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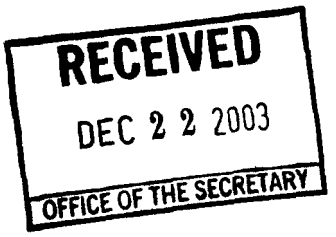
STATE OF NEW YORK
ALAN G. HEVESI
COMPTROLLER

December 19,2003

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609



Dear Secretary Katz:

As the Comptroller of the State of New York, I am the sole Trustee of the New York State Common Retirement Fund ("Fund"), currently valued at approximately $110 billion. As a fiduciary to the Fund, I am obligated to act in the best interests of the more than 944,000 pensioners, members and beneficiaries of the Fund. An important component of fulfilling my fiduciary duty is the protection and enhancement of the Fund's investments. I strongly believe that allowing shareholders to nominate candidates for director using the company proxy ("proxy access") will provide a powerful corporate governance tool.

I am gratified that the Securities and Exchange Commission ("SEC") recognizes the critical importance of proxy access, particularly in light of the corporate scandals of recent years. Currently, institutional investors and other shareholders, in exercising their rights to nominate directors, face exorbitant costs and burdensome logistics in waging a proxy contest. The ability to access a company's proxy will provide a practical forum for the exercise of these rights. However, as I expressed to Chairman Donaldson at our October meeting, I believe certain restrictions included in the proposed rules, if implemented, would almost always place proxy access out of the reach of most shareholders, including even the largest public pension funds and institutional investors.

The fundamental purpose of accessing the proxy is to enable shareholders to take meaningful action to protect their investment when a company either consistently under-performs or engages in misconduct. While acknowledging that unfettered access to the company's proxy would not serve the interests of shareholders or the business community, it is my opinion that the SEC's proposed rules are unduly restrictive and could deny access to the proxies of companies most in need of reform.

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Triggering Events:

I am generally opposed to the requirement that a "triggering event" occur before shareholders can access the proxy. Shareholders, as the owners of companies, should have the right to nominate directors under circumstances in which they believe their investments are at risk. Moreover, I specifically object to those triggering events set forth in the proposed rule. These triggering events focus not on the companies, but on the shareholders – i.e., ownership of 1% for at least one year, the ability of shareholders to achieve a 35% withhold vote.[1] *Also*, this requirement sets up a two-year time frame for shareholder access to the proxy. The triggering event occurs in year one, thereby allowing shareholder nominations on the company's proxy in year two. In many instances, this two-year time frame will delay shareholder actions intended to protect investments and may allow further harm to shareholders. As such, the intent of the proposed rules, to enhance shareholders' ability to participate in the proxy process, would be meaningless.

Rather than burdening shareholders with such obstacles and restrictions, proxy access rules should focus on whether the performance of and events at a company dictate the need for shareholder access. I believe that shareholders should have access to a company's proxy at the first annual meeting, or special meeting at which directors will be elected, upon the occurrence of any of the following appropriate triggering events:

- **Delisting:** There is no more convincing evidence of a company under-performing than delisting. If a company's performance is so dismal that it cannot maintain a stock exchange's minimum requirements for pricing, current financial reporting, market capitalization, corporate governance standards, or other factors, the company's management and oversight must be changed. Shareholders must be able to act immediately in order to salvage their investments.

- **Restatements of Financial Reports:** The number of companies restating their earnings has increased alarmingly over the past several years. A study undertaken by my Office indicates that only 44 companies issued earnings restatements in 1995, where in 2002, 240 such restatements were issued. In its report entitled "Financial Statement Restatements: Trends, Market Impacts, Regulatory Responses, and Remaining Challenges," the United States General Accounting Office ("GAO) estimated a 145% increase in restatements from January 1997 through June 2002. The GAO study cited industry and academic speculation that the use of questionable accounting practices, a major contributor to restatements,

[1] Attached to this letter is an appendix setting forth in detail the data used by the Fund to support its assertion that 35% is too high a threshold for withhold votes to serve as a triggering event.

is caused by factors including corporate pressure to meet quarterly earnings projections and executive compensation incentives. Market reaction to restatements is immediate and, almost always, negative. Based on a sample group, the **GAO** report estimated that restating companies lost market capitalization in the amount of $100 billion. Shareholders should have proxy access if a company issues a restatement as a result of material accounting irregularities.

- **SEC Enforcement Action:** Shareholders should have immediate access to the proxy at those companies against which the SEC has brought enforcement actions that result in sanctions including injunctions, civil penalties, disgorgement, cease-and-desist orders, suspensions of registrations, bars from appearing before the commission, officer and director bars, and negotiated settlements despite no admission of guilt or wrong-doing.

- **Company Under-Performance:** In those instances in which a company consistently under performs when measured objectively against a peer group, shareholders should have proxy access. An unacceptable level of performance could be measured by comparing variables such as total stock return or other performance measures such as return on equity. Access **to** the proxy should be triggered when a company performs at or below the bottom 10% of the recognized peer industry group. These performance measures would be evaluated over the medium term **(3** years) to prevent the short-term focus on financial performance that led to many of the financial reporting problems of the past several years.

- **Indictments:** Perhaps the most drastic indication of corporate wrongdoing is the indictment of a company executive or director for actions relating to, or bearing on his or her ability to fulfill, corporate responsibilities. If shareholders cannot trust incumbent management to comply with the law, they must take action to protect their investments without undue delay. Clearly, proxy access should be granted under these circumstances.

- **Non-response to Shareholder Proposals:** In its release, the SEC requested comment on the possibility of a third trigger – company inaction on a shareholder proposal that has received a majority vote. I strongly urge the inclusion of this trigger in the final version of the rules. A majority vote is a strong directive from the owners of the company to act on a particular issue, delivered by means of the **sole** mechanism for shareholder initiatives relating to company affairs. There is no justification for a board of directors to disregard that directive. When

management becomes so non-responsive to them, the shareholders should be able to access the company's proxy to nominate directors.

It must be stressed that the occurrence of a triggering event would not automatically result in shareholder nominations. With respect to institutional investors, the event would allow for careful consideration of whether nominations are necessary to protect investments and otherwise fulfill fiduciary duties. As such, these suggested triggers would comport with the stated intent of the SEC to provide a limited access rule. In addition, shareholder nominees would not be forced on a board; they would still have to achieve a majority vote of the shareholders.

5% Ownership Threshold for i

Once proxy access has been triggered, the proposed rules would permit a shareholder or group owning more than 5% of the company's securities continuously for at least two years to submit a nomination. However, our analysis of the CalPERS', CalSTRS' and the Fund's holdings show that combined ownership of a company exceeded 2% of the shares outstanding in only one instance, and exceeded 1.5% in only twelve instances. In its release, the SEC asserts that these rules would create a mechanism for long-term shareholders with significant holdings to access the proxy. Institutional investors, by their nature, are long-term shareholders. If the combined holdings of the three largest public pension funds, with assets valued in excess of $350 billion, are not significant enough to reach the 5% threshold, then it is my opinion that reasonable access has been denied. I believe that the ownership threshold should be reduced from 5% to 3%. As illustrated by our research, 3% still represents a significant requirement for holdings.

Number of Shareholder Nominees:

As proposed, restrictions on the number of shareholder nominees that may be elected to a board of directors will dilute the potential that shareholders would have to implement real reform at the board level. For example, the proposed rules would limit to 1 the number of shareholder-nominated directors that can sit on a board consisting of 8 or fewer directors. A lone shareholder-nominated director, although a healthy presence, will have almost no ability to affect the management of a company. Further, that sole director could all too easily find himself or herself ignored by management-nominated board members. While I do not endorse the use of proxy access as a process to gain control of a company's board of directors, I believe that effective reform can be achieved only through a greater representation of shareholder-nominated directors. Accordingly, I propose that shareholders be permitted to nominate candidates constituting 25% of the

seats on any board and in no event fewer than 2 candidates. Such numbers still represent far less than a majority of a board, but will provide enough of a presence to influence the conduct of business.

Independence Requirements Imposed on Sharehol N

I am troubled by the imposition of independence requirements more stringent than those required by the self-regulatory organizations (i.e., independence of the nominee from the nominating shareholder or group). Such a restriction would effectively eliminate from shareholder consideration promising candidates who, if nominated by management, would be eligible to sit as a director.

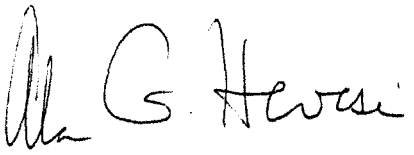
As proposed, the rules would impose two sets of independence standards on shareholder nominees. The nominating shareholder or group would be required to represent that the nominee meets the objective criteria for independence imposed by the appropriate national securities exchange or national securities association rules. Additionally, the rules would require a level of independence of the nominee from the nominating shareholder or group. I strongly support the concept of independent directors as necessary to provide effective oversight of the management of companies. However, I object to the inclusion of a second layer of independence requirements that would be imposed only on shareholder nominees.

The SEC currently imposes no independence requirements on directors generally, and, under the proposed rules, would not impose such requirements on management nominees. Instead, it is left to the self-regulatory organizations to promulgate listing standards, including independence requirements. I believe it is more than sufficient that a shareholder nominee conforms to the listing standards' independence criteria.

We presume that management-nominated directors elected to a board will be able to fulfill their fiduciary duties. Why, then, are shareholder-nominated directors not entitled to the same presumption? The imposition of additional independence requirements appears to be premised on a belief that shareholder-nominated directors will be "single issue" directors, beholden to the agenda of the nominating shareholders. Such reasoning, if valid, could easily be applied to all directors and result in the conclusion that all management-nominated directors are beholden to management and, therefore, unable to fulfill their fiduciary duties to the company. I do not believe this conclusion to be valid, nor do I believe that shareholder-nominated directors are presumptively incapable of fulfilling their responsibilities unless they are independent of the nominating shareholders. I propose that the requirement of independence of the nominee from the nominating shareholder or group be eliminated from the final rules.

I believe that these suggestions are reasonable and balanced. The business community should not fear shareholders or their ability to nominate candidates for director. As the owners of companies, it is in the shareholders' best interests for the companies to be well run, profitable and protected from undue intrusion into their affairs. To that end, a board composed of diverse, independent and concerned directors is our goal.

Sincerely,



Alan G. Hevesi

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Appendix

Withhold Vote of at least 35%:

The SEC believes 35% to be a reasonable threshold with respect to withhold votes based on a sample of 2,227 director elections over the past two years. Their sample consisted of large, medium and small publicly traded companies. Approximately 1.1% of the companies had total withhold votes of 35% or more of votes cast. The SEC's sample was not available for others to analyze. However, the New York State Common Retirement Fund (the "Fund") obtained a sample of director elections consisting of 308 companies. This sample consisted of 100 S&P 500 large cap companies, 100 S&P mid-cap companies and 108 S&P small cap companies. Within this sample approximately 1.9% of the companies had withhold votes of 35% or more of votes cast.

However, an examination of the data in the Fund's sample according to the size of the company shows that there were no S&P 500 large cap companies that had total withhold votes of 35% or more votes cast, while 2% of the mid cap companies and almost 4% of the small cap companies did. Since the overall results of the SEC and the Fund's samples are similar, it is likely that the breakdown of the SEC sample by company size would also be similar to the Fund's results. Thus, it is unlikely that, using the 35% withhold vote trigger, institutional investors could access proxies at large cap companies, a likely prime focus for corporate governance activism.

Moreover, the SEC is considering an additional element to the proposed rule that the nominating procedure would apply only to companies that are subject to accelerated deadlines. Because accelerated filers are the large cap companies, such an application would further diminish, if not eviscerate, the use of the 35% withhold trigger.

The Fund sample analyzed the potential use of different percents of withhold votes cast as a catalyst for a triggering event. If the SEC lowered the withhold vote trigger to 20%, then access would have been triggered at 15.5% of companies within the sample, including 13% of the large cap companies.

Symbol	Company	Shares Outstanding	Director Name	Votes For	Votes Withheld	Withhold Votes as a % of All Votes	Size of Company
HNT	**Health Net, Inc.**	**117,721,273**	**Patrick Foley**	**65,550,590**	**45,001,850**	**40.71%**	**m**
TTI	**TETRA Technologies**	**14,424,994**	**Allen T. McInnes**	**8,391,348**	**5,377,346**	**39.05%**	**a**
ANF	**Abercrombie & Fitch Co.**	**97,638,333**	**John W. Kessler**	**55,832,297**	**35,512,526**	**38.88%**	**m**
KROL	**Kroll Inc.**	**40,067,164**	**Thomas E. Constance**	**22,766,676**	**13,893,992**	**37.90%**	**s**
CIMA	**CIMA Labs**	**14,308,612**	**Steven B. Ratoff**	**8,576,414**	**4,802,425**	**35.90%**	**s**
FLIR	**FLIR Systems**	**17,413,399**	**Steven E. Wynne**	**10,099,751**	**5,618,209**	**35.74%**	**s**
POWI	Power Integrations	28,988,316	Howard F. Earhart	16,897,214	9,032,910	34.84%	a
ROST	Ross Stores	77,112,695	Sharon D. Garrett	44,893,442	22,898,659	33.78%	m
S	Sears, Roebuck & Co.	316,813,561	James R. Cantalupo	187,766,284	94,338,154	33.44%	l
TXN	Texas Instruments	1,729,917,945	David R. Goode	1,025,490,219	485,899,109	32.15%	l
GLK	Great Lakes Chemical	50,200,485	Martin M. Hale	31,221,945	14,358,244	31.50%	l
CURE	Curative Health Services	12,411,444	Timothy I. Maudlin	7,009,477	3,109,102	30.73%	s
FO	Fortune Brands, Inc.	145,991,884	Patricia O. Ewers	90,220,314	37,682,464	29.46%	l
WSM	Williams-Sonoma Inc.	115,116,133	James A. McMahan	74,978,194	30,997,102	29.25%	m
GNTX	Gentex Corp	75,927,602	Fred Bauer	50,582,435	20,502,679	28.84%	m
DPH	Delphi Corporation	560,280,510	Virgis W. Colbert	347,266,523	140,674,013	28.83%	l
NCOG	NCO Group Inc.	25,907,667	Michael J. Barrist	17,592,714	7,105,726	28.77%	s
CDI	CDI Corp.	19,172,902	Barton J. Winokur	13,163,408	5,309,522	28.74%	s
AH	Armor Holdings, Inc.	27,550,630	Nicholas Sokolow	19,486,482	7,846,446	28.71%	s
LMT	Lockheed Martin Corp.	454,214,804	Frank Savage	288,008,255	114,202,933	28.39%	·
ADSK	Autodesk, Inc.	111,655,672	Mark A. Bertelsen	72,184,414	28,552,747	28.34%	l
MANH	Manhattan Associates	29,124,306	Deepak Raghavan	18,894,699	7,456,338	28.30%	s
MRK	Merck & Co.	2,244,349,140	Lawrence A. Bossidy	1,199,754,657	473,274,904	28.29%	l
EOP	Equity Office Properties	409,795,378	Craig G. Vought	259,087,858	100,659,859	27.98%	l
KWD	Kellwood Co	26,249,933	Jerry M. Hunter	16,964,272	6,283,182	27.03%	s
APCC	American Power Conversion	196,489,387	Ervin F. Lyon	130,107,929	47,867,103	26.90%	l
PHS	PacifiCare Health Sys B	36,954,000	Sanford M. Litvack	23,892,175	8,781,863	26.88%	m
LDL	Lydall Inc.	16,078,730	W. Leslie Duffy	10,829,386	3,967,888	26.81%	s
AG	AGCO Corp.	75,225,485	Hendrikus Visser	50,017,766	17,286,353	25.68%	m
MROI	MRO Software Inc.	24,374,504	Robert L. Daniels	12,919,520	4,373,312	25.29%	s
CE	Concord EFS Inc.	486,483,143	Dan M. Palmer	313,097,769	105,895,391	25.27%	l
SWFT	Swift Transportation	82,964,959	Earl H. Scudder	59,945,410	19,698,477	24.73%	m
FHCC	First Health Group	96,081,887	Daniel S. Brunner	66,747,845	21,924,007	24.72%	m
BNI	Burlington Northern Santa Fe C	373,770,375	Marc J. Shapiro	244,472,390	80,042,924	24.67%	l
GGC	Georgia Gulf	32,431,027	Dennis M. Chorba	20,103,087	6,578,140	24.65%	s

Symbol	Company	Shares Outstanding	Director Name	Votes For	Votes Withheld	Withhold Votes as a % of All Votes	Size of Company
FST	Forest Oil	48,165,013	William L. Britton	32,553,377	10,541,753	24.46%	m
NVLS	Novellus Systems	149,542,297	Richard S. Hill	100,846,743	31,098,581	23.57%	l
WFC	Wells Fargo	1,678,983,829	Donald B. Rice	1,115,441,635	340,938,986	23.41%	l
MNY	The MONY Group	47,005,377	Robert H. Barrett	20,277,679	6,143,786	23.25%	m
FIF	Financial Federal Corp.	18,591,004	Paul R. Sinsheimer	12,669,280	3,810,372	23.12%	s
EDMC	Education Management	35,403,716	Robert B. Knutson	25,339,444	7,117,091	21.93%	m
HLIT	Harmonic Inc.	60,462,318	Lewis Solomon	44,835,770	12,248,826	21.46%	s
EQT	Equitable Resources	62,246,309	E. Lawrence Keyes, Jr.	44,908,845	12,190,019	21.35%	m
SPF	Standard Pacific	32,146,918	Ronald R. Foell	23,934,939	6,126,728	20.38%	s
GAS	NICOR Inc.	44,021,792	John H. Birdsall, III	30,074,277	7,672,875	20.33%	l
RTN	Raytheon Co. (New)	409,356,974	Warren B. Rudman	285,521,817	72,636,768	20.28%	l
PMCS	PMC-Sierra Inc.	168,544,651	James Diller	116,974,197	29,597,133	20.19%	l
TII	Thomas Indus	17,144,420	Timothy C. Brown	12,716,499	3,185,459	20.03%	s
HIG	Hartford Financial Svc.Gp.	258,448,701	Donald R. Frahm	172,049,368	42,913,051	19.96%	l
PDQ	Prime Hospitality	44,733,503	Allen S. Kaplan	30,137,122	7,404,381	19.72%	s
BRO	Brown & Brown Inc.	68,365,872	Theodore J. Hoepner	47,739,789	11,590,011	19.53%	m
DLP	Delta and Pine Land	38,022,289	W. Thomas Jagodinski	27,915,313	6,687,561	19.33%	s
PLT	Plantronics Inc.	43,630,273	Trude C. Taylor	32,235,511	7,698,030	19.28%	m
TCB	TCF Financial	73,452,833	Robert E. Evans	52,994,399	12,159,407	18.66%	m
IVX	IVAX Corp.	194,988,394	Richard C. Pfenniger, Jr.	138,086,603	31,554,251	18.60%	m
ARW	Arrow Electronics	100,818,021	Karen Gordon Mills	72,646,372	16,582,117	18.58%	m
BBY	Best Buy Co., Inc.	322,243,258	Hatim A. Tyabji	235,694,418	53,741,962	18.57%	l
ENR	Energizer Holdings Inc.	87,483,543	H. Fisk Johnson	65,979,294	14,867,450	18.39%	m
MAPS	MapInfo Corp.	15,147,426	Mark P. Cattini	11,135,018	2,475,303	18.19%	s
BNK	Banknorth Group Inc	161,179,800	Malcolm W. Philbrook	113,045,042	25,098,168	18.17%	m
NCR	NCR Corp.	97,691,447	David R. Holmes	68,740,790	15,084,250	17.99%	l
SNS	The Steak n Shake Co.	26,945,886	Alan B. Gilman	19,889,751	4,212,978	17.48%	s
SVNT	Savient Pharmaceuticals	58,919,829	Carl Kaplan	42,630,844	8,960,484	17.37%	s
MI	Marshall & Ilsley Corp.	226,446,056	Peter M. Platten, III	154,110,670	32,109,516	17.24%	l
CTL	Century Telephone	143,078,703	Jim D. Reppond	180,001,437	35,865,545	16.61%	l
AEIS	Advanced Energy Industries	32,177,067	Douglas S. Schatz	24,561,755	4,866,752	16.54%	s
UNS	UniSource Energy	33,589,031	Larry W. Bickle	24,817,589	4,905,871	16.51%	s
RYN	Rayonier Inc.	27,801,626	W. Lee Nutter	20,558,523	4,031,624	16.40%	m
CFBX	Community First Bankshares	38,643,655	Harvey L. Wollman	29,485,829	5,688,008	16.17%	s
CDWC	CDW Corporation	82,736,673	Michelle L. Collins	61,460,354	11,759,183	16.06%	m

Symbol	Company	Shares Outstanding	Director Name	Votes For	Votes Withheld	Withhold Votes as a % of All Votes	Size of Company
MIL	Millipore Corp.	48,522,040	Karen E. Welke	38,480,741	7,325,469	15.99%	l
FOSL	Fossil Inc.	46,450,177	Richard H. Gundy	36,677,019	6,912,884	15.86%	m
CKP	Checkpoint Systems Inc.	32,720,051	Alan Hirsig	22,560,775	4,236,876	15.81%	m
PTEN	Patterson UTI-Energy	80,254,222	Mark S. Siegel	58,945,299	10,873,995	15.57%	s
PPP	Pogo Producing	61,315,367	William L. Fisher	46,727,815	8,474,383	15.35%	s
SNV	Synovus Financial	3,004,492,380	Richard Y. Bradley	1,600,665,688	285,473,523	15.14%	l
COA	Coachmen Industries	15,428,242	Philip G. Lux	12,239,373	2,162,953	15.02%	m
CSGS	CSG Systems International	52,311,120	George G. Haddix	41,021,941	7,208,749	14.95%	m
RIGS	Riggs Natl Corp	28,505,650	William L. Walton	23,192,299	4,047,004	14.86%	s
VC	Visteon Corp.	130,797,912	Thomas T. Stallkamp	87,444,066	15,087,017	14.71%	l
HELX	Helix Technology	26,099,364	Frank Gabron	20,653,763	3,421,441	14.21%	m
ALEX	Alexander & Baldwin	41,447,803	Walter A. Dods, Jr.	32,456,676	5,375,005	14.21%	s
MWY	Midway Games Inc.	46,469,310	William C. Bartholomay	33,614,516	5,339,474	13.71%	m
AFG	American Financial Group	69,650,289	Carl H. Lindner	53,973,181	8,481,481	13.58%	s
MOGN	MGI PHARMA, Inc.	25,343,718	Charles N. Blitzer	19,246,842	2,906,649	13.12%	m
PX	Praxair, Inc.	162,241,254	Dennis H. Reilley	117,295,185	17,631,051	13.07%	l
RKT	Rock-Tenn Company	34,334,927	Russell M. Currey	26,463,397	3,920,678	12.90%	m
PCH	Potlatch Corp.	28,636,755	Frederick T. Weyerhaeus	32,031,008	4,672,234	12.73%	s
FDS	FactSet Research Systems	33,384,958	Howard E. Wille	28,212,034	4,004,363	12.43%	m
EASI	Engineered Support Systems	13,964,245	Donna Brooks Lucas	11,173,557	1,569,161	12.31%	s
WGR	Western Gas Resources	33,149,502	Joseph E. Reid	26,484,228	3,679,148	12.20%	s
DCN	Dana Corp.	148,599,168	G. H. Hiner	109,216,967	14,751,479	11.90%	l
TSG	Sabre Holding Corp.	145,993,743	Pamela B. Strobel	110,053,948	14,835,889	11.88%	l
CBE	Cooper Industries, Ltd.	93,247,312	James R. Wilson	74,716,792	9,910,416	11.71%	l
GDT	Guidant Corp.	308,719,385	Michael Grobstein	235,730,641	30,756,525	11.54%	l
KMI	Kinder Morgan	122,006,809	Richard D. Kinder	97,835,239	12,493,527	11.32%	l
UTR	Unitrin, Inc.	67,572,595	Jerrold V. Jerome	54,306,067	6,661,081	10.93%	s
FAST	Fastenal	75,877,376	Willard D. Oberton	63,987,520	7,765,111	10.82%	s
BBBY	Bed Bath & Beyond	295,277,660	Klaus Eppler	228,466,000	27,478,000	10.74%	l
CCRN	Cross Country Healthcare	32,273,801	Joseph A. Boshart	17,860,824	2,083,973	10.45%	s
GLB	Glenborough Realty Trust	27,788,998	Patrick Foley	22,353,281	2,544,063	10.22%	s
LPX	Louisiana Pacific	104,588,698	Mark A. Suwyn	79,406,901	8,913,547	10.09%	l
AA	Alcoa Inc	844,925,354	Ernesto Zedillo	660,053,229	73,221,321	9.99%	l
GYMB	Gymboree Corp.	29,399,183	Gary M. Heil	24,257,139	2,653,472	9.86%	s
WM	Washington Mutual	939,456,466	Douglas P. Beighle	700,540,006	75,891,164	9.77%	l

Symbol	Company	Shares Outstanding	Director Name	Votes For	Votes Withheld	Withhold Votes as a % of All Votes	Size of Company
CZN	Citizens Communications	283,163,658	Claire L. Tow	231,061,748	24,662,764	9.64%	l
HU	Hudson United Bancorp	44,678,332	Kenneth T. Neilson	33,553,626	3,543,759	9.55%	s
JBLU	JetBlue Airways Corp.	63,892,580	Ann Rhoades	51,533,500	5,387,265	9.46%	m
DV	DeVRY Inc.	69,944,447	Dennis J. Keller	54,377,836	5,680,759	9.46%	m
HCC	HCC Insurance Holdings	62,692,899	Michael A. F. Roberts	46,830,114	4,695,657	9.11%	m
TLAB	Tellabs, Inc.	415,564,779	Jan Suwinski	322,159,720	31,851,988	9.00%	l
EMR	Emerson Electric	420,848,500	G. A. Lodge	328,376,386	31,105,308	8.65%	l
VECO	Veeco Instruments	29,225,051	Richard A. D'Amore	21,068,249	1,988,809	8.63%	s
RSYS	RadiSys Corp.	17,729,296	Richard J. Faubert	14,743,558	1,383,808	8.58%	s
ARXX	Aeroflex Inc	65,977,017	Eugene Novikoff	50,117,231	4,588,991	8.39%	s
SWKS	Skyworks Solutions, Inc.	138,006,514	Thomas C. Leonard	114,931,229	10,133,634	8.10%	s
EIX	Edison Int'l	325,793,886	Ronald L. Olson	262,241,101	22,830,811	8.01%	l
AFL	AFLAC Corporation	514,114,233	Kenneth S. Janke Sr.	856,310,724	74,067,940	7.96%	l
AMSY	Amer Mgmt Systems	42,379,461	Dorothy Leonard	33,071,276	2,793,823	7.79%	s
WMB	Williams Cos.	517,654,346	William E. Green	431,452,485	36,255,783	7.75%	l
SYD	Sybron Dental Specialties	37,989,650	Donald N. Ecker	30,925,376	2,573,720	7.68%	s
SIAL	Sigma-Aldrich	71,122,634	William C. O'Neil, Jr.	57,255,109	4,737,295	7.64%	l
QRSI	QRS Corp.	15,803,721	Garth Saloner	12,393,535	1,005,338	7.50%	s
MEAD	Meade Instruments	19,806,026	Harry L. Casari	14,548,504	1,159,903	7.38%	s
PMTC	Parametric Technology	262,584,050	Oscar B. Marx III	207,390,660	16,047,970	7.18%	l
MYE	Myers Indus	30,087,949	Milton I. Wiskind	22,128,710	1,701,628	7.14%	s
PHM	Pulte Homes, Inc.	60,884,784	Bernard W. Reznicek	53,211,405	4,061,359	7.09%	l
ANSS	ANSYS, Inc.	14,681,408	Patrick J. Zilvitis	12,272,824	930,825	7.05%	s
ACTL	Actel Corp.	24,599,399	Henry L. Parret	21,510,201	1,528,984	6.64%	s
SSD	Simpson Manufacturing	24,578,986	Sunne Wright McPeak	20,611,737	1,462,345	6.62%	s
JWN	Nordstrom	135,457,544	William D. Ruckelshaus	105,888,526	7,511,591	6.62%	l
JNJ	Johnson & Johnson	2,969,972,365	M.J. Folkman	2,269,079,196	160,409,190	6.60%	l
CYTC	Cytyc Corp.	109,672,970	William McDaniel	84,888,258	5,973,736	6.57%	m
MMS	MAXIMUS, Inc.	21,232,791	David V. Mastran	18,985,518	1,298,072	6.40%	s
NBR	Nabors Industries Ltd.	145,991,619	Jack Wexler	122,218,949	8,332,058	6.38%	l
ATH	Anthem, Inc.	138,359,094	L. Ben Lytle	95,658,408	6,505,456	6.37%	l
DRQ	Dril-Quip, Inc.	17,293,373	Gary D. Smith	15,406,698	1,044,515	6.35%	s
TUP	Tupperware Corp.	58,360,908	David R. Parker	48,344,839	3,261,808	6.32%	l
ROK	Rockwell Automation, Inc.	185,469,398	J. Michael Cook	155,766,043	10,475,349	6.30%	l
GBP	Gables Residential Trust	24,539,794	Lauralee E. Martin	20,468,015	1,376,317	6.30%	s

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DG	Dollar General	333,513,979	E. Gordon Gee	286,085,072	18,978,123	6.22%	l
ESS	Essex Property Trust	21,004,188	George M. Marcus	16,871,008	1,115,899	6.20%	s
IP	International Paper	478,820,753	Robert J. Eaton	398,175,988	25,603,016	6.04%	l
CHD	Church & Dwight	40,093,434	Robert A. McCabe	50,256,784	3,225,579	6.03%	m
TQNT	TriQuint Semiconductor	133,198,418	Edward F. Tuck	106,280,605	6,784,090	6.00%	m
BGP	Borders Group	78,476,124	Victor L. Lund	69,224,183	4,289,234	5.83%	m
COMS	3Com Corp.	361,204,619	Gary T. DiCamillo	308,129,126	18,912,975	5.78%	m
BDK	Black & Decker Corp.	78,594,593	Barbara L. Bowles	64,628,480	3,930,453	5.73%	l
VVI	Viad Corp.	88,421,894	Douglas L. Rock	71,396,047	4,233,219	5.60%	m
KRB	MBNA Corp.	1,277,671,875	Michael Rosenthal	1,094,191,733	64,819,590	5.59%	l
HON	Honeywell Int'l Inc.	855,585,367	Gordon M. Bethune	707,882,222	40,814,993	5.45%	l
BN	Banta Corp.	25,247,832	Michael J. Winkler	19,941,802	1,135,138	5.39%	m
CGX	Consolidated Graphics	13,350,035	Larry J. Alexander	12,555,704	709,639	5.35%	s
PSFT	PeopleSoft Inc.	316,408,003	Steven D. Goldby	264,576,667	14,762,881	5.28%	l
K	Kellogg Co.	410,832,118	John T. Dillon	327,754,129	18,147,438	5.25%	l
WDR	Waddell & Reed Financial Investm	80,684,163	Ronald C. Reimer	66,155,420	3,596,189	5.16%	m
JBL	Jabil Circuit	198,080,955	Frank A. Newman	166,602,683	8,986,825	5.12%	l
ASO	AmSouth Bancorporation	353,546,351	Martha R. Ingram	276,272,810	14,866,553	5.11%	l
SXT	Sensient Technologies	47,290,349	William V. Hickey	39,868,159	2,144,999	5.11%	m
SBC	SBC Communications Inc.	3,318,835,739	Charles F. Knight	2,613,991,434	140,206,477	5.09%	l
ELY	Callaway Golf Co.	75,528,649	Ronald S. Beard	65,069,840	3,413,241	4.98%	m
BJ	BJ's Wholesale Club	69,325,167	Bert N. Mitchell	57,522,482	3,014,752	4.98%	m
DBD	Diebold, Inc.	72,266,719	W. R. Timken, Jr.	63,006,170	3,289,677	4.96%	m
ADCT	ADC Telecommunications	801,720,168	John A. Blanchard III	670,238,226	34,842,615	4.94%	l
ARB	Arbitron Inc. (New)	29,725,177	Larry E. Kittelberger	24,981,998	1,285,962	4.90%	s
ZMH	Zimmer Holdings	196,256,041	Augustus A. White	162,322,276	8,341,404	4.89%	l
AFCI	Advanced Fibre Communications	85,670,091	William L. Keever	74,220,424	3,771,500	4.84%	m
FDO	Family Dollar Stores	172,901,442	Glenn A. Eisenberg	148,642,186	7,534,009	4.82%	l
ALL	Allstate Corp.	703,629,112	Edward A. Brennan	589,509,742	29,287,861	4.73%	l
VLO	Valero Energy	107,612,194	Robert G. Dettmer	92,410,537	4,562,042	4.70%	m
CTV	CommScope, Inc.	59,219,567	Duncan M. Faircloth	52,050,972	2,548,778	4.67%	m
BHE	Benchmark Electronics	24,634,424	David H. Arnold	21,021,774	1,028,192	4.66%	s
STT	State Street Corp.	325,194,120	Richard P. Sergel	275,861,229	13,354,287	4.62%	l
KO	Coca Cola Co.	2,471,045,132	Ronald W. Allen	1,980,974,951	95,597,480	4.60%	l
COF	Capital One Financial	226,383,064	Stanley I. Westreich	185,280,442	8,745,643	4.51%	l

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FDC	First Data	747,778,637	Charles T. Russell	623,296,150	29,170,674	4.47%	l
ONE	Bank One Corp.	1,160,135,822	John R. Hall	951,836,359	44,345,267	4.45%	l
ESI	ITT Educational Services	45,078,824	Rand V. Araskog	38,376,127	1,783,513	4.44%	s
NSIT	Insight Enterprises, Inc.	46,101,041	Stanley Laybourne	40,820,718	1,832,469	4.30%	s
SRZ	Sunrise Senior Living	22,437,171	David W. Faeder	16,687,500	735,717	4.22%	s
BSX	Boston Scientific	409,947,858	Uwe E. Reinhardt	356,568,254	15,713,294	4.22%	l
WOR	Worthington Ind.	86,028,496	John B. Blystone	73,996,087	3,239,917	4.19%	l
LTD	Limited Brands, Inc.	523,610,041	Allan R. Tessler	448,225,931	19,514,860	4.17%	l
PRX	Pharmaceutical Resources	33,286,787	Peter S. Knight	28,204,694	1,226,295	4.17%	m
CBT	Cabot Corp.	61,579,861	Lydia W. Thomas	60,079,218	2,603,822	4.15%	m
ELK	ElkCorp	19,496,289	David W. Quinn	15,947,042	677,058	4.07%	s
CNF	CNF Inc.	49,596,218	Robert P. Wayman	48,337,462	2,050,566	4.07%	m
ICUI	ICU Medical	13,780,657	Jack W. Brown	12,077,730	511,882	4.07%	s
OMC	Omnicom Group	188,495,934	Linda Johnson Rice	151,472,982	6,385,168	4.04%	l
CKFR	Checkfree Corp	88,883,332	James D. Dixon	76,692,682	3,223,974	4.03%	m
LII	Lennox International	58,007,567	John E. Major	47,007,088	1,970,230	4.02%	s
AIV	Apartment Investment & Mgmt'A'	94,219,270	Thomas L. Rhodes	64,496,539	2,696,215	4.01%	l
CHIR	Chiron Corp.	186,380,264	Raymund Breu	160,906,114	6,683,785	3.99%	l
CK	Crompton Corporation	114,281,040	Patricia K. Woolf	93,668,084	3,887,887	3.99%	m
POM	Pepco Holdings, Inc.	170,068,931	Lawrence C. Nussdorf	142,834,249	5,826,235	3.92%	m
EWBC	East West Bancorp	23,944,956	Keith Renken	19,765,700	800,675	3.89%	s
MTG	MGIC Investment	98,794,257	Leslie M. Muma	88,271,125	3,571,879	3.89%	l
CVH	Coventry Health Care Inc.	59,875,852	John H. Austin, M.D.	52,343,186	2,107,040	3.87%	m
IFIN	Investors Financial Services	64,892,525	Frank B. Condon, Jr.	55,829,884	2,228,260	3.84%	m
DNB	Dun & Bradstreet	73,819,383	Sandra E. Peterson	64,025,941	2,398,078	3.61%	m
UNH	United Health Group Inc.	298,512,614	Mary O. Mundinger	256,367,422	9,593,994	3.61%	l
IMN	Imation Corp.	35,583,943	Ronald T. LeMay	30,008,426	1,109,382	3.57%	m
GPS	Gap (The)	889,164,488	Bob L. Martin	814,279,059	30,029,791	3.56%	l
RYL	Ryland Group	25,233,261	William L. Jews	22,765,423	829,027	3.51%	s
SON	Sonoco Products	96,458,612	J. H. Mullin, III	78,899,014	2,839,743	3.47%	m
JBX	Jack in the Box	36,863,415	Michael E. Alpert	32,914,847	1,161,649	3.41%	s
BNE	Bowne & Co	33,618,180	Gloria M. Portela	30,022,198	1,055,662	3.40%	s
RETK	Retek Inc.	53,176,881	William Walsh	48,075,293	1,688,156	3.39%	m
BRKT	Brooktrout Inc	12,284,568	W. Brooke Tunstall,	11,023,639	386,730	3.39%	s
CNB	Colonial BancGroup	123,769,918	Frances E. Roper	101,061,957	3,448,486	3.30%	m

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CENX	Century Aluminum Co.	21,070,210	Willy R. Strothotte	19,765,163	671,510	3.29%	s
DPL	DPL Incorporated	126,501,404	Mr. Ernie Green	110,151,278	3,700,229	3.25%	m
HP	Helmerich & Payne	50,024,781	Glenn A. Cox	44,462,543	1,493,107	3.25%	m
TSAI	Transaction Systems	35,445,123	Gregory D. Derkacht	33,244,644	1,100,734	3.20%	m
CMA	Comerica Inc.	175,161,100	Lillian Bauder	147,176,129	4,772,394	3.14%	l
IAAI	Insurance Auto Auction	11,548,713	Maurice A. Cocca	10,454,842	338,818	3.14%	s
LEG	Leggett & Platt	193,461,376	Maurice E. Purnell, Jr	165,847,492	5,333,903	3.12%	l
SGR	Shaw Group	37,732,416	David W. Hoyle	34,879,001	1,119,267	3.11%	s
AVT	Avnet, Inc	119,421,497	Roy Vallee	101,209,716	3,215,816	3.08%	m
UFPI	Universal Forest Products	17,751,643	John M. Engler	13,774,217	434,047	3.05%	s
BSET	Bassett Furniture	11,614,105	Willie D. Davis	9,911,169	312,285	3.05%	s
VAR	Varian Medical Systems	67,824,015	David W. Martin, Jr.	54,023,561	1,685,716	3.03%	m
EAGL	EGL Inc.	48,149,265	Paul William Hobby	43,190,777	1,347,630	3.03%	m
STLD	Steel Dynamics	47,631,097	Keith E. Busse	44,341,795	1,382,573	3.02%	s
RDK	Ruddick Corp.	46,548,875	John R. Belk	33,996,455	1,053,691	3.01%	m
DTE	DTE Energy Co.	167,673,536	Alfred R. Glancy III	122,338,850	3,761,848	2.98%	l
MON	Monsanto Co.	261,420,308	Frank V. AtLee III	219,178,478	6,629,539	2.94%	l
INTC	Intel Corp.	6,543,589,179	J. Guzy	5,458,765,404	157,372,325	2.80%	l
PDLI	Protein Design Labs	93,292,557	Mark McDade	70,170,328	2,006,440	2.78%	m
SBIB	Sterling Bancshares	43,990,054	J. Downey Bridgwater	31,957,414	913,069	2.78%	s
DGII	Digi International	23,154,081	Kenneth E. Millard	20,683,010	583,939	2.75%	s
AF	Astoria Financial	82,915,757	Denis J. Connors	74,324,380	2,092,589	2.74%	m
CIN	CINergy Corp.	175,508,555	James E. Rogers	140,128,456	3,855,694	2.68%	l
CAM	Cooper Cameron Corp	54,770,068	C. Baker Cunningham	49,042,016	1,320,773	2.62%	m
GFF	Griffon Corp.	32,756,784	Harvey R. Blau	29,720,556	791,387	2.59%	s
VFC	V.F. Corp.	111,059,265	Robert J. Hurst	97,199,936	2,586,384	2.59%	l
PWR	Quanta Services	113,924,684	John R. Colson	99,293,626	2,565,498	2.52%	m
PII	Polaris Industries	22,151,342	Gregory R. Palen	17,858,975	460,482	2.51%	s
PFE	Pfizer, Inc.	6,159,949,780	William R. Howell	5,225,603,308	132,848,450	2.48%	l
EMN	Eastman Chemical	77,530,471	David W. Raisbeck	63,933,287	1,598,236	2.44%	l
CR	Crane Company	59,452,362	Dorsey R. Gardner	51,292,998	1,252,893	2.38%	l
FISV	FIserv Inc.	192,013,722	Daniel P. Kearney	171,602,719	4,125,505	2.35%	l
WBS	Webster Financial Corp.	45,613,072	Michael G. Morris	37,927,046	906,780	2.34%	m
TMK	Torchmark Corp.	117,121,462	Harold T. McCormick	99,454,928	2,374,176	2.33%	l
AVID	Avid Technology	27,841,398	Charles Brumback	25,115,356	598,854	2.33%	s

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MRO	Marathon Oil Corp.	93,926,996	Robert G. Siefers	80,614,931	1,918,602	2.32%	l
CFR	Cullen Frost Bankers	51,346,775	Isaac Arnold, Jr.	45,701,923	1,085,406	2.32%	m
CDN	Cadence Design Systems	271,486,612	Dr. John B. Shoven	233,728,223	5,360,534	2.24%	m
GDW	Golden West Financial	153,299,403	Herbert M. Sandler	139,325,958	3,176,594	2.23%	l
AOT	Apogent Technologies	102,194,940	Stephen R. Hardis	97,457,776	2,173,557	2.18%	m
SWBT	Southwest Bancorp	5,862,861	Robert B. Rodgers	5,349,648	118,530	2.17%	s
GPC	Genuine Parts	174,025,755	Larry L. Prince	157,462,129	3,461,845	2.15%	l
CPS	ChoicePoint Inc.	86,685,810	Kenneth G. Langone	76,410,074	1,671,592	2.14%	m
UGI	UGI Corp.	27,790,676	Lon R. Greenberg	23,636,350	505,777	2.09%	s
BOH	Bank of Hawaii Corp.	60,853,059	David A. Heenan	50,982,890	1,056,471	2.03%	m
SFG	StanCorp Financial Group	29,065,884	Peter O. Kohler	20,231,378	418,802	2.03%	m
AHC	Amerada Hess	89,916,430	John B. Hess	77,585,110	1,595,500	2.02%	l
HSC	Harsco Corp.	40,543,150	D. C. Hathaway	35,587,376	696,106	1.92%	m
HSIC	Schein (Henry) Inc.	43,129,718	Marvin H. Schein	36,966,974	720,362	1.91%	m
NJR	New Jersey Resources	27,040,863	Gary W. Wolf	21,017,102	409,542	1.91%	s
TBCC	TBC Corp	21,393,089	George W. Bryan	18,660,567	360,859	1.90%	s
RTEC	Rudolph Technologies	16,331,107	Paul F. McLaughlin	14,972,744	284,513	1.86%	s
WPS	WPS Resources	32,178,630	Larry L. Weyers	27,379,630	501,225	1.80%	m
BEZ	Baldor Electric	32,670,737	Robert L. Proost	23,483,172	423,946	1.77%	s
CSL	Carlisle Companies	30,614,942	Stephen P. Munn	31,006,787	553,145	1.75%	m
STI	SunTrust Banks	282,205,477	Douglas N. Daft	236,618,480	4,203,186	1.75%	l
TOO	Too, Inc.	34,145,678	Kent A. Kleeberger	29,272,768	517,229	1.74%	s
MWV	MeadWestvaco Corporation	200,384,293	Richard B. Kelson	180,529,146	3,125,781	1.70%	l
ASBC	Associated Banc-Corp.	73,549,989	J. Douglas Quick	62,031,696	1,072,101	1.70%	m
ACI	Arch Coal	52,549,661	James L. Parker	47,451,834	819,561	1.70%	m
CAPA	Captaris Inc.	30,268,180	David P. Anastasi	26,651,408	455,926	1.68%	s
SOTR	SouthTrust Corp.	345,461,801	Van L. Richey	295,335,680	4,934,763	1.64%	l
FMER	FirstMerit Corp.	84,529,797	Jerry M. Wolf	71,868,538	1,176,684	1.61%	m
LRW	Labor Ready	40,013,544	Gates McKibbin	35,373,351	561,873	1.56%	s
FED	FirstFed Financial	16,994,104	Christopher M. Harding	14,150,894	219,343	1.53%	s
KDE	4 Kids Entertainment	12,580,658	Alfred R. Kahn	12,468,803	192,487	1.52%	s
ESV	ENSCO Int'l	149,241,406	Carl F. Thorne	133,362,232	2,053,726	1.52%	m
COG	Cabot Oil & Gas	31,836,104	P. Dexter Peacock	29,683,274	450,641	1.50%	s
KTO	K2 Inc.	26,693,769	Stewart M. Kasen	24,501,567	368,482	1.48%	s
PLD	ProLogis	178,657,970	George L. Fotiades	157,713,293	2,337,338	1.46%	l

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IGI	Imagistics International	17,451,117	Ira D. Hall	14,222,022	205,708	1.43%	s
INVN	InVision Technologies Inc.	17,161,886	Stephen Blum	13,576,084	195,785	1.42%	s
BEC	Beckman Coulter Inc.	60,977,877	Glenn S. Schafer	51,650,290	714,321	1.36%	m
RBC	Regal-Beloit Corp.	25,020,070	James L. Packard	21,422,256	293,071	1.35%	s
AFC	Allmerica Financial	53,039,795	Gail L. Harrison	40,536,624	522,859	1.27%	m
DLTR	Dollar Tree Stores	114,324,162	J. Douglas Perry	101,055,562	1,252,104	1.22%	m
PNY	Piedmont Nat'l Gas	33,177,794	C. M. Butler III	27,548,220	315,894	1.13%	s
BBR	Butler Manufacturing	6,328,051	Mark A. McCollum	5,529,466	62,808	1.12%	s
ST	SPS Technologies	33,193,944	Jeffrey A. Harris	29,908,282	302,026	1.00%	s
KMX	CarMax Inc.	103,465,988	W. Robert Grafton	94,664,587	950,753	0.99%	m
TG	Tredegar Indus	38,179,275	William M. Gottwald	34,834,891	348,684	0.99%	s
AVCT	Avocent Corp	45,686,580	Stephen F. Thornton	40,047,413	392,704	0.97%	m
BOW	Bowater Inc.	55,293,323	Richard Barth	50,315,055	487,177	0.96%	m
SCRI	SICOR Inc.	117,741,301	Carlo Salvi	105,563,456	1,019,151	0.96%	m
AVP	Avon Products	234,317,946	W. Don Cornwell	200,765,522	1,904,470	0.94%	l
CBSS	Compass Bancshares	126,420,056	Charles E. McMahen	105,553,386	997,239	0.94%	m
STJ	St Jude Medical	179,377,680	Daniel J. Starks	148,547,688	1,236,459	0.83%	l
ALOG	Analogic Corp.	13,291,098	Bruce W. Steinhauer	12,107,701	92,422	0.76%	s
GVA	Granite Construction	41,544,294	Richard M. Brooks	37,008,467	278,141	0.75%	m
TFX	Teleflex	39,439,625	Jeffrey P. Black	35,404,703	250,418	0.70%	m
REM	Remington Oil & Gas	26,459,991	William E. Greenwood	21,458,679	128,613	0.60%	s
ASTE	Astec Industries	19,677,440	Robert G. Stafford	17,358,907	100,522	0.58%	s
POOL	SCP Pool	23,527,411	James J. Gaffney	21,232,695	121,946	0.57%	s
VMI	Valmont Industries	23,883,485	Robert B. Daugherty	19,700,277	111,261	0.56%	s
SII	Smith International	101,745,385	Doug Rock	90,958,943	480,516	0.53%	m
CSTR	Coinstar Inc.	21,680,111	David W. Cole	20,188,273	95,010	0.47%	s
CAS	Castle (A.M.)	15,799,106	G. Thomas McKane	12,415,803	53,655	0.43%	s
KELYA	Kelly Services	3,477,143	C.V. Fricke	3,424,603	2,755	0.08%	m