NEWS

SECURITIES AND EXCHANGE COMMISSION
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SENATOR METZENBAUM, RALPH NADER, TO LEAD OFF
COMMISSION HEARINGS ON SHAREHOLDER COMMUNICATIONS

U. S. Senator Howard M. Metzenbaum, and consumer advocate Ralph Nader will lead off the first two days of hearings next week when the Commission opens a series of public hearings in its study of shareholder communications, shareholder participation in the corporate electoral process, and corporate governance.

Chairman Harold M. Williams will open the hearings at :30 a.m. on Thursday, September 29, in Room 776 of the Commission's headquarters building. The first witness will be Senator Metzenbaum, who is Chairman of the Judiciary Subcommittee on Citizen and Shareholder Rights and Remedies. The Senator held hearings earlier this year on the subject of corporate governance.

The second day of hearings, scheduled for 9:30 a.m. Friday, September 30 at the same location, will open with testimony from Mr. Nader and Mark Green, Director of the Public Citizen Congress Watch project. The hearings will continue on Monday, Tuesday, Thursday, and Friday, October 3, 4, 6, and 7, beginning at 9:30 a.m. each day in Room 776.

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In view of the importance of the issues to be considered, and a desire to facilitate participation of witnesses from throughout the country, the Commission has taken the unusual step of scheduling hearings outside of Washington. Hearings will commence on October 11 in Los Angeles; on October 18 in New York City; and on November 1 in Chicago.

The Commission announced on April 28, 1977 that it had directed the staff of the Division of Corporation Finance to conduct a broad re-examination of the rules governing communication between corporate management and shareholders, which is carried out principally through solicitation of proxies. As a result of this study, the Commission will determine whether to propose amendments to its proxy rules in order to improve shareholder communications, and increase shareholder participation in the corporate electoral process and corporate governance.

Although the proxy rules, which were originally adopted between 1934 and 1942, have been amended over the years in certain respects, they have not previously been reconsidered on a broad basis.

In recent years, commentators have frequently raised questions relating to the extent to which shareholders are able to participate meaningfully in the affairs of the modern public corporation. These questions are based on a recognition that in

many public corporations management, in part because of its access to the proxy machinery, is able to exercise control over the election of directors and thereby, in effect, be in a position to set corporate policy and to avoid effective oversight. A number of matters involving questionable and illegal corporate practices and other previously undisclosed conduct have served to focus attention on the subject of corporate accountability. Several proposals designed to achieve a new "corporate governance" have been suggested, including providing mechanisms to assure a higher level of management accountability to shareholders through revisions of the Commission's proxy rules.

As part of the study, public comments have been solicited in a number of areas, including whether shareholders should have access to management's proxy materials for the purpose of nominating persons of their choice to become directors and whether the Commission should require additional disclosures relating to the quality of director nominees, such as the process used to select nominees, qualifications which they must possess and the amount of time incumbent directors have devoted to the affairs of the corporation. In addition, the Commission is exploring whether to require the disclosure of information in management proxy materials relating to certain corporate policies and activities in which shareholders have expressed an interest. Consideration

is also being given to facilitating communications between shareholders on such matters. Additionally, the Commission is reevaluating the relationship between regulation of proxies under the federal securities laws and the state corporation laws and the extent to which the stock exchanges, as self-regulatory organizations, might promulgate rules requiring listed companies to afford shareholders increased opportunities to participate in corporate governance.

To date the Commission has received written comments from more than 140 persons. Testimony at the public hearings has been invited from among persons who have submitted written comments and requested to be heard orally, and from other knowledgeable persons.

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