



May 19, 2010

The Honorable Harry Reid
Senate Majority Leader
S-221 The Capitol
Washington, DC 20510-7020

The Honorable Mitch McConnell
Senate Minority Leader
S-230 The Capitol
Washington, DC 20510-7010

The Honorable Christopher J. Dodd
Chairman
Senate Committee on Banking, Housing, and
Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510-6075

The Honorable Richard C. Shelby
Ranking Member
Senate Committee on Banking, Housing, and
Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510-6075

Dear Senators Reid, McConnell, Dodd, and Shelby:

On behalf of the Council of Institutional Investors and ShareOwners.org, we write to express strong opposition to amendments striking vital corporate governance provisions from the *Restoring American Financial Stability Act of 2010* (S. 3217). Representing a wide spectrum of investors from large institutions to everyday individual investors on Main Street, the Council and ShareOwners.org firmly believe regulatory reform must address the serious failures of corporate boards revealed amid the financial crisis. The provisions at stake (sections 971 and 972) will help address these failures by facilitating shareowner efforts to remove poorly performing directors and nominate alternative candidates. We accordingly urge you to oppose all efforts to exclude corporate governance improvements from financial reform.

The global financial crisis represents a massive failure of board oversight. Clearly corporate directors disregarded the interests of their shareowners by failing to adequately understand and monitor risk, and by awarding compensation packages producing outsized rewards for reckless behavior. Nevertheless, in the words of Warren Buffett, directors at failed companies largely remain “unscathed.” Financial regulatory reform must address this fundamental lack of accountability and market discipline. Amendments proposed by Sens. Tom Carper (SA 3860 and 3861), Bob Corker (SA 3944), and John Ensign (SA 4080), and any further amendments targeting the corporate governance provisions, would remove key reforms designed to correct these failures by enhancing board oversight and accountability to corporate owners—investors.

Corporate boards are the first line of defense against the risks and excesses that led to the global financial crisis. While more vigorous government regulation certainly is necessary, regulation alone cannot address all of the abuses that led to the crisis. Improving the way companies govern themselves must be part of the financial overhaul. By empowering long-term investors to hold corporate directors accountable, provisions regarding proxy access (section 972) and majority voting (section 971) would help combat “short-termism” and excessive risk-taking, and address the failures of board oversight that contributed to the financial crisis. Institutional and individual investors alike would tremendously benefit from the enhanced oversight and market discipline provided by corporate governance reform.

May 19, 2010

Page 2 of 2

Few meaningful remedies are currently available to shareowners dissatisfied with management and board performance at U.S. public companies. Today, shareowners in America's corporations have limited options when it comes to protecting themselves and the long-term sustainability of the companies they own. By and large, the rules and regulations governing the capital markets deny shareholders a meaningful voice in overseeing corporate directors and in holding directors accountable. We therefore share President Barack Obama's view that important reforms are needed to "give shareholders new power in the financial system...so that investors and pension holders have a stronger role in determining who manages the companies in which they've placed their savings."

As part of a broad financial regulatory overhaul, corporate governance reform in the long run will help foster genuine market discipline leading to more prosperous companies, more stable jobs, and a more secure retirement for American workers. Whether invested indirectly through pension funds or directly through personal retirement accounts, investors of all kinds will lose if corporate governance improvements are excluded from reform legislation. **We thus strongly urge you to oppose the Carper (SA 3860 and SA 3861), Corker (SA 3944), and Ensign (SA 4080) amendments, and any future similar efforts to deny investors the tools they need to hold corporate boards accountable.**

Thank you for considering the views of the investor community. The Council of Institutional Investors and ShareOwners.org look forward to continuing to work with you and the entire Senate to enhance corporate governance and the regulation of the U.S. financial system. For more information about our views on corporate governance reform, please do not hesitate to contact us.

Sincerely,

Jeff Mahoney
General Counsel
Council of Institutional Investors
(202) 261-7096
jeff@cii.org

Maureen Thompson
ShareOwners.org
(703) 276-3251
mthompson@hastingsgroup.com

cc: Members of the United States Senate