Walden Asset Management
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July 14, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Release Number: 34–60218, File No. S7-12-09

Dear Secretary Murphy:

We write to submit comments on the Securities and Exchange Commission's (SEC) proposed rule issued July 1, 2009 as Release Number 34–60218, File No. S7-12-09 entitled "Shareholder Approval of Executive Compensation of TARP Recipients." We strongly support the proposed rule requiring TARP recipients to provide shareholders an annual Advisory Vote on executive compensation. We further suggest that the SEC extend the Advisory Vote requirement to all publicly traded companies.

Walden Asset Management (Walden), a division of Boston Trust & Investment Management Company, integrates environmental, social and governance analysis (ESG) into investment decision-making on behalf of our investment clients. We manage approximately $1.4 billion in assets. Over the last three years, Walden has actively advocated for the Advisory Vote through shareowner engagement with portfolio companies. We believe, as we know you do, that a breakdown in good corporate governance, including poorly designed executive compensation practices, contributed to the economic upheaval that we continue to experience today.

Leveling the Playing Field

Walden has been in discussion with scores of companies on the Advisory Vote (also known as "Say on Pay"), including, but not primarily with, TARP recipients. Many companies commented that they understood and were sympathetic to our rationale for this governance reform. Yet one of the most frequently repeated arguments against voluntarily putting Say on Pay into effect was the concern that complying companies could be at a competitive disadvantage relative to competitors that did not provide the Advisory Vote. Regardless of the merit of this argument, it was an oft-reported concern within the financial services sector.

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Ironically, that argument underscores the need for a uniform requirement promulgated by the SEC. A mandate calling for all companies to have an annual Advisory Vote levels the playing field: No company would be at a disadvantage competitively. Moreover, at present, companies that have benefited from several of the recent extraordinary government interventions and have repaid their TARP funding, such as Goldman Sachs and State Street, are not required to implement an Advisory Vote. This is the case even though reasonable shareholder concerns over executive compensation at these firms has not been abated.

Broad-based Investor Support

It is also important for legislators and the SEC to understand that there is broad investor support for this change. As described in the enclosed Appendix, *Investors Demonstrate Strong Support for Advisory Vote on Executive Compensation*, shareholder votes for Say on Pay averaged 47 percent in 2009 (generally ranging from 40-55 percent), with 19 companies garnering majority vote support to date. Thus far this season approximately 25 companies have voluntarily adopted the reform as company policy. In addition, all TARP recipients included Advisory Votes in their 2009 proxy statements.

Investors with well over $1 trillion in assets under management have encouraged the adoption of Say on Pay in dialogues with boards of directors and managements and many filed resolutions requesting this reform. Among these investors are TIAA-CREF; state and city pensions such as CalPERS, CalSTRS, NYCERS, and the State of Connecticut; religious investors such as the General Board of Pension & Health Benefits of the United Methodist Church, the Marianists, the Unitarian Universalist Association, Christus Health, and Catholic Health East; trade union pension funds such as AFSCME, AFL-CIO, and Unite; and foundations such as the Christopher Reynolds Foundation, Nathan Cummings Foundation, Needmor Funds, and the Edward G. Hazen Foundation; as well as individual investors. In total, over 80 investors joined in dialogues or filing resolutions this past year. And votes ranging from 40-60% clearly indicate voting support by many mainstream investment managers and mutual funds.

Thus, Congress and the SEC can be assured that a Say on Pay mandate for all publicly traded companies would not be implementing an agenda of a small group of activist investors, as some critics erroneously claim. The Advisory Vote is widely supported by shareowners that see it as good governance and one important tool to strengthen corporate accountability and responsiveness on executive compensation matters.

Encouraging Enduring Reform

Opponents of Say on Pay have argued that Board Compensation Committees have received the message and significant changes have been made in the last two years, ending questionable percs and reducing the compensation spiral that detached executive pay practices and incentives from the creation of long term shareholder value.

However, we are concerned that the interest in pursuing such changes, often made amidst the recent economic turmoil, may fade as the economy stabilizes. We are not at all convinced that a wholesale rethinking of compensation philosophy and practice has occurred in corporate boardrooms and believe that any modest changes we have witnessed are easily reversible when the recovery takes hold if this reform is not adopted.

Well governed companies have nothing to fear from Say on Pay. Those with a clear description of compensation philosophy, appropriately linking compensation to performance and without excessive perquisites, can be confident of a strong vote of confidence from investors as they provide an Advisory Vote through management sponsored resolutions. For example, the overwhelming majority of Advisory Votes at TARP companies strongly supported management in their voting. As stated previously, we support Congress and the SEC moving with dispatch to put Say on Pay into place uniformly for all companies, and not solely for TARP recipients as proposed.

Responses to SEC Questions

The Release also invites comments on several specific questions. Among them, "Should we include specific requirements regarding the manner in which registrants that are TARP recipients should present the shareholder vote on executive compensation? For example, should we designate specific language to be used and/or require TARP recipients to frame the shareholder vote to approve executive compensation in the form of a resolution?"

We believe that the best way to provide an Advisory Vote is in the form of a management sponsored resolution, just as TARP companies were required to do in 2009 and similar to the approach used to ratify Auditors. That said we do not believe that the specific language of the resolution needs to be dictated by the SEC. On the contrary, we believe there should be considerable flexibility for Compensation Committees to test specific issues through the Advisory Vote, thereby affording companies the flexibility to adjust the focus of their vote year by year.

For example, when MBIA announced the implementation of the Advisory Vote in February (February 24, 2009 press release), it provided an opportunity for shareholders to vote on three elements of the Company's executive compensation program:

- One time extraordinary compensation awards to the NEO's will be submitted and subject to a binding vote.

- Annual CEO compensation for the just completed year will be submitted to an advisory vote.

- Similarly the compensation for "senior executive officers as a whole" will be submitted to an Advisory Vote.

MBIA CEO Jay Brown made a strong case for the Advisory Vote, in their February press release stating, "The Board's adoption of our "Say on Pay" policy fulfills the promise we made to shareholders when I returned to MBIA last year. Giving our shareholders the ability to directly express their views on executive compensation is just another way that we hold ourselves accountable to them. We are committed to maintaining the highest standards of corporate governance and will continue to evaluate and implement those practices that best serve our shareholders and employees."

Prior to the shareholder vote, the MBIA press release noted, "The "Say on Pay Policy" has been posted on the Company's Web site at www.mbia.com. This year's proxy statement will contain two proposals seeking shareholder advisory votes on the compensation actions taken in 2009 for Mr. Brown and other senior executive officers for the 2008 performance year."

While most TARP companies relied on a basic formula for the 2009 vote, other companies such as Intel and Aflac presented the Advisory Vote in a slightly different manner. We believe this flexibility better serves the needs of companies and shareowners alike, helping to provide a needed platform for investor input.

With respect to the question about whether companies should disclose the reasons why they are providing for an independent vote, we support the inclusion of a short explanation. For example, most companies explain how the Compensation Committee and Board will use shareholder feedback and affirm the advisory nature of such input.

The ground rules for the Advisory Vote for TARP recipients are likely to become the norm for all companies, given the apparent direction and support of Congress to legislate a uniform mandate. Hence we believe it is especially important to provide clear and precise direction during this round of the SEC's process.

Communicating with Shareowners is Essential

Finally, we hope that when this new Rule is promulgated, it is accompanied by comments from Chairperson Mary Schapiro on the importance of improved communications between shareowners, boards and compensation committees.

We understand that this feedback is outside of the scope of the Release, but we believe that the Advisory Vote works most effectively in an environment of good communication. In fact, we know that some opponents of Say on Pay point to the lack of clarity about what a NO or ABSTAIN vote means. We note that this problem exists in other areas too, for example, deciphering the meaning of WITHHOLD votes in director elections.

This concern is easily addressed through improved forums of communication between companies and shareowners. A number of companies have already established innovative investor outreach programs including "traveling road shows" (meeting investors in different cities), questionnaires, electronic forums, conference calls, and email access to Chairs of Compensation Committees. Thus we would encourage the SEC to urge companies to strengthen investor communication tools as they implement the Advisory Vote.

To sum up, we understand that this request for comments focuses on the SEC's proposed regulation of TARP companies. We agree with Treasury Secretary Geithner, who on June 18, 2009 publicly presented a set of guidelines on executive compensation that explicitly supported Say on Pay legislation for TARP companies authorizing the SEC to require them to implement an annual Advisory Vote on Executive Compensation. And earlier he had also called for an Advisory Vote for *all* companies, a position we heartedly endorse. The Advisory Vote is a necessary governance reform for all companies.

Sincerely,

Timothy Smith
Senior Vice President
Walden Asset Management

Cc: Commissioner Mary Schapiro
Commissioner Kathleen L. Casey
Commissioner Elisse B. Walter
Commissioner Luis A. Aguilar
Commissioner Troy A. Paredes

APPENDIX: Investors Demonstrate Strong Support for Advisory Vote on Executive Compensation

For several years investors have been strongly supporting the governance reform which would provide an annual Advisory Vote on executive compensation.
In the 2009 spring proxy season support continued to grow. As Congress and the SEC discuss legislation authorizing the SEC to implement the Advisory Vote for all large companies, it is important to recognize the vocal, broad-based support of investors for this reform.

To set this trend in historical context, in 2006 AFSCME tested the waters by filing a resolution seeking an Advisory Vote with 7 companies. Initial voting support was encouraging, averaging 40%.

In the following year, 2007, a diverse cross-section of investors stepped forward to work together to engage companies in private conversations and through shareholder resolutions to advocate for this reform as one remedy to problems associated with executive compensation. Fifty-one proposals resulted in an average 42.2% vote.

In 2008, investors filed resolutions seeking “Say on Pay” with 79 companies which averaged 41.4% voting support, including a majority at 11 companies.

In 2009 approximately 75 investors with assets under management of over $1 trillion filed the same resolution at approximately 100 companies. Support for the call for an Advisory Vote grew still higher, with the resolution receiving over 50% votes at 19 companies and an average vote of 46%.

In addition, by 2009 twenty-five companies had agreed to voluntarily implement the Advisory Vote including Aflac, Apple, Blockbuster, Ingersoll Rand, Intel, MBIA, Motorola, Occidental Petroleum, PG&E, Valero and Zale. Also this year TARP recipients were required to provide investors with an Advisory Vote; hence we have experienced over 300 votes on management sponsored resolutions seeking feedback on their compensation practices.

The management language in most proxies to frame the vote was similar to State Street’s management resolution as follows:

VOTED: That the compensation of State Street’s executives, as disclosed pursuant to the SEC’s compensation disclosure rules, as set forth in this proxy statement under the heading “Executive Compensation”, including compensation discussion and analysis, the compensation tables and related material, is approved; provided, that, this resolution shall not be binding on State Street’s Board of Directors and may not be construed as overruling any decision by the Board”.

As expected, votes at an overwhelming number of companies were strongly supportive of compensation packages, making this a relatively routine test of investor opinion similar to the ratification of Auditors in an annual vote. Hopefully this experience helped reduce company concerns that Advisory Votes would result in high levels of “Against” votes by shareowners.

In addition, a number of companies such as Amgen, Intel, and Schering Plough sought new and creative ways to inform and interact with investors on compensation. Investors have long stated that the Advisory Vote should be linked to meaningful communication with investors to help boards and compensation committees better understand investors’ concerns or why they supported companies’ compensation philosophies and practices.

Moreover, as public attention and frustration grew over executive compensation abuses, compensation committees increasingly rethought their compensation and revised their policies and practices accordingly.

In 2007 a group of investors and companies created a Working Group on the Advisory Vote on Executive Compensation to study how such a practice could be implemented in U.S. markets. The ensuing months of dialogue and study led to two Roundtables, hosted by Pfizer, each time attended by approximately 125 companies, investors and compensation experts. The Working Group and Roundtables were able to identify and address issues and obstacles for companies investigating Say on Pay. Investors were able to add insight in response to those concerns and inform companies about the rationale for Say on Pay from their viewpoints.

Critics will quickly point to skepticism by companies and investors who are not enthusiastic about the Advisory Vote or who feel it is a burden to implement. Clearly, implementing an Advisory Vote requires a new level of responsibility by companies and investors alike. Smart companies will establish tools to communicate with their owners such as conference calls, dedicated email addresses, special websites or questionnaires. Investors will have to decide which issues would stimulate an “Abstain” or “Against” vote and how they will gather information to assess a compensation practice that deserves further study. Fortunately, progress has been made in both these areas.

Other critics of the Advisory Vote foolishly argue that voting results of shareholder resolutions illustrate that investors are still not overwhelmingly supportive since fewer than 20 resolutions have passed. Given the structure of proxy voting, this comment seriously underestimates the difficulty of garnering majority votes. This is so especially when many institutional investors automatically (and we believe inappropriately) vote with management. Within this concept, an average vote of over 45% is actually an enormous demonstration of investor support for a proposed reform. The SEC and U.S. Congress can be confident that a large, cross-section of individual and institutional investors support this proposal. Indeed, it often takes several years before an issue like this "gets legs" and gains voting support from mainstream investors. Only occasionally do corporate governance reforms gain the nearly immediate recognition and backing that we have witnessed with Say on Pay.

We do not naively believe that Say on Pay is the all-important element in ongoing work to address executive compensation. But we believe this governance reform provides an important platform for investors, through the proxy voting process, to signal approval or concern regarding company compensation philosophy and practice. Particularly when coupled with a meaningful investor communications program, the Advisory Vote is a helpful tool to help Boards assess investor confidence in their executive compensation packages.