

GENERAL ELECTRIC COMPANY

GENERAL OFFICE
SCHENECTADY, N. Y.

1 River Road
SCHENECTADY, N. Y.

SEP 14 1942

Referred

To By Date September 12, 1942

Securities and Exchange Commission
Mr Milton V. Freeman
Assistant to the General Counsel
Philadelphia, Penna

140-2-X-14

Gentlemen:

We appreciate the opportunity you have given us to comment on the proposed draft of the amendments to the Commission's proxy rules.

In general, we think that this is a very inopportune time to add to the burden of corporations with listed securities, particularly those who are engaged in the war effort. These rules will most certainly add to our work, as pointed out later. We are constantly losing men from our accounting and general office organizations to the armed forces and the volume of our reports to the Government is increasing. As an example, we have just prepared a record of reports, exclusive of tax, O.P.A., Priorities, and social security reports which we are now making to branches of the Federal Government, and they total over 400. Our experienced clerical personnel is more overburdened than it has ever been in the history of the Company.

While from a theoretical standpoint no fault can be found with the proposal to furnish investors with additional data, yet as a practical matter, we believe that much more effective control can be established with respect to corporate ethics if the Securities and Exchange Commission would act in the capacity of "friend of the investor". Under such a policy detailed statements certified to by independent accountants would be required to be filed with the Commission, who would then be in a position to examine such data more carefully and certainly more intelligently than the average investor and to arrange for the correction of matters that are not proper or ethical. Of course, if the Commission did not care to take so much responsibility, the stockholders could be notified that such data is on file with the Commission and copies would be furnished to those who are interested.

In the event that some change is deemed absolutely necessary in spite of possible interference with our war effort we wish to comment on certain specific proposals.

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It is our sincere feeling that no good purpose will be served by any further publication of individual salaries than is now made. From management's standpoint, stockholders are in no position to judge the value of services rendered by individuals, and such publication usually satisfies only an idle and malicious curiosity and in some cases leads to internal friction. If any further publication is desired the proposed table, classifying without naming the persons who received remuneration in excess of \$25,000 would give adequate information on this point to any investor.

The requirement for furnishing either a consolidated financial statement or individual financial statements of affiliated companies would necessitate a change in our whole schedule, since it has not been possible for the General Electric Company to obtain detailed information for such reports from its far-flung affiliates until some time after the present date of its annual meeting in the middle of April. This information, which has been furnished the Commission on Form 10-K, has usually not been available until the latter part of June. All of this would involve a tremendous additional burden on our accounting department, at present more than fully occupied with the details of accounting on the many war projects the Company has.

Another very important point, we feel, is the right given under the new rules to any securityholder, no matter how small his interest, to force the Company to air his proposals and grievances by publication to all the stockholders. It seems to us that it is not reasonable to require 200,000 stockholders to pay for the publication and distribution to them of the personal views of the holder of one share of stock, especially since our experience has been that the really vociferous stockholders are those with some entirely unjustified personal grievance. The rules would apparently require the corporation to edit and put into proper form such a stockholder's proposal. This, we believe is unreasonable. A securityholder should, at the minimum, be required to place his proposal in the proper form for distribution over his own signature, and furnish the same information regarding it as the management is required to furnish regarding its proposals. Furthermore, he should be required to show support of a reasonable percentage of stock for his proposal. This latter requirement would eliminate all proposals of a frivolous or personal nature.

There are other matters which would make the proposed rules very difficult to operate, such as the fact that it has been found almost impossible to have the stockholders indicate their wishes, either affirmatively or negatively to a proposal. A test check shows that the last time this was attempted only 25% of the proxies returned were so checked.

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There are many other detailed changes which should be made to make the rules operate successfully, and we would be very glad to make arrangements to have representatives of our Company who have given these rules careful study, and who are familiar with the practical operation of such things as the time required for printing reports, etc., discuss them with representatives of the Commission.

Yours very truly,



SECRETARY

WWTrench:MM