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August 15, 2003

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0601

File No. S7-14-03

Dear Mr. Katz:

I am submitting these comments on the Commission's proposed rule regarding nominating committee functions and communications between security holders and boards of directors.

First, this proposal gets the Commission deeply enmeshed in the details of corporate governance which should be left to the private sector through NYSE and NASDAQ listing standards and corporate boards. Unfortunately, this proposal continues the federalization of corporate governance standards started by the Sarbanes-Oxley Act.

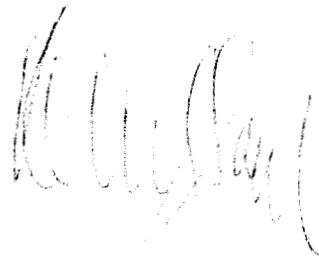
Second, I think the Commission should, as an alternative, request the NYSE and the NASDAQ to amend their proposed listing standards simply to require that listed companies have a process for receiving and considering shareholder nominees by their nominating committees or boards and a process for insuring that directors are fully informed about shareholder communications. Many other provisions of the Commission's proposal overlap those proposed by the NYSE and NASDAQ.

Third, the proposal rests upon assumptions about the corporate nominating process disconnected from how that process should work to be effective. In my view, the nominating process for a publicly held corporation has to be in large part informal and non-transparent with the objective of creating an effective team to oversee and advise management. The Commission itself would have had even greater difficulties in its nominations to the PCAOB if it had to comply with this proposal for publicly held companies.

Fourth, if we start from the assumption - as I do - that a board of a publicly held company must be judged by its performance as a team, nominations by shareholders cannot play an important role in corporate governance, except under the unusual circumstances described in the Staff Report of July 15, 2003 where a board clearly demonstrates its unresponsiveness to important shareholder concerns. In the latter case, the provision of the proposal relating to nominations by long term shareholders owning more than **3%** of a company's stock should be incorporated in whatever the Commission proposes relating to shareholder nominations of directors.

I hope these comments are helpful to the Commission.

Sincerely,

A handwritten signature in black ink, appearing to read "William H. Donaldson". The signature is written in a cursive style with some loops and flourishes.

cc: William H. Donaldson