NEWS

SECURITIES AND EXCHANGE COMMISSION
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ADOPTION OF AMENDMENTS TO PROXY RULE 14a-8
RELATING TO SHAREHOLDER PROPOSALS

The Commission has announced the adoption of various amendments to Rule 14a-8 of the proxy rules. Rule 14a-8 sets forth the requirements applicable to proposals submitted by security holders for inclusion in the proxy soliciting materials of issuers. The amendments, as adopted, reflect many of the views expressed in the public comments received by the Commission in response to the proposed revisions to the rule published on July 7, 1976 (Rel. 34-12598), as well as the past experience of the Commission and its staff in administering Rule 14a-8.

The Commission wishes to emphasize that the amendments which it has adopted are not intended as a final resolution of the questions and issues relating to shareholder participation in corporate governance and, more generally, shareholder democracy. The Commission intends to study these issues on a broader basis and the staff is presently formulating proposals for such a study. In the interim the staff will monitor the operation of these shareholder proposal provisions to assess their impact on the proxy soliciting process.

The amendments adopted today will substantially alter the former rule. Included among the revisions are amendments that would: (1) limit proponents of shareholder proposals to a maximum of two proposals of not more than 300 words each to an issuer; (2) advance the timeliness requirements applicable to both proponents and managements by 20 days each; and (3) codify a number of past interpretations of the rule by the Commission's staff, including those which have stated that beneficial owners of securities as well as record owners may submit proposals, that a proposal that may be improper under the applicable state law when framed as a mandate, may be proper when framed as a recommendation or request, that

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proposals may be omitted if they are moot, or if they violate any of the Commission's proxy rules or regulations, or if their implementation would require the issuer to violate any applicable law to which it is subject.

After considering the public comments on the proposed revisions of the rule announced in July, the Commission decided not to make two of the changes proposed. First, it was decided not to narrow the "ordinary business operations" test of former subparagraph (c)(5) to "routine day-to-day" matters relating to such operations. The Commission did indicate, however, that its staff would interpret the term "ordinary business operations" in a more strict fashion than in the past. Second, it was decided not to broaden the provision of former subparagraph (d)(4) which allowed the omission of a proposal that was "substantially the same" as a prior proposal that failed to receive the percentage of votes on its latest submission specified in the rule. The Commission had proposed to amend this provision to apply to any proposal that dealt with "substantially the same subject matter" as a prior proposal that failed to attract the requisite number of votes.

All of the amendments adopted by the Commission, with the exception of the changes to the timeliness requirements referred to above, shall be applicable to proposals submitted to issuers who will be filing their preliminary proxy materials with the Commission on or after February 1, 1977. The effectiveness of the new timeliness requirements shall be deferred an additional three months, and accordingly, shall apply only to proposals submitted to issuers who will be filing their preliminary proxy materials with the Commission on or after May 1, 1977.

(Rel. 34-12999)