



GENERAL MILLS

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August 13, 2009

VIA E-MAIL: rule-comments@sec.gov

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Facilitating Shareholder Director Nominations - File Number S7-10-09 (Release Nos. 33-9046; 34-60089 and IC-28765)

Dear Ms. Murphy:

On behalf of General Mills, Inc., we respectfully submit our comments on the Securities and Exchange Commission's proposed changes to the federal proxy rules set forth in Release Nos. 33-9046; 34-60089 and IC-28675. We recognize the importance of ensuring that shareholders have a meaningful right to nominate and elect directors, and we thank the Commission for its thoughtful consideration of the role that the federal proxy rules play in protecting those rights. We appreciate this opportunity to express our thoughts and concerns regarding the proposal.

We are concerned that requiring proxy access for all companies is not an appropriate response to recent economic events, and rather than addressing issues of board accountability, may actually undermine board effectiveness. We believe that shareholders and boards should have the right to decide on a case-by-case basis whether proxy access is necessary for their companies, and if so, to determine what form that right should take. As such, we do not support the mandatory proxy access right applicable to all public companies under the Commission's proposed Rule 14a-11.

Instead, we are asking the Commission to encourage engagement among shareholders, boards and management to develop tailored, company-specific director nomination rights. We believe that would best be accomplished by amending Rule 14a-8(i)(8) to permit proxy access proposals. If nevertheless the Commission adopts Rule 14a-11, we would suggest a number of revisions to ensure the proper balance between facilitating director nominations and protecting the interests of all shareholders.

General Mills has a long-standing commitment to good corporate governance practices. These practices provide an important framework within which our board of directors and management pursue the company's strategic objectives, deliver superior results and work to ensure the company's long-term vitality for the benefit of shareholders. The cornerstone of our practices is

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an independent, qualified and engaged board of directors. Currently, 13 of our 14 board members are independent outside directors, all board committees are composed entirely of independent directors, and our independent directors meet in executive session at each board meeting. All directors are elected annually by a majority of votes cast by shareholders. The board carefully evaluates each incoming director candidate based on selection criteria and overall priorities for board composition that are periodically re-examined by the corporate governance committee with input from the rest of the directors. The board is also committed to practices that promote board and management accountability and clear, meaningful communication with shareholders. We regularly engage our shareholders on a variety of issues, and we are continuing to look for ways to further enhance and increase those communications.

General Mills is one of the largest consumer foods companies in the world, with annual sales in excess of \$14 billion and more than 30,000 employees in the United States and around the world. Our products are enjoyed every day by millions of consumers around the world. General Mills has more than 400,000 shareholders and has historically delivered sustained, consistent growth in net sales, profits, earnings per share and returns to shareholders. The company has been listed on the NYSE since 1928, and together with its predecessor firm, has paid regular dividends without interruption or reduction for 111 years. Our management and board are focused on achieving superior financial performance for our shareholders, providing consumers with a wide variety of high quality food products, enriching the communities where we operate, and maintaining a world-class workplace for all of our employees.

Proxy access as proposed in Rule 14a-11 will not enhance corporate governance at most public companies and will not further the long-term best interests of shareholders.

While we strongly agree that shareholders should have a meaningful right to elect directors and participate in the nomination process, we do not support the mandatory, uniform approach outlined in proposed Rule 14a-11. The Commission's release states that the proposed rule is in response to the recent economic crisis and is intended to address concerns about the accountability and responsiveness of some companies and boards of directors. In fact, there is no wide spread crisis of board leadership or accountability among public companies in the United States. The failings that are cited by the Commission are extremely limited and isolated, and the companies in question make up a small subset of all publicly held issuers. The vast majority of public companies are led by engaged, responsive boards and did not contribute in any way to the recent crisis. Applying the proposed rule to all public companies is not an appropriate response to recent economic events and is not necessary to improve board accountability and responsiveness.

Most public company boards in the U.S. remain accountable, engaged and responsive to the concerns and interests of shareholders. Over the past several years, public companies have widely adopted governance practices that have increased the independence of boards and brought more focus and attention on strategic planning, executive compensation, and risk management. These developments have further reinforced board accountability to shareholders and serve to ensure that director elections are not formalities.

- Nearly 70% of S&P 500 companies have adopted majority vote standards for the election of directors and the prevalence of staggered boards has declined significantly.

- The recent amendment to NYSE rule 452 to eliminate broker discretionary voting in director elections will increase the influence of shareholder votes by making it more difficult for directors to obtain majority votes and by increasing the impact of “vote no” or withhold campaigns.
- In response to changes in exchange listing requirements, board independence has increased significantly, key board committees are composed entirely of independent directors, and independent directors regularly meeting in executive session without management.
- Expanded scrutiny and disclosures concerning executive compensation has focused greater attention on the performance of compensation committees and boards.
- A proliferation of precatory and binding shareholders proposals has significantly increased the frequency and substance of engagement among management, boards and shareholders. A contemporaneous increase in the percentage of proposals withdrawn reflects the constructive dialogue between companies and investors.

Director elections are very real, and boards have never been more responsive to the concerns of shareholders.

The nominating or corporate governance committee of a company’s board of directors is in the best position to evaluate and nominate candidates for election to the board. The nominating committee draws on its understanding of the company’s business, strategic priorities and board composition to establish selection criteria and identify individuals who will best contribute to the overall make-up and strength of the board. This has long been recognized as the best process to ensure that the shareholders are presented with a set of board sponsored director nominees that will successfully guide the company’s strategy. Rightfully, these nominees are presented in the company’s proxy materials. Absent rare and extraordinary circumstances, competing shareholder nominees, whose qualifications and interests have not been vetted through such a process, should not be presented in the company’s proxy statement alongside the nominees supported by the recommendation of the full board of directors.

The potential negative impacts of proxy access on companies and their boards outweigh the benefits. Nominating shareholders and their director nominees may pressure the company and the board to focus on short-term strategies at the expense of the long-term interests of the company and its shareholders. Shareholder nominated directors may also come to the boardroom with specific agendas and special interests that demand the board’s attention and distract it from addressing more important issues. The presence of even a single director committed to the advancement of narrow agenda or single issue would be very disruptive and damaging to the overall effectiveness of the board. Furthermore, soliciting proxies in support of board nominated candidates in a proxy contest will require significant time and attention on the part of management and the board and require the company to incur substantial expense.

We are also concerned that the proposed rule will increase the disproportionate influence of proxy advisory firms. On many important issues regarding director elections and shareholder proposals, the voting recommendation of a single firm, RiskMetrics, often determines the outcome. In these instances, the policies and views of a single organization with no ownership interest in the issuer have supplanted the will of the shareholders. RiskMetrics’ growing influence has made it increasingly difficult for companies to influence shareholders through

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direct communication and engagement. With respect to director elections, this power has been significantly increased by the adoption of majority vote standards and the elimination of broker discretionary voting in director elections. The fact that a single unregulated, potentially conflicted organization has this much influence in determining the leadership and governance structure of U. S. companies is a source of significant concern for us.

We urge the Commission to focus instead on amendments to Rule 14a-8(i)(8) that would give shareholders greater input on the director nomination process.

Allowing shareholders to impact the director nominations process will facilitate reform at companies where there is a need for reform, and will allow shareholders, boards and management to tailor that reform to the specific circumstances of the company. Furthermore, it presents an incremental approach to reform, allowing shareholders to build on existing director nominations processes, and allowing the Commission to build on existing regulatory and statutory authority.

Shareholders should participate in the director nomination process, and there are already procedures in place allowing them to do so. Like many other companies, we invite our shareholders to recommend board nominees. The Corporate Governance Committee of our board of directors considers these recommendations using the same criteria applied to board-nominated directors. If a shareholder does not believe that the board has made the correct determination with regard to his or her director nominees, he or she has the right to nominate directors outside of our company's proxy statement, and our bylaws set forth procedures for ensuring that those nominees will be presented in a timely and orderly manner to the shareholders at our annual meeting. The Commission's e-proxy rules now allow shareholders to solicit proxies for a director nominee without incurring the expense associated with printing and delivering proxy materials. Furthermore, recent amendments to the Delaware General Corporation Law expressly permit bylaw provisions requiring reimbursement of expenses incurred in connection with shareholder director nominations.

There are important benefits to reforming the director nominations process incrementally through shareholder proposals. It is difficult to dispute the growing efficacy of shareholder proposals. Over the past few years, many companies have adopted board-related reforms such as majority voting for director elections, the elimination of staggered boards and appointment of lead directors, in response to proposals from shareholders and the resulting discussions. The proposal process also yields other benefits. It is more flexible and potentially more cost-effective in comparison to a federally mandated solution. It allows for a broad base of shareholders to vote on and influence changes to the director nominations process. It also facilitates incremental reform that permits companies to work through the mechanics required for greater shareholder participation.

The right of shareholders to nominate directors and the process for making such nominations is fundamentally a matter of state law. Amending 14a-8 avoids legal issues concerning the Commission's authority to adopt a federal proxy access rule, and instead, builds on existing shareholder rights under state law. Recent amendments to the Delaware General Corporation Law make clear that a Delaware corporation's bylaws may specifically address whether and

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under what circumstances a shareholder nominee will be included in the company's proxy statement.

Boards and shareholders should be allowed to determine the nominating procedures and rights that best serve the individual and unique circumstances of each company. They should be free to discuss and determine whether proxy access is appropriate for their company and if so, whether different ownership thresholds, holding periods or triggering events best meet the company's specific circumstances and requirements. By mandating a uniform set of requirements for all companies, the Commission's proposed rule denies boards and shareholders of the opportunity to pursue rights granted under state law to establish appropriate nominating procedures.

As an alternative to adopting proposed Rule 14a-11, we urge the Commission to amend only Rule 14a-8(i)(8) to allow shareholders to submit proxy proposals and engage with boards to establish proxy nominating procedures within the framework provided by the various state corporate statutes.

In connection with any amendment to Rule 14a-8(i)(8), we also ask that the Commission consider increasing the ownership requirements for proposing a proxy access bylaw amendment. Under the current rules, a shareholder may submit a proxy access proposal if the shareholder has continuously held at least \$2,000 in market value, or 1% of the shares entitled to vote on the proposal for at least one year. Given the significant impact of proxy access rights, we suggest that a shareholder be required to own more than 1% of the company's outstanding stock and to have continuously maintained such ownership for more than one year prior to submitting the proposal.

If the Commission adopts a uniform system of proxy access for shareholder nominations, we ask that it consider a number of changes to Rule 14a-11 as proposed.

The proposed proxy access rule will have a significant impact on director elections and board governance. Access should be available only to significant, long-term shareholders and under limited circumstances that demonstrate a clear failure of board accountability and effectiveness. As such, we ask that the Commission make a number of changes to proposed Rule 14a-11.

To be eligible to use the company's proxy materials, shareholders must be required to demonstrate a significant financial interest in the company and a long-term commitment. We recommend a 5% ownership threshold for individual shareholders and an aggregate 10% threshold for shareholder groups. Shareholders should be required to have held their shares at the required ownership level for at least three years. We do not agree with the Commission's conclusion that a lower ownership threshold is needed for large accelerated filers. It is not unusual for large issuers to have highly concentrated stock ownership, nor is it unusually difficult for larger investors to acquire and hold positions well in excess of our recommended 5% ownership threshold. In the case of General Mills, at least one shareholder has satisfied the 5% ownership level in each of the past six years. Currently, more than a dozen of our shareholders own more than 1% of our stock and more than 25 shareholders own more than .5% of our stock. The data cited by the Commission in its release does not demonstrate substantial differences in

ownership concentration among large versus small companies and does not support a tiered approach.

In addition to satisfying the initial ownership requirement, investors should be required to satisfy the ownership threshold through the date of the shareholder meeting and should represent to the company that they intend to continue to own the shares for at least one year following the election of their director nominee. If a nominating shareholder is unable to provide proof of the required ownership on the date of the shareholder meeting, the shareholder's nominee should not be presented for election at the meeting.

The right to proxy access should be subject to the occurrence of triggering events that raise serious concerns about a board's accountability or that clearly demonstrate a board's failure to fulfill its fundamental duties. Triggering events may include the board's refusal to act on shareholder proposals approved by a majority of shareholders or failure to accept the resignation of a director who receives less than a majority vote for two consecutive years. Requiring two consecutive years in the case of a failure to receive a majority vote permits the board to explain the reasons why it did not accept the resignation in the first year and allows shareholders to evaluate those reasons in the following election. The triggering events should not include events that are not clearly linked to board performance, including poor economic performance or earnings restatements.

Shareholders should be limited to one proxy access director nominee per annual meeting. The goal of facilitating nominations by a single shareholder or small group of shareholders must be balanced against the interests of all shareholders in having an effective, cohesive and focused board of directors. Multiple directors elected under the proposed 25% standard will be much more likely to disrupt the effective operation of the board, without offering shareholders meaningfully greater representation. Shareholders that seek to gain greater influence or control should be required to pursue those objectives through the traditional proxy contest process. In circumstances where multiple eligible shareholders have nominated competing directors, the nominee of the shareholder that has held its shares for the longest period of time should be included in the proxy, rather than the nominee of the first shareholder to submit a nominee.

Shareholder nominees should meet the eligibility requirements established by the company for all of its directors, and the eligibility determination should be made by the company's existing nominating or corporate governance committee. In addition to independence standards set forth in exchange listing standards, many companies impose additional independence standards, requirements driven by specific regulatory concerns, ownership guidelines and other requirements that the board has determined are critical for its directors. A company should not be required to make available its proxy materials for the election of a director nominee who does not meet the requirements applicable to all other directors. To limit the possibility of conflicted, special interest directors, proxy access nominees should not be affiliated with the nominating shareholder.

If a proxy access nominee fails to receive more than 40% of the vote, the nominating shareholder should not be allowed to submit another candidate for two years. In a contested election where the outcome is determined by a plurality vote, receiving less than 40% of the

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votes cast is a strong indication that other shareholders have rejected the director nominee. This measure will encourage the nominating shareholder to choose a candidate that will meet with the approval of, and represent, the larger shareholder base.

Finally, we encourage the Commission to delay the effectiveness of any proxy access rule until the 2011 proxy season. This delay will provide issuers with the necessary time to review and revise their bylaws and other processes to allow for proxy access procedures. It will also allow others in the proxy delivery and tabulation industry to develop systems and proxy instructions for an orderly vote on competing director nominees.

Thank you again for providing us with an opportunity to comment on the Commission's proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Roderick A. Palmore". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Roderick A. Palmore