#145

S7-14-03

RECEIVED
OCT 28 2003
OFFICE OF THE SECRETARY

STERLING S. CLAYTON
354 Empire Landing
Long Beach, California 90803
Telephone & Fax: (562) 597-5619

October 22, 2003

Jonathan G. Katz
Secretary,
U.S. Securities and Exchange Commission
450 5th St. NW
Washington, DC 10549-0609

Dear Secretary Katz:

Enclosed is an article from the Los Angeles Times. It expresses concerns also held by me, my two sons, and several other friends who have a major portion of their investment-retirement assets in stocks. We have all reduced our holdings substantially since the Enron, Global Crossings, Tyco, and other criminal conversions by corporate management. We are small fry in the over-all picture but we are representative of millions of concerned investors.

Not only have corporate fiduciaries willfully and fraudulently feathered their own nests, but the captive director system permits excessive reciprocal benefits to the captive directors as well as major stock option give-a-ways with shareholders having no meaningful means of objecting.

I would hope that the S.E.C. views its role as watchdog over the entire system and not as a "don't rock the boat" entity.

Yours very truly,

Sterling S. Clayton

SSC/jm

Enclosure

Fair Deal for Shareholders

After all the corporate scandals and meltdowns, U.S. securities regulators should be developing and advocating reforms aimed at restoring the trust of investors. The status quo does far too little to protect big corporate shareholders, individual investors and the very integrity of the markets. So why are staffers at the Securities and Exchange Commission worrying more about the wishes of company managers than the rights of shareholders in proposing rules on the election of corporate boards of directors?

The quickest way for the SEC to ensure that shareholders are heard is to make corporate board elections more open. They're undemocratic now, in large part because of the way proxies, the votes of shareholders, are handled. These ballots of the corporate world normally list only management-approved slates. Candidates who aren't named on the documents, which are mailed at company expense to shareholders, rarely get considered unless they're willing to wage a full-blown war of competing mail ballots that can cost hundreds of thousands, even millions, of dollars.

It doesn't have to be this way. The SEC should use its review of proxy rules to equalize opportunity, giving shareholders a stronger voice in choosing directors. Officials at state pension plans in California, New York and other states — representing $643 billion in assets — fear that the SEC won't go far enough to make corporate boards truly responsive to shareholders, not just chief executives. This concern is real. Just note how hard corporate attorneys and executives and their powerful trade groups are lobbying to keep management's unfair advantage.

The SEC, of course, shouldn't let all comers onto ballots, unleashing a California-style crush of narrow-minded candidates with questionable qualifications. Regulators must also protect companies from director candidates who would exploit their posts to conduct hostile takeovers that wouldn't benefit shareholders.

Who will protect companies and investors — not just little guys but also big pension funds — if shareholders can't elect directors fairly? Clearly company officers are botching the job. If the SEC restricts nomination rights to those who own a minimum percentage of a company's shares, as it may do, even big public pension funds could get shut out; that's because they spread their holdings over so many firms to minimize investor risk.

These concerns may seem wonkish or arcane, but think of how Enron, Global Crossing and the other corporate catastrophes might have been averted had some eagle-eyed investors, rather than management-picked rubber stamps, been company directors. That's a lesson shareholders should not let the SEC ignore during a 60-day public comment period.

To Take Action: *Send your ideas (in triplicate) to Jonathan G. Katz, Secretary, U.S. Securities and Exchange Commission, 450 5th St. NW, Washington, D.C. 20549-0609. E-mail also is accepted at rule-comments@sec.gov. Refer to File No. S7-14-03.*