



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

September 19, 1984

James H. Doyle, Reporter
The Washington Times
3600 New York Avenue, N.E.
Washington, D.C. 20002

Dear Mr. Doyle:

Chairman Shad thought you might be interested in the following information on the Commission's shareholder proposal rule, in view of the Letter to the Editor from Carl Olsen which appeared in the August 27, 1984 edition of The Washington Times.

The Commission believes that it is necessary and appropriate for shareholders of public companies to have an effective means for communicating with their fellow shareholders. In the Commission's view, such a procedure acts as a safety valve, providing shareholders with a means to express their views on corporate issues. Since 1942, the Commission has provided security holders of public companies subject to the proxy rules a right to have their proposals presented to an issuer's security holders at large and to have proxies with respect to such proposals solicited at little or no expense to the security holders. This right has been provided by the Commission shareholder proposal rule, Rule 14a-8 and its predecessors.

Since its adoption in 1942, the Commission's shareholder proposal rule has undergone a number of revisions designed to better define and refine the various procedural and substantive provisions of the rule and to assure the goal of effective shareholder communications. Each of these revisions assumed the desirability of continuing the basic regulatory framework reflected in Rule 14a-8.

The most recent revision of Rule 14a-8 was proposed in October 1982. At that time, the Commission requested public comment on three alternative approaches for the continued regulation of shareholder proposals. Two of those approaches would have significantly changed the regulatory approach to dealing with the shareholder proposal process. The third approach was intended to maintain the basic framework of existing Rule 14a-8 with some amendments designed to remove procedural provisions not required to further the purpose of the rule, to clarify and simplify application of the rule; to incorporate certain staff interpretations and practices employed in administering the rule; and to minimize opportunities for abuse of the shareholder proposal process.

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In August 1983, the Commission adopted the revisions to Rule 14a-8 reflected in the third alternative which maintained the basic framework of the traditional approach to regulating shareholder proposals. The Commission acted after carefully considering the views of almost 400 commentators who responded to the Commission's request for comments on the proposed amendments. Those commentators including representatives from the corporate community as well as over 200 individual shareholders who are frequent users of the shareholder proposal process overwhelmingly endorsed the retention of the traditional approach.

The amended rule represents the Commission's view of the most equitable and effective means of safeguarding the right of the individual shareholder to present for shareholder action matters he deems important to shareholders at large. At the same time the new provisions are designed to provide for their right without imposing upon issuers and the other shareholders an added financial and administrative burden where the proponent has no measured interest in the issuer, or where the proposal is either inappropriate for shareholder action or not of interest to the shareholders as a group. The staff has carefully monitored operations of the amended rule in this first full year since its adoption, and will continue to do so as part of its ongoing evaluation of the proxy rules. For your information, I am enclosing a copy of both the proposing and adopting releases which amended the shareholder proposal rule.

Sincerely,


John J. Heber
Director

Enclosures