



Walden Asset Management
Investing for social change since 1975

August 13, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Facilitating Director Nominations (File No. S7-10-09)

Dear Secretary Murphy:

Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company, integrates environmental, social and governance analysis (ESG) into investment decision-making on behalf of our investment clients. We manage approximately \$1.4 billion in assets. As an investment manager, which takes its rights and responsibilities as an owner seriously, we are involved in scores of company dialogues and over 20 shareholder proposals in 2009 on behalf of clients.

We are writing to express our support for the Securities and Exchange Commission's (SEC) proposed rule, *Facilitating Shareholder Director Nominations*. The current financial crisis underscores the need to strengthen accountability of boards and management.

We believe granting long-term shareholders the right to nominate directors, thereby ending the *de facto* monopoly the board and management has enjoyed in picking director slates, is an important corporate governance reform that will help achieve the goals of effective oversight of the boards of U.S. publicly traded companies and of broad financial reform. Therefore, we concur with the Commission that the reforms outlined in the SEC's proposed Rule 14a-11 and revisions to Rule 14a-8(i)(8), following decades of debate over proxy access, are long overdue and should be adopted swiftly. Walden supports the application of Rule 14a-11 as proposed and welcomes the opportunity to add other comments.

We have studied the extensive and persuasive brief by the Council of Institutional Investors, a very helpful set of comments. We have also studied the comments of the Social Investment Forum, the industry association for ESG investors. Walden is an active member in the Forum.

We agree with the SEC's position that the proposed rule should:

- Permit shareholders to aggregate their holdings to meet the minimum share ownership thresholds.
- Grant only long-term shareowners, those holding stock for at least one year, access to nominate directors.
- Employ safeguards to ensure that access is not used as a takeover mechanism by short-term profit seekers.
- Outline strong independence standards for director nominees.
- Require full and accurate disclosure by nominating groups, including pertinent information about nominated directors.
- Allow nominating shareholders to make statements of opposition against the election of other board members on the company's slate in the proxy statement.
- Authorize shareholders to file resolutions related to the issue of board elections.
- Become effective immediately without a lengthy implementation period, associated triggering mechanism or exemption or delay for smaller issuers.

We also would like to take this opportunity to comment in greater detail on several features of the proposed rule.

- **Priority access:** Walden favors an approach whereby the largest financial owner or group of owners gain proxy access, as opposed to awarding access to the first shareholder or group of shareholders filing in a given year. We are concerned that a first come, first serve approach might force shareholders to rush to file and result in a less thoughtful process than is otherwise possible. In the end, we also believe that the investor or group with the greatest stake in the director election and the company's long-term financial performance should prevail in these situations.
- **Failed nominations and resubmitting candidates:** Walden believes that there should not be any waiting period for resubmitting candidates failing to win election to a board.
- **Shareholder proposals:** We oppose granting permission to companies with a shareholder nominee on the ballot to exclude shareholder proposals that they otherwise would be required to include. The shareholder proposal Rule14a-8 is an important conduit for opening dialogue between management and

shareholders on key ESG policies that have significant consequences for long-term shareholder value and societal well-being.

- **Disclosure of Proposal Information:**

- The question under I.2 and I.10 asks “should a proponent of a proposal on nominating directors (who does not nominate a director) be required to disclose additional information about themselves?” We have long been a supporter of having companies supply the names, addresses and number of shares held by the proponent(s) in the introduction of a resolution. While some companies do, many require that investors write the company when they seek such information, putting some investors without the information at a disadvantage

Beyond this basic identifying information, however, a proponent should not be required to fill out an additional disclosure form simply because s/he filed a shareholder proposal seeking a change in director election procedures.

- Under question A.7 we are asked whether amending the proxy rules as proposed would “help restore investor confidence?” In our work with other investors we frequently hear it expressed that corporate boards are not able to be held sufficiently accountable and that “Soviet style” board elections is part of the problem.

We believe there are many reasons for that the lack of confidence in the functioning of financial markets that resulted from the global financial crisis. However, providing reasonable tools for investors to help improve the oversight and accountability of boards and managers is an important component of reforms to boost investor confidence.

The U.S. Chamber of Commerce and other critics have consistently and vocally expressed their fierce opposition to the new rule. The Commission will likely hear much more criticism during the proposed rule’s comment period. We would like to take this opportunity to rebut several of the arguments against proxy access.

The Chamber’s hysterical outcry against access as presented in CEO Thomas Donahue’s July 21 op-ed piece in the *Wall Street Journal* is a classic straw man argument. The Chamber claims that proxy access will give unions, through their pension funds, as well as other “special interests” inordinate power over board elections to promote special interest agendas that do nothing to promote shareowner value. They further argue that proxy access will distract management to the detriment of long-term shareholder value.

However, contrary to the notion of special interest groups hijacking company agendas, the Chamber conveniently ignores the broad and deep base of investor

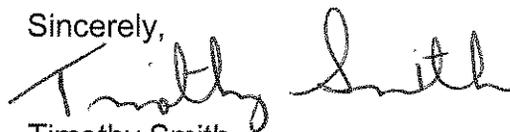
support for access. For example, in 2007 when the SEC invited comments on several proposed rule changes, institutional investors of all kinds submitted comments overwhelmingly supportive of the shareholder proposal rule and proxy access. Moreover, a shareholder nomination would only succeed if a majority of the shares held were to vote for the new director(s), requiring a very broad coalition of shareholders deeply dissatisfied with how a company is being managed. Clearly, there is mainstream support for proxy access, reflecting a strong desire for greater board accountability.

Furthermore, access will inevitably be used selectively since it is a time consuming and somewhat expensive process. Similar to the right of investors to call a special meeting, an important shareholder right that is rarely employed, this reform will not likely open the floodgates of investor sponsored nominee slates on company proxy statements. Still, it is an important mechanism to hold boards accountable if they are not adequately serving shareowner interests.

Finally, critics fail to acknowledge that proxy access is already the norm in most of Europe. A report by the Investors' Working Group, *U.S. Financial Regulatory Reform, The Investors' Perspective*, published in July 2009, states that "in the United States, unlike most of Europe, the only way that shareowners can run their own candidates is by waging a full-blown election contest, printing and mailing their own proxy cards to shareowners. For most investors, that is onerous and prohibitively expensive." Meanwhile, the report describes how corporations are free to tap company coffers to fund campaigns and proxy solicitations for their own candidates, and to engage in costly litigation to create additional barriers for investors who are contesting elections. This, we believe, skews the playing field and has contributed to the insufficient oversight we see in America's boardrooms today

Proxy access is a matter of fairness for investor suffrage, and as such, is necessary and appropriate for the protection of investors and the greater public good. Walden Asset Management strongly favors the SEC's approach to proxy access and appreciates the opportunity to express its views on this matter.

Sincerely,



Timothy Smith
Senior Vice President
Walden Asset Management