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Face the music

BRACED FOR ANOTHER HARANGUE from an itinerant corporate gadfly, my fellow directors were surprised when he lauded the board at our annual shareholders' meeting this winter. Although he began by questioning why we had chosen the coldest day of the year to hold the meeting, intimating it was to keep attendance down, he ended by complimenting the directors for sitting up on the podium facing our shareholders. In his 40 years of attending (agitating may be more precise) shareholder meetings around the country, he noted that he rarely saw directors sitting "eyeball-to-eyeball with their owners and facing the music."

Thinking back on the scores of annual shareholder meetings I had attended over the years, I was surprised that I could not recall any other board where I sat face-to-face with stockholders. More typically I sit with my fellow directors facing the podium. At the beginning of the meeting the chairman introduces each director who, in turn, stands and nods to the assembled audience. We then settle back in our chairs and watch the show.

Annual shareholder meetings are usually pretty cut and dried; carefully scripted and well-rehearsed performances that march through certain prescribed business such as election, or more often than not, reelection of the outside auditor. The whole process is usually over in under an hour. As one of my fellow directors observed, annual meetings are "Soviet" in their precision and routine. Often the majority of attendees are company employees, and those outside shareholders who

show up often seem more interested in the food and free samples. Few questions are asked and little information is given.

Over the past few years, annual meetings have become a bit more exciting as more controversial issues have come to the fore. In particular, investors are putting forward resolutions that seek to enhance boardroom accountability. For example, proposals advocating stockholder voting

rights over executive compensation, so-called say on pay, are enlivening some annual meetings.

The 2008 proxy season could be one of the most contentious following last year's SEC decision enabling companies to exclude proxy access proposals that relate to director elections. Frustrated with the SEC, pension funds such as CalPERS and AFSCME are submit-

ting access proposals in an attempt to test the agency's decision in court or, alternatively, force the issue onto corporate proxies. In addition to shareholder access proposals, public and private pension funds are championing majority threshold voting, reimbursement of proxy solicitation expenses, and limitations on uninstructed broker voting.

With all these proposals, the 2008 proxy season is shaping up to be an exciting one. Consequently, directors may not be able to just sit back and glide through another routine annual meeting. Instead, they may need to adopt some reforms. No better way to do so than to face their shareholders while looking out from the podium.



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