



September 27, 2007

Nancy M. Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Comment on File Number S7-16-07

Dear Secretary Morris,

I am President and CEO of PAX World Management Corp., investment adviser to Pax World Funds. We follow a sustainable investing approach, meaning that we evaluate environmental, social and governance issues, as well as financial factors, in our investment analysis and decision making.

I am writing to comment on File Number S7-16-07, the Release proposing amendments to the Rules under the Securities and Exchange Act of 1934 “concerning shareholder proposals and electronic shareholder communications.”

Electronic Shareholder Forums. This proposal concerns electronic shareholder forums that would “encourage the free flow of information, ideas, and opinions.” Such forums could add a positive dimension to communications between management and shareowners, and so long as such a process is not a substitute for in-person annual shareholder meetings and does not compromise shareowners’ ability to put nonbinding or binding resolutions on the proxy, we would support such forums. We have found, through many years of experience with management/shareowner communications, that corporate management is often responsive to ideas and suggestions from shareowners, and electronic forums may be a good way to further facilitate such communications. However, our experience also teaches us that a significant number of companies are not responsive unless and until shareholder communications take a more formal route, and that the best means to communicate with unresponsive management is via the shareholder proposal and proxy. We would therefore oppose any move to establish electronic forums or any other vehicle in lieu of in-person annual meetings and the right to file shareholder proposals. Under the proposed rule, an electronic petition process that substitutes for Rule 14a-8 is simply unacceptable.

Proxies are the assets of the shareholders, as established by ERISA, and voting proxies is a fiduciary duty for those who represent shareowners as investment advisers, money managers, or retirement plan trustees. An electronic petition is fundamentally different from a shareholder vote cast directly or through fiduciaries, and surely will not command the same attention. We are generally supportive of reasonable measures to improve communication between management and shareowners, as such communication can help align incentives and improve corporate governance and performance. However, we emphatically oppose any mechanism that

would compromise shareholders' existing rights to file nonbinding or binding proposals and to have those proposals included in the company's proxy for deliberation and decision at its annual meeting.

Bylaw Amendments Concerning Non-Binding Shareholder Proposals. This proposal would allow a company's board of directors to adopt a bylaw procedure for handling shareholder proposals in lieu of Rule 14a-8. Once again, we strongly oppose any attempt to partially repeal the provisions of Rule 14a-8 that currently protect shareowner rights. Under this proposed change, a bylaw amendment removing the right of shareholders to file proposals would severely compromise the ability of shareowners to communicate with management and directors who, for whatever reason, choose to remain aloof or insulated from shareowner concerns. Directors are obliged by law to represent the interests of shareholders, of course, but in recent years we have seen many instances where directors' actions appear to be more in line with management's interests than the interests of shareholders. Management, of course, has excellent access to directors; shareholders have much less access. We oppose any system that would compromise the ability of shareholders to communicate with directors who, after all, are charged with the duty to represent shareholders, not management.

Costs of Proxy Solicitation. The proposed amendments question whether shareholders' stated need for increased access to the proxy ballot has been diminished by "significant technological advances [that] appear to have the potential to substantially reduce the costs of such a proxy solicitation." While electronic technology has in many cases reduced the cost and burden of communications, it can be costly in its own right. Moreover, it is not yet *proven* that the Commission's proposals for electronic shareholder forums or E-Proxy rules will in fact reduce the cost of soliciting votes in a proxy contest; it is only *conjecture*. In our view, it would be entirely inappropriate for the Commission to engage in the presumption, at this point in time, that one recently-introduced, untested rule, and one proposal, will have effects so positive and pervasive that they justify the adoption of other rules, the effect of which may be to substantially curtail shareholder rights, and with them, our present system of corporate governance.

Finally, we are frankly concerned by the SEC's use of a curious turn of phrase: "Will these technological advances reduce the costs of proxy solicitations for both companies and those that solicit *in opposition to a company*?" [Emphasis added.] In our system of corporate law and governance, "the company" is not synonymous with "management," or even with "directors." When shareholders make a proposal, whether a nonbinding resolution opposed by management, or to advance an alternative nominee for director, the strong presumption should be that they are doing so *for* the company, of which they are owners, rather than *in opposition* to it. Shareholder proposals may be in opposition to management, and shareholder nominees may be in opposition to the slate advanced by directors, but it is wrong to presume that they are in opposition to the *company*. Can there not be honest disagreements between shareholders and management as to what is best for a company? Is management always right? Do shareholders not have a right to nominate directors who, after all, are *their* representatives, not the representatives of management? When shareholders submit proposals, or submit a nominee for director, they do so because they believe the proposal or nominee will strengthen the company so that it performs

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better for shareholders. Shareholders may not always be right in that respect, but after the corporate scandals of recent years, it is fairly obvious that management isn't always right either, nor are directors, and neither necessarily acts in the best interests of shareowners or the *company* all of the time. (That's why we need checks and balances to protect shareholder rights.) The company is not the same thing as its current management, or even its current directors, whose duty it is to represent shareholders. The apparent presumption that shareholders submitting resolutions or director nominees are somehow acting in opposition to the *company* is simply incorrect, and the implications disturbing.

For the above reasons, and those expressed in my earlier letter dated June 12, 2007, a copy of which I attach for your convenience, Pax World strongly opposes the proposed amendments to Rule 14a-8.

Sincerely,

Joseph F. Keefe
President & CEO

ATTACHMENT: June 12, 2007 letter from Joseph F. Keefe to Christopher Cox, concerning shareholders' rights to sponsor nonbinding resolutions included in company proxies

June 12, 2007

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

Dear Commissioner Cox:

I am President and CEO of PAX World Management Corp., investment adviser to Pax World Funds. We follow a sustainable investing approach, meaning that we actively integrate environmental, social and governance issues into investment analysis and decision making.

I write today to express my concern about some of the ideas that were apparently raised at the recent SEC roundtable meetings regarding shareholder resolutions. In particular, I refer to the somewhat alarming suggestion that the right of shareowners to sponsor advisory resolutions be further restricted or even eliminated.

Pax World has long believed in the importance of active ownership, and we have been involved in shareholder advocacy initiatives through voting our proxies, writing letters and entering into dialogue with companies and sponsoring shareholder resolutions. As you know, this process is an important means for formalizing communication between concerned investors and management on social, environmental and corporate governance issues.

If the notion of restricting or eliminating shareholder advisory proposals becomes a formal SEC rulemaking proposal, I expect you will see vigorous opposition from individual and institutional investors. After the corporate scandals of recent years, surely corporate managers need to be more attentive, not less, to shareholder interests. I am concerned that the SEC would be looking at curtailing (rather than expanding) shareholder rights at this time.

I would urge the SEC to drop this concept before it gets to the proposal stage. One proposal was that advisory resolutions be disallowed or further restricted but binding resolutions, like bylaw amendments, be permitted. This is hardly a solution. More than 95 percent of the shareowner resolutions are "advisory" in nature, and yet they have had a profound impact on corporate policies and conduct over the past 35 years. While new, creative methods to improve investor-management communications would be welcomed, eliminating investor rights in favor of "chat rooms" or other faux communications would be a disastrous step backwards.

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It is the genius of the SEC's current 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 share owners. Creating steeper thresholds for filing of resolutions would be inconsistent with this system. The SEC itself has noted that the proxy is an asset and needs to be treated accordingly – if shareholders' only right is to vote in favor or abstain from management-sponsored resolutions, the whole notion of a public corporation begins to break down.

There are numerous examples of positive changes in corporate governance and on social and environmental issues that have come about as a result of shareholder engagement through advisory 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. Indeed, at Pax World we believe it is our fiduciary duty not only to vote our proxies but to proactively intervene if a company's governance or social record is putting shareholder value at risk. Clearly, sponsorship of an advisory resolution is one meaningful way of doing this, and is an essential shareholder right.

It would be inappropriate for the SEC, having long allowed shareowners to place advisory resolutions on the proxy, to now, as some roundtable participants apparently suggested, "devolve" those rights to the states or to corporate management to establish their own rules. The system of advisory resolutions that the SEC has established is too important and central to the American system of corporate governance and to the integrity of capital markets to allow corporations or states to "opt out" of these important mechanisms.

On behalf of Pax World and our investors, please know that we strongly oppose any move to take away shareholder rights to file advisory resolutions.

Sincerely,

Joseph F. Keefe
President & CEO