



Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Via email

August 17, 2009

Re. File Number S7-10-09

Dear Ms. Murphy:

We are writing on behalf of the Shareowner Education Network and ShareOwners.Org to express strong support for the Securities and Exchange Commission's proposal to adopt Rule 14a-11 and amend Rule 14a-8 under the Securities and Exchange Act of 1934.

ShareOwners.Org is a non-profit organization whose mission is to develop and educate a network of citizen investors, inform them about their rights as shareholders and facilitate their voting and engagement with corporations for the purpose of protecting their rights, reducing risk, increasing corporate accountability and creating sustainable long-term economic value for investors. ShareOwners.org was founded to create a voice for the average retail investor, who has rarely been heard in corporate boardrooms or in high-level discussions among regulators and policy-makers whose decisions determine the health of financial markets and the security of investors' pensions and retirement income.

By building and educating a grassroots network of retail investors, ShareOwners.org hopes to increase the accountability of corporate directors and managers to the owners and the communities they serve. Clearly this important goal is shared by the Commission in its proposals to "facilitate shareholder director nominations" and to remove the "burdens that the federal proxy process currently places on the ability of shareholders to exercise their basic rights to nominate and elect directors."

These goals are directly related to the SEC's mandate to protect the interests of investors. The recent severe losses suffered by tens of millions of America's citizen investors in their personal portfolios, 401K plans, mutual fund holdings and traditional pension and retirement plans all point to the need for stronger protection of shareholder rights and greater accountability for the corporate directors who represent them.

Support of this goal by America's investors is clearly demonstrated in a recent survey of 1,256 U.S. investors conducted by Opinion Research, which found that American investors support tough

measures by Congress and regulators to reform our financial markets, eliminate fraud and correct abuses on Wall Street. The survey found support for such action across all surveyed groups by age, income, educational achievement and political affiliation. A high percentage of investors (34 percent) selected the term “angry” to describe their attitude with respect to financial market problems and to emphasize the need for immediate action. In addition, nearly half of the remaining investors (45 percent), while not describing themselves as angry, registered their support for strong corrective action.

These survey results send an unmistakable message to regulators and policy makers, particularly in the context of the survey’s finding that nearly six out of 10 investors (57 percent) said that strong federal action would help “restore their lost confidence in the fairness of the markets.”

The following findings send a message that is clearly relevant to proposed Rule 14a-11:

- More than four out of five American investors (82 percent) agree that “shareholders should have the ability to nominate and elect directors of their own choosing to the boards of the companies they own.” Only 16 percent say that “shareholders should NOT be able to propose directors to sit on the boards of the companies they own.”
- More than four out of five investors (83 percent) agree that “shareholders should be permitted to be actively involved in CEO pay and other important issues that may bear on the long-term value of a company to their retirement portfolio or other fund.”
- More than four out of five investors (81 percent) say the No. 1 reason for loss of investor confidence in the markets is “overpaid CEOs and/or unresponsive management and boards.”

These survey results also reinforce the link between the recent economic meltdown, described in the Commission’s words as “one of the most serious economic crises of the past century,” and the concern of citizen investors and the Commission about the lack of “accountability and responsiveness of some companies and boards of directors to the interests of shareholders.” The economic crisis has revealed flaws in the theories of market efficiency, minimal regulation and self-correcting market competition that underpinned more than a decade of excessive risk-taking, excessive executive compensation, two economic bubbles and ultimately the near-collapse of the US financial system. These lessons cannot be ignored by legislators and regulators. They will certainly not be overlooked by the U. S. taxpayers and investors who have suffered huge losses and will continue to pay the bill for these excesses for many years to come.

The economic crisis has also revealed the flaws and consequences of the traditional U.S. system of self-perpetuating corporate boards. We think Rule 14a-11 actually represents a relatively modest regulatory response to board failures, providing a carefully defined process for shareholders to nominate and elect a limited number of directors of their own choosing. The Rule’s eligibility, notice and disclosure requirements define the access right far more narrowly than the broad grant of power to shareholders under state law to “nominate and elect directors.”

We believe that Rule 14a-11 has been well designed to influence the behavior of directors rather than to oust them. It represents a gradualist approach that should encourage dialogue, outreach and engagement between boards and shareholders. Shareholders do not want to take over the board's responsibilities, but they do want to make directors fully accountable for fulfilling their duty to act in the interest of the shareholders they represent. We believe that Rule 14a-11 achieves the desired balance -- respecting the powers of directors while increasing their accountability.

We strongly support the amendment of Rule 14a-8(i)(8) to permit shareholder proposals relating to access. While the eligibility standards set forth in Rule 14a-11 are clearly necessary to prevent a company from erecting insurmountable barriers to access, shareholders should have the ability to approve more liberal standards. Shareholder proposals under amended Rule 14a-8(i)(8) provide a democratic means for shareholders to conduct a referendum and decide whether different eligibility standards are appropriate. For example, a majority of shareholders might vote in favor of a lower eligibility standard – e.g., a reduction in the tiered beneficial ownership thresholds or required holding period. This type of flexibility and discretion is important to customize access to the particular circumstances of individual companies and to encourage dialogue and negotiation between companies and their shareholders.

The small step taken by the Commission in proposing Rule 14a-11 merits the support of America's retail investors. We are pleased to have this opportunity to comment on their behalf and to offer our strong support for the adoption of Rule 14a-11 and the amendment of Rule 14a-8.

We would be happy to provide additional information or assistance to the Commission on behalf of this proposal.

Respectfully submitted,

The Board of Directors of Shareowner Education Network

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