



October 1, 2007

Via Email: rule-comments@sec.gov

Nancy M. Morris
Secretary, US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Shareholder Proposals Release No. 34-56160 (File Number S7-16-07) and Shareholder Proposals Relating to the Election of Directors Release No. 34-56161 (File Number S7-17-07)

Dear Ms. Morris,

The Ethical Funds Company® is a socially responsible investment firm with \$2.7 billion in assets under management. Our approach to investment is based on the thesis that companies incorporating best environmental, social, and governance (ESG) practices into their strategy and operations will provide higher risk adjusted returns to investors over the long term. Through our Ethical American Multi Strategy Fund and Ethical Global Equity Fund we are a long term investor in many companies listed on stock exchanges in the United States.

We are writing to comment on Release No. 34-56160 and Release No. 34-56161.

The Ethical Funds Company takes seriously its responsibility as a shareholder and as a fiduciary. We endeavor to ensure the companies in our funds are working to generate greater long term shareholder value. We use all the tools available to us as shareholders to engage with companies. This includes establishing formal dialogues, using written correspondence, and, when a company proves unresponsive on an issue, filing shareholder proposals. Over the years, like many socially responsible investment firms, we have helped a large number of companies to recognize, develop, and implement policies and management systems that mitigate, if not eliminate, a variety of environmental and social risks. Companies now routinely turn to the socially responsible investment industry for input and commentary on leading edge strategic issues.

In recent years, the Securities and Exchange Commission has sought to enfranchise investment institutions as a partial remedy to a series of corporate governance scandals that plagued US equity markets and led to a severe market downturn. This effort was most evident in mutual fund proxy voting disclosure regulations enacted in 2003.

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We believe that the philosophy underlying many of the ideas contained in the SEC's above referenced proposals represents a reversal of this trend toward enfranchisement. We fear that if enacted, proposals in support of this philosophy have the potential to disenfranchise investors and foster short term and myopic thinking amongst US corporations.

We urge the Securities and Exchange Commission to:

- Preserve the right of shareholders to file non-binding proposals under Rule 14a-8;
- Explore further the potential for an electronic shareholder forum to enhance dialogue, but do not present the forum as a method to replace the non-binding shareholder resolution process;
- Reject the proposal that would allow companies to opt out of the shareholder resolution process via a shareholder vote, or if sanctioned by state law, would allow the Board to vote to opt out;
- Leave the resubmission thresholds in place at 3%, 6%, and 10%;
- Reject the proposed 5% stock ownership requirement as a threshold to file proposals relating to director nominations; and
- Refrain from adopting a new rule on proxy access during a period when the Commission is in flux.

In summary, we urge the SEC to reject both proposals and instead allow investors to explore the opportunities for proposals on proxy access rule making presented by the Second Circuit's AFSCME decision. Putting forward two opposing proposals for consideration sends a confusing signal about the SEC's position on shareholder rights. Noting the imminent departure of Commissioner Campos as well as the expected departure of Commissioner Nazareth, we urge the SEC to delay this significant rule making until a full complement of commissioners is in place.

Sincerely,
The Ethical Funds Company



Robert Walker
Vice President, Sustainability