

GE Elects Ex-Chairman of Vanguard to Board

Wall Street Journal

Kate Linebaugh and Joann S. Lublin

July 30, 2012

General Electric Co., still struggling to get investors excited about its prospects, has named a person affiliated with its biggest shareholder to its board.

The chairman emeritus of Vanguard Group Inc., John Brennan, was elected as a director on Friday, expanding the board's ranks of independent directors to 16. Mr. Brennan, who remains a Vanguard senior adviser, is also the lead governor of the Financial Industry Regulatory Authority, the financial industry's self-regulatory body.

"Jack Brennan knows what shareholders care about and what good governance looks like," GE Chief Executive Jeff Immelt said in a statement. GE says Mr. Brennan's regulatory experience and background will be beneficial for the company.

GE executives have long expressed frustration that the financial community doesn't fully value the changes in the conglomerate's portfolio and the turnaround in its financial performance. They see that disconnect as responsible in part for the company's share price languishing around \$20.

GE shares fell 0.6% Monday to \$20.80 but have been on the upswing, outperforming peers like Honeywell International Inc. and United Technologies Corp. over the last three months. Of the 16 analysts who rate the stock, 12 have recommendations to buy and four have holds, with a mean target price of \$22.58, according to data from Thomson Reuters.

Still, GE stock hasn't regained ground lost during the 2009 financial crisis, when troubles at its GE Capital finance arm pulled the share price below \$6 a share. In the past four years, Honeywell shares are up 7% and United Technology is up 14%, while GE shares have fallen 31%.

Last week, Bernstein Research analyst Steve Winoker cut his rating for GE stock to market perform, seeing little to support a jump beyond his target of \$22.

Bringing a representative from an investor onto a board is unusual, according to some governance experts. "Mutual funds have generally avoided board representation, because it creates legal issues for money managers," said Lucian Bebchuk, a Harvard law professor and head of the law school's corporate-governance program.

A Vanguard spokeswoman says there is no conflict because Mr. Brennan isn't involved in the day-to-day management of the investment company. Mr. Brennan already holds several other corporate directorships. He is a board member of Guardian Life Insurance Co. of America, a mutual insurer, as well as of publicly traded Hanover Insurance Group Inc. and LPL Financial Holdings Inc., according to Guardian's website.

Several of GE's board members are getting close to the mandatory retirement age of 75. Earlier this year, GE extended the retirement age from 73.

For the past three years, the board has asked for special dispensation to re-elect Penske Corp. Chairman Roger Penske to the board even though, at 75 years old now, he had been over the age

limit. He has been on the board since 1994, making him the second-longest serving board member after Douglas Warner III, former chairman of J.P. Morgan Chase & Co.