



First Affirmative
Financial Network, LLC

Investing for a Sustainable Future

November 12, 2010

Elizabeth M. Murphy
Secretary

U.S. Securities and Exchange Commission (SEC)

100 F Street, NE

Washington, DC 20549-1090

RE: Shareholder Approval of Executive Compensation and Golden Parachute Compensation Release No. 34-63124; File No. S7-31-10

Dear Ms. Murphy:

First Affirmative is a United States based investment management firm with over \$670 million in assets under management. We work on behalf of clients who ask us to help them integrate their values with their investment portfolios. We thank the Securities and Exchange Commission (SEC) for this opportunity to comment on the draft rule, *Shareholder Approval of Executive Compensation and Golden Parachute Compensation Release*. First Affirmative has been active in co-filing shareholder proposals asking issuers for annual “say on pay” votes; we therefore have a very strong interest in the outcome of this rulemaking process. In particular, we would appreciate the SEC’s consideration of the following:

Revisiting the Frequency of Say on Pay Votes

The most recent financial crisis has taught us that circumstances can change quickly in financial markets. We firmly believe that shareholders need the flexibility to respond quickly to these changing conditions and, when necessary, to hold companies accountable. For example, we can envision numerous cases whereby an issuer hires a new CEO with a questionable compensation package that is radically different from the predecessor’s pay, or decides to award a CEO an outsized bonus or performance perquisites that are done despite underperformance.

If investors are unable to file a resolution proposing a change in the frequency of say on pay votes, they would be left with limited options (e.g. voting against members of the issuer’s compensation committee). Therefore, we believe investors should have the opportunity to argue to our fellow stockholders in these cases that circumstances had changed, thereby warranting revisiting the frequency of “say on pay” votes.

Phrasing for Proposals

We do not believe that all management sponsored resolutions need to follow the same model language, as long as the SEC sets out some strong, minimum guidelines. Companies that have already implemented “say on pay” votes under pressure from shareholders can provide good examples of the

usefulness of offering some flexibility in this area. For instance, some companies have split votes into several sections to address a broader subset of issues, while others have tested specific executive pay points in different years. Flexibility, we believe, will encourage inventiveness in this area, while also giving shareholders a chance to evaluate the thoughtfulness of various issuers' proposals in comparison to their competitors' offerings.

At the same time, we know many companies would find guidance helpful as they craft language for their "say on pay" votes, so we also feel that providing model language for companies to consider would be beneficial guidance. In addition, we also believe that the SEC needs to set some basic minimum boundaries for issuers. We believe the language the SEC required for Troubled Asset Relief Program (TARP) recipients is a good base. This would require issuers, at a minimum, to offer for an advisory vote to shareholders approval of the compensation of executive officers as described in the Compensation Discussion & Analysis or "CD&A" and tabular disclosure regarding Named Executive Officer compensation.

Exemptions for Smaller Issuers

Problems with executive pay, including lack of pay for performance or poorly framed incentives, are not simply issues for large companies. Furthermore, we do not believe that an advisory vote on pay is any more burdensome for smaller companies than other routine votes, such as those for director elections or to ratify auditors. Small companies should be following the discipline of a clear and convincing case in the proxy for executive pay just as larger companies do. Therefore, we do not favor an exemption for smaller companies under this rulemaking, even though we acknowledge that disclosures for the smallest issuers are not as robust as for other companies.

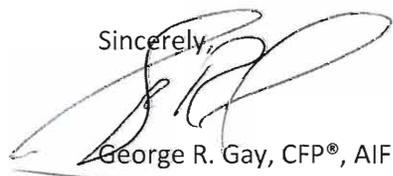
Ballot Choices for Frequency Votes

We endorse the voting options offered by the commission—every **one, two or three** years, or to **abstain**, with the understanding that pluralities would often be the result and need to be considered the stockholders' advice to the board. Thus it is important to note specifically that the highest vote would be considered the advice provided to the board on frequency and should be taken very seriously even if not binding.

Broker Discretionary Voting

We back the notion that the "say on pay" votes themselves, as well as the votes on their frequency, are critical decisions that brokers should not be able to vote on without an express mandate and direction from the beneficial owner of the security. Therefore, we back the provision outlined in Section 957 of the Dodd-Frank Act that directs national securities exchanges to change their rules to prohibit broker discretionary voting of uninstructed shares in certain matters, including shareholder votes on executive compensation, and we support the SEC's decision to apply it to the shareholder advisory vote on executive compensation, as well as to the votes on their frequency.

Sincerely,



George R. Gay, CFP®, AIF®

Chief Executive Officer

First Affirmative Financial Network, LLC