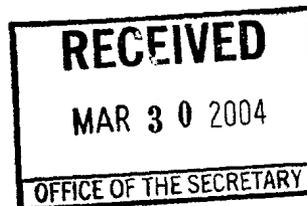




Mutual Funds

433 California Street
San Francisco, California 94104



772

March 24, 2004

Jonathan G. Katz
Secretary
Securities & Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

RE: SEC File # S7-19-03

Dear Mr. Katz:

Among the specific issues of concern to Sierra Club Mutual Funds is shareholder proxy access. The proposed rule S7-19-03 aims to provide an equitable process for investors to partake in the election of their representatives to the board of directors. However, this rule in effect prevents small institutional or individual investors from doing just that. The timeframe from when a company sets off an access trigger to the time when shareholder nominees could be considered for a board election is unreasonably extensive – up to two years. This time barrier is especially prohibitive for small institutional and individual investors. Yet small institutional and individual investors are the shareholders that are so often disenfranchised from the proxy process. It is essential to create greater opportunities for investors large and small to hold corporate boards accountable to shareholders and to take part in the elections process.

The two-year timeframe stipulated in proposed rule S7-19-03 deters the accountability of boards and executives to the company's shareholders. Changes to existing rules to improve board elections should augment the ability for a true election to occur. Otherwise, if there were triggers that were activated by a few companies, then few investors would be able to use the improved rules. Several companies have already implemented greater access for investors to nominate directors for the board, including Apria Healthcare, MCI, Hanover Compressor, and Homestore, Inc., refuting the notion that the proposed equal access to proxy rule would bring enormous harm to companies.

We are in support of direct access to nominate a candidate or candidates for the board by a single investor or group of investors owning 3% of the company, and holding these shares for at least two years consecutively up to the nomination date. This would allow for small long-term institutional and individual investors to affect immediate corrective action at the board

level without the need for a two-year triggering process. We strongly recommend the removal of the triggers for gaining access to the nominations process. This shortens the timeframe for actually getting investor nominations on the corporate proxy, and alleviates paperwork and oversight burden by corporate management, shareholders, and the SEC in tracking the triggering process. Management and directors need to be more responsive to shareholder concerns, not less, so shortening the timeframe for when boards could face competition for director positions would force directors to immediately begin addressing egregious issues of concern. If the commission finds no way to eliminate triggers, then thresholds for investors to gain access to the proxy should be significantly lowered in the event when triggers have been activated.

Another limitation of the proposed rule S7-19-03 is the limits it sets for the number of nominees put forth by investors. The constraint does enable shareholders to create independent, shareholder representation on the board. Most corporate board number over 11 directors, whereas the proposed rule constraints shareholders to nomination of one or two (in very rare cases, three) candidates. We propose that the Commission increase the number of shareholder nominees to 35% of board seats available in each given election.

The Commission should also eliminate the limitation set out in the proposed rule for how many investors constitute a group for solicitation purposes. The proposed rule states that no more than 30 investors can form a coalition for the sake of garnering the percent of shares deemed appropriate for nominating a candidate. This further excludes small shareholders from the process, for even 30 individuals are unlikely to have 5% of company's shares (current requirement for nominating a candidate to the board).

Further, we request the Commission to implement a required disclosure of any connections between candidates and their nominators in the proxy statement.

Shareholders should not have to be independent of the people they are nominating, nor should they be held to a higher standard than that expected of the nominating committee and executives themselves. However, there should be transparency in the degree, type, and nature of any relationships between candidates and their nominators, including board committee nominations. This would include disclosure of any family, personal, business, or contractual relationships between the two parties.

In order to further ensure true elections, we would like to request the Commission to prohibit uninstructed broker voting that automatically casts votes for management's slate; establish annual election of directors to be mandatory at all companies; and institute clearer arbitration processes, so as to not let nominating committees entirely govern the process of what constitutes "legitimate candidates," "qualified nominees". Access rules should apply to all companies without limitation.

In addition, we urge the Commission to limit management's opposition statements to resolutions to the same 500-word constraint that shareholders face in addressing issues before shareholders. Both parties should have equal opportunities to discuss their side with investors. Similarly, to ensure equitable treatment of management and shareholders during the election process, the Commission should mandate disclosure of the amount of corporate funds used to

campaign against shareholder candidates. This disclosure should be made in the proxy each year.

Under the proposed rule, proxy access would only apply to companies that incorporate in states that provide such rights, thus unequally applying the right to certain investors, and not others. This constitutes an unequal application of federal proxy rights and enables the opportunity for attempted amendment of state corporate law that would disallow proxy access. We urge the Commission to consider alternate means of enforcing equal access across states and for all investors.

We agree with many supporters of access to the proxy that democratizing the director elections process will instill greater checks and balances amongst executives and directors, and restrain on the abuse of executive power. We therefore request the Commission to ensure equitable and effective access to the proxy for investors of all sizes, in all states.

We therefore urge the Commission to eliminate all triggering events and the constraints on the number of nominated candidates the number of investors it takes to constitute a group for solicitation purposes. We recommend instead that the proposed rule be amended to enable single investor or group of investors owning 3% of shares for two consecutive years up to the nomination date to nominate candidates for up to 35% of board seats. We also recommend institution of a required disclosure of connections between candidates and their nominators, equal word constraint for management and shareholder proposals, annual disclosure of corporate funds used to campaign against shareholder nominated candidates, and access to proxy for investors in all states.

Sincerely,

A handwritten signature in black ink, appearing to read "Garvin F. Jabusch". The signature is fluid and cursive, with a large initial "G" and "J".

Garvin F. Jabusch
Director of Research, Sierra Club Mutual Funds
Forward Management, LLC.