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U.S. Securities and Exchange Commission



General Electric Settles SEC Action for Disclosure Failures in Connection with Its Former CEO's Benefits Under His Employment and Retirement Agreement

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Washington, D.C., Sept. 23, 2004 — The Securities and Exchange Commission announced today that it has instituted settled enforcement proceedings against General Electric Company. The Commission charged that GE failed to fully describe the substantial benefits it had agreed to provide its former chairman and CEO John F. "Jack" Welch, Jr., under an "employment and post-retirement consulting agreement." GE settled the proceedings by consenting to the entry of an Order that it cease and desist from violating the proxy solicitation and periodic reporting provisions of the federal securities laws.

"Shareholders have a clear interest in knowing how public companies compensate their top executives," said Paul R. Berger, Associate Director of the SEC's Division of Enforcement. "Compliance with SEC disclosure rules ensures that shareholders are provided a full and accurate understanding of senior executives' compensation arrangements."

The Commission found that in proxy statements and annual reports filed with the Commission from 1997-2002, GE failed to fully and accurately describe the retirement benefits Welch was entitled to receive from the company. In December 1996, GE and Welch entered into an "employment and post-retirement consulting agreement" under which Welch agreed to continue as CEO until he was 65 and serve as a consultant thereafter. In the agreement, Welch received, as his principal form of compensation, lifetime access to the perquisites and benefits he had received as GE's chairman and CEO. GE's proxy statements only referred to Welch's entitlement to "...continued lifetime access to Company facilities and services comparable to those that are currently made available to him by the Company," but did not provide any other specific information about the "facilities and services" Welch would receive in retirement.

The agreement itself, which was appended as an exhibit to GE's 1996 annual report, stated that Welch was entitled to receive in retirement "continued access to Company facilities and services comparable to those provided to him prior to his retirement, including access to Company aircraft, cars, office, apartments, and financial planning services," but did not provide further meaningful and complete disclosure of those "facilities and services." Moreover, GE made no other disclosures in its SEC filings that allowed investors to understand the nature and scope of Welch's retirement benefits-specifically, investors could not learn from GE's previously filed proxy statements many of the most significant "facilities and services" Welch had been provided prior to his retirement, including personal use of GE-owned aircraft, personal use of chauffeured limousines and home security systems.

The Commission further found that in the first year following Welch's retirement in September 2001, Welch received approximately \$2.5 million in benefits under the agreement, which included access to GE aircraft for unlimited personal use and for business travel; exclusive use of a furnished

New York City apartment that, according to GE, in 2003, had a rental value of approximately \$50,000 a month and a resale value in excess of \$11 million; unrestricted access to a chauffeured limousine driven by professionals trained in security measures; a leased Mercedes Benz; office space in both New York City and in Connecticut; the services of professional estate and tax advisors; the services of a personal assistant; communications systems and networks at Welch's homes, including television, fax, phone and computer systems, with technical support; bodyguard security for various speaking engagements, including a book tour to promote his autobiography *Jack: Straight from the Gut*; and installation of a security system in one of Welch's homes and continued maintenance of security systems GE previously installed in three of Welch's other homes.

The Commission concluded that GE's inadequate disclosures violated Sections 13(a) and 14(a) of the Securities Exchange Act of 1934 and Rules 13a-1, 14a-3 and 14a-9 thereunder. Without admitting or denying the Commission's findings, GE consented to the issuance of the Order, which orders GE to cease and desist from committing or causing any violations and any future violations of the foregoing statutory provisions and rules.

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► Additional materials: [Administrative Proceeding Release 34-50426](#)

<http://www.sec.gov/news/press/2004-135.htm>