

NATIONAL POST

Direct proxy access gaining momentum; Pressure coming from investors, activist says

Saturday, April 14, 2007

Les Greenberg sees himself as a sort of trailblazer in championing the rights of small investors in publicly traded companies in America.

The long-time financial attorney -- he has been practising (sic) law for the past 35 years -- formed the Council (sic) of Concerned Shareholders six years ago. The target -- the poor performance of a Texas cafeteria chain named Luby's Inc. in which he and others owned shares.

"I got into shareholder rights because of a bad investment," he says from his Culver City, Calif., office. "We were the first group to organize through the Internet and it cost next to nothing. We managed to get 23% of the votes."

Mr. Greenberg and other shareholders were worried that Luby's then-management was going to bankrupt the chain. The stock had sunk as low as US\$1.

Luby's management relented -- "they will never admit it, of course," says Mr. Greenberg -- and two Texas restaurateurs, Chris and Harris Pappas, were brought on to the management team.

Today, Luby's trades at around US\$10 and operates 128 restaurants in Texas.

For Mr. Greenberg, the Luby's cause represents what is now the cutting edge of small-investor rights -- being able to put independent directors up for election at the annual meeting.

...

A much more far-reaching movement, the right of shareholders to add independent directors -- called direct proxy access -- to the ballots at annual general meetings, as well as the right of shareholders to set executive compensation, has been gaining momentum.

"I think what's happening is there is real pressure coming from shareholders," Mr. Greenberg says.

...

Mr. Greenberg says the difficulty in getting changes often stems from institutional investors, which own more than 59% of all listed corporate stock in the United States.

He says institutional investors such as mutual funds have no genuine interest in seeing independent directors on boards because of inherent conflicts of interest.

...

Of course, there is always public embarrassment, says Mr. Greenberg.

"CalPERS is very good at that," he says, referring to the California Public Employees Retirement System. CalPERS is a major institutional investor.

For the past 15 years, it has published a list of underperforming companies which restrict shareholders rights.

For Mr. Greenberg, the changes are coming too slowly. While he says allowing investors to set executive pay is a noble exercise, he believes the most important change must be to allow shareholders to nominate independent directors. "I've always said --go for the jugular."