



## California Corporate & Securities Law

# The SEC's Proposed Advisory Vote Rule Favors Large Minority Shareholders

Posted In [Corporate Governance](#)

10/27/2010

The Securities and Exchange Commission continues to pump out rule proposals at “warp speed” in order to meet the mandates of the Dodd–Frank Act. Last week, the Commission issued this [proposal](#) with respect to shareholder advisory votes concerning executive compensation and golden parachute compensation. Because the Dodd–Frank Act requires a shareholder advisory vote on the frequency (1, 2 or 3 years) of advisory votes on executive compensation, the Commission is proposing an amendment to Rule 14a–4 to specify the form of proxy that issuers must use. Although the Commission asserts that it is not specifying the vote required for this advisory vote, the form of proxy proposed by the SEC restricts shareholder to voting for only one alternative. This voting rule gives undue influence to the preference of the largest minority. Therefore, my recommendation is that the Commission allow forms of proxy that may be used with other voting mechanisms such as the Borda count and approval voting. These voting mechanisms can allow shareholders greater flexibility and more choices. More importantly, they will provide issuers with the information needed to determine the preference with the broadest overall support. My [comment letter](#) explains this all in greater detail.

Please contact [Keith Paul Bishop](#) at Allen Matkins for more information [kbishop@allenmatkins.com](mailto:kbishop@allenmatkins.com)

<http://www.calcorporatelaw.com/>