Los Angeles Times

LETTERS

Fear Will Motivate Corporate Changes

May 12, 2005

"Vote Urges BofA Curb on Severance" [April 25] states, "The measure (shareholder proposal, if passed) is only a request that the company's board could reject or modify." Many institutional investors and individual investors delude themselves into thinking that they have some positive impact on corporate governance by simply sponsoring nonbinding shareholder proposals. Most of the proposals that pass are never implemented.

And, even when implemented, no one can determine that the implementation enhanced shareholder value. Some advocate more/ better disclosure of corporate information. The more/better disclosure approach incorrectly assumes that problems will correct themselves with such disclosure. Shareholders need an effective means to cause their respective board of directors to cure problems.

If SEC rule/law changes were made whereby director-nominations by shareholders are required to be included in the corporation's proxy materials at no cost to the shareholder's nominee(s), such would have a very positive impact upon corporate governance. Corporate directors will only improve corporate governance out of fear. If the presently entrenched corporate directors fear that they can be easily replaced by irate shareholders, the true owners of the corporation, then governance will change for the better.

Les Greenberg
Culver City