

Shareholders battle corporate 'coronations'

By Andrew Countryman

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It is, to some corporate governance activists, the Holy Grail.

For years, they have complained that elections for corporate directors are rigged and that it's all but impossible to dislodge bad directors who still have the support of management.

Unless shareholders can nominate directors and vote in contested elections, they argue, boards are accountable to no one but the executives they're supposed to be supervising.

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[T]he idea is gaining momentum.

Backers are urging the Securities and Exchange Commission to amend current rules to allow shareholders to nominate directors. ...

Proponents cast the issue in relatively fundamental terms: The U.S. is a democracy, and shareholders own the company, so why shouldn't they be able to nominate directors and have a real choice?

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Most proponents are targeting the rulemaking process. The Committee of Concerned Shareholders, which began as a group of dissidents who waged a proxy contest at Luby's Inc., and CorpGov.net editor James McRitchie filed a petition last summer urging the SEC to allow shareholder nominations, saying: "Shareholders generally have no real choice. ... The real election for directors occurs within the boardroom, with shareholders relegated to a rubber-stamp process of affirmation."

That petition has generated dozens of supportive letters to the SEC.