

April 24, 2017

Honorable Members
House Financial Services Committee
538 Rayburn House Office Building
Washington, D.C.

Dear Honorable Members;

We have learned that on April 26th the House Financial Services Committee will be considering draft legislation for the *Financial Choice Act*. We have many serious concerns with this draft, but I am writing you now specifically to urge you to reject its seriously flawed anti-investor provisions and to oppose any attempt to modify or limit the Securities and Exchange Commission's shareholder proposal rule, SEC Rule 14a-8.

Our clients are institutional investors with more than \$14 billion in assets under management that share a commitment to good corporate governance and, at times, have used shareholder proposals to raise legitimate investor concerns with the boards and management of the companies they own. A significant portion of their assets are invested in US public markets securities.

The draft bill as submitted contains legislative provisions (Section 844) effectively eliminating our clients' fundamental right as owners to file shareholder proposals.

The proposed legislation would alter the ownership threshold for filing proposals so that virtually all shareholders would be prohibited from exercising this ownership right. For example, to file a proposal at a firm like Apple Inc. under the proposed legislation, an investor would need to own more than \$7 Billion worth of Apple shares.

The proposed legislation would also alter the resubmission threshold for proposals, more than doubling the thresholds currently in place. Ongoing deliberation and input from investors has been crucial to educating shareholders and boards over time and eventually arriving at effective governance measures and closer attention to specific risks. The current thresholds have already proven effective in ensuring that any frivolous resolutions are discarded.

The effect of this proposed legislation would be for the state to strip company share owners of valuable and fundamental rights attached to that ownership. Further, it would hobble effective dialogue between minority shareholders and company boards, leaving investors in US firms only the option of voting against Directors or disinvesting from those US firms when serious matters of corporate governance and risk management are not addressed.

Stripping away ownership rights as proposed by Chairman Hensarling would undermine shareholder/board dialogue, harm investors, and upset 70 years of SEC rulemaking and deliberations on this important and well-functioning corporate democracy process. If Congress alters these rights associated with share ownership, investor confidence in the inviolate rights of share ownership could be undermined and capital investment discouraged.

Please oppose these radical changes. The shareholder proposal process is working and does not need to be repealed or amended.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter W. Chapman", with a long, sweeping horizontal line extending to the right.

Peter Chapman,
Executive Director
Shareholder Association for Research & Education