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and

NOTES FOR INFORMAL DISCUSSION

By

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Before

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Jim Caffrey spoke to you last month about some of the problems we encounter in administering the Securities Acts. As Sumner Pike and Gans Purcell had done before, he told me how much he enjoyed his meeting with you and he asked me to convey his respects and his greetings.

I'm glad that another one of us can come before you so soon again. All of us on the Commission are anxious to generate as broad an understanding as possible of the problems with which we deal and of the ways in which we undertake to handle them.

So this afternoon I would like to discuss a couple more of those problems informally, and without adhering too closely to an arbitrary allocation of time between them.

The first thing I want to talk about is the general question of the relations between people in a government agency and the people with whom it does its business.

The second is the problem of providing adequately for stockholder participation in corporate affairs.

The first of these questions I'd like to touch upon, briefly, and rather lightly. It deals with the relations between two groups of citizen of these United States.

These people are rather difficult to distinguish when you meet them on the street, or at a bar, or at a baseball game, or any of the other places where people congregate. Yet it has become common practice to place them in two somewhat arbitrary categories and stand them off against each other.

One group is commonly referred to as "the government" or "those bureaucrats", (with various qualifying adjectives) or by any of various other descriptive titles, some of which may reflect adversely upon the character of their ancestry.

The others are variously referred to, depending on the occasion, as "private citizens", as "taxpayers" (usually "poor") as "business" (big or little), or "industry" or by other designations calculated to set them off, sometimes to their advantage, sometimes to their disadvantage, against the people who work for the government.

Strangely this classification does not denote any rigid caste system. Government employment is not an hereditary misfortune. It is a status usually acquired by voluntary choice, although occasionally there is talk about someone being drafted for a job he especially wants. Not infrequently people who work for the government flow back and merge again into the group of private citizens. Sometimes it happens in quadrennial cycles. Sometimes they get sort of tired of being regarded as untouchables, or run out of money trying to live on a government salary. Whatever the immediate reason, they do sometimes become private citizens again and when they do its hard to tell them from other private citizens. Usually all is forgiven. They are accepted back with only an occasional hint from the Capitol at shadows cast by the skeleton of their past indescretion. After a decent interval they're very likely to be ranged opposite their former colleagues ardently representing other "private citizens" against the unjust encroachments of "the government".

That's not entirely true, though. I was told the other evening by a charming fellow now prominently active in the securities business that in speaking recently to a group near New York City he was met by his audience with cool reserve and considerable skepticism. The reason was, that during the war, he had held, for several years, a responsible civilian position with the Federal government. It seems, however, that he was

able to persuade his audience that he hadn't been irreparably damaged by that experience and that he had begun to wash away his sin by plunging energetically into a business subject to fairly rigorous regulation by the government and speaking forth candidly and strongly in the interests of that business.

I've always had trouble with this whole idea. I've never been able personally to achieve the feeling that merely by having undertaken to devote my energies for a time to the administration of laws enacted by representatives of the people of the United States rather than to representation of the special interests of particular individuals or associations, I had thereby ceased to be one of the people of the United States or become in any special way different from the others.

I doubt that many people in government service feel very differently, even though the idea is constantly pressed upon them by some people engaged in other forms of activity.

There may, of course, be some people in government service who find the powers they are responsible to administer a somewhat heady draft. Some of these, particularly in their early years (or more likely their early months) of service may, for a time, arrogate to themselves personally the attributes of sovereignty of which in reality they are merely the administrators and, usually, in the case of such persons, administrators of only a minuscule and fragmentary part.

It has been my observation that those who take that attitude are distinct in the minority, and that the view, so prevalent outside of government circles, that "the government" is a separate, antagonistic entity from the people whose business it carries out, is a chimerical attitude.

Not only does it have no basis in fact in this country. It is drastically detrimental to the effective functioning of the government because it destroys the relationship that should exist between the people in government agencies and the people with whom they do business.

I think that in many cases there is much to be gained if the people whose interests are directly affected by government action take part in the counsels where the groundwork is laid for the rules by which that action is to be made effective. The special information they bring to such conferences can be invaluable. It is one of our responsibilities not to be unduly swayed by blandishments or special pleading. I think whatever danger that presents does not offset the advantages of candid conference.

The Securities and Exchange Commission has done its best to dispel the attitude of public shyness towards government officials as far as that attitude affects the Commission's relations with the people with whose business it is most directly concerned. That effort had had a substantial degree of success --by no means complete success, but success to an extent that has enabled us to have substantial benefit from candid consultation on many problems with people who have full opportunity to observe and critically to appraise the practical operation of the laws we administer and the rules we issue under them. That practice, in my judgment, has substantially enhanced the effectiveness and practicality of some of our operations. I think it is likely to do so even more in the future as the habit of exchanging criticisms and suggestions freely, objectively, and with a minimum of prejudicial rancor becomes a more widely established practice.

This sort of thing has some limits, of course. After all it is our function to administer the laws that Congress has passed. We cannot forego that responsibility in the interest merely of maintaining good fellowship. And it would be unreasonable for us to expect people who feel that rules we issue unnecessarily retrict operations they believe to be legitimate to acquiesce without objection in actions of ours that have that consequence merely because we have learned to adopt a civil attitude towards one another as people. Sometimes it may be necessary to slug out some point of difference without undue deference to the amenities. That's what the courts are for. We welcome court review where vital differences develop. But more often than not it is quite possible, once we get beyond the point where artificial antagonisms blur the perspective, to find large areas of agreement, to define precisely and rationally the points of controversy, and frequently to work out mutually acceptable solutions.

In many of the things with which we deal, complex as they are, there is probably one best way to do each particular job. We are much more likely to find that way if it is possible to deal with these questions without the aberrations caused by irrational prejudices. But that possibility is still impeded by a widely prevalent feeling that "the government" is something aloof and inimical to the particular interests of individual citizens. That attitude I deplore.

We are not really some impersonal brooding omnipresence. We are really very human persons who have to make specific decisions. In doing so we have to keep in mind the interests of a lot of very human individual people. Sometimes those interests conflict. We can't

completely please everybody. And when the interests of one group override, in our judgment, the interests of another on some particular point, then it is that "the government" is blamed, frequently not because it made an allegedly wrong choice of alternatives, but blamed as an oppressive and dictatorial force.

I want to give you one example because I found it perplexing. One evening recently I overheard a conversation, a sort of soliloquy in fact, by an officer of one of the companies with whose affairs we are officially concerned under the Public Utility Holding Company Act. This man is an extremely intelligent and competent person with a broad range of interests and information beyond the immediate concerns of his individual company. He has had a lot of business with our Commission. He knows how we operate. He seems to like to consult with us about prospective action. At times he professes considerable regard for the members of the Commission and its staff, although he is candidly and outspokenly opposed to most of the theory of regulation on which the statute is based and to most of its provisions. That opposition, of course, is a privilege which we on the Commission would be the last to deny him.

The thing that bothered me about his conversation was this. He said there is one thing that makes him madder than anything else about the Commission and the Holding Company Act. That, he said, "is the idea of having my government trade with me about these matters."

Now that perplexes me. It might mean any of several things. Some of them don't matter much.

It might mean merely a general sense of resentment against some of the adjustments we have regarded as essential to make that particular Holding Company system conform with the requirements Congress has prescribed That I can understand.

It might be merely a general reaction against statutes that grant substantial discretionary authority to work out details of complicated corporate readjustment. There could, of course, be much argument about the merits of such statutes as against legislation that prescribes in rigid detail each step to be taken and leaves no latitude for accomodation to practical exigencies or to circumstances not anticipated by Congress in its initial appraisal of a complex and shifting situation.

It might be that he had found it necessary to forego some point of special privilege by which he had set great store.

But what I think was behind his complaint was a residual sense of fundamental antagonism between himself as an individual citizen and officer of a private company on the one hand and "the government" on the other.

Now plainly enough Congress regarded certain structures and practices in the holding company field as inimical to the welfare of the main body of individual citizens of the United States. Congress therefore laid a rough hand upon such structures and practices in the Holding Company Act. To that extent an antagonism does exist between the Commission, representing the people generally, and that particular company in its present form. It is our job to see to it that what Congress said should not continue to be done is brought to an end and that what Congress directed to be done is accomplished.

But that is quite a different thing from the sort of antagonism that I have been discussing and I don't think that it is entirely what this gentleman meant. I think he was objecting to the way in which we administer the Holding Company Act.

It has been our practice to consult freely with the representatives of companies affected by that Act. We have given them broad latitude in suggesting ways by which their companies may be brought into conformity with the Act. We have tried to work out by informal negotiation a concordance of views, as far as that is possible, on the method to be followed. Necessarily in such negotiations our staff must at some point insist upon positions. Frequently our staff must say that, if the Act is to be complied with, certain things cannot be done or other things must be done. In a sense that amounts to "the government" trading with the companies subject to the Holding Company Act. And if that is a bad thing then we've been going at this thing the wrong way. Perhaps we may have gone too far along that line. I don't think so personally, but it is possible.

I should have thought that that would be a more generally acceptable method. Perhaps it is slower and more cumbersome. In the long run, I should think it would be more platable and more genuinely efficient and likely to lead to sounder results than the other alternative which is available to us.

We have sought to effectuate in the administration of that Act, as we have in carrying out the other Acts we administer, the principle of adjusting the affairs of the regulated company to the requirements of the Act through a process of consultation -- of collaborative ex-

ploration of feasible courses of action. On the whole I think the results have been good. If that is trading between the government and the companies concerned, then that is what we have been doing.

If that is a bad thing, let's look at the alternative. What we could have done and what we can do in cases where that method is not acceptable would be to refrain from consultation about these things. We could let plans be submitted under the Holding Company Act. If they don't conform with the Act we could simply reject them, not suggesting alternatives, and proceed to enforce the Act according to our independent appraisal of what it requires. That would involve no bargaining, no trading (if that is the term) between "the government" and the companies or their officers. All our relations would be on a purely formal basis. There would be no attempt to accomodate points of view. There would be strict and rigid government regulation.

That alternative I don't like. I don't believe it is the best form of democratic administration. I don't believe it would give as sound results. But it is a possible alternative. It came to me as a matter of considerable surprise that the other, and to my mind the better, method had been so reluctantly accepted, and apparently even so sharply resented.

I should hope that the attitude is on the wane that regards as a cause for anger and resentment consultation with government officials as a method for working out differences in the administration of acts like these. I hope personally that that technique of administration can be developed to a point of far greater effectiveness than we have.

yet developed it. I hope that it may lead to a much more general appreciation of common problems between those who administer the laws and those to whom the laws apply, than has yet been achieved.

I hope that the people, who work for the government, who after all are human beings, will continue to regard the private citizens with whom they deal as people like themselves -- as people having, to be sure, special interests to advocate and protect, but still human beings with whom it is possible to establish common viewpoints and whom it is possible frequently to persuade to an understanding of the purpose and the function of the laws that apply to them.

I hope that on the other side there may come to be a more general appreciation than now exists that "the government" is also, after all, an aggregation of individual people who differ from others only in that they are responsible for carrying out more or less precisely prescribed functions on behalf of the people as a whole -- that they are people, as fallible no doubt, as private citizens -- but merely because they work for the government no more innately subject to error, or prejudice, or bias than those who sit on the other side of the table from them -- and that they act, in the main, not from motives of personal arrogance, but in an honest effort to work out, under the laws, a fair regard for the relative rights and interests of all the people.

The other question I want to discuss today is the question of the stockholders part in corporate management. It is concerned with problems we regard as important beyond the general public consideration it has received. We hear some discussion of our proxy rules -- but not as much as we do, for example, about the regulations affecting

public distributions under the 1933 Act -- or about the adjustments carried out under the Holding Company Act -- or some of the other more spectacular activities we get involved in. And much of the discussion we hear consists of complaints, when a proxy fight blows up, about what terrible people the opposition group are and what outrageous statements they make. That all happens during what is called, around the SEC, "the proxy season". That is a period of heated controversy and persistent harassment that begins early in the spring each year and lasts until most of the annual meetings are out of the way.

These proxy rules are fairly new -- even compared with the other statutes and rules we administer. They aren't perfect. They will probably be revised from time to time. Ultimately I hope they will be perfected to the point where unnecessary annoyances and encumbrances will be minimized and their effectiveness substantially increased.

But what are they all about anyway? It's rather easy to forget, when you're preoccupied with the details of complying with rules like these that they aren't an end in themselves, or merely something to keep a given number of bureaucrats busy. Perhaps a brief survey of some fairly recent history of the corporate system may be worthwhile to refresh our recollection as to how they came about.

In the 19th century the typical corporation consisted of a group of neighbors who had pooled their resources to develop a local enterprise. They met periodically to discuss the corporation's affairs and to formulate its policy. Once a year they elected, usually from their own number, a management group which put that policy into effect. The stockholders

actively directed the corporation's destiny. It was the rule rather than the exception that stockholders took an active part in the physical operation of the enterprise.

In the period of economic changes following the Civil War, our first great financial empires began to evolve. It became widely apparent that a corporation was, in many respects, a handy sort of gadget to have around in a business deal. During the last part of the 19th century and the first part of the 20th corporations increased rapidly in number, size and power. Corporate ownership extended into one aspect of our economic life after another.

Accompanying this growth came ever broader dispersion of stock ownership. American Telephone and Telegraph is an outstanding example. In 1901 it had about 10,000 stockholders. Today it has over 695,000. General Motors now has more than 428,000. General Electric has approximately a quarter of a million.

It seems obvious that broad distribution of stock is usually necessary to the development of large corporate enterprise. There's a lot to be said for widespread ownership of the stock of nationally important corporations. But it does present some problems.

One of these problems is what to do about the stockholders — for example, how to hold a stockholders meeting. Even if you could get them all assembled — if all of them could afford to come to one place — where would you find a hall to house a meeting of stockholders who may be as many — or even two, or four, or five times as many — as the crowd at the recent Kentucky Derby, or at the Indianapolis Speedway day after tomorrow? And what kind of deliberation would you get at such a meeting?

Obviously it couldn't possibly serve the same purpose as the old fashioned kind of stockholders meeting. It would probably be the convention to end all conventions.

Long before the Securities Exchange Act was passed in 1934, the growth of absentee corporate ownership had revolutionized the relation of ownership to management. The absentee owner here wasn't the tyrant he was, for example, in Irish history. Frequently he was the fall guy.

Stockholders were faced with the practical alternative of remaining passive or appointing a proxy to cast their votes. But after awhile, in many cases, the proxy privilege became illusory. The proxy had been designed as a convenience to absent stockholders -- to provide them a voice in corporate affairs. But it wasn't long before it became an instrument by which the stockholders' formerly independent authority and participation was taken over by the management. The proxy machinery was in the management's hands. They could solicit proxies at the expense of the corporation. Other stockholders couldn't. Often the proxy a stockholder was asked to sign contained blanket authority to vote his shares for an undisclosed slate of directors, or for any other matter that might be raised at a meeting, often including the wholesale ratification of what already had been done. In this way practical control of many corporations became fixed in a management group which formulated and executed all policy, perpetuated itself, and used the annual meeting merely as a rubber stamp to approve what it did.

Even under those handicaps proxy fights sometimes developed. On rare occasions they were successfully waged by groups in opposition to the management. There have been some notorious examples that got a lot of publicity. But if they had been common they wouldn't have been news. 1/

The general tendency was for the main body of ordinary stockholders to become apathetic. There wasn't much they could do about effective participation in corporate affairs. So many of them didn't bother. It was quite natural, too, that where the personal interests of the management were in conflict with the best interests of the corporation, occasionally the corporation and the general body of stockholders came out with short rations.

By 1934, the situation had gotten to the point that Congress, whose attention had been directed at that time to a number of things of this sort, made the following finding:

> "Managements of properties owned by the investing public should not be permitted to perpetuate themselves by the misuse of corporate proxies. - Insiders having little or no substantial interest in the properties they manage have often retained control without an adequate disclosure of their interest and without an adequate explanation of the management policies they intend to pursue. Insiders have at time solicited proxies without fairly informing the stockholders of the purpose for which the proxies are to be used and have used such proxies to take from the stockholders for their own selfish advantage valuable property rights." H. Rept. No. 1383; 73rd Congress, 24 Sess. (1934), Pp. 13-14.

Pursuant to this finding, Congress enacted Section 14 of the Securities Exchange Act of 1934 to ensure what it described as "fair corporate suffrage". That section authorized the S.E.C. to promulgate rules for the regulation of proxy solicitations. It was limited to securities listed on a national securities exchange. Later the same authority

was extended to registered holding companies and their subsidiaries and to registered investment companies. The corporations falling within these categories have assets exceeding 50% of the corporate assets of the country, excluding financial institutions.

Now that legislation gave a pretty broad authority to the Commission. But its objective was quite clear. It didn't provide that the mere purchase of stock entitled the purchaser to be canonized by the S.E.C. Congress well knew, and so do we, that every once in a while a genuine heel turns up with a few shares of stock — sometimes with quite a slug of it. What I believe was intended, and what we've tried to provide, is a method whereby all of the stockholders would get accurate information about what's going on in the corporation that's using their money, and about what's going to take place at the stockholders' meeting, and would then have a reasonable opportunity to express their approval or disapproval.

The proxy rules are merely machinery to keep the ordinary public stockholder from getting taken with loaded dice. He's put up his money. He ought to have a genuine chance to see what's being done with it, to say whether he likes what he sees, and if he doesn't, to propose changes either in the management or in its general policies.

The Commission didn't jump blindly into the middle of wholesale regulation in that field. It proceeded slowly and cautiously in developing the proxy rules.

The first rules were promulgated in 1935. They did little more than prohibit untrue statements in solicitations. In 1938, for the first time, specific information concerning the subject of a solicitatio

was required as well as means by which a stockholder could specify the action he wanted taken pursuant to his proxy. In 1940 the rules were amended to require the filing of proxy material with the Commission 10 days ahead of the time it was to be used -- so that it might be independently checked for accuracy beforehand. This requirement virtually eliminated the embarrassment and expense of correcting deficiencies by follow-up material.

The rules were again amended in January 1943, and have remained unchanged since that time.

I doubt that there is any point in summarizing here what the present rules require. 2/ I suspect that most of you have had experience with them.

What I have wanted to do is to put them into perspective -- to recall the condition they were intended to meet and to bring back to mind what their purpose is. You know it's easy to forget after a few years what rules like these are for. The shock of their initial impact has passed. The broad discussions of principle and method that attend their birth comes to an end shortly after they are issued. The bother involved in complying with them every year continues. After awhile, especially in cases where no serious conflicts develop over several years, the annoyances of compliance sometimes seem to outweigh the possibilities of benefit. They come to be considered as merely another chore that has to be performed to satisfy requirements of an officious government bureau. After four or five years we begin to hear complaints about the cumbrous futility of sending out a lot of

stuff like this to stockholders who aren't interested anyway. When that begins to happen it's doubtless time to look the situation over and see to what extent such complaints are justified.

I'm not going to try to answer that question this afternoon. Partly because there isn't time, but mainly because I don't know the answer. Our staff has been watching the operation of these rules pretty carefully. Doubtless they will propose some changes as soon as the heated activity of the current proxy season dies down. You know you can't change rules like these at a time when everyone is busy complying with their present requirements. You have to wait until a quiet period when it is possible to adjust procedures to revised requirements.

There are some rough spots in the rules as they stand now and in the procedures they require. As such things go they are relatively new. They have been in operation in their present form only four or five years. It takes considerable experience in a field as wide as the ones these rules cover to give a basis for precise judgment as to what is useful and practical and what can be dispensed with without sacrificing the substantial purpose they are designed to accomplish. I don't doubt that these rules can be improved and simplified as time goes on. If they can be they will be.

On the other hand I think there is no present disposition on the part of the Commission to abandon the objectives they are calculated to achieve. Nor is there any present disposition to modify the basic method by which they seek to accomplish their purpose -- to achieve stockholder participation in those phases of corporate affairs that traditionally and legally are the concern and the responsibility of the stockholders.

On the whole the rules haven't worked badly. Corporate managements generally seem to have accepted with good grace and in some cases with enthusiasm their reestablished responsibility to their electorate. In general there has been an excellent degree of compliance. 3/

There is a considerable body of opinion that agrees with the view the Commission expressed in one of its recent reports to Congress -- that these rules are among the most useful of all the disclosure devices established by our various Acts.

One of the questions most frequently raised about them is whether the stockholders pay any attention to the proxy material. We don't have very comprehensive statistics on that. The information that is available indicates that the percentage of proxies cast is on the increase. Discussions with representatives of corporate management and the substantial volume of correspondence we receive from stockholders make it seem quite clear that the effect on the proxy rules has been to stimulate a renewed interest by stockholders in the affairs of their corporations and to increase their participation in active consideration of questions stockholders are supposed to decide. 4/

There is one interesting statistic that might be worth mentioning. The total number of proxy solicitations subject to the rules has increased steadily each year. The number of solicitations by persons other than the management has just as steadily decreased. Perhaps that's because these have been profitable years. But it may be, too, because the

rules have established a method for making effective what previously existed only as a matter of legal theory, effective reporting by the management to stockholders and a method by which the stockholders could express their views.

There is a by-product of the public disclosure the proxy statement requires that can't be overlooked. The fairness of the proposals and plans submitted to stockholders under the rules has continually improved. The fact that proposals subject to disclosure according to these rules are likely to be studied by the stockholders, by potential investors and by anyone else who may be interested creates a natural disposition not to try anything too fancy. That fact is becoming evident in the character of the proposals that are coming through.

We believe experience has shown that this sort of proxy regulation has been a good thing as applied to companies whose securities are listed on exchanges. If that's true, it's difficult to see why it would not be a good thing also in the case of other companies of substantial size.

As you know, the Commission last year recommended to Congress that the application of these rules be extended to companies having assets of $3,000,000 or more and 300 or more stockholders.

That recommendation is based on a study made by the Commission's staff, of the proxy material sent out in 1943 and 1944 by a sample group of 76 companies with assets exceeding $3,000,000.

That examination showed that, generally, where these rules were not in effect the corporate practice had not substantially changed from that which was prevalent among listed companies before the rules became effectiv

The proxy material sent to stockholders was similar to the sort of thing that previously was sent to stockholders of listed companies. Where the rules do not apply the same things are going on now that impelled Congress to adopt Section 14 of the Exchange Act.

If these rules are serving a useful purpose, and we on the Commission are convinced that they are, there is still a wide field they do not touch where they could be equally effective to provide stockholders with

(1) a reasonable chance to know what goes on in the corporation that's using capital they have contributed, and,

(2) an opportunity to say whether they agree or disagree with the kind of management they are getting.

There is no very evident reason why, if this sort of regulation is good for the stockholders of listed companies, it is not equally good for the stockholders of large companies whose securities do not happen to be traded on exchanges. The present disparity in treatment doesn't make any sense.

1/ A minority group of a prominent restaurant chain rejected the management's policy of vegetarianism. One of the most celebrated contests was the one between Mr. Rockefeller and the management of Standard Oil of Indiana. The opposition was successful. But its ability to wage a successful fight was dependent in a large part upon a willingness and ability to spend a tremendous sum in the fight, upon the personal prestige of the opposition, upon the fact that the public generally sided with the opposition's view of a transaction to which the chief figure in the management had been a party, and upon almost 15% stock ownership. Obviously, such self assertion was impossible to the vast majority of individual stockholders or groups.

2/ In essence they require that a proxy be accompanied by a written proxy statement containing sufficient information to enable the stockholder to exercise an informed judgment about the questions on which he is asked to vote.

If the meeting is to be an annual meeting,

(a) the stockholder must be furnished an annual report, containing financial statements, a sufficient time in advance to enable the stockholder to know how his corporation got along during the preceding year;

(b) the proxy statement must set forth the names of the directors proposed for election, their security holdings, their remuneratio any indebtedness or liability of theirs to the company, and any transactions they had during the year to which the company was a party;

(c) in case of new nominees, their business experience must be described.

Proxy statements must also contain information about any other matters to be voted on at the meeting such as charter or by-law amendments, bonus plans, or corporate mergers.

The rules require the management to include in its statement any proposal by a qualified stockholder which is a proper subject for action by the stockholders.

If management opposes the proposal, the statement must include the name and address of the proponent who is entitled to have included in the proxy statement not more than 100 words in support of his propositions. These rules are calculated to give the average stockholder a chance to have an active voice in his corporation. And by this provision of the rules, he became able to communicate with his fellow stockholders.

Machinery is also provided for solicitation by any stockholder. If a stockholder desires to solicit proxies, he may have his proxy material sent out by the management -- but at his own expense. Such a solicitation is, of course, also subject to the proxy rules.

3/ Out of 6204 proxy statements filed between the last revision of the rules and the end of 1946, the Commission has deemed it necessary to seek injunctions to enforce compliance with the rules in only 9 cases. There had been only three such cases in the seven years prior to 1943. The Commission has never found it necessary or desirable to seek delisting or criminal prosecution in connection with the proxy rules.

4/ For example, we had the following letter from a large corporation whose stock is listed on the New York Stock Exchange shortly after its first solicitation under the rules in its present form:

"Gentlemen: Ever since our annual meeting we have intended to report briefly our experience under the revised proxy rules.

"Our proxy campaign secured for us a 76-percent representation at the stockholders' meeting. The proxy material sent out brought back an unusually large letter response from stockholders. The comments in the letters indicated that the material sent had been carefully studied. Where questions were raised, they were pertinent and proper, and the management definitely feels that the correspondence that resulted between the company and a very representative cross-section of its stockholders was mutually helpful and brought about a much closer relationship between the stockholders and the management. It afforded a vehicle for prompt elimination of points of potential misinterpretation of facts and figures and undoubtedly led to a better understanding of problems involved and the reasons underlying matters of company policy. Letters from hundreds of stockholders clearly indicated that they were impressed with the frankness and completeness of the data which under the rules we were required to send them.

"We did not find the requirements of the new proxy rules to be unduly burdensome or unreasonable. The expenses of the proxy campaign, including the preparation of the material, did not exceed our expense experience of former years.

"The management was particularly pleased with the highly efficient manner in which the members of the Securities Exchange Commission staff analyzed and passed on the proxy material submitted and with their cooperative efforts to expedite clearance."

We have a lot of correspondence that expresses the same sort of views.

5/ For example:

(1) the proxy material sent out in connection with 89% of the annual meetings covered by the study failed to name the persons proposed to be elected as directors,

(2) in only one case were the security holdings of directors and nominees for directorates shown, either individually or in the aggregate,

(3) not a single proxy statement disclosed the remuneration of the management either individually or in the aggregate,

(4) in 42% of the annual meetings one of the items of business was the approval and ratification of all acts of the management since the preceding annual meeting. In none of these were there any indication of the nature of the acts to be approved and ratified,

(5) in only one out of 152 cases studied was the interest of officers and directors or their associates in any matters to be acted upon described in the proxy material,

(6) only about 5% of the companies gave the stockholders an opportunity to vote yes or no on specific items of business,

(7) in connection with 28 out of 142 annual meetings studied, the annual report was not available to stockholders until after the meeting had been held.