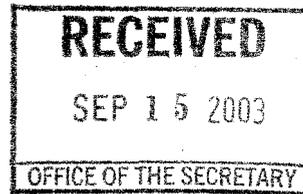


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To: rule-comments@sec.gov  
Re: File No. S7-14-03



September 4, 2003

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

COMMENT ON SEC-PROPOSED RULE: NOMINATING COMMITTEE  
DISCLOSURES & COMMUNICATIONS BETWEEN SHAREOWNERS AND  
CORPORATE DIRECTORS

Dear Mr. Katz,

As an environmentally and socially responsible investment fund based in Oregon, we write to you to submit the following comments regarding Nominating Committee policies and disclosures for Board nominations, and greater vehicles for shareholders to communicate directly with Board members (SEC-proposed rule S7-14-03).

This is a thoughtful step in strengthening Directors' accountability and obligation to shareholders, but a step we hope will lead to an even more robust proposal regarding investor access to the corporate proxy statement.

Investor-proposed nominees are rarely given consideration by management during the nominations process. Shareowners therefore rely on expensive and time-consuming proxy contests to bring attention to their candidates, who often lose in contested elections because management spends shareholder assets to oppose such investor nominees. While greater disclosure of the criteria and processes for nominating Board candidates will be quite useful to investors, it may be difficult for the SEC to eliminate boilerplate disclosures. The SEC should also not mistake the tide of letters in support of greater disclosure and communication channels with board members as a sign that shareholder access to the proxy for Board nominations is not needed by shareowners, for it is the crucial missing link in Board accountability and strong governance at most corporations.

**Nominating Committee Disclosures**

We fully support the recommendations that Nominating Committees disclose when they receive nominations from security holders, as well as the procedures for nominating candidates for the Board. We also support detailed disclosures regarding the qualifications of, and criteria for, Board candidates, including those suggested by investors.

We also strongly recommend additional disclosures regarding how the Nominating Committee takes the issue of Board diversity into account when considering candidates for the proxy ballot, and a description of how each candidate meets independence requirements outlined by the stock exchange listing reforms. A number of companies already disclose their commitment to Board diversity in their nominating charters, and diverse shareholder representation is a factor highlighted by TIAA-CREF in its

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guidelines on Corporate Governance. We further support transparency of the nominators behind candidates for the Board, including those proposed by management, Directors, shareholders, and Board search firms. This information is quite useful to investors in determining conflicts of interest and the measure of independence Board candidates have from management, other Directors, and the company itself.

### **Shareholder Communications with Board Members**

In our experience, Board members rarely respond to communications from shareowners. Calls, letters and emails are often routed through Investor Relations or corporate executives, who often decide to filter such correspondence. Such procedures do not uphold the basic premise that Board members directly represent shareholders. The channel of communication between security holders and Boards should be quite clear, and easily accessible--not buried 20 pages into a corporate web site. Just as the revised NYSE listing standards proposed direct channels for communicating with Audit Committees, should there be a problem, investors should have direct access -- via emails, phone numbers, faxes, and addresses -- to the Board members representing them, to discuss issues appropriate of Board attention.

We further support Boards reporting back to investors a summary of shareholder-Director communications, actions taken in response to shareholder concerns, and if the Board did not respond to particular communications, which executives did and why.

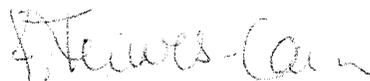
### **Additional Recommendations**

We would also like to see a summary report in the proxy statement of Director attendance at annual meetings, to know which Board members are forgoing their duty of representing shareholders and addressing their questions at such events.

Recommendations under proposed rule S7-14-03 should also apply to small companies and mutual fund companies, as enhanced disclosure would be of great value to all types of investors around these processes.

The proposed disclosures, while paving critical improvements to the transparency of corporate elections, are not enough to restore lost confidence in U.S. equity markets. It will be the combination of greater transparency *and* greater investor access to the proxy for Board nominations that will strengthen shareholder democracy. and Board accountability with it.

Sincerely,



Indigo Teiwes-Cain  
Research Analyst  
Progressive Investment Management  
Investment Advisor to Portfolio 2I