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House of Representatives
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January 18, 2012

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

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CHAIRMAN'S
CORRESPONDENCE
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Re: File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities

Dear Chairman Schapiro:

I joined with 42 of my colleagues in writing to you in October 2011, urging the Securities and Exchange Commission (SEC) to promulgate rules requiring public disclosure of corporate spending in elections. I write today to support that request as well as other similar comments from shareholder groups and non-profit organizations seeking action from the SEC in response to the Supreme Court's 2010 decision in *Citizens United v. Federal Election Commission (FEC)*. In addition, I would urge the SEC to go one step further and require a vote from a corporation's shareholders before that corporation may use its general treasury funds for political spending.

As you know, the *Citizens United* decision changed the face of campaign finance for elections by authorizing, for the first time, unlimited political spending by corporations, which the Supreme Court understands to fall under the definition of "person." While the FEC undoubtedly has jurisdiction over election matters, the SEC has the authority to promulgate rules regarding the procedures through which corporations spend their treasury funds (that is, shareholders' money) for political purposes, as well as disclosure of that spending as material information to shareholders. Over the years, and particularly since the *Citizens United* decision, shareholders have shown marked interest in participating in political spending decisions and have submitted numerous proposals to include robust political spending disclosures in proxy statements.

The Committee on Disclosure of Corporate Political Spending submitted the above-referenced petition to the SEC on August 3, 2011. The October letter led by Rep. Gary Ackerman states

that “to ensure shareholders are informed of all political spending, the disclosures should include spending on independent expenditures, electioneering communications, and donations to outside groups for political purposes, i.e. super-PACs.” I echo these comments now and further encourage the SEC to require a shareholder vote – akin to “say on pay” votes already mandated – before corporations can use general treasury funding for political purposes.

Earlier this Congress, I reintroduced H.R. 2517, the Shareholder Protection Act. This bill would require in statute what I ask the SEC to implement through rules: a shareholder vote to authorize corporate political spending. Under the process set up in the legislation, shareholders would vote annually to authorize a political spending budget (at an amount set by the corporation) by majority vote. The corporation would then disclose to shareholders and the SEC – via existing reports and on the Internet – the amounts spent and for what purposes. While the Shareholder Protection Act could serve as a model for the SEC, I am open to other approaches that would accomplish the same goals.

Specifically, I ask the SEC to hold roundtable discussions within the next 90 days to consult with experts on the topic of corporate political spending disclosure and explore the path forward. The *Citizens United* decision has already heavily impacted the 2012 election cycle through the preponderance of so-called super-PACs, many of which do not disclose funding. It is likely that corporate political spending is playing a role, but the American public, and particularly the shareholders of such corporations, currently have no way to know. I understand that a new rule would be unlikely to apply to the 2012 election cycle already underway, but we cannot ignore this thorny issue in future elections.

I believe shareholders have the right to decide if their money is spent for political purposes and to be notified of its specific use. The SEC clearly has the authority to enforce such accountability and disclosure. I urge you to act to protect shareholders by requiring a shareholder “say” on political spending and ensuring proper public disclosure.

Sincerely,

A handwritten signature in black ink that reads "Michael E. Capuano". The signature is fluid and cursive, with the first name being the most prominent.

Michael E. Capuano
Member of Congress