

House Democrats Nudge SEC Staff Over Proxy Access

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Wall Street Journal

March 1, 2005

WASHINGTON -- House Democrats are taking issue with a recent Securities and Exchange Commission staff decision to allow Halliburton Co., Verizon Communications Inc. and Qwest Communications International Inc. to exclude shareholder proposals advanced by union-led pension plans.

In a Feb. 24 letter, six Democrats, including Rep. Barney Frank of Massachusetts and Rep. John Dingell of Michigan, questioned whether the agency was backing away from a proposal to give unhappy shareholders greater power to run their own candidates in board elections.

"We are writing to express our disappointment about the recent decision made by the staff," the Democrats wrote. "We are concerned that this decision may indicate the commission's lack of commitment to passing a proposal that would empower shareholders by giving them the limited ability to nominate directors."

Matt Well, an SEC spokesman, declined to comment about the letter. Still, he said that SEC Chairman William Donaldson "believes that something needs to be done on the issue of shareholder access and continues to work toward an approach that addresses legitimate concerns on both sides of the issue."

The SEC in October 2003 proposed rules that would allow shareholders to use company-issued proxy materials to nominate candidates to boards that have shown governance problems. The proposal included a footnote saying that the SEC staff no longer routinely allow companies to block such holder proposals, as long as a majority of those voting at an annual meeting approved a resolution allowing qualifying investors to nominate directors.

But amid criticism from two Republican commissioners and the threat of a lawsuit, Mr. Donaldson dropped his support for the original proposal and is now calling for the agency to go back to the drawing board. In the meantime, the SEC staff reversed course and refused to allow shareholder proposals to be placed on the ballots at Halliburton, Verizon and Qwest.

The Democrats wrote that they would "welcome from the commission any additional proposals designed to increase the responsiveness and accountability of boards of directors to shareholders." Other signatories included Rep. Edward Markey of Massachusetts, Carolyn Maloney of New York, Rep. Diana DeGette of Colorado and Rep. Janice **Schakowsky** of Illinois.

Shareholder advocates have said that giving investors greater input on board elections would help clean up companies that have been shown to have corporate governance problems. Executives have warned that giving investors more say in board elections could leave companies vulnerable to special interests.