

# AGENDA

## E-Proxy Fails to Ignite Proxy Battles

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E-proxy isn't turning into the alternative to proxy access as some shareholders had hoped it would. So far, no shareholder activists have used the electronic proxy option to wage a contest for board seats....

When the SEC passed e-proxy last summer, it brought down mailing costs for shareholders wishing to wage a proxy contest for board seats. The average cost to mail a proxy statement is \$5.64, compared to \$0.43 to mail a postcard alerting a shareholder to an online proxy....

But there are other costs holding activists back, such as legal fees associated with issuing a separate proxy statement. Despite the savings in mailing costs, legal fees are a burden for many shareholders....

There are other challenges facing shareholder activists beyond legal costs. In 2000, lawyer Les Greenberg used an online campaign launched from a Yahoo message board to nominate himself and four other dissidents to the board of Luby's Cafeterias. Greenberg's nominees received 24% support and both of his shareholder proposals passed with about 60% of the vote.

Greenberg says e-proxy probably won't produce more online campaigns like his. That's because under e-proxy, shareholders still have a right to request a paper copy. Those hard copies, because of time constraints, have to be printed before dissident shareholders know how many they will need.

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There's another potential benefit from e-proxy for shareholders — with possibly dangerous implications for incumbent directors and management. Retail investors are about 55% less likely to vote online than if they receive a paper proxy. Retail voters tend to support management more often than institutional investors, says governance expert and publisher James McRitchie. ...