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William Caspar Graustein Memorial Fund

December 22, 2003

Jonathan G. Katz, Secretary
U. S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

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OFFICE OF THE SECRETARY

David Nee
Executive Director

The storyteller figure symbolizes the values of the Memorial Fund— educating, supporting and inspiring our children.

Subject: Comments Regarding File Number S7-19-03

Dear Secretary Katz:

The William Caspar Graustein Memorial Fund, an endowed institution with over $86 million of investments, is committed to the creation of a socially and economically just society and the furtherance of democratic values such as fairness and diversity. Through is Discovery Initiative in which nearly 50 communities throughout Connecticut are working to improve the lives of young children expanding the supply and quality of early care and education, building strong connections between early care and elementary school and improving student's social, emotional and academic performance the Fund works to support the accountability of institutions, including corporations, for their actions. As a long term investor the Fund is concerned about business practices that may maximize near-term benefits to corporations, but that push many of the associated risks and costs onto others or into the future. We believe that such business models are not sustainable. The Fund strives to act on these values by voting its proxies and is an active proponent of shareholder resolutions addressing a range of corporate governance issues.

The Fund believes that the inclusion of shareholder resolutions in management's proxy is an extremely valuable tool. However, the non –binding nature of these resolutions often means that a company's Board fails to take seriously the requests of shareholders concerned with the long term sustainability of a company's business model. Granting shareholders limited access to management's proxy for the nomination of directors will help to ensure that directors are more responsive to shareholder concerns. This will be especially important in instances where past evidence suggests that the company has been unresponsive to such concerns when raised through the currently available means. While shareholder nominated candidates are likely to stand in only a few elections each year, and will need to attract significant support to be elected, we believe that the prospect of a contested elections can have a ripple effect, leading to greater accountability and higher levels of responsiveness throughout corporate American.

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WILLIAM CASPAR GRAUSTEIN
MEMORIAL FUND

The William Caspar Graustein Memorial Fund commends the SEC for moving forward with these historic reforms and strongly supports their implementation. However, we are concerned that as they now stand, the two triggering events may be too restrictive, provide for undue delays in shareholders' ability to nominate director candidates and prohibit shareholder access in cases where providing such access would be desirable. In order to correct these deficiencies, we believe that the following modifications should be made:

- We propose that the nomination procedure be triggered by a 20 percent withhold vote, rather than the 35 percent withhold vote that would be required under the proposed rule. A recent review of the 110 companies reporting majority shareholder votes during the 2003 proxy season found that only 5 reported having a director nominee with withhold votes in excess of 35 percent. Because of the strong bias that shareholders generally exhibit towards management's recommended slate of directors, we believe that a 20 percent withhold vote indicates a substantial level of dissatisfaction and provides sufficient justification for granting shareholders access to the company's proxy.
- We propose the addition of immediate trigger events allowing shareholder access to the company proxy statement for the current annual elections of directors. As it how stands, the proposed rule will not provide shareholders with the ability to nominate director candidates until 2005. Instead, we suggest that concerned investors should have immediate access to the proxy in stances where the company has violated certain predetermined parameters. We agree with CalPER' suggestion that specific events such as SEC enforcement actions and indictment on criminal charges of any executive officer or director directly related to his or her professional duties are critical events evoking shareholder concerns and should trigger a shareholder's right to gain access to management's proxy for the nomination of independent director candidates. We also believe that the attainment of a predetermined level of fines or citations from government agencies, such the Environmental Protection Agency, the Occupational Safety and Health Administration and the National Labor Relations Board, constitutes sufficient grounds for granting shareholders access to management's proxy.
- Finally, we propose that the Commission consider the addition of a trigger based upon a company's failure to act on shareholder proposals receiving a majority vote. During the 2003 proxy season, more than 150 shareholder resolutions received majority votes; only a small fraction of these were actually adopted. Failure to act on a majority vote strongly demonstrates a Board's lack of responsiveness to shareholder concerns. As such, it provides a truly compelling reason to provide long-term shareholders with the access to management's proxy for the nomination of independent director candidates.

David Nee
Executive Director

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The William Caspar Graustein Memorial Fund strongly supports the Securities and Exchange Commission's decision to propose rules granting shareholders access to management's proxy for the nomination of independent director candidates. In theory, shareholders are given the right to select individuals to oversee a company on their behalf. Current regulations, however, prevent shareholders from effectively exercising this important right. Indeed, shareholders are largely prevented from having any meaningful input into the selection of directors. We urge the SEC to remedy this problem through the implementation of the proposed rules and provide shareholders with a truly meaningful voice in the election of corporate directors.

We thank you for the chance to comment on this important topic and look forward to your response regarding our comments. Please do not hesitate to contact us at
203-230-3330 with any questions you may have.

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Sincerely,

David M. Nee
Executive Director

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