August 17, 2009

Via e-mail: rule-comments@sec.gov

U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549
Attention: Elizabeth M. Murphy, Secretary

Re: Facilitating Stockholder Director Nominations
Release Nos. 33-9046; 34-60089; IC-28765; File No. S7-10-09 (June 10, 2009)

Ladies and Gentlemen:

On behalf of Sara Lee Corporation, we respectfully submit our comments on the Securities and Exchange Commission’s (the “Commission”) proposed Rule 14a-11 and related amendments, as set forth in Release Nos. 33-9046, 34-60089 and IC-28765. Sara Lee is a global manufacturer and marketer of high-quality, brand-name products for consumers throughout the world focused primarily on the meats, bakery, beverage and household products categories. We have annual sales of approximately $13 billion, generated in close to 200 countries, and employ over 40,000 people worldwide. Sara Lee is incorporated in Maryland and has over 695 million shares outstanding. We recognize the important role stockholders have in the nomination and election of directors and we appreciate the opportunity to comment on the Commission’s proposal.

Sara Lee has consistently supported good corporate governance practices, including the right of stockholders to have an effective vote in the election process and the ability to recommend individuals for nomination to the board of directors. We have taken numerous actions over the years to promote effective corporate governance and accountability to stockholders, including providing for the annual election of all directors, amending our Bylaws to provide for majority voting in uncontested director elections, terminating our stockholder rights plan and requiring that any new rights plan be submitted to stockholders for approval. Currently 12 out of the 13 members of our Board are independent directors, and the independent directors meet in executive session at every Board meeting.

It is our view that proxy access of the sort reflected by proposed Rule 14a-11 is not required and should not be adopted by the Commission. The many changes in governance practices that have been adopted in recent years have significantly enhanced director
accountability to stockholders. Any incremental benefit in this regard that would be attained by mandating proxy access would be significantly outweighed, in our view, by the negative effects that such proxy access would likely have on the operation of public company boards of directors. In particular, it seems likely to us that proxy access may in many instances limit the effectiveness of boards by (i) facilitating the election of directors who believe that they represent particular interest groups rather than all stockholders, (ii) limiting the ability of boards to achieve a particular mix of experience and expertise on the board that they believe best suits their particular corporation and (iii) increasing the likelihood of costly and distracting election contests.

Nevertheless, if the Commission is going to adopt a form of proxy access, we believe a number of significant changes need to be made to the rules as they were proposed. Our remaining comments on the Commission’s proxy access proposal and proposed Rule 14a-11 are offered in the spirit of ensuring that the proxy access process appropriately balances the interests of all stockholders. Implementation of any proxy access system would be time consuming and expensive, which has a financial impact on the company and, indirectly, on all of the company’s stockholders. In considering the proxy access proposal, we urge the Commission to carefully balance the interests of stockholders to meaningfully participate in director elections and the interest of companies to steward corporate resources for the benefit of all stockholders.

Assuming that it is adopted, the Commission’s proposal raises many complex and interrelated issues. In the balance of this letter, we have focused our comments on several areas that are of particular concern to us; however, Sara Lee also shares the concerns that have been expressed in many other comment letters submitted to the Commission, including concerns relating to the lack of triggers in the rule; the inability of boards and stockholders to opt out or alter various provisions of the Rule 14a-11, the mechanics of how new Rule 14a-11 would operate, and the absence of proposals to reform other aspects of the proxy solicitation process that we believe are necessary to accomplish the Commission’s stated goals (such as oversight of institutional proxy advisory services). This letter describes some of the significant concerns we have regarding the consequences of Rule 14a-11 in its proposed form, and we respectfully request that the Commission consider the modifications described below.

**Eligibility Threshold.** Proposed Rule 14a-11 sets the minimum ownership threshold that a stockholder must meet in order to nominate a director at 1% of a company’s securities (large accelerated filers), 3% of a company’s securities (accelerated filers) or 5% of a company’s securities (non-accelerated filers). We believe these proposed ownership thresholds are too low, especially if stockholders are permitted to aggregate their ownership to meet these thresholds. Additionally, we do not agree with the Commission’s conclusion that a lower ownership threshold is appropriate for large accelerated filers. On the contrary, larger issuers tend to have highly concentrated stock ownership, and many larger institutional investors acquire and hold positions well in excess of 5% of an issuer’s outstanding stock. For large public companies, the numbers of stockholders that would be eligible to submit nominations in one year could be overwhelming. For example, Sara Lee has multiple stockholders that own over 5% of our stock, more than a dozen stockholders that own over 1%, and more than 25 stockholders that own over
.5%. For these reason, we believe that more appropriate thresholds would be 5% for individual stockholders (for all sizes of issuers) and 10% for a group of stockholders. These higher thresholds would better reflect the real time and costs that such nominations impose on a company, while at the same time not be so high as to impose undue impediments to stockholders’ nomination right.

**Limitation on Group Membership.** Proposed Rule 14a-11 would permit stockholders to aggregate their holdings for the purpose of meeting the eligibility threshold. We are not opposed to the concept of aggregation; however, we believe Rule 14a-11 should set a minimum ownership percentage (such as .5%) for each stockholder that participates in a group, and permit each stockholder to participate in only one group. A minimum ownership percentage for each member of a group would help ensure that each stockholder has a meaningful interest in the company and in the outcome of the election. Additionally, in the absence of a limitation on the number of groups in which a stockholder may participate, a stockholder could submit multiple nominations for the same election by joining with multiple different groups of stockholders. We believe that permitting participation in multiple nominating groups would be inconsistent with the fundamental construct of other SEC rules, such as Rule 14a-8(c), which permits a stockholder to submit only one proposal to a company for a particular stockholders’ meeting.

**Holding Period.** We believe that proposed Rule 14a-11 should require a nominating stockholder to own a meaningful percentage of a company’s stock for a significant period of time. The stated purpose of the Commission’s proposal is to enable more significant participation by long-term stockholders. We believe that purpose would be best accomplished by adopting a two-year minimum holding period for a nominating stockholder and, in the case of a nominating group, adopting a two-year minimum holding period for each member of the group, measured as of the date of the stockholder notice on Schedule 14N. In the proposal (at page 51), the Commission itself acknowledged that the two-year minimum holding period that it proposed in 2003 was supported by “the majority of commenters that addressed the topic.” We also recommend adding a requirement that, if a nominee is elected to the board, the proposing stockholders continue to hold their shares through the initial term of the nominee’s service on the board. Stockholders who propose director nominees should be willing to support their nominees if they become directors, and requiring that the minimum stock ownership be maintained through the initial term will help ensure a long-term commitment on the part of the nominating stockholder. Any nominating stockholder that fails to comply with the post-election holding period should be required to disclose that fact, as this would be a relevant factor to consider with respect to future nominations by this stockholder. In addition, such stockholder should be barred from submitting another nomination pursuant to Rule 14a-11 for at least the following two annual meetings.

**Beneficial Ownership.** For purposes of determining whether the eligibility threshold has been met, we believe that Rule 14a-11 should clearly define “beneficial ownership” to mean full stock ownership and expressly exclude derivative positions. If the purpose of proposed Rule 14a-11 is to provide proxy access to long-term investors, then the rule should require possession of the full economic interest in the securities during the entire two-year holding period as a
prerequisite to submitting a nomination. We also believe that nominating stockholders should be required to disclose their total positions in the company’s stock, including derivative securities, as well as any arrangements that would de-couple the stockholder’s voting and economic rights. Many companies, including Sara Lee, have incorporated these disclosure requirements in the advance notice provisions of their Bylaws in order to ensure a clear understanding of the nature of a nominating stockholder’s interest in the company.

**Number of Stockholder Nominees.** Proposed Rule 14a-11 would limit the number of stockholder nominees to 25% of the authorized board seats; however, we believe that this percentage is too high and could impose a significant burden on the company. Adding multiple new directors, whose background and experience may not be relevant to the company’s business or may not complement the skill set of existing directors, would be disruptive to board deliberations. For example, Sara Lee’s Board is comprised of 13 directors – the addition of up to three directors (i.e., 25% of our Board) whose qualifications may not meet the identified needs of the Board would create distractions for the Board and management. In fact, the presence of even one director who has a specific agenda or special interests would be disruptive and impair the overall effectiveness of the Board. We respectfully recommend that the percentage be lowered from 25% to 10% of the authorized board seats.

**Priority Among Nominees.** In the case of multiple proxy access nominees, we believe that priority should be given to the nominating stockholder with the largest stock ownership (with an individual stockholder having priority over a group aggregating their holdings) rather than the first to submit. Determining priority based on ownership percentage rather than time of submission would ensure that those stockholders with the greatest economic interest in the company would have the right to include its nominee in the company’s proxy materials. This would further the interests of all stockholders, since the interests of stockholders with significant economic interest are more likely to be aligned with the interests of other stockholders.

**Independence of Director Nominee from Nominating Stockholder.** We strongly suggest that Rule 14a-11 prohibit proxy access nominees from being affiliated with the nominating stockholder or any member of the stockholder group. As we noted earlier, the overall effectiveness of the board would be impaired by a director who is pursuing a specific, narrow agenda or who is aligned with a special interest. To guard against this, we support prohibiting each nominating stockholder from having any affiliation or material relationship with its proxy access nominees. In addition, proxy access nominees should be required to satisfy the director independence and qualification requirements adopted and disclosed by the company’s board.

**Resubmission Threshold.** We believe that proposed Rule 14a-11 should include a “resubmission threshold,” similar to the proposal for which the Commission solicited comments in 2003. If a prior proxy access director nominee fails to obtain a significant percentage, such as 25%, of votes cast then the nominating stockholder (and, if applicable, all of the members of the nominating group) should be prohibited from submitting another nominee for a period of two years. A resubmission threshold is appropriate because it would provide an opportunity for other stockholders to submit nominations and because the low vote is evidence that the nominating
stockholder has not generated sufficient support from other stockholders to demonstrate that it would be successful in having its nominee elected to the board in the following year. For similar reasons, we suggest that the nominee also should not be eligible for re-nomination during the same two-year period.

We appreciate the opportunity to comment on the Commission’s proxy access proposal and proposed Rule 14a-11. The proposal raises many complex issues and concerns. As noted above, we do not believe that any rule making is necessary at this time. If, however, the Commission intends to adopt final rules implementing proxy access, we strongly urge the Commission to carefully and completely consider all comments that it receives before adopting final rules. We also respectfully request that the Commission strongly consider delaying the effectiveness of any final rules until after the 2010 proxy season. The delay would give all stakeholders time to implement necessary process changes, recommend necessary reforms to complementary proxy solicitation processes and prevent the adoption of actions that would have to be unwound at a later date.

Thank you for your consideration of our comments, as set forth in this letter.

Yours very truly,

Brett J. Hart

cc: Hon. Mary L. Schapiro, Chairman
    Hon. Luis A. Aguilar, Commissioner
    Hon. Kathleen L. Casey, Commissioner
    Hon. Troy A. Paredes, Commissioner
    Hon. Elisse B. Walter, Commissioner
    Meredith B. Cross, Director, Division of Corporation Finance