

GENERAL MILLS, INC. • EXECUTIVE OFFICES  
Number One General Mills Boulevard • Minneapolis, Minnesota

September 25, 1991

The Honorable George Bush  
President  
The United States of America  
The White House  
Washington, DC 20500

Dear Mr. President:

The SEC is pushing a set of radical proposals that would abandon the historic SEC public disclosure requirements and truthfulness reviews on communications which are designed to influence the outcome of proxy contests.

The entire corporate community is exceptionally concerned that these proposed rules would give unchecked power to a small number of very large public pension funds. Today, the top 30 pension funds and money managers control approximately 15 percent of the equity of the ten largest American corporations, a number which is expected to rise to 29 percent by the end of the decade.

This growing market power in the hands of financial intermediaries who are not themselves the owners of the stock, but simply manage it on behalf of beneficial owners, is in itself a cause for some concern.

The SEC's proposal would permit these enormous, concentrated institutional holders to actively solicit support for a proxy proposal in secret. Because there would no longer be public disclosure, no one else would have the opportunity to respond -- neither management nor other shareholders who might disagree with the solicitor. Individual shareholders would not even be aware such an active campaign was under way, or of the issues involved, until the deck was already stacked.

My colleagues understand that people such as Elizabeth Holtzman and Bob Monks have a perfect right to encourage others to adopt their views on proxy resolutions, but we would at least like to know what they are saying. Free and open debate is stifled when only one side must make its arguments openly, while the other is permitted to make them in secret.

The related proposal to eliminate prior review of solicitation materials by the SEC staff for truthfulness is another major concern. Chuck Corry of USX told me that he's been through two proxy fights in as many years and has been required to submit materials for review and challenge by the SEC. If you say your oil business is improved, they make you prove it or change the statement." While he at first thought this was "a pain in the neck" he quickly came to appreciate

the virtue of the system “because Icahn’s statements were also subjected to the same scrutiny and challenge and this kept the discourse honest.”

I have spoken with and written to Richard Breeden about this subject on several occasions and, apparently, I’ve not had much of an impact on his thinking or in getting him to understand the gravity of what he’s proposing. A reporter who covers the SEC for a major national daily recently commented privately, “The SEC is going to ram this down their (referring to The Business Roundtable) throats and go on to the next thing.”

My colleagues at The Business Roundtable are very upset with this situation since we seem to be unable to make any headway with the SEC. I would certainly appreciate any advice and assistance that you can provide in this urgent and dangerous situation. American industry dominated by the public pension funds and other financial intermediaries would become risk-averse and would slip in world competitiveness.

Yours very truly,

Bruce Atwater

MBA:dt