Walden Asset Management
Investing for social change since 1975

September 11, 2007

Commissioner Christopher Cox, Chairman
Nancy Morris, Secretary
Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Comment on Release No. 34-56160; IC-27913; File No. S7-16-07 and Release No. 34-56161; IC-27914; File No. S7-17-07

Dear Commissioner Cox and Secretary Morris:

Walden Asset Management (Walden) is submitting comments on the above referenced Releases addressing access to the proxy and the shareholder resolution process.

Walden, a division of Boston Trust & Investment Management Company, has been a leader in integrating environmental, social and governance (ESG) analysis into investment decision-making since 1975. We are an employee-owned company, with $1.7 billion in assets under management for individual and institutional clients in the Walden division.

Walden's investment process seeks to identify firms whose business models will generate long term growth in fundamental value and strives to avoid investments with significant risks, including those associated with environmental, social or governance factors. We believe that a strong ESG record contributes to long term business success and is therefore in the best interests of companies and shareholders alike. For example, Walden believes that companies minimizing the use of natural resources and reducing emissions and contamination to air, water and land have a long term competitive advantage.

Consistent with this approach, Walden works to strengthen ESG performance and corporate accountability through shareholder engagement and public policy advocacy. Through proxy voting, letter writing, in-person and telephone meetings, attendance at stockholder meetings and sponsorship of shareholder resolutions, Walden has a decades-long track record promoting sustainable corporate practices. Examples include: engaging major insurers in discussions about their role in climate change solutions; pressing beverage companies to increase recycled plastic content in containers; advocating for stronger global

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supply chain policies and practices; and convincing companies to publish sustainability reports that track and benchmark ongoing progress and challenges.

We write this letter of comment out of concern that our ability to engage with portfolio companies – a top priority of our clients – could be severely hampered if certain SEC proposals were to be implemented. We are focusing our comments on four specific areas:

1. Opt-Out Provision
2. Electronic Forum
3. Resubmission Thresholds
4. Proxy Access for Director Nominations

1. Opt-Out Provision

The SEC asks for comments on the right of a company to "opt-out" of the shareholder resolution process, either by obtaining approval from shareholders through a proxy vote, or, if sanctioned under state law, by having a Board vote authorizing the company to opt-out.

Walden believes that an opt-out option would have significant negative consequences. The most unresponsive companies would be more likely to opt-out because resolutions are an important mechanism to strengthen corporate accountability. Companies with relatively poor investor communications would be empowered to isolate themselves further. Consider, for example, a company with an inferior governance record which had received a number of resolutions garnering strong shareholder votes. If the company opts-out of shareholder resolutions, it disenfranchises its shareowners by removing a right they had been successfully utilizing. Additionally, the lack of uniform rules that would result from an opt-out option is a complicating factor for both investors and companies.

The opt-out provision as described is especially troubling in states, such as Delaware, where a Board is empowered to amend company bylaws without shareholder approval. Boards of directors could quietly opt-out and simply announce to shareowners that they would no longer accept advisory shareholder proposals. An important tool of accountability to investors would thus evaporate overnight.

We also do not support an opt-out rule implemented through a shareholder vote. Far from an appropriate democratic process, this more accurately reflects the anti-democratic notion of *one person, one vote, one time.* Future shareholders will have no such voice.

We urge the SEC to drop the concept of an opt-out provision and preserve this important right of shareholders.

2. Electronic Forum

The release asks, "Should the Commission adopt a provision to enable companies to follow an electronic petition model for non-binding shareholder proposals in lieu of 14a-8?" This question builds on the SEC Roundtable discussion of "electronic chat rooms" and suggests that such a forum could substitute for the right to file shareholder resolutions.

This proposal ignores the ongoing success of the shareholder resolution process and attempts to create an untested option as a substitute. It is also fraught with logistical difficulties and unanswered questions. Presently, shareholder resolutions assure that management and the Board focus on the issue at hand since it is included in the proxy and debated at the annual stockholder meeting. Additionally, each and every investor receiving a proxy has the opportunity to consider the proxy item and cast a vote. Walden believes that to substitute a chat room or other forms of electronic petition for the current proxy process erodes a valuable fiduciary tool.

We wish to emphasize, however, that we strongly support new forms of electronic communication between investors and directors and management. For example, a number of companies have set up email boxes for directors who chair key committees to encourage correspondence. We also support electronic forums as a means to exchange views and conduct informal polls of those investors who participate. We would hope that, over time, a significant percentage of investors would do so. However, we believe there would be many shareholders who would not be able to join an electronic forum.

As part of the annual general meeting, non-binding proposals provide a once-a-year opportunity for *all* shareholders to express their opinion, weighted by their proportionate ownership interest (number of shares on the date of record). It is a simple, inclusive and equitable process.

Chat rooms and electronic forums are welcome approaches for enhancing communication with investors. They are not a substitute for a shareholder's right to file resolutions.

3. Resubmission Thresholds

The Securities and Exchange Commission is questioning whether the voting thresholds for resubmitting resolutions should be increased. Presently the resubmission thresholds stand at 3% to re-file resolutions after the first year, 6%

after the second year and 10% thereafter. The SEC is testing the concept of increasing the thresholds to 10%, 15% and 20%, respectively.

In responding to this question, it is important to assess the business community's and SEC's need for "relief" from the resolution process, and to evaluate the impact of the suggested change on shareholder proponents.

Impact on Companies

Recent experience shows that a minority of publicly traded companies receive shareholder resolutions. In 2006 and 2007, there were fewer than 1,200 resolutions filed at less than 1,000 companies. This represents fewer than 20% of publicly traded companies. Hence, we believe the business community is not burdened significantly by the resolution process.

Companies with a number of resolutions, such as Exxon Mobil or Home Depot, seem to have developed an orderly process for addressing them. Moreover, companies with multiple resolutions are frequently embroiled in significant public controversies, thereby reinforcing the resolution process as an important vehicle for shareholders to address their concerns.

In fact, a significant percentage of shareholder resolutions filed each year are withdrawn and never appear on proxy statements because mutually acceptable agreements are struck between investor proponents and companies. According to proxy research firm Institutional Shareholder Services (ISS), a record 23% of resolutions were withdrawn in 2007. Our own experience corroborates this finding. This year, Walden withdrew more than half of the resolutions we filed on behalf of our clients. Hence, by being responsive to investor concerns, companies often have opportunities to avoid proxy resolutions.

Impact on the SEC

We understand the significance of the SEC's role as arbiter when companies petition for *No Action* letters to omit resolutions from their proxy statements. Fortunately, the number of such requests decreased to 237 in 2007 from 259 in 2006, according to ISS. Also, we believe the SEC workload is mitigated to the extent that many *No Action* requests address pro forma decisions (e.g. late submissions or challenges with respect to proof of ownership), or issues previously raised at other companies.

Nonetheless, we know that *No Action* letters are a seasonal pressure for the SEC. But as investor proponents and companies indicated ten years ago when this question was last debated and comments submitted to the SEC, there is a strong desire and mutual need to have the SEC act as arbiter of the *No Action* process.

Impact on Shareholder Proponents

From the viewpoint of investors, it is clear that a major increase in resubmission thresholds would have a significant chilling effect on a range of resolutions on important topics. Looking back to the 1970s and 1980s, the early days of shareholder advocacy, we saw that new proxy issues often took time to develop traction among large groups of investors. On topics as diverse as apartheid in South Africa, corporate governance reform or climate change, investors needed time to gain knowledge and evaluate a corporation's response in fulfilling their fiduciary duty to vote proxies conscientiously. Raising resubmission thresholds as suggested would stifle this engagement.

Looking exclusively at the subset of resolutions that address environmental and social issues, about 14% of the total, it seems clear that the suggested new thresholds would dampen improved performance and accountability on emerging shareholder concerns. According to the ISS Social Issues Service in its final report on the 2006 season (*Social Policy Shareholders Resolutions in 2006: Issues, Votes and Views of Institutional Investors*), 198 shareholder proposals came to votes on social and environmental topics at U.S. companies, of which 160 (81%) earned enough support (under the 3-6-10% rule) for resubmission. Had the resubmission thresholds been 10-15-20% in 2006, only 71 (36%) of resolutions would have earned enough support for resubmission – a dramatically negative change for shareholder proponents (see table below).

Effect of Resubmission Thresholds on 2006 Social/Environmental Proposals		
Resubmission Threshold	**Proposed: 10-15-20%**	**Curent: 3-6-10%**
• First Year	53	119
• Second Year	13	29
• Third Year	5	12
Total (as percent of 198 resolutions)	**71 (36%)**	**160 (81%)**
Source: Institutional Shareholder Services		

Consolidated data on all shareholder proposals from 2000-2006 in the next table confirms the substantial impact on investor proponents, albeit less dramatic for resolutions addressing corporate governance topics.

Support for Shareholder Proposals 2000-2006		
Shareholder Proposals	**Social Issues**	**Governance Issues**
• Total Voted on	1168	2551
• With support of at least 10%	350	2041
• With support of at least 15%	180	1797
• With support of at least 20%	138	1655
Note: Support percentage is calculated as percent of shares cast "for" out of shares cast "for" and "against." Source: Institutional Shareholder Services		

Walden is aware that management of some companies may want to limit social and environmental resolutions because they are viewed as frivolous or not significant business matters. Yet increasingly evidence suggests, and major institutional investors believe, that strong performance on environmental and social concerns such as climate change, water scarcity or global supply change management, among others, is correlated with long term business success. Given their importance, we believe that the relatively small number of shareholder resolutions on environmental and social issues does not place an inappropriate burden on companies or the SEC.

Finally, in considering the impact on investors it is important to understand that many proponents view the proxy resolution as a "last resort" attempt at engagement, an avenue that helps ensure concerns are heard by top management and board members. If a company repeatedly refuses to respond to correspondence or requests for meetings with its investors, the shareholder resolution often acts as impetus for improved communications. TIAA-CREF, for example, describes this philosophy in its recently updated governance policies. Increasing thresholds on resubmitting resolutions simply makes it more difficult for investors who seek constructive engagement with companies.

4. Proxy Access for Director Nominations

The SEC Releases present two opposite positions on "access" to the proxy, rules governing if and how investors can utilize the proxy process to nominate directors for election to the Board.

Walden supports the right of investors to be able to nominate directors via the proxy process. Because directors represent shareholder interests, we believe shareholders should have a meaningful say with respect to board composition. Under the current corporate governance structure, management, even when their ownership interest is nominal, has exceptional and inappropriately large influence on board membership.

The first SEC proposal addressing proxy access embraces the concept in theory but sets an unrealistically high filing hurdle and burdensome disclosure requirements that render it unfeasible in practice. A minimum requirement that a shareholder proponent must hold 5% of the company's shares to obtain proxy access for director nominations is unreasonably high.

The second SEC proposal permits companies to exclude shareholder proposals to nominate directors, prompting Commissioner Nazareth to state, "This one is probably best called the shareholder non-access proposal." (*Financial Week*, July 30, 2007). This proposal contradicts the September 2006 decision of the U.S. Court of Appeals for the Second Circuit, which ruled that an AFSCME

(American Federation of State, County & Municipal Employees) shareholder proposal at AIG on proxy access for director nominations was not excludible. That decision reversed a lower court ruling that allowed AIG to exclude AFSCME's director nomination proposal. Walden is strongly opposed to this SEC proposal.

There are compelling reasons to allow proxy access to shareholders for the purpose of nominating directors. For example, in unusual cases where a Board has proved to be dysfunctional and investors' interests have been harmed, shareholders have a very real stake in improving Board oversight. The ability to nominate directors is an effective mechanism to do so. We would expect shareholder nominations of directors to occur rarely and significant voting support to materialize only in egregious situations. Additionally, investors have already indicated strong support for non-binding resolutions calling for proxy access for the purpose of nominating directors. As examples, this year shareholder support for this resolution was 43% at Hewlett Packard and 45% at UnitedHealth Group, remarkable showings for a new resolution.

Given the magnitude of the issues addressed in the SEC Releases, along with the recent departure of Commissioner Roel Campos which leaves just four sitting Commissioners, Walden believes it would be preferable for the Commission to defer action on these proposals until a fully staffed Commission is able to review thoroughly the comments provided by investors.

Thank you for considering our input. We look forward to the SEC response.

Sincerely,

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