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States urge SEC to enact changes

The Associated Press

MONTPELIER - Top treasury officials from 10 states and New York City on Thursday urged the Securities and Exchange Commission to enact proposed rules designed to make corporate managers more accountable to shareholders.

They urged SEC Chairman William Donaldson not to buckle under pressure from business groups and the Bush administration to gut the rules allowing shareholders to both nominate and elect corporate board members.

"We are stunned that two years after the tragedies, the meltdowns at companies like Enron and Worldcom and Adelphia, that the forces arrayed against corporate reform ... (are) engaged in a rearguard action that we believe could derail the corporate reform movement before its destination," said California state Treasurer Phil Angelides.

He joined the treasurers of Vermont and Iowa and the comptrollers of New York City and state in a conference call with reporters on the same day that they and the top finance officers of six other states released a letter they had written to Donaldson.

"We need to have greater checks and balances on company executives, and the boards that kowtow to them, in order to turn this economy around," the letter said. "You'll never regain investor confidence until you've fixed the reason it was lost."

The letter also was signed by the treasurers of North Carolina, Maine, Kentucky, Connecticut and Oregon and the head of the California Public Employees' Retirement System.

Vermont state treasurer Jeb Spaulding, who was one of the speakers on the conference call, explained in a separate interview that most corporations currently have their boards nominate new members, and then send a proxy ballot to shareholders to get their stamp of approval.

Spaulding said the system eliminates the possibility of shareholders nominating and electing someone the company's board and management may not favor.

"The key is to get an independent voice or voices into the boardroom," he said.

As things currently stand, corporate boards and managements can and often do ignore the wishes of the majority of shareholders, Spaulding said. He cited the case of Boston-based Gillette Co.

Shareholders voted three years in a row - most recently with 68 percent in favor - to change board members' terms from three years to one. But shareholder resolutions are nonbinding, and Gillette's shareholders' wishes were not followed, Spaulding said.

The treasurers targeted their message at Donaldson because they said he had come under increasing political pressure from business groups and the Bush administration to pull back on the rules.