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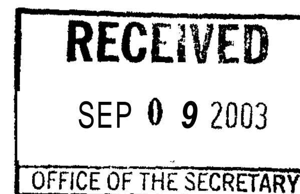
Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609



Re: File No. S7-14-03

Dear Mr. Katz:

I am submitting comments on behalf of International Paper Company in response to Commission Release Nos. 34-48301; IC-26145; File No. S7-14-03, relating to "Disclosure Regarding Nominating Committee Functions and Communications between Security Holders and Boards of Directors." International Paper is the world's largest paper and forest products company, with annual revenues of approximately $25 billion. The company is incorporated in New York, is listed on the New York Stock Exchange, and is one of the 30 companies comprising the Dow Jones Industrial Average.

In general, the Company is very supportive of the Commission's proposed rule changes, and feels that they will further the Commission's objective of enhancing the transparency of the operation of boards of directors. We would, however, offer the following suggestions and comments:

Enhanced Nominatinp Committee Disclosure

In response to the specific questions which the Commission has posed:

4. We believe it is unnecessary and possibly counterproductive to require specific disclosure of the "material terms" of the nominating committee charter. At least for NYSE-listed companies, the nominating (or corporate governance) committee charter is or soon will be included on the company's website. For those without access to the website, the company could provide an alternate means (e.g., mail or fax) to provide a copy of the charter. A summary of the "material terms" of the charter will only increase the length of the proxy statement, without providing meaningful additional information to shareholders. We would not object to including the charter in the proxy statement at some periodic interval, such as every third year.

7. We believe that any material changes in the process for security holder nominations should be disclosed in the next Form 10-Q.

9. We believe that the description of the name of the source of each nominee for director (other than nominees who are executive officers or directors standing for re-election) is not important information for shareholders, who should be concerned only with whether the nominee is qualified and will adequately represent them. If the Commission is of the view that this source information is important, then the source should be identified only generically and in certain limited instances, such as when the source is a director or employee (or a close relative thereof) of the company.

10. We do not see any need for a company to disclose "the methodology the third party uses to select candidates," nor for the company "to identify any such third parties." In the vast majority of cases, the "third party" will be an executive search firm (or specialized director search firm). The "methodology" they use is presumably proprietary, and would probably be of interest principally to their competitors (or, in the alternative, the "methodology" formulation would be so boilerplate as to be meaningless to shareholders). Similarly, the identification of third parties would probably be closely monitored by the competing executive search firms, and perhaps useful to individuals wanting to be corporate directors and wondering where to send their resumes, but of little real value to shareholders.

11. We urge that proposed Item 7(d)(2)(ii)((L) (2) ["State the specific reasons for the nominating committee's determination not to include the candidate as a nominee"] be deleted. We would not object to a requirement that the nominating committee communicate to the shareholder(s) who proposed the candidate the reasons why the candidate was not nominated, but we believe that the shareholder(s) and the proposed candidate should be the ones to determine whether to make public the reasons why the candidate was not nominated. Furthermore, to require that that information be included in a proxy statement that is disseminated to thousands of people will only serve the purpose of having the attorneys who review the proxy statement make the "specific reasons" so amorphous that the statement will be meaningless to shareholders generally.

12. We would suggest that both the ownership threshold and the holding period be modified. On the ownership threshold, we believe that the "greater than *3%"* threshold should apply only to a single security holder. **As** the Commission notes, in endnote #34, more than 70% of the companies listed on the New York Stock Exchange, **NASDAQ** Stock Market and American Stock Exchange "had at least one institutional security holder that beneficially owned more than 3% of the common equity . . . and 13% had five or more such security holders." The threshold for a group of security holders whose equity holdings would be aggregated should be at least 5%. This would help to ensure that a group of relatively small security holders whose motives might be publicity or to exert leverage in support of another cause would need a significant degree of support

among the shareholder body generally for their recommended nominee. With regard to the holding period, we believe it should be both retrospective and prospective. Because directors are generally elected for a period of at least one year, the nominating security holder or holders should be required to affirm their present intention to hold the securities for a period of at least one year after the date of the shareholder meeting at which their recommended nominee would stand for election.

Security Holders' Ability to Communicate with the Board of Directors

As a threshold matter, we believe it is essential that the Commission's rules on this subject take into account, and modify as needed, the NYSE's listing standard proposal. The Commission's proposal in this release is superior in several respects to that contained in the NYSE's proposed listing standard (Release No. 34-47672; April 11, 2003). The Commission's proposal contemplates that security holders would be able to communicate with each director, whereas the NYSE listing standard proposal is limited to "the presiding director [of the non-management directors] or . . . the non-management directors as a group" (Section 303A(3)). We believe that there should be a mechanism for the security holders to communicate with each member of the board, including the management directors who typically have more information with which to respond to security holder concerns. More importantly, the NYSE's April 11,2003 amendment to its original August 16,2002 filing with the Commission contains a significant change in that it states that the company "must disclose a method for [interested] parties to communicate directly and confidentially . . .. etc."(emphasis added). We believe that it would be a serious mistake to require that all communications to company directors be transmitted to them on a confidential basis. Based on past experience, many such communications are from disaffected or terminated employees (who may or may not be shareholders) who believe that they have been unfairly treated, or from third parties whose business dealings with the company have been unsatisfactory and in some instances have resulted in litigation. The Commission submission notes that the "method can follow the same process established for communications to the audit committee required by Section 303A(7)(c)(ii)." However, the situations are not at all analogous, since the requirement affecting the audit committee applies only to the "confidential, anonymous submission by listed company employees of concerns regarding questionable accounting or auditing matters." (emphasis added). The Commission's proposed rule is preferable in that it would contemplate that the company could establish a "process for determining which communications will be relayed to board members," as long as it identifies "the department or other group within the registrant that is responsible for making this determination." Board members typically have many demands on their time, and shareholders would be much better served if they spent that time thinking about the performance of the company and its management, as well as its business strategy and risk exposure, rather than possibly being inundated by unfiltered correspondence or electronic mail.

In response to the specific questions which the Commission has posed:

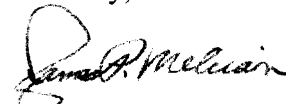
2. On the assumption that the vast majority of board members would be receptive to receiving communications from security holders, especially if there is some screen to make certain that the communication is relevant to the governance of the corporation and does not involve an individual grievance, we would suggest that the company identify those board members to whom communications can not be sent.

5. We believe that the proposed rule, which requires a description of the process for determining which communications will be relayed to board members, and the identification of the department or other group that is responsible for making this determination, is sufficient. We do not believe that the company should be required to disclose the name of the specific person who makes the determination (although this may in some instances be self-evident, as, for example, if the person making the determination were the counsel to the board). It is far more important that the board itself review and approve the process by which the determination is made, and by whom it is made.

6. We believe that the requirement that there be a description of "any material action taken by the board of directors during the preceding fiscal year as a result of communications from security holders" is unnecessary, probably counterproductive and should be deleted. The Commission's objective, as we understand it, is to ensure transparency in the communications between security holders and corporate boards, and to react to the input received during the recent proxy review conducted by the Division of Corporation Finance. Apparently some investors and investor advocacy groups expressed concern that "a process for security holders to communicate with board members would not ensure that board members would be responsive to security holder concerns." (text at endnote #47). But to attempt to establish a metric -- and that is what it would become -- to gauge how responsive company boards are to shareholder communications by enumerating in the proxy statement any "material actions" taken as a result of such communications ignores the reality that often the most effective communications are those to which the recipient responds affirmatively without stating publicly that he/she is doing so as a result of a communication from some third party.

We would be happy to discuss further any of the above comments if that would be helpful to the Commission or its staff.

Sincerely,



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