



Jay Timmons

*Senior Vice President
for Policy and Government Relations*

December 12, 2006

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Changes to the Proxy Rules

Dear Chairman Cox:

The National Association of Manufacturers (NAM) understands that the Commission may examine possible amendments to Exchange Act Rule 14a-18 during its open meeting on December 13, 2006, and we are concerned that the Commission may also discuss changes to the contentious shareholder access proposal Rule 14a-11 at that time. We strongly urge the Commission to limit its discussion to technical issues and not to re-open the debate regarding inclusion of shareholder nominees for election for director in company proxy materials.

The NAM is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. A significant number of our members are public companies that would be negatively impacted by changes to the proxy access rules.

We urge the Commission to take a deliberative approach to this issue in the wake of the Second Circuit Court ruling in *AFSCME v. AIG* since we are concerned that any changes made to the proxy process late in the year could cause disruption to the upcoming proxy season. Furthermore, we believe that a "wait and see" position with regard to the proxy access might be best in the long run. Only after this proxy season will the true impact of the Second Circuit decision be felt, giving the Commission the latitude to act or not act, with the benefit of real-world information.

The NAM had concerns with SEC proposed Rule 14a-11 when it was proposed in 2003 and we have concerns that the Commission plans to address the shareholder access proposal during its open meeting on December 13, 2006.

Of primary concern to our members is the influence that greater shareholder access to proxies would create. If company proxy statements were made more accessible to shareholders, it could give large shareholders undue influence over the corporation. Typically, the largest blocks of shares of most companies are held by brokerage firms. Increasingly, however, activist shareholders with interests divergent from maximizing shareholder values have begun to purchase shares of companies in an effort to change corporate practices for "social good" rather

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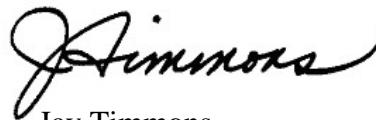
than shareholder value. While it is important for boards of public companies to understand the concerns of their shareholders, it would not be appropriate for activist shareholders to have such access to the nominating slate of a company's board of directors.

Moreover, many companies have already adopted practices that give shareholders a greater role in the governance of the company, including majority, rather than plurality, voting and the implementation of director resignation policies. This trend, which is likely to continue, may obviate altogether the need for greater shareholder access to the nominating slate of the board of directors via the proxy statement.

Finally, in our free market system, shareholders hold the ultimate power of selling their shares in the public marketplace if they disagree with the corporate policies of the corporation whose shares they hold. The value of a public company is only as large as the market will bear in any particular trading day and, in the case where a company is causing social harm, the marketplace will eventually punish the stock. If large blocks of socially minded shareholders abandoned companies in droves, it would cause the stock of those companies to lose value, presumably punishing the company for its practices.

In conclusion, we believe that expanding shareholder proxy access would be excessively burdensome and disruptive to companies at a time when changes are already being made in the director election process. We respectfully ask that the Commission remove the shareholder access rule from its agenda for its December 13, 2006 meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Timmons", written in a cursive style.

Jay Timmons

Cc: The Honorable Paul S. Atkins, Commissioner
The Honorable Roel C. Campos, Commissioner
The Honorable Annette L. Nazareth, Commissioner
The Honorable Kathleen L. Casey, Commissioner