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By Gary Weiss, with Aaron Bernstein in Washington, Michael Arndt in Chicago, and Emily Thornton, Mara Der Hovanesian, and Heather Timmons in New York

Revenge of the Investor

Angry shareholders are investigating brokerage fraud, waging proxy fights, and agitating for securities reform

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Many investors are taking matters into their own hands. They are fighting back-and winning. It's almost as if the Peter Lynch credo of the bygone bull market has been turned on its head. In his classic 1989 book, *One Up on Wall Street*, the legendary former Fidelity

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BusinessWeek has probed the depths of investor activism. The findings are surprising and, in a way, reassuring. If government continues to fall short, investors themselves will step in to do the job.

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Other investor activists are using the Internet to exchange information and put pressure on companies. The initial results have been encouraging. In late 2000, shareholders in the Texas-based Luby's Inc. cafeteria chain got organized through Yahoo! Inc. (YHOO) message boards. As a result, the Committee of Concerned Luby's Shareholders ran its own slate of directors and won a respectable 24% of the vote. The dissidents say they deserve at least part of the credit for the departure of then-CEO Barry J.C. Parker, who they had slammed for failing to boost flagging sales. The committee went on to petition the SEC to make it easier for shareholders to run their own slates of directors. The rule change is pending.

There are limits to this kind of activism. Les Greenberg, a semi-retired California lawyer who heads the Luby's committee, notes that staging a full-fledged proxy contest is something few small investors can pull off. It's complex, expensive, and requires professional assistance.