Title: HOLY SHIT - TELL ME HOW RYAN COHEN IS DOING WHAT CARL ICAHN ATTEMPTED IN 2008 - Carl was pissed about unfair compensation for executives and the powerlessness shareholders had. Sound familiar? - Links in comments (2 screen shots)
Author: disoriented_llama
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United Shareholders of America

Posted by the Harvard Law School Forum on Corporate Governance & Financial Regulation, on Wednesday, December 10, 2008

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Tags: Board independence, Boards of Directors, Say on pay, Shareholder power
More from: Carl Icahn

Editor's Note: This post is by Carl Icahn.

Eliot Spitzer offered up some insightful commentary (Nov. 16, Wash Post) on the public corporation's fall from favor and rightly pointed to basic issues in corporate governance that need reform. He states, "…our corporate governance system has failed. …Boards of directors, compensation and audit committees, the trio of facilitators (lawyers, investment bankers and auditors) whose job it is to create the impression of legal compliance, and shareholders themselves – all abdicated their responsibilities."

If by shareholders, Spitzer means mutual funds and pensions have not actively held boardrooms accountable, I agree with him. Put simply, boards have failed. Why should shareholders stand by on the sidelines? There is no axiom stating that public shareholders have to stand by and witness the demise of the most powerful financial engine in history.

Why should public shareholders be forced to leave so much value on the table because of risks taken by unaccountable management teams and boards? Spitzer says that when his office and the DOJ warned that, "some of AIG's reinsurance transactions were little more than efforts to create the false impression of extra capital on the company's balance sheet," they were "jeered at for attacking one of the nation's great insurance companies, which surely knew how to balance risk and reward." Clearly, many boards such as AIG did not know how to balance risk. And they certainly did not know how to balance reward.

As owners, why would we allow this? The theory of the public corporation is not bankrupt, the practice is. We need critical changes in corporate governance that would go to the heart of the blameworthy lack of accountability between managers and shareholders.

Board members are often hand-picked by managers. The current proxy system is so biased in favor of management that any challenge is prohibitively expensive and generally guaranteed to fail. In theory of the corporation, the shareholders pick the board, and it in turn picks the management. In practice however, the system is turned upside down. Incumbent management picks the issues and board nominees for the proxy statements and distributes the ballots. The shareholders vote and sign their names to the ballots and then send them back to the incumbents, who count them and announce the outcome. And so, there is no true election. There is only one list of nominees! The system is similar to a dictatorship; the difference being that the goon squads protect the dictator, but lawyers protect the board.

And what is the result? Most recently, a financial crisis. Listen to Spitzer. "Boards of directors were

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For:	Public advocacy that promotes increased shareholder influence in corporate governance and shareholder rights enhancement		
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Current Owner(s) Information

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Legal Entity Type:	INDIVIDUAL	**Citizenship:**	UNITED STATES

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