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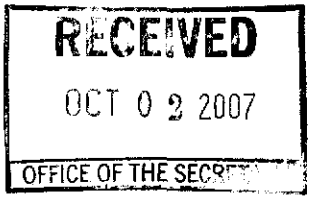

Ms Nancy M. Morris
Secretary
U.S Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: File Number S7-16-07
Release No. 34-56160 ("Release")

Dear Ms. Morris:

Eaton Corporation ("Eaton") is pleased to provide its comments on the proposed amendments to the rules of the Securities and Exchange Commission ("Commission") relating to shareholder proposals and electronic shareholder communications. (By separate correspondence, Eaton is providing its comments to the proposed interpretation and rule change under Release No. 34-56161.) Eaton is a diversified industrial manufacturer with 2006 sales of $12.4 billion. Eaton has 62,000 employees and sells products to customers in more than 125 countries.

Under the rule changes proposed by the Release, a shareholder or group of shareholders who meet certain requirements would be permitted to submit for inclusion in the issuer's proxy statement a binding proposal for a bylaw amendment specifying procedures for shareholder nominations of directors. The Release also proposes changes to the proxy solicitation rules that are intended to facilitate online communication among shareholders through electronic forums. The right to submit bylaw proposals would be limited to a shareholder (or group of shareholders) that have held 5% or more of a company's voting shares for at least one year and are eligible to file a schedule 13G report because they have not acquired or held the shares "for the purposes of or with the effect of changing or influencing control of the company." The shareholder proponents would be required to provide extensive disclosures in Schedule 13G about their relationships with the company and other background information about themselves. The company would also be required to include new disclosures in its proxy statement.

Eaton's position is that the rule changes proposed under the Release are unnecessary in view of the extensive, recent changes in corporate governance. We also believe they are unwise, since they would result in more divisive, expensive contested elections. The existing rules provide the needed balance between affording shareholders the ability to exercise voting rights while avoiding unwarranted disruption of the issuer's business. The pending elimination of broker discretion to vote in uncontested elections when the broker does not receive direction from his/her client has provided institutional holders greater influence with the issuer's management. Rather than provide a useful benefit to the vast majority of shareholders, the expanded access most likely will be used by special interest groups to propose director candidates who are committed to pursuing narrow agendas. We agree with those commentators who caution that further encroachment by special interest groups into the management of corporations (which is reserved under state law to the directors) would ultimately harm the interests of shareholders. (See "Briefing Paper: Roundtable on the Federal Proxy Rules and State Corporation Law," May 7, 2007.) Direct access to company proxy materials is inconsistent with the role of nominating and governance committees composed entirely of independent directors.

With the advent of electronic proxy statements (See Release No. 34-56135), the cost of proxy solicitations under the current rules would appear to be lessened, thereby strengthening the ability of shareholders to undertake election contests. Further strengthening such access is not needed at this time.

We are concerned that the proposals would impinge on state corporate law by requiring companies to include in the company's proxy statement director candidates proposed by shareholders. The new rules would go well beyond the traditional role of the Commission which is to enhance and safeguard the quality of issuer disclosures to investors.

In addition to the foregoing general comments on the proposals, we have some comments on a couple of specific issues. First, we don't believe that any shareholder who proposes a bylaw amendment under the new access rules would meet the eligible standards for Schedule 13G. On its face, it would seem unlikely that any such shareholder could be said to have no interest in effecting or changing control of the company. Second, regarding the rule changes designed to encourage the use of electronic forums, we support the Commission's proposals. Technology should be used to the maximum extent practicable to facilitate communication between companies and shareholders.

Again, we appreciate the opportunity to comment on the rule proposals. However, we do not believe the proposals (except for those related to electronic shareholder forums) are in the interest of shareholders generally and we therefore do not support their adoption.

Sincerely,

Mark M. McGuire
Vice President and General Counsel

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