

262 Altadena Cir
Pittsburg, CA 94565
April 3, 2014

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2736
Via email to: chairmanoffice@sec.gov

Re: Shareholder Proposals Rule Change

Dear Commissioners:

As a small shareholder having had ten human rights proposals voted in recent years¹, I am writing you to express my grave concerns of the recent reports on shareholder proposals rule change attempts², especially of “Remarks at the 26th Annual Corporate Law Institute, Tulane University Law School: Federal Preemption of State Corporate Governance” by Commissioner Daniel M. Gallagher in New Orleans, LA on March 27, 2014³. As reported by New York Times “S.E.C. Official Criticizes Proxy Proposals on Social Issues” (MARCH 27, 2014), there is a high tide attempting to destroy the only effective democratic element in current American economic system for corporate governance and social responsibility.

In his remarks, Commissioner Gallagher starts “II. Shareholder Proposals” with: “One area where the SEC’s incursions into corporate governance have had a particularly negative effect is shareholder proposals.” It is a shock to read: “Activist investors and corporate gadflies have used these loose rules to *hijack* the shareholder proposal system.” If submitting a non-biding proposal, even without the guaranty to be voted at a shareholders meeting, is to hijack the shareholder proposal system, we can say that Gadfly Socrates “hijacked” the Athenian democratic society, and another gadfly Jesus “hijacked” the western civilization. I was accused so when I pushed my human rights

¹ Google, Chevron, Cisco, News Corp. (2010), Yahoo (2011, 2013), HP, Goldman Sachs, Oracle (2013), Sohu.com (2014). I also submitted proposals to Boeing, Intel, Microsoft, NetApp, and presented some proposals on behalf of other shareholders.

² For example, Wall Street Journal report “Corporations Take Swats at a Gadfly,” March 12, 2014, and opinion article “The SEC’s Corporate Proxy Rules Need a Rewrite,” March 28, 2014.

³ http://www.sec.gov/News/Speech/Detail/Speech/1370541315952#_edn10

proposal to News Corp. shareholders meeting in October 2010⁴, just before the company's human rights scandals became known to the public.

Commissioner Gallagher states that “the vast majority of proposals are brought by individuals or institutions with idiosyncratic and often political agendas that are often unrelated to, or in conflict with, the interests of other shareholders.” He certainly has the right to express his view points, as a shareholder, but as a commissioner, he has no right to deprive shareholders of the right to submit and vote on social issues, especially in our time of globalization when most publicly traded companies are exposed to international social issues. We shareholders know better how to defend our long-term interests for ourselves and the society.

Commissioner Gallagher continues: “The low level of hedge fund activism here implies that their concerns with corporate management are being addressed using avenues other than shareholder proposals—as most legitimate concerns can be.” This clearly indicates whom Commissioner Gallagher represents, because hedge fund activism never showed any interest in social issues. When a hedge fund with 5% shares could demand three board seats and replace the CEO but my proposal with 32% support could not change the company's unethical human rights policy, Commissioner Gallagher concerns that hedge fund money is not powerful enough.

Commissioner Gallagher further says, “of course, where management is breaching its fiduciary duties, investors can have recourse to the courts.” This “see you in court” strategy (for corporation⁵) effectively excludes any possibility for small shareholders without million dollars, such as me, a political refugee from China and Japan, to participate, assist and help American corporate improving governance and social responsibility, especially when they are doing business outside of the U.S.

Commissioner Gallagher reveals his stance: “I'm not sure we need shareholder proposals at all.” It is very alarming that such a commissioner stays in the SEC for years to destroy social justice when more and more of people's life is affected by corporate policy and practice globally.

Commissioner Gallagher further complains: “It is enormously expensive for companies to manage shareholder proposals.” However, from my experience, it is the company management who abused the company resource to hire outside law firms to exclude my human rights proposals with materially false and misleading statement. And Commissioner Gallagher did not say one word about the “enormously expensive” CEO pay in the U.S. and the world.

Commissioner Gallagher raises the point of his remarks, “the holding requirement to submit

⁴ <http://cpri.tripod.com/cpr2010/2010proposal4.pdf>

⁵ Especially, most publicly traded companies are registered in corporate-friendly Delaware, even though they do not have business in Delaware at all.

proxies should be updated. \$2,000 is absurdly low, and was not subject to meaningful economic analysis when adopted. The threshold should be substantially more, by orders of magnitude: perhaps \$200,000 or even better, \$2 million.” “I would support banning proposal by proxy.” Again, this absurd nonsense just indicates whom Commissioner Gallagher serves for inside the SEC. As a shareholder, I would like to suggest the threshold should be substantially less, say \$1,000 or even better, \$100, to encourage more shareholders to participate economic democracy so we can prevent more corporate scandals, crimes, and financial crisis. If American people have the rights and opportunities to participate direct democracy in their economic life, there is no need to occupy Wall Street.

By “ensuring that the proposals that make it onto the proxy are brought by shareholders concerned first and foremost about the company—and the value of their investments in that company—not their pet projects”, Commissioner Gallagher treats social issues, such as UN Global Compact, pet projects. We have to ask: what is the purpose to establish the SEC, and the federal government?

Near the end, Commissioner Gallagher proposes that “companies shouldn’t have to go through the time and expense of litigation to vindicate their substantive rights under our rules. The burden to ensure that a submission is clear and factually accurate should be placed on the proponent, not the company. I believe that the Staff should take a more aggressive posture toward proponents that fail to meet that burden.” If the SEC is hijacked to serve the economic oligarchy only, the only way for ordinary American people to express our social concerns is to protest in front of corporate headquarters.⁶

Let’s act together to stop the assault on American economic democracy.

Respectfully,



Jing Zhao, Ph. D

President of US-Japan-China Comparative Policy Research Institute

zhao.cpri@gmail.com

⁶ Last year, I was forced to plan hunger-strike in front of Y company for its policy and practice against Chinese human rights movement.