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October 1, 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:

Thank you for providing this comment period. Our organization, Co-op America, is herewith submitting comments on the above referenced Releases addressing the shareholder resolutions process and proxy access.

Co-op America is a national nonprofit organization with 100,000 individual consumer and investor members, 3,000 business members and 500 professional and institutional investor members. Collectively, our members are active investors who often incorporate environmental, social and governance (ESG) analyses into their investment process. A number of our members also file shareholder resolutions on ESG issues.

Over the past two months our members submitted over 3,700 comments via email in regards to the release above and thousands of postcards have also been sent to the SEC in recent weeks. These communications urge the SEC to end its consideration of proposed changes to the shareholder resolution process as they will harm the interests of all shareowners, and in particular, will make it very difficult for individual shareholders to exercise their rights.

For the past 25 years, Co-op America and its members have worked to encourage businesses of all sizes to be leaders on ESG issues, including their profitability commitments to shareholders. We have worked with dozens of publicly traded companies over the years and helped them to understand that improved ESG performance goes hand in hand with improved financial performance. Companies we work with have taken steps to improve labor conditions, end predatory lending practices, improve their environmental impacts, and reduce their climate change emissions. Shareholder

resolutions have been vitally important to encouraging these companies to address ESG issues.

The current shareholder resolution process works. It ensures that shareholders can raise vital ESG issues in an orderly manner with companies and that these issues can be aired and voted on by all shareholders. Often, shareholders raise ESG issues well before management or board members take account of them. Through their foresight, these shareholders alert companies to important issues before they become a liability for the corporation, and help these companies see the opportunities in addressing ESG issues promptly. Thanks to this disciplined, democratic shareholder process, shareholders both large and small have an orderly process for raising concerns. Without this process, companies would be subject to more diverse forms of public pressure from various stakeholders. The ESG concerns will not go away, they will simply move to more public channels.

Indeed, many companies recognize the important role that shareholders play in raising these issues and agree to dialogue with the filers of resolutions. On countless occasions companies have reached an agreement with the filers of resolutions that has strengthened these companies' overall performance and improved their relations with shareowners and other stakeholders.

The success of the existing shareowner process can also be measured by the widespread support of shareowners for it. Already, thousands of comments have been submitted to the SEC asking that the proposed changes to the shareholder resolution process be rejected. In addition, a recent poll conducted by Opinion Research Corporation found that of the over 1,000 investors they polled, a significant majority rejected each of the suggested changes put forth by the SEC in its releases.

The position of Co-op America and its members that the shareholder resolution process should not be tampered with is therefore reflective of the views of American investors overall on this issue. In particular, we have concerns with four areas of the SEC's proposals that could severely inhibit investors' abilities to engage with corporate managers:

1. The Opt-Out Provision

The SEC has asked for comments on allowing companies to "opt-out" of the shareholder resolution process, either via a proxy vote of shareholders or through a Board vote (where permitted by law).

Allowing companies to opt-out of the shareholder resolution process would likely shield those companies who face the most significant ESG issues from having these issues raised by their shareholders. If a company fails to assess its risks and liabilities related to issues such as climate change, executive compensation, or human rights, it can simply shut out shareholders who raise these concerns. These are the very companies that most

need their shareholders holding management accountable for the kinds of poor ESG performance that will lead to poor financial performance.

Allowing these companies to opt-out of shareholder resolutions will prevent their shareholders as a whole from hearing about these important ESG issues, which often end up negatively impacting all shareholders. It will also allow management to disregard shareowner concerns and reduce dialogue between management and shareholders. The net result will be that the managers of companies that have the worst performance on ESG issues will eliminate an important voice calling for change and improvement -- to the detriment of all shareholders.

In addition, implementing an opt-out rule either by vote of the company's Board or through a single shareholder vote will disenfranchise all shareholders from that point forward, a profoundly undemocratic act and a powerful form of disenfranchisement.

2. Electronic Forum

The SEC asks for comment on whether companies should be allowed to follow an electronic petition model for non-binding shareholder proposals in lieu of 14a-8. Co-op America is opposed to this proposal. The creation of electronic forums, or "chat-rooms," would in no way provide shareholders with a voice equal to that of the current shareholder process. The current shareholder resolutions process allows filers to bring important issues to the fore at annual meetings and ensures that such issues are heard by the board, management, and the shareholders of companies. It also provides for a vote on these issues by all shareholders. It is impossible to conceive of how a chat room or other electronic forum could act as a reasonable substitute for this process. However, corporations should be encouraged to engage in electronic forums with their shareholders that will function as a means for communication *in addition to* the current shareholder resolution process under rule 14a-8.

3. Resubmission Thresholds

The SEC asks for comment as to whether the resubmission thresholds should be raised from the current levels of 3% to re-file after the first year, 6% after the second, and 10% thereafter to the levels of 10%, 15%, and 20% respectively.

Raising the thresholds would have a significant chilling effect on the submission of shareholder resolutions. Historically, the filers of shareholder resolutions have often been ahead of the curve in raising vital issues through filings. Filers of resolutions on important issues such as South African Apartheid, board diversity, and climate change, just to name a few, began calling attention to these important issues before they were widely understood and appreciated. By raising these issues through shareholder resolutions, these filers call attention to areas that could negatively impact a company's

performance and reputation, and provide the opportunity for the company to address these issues in a timely manner that will ultimately help to preserve shareholder value.

In many cases, these resolutions initially receive votes in the single digits, but as they are resubmitted and brought to the attention of all shareholders, a growing number of shareholders overall see the importance of the issues raised. In many cases, it is steadily increasing votes over several years that encourage management to ultimately work with its shareowners to address the issue at hand. Far from being a burden to these companies, allowing shareholder resolutions that initially receive low votes to be resubmitted functions as an important heads-up to corporate management and boards that they need to address an emerging issue proactively.

The SEC's proposal to raise the resubmission thresholds would have a powerful chilling effect on the process described above. According to data provided by ISS Social Issues Service, if the proposed thresholds had been in place during the 2006 shareholder season, the number of resolutions that would have earned enough support for resubmission would have dropped from 81% to 71%, a marked decrease.

In December 1997, in response to the proposed changes in resubmission thresholds at the time, our examination of these thresholds with the Social Investment Forum, *Shareholder Rights Analysis: The Impact of Proposed SEC Rules on the Resubmission of Shareholder Resolutions*, demonstrated that raising the resubmission thresholds was not fundamentally about social and environmental resolutions. It was clear that the thresholds proposed were set high enough to significantly prevent governance resolutions concerning the fundamental power structure of corporations from going forward. This report played a key role in encouraging a number of leading corporate secretaries to pull back from supporting the proposed higher thresholds, as they did not want to be in the spotlight as curtailing this important source of checks and balances in the corporate arena.

In the post-Enron era, it would be an enormous mistake to cripple the important checks and balance role that shareholders play in corporate governance. Everyone would prefer to not face checks and balances – but checks and balances provide the core of good governance for a corporation and a democracy.

Co-op America is therefore opposed to any changes to the current resubmission thresholds.

4. Access To The Proxy for Director Nominations

Release No. 34-56161 presents two differing positions on proxy access. Co-op America is not in support of either of them.

Co-op America supports the right of investors to nominate Directors via the proxy process. Shareholders need to have a meaningful voice regarding board composition, since board members represent shareholder interests. The ability to nominate directors is

an important and effective mechanism for situations where directors are failing to represent shareholder interests. It is likely that such a mechanism would be used rarely.

There is growing support for proxy access. A 2007 ruling in the Second Circuit in the AFSCME case allows a shareholder proposal to establish a process for shareholder nominated candidates. In addition, investors are indicating widespread support for non-binding resolutions calling for shareholder nomination of Directors with 43% shareholder support at Hewlett Packard and 45% at United Health Group in 2007. These are high vote levels for resolutions in their first year of submission.

However, the SEC releases do not provide shareholders with meaningful proxy access. One proposal put forth by the SEC would create a mechanism for proxy access, but would create an unreasonably high 5% filing threshold and burdensome disclosure requirements. Shareholders would be provided a right to proxy access in name only, since it would be nearly impossible to exercise this right in practice.

The other proposals would simply prohibit proxy access, and would continue the SEC's current approach on this issue.

Therefore, neither proposal is supported by Co-op America, since neither advances shareholder rights on this important issue.

In conclusion, Co-op America is opposed to the measures in these releases and recommends that they be pulled from further consideration. At the very least, in light of Commissioner Campos's departure, Co-op America believes that it would be preferable for the Commission to defer action on both of the releases until a full complement of Commissioners can consider the comments provided in response to the releases.

Thank you for your consideration of our comments. We look forward to the response of the SEC.

Sincerely,

Handwritten signatures of Alisa Gravit, Fran Teplitz, and Todd Larsen.

Alisa Gravit
Executive Director

Fran Teplitz
Social Investing Director

Todd Larsen
Corporate Responsibility Director