

Montana Board of Investments
PROXY GUIDELINES: EQUITIES
Revised: December 2, 2004

OVERVIEW

- Staff has the option to recall securities on loan so they can be voted.
- Proxy Guidelines are located on the Montana Board of Investments website:
www.investmentmt.com

BOARD OF DIRECTORS

- A. Votes may be cast against unopposed directors:
- 1) In special cases of corporate underperformance or mismanagement.
 - 2) For non-independent directors serving on audit, compensation, or nominating committees of the board.
 - 3) For directors serving on more than three publicly listed company boards or more than five boards including non-profit or charity boards.
 - 4) For director interlocks.
 - 5) If directors are not paid partially in stock for services.
 - 6) For directors not owning company stock equal to one year's pay for serving as a director.
 - 7) For employee directors whose annual non-stock compensation exceeds \$10 million.
 - 8) For employee directors whose salary and/or bonus was increased in a year that the company stock underperformed its peers.

MANAGEMENT PROPOSALS

- A. Management proposals will generally be supported in voting routine corporate issues such as:
- 1) Ratification of selection of auditors.
 - 2) Indemnification of directors.
 - 3) Liability insurance for Directors and Officers.
 - 4) Name change of corporation.
- B. Management proposals will be voted on a case-by-case basis on non-routine structural and economic issues such as:
- 1) Management compensation plans with no management takeover ramifications.
 - 2) Opposed elections.
 - 3) Increase of outstanding stock other than for stock splits and dividends.
 - 4) An increase in authorized shares.
 - 5) Profit sharing and stock option plans.
 - 6) Changes in corporate charter that relate to the scope of business description or change in the fiscal year.

SHAREHOLDER PROPOSALS

- A. Shareholder proposals will generally be opposed:
 - 1) When dealing with specific boycotts or restrictions based on special interests.
 - 2) Requesting reports for special interests.
 - 3) Restrictions on international trade.

- B. Shareholder proposals will generally be supported:
 - 1) Advocating confidential proxy voting.
 - 2) Limiting or eliminating the excessive granting of stock options to management.
 - 3) Requiring shareholder approval prior to the renewal of poison pill rights plans.
 - 4) Asking a company to reincorporate back to the United States.
 - 5) Requiring the expensing of stock options.
 - 6) Requiring the CEO and Board Chair to be different persons and establishing a Lead Director or Presiding Director.
 - 7) Increasing the representation of independent directors on the Board.
 - 8) If shareholder submitting the proposal is a Public Pension Fund.

OTHER PROPOSALS

- A. Generally, the following proposals will be opposed:
 - 1) Requests to alter the by-laws to require shareholder approval in excess of 50 percent to approve merger.
 - 2) Staggered board of directors.
 - 3) Cumulative voting.
 - 4) Super-voting common stock.
 - 5) Golden parachutes.
 - 6) "Poison Pill" rights plans.
 - 7) Stock option plans exceeding 5% of outstanding stock.
 - 8) Stock option plans that lower the "strike" price.
 - 9) Proposals to increase authorized stock by more than 50 percent when it appears to be detrimental to existing shareholders.
 - 10) Proposals to increase the number of authorized shares that can be issued without shareholder approval.