December 16, 2003

Mr. Jonathan G. Katz, Secretary
United States Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: Security Holder Director Nominations (File No. S7-19-03)

Dear Mr. Katz:

I am Chairman and Chief Executive Officer of W.W. Grainger, Inc., as well as a director of that company. I appreciate the opportunity to comment on the proposal of the Securities and Exchange Commission to provide shareholders direct access to company proxy soliciting material to nominate directors under certain circumstances.

Widely known corporate failures have demonstrated that sound corporate governance practices are not universally followed, and recent legislation, Commission action, and regulatory standards have addressed these concerns. Therefore, I am opposed to the proposal for the following reasons:

1. The Sarbanes-Oxley Act and implementing SEC regulations, the now-final enhanced corporate governance standards of the New York Stock Exchange and other of the regulated securities markets and the increased corporate governance demands of the capital markets already require significant changes in corporate governance practices. These changes not only require enhanced independence and accountability for board and nominating committees but also provide for enhanced methods for shareholder communication to the directors. The effectiveness of these many reforms should be demonstrated before overlaying a complex director nomination process of uncertain consequence.

2. State law already imposes on directors the fiduciary duty of acting in the best interests of all of the shareholders. The board’s nomination of director-candidates is consistent with this duty. It is based on the understanding that the board is...
best positioned to assess the qualifications of nominees. Through this process, the board can take into account many factors in addition to the independence and other requirements imposed by the new legislation and regulations, such as the need to have various strengths and expertise that will result in a well-rounded board as a whole. While boards may consider and are strongly encouraged to consider shareholder nominees, the ultimate responsibility for selecting the right mix of nominees rests with the board.

3. In contrast, it is possible that shareholders may act on the basis of self-interest, not the interest of all shareholders. They have no fiduciary duties to the company or other shareholders in connection with director nominations. They may nominate director candidates for any number of purposes, regardless of whether those purposes are designed to promote other agendas. Direct shareholder access to company proxy soliciting material could undercut the role of the board and its independent nominating committee and ultimately diminish board accountability to shareholders.

4. There is a real question whether contested elections represent the best approach for enlisting the services of the most able, qualified and independent directors with the skills and experience critically needed by the company for the benefit of all shareholders. For this role, the newly required independent nominating committee, not direct shareholder nominations, is naturally suited.

It may be that facilitating these contests and accepting the other consequences, both as outlined above and others yet unknown, are necessary to encourage the corporate governance processes that we all recognize as critical. At this point, however, we just do not know that to be the case. The new corporate governance reality may achieve this laudable goal. We should find out.

Sincerely,

R.L. Keyser
Chairman and Chief Executive