOTING STATISTICS BY
PRIMARY BALLOT ITEM
(RUSSELL 3000 INDEX FIRMS, BY FISCAL YEAR)



website [www.sbafla.com]. Votes are disclosed as they are cast, typically 10 days prior to the company meeting. Voting information is fully searchable based on date, calendar range, company name, and SBA portfolio. Voting data covers every publicly-traded equity security for which the SBA retains voting authority.

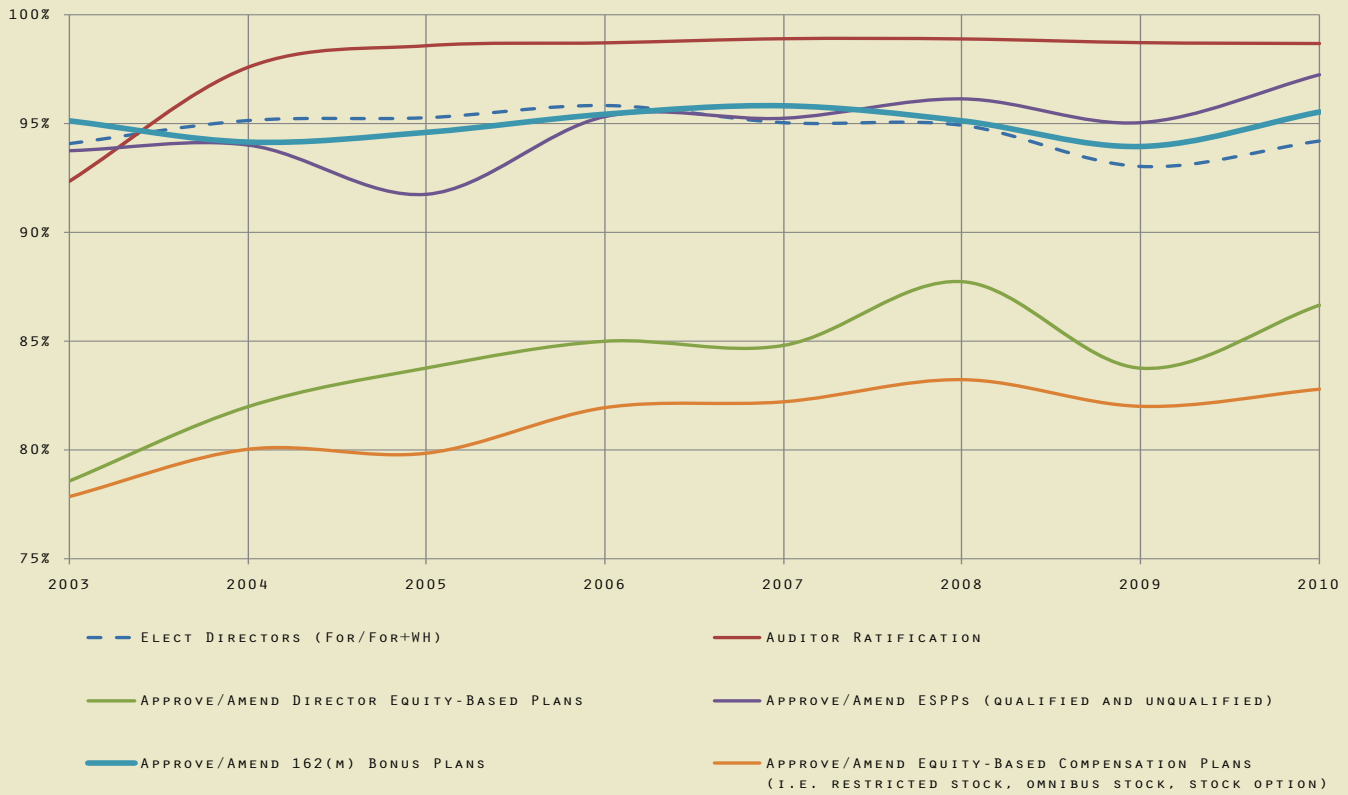
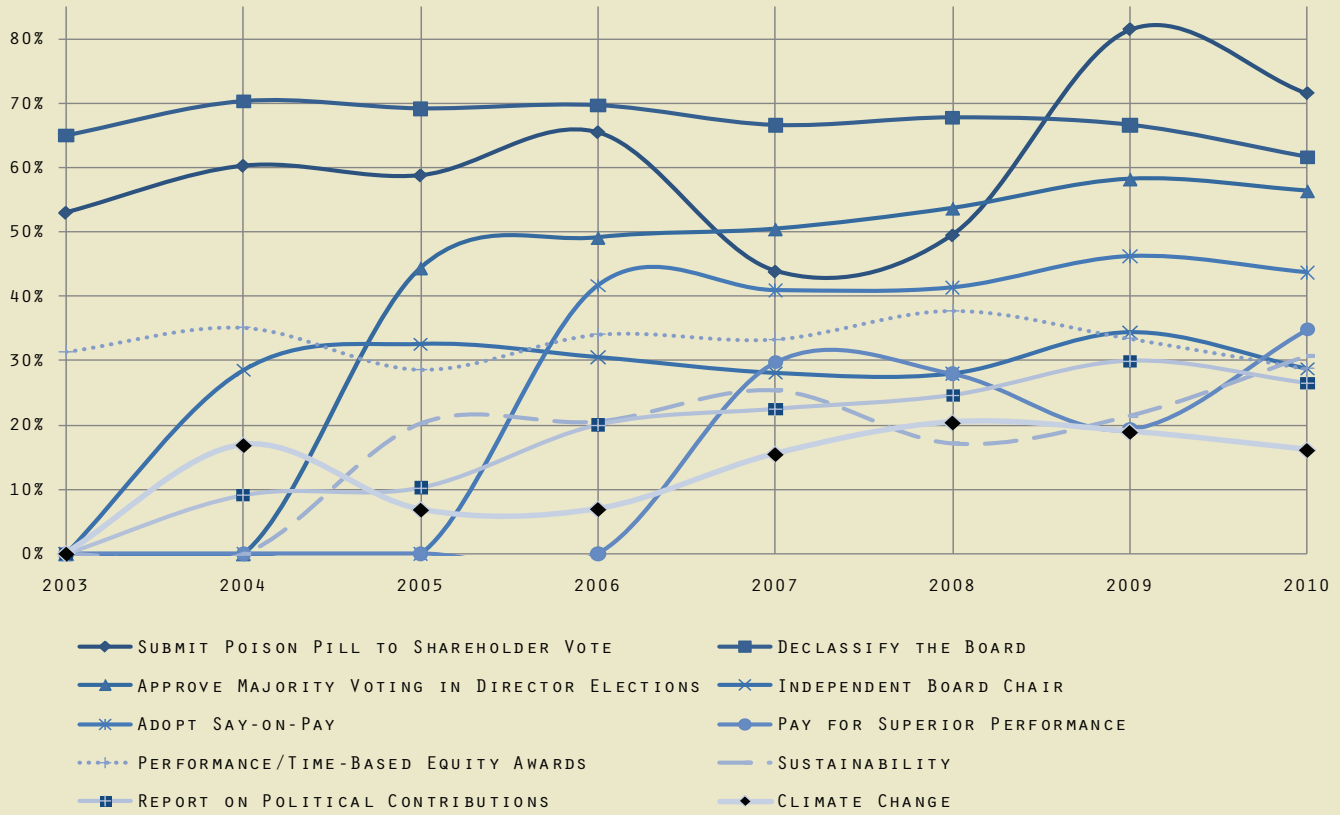
During the last fiscal year, the SBA continued to collaborate with a nonprofit project called ProxyDemocracy [www.ProxyDemocracy.org/data/funds/81] which allows stakeholders to analyze and compare the voting decisions of the SBA to those of a large universe of institutional investors and mutual funds. The ProxyDemocracy site provides information about how designated institutional investors plan to vote at upcoming shareowner meetings and provides additional historical profiles covering the funds' corporate governance and proxy

voting activities.

The SBA recently partnered with another online voting source called Moxy Vote [www.moxyvote.com] which advocates to enable better analysis of voting records. Moxy Vote is an on-line voting service and interactive community focused on the retail shareholder. Their web based service enables individuals to gather information from other shareholders and advocacy organizations. Shareowners can interact with each other via message boards and vote their shares online. ●●●

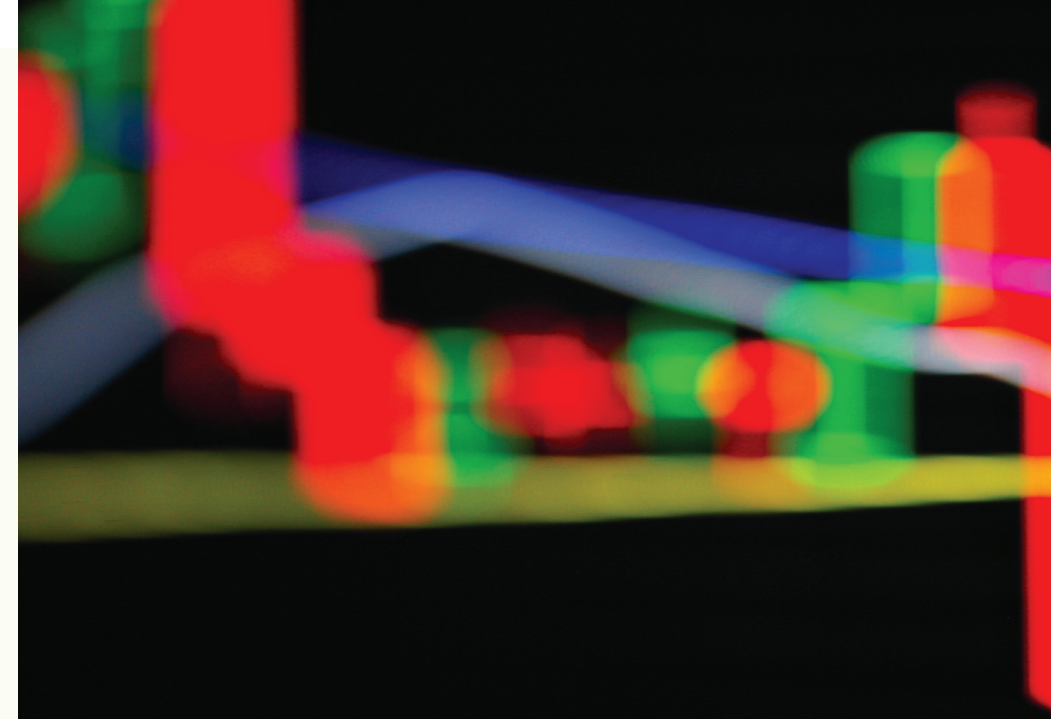
PROXY VOTING STATISTICS BY PRIMARY BALLOT ITEM

(RUSSELL 3000 INDEX FIRMS, BY FISCAL YEAR)



Many academic and industry researchers continue to evaluate the impact that corporate governance factors can have on company performance. As investors look toward global markets, they are beginning to take governance standards into account when assessing the potential profitability of these investments. Thus, there has been an initiative to develop a single governance factor that can accurately predict the corporate governance standards of companies around the world. Specifically, ranking systems have been developed that ignore company ownership structure and use key categories to assign each company or country being assessed a raw score.

It is easy to see how having such a standard global measure could seem beneficial. In practice, however, these single metrics for assessing corporate governance prove to be inadequate. Often ignored are the fundamental differences in corporate governance threats faced by



for assessing the governance of companies with and without a controlling shareowner.

ASSESSMENT OF CURRENT RANKING SYSTEMS

Anti-Director Rights Index

The Anti-Director Rights Index is one of the most influential global metrics developed by an academic. It was created

index to a global environment, it proves faulty when assessing firms with a controlling shareowner. These firms, regardless of their arrangements in place, do not allow the non-controlling shareowners to have these rights. When investors purchase shares in a controlling shareowner company they are not purchasing based on their desire to change the company and have input. Investors purchase shares in this type of company because they trust the controlling shareowners and believe that the company is being managed in a successful way. Because of the focus on shareowner rights, the Anti-Director Rights Index is not a viable tool for addressing companies that are influenced by a controlling shareowner.

Anti-Self-Dealing Index

This index was developed as an alternative to the Anti-Director Rights Index. The Anti-Self-Dealing Index focuses on disclosing insiders self-dealing transactions and thus, protecting outside investors from such corruption. Some of the relevant measures include: disclosure, public enforcement and the ability to hold insiders liable for self-dealing transactions. While the Anti-Director Rights Index has been criticized for focusing solely on the threats faced by companies with a controlling shareowner, the Anti-Self-Dealing Index faces criticism from the opposite

Controlled Companies Are They Inherently Different?

controlling shareowner firms and non-controlling shareowner firms. A 2009 study performed by Lucian Bebchuk and Assaf Hamdani, assesses the most influential governance standards currently: the Anti-Director Rights Index, the Anti-Self-Dealing Index and the Corporate Governance Quotient (renamed "Grid"). In, "The Elusive Quest for Global Governance Standards," the authors' conclusion is that academics and investors should abandon the effort to develop a single governance metric. Rather, they should develop separate methodologies

by a team of four financial economists: La Porta, Lopez-de-Silanes, Shleifer, and Vishny. The index consists of six components, focusing on shareholder rights, preemptive rights, cumulative voting, and rights of opposing minority shareholders. Three of the six components focus on shareholder rights. These components assess a shareholders ability to vote by mail, to vote without depositing shares, and to call a special meeting.

The main problem with the Anti-Director Rights Index lies with its focus on shareholder rights. When applying this



direction.

The Anti-Self-Dealing Index over-compensates for the shortcomings of the previous Index. The main issues considered are only relevant to companies with a controlling shareowner. Companies that do not have a controlling shareowner, typically, do not face as many issues with corruption involving insiders. This index does not do an adequate job of focusing on issues that companies face when they do not have a controlling shareowner.

Corporate Governance Quotient

The Corporate Governance Quotient, developed by RiskMetrics Group, is the most influential ranking system to be developed by a shareholder advisor. This ranking system has two set of criteria, one for ranking U.S. companies and one for Non-U.S. companies. The Corporate Governance Quotient provides two scores. First, the company is ranked on their compliance with the applicable set of criteria. Then, they are scored based

account the differences in U.S. and Non-U.S. companies, it fails to take into account the differences between companies with and without a controlling shareowner. The index divides corporate governance into eight criteria: board size, audit, charter/bylaws, antitakeover provisions, executive compensation, progressive practices, ownership, and director education. As before mentioned, an index cannot be universally applied if it does not take into account the differences in issues faced based on company ownership. Therefore, while the Corporate Governance Quotient is an improvement, it is not a solution for a global standard corporate governance index.

Controlling vs Non-Controlling Shareowner Companies

When assessing corporate governance standards it is important that fundamental differences between controlling shareowner companies and companies without a controlling shareowner not be ignored. For instance, in companies that do not have a controlling shareowner, investors must assess the existence of agency problems. It is difficult, in these companies, for shareholders to exercise control over the dealings of management and inside directors. Companies with a controlling shareowner, in contrast, do not face these same issues. Because a controlling shareowner has such a large stake in the company they have more incentive to closely monitor the dealings that are occurring inside the company. Because inside directors know this, it is unlikely that a company with a controlling shareowner would have to deal with agency problems to the degree that companies without a controlling shareowner do.

In controlling shareowner companies there is no contestability of control, so there is no need to prepare for control contests. However, that is not the case in non-controlling shareholder companies. In these companies, however unlikely it is that a takeover could happen, it is still

“It is important for investors to apply different methodologies when assessing the governance of companies with and without a controlling shareholder. Investors used to companies without a controller, the type most common in the US capital markets, must learn to use different yardsticks when turning their attention to the controlled companies that are dominant in most capital markets around the world.”

Lucian Bebchuk
Friedman Professor of Law, Economics, and Finance
Director of the Program on Corporate Governance
Harvard Law School

Thus, the Anti-Self-Dealing Index is not an adequate measure to be used when assessing all global companies.

on their comparison to other companies within their same industry group.

Although the Corporate Governance Quotient does take into

possible. When assessing the corporate governance standards of these companies it is important to take into account threats of contestability of control. Also, it is important that when assessing non-controlling shareholder companies, the assessment index being used does not derive a large amount of its assessment from measuring the ability of shareholders to influence decisions. It can be assumed that these shareholders of non-controlling shareholder companies will not use their collective power to influence management, due to their small percentage of potential benefits received. In controlling shareholder companies, however, the opposite is true. Because of their large investment in the company, controlling shareholders have a lot more to gain from the company being profitable, and thus, should be considered when assessing the overall governance of the company.

When assessing the corporate governance of a company it is important to note that while dealing with controlling shareholder companies one must consider the outside dealings of the controlling shareholder. It is imperative that a company guard against large self-dealing transactions as there is a great incentive of moral hazard on controlling shareholders. When assessing non-controlling shareholder companies it is much easier. The main concerns in these types of companies are executive compensation and managerial shirking. Because there is no controller to monitor the reduction in share value, it is vital that investors consider the risks that this type of fraud can present when assessing the value of a company.

Recommendations and Conclusion

While a single global rating system would be ideal, due to the fundamental differences in controlling shareowner and non-controlling shareowner companies, it is necessary to use separate rating systems in order to accurately evaluate the risks associated with each company.

The most commonly used governance rating systems, the Anti-Director Rights the Anti-Self-Dealing and the Corporate Governance Quotient Indices, all fail to make this distinction, and thus when applied universally may produce an inaccurate or even distorted picture of company or country governance standards. The criteria of the desired indices are as follows:

Non-Controlling Shareowners

An appropriate evaluation system for non-controlling shareowner companies would have to take special circumstances into consideration. As explained earlier, control contests place a certain risk on non-controlling shareowner companies, thus, any measures being used to evaluate these companies must place considerable weight on arrangements governing hostile takeovers and proxy fights. In addition, special consideration must be given to the rights of shareholders to vote. Shareholders should be given the right to vote by mail, by proxy or written consent, and to vote without being required to deposit shares. Shareholders in non-controlling shareowner companies should be given the right to place governance proposals and board nominees on the company's ballot and should be protected by confidential voting.

Besides voting requirements, when dealing with non-controlling shareowner companies, special consideration must be given to the assessment of executive compensation agreements. Due to the absence of a controlling shareowner, there is little incentive for any one shareowner to monitor the amount of executive compensation and assess the fairness of such compensation packages. Because of this lack of shareowner governance, it is also essential that an evaluation system take into account director independence from management. A suitable index would examine the ties between managers and directors and also the ties between directors and other boards on which they serve.

Controlling Shareowner

An evaluation for a controlling shareowner company would be slightly different. A main concern when assessing these companies is the protection placed on the outside shareholders. It is important that these shareowners have power to block certain corporate transactions that as a whole, they do not approve. In order to assess the true value of a firm, the index used should pay special attention to the arrangements that empower minority shareholders. In addition to assessing power held by minority shareholders, a suitable index should also regulate the power held by a controlling shareowner. In large companies with one controlling shareowner there is a large incentive for this shareowner to participate in self-dealing transactions and freeze outs. If left undetected, these transactions can divert firm value away from the firm and into the pockets of these controlling shareholders. In order for an index to be sufficient it must give a heavier weighting to the protection against self-dealing transactions in controlling shareowner companies than it would in non-controlling shareowner companies.

Any index developed to evaluate controlling shareowner companies should also take into consideration director independence and control contests. When assessing non-controlling shareholder companies you simply look at the director's connection with management. Controlling shareholder companies are more complicated where a director cannot have a connection to management, but they also may not be truly independent unless they have no ties to the companies controlling shareholder or any of its affiliates. This requires additional research and any index used to assess these companies must take that into account. ●●●

COMPLIANCE WITH FLORIDA STATUTES

SUDAN AND IRAN

On June 8, 2007, the Protecting Florida's Investments Act ("PFIA") was signed into law. The PFIA requires the State Board of Administration, acting on behalf of the Florida Retirement System Trust Fund (the "FRSTF"), to assemble and publish a list of "Scrutinized Companies" that have prohibited business operations in Sudan and/or Iran. Once placed on the list of Scrutinized Companies, the SBA and its investment managers are prohibited from acquiring those companies' securities and are required to divest those securities if the companies do not cease the prohibited activities or take certain compensating actions. The implementation of the PFIA by the SBA does not affect any FRSTF investments in U.S. companies. The PFIA solely affects foreign companies with certain business operations in Sudan and Iran involving the petroleum or energy sector, oil or mineral extraction, power production or military support activities. To read more about implementation of the PFIA, please see the divestment section of the SBA's website.

CUBA

The Free Cuba Act of 1993 (Section 215.471, Florida Statutes) was passed by the Florida Legislature, in accordance with federal law. Section I of the Act prohibits state agencies from investing in a financial institution or company domiciled in the United States that does business of any kind with Cuba or any company doing business in or with Cuba in violation of federal law. Section 2 of the Act prohibits any state agency from investing in any financial institution or company domiciled outside of the United States if the President of the United States has applied sanctions against the foreign country in which the institution or company is domiciled. In order to comply with this legislation, the Cuban Affairs Section at the U.S. State Department and/or the Treasury Department's Office of Foreign Assets Control (OFAC) are contacted periodically to confirm that no sanctions have been implemented. Since the Act's inception, sanctions have never been issued against any country.

NORTHERN IRELAND

Section 121.153, Florida Statutes, directs the SBA to invest its assets in companies that are making advances in eliminating ethnic and religious discrimination in Northern Ireland. Section 121.153 also directs correspondence with financial institutions with which the SBA maintains accounts in order to gauge their exposure, if any, to operations and/or subsidiaries in Northern Ireland. For fiscal year 2011, confirmation has been received from Bank of America, BNY Mellon, Regions Financial, and Wachovia

Bank (a division of Wells Fargo) indicating there were no operations or activities of any kind in Northern Ireland. Confirmation is pending from Barclays Global Investors.

Pressure for affirmative action to increase Catholic (or sometimes Protestant) representation stems from both the MacBride principles themselves, as well as Northern Ireland's fair employment laws. In the U.S., 17 states and more than 30 cities and counties have current laws invoking the MacBride principles and a majority of all U.S. state pension assets support the principles. Since the MacBride Principles campaign began in 1984, shareowners have reached agreements on MacBride implementation with 56 of the 69 publicly-traded firms (including affiliates or franchises) that currently have more than 10 employees in Northern Ireland. According to ISS Northern Ireland statistics, there are 157 public and private operations in Northern Ireland that have parent firms based in the U.S.

Total employment of U.S. subsidiaries and affiliates stands at approximately 24,000 employees, with the majority of U.S. companies exhibiting fair employment representation and most having affirmative action programs. ISS noted that approximately one-third of U.S. companies operating in Northern Ireland have an under-representation of either Catholics or Protestants. However, Catholic representation among U.S. companies rose to 49 percent in 2006, up from 46.6 percent at the end of 2005, and 45.1 percent in 2004. Census figures show the overall Northern Ireland population to be 44 percent Catholic.

During the SBA fiscal year ending June 30, 2010, there was only one shareowner resolution supporting the MacBride principles. The SBA voted in favor of the proposal, but general support for the proposal was insufficient for passage.

SBA VOTING STATISTICS FOR FISCAL YEAR 2010
(JULY 1, 2009 TO JUNE 30, 2010)
(PERCENTAGES MAY NOT ADD TO 100 DUE TO ROUNDING)

CATEGORY/DESCRIPTION	FOR	AGAINST	WITH- HOLD	WITH MRV	AGAINST MRV
Antitakeover Related					
Adjourn Meeting	78%	19%	0%	80%	20%
Adopt, Renew or Amend (NOL Pill)	50%	50%	0%	50%	50%
Adopt/Amnd Shareholder Rights Plan	9%	91%	0%	13%	88%
Adopt/Inc Supermaj Vote/Amendments	0%	100%	0%	0%	100%
Amend Bylaws w/o Shldr Consent	20%	80%	0%	20%	80%
Amnd Art./Charter Governance-Rel'td	17%	83%	0%	17%	83%
Appr/Amnd Stck Ownrship Limitations	25%	75%	0%	25%	75%
Approve Control Share Acquisition	50%	0%	0%	100%	0%
Auth Company to Call EGM in 2 Weeks	93%	7%	0%	93%	7%
Company-Specific--Organization-Related	75%	25%	0%	75%	25%
Dirs May Only Be Removed for Cause	0%	100%	0%	0%	100%
Elim/Restr Rgt to Act by Wrtn Cnsnt	0%	100%	0%	0%	100%
Elimin/Restr Right to Call Spec Mtg	100%	0%	0%	100%	0%
Provide Right to Act by Written Consent	100%	0%	0%	100%	0%
Provide Right to Call Special Meeting	95%	0%	0%	100%	0%
Reduce Supermajority Vote Req(s)	90%	10%	0%	90%	10%
Renew Partial Takeover Provision	100%	0%	0%	100%	0%
Require Adv Notice/Shldr Prop/Nom	0%	100%	0%	0%	100%
Rescind Fair Price Provision	100%	0%	0%	100%	0%
Use Cap Auth - Tender/Exch Offer	0%	100%	0%	0%	100%
Totals for Antitakeover Related :	68%	30%	0%	69%	31%
Capitalization					
Amend Art/Charter Equity-Related	50%	0%	0%	100%	0%
Amnd Charter - Change in Capital	63%	13%	0%	88%	13%
Appr Iss of Shrs for Priv Placement	68%	23%	0%	77%	23%
Appr Issuance w/o Preemptive Rgts	77%	19%	0%	81%	19%
Appr/Amnd Conversion of Securities	79%	14%	0%	86%	14%
Appr/Amnd Sec Transfer Restrictions	60%	40%	0%	60%	40%
Approve Cancel of Capital Authorization	100%	0%	0%	100%	0%
Approve Reduction in Share Capital	94%	0%	0%	100%	0%
Approve Reverse Stock Split	86%	14%	0%	86%	14%
Approve Stock Split	100%	0%	0%	100%	0%
Approve Use of Proceeds Fund Raising	100%	0%	0%	100%	0%
Auth Issuance of Bonds/Debentures	46%	8%	0%	92%	8%
Auth Issuance with Preemptive Rgts	92%	3%	0%	97%	3%
Auth New Class of Preferred Stock	0%	100%	0%	0%	100%
Auth Reissuance of Repurchased Shrs	20%	73%	0%	27%	73%
Auth Rgts/Ltd Issue w/o Prmtve Rgts	77%	15%	0%	85%	15%

CATEGORY/DESCRIPTION	FOR	AGAINST	WITH- HOLD	WITH MRV	AGAINST MRV
Auth Share Repurchase Prg/Cancellation of Repurchased Shares	50%	0%	0%	100%	0%
Auth Share Repurchase Prg/Reissuance of Repurchased Shares	63%	19%	0%	81%	19%
Auth a New Class of Common Stock	50%	50%	0%	50%	50%
Authorize Board to Increase Capital	75%	25%	0%	75%	25%
Authorize Capital Increase of up to 10 Percent of Issued Cap	100%	0%	0%	100%	0%
Authorize Management Board to Set Issue Price for 10 Percent	0%	100%	0%	0%	100%
Authorize Share Repurchase Program	89%	8%	0%	92%	8%
Authorize Use of Financial Derivatives	100%	0%	0%	100%	0%
Capitalize Reserves for Bonus Issue/Increase Par	95%	0%	0%	100%	0%
Company Specific Equity Related	72%	23%	0%	75%	25%
Convert Mult Vtg Shares to Common	50%	0%	0%	50%	50%
Elim/Adjust Par Value of Commn Stk	100%	0%	0%	100%	0%
Eliminate Class of Common Stock	100%	0%	0%	100%	0%
Eliminate Class of Preferred Stock	100%	0%	0%	100%	0%
Eliminate Preemptive Rights	92%	0%	0%	100%	0%
Incr Auth Preferred and Common Stk	22%	78%	0%	22%	78%
Increase Authorized Common Stock	68%	30%	0%	70%	30%
Increase Authorized Preferred Stock	29%	64%	0%	36%	64%
Increase Capital/Share Exch Offer	100%	0%	0%	100%	0%
Increase Common/Auth New Preferred	100%	0%	0%	100%	0%
Issue Warrants w/o Preempt Rgts	67%	29%	0%	71%	29%
Issue Warrants with Preempt Rgts	0%	100%	0%	0%	100%
Issue Warrants/Convertible Debent	86%	11%	0%	89%	11%
Ratify Past Issuance of Shares	100%	0%	0%	100%	0%
Reduce Auth Comm and Prefd Stk	100%	0%	0%	100%	0%
Reduce/Cancel Share Premium Acct	100%	0%	0%	100%	0%
Set Limit for Capital Increases	100%	0%	0%	100%	0%
Totals for Capitalization :	76%	18%	0%	81%	19%
Directors Related					
Adopt or Amnd Dir Qualifications	0%	0%	0%	100%	0%
Allow Directors to Engage in Commercial Trans	88%	0%	0%	100%	0%
Amend Articles Board-Related	73%	27%	0%	73%	27%
Amend Quorum Requirements	100%	0%	0%	100%	0%
Appoint Alternate Internal Statutory Auditor	83%	17%	0%	83%	17%
Appoint Auditors(Bundled)/Approve Auditors Remuneration	14%	14%	0%	86%	14%
Appoint Internal Statutory Auditors	60%	38%	0%	62%	38%
Appr Dir/Officer Liability & Indemn	63%	38%	0%	63%	38%
Appr Discharge of Board and Pres.	83%	0%	0%	100%	0%
Appr Discharge of Management Board	83%	2%	0%	98%	2%

CATEGORY/DESCRIPTION	FOR	AGAINST	WITH- HOLD	WITH MRV	AGAINST MRV
Appr Discharge of Mgnt & Superv Brd	57%	14%	0%	86%	14%
Appr Discharge of Supervisory Board	98%	1%	0%	99%	1%
Approve Decrease in Size of Board	100%	0%	0%	100%	0%
Approve Discharge of Auditors	0%	50%	0%	50%	50%
Approve Discharge of Board and Auditors	60%	0%	0%	100%	0%
Approve Executive Appointment	90%	0%	0%	100%	0%
Approve Increase in Size of Board	86%	0%	0%	100%	0%
Approve Remuneration of Directors	81%	10%	0%	90%	10%
Approve/Amend Regulations on Board of Directors	100%	0%	0%	100%	0%
Authorize Board Chairman to Serve as CEO	0%	100%	0%	0%	100%
Authorize Board to Fill Vacancies	0%	100%	0%	0%	100%
Authorize Board to Fix Remuneration	0%	0%	0%	100%	0%
Classify the Board of Directors	0%	100%	0%	0%	100%
Company Specific--Board-Related	68%	23%	0%	81%	19%
Declassify the Board of Directors	97%	2%	0%	93%	7%
Dismiss/Remove Directors	0%	100%	0%	100%	0%
Dismiss/Remove Directors (Non-contentious)	100%	0%	0%	100%	0%
Elect Director (Cumulative Voting)	94%	6%	0%	94%	6%
Elect Director and Approve Director's Remuneration	100%	0%	0%	100%	0%
Elect Directors	73%	5%	21%	74%	26%
Elect Directors (Bundled)	62%	22%	0%	78%	22%
Elect Directors (Bundled) and Approve Their Remuneration	0%	50%	0%	50%	50%
Elect Directors (Management Slate)	74%	0%	2%	88%	12%
Elect Representative of Employee Shareholder to the Board	18%	82%	0%	64%	36%
Elect Subsidiary Director	100%	0%	0%	100%	0%
Elect Supervisory Board Member	83%	11%	0%	89%	11%
Elect Supervisory Board Members (Bundled)	62%	0%	0%	100%	0%
Eliminate Cumulative Voting	89%	11%	0%	89%	11%
Estab/Alter Director Retirement Pol	50%	0%	0%	100%	0%
Establish Range for Board Size	100%	0%	0%	100%	0%
Fix Number of Directors	100%	0%	0%	100%	0%
Fix Number of and Elect Directors	67%	33%	0%	67%	33%
Indicate Personal Interest in Proposed Agenda Item	40%	40%	0%	100%	0%
Require Majority Vote for the Election of Directors	96%	0%	0%	96%	4%
Totals for Directors Related :	74%	6%	20%	75%	25%
Non-Salary Comp.					
Amend Employee Stock Purchase Plan	92%	7%	0%	93%	7%
Amend Non-Emp Director Option Plan	0%	100%	0%	0%	100%
Amend Non-Emp Dir Restr Stk Plan	22%	67%	0%	33%	67%
Amend Nonqualified Employee Stock Purchase Plan	80%	20%	0%	80%	20%
Amend Omnibus Compensation Plan	2%	98%	0%	2%	98%
Amend Restricted Stock Plan	38%	56%	0%	44%	56%

CATEGORY/DESCRIPTION	FOR	AGAINST	WITH- HOLD	WITH MRV	AGAINST MRV
Amend Stock Option Plan	10%	74%	0%	26%	74%
Amend Terms of Severance Payments to Executives	0%	100%	0%	0%	100%
Amnd Non-Empl Dir Omnibus Stk Pln	5%	90%	0%	10%	90%
Appr Incr in Comp Ceiling for Dirs	100%	0%	0%	100%	0%
Appr Incr in Comp Ceiling/Dir/Aud	100%	0%	0%	100%	0%
Appr Incr in Comp Ceiling/Stat Aud	100%	0%	0%	100%	0%
Appr NE Dir Stk Awrds I/L/Of Cash	67%	33%	0%	67%	33%
Appr Non-Emp Dir Restrictd Stk Pln	0%	100%	0%	0%	100%
Appr Non-Empl Dir Omnibus Stk Pln	7%	93%	0%	7%	93%
Appr Ret Bonus/Dir & Stat Auditors	0%	100%	0%	0%	100%
Appr Retirement Bonuses for Dirs	50%	50%	0%	50%	50%
Appr Stock Appreciation Rights Plan	50%	50%	0%	50%	50%
Appr Stock/Cash Award to Executive	50%	50%	0%	50%	50%
Appr or Amend Bundled Compens Plns	0%	100%	0%	0%	100%
Appr or Amnd Deferrd Compens Pln	63%	38%	0%	63%	38%
Appr/Amend Employment Agreements	100%	0%	0%	100%	0%
Appr/Amend Opt Plan/Overseas Emps	0%	100%	0%	0%	100%
Appr/Amnd Exec Incentive Bonus Plan	61%	38%	0%	62%	38%
Approve Employee Stock Purchase Pln	63%	34%	0%	66%	34%
Approve Equity Compensation Plan (Italy)	0%	67%	0%	33%	67%
Approve Issuance of Warrants Reserved for Founders	0%	100%	0%	0%	100%
Approve Non-Emp Director Option Pln	0%	100%	0%	0%	100%
Approve Nonqualified Employee Stock Purchase Plan	100%	0%	0%	100%	0%
Approve Omnibus Compensation Plan	1%	98%	0%	2%	98%
Approve Remuneration Directors	65%	29%	0%	71%	29%
Approve Remuneration Report	73%	23%	0%	77%	23%
Approve Repricing of Options	40%	60%	0%	40%	60%
Approve Restricted Stock Plan	39%	61%	0%	39%	61%
Approve Share Matching Plan	33%	67%	0%	33%	67%
Approve Share Plan Grant	63%	25%	0%	75%	25%
Approve Stock Option Plan	40%	60%	0%	40%	60%
Approve Stock Option Plan Grants	16%	79%	0%	26%	74%
Approve Stock-for-Salary/Bonus Plan	75%	25%	0%	75%	25%
Approve or Amend Severance/Change-in-Control Agreements	55%	45%	0%	55%	45%
Approve/Amend All Employee Share Schemes	100%	0%	0%	100%	0%
Company-Specific Compens-Related	67%	28%	0%	72%	28%
Totals for Non-Salary Comp. :	33%	65%	0%	35%	65%
Preferred/Bondholder					
The Undersigned Hereby Certifies that the Shares Represented	43%	43%	0%	100%	0%
Totals for Preferred/Bondholder :	43%	43%	0%	100%	0%
Reorg. and Mergers					

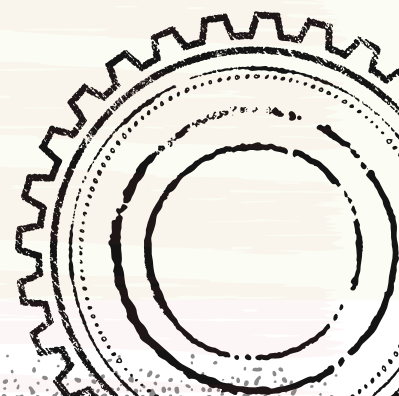
CATEGORY/DESCRIPTION	FOR	AGAINST	WITH- HOLD	WITH MRV	AGAINST MRV
Amend Articles to: (Japan)	100%	0%	0%	100%	0%
Amend Articles/Bylaws/Charter - Organization-Related	100%	0%	0%	100%	0%
Appr Affiliation Agreements w/ Subs	100%	0%	0%	100%	0%
Appr Investment in Another Company	100%	0%	0%	100%	0%
Appr Loan Agreement	0%	100%	0%	0%	100%
Appr Public Offer of Subsidiary	100%	0%	0%	100%	0%
Appr Transaction w/ a Related Party	66%	20%	0%	83%	17%
Approve Formation of a Holding Co.	100%	0%	0%	100%	0%
Approve Joint Venture Agreement	100%	0%	0%	100%	0%
Approve Merger Agreement	94%	6%	0%	94%	6%
Approve Merger by Absorption	100%	0%	0%	100%	0%
Approve Multi-Manager Structure	0%	100%	0%	0%	100%
Approve Plan of Liquidation	100%	0%	0%	100%	0%
Approve Recapitalization Plan	0%	0%	0%	100%	0%
Approve Reorganization Plan	43%	29%	0%	71%	29%
Approve SPAC Transaction	0%	56%	0%	22%	78%
Approve Sale of Company Assets	75%	13%	0%	88%	13%
Approve Scheme of Arrangement	67%	33%	0%	67%	33%
Approve Spin-Off Agreement	67%	33%	0%	67%	33%
Change State of Incorporation	84%	16%	0%	84%	16%
Change of Corporate Form	100%	0%	0%	100%	0%
Company Specific Organization Related	98%	0%	0%	100%	0%
Issue Shares for Acquisition	95%	3%	0%	97%	3%
Misc. Mutual Fund - Company-Spec.	100%	0%	0%	100%	0%
Waive Mandatory Offer to Shldrs	0%	0%	0%	100%	0%
Totals for Reorg. and Mergers :	82%	12%	0%	87%	13%
Routine/Business					
Accept Consolidated Financial Statements and Statutory Rpts	86%	3%	0%	97%	3%
Accept Fin Statmnts & Statut Rpts	86%	3%	0%	97%	3%
Acknowledge Proper Convening of Mtg	100%	0%	0%	100%	0%
Adopt New Articles/Charter	97%	3%	0%	97%	3%
Allow Electronic Distribution of Company Communications	100%	0%	0%	100%	0%
Amend Art/Bylaws/Chartr Non-Routine	73%	15%	0%	80%	20%
Amend Corporate Purpose	83%	0%	0%	100%	0%
Amnd Art/Byl/Chartr General Matters	80%	20%	0%	80%	20%
Appoint Appraiser/Special Auditor/Liquidator	83%	0%	0%	100%	0%
Appoint Auditors & Deputy Auditors	100%	0%	0%	100%	0%
Appoint Censor(s)	100%	0%	0%	100%	0%
Appr Alloc of Income and Divs	87%	0%	0%	100%	0%
Appr Chge of Fundamental Investment Policy	100%	0%	0%	100%	0%
Appr Investment Advisory Agreement	100%	0%	0%	100%	0%

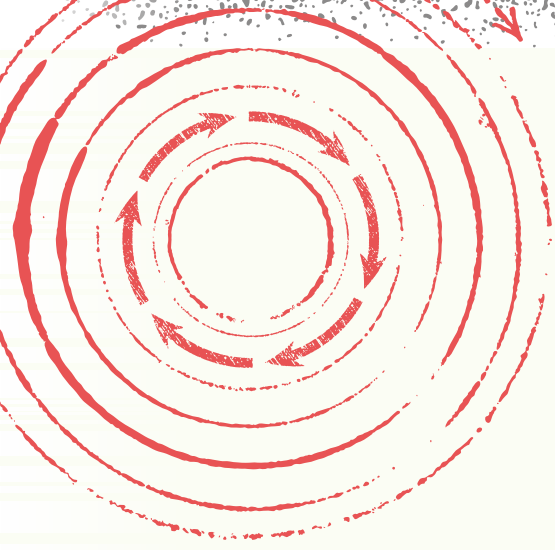
CATEGORY/DESCRIPTION	FOR	AGAINST	WITH- HOLD	WITH MRV	AGAINST MRV
Appr Listing on Secondary Exchange	100%	0%	0%	100%	0%
Appr Remuneration of Dirs & Auds	60%	0%	0%	100%	0%
Appr Standard Accounting Transfers	100%	0%	0%	100%	0%
Appr Stats, Allocate Inc, Disch Dir	78%	11%	0%	89%	11%
Approve Aud and their Remuneration	83%	10%	0%	89%	11%
Approve Delisting of Shares from Stock Exchange	50%	0%	0%	100%	0%
Approve Dividends	93%	0%	0%	100%	0%
Approve Donations for Charitable Purpose	36%	0%	0%	100%	0%
Approve Investment and Financing Policy	100%	0%	0%	100%	0%
Approve Meeting Procedures	100%	0%	0%	100%	0%
Approve Minutes of Meeting	97%	3%	0%	97%	3%
M0163 Approve Political Donations	89%	0%	0%	89%	11%
M0133 Approve Provisionary Budget and Strategy for Fiscal Year	100%	0%	0%	100%	0%
Approve Record Date for Effectiveness of Mtg Resolutions	100%	0%	0%	100%	0%
Approve Special Auditors Report	50%	38%	0%	63%	38%
Approve Special/Interim Dividends	86%	0%	0%	100%	0%
Approve Stock Dividend Program	100%	0%	0%	100%	0%
Approve/Amend Regulations on General Mtgs	100%	0%	0%	100%	0%
Auth Brd to Fix Remuneration of Aud	96%	4%	0%	96%	4%
Authorize Filing of Documents	93%	0%	0%	100%	0%
Board to Execute Apprd Resolutions	64%	9%	0%	91%	9%
Change Company Name	76%	14%	0%	81%	19%
Change Date/Location of Ann Meeting	60%	0%	0%	100%	0%
Change Fiscal Year End	100%	0%	0%	100%	0%
Chge Location of Registered Office	75%	0%	0%	100%	0%
Conversion Rights for SPAC	27%	36%	0%	55%	45%
Designate Inspector of Mtg Minutes	86%	0%	0%	100%	0%
Designate Risk Assessment Companies	100%	0%	0%	100%	0%
Discussion on Companys Corp Gov Structure	80%	20%	0%	80%	20%
Elect Chairman of Meeting	89%	0%	0%	100%	0%
Elect Members of Audit Committee	92%	8%	0%	92%	8%
Elect Members of Election Committee	88%	13%	0%	88%	13%
Elect Members of Remuneration Committee	0%	0%	0%	100%	0%
Misc Proposal Company-Specific	86%	3%	0%	97%	3%
Misc Subsidiary Related - Company-Specific	0%	0%	0%	100%	0%
Open Meeting	100%	0%	0%	100%	0%
Other Business	1%	99%	0%	3%	97%
Prepare and Appr List of Shareholders	100%	0%	0%	100%	0%
Ratify Alternate Auditor	100%	0%	0%	100%	0%
Ratify Auditors	96%	3%	0%	97%	3%
Receive President's Report	57%	0%	0%	100%	0%
Receive/Approve Special Report	100%	0%	0%	100%	0%
Transact Other Business	0%	0%	0%	100%	0%

CATEGORY/DESCRIPTION	FOR	AGAINST	WITH-HOLD	WITH MRV	AGAINST MRV
Totals for Routine/Business :	88%	7%	0%	92%	8%
SH-Compensation					
Adopt Anti Gross-up Policy	100%	0%	0%	0%	100%
Adopt Policy on Bonus Banking	100%	0%	0%	0%	100%
Adopt Policy on Succession Planning	100%	0%	0%	0%	100%
Approve Report of the Compensation Committee	94%	3%	0%	5%	95%
Claw-Back of Payments under Restatement	100%	0%	0%	0%	100%
Company-Specific--Compens-Relatd	83%	17%	0%	17%	83%
Death Benefits / Golden Coffins	100%	0%	0%	0%	100%
Double Trigger on Equity Plans	100%	0%	0%	0%	100%
Incr Disclosure of Exec Compensat'n	43%	57%	0%	57%	43%
Limit Executive Compensation	0%	100%	0%	100%	0%
Non-Employee Director Compensation	0%	100%	0%	100%	0%
Pay For Superior Performance	100%	0%	0%	0%	100%
Performance-Based and/or Time-Based Equity Awards	100%	0%	0%	0%	100%
Report on Pay Disparity	0%	100%	0%	100%	0%
Restr Exec Compensation Plan Awards	0%	100%	0%	100%	0%
Stock Retention/Holding Period	100%	0%	0%	0%	100%
Submit SERP to Shareholder Vote	100%	0%	0%	0%	100%
TARP Related Compensation	100%	0%	0%	0%	100%
Totals for SH-Compensation :	82%	16%	0%	17%	83%
SH-Corp Governance					
Appr/Amnd Terms of Poison Pill	100%	0%	0%	0%	100%
Company-Specific-Governance-Related	61%	22%	0%	35%	65%
Eliminate or Restrict Shareholder Rights Plan (Poison Pill)	100%	0%	0%	0%	100%
Eliminate/Restrict Severance Agmt	100%	0%	0%	0%	100%
Initiate Share Repurchase Program	0%	100%	0%	100%	0%
Miscellaneous -- Equity Related	100%	0%	0%	100%	0%
Put Severance Agreements to Vote	100%	0%	0%	0%	100%
Reduce Supermajority Vot Requiremnt	97%	0%	0%	10%	90%
Reincorporate in Another State	40%	60%	0%	60%	40%
Submit Rights Plan to a Vote	67%	0%	0%	33%	67%
Totals for SH-Corp Governance :	78%	13%	0%	25%	75%
SH-Dirs' Related					
Amnd Art/Byl/Chrtr-Call Spec. Mtgs	100%	0%	0%	0%	100%
Amnd Art/Byl/Chrtr-Removal of Dirs	100%	0%	0%	0%	100%
Amnd vote req to Amnd Art/Byl/Chrtr	100%	0%	0%	0%	100%
Board Diversity	100%	0%	0%	0%	100%
Change Size of Board of Directors	0%	67%	0%	67%	33%
Company-Specific Board-Related	36%	56%	0%	80%	20%

CATEGORY/DESCRIPTION	FOR	AGAINST	WITH- HOLD	WITH MRV	AGAINST MRV
Declassify the Board of Directors	96%	0%	0%	18%	82%
Elect Directors (Opposition Slate)	27%	0%	4%	73%	27%
Elect Supervisory Board Members (Bundled)	0%	100%	0%	100%	0%
Elect a SH-Nominee to the Supervisory Board	100%	0%	0%	100%	0%
Elect a Shrhldr-Nominee to Board	6%	94%	0%	94%	6%
Est Mandatory Retirmt Age for Dirs	0%	100%	0%	100%	0%
Establish Other Board Committee	0%	100%	0%	100%	0%
Establish a Nominating Committee	0%	100%	0%	100%	0%
Limit Comm(s) to Independent Dirs	0%	100%	0%	100%	0%
Provide Right to Act by Written Consent	100%	0%	0%	0%	100%
Remove Existing Directors	36%	29%	0%	100%	0%
Req Director Nominee Qualifications	0%	100%	0%	100%	0%
Require Majority of Indep Directors	100%	0%	0%	0%	100%
Require Two Candidates/ Board Seat	0%	100%	0%	100%	0%
Require a Majority Vote for Election of Directors	97%	0%	0%	9%	91%
Restr or Provide for Cumulative Vtg	95%	5%	0%	5%	95%
Totals for SH-Dirs' Related :	64%	16%	1%	43%	57%
SH-Gen Econ Issues					
Report on Bank Lending Policies	50%	50%	0%	50%	50%
Seek Sale of Company/Assets	0%	100%	0%	100%	0%
Totals for SH-Gen Econ Issues :	33%	67%	0%	67%	33%
SH-Health/Environ.					
Climate Change	20%	80%	0%	80%	20%
Community -Environment Impact	72%	28%	0%	28%	72%
Energy Efficiency	0%	100%	0%	100%	0%
Facility Safety	0%	100%	0%	100%	0%
GHG Emissions	85%	15%	0%	15%	85%
Phase Out Nuclear Facilities	0%	100%	0%	100%	0%
Prepare Reprt on Health Care Reform	0%	100%	0%	100%	0%
Product Safety	50%	50%	0%	50%	50%
Recycling	0%	100%	0%	100%	0%
Renewable Energy	0%	100%	0%	100%	0%
Report on Environmental Policies	50%	50%	0%	50%	50%
Review Foreign Military Sales	0%	100%	0%	100%	0%
Review Tobacco Marketing	0%	100%	0%	100%	0%
Sustainability Report	93%	7%	0%	13%	87%
Toxic Emissions	0%	100%	0%	100%	0%
Weapons - Related	0%	100%	0%	100%	0%
Wood Procurement	33%	67%	0%	67%	33%
Totals for SH-Health/Environ. :	53%	47%	0%	48%	52%
SH-Other/misc.					

CATEGORY/DESCRIPTION	FOR	AGAINST	WITH-HOLD	WITH MRV	AGAINST MRV
Animal Slaughter Methods	0%	100%	0%	100%	0%
Animal Testing	0%	100%	0%	100%	0%
Animal Welfare	0%	100%	0%	100%	0%
Company-Specific - Shareholder Misc	33%	67%	0%	67%	33%
Disclose Prior Government Service	0%	100%	0%	100%	0%
EEOC- Sexual Orientation	100%	0%	0%	0%	100%
Report Political Contrib/Acts	83%	17%	0%	17%	83%
Report on Charitable Contributions	0%	100%	0%	100%	0%
Report on EEO	100%	0%	0%	0%	100%
Totals for SH-Other/misc. :	61%	39%	0%	39%	61%
SH-Routine/Business					
Approve Alternate Income Allocation Proposal	0%	100%	0%	100%	0%
Company-Specific -- Miscellaneous	18%	82%	0%	91%	9%
Reimburse Proxy Contest Expenses	86%	14%	0%	14%	86%
Separate Chairman and CEO Positions	100%	0%	0%	0%	100%
Totals for SH-Routine/Business :	76%	24%	0%	25%	75%
SH-Soc./Human Rights					
ILO Standards	39%	61%	0%	61%	39%
Internet Censorship	50%	50%	0%	50%	50%
MacBride Principles	100%	0%	0%	0%	100%
Operations in Hgh Risk Countries	100%	0%	0%	0%	100%
Totals for SH-Soc./Human Rights :	46%	54%	0%	54%	46%
Social Proposal					
Anti-Social Proposal	8%	85%	0%	92%	8%
Totals for Social Proposal :	8%	85%	0%	92%	8%
TOTAL	73%	11%	14%	74%	26%





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Chairman

Chief Financial Officer Jeff Atwater

Treasurer

Attorney General Pam Bondi

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Ash Williams

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THIS IS THE STATE BOARD OF ADMINISTRATION (SBA) OF FLORIDA

The statutory mission of the State Board of Administration of Florida (SBA) is to invest, manage and safeguard assets of the Florida Retirement System (FRS) Trust Fund and a variety of other funds for state and local governments. FRS Trustees are dedicated to ensuring that the SBA invests assets and discharges its duties in accordance with Florida law, guided by strict policies and a code of ethics to ensure integrity, prudent risk management and top-tier performance. The SBA is an investment fiduciary under law and subject to the stringent fiduciary duties and standards of care defined by the Employee Retirement Income Security Act of 1974 (ERISA), as incorporated into Florida law. The SBA has three Trustees: the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary.



INVESTMENT PROGRAMS
& GOVERNANCE

Michael McCauley
Senior Officer
Investment Programs & Governance

Jacob Williams
Corporate Governance
Manager

Lucy Reams
Senior Corporate Governance
Analyst

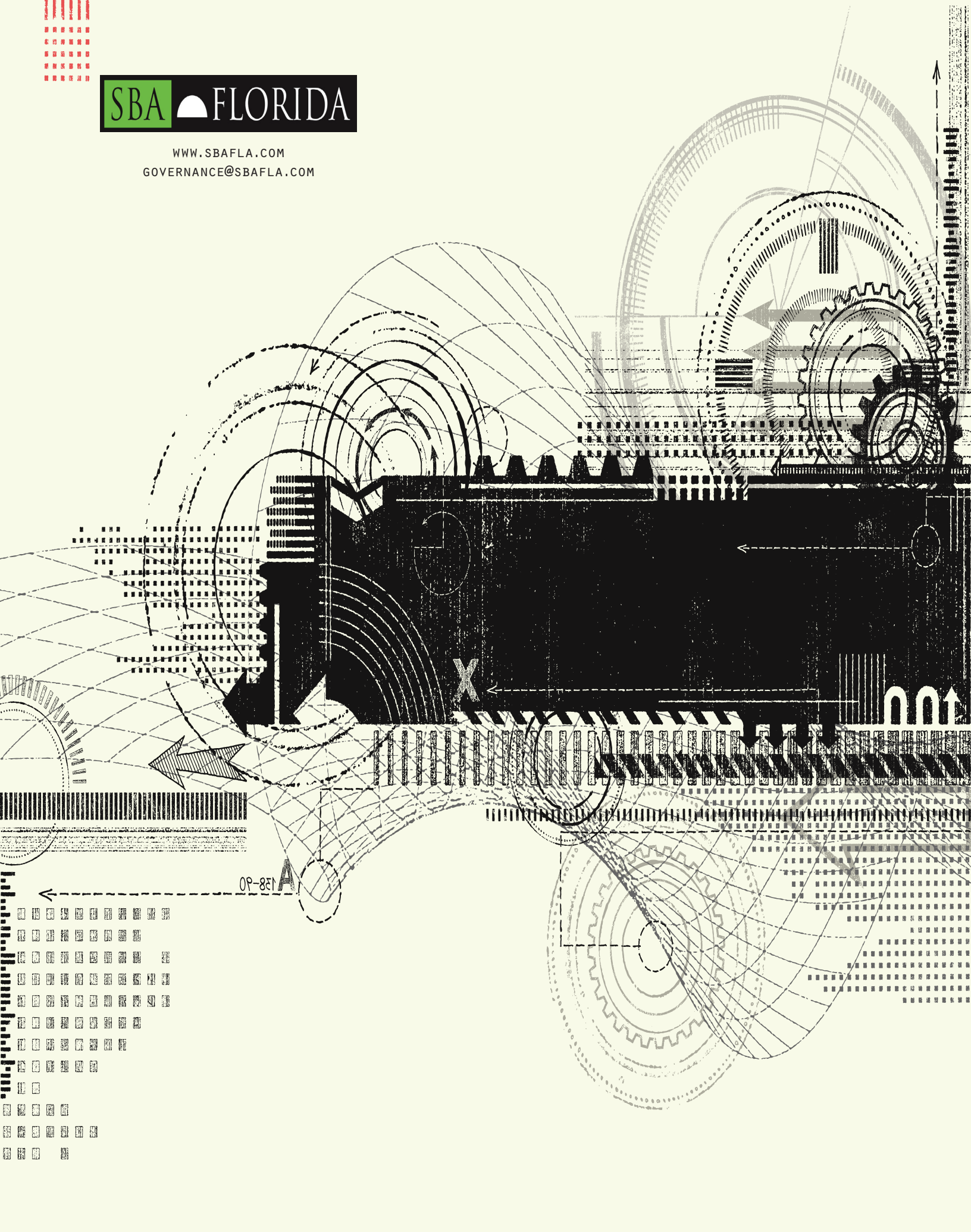
Luis Sanchez
Corporate Governance
Intern

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