



## Social Investment Forum

June 4, 2007 -- File Number 4-537

Mr. Christopher Cox  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

Dear Commissioner Cox:

We are writing on behalf of the Social Investment Forum, the national membership association for mutual funds, investment firms, and financial planners involved in integrating environmental, social, and governance issues into their investment decisions.

We are concerned about some alarming ideas raised at the recent SEC roundtable meetings regarding shareholder resolutions, and the suggestion that the right of shareowners to sponsor advisory shareholder resolutions either be eliminated or further restricted.

Our members have been deeply involved in the process of shareholder advocacy through letters and dialogue with companies, sponsorship of shareholder resolutions and by voting proxies. For decades, this process has been a central means for formalizing communication between concerned investors and management on social, environmental and governance issues.

If these ideas to restrict advisory proposals became a formal SEC rulemaking proposal, we expect there would be vigorous opposition from both individual and institutional investors.

We urge the SEC to drop this concept before it gets to the proposal stage. One idea discussed was that advisory resolutions would be disallowed or further restricted but binding resolutions, like bylaw amendments, would be permitted. More than ninety-five percent of the shareowner resolutions filed in the last 35 years have been "advisory," yet they have had a profound and identifiable impact on business thinking and decision making in corporate board rooms. While new, creative methods to improve investor – management communications would be welcome, eliminating our right as investors to petition the Board and management and to garner support of other shareowners through resolutions would be a disastrous step backward.

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Since the early 1970s, and decades before when individual stockholders pioneered the resolution process, a growing member of investors (ranging from huge institutional investors such as TIAA-CREF, CalPERS, New York State and State of Connecticut pension funds, to religious investors, foundations, trade union pension funds, individuals, and socially concerned mutual funds and investment managers) have engaged companies in private dialogue and public persuasion, including filing shareholder resolutions on literally hundreds of governance reforms and social and environmental issues.

It is important to note that many resolutions filed by small individual investors requesting corporate governance reforms have resulted in votes of 50-85% this past year. Social and environmental resolutions filed by small shareowners are also garnering substantial support. Obviously the size of one's investment does not relate to the quality of one's ideas or the support given by shareowners in a company. It is the genius of the SEC's proxy system that shareholders of every size can participate in the marketplace of ideas by filing resolutions, and that the principal test of those ideas is their ability to garner support of fellow shareowners. Creating steeper thresholds for the filing of resolutions would be inconsistent with this system.

We can point to many investors and company managers who view this process as part of a civil discourse with shareowners, resulting in positive changes in company policies and practices.

There are thousands of articles and many books describing the impact of the shareholder engagement process. In addition, investors who do not sponsor resolutions and simply vote their proxies can attest to the importance of this process as fiduciaries since the SEC has noted that the proxy is an asset and needs to be treated accordingly.

There is considerable research and documentation regarding the importance and efficiency of this process. Looking back over the last 50 years there are literally thousands and thousands of examples of occasions when a precatory proposal:

- Stimulated management's attention to a new concept;
- Resulted in meaningful additional information being shared with investors;
- Stimulated a rethinking of a policy or practice;
- Fostered a meaningful discussion between management or the Board and its investors;
- Resulted in a long-term Board study of a topic.

These changes occurred both in instances of small shows of shareholder support (e.g. 5%) and when large scale support was reflected in shareowner votes. Even more frequently, resolutions are withdrawn by proponents when dialogue about the resolution leads to agreement between management and its shareowners, a further testimony to the importance of the process.

In summary, there are hundreds of examples of major changes in governance and social and environmental issues that have resulted through shareholder engagement and resolutions. And when the SEC required mutual funds to disclose their proxy voting records annually, it was done with the understanding that the proxy is an asset and that voting proxies conscientiously is therefore a fiduciary duty. We would argue that it is our fiduciary duty as investors to proactively intervene if a company's governance or social record is putting shareholder value in jeopardy. And clearly the sponsorship of an advisory resolution is one meaningful way to bring such an issue to the forefront.

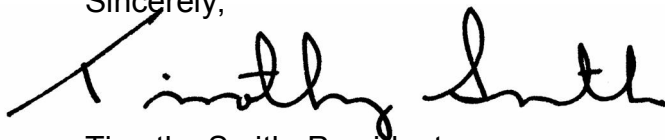
It would be inappropriate for the SEC, having long established the 14a- system for allowing shareowners to place precatory resolutions on the proxy, to now, as some roundtable participants suggested, "devolve" these rights to the states or corporations to set their own rules regarding how much shareowner democracy will be permissible. The system of advisory resolutions that the SEC has established is too important and central to the American system of corporate governance to allow corporations or states to "opt out" of these important mechanisms.

We are more than willing to contribute to a constructive discussion of how to improve communications between investors and management. We would welcome commitments by companies to seriously engage their owners in discussions about environmental, social and governance issues. In fact, good communications and engaged dialogue with investors often make resolutions unnecessary as numerous companies can testify. Unfortunately, there are too often cases when management ignores repeated letters or calls but is prompted to act when they receive a resolution.

However, the right of investors to file resolutions and seek investor support when necessary should not be diminished in any way.

We strongly oppose any move to take away shareholder rights to move advisory resolutions.

Sincerely,

Handwritten signature of Timothy Smith in black ink.

Timothy Smith, President

Handwritten signature of Lisa N. Woll in black ink.

Lisa Woll, CEO