

April 19, 2010

The Honorable Nancy Pelosi
Office of the Speaker
H-232, US Capitol
Washington, DC 20515

Re: Shareholder Protection Act (H.R. 4790)

Dear Speaker Pelosi,

I write to you as your constituent as well as a concerned businessman. I hope that you will support the Shareholder Protection Act (H.R. 4790) which is a key legislative response to the Supreme Court's *Citizens United v. FEC* decision.

I was President and Chief Operating Officer of the Pacific Exchange in San Francisco and I currently sit on the boards of Sonic Solutions (SNIC), Sun Trading, and Matlock Capital, where I serve as Chair of the Board. My experience in business leads me to be gravely concerned about how shareholders may be shortchanged after *Citizens United*.

The *Citizens United* decision has the potential to do great damage to our democracy, which maybe flooded with corporate dollars. This decision may also do great harm to the shareholders who will foot the bill. In particular, for publicly-traded companies, the Supreme Court sanctioned corporate managers to use other people's money in politics—potentially in unlimited amounts. This is a troubling development given current corporate law norms which leave shareholders unprotected.

Under current law, neither the FEC nor the SEC requires disclosure of corporate political spending directly to shareholders. Furthermore, much of corporate spending on politics is not direct. Rather it is funneled through intermediaries like trade associations who keep their donors secret. Either way, shareholders are often left in the dark.

And more importantly, while managers may say they are spending in a particular campaign to benefit their shareholders, this belies the fact that shareholders have heterogeneous interests and presently have no means by which to register their consent or objection to corporate political spending. This state of affairs can be easily remedied.

Simple changes to the U.S. securities law are in order. On one hand, full transparency is a must. The law should be changed to provide direct disclosure from companies to their shareholders about political spending. We know that shareholders already want this information because of the many shareholder resolutions requesting this basic disclosure. Just as it is now required that compensation for top executives be disclosed in proxy statements and annual reports, so should any corporate spending on any political activity be disclosed in these same company statements and on the corporate website. According to RiskMetrics, who monitors proxy battles, disclosure of political spending is the second most popular shareholder resolution, right behind climate change.

Second, shareholders are footing the bill for corporate political expenditures and deserve an opportunity to vote on the expenditures. The British have a model that we could emulate. In the U.K. managers propose a political budget to shareholders at the annual general meeting. The shareholders vote up or down on the budget. If the management wins the vote, they are free to spend the budget. If they spend without shareholder authorization, then the directors are personally liable to repay the company for the misused funds.

The Shareholder Protection Act (H.R. 4790) contains both of these protections. It provides for both shareholder notice and consent. I urge you to support this legislation and to incorporate its language into any bill which seeks to address the problems caused by *Citizens United*.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Warren Langley".

R. Warren Langley
President (ret), Pacific Stock Exchange
2316 Leavenworth St.
San Francisco, CA 94133