



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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TECHNICAL FEASIBILITY AND COMMENTS RECEIVED ON ISSUES IN SHAREHOLDER COMMUNICATIONS TO BE SUBJECT OF N.Y.C. MEETINGS

The SEC Advisory Committee on Shareholder Communications will hear three presentations on the technical feasibility and cost of a direct communication system between the corporation and its shareholders. The Committee will also discuss and analyze comment letters submitted in response to the Securities Exchange Act Release of October 21, 1981 in which the Committee solicited public comment on issues it is addressing such as a direct communication system, problems in dissemination of proxy and non-proxy material and improvements in existing corporate voting procedure.

The seventh meeting of the Committee will be held: (1) on February 22, 1982 at the New York Stock Exchange, 11 Wall Street, New York City, in the Board of Governors Room, 6th floor, beginning at 10:00 a.m., and (2) on February 23, 1982 at the American Stock Exchange, 86 Trinity Place, in the Board of Governors Room, 13th floor, beginning at 10:00 a.m. Meetings of the Committee are open to the press and public. Committee Chairman Paul D. Weiser and senior members of the SEC staff will be available to talk with reporters at the conclusion of the afternoon session on February 22nd.

The Committee was established in April 1981 to explore the possibilities for improving the process by which companies communicate with the beneficial, or actual, owners of securities which are registered in the name of a broker-dealer, bank, depository or other nominee. The use of such nominee or "street" name facilitates the process of transferring securities when they are sold. The increased use of such nominees, however, creates problems; since communications from the company to its street or nominee name shareholders, and from the shareholders back to the company, must pass through the hands of the nominee - the only name that appears in the company's records. In effect, the nominee becomes the holder of record. It is the nominee who must forward the communication to the actual owner of the securities. This process may be time-consuming and in some cases the communication may not reach the beneficial owner at all. This can particularly create problems when companies must solicit proxies to be voted at the annual meeting, or when an unusual situation, such as a takeover bid, arises.

At the February 22nd meeting there will be three presentations on the technical feasibility and cost of a direct communication system:

- (1) Informatics, Inc., a leading computer software company;
- (2) The management advisory services group of Deloitte, Haskins and Sells, an independent accounting firm; and
- (3) The Securities Transfer Association of New York, an association of seven New York City bank transfer agents.

The direct communication proposal is one of a number of suggestions being studied by the Committee for improving the process by which issuers communicate with the beneficial owners of securities

registered in the name of a nominee. Under a direct communication system, nominees would be required to inquire of beneficial owners as to whether they would object to the release of their identities to issuers for the specific purpose of direct communication between the issuer and the beneficial owner. All inquiries would include a representation of confidentiality which would preclude the use, by the issuers or their agents, of this information for any purpose other than corporate communications.

Nominees would be required to maintain a list of all beneficial owners coded or separated into objecting and non-objecting groups and to make the list of non-objecting beneficial owners available to issuers at the appropriate time.

Issuers would receive the lists of non-objecting beneficial owners and each issuer would be responsible for collecting, collating and maintaining these lists for the purpose of direct communications with shareholders. Each issuer would then mail its proxy material directly to beneficial owners who would return their marked proxies directly to the issuer or its agent. In some cases, such as those involving objecting beneficial owners or other exceptions to the rules, proxy communications would continue to be handled in the present manner, i.e. through a nominee.

On February 23rd the Committee will discuss and analyze approximately 230 comment letters which were submitted by corporations, banks, transfer agents and other parties in response to the Committee's solicitation of public comments on the issues it is addressing.

The Committee plans to submit its conclusions and recommendations to the Commission's Division of Corporation Finance by June, 1982.

The Committee is composed of 14 individuals who are corporate executives, bank officials, broker-dealers, or proxy solicitation or stock transfer specialists. The Committee's Chairman, Paul D. Weiser, is Senior Vice-President Secretary and Corporate Counsel of Dataproducts Corporations, Woodland Hills, California.

The other members of the Committee are as follows:

Mr. Kenneth Akeson, President
Independent Election Corporation of America

Mr. W. Kenneth Bonds
Chairman, Trust Committee and
Executive Vice President
The Liberty National Bank and Trust Company

Mr. Steven E. Fry
Corporate Secretary
Valero Energy Corporation

Mr. William L. Glosser
Secretary
Glosser Brothers

Mr. Earl J. Grimm, Jr.
Secretary
Esmark, Inc.

Mr. John Hetherington
Secretary
Westvaco Corporation

Mr. Donald Heterich
Senior Vice President
Manufacturers Hanover Trust Company

Mr. James H. Lynch, Jr.
Executive Vice President and Secretary
Spears, Leeds & Kellogg

Mr. Michael Nelson
President
Continental Stock Transfer and Trust Co.

Mr. J. William Robinson
Principal
Georgeson & Co.

Mr. William Smith
Manager, Proxy Operations
Merrill Lynch & Co. Inc.

Mr. John R. Worthington
Senior Vice President and
General Counsel
MCI Communications Corporation

Mr. J. Paul Wyciskala
Managing Director
Corporate Services Department
New York Stock Exchange

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