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Director accountability at corporations

Your Oct. 31 editorial "Shareholder Power" does not go to the heart of the issue. The proposed rule implies that public confidence in the securities markets can be restored only by trusting institutional investors to be watchdogs of boards of directors. Public confidence will be restored, however, only when individual shareholders can use the shareholder-proposal procedure to nominate director candidates, and thus function as their own watchdogs by acting, when necessary, to seek accountability at the more than 9,000 corporations that have publicly traded securities.

Mutual funds are so severely conflicted that they will not avail themselves of the alleged benefits of the proposed rule. Pension funds do not need the alleged benefits of the proposed rule to engage in low-cost proxy contests. Corporate ownership is concentrated with institutional investors. Filing a bare-bones proxy statement with the SEC and securing the votes of, at most, 30 institutional investors does not present a large financial burden. The Committee of Concerned Shareholders engaged in an effective proxy contest, with an out-of-pocket expenditure of less than \$15,000. (The committee is the first grass-roots shareholder group to conduct a formal proxy fight.)

If the past is prologue, institutional investors alone will not have the interest to nominate candidates at many corporations. Director accountability should be promoted at more than a few corporations. Individual shareholders should be able to act as their own watchdogs in protecting their investments.

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