(BW)(CA-CORPORATE-MONITORING) Shareholder Power Proposal Hits Citigroup, GE, Gillette, Others

Business Editors

SAN FRANCISCO, Calif.--(BUSINESS WIRE)--Nov. 9, 1999--The Internet may soon give individual investors substantial proxy voting clout.

A new proposal would let all shareholders access the independent proxy voting advice available until now only to institutional investors. Devised by financial economist Mark Latham, the proposal was recently submitted to Citigroup (NYSE:C), General Electric (NYSE:GE), Gillette (NYSE:G), Pfizer (NYSE:PFE) and Warner-Lambert (NYSE:WLA), for shareholder vote at year-2000 annual meetings. Praised as "a very creative idea" by Nell Minow of activist fund LENS, it could shift considerable power from management to shareowners. Full details are on the Corporate Monitoring website at www.corpmon.com, including reasons for selecting these firms.

Most individual shareowners either vote with management or don't vote at all. They face two obstacles: inconvenient paperwork, and lack of analysis on voting issues. The rapid spread of proxy voting via the internet is eliminating the paperwork. Latham's proposal aims to remove the second obstacle by making available independent professional voting advice.

Investors are rightly skeptical of management's recommendations, given potential conflicts of interest in such matters as compensation, repricing of executive stock options, and takeover defenses. Thus management now faces the prospect of losing the voting support of all those individual proxies. This innovation will also help institutional investors in their efforts to push management to give priority to shareowner interests. They have been hampered until now by management's control of a substantial percentage of proxy votes.

American proxy advisory firms include Proxy Monitor, Institutional Shareholder Services, and Investor Responsibility Research Center. Their main clients are American pension funds, who are required by federal law to vote their stock.

Latham proposes having the company pay for voting advice, instead of each investor paying separate fees to advisory firms as they do now. The advisor would be selected by shareowner vote. Competition among advisors for this group purchase will tend to make the total cost to investors lower than what they pay currently. The resulting corporate tax deduction will reduce the net cost further still.

Not only would individual investors be better informed, but so would many mutual funds who do not now subscribe to advisory services. The combination of better information and lower costs is designed to benefit shareowners of any widely held firm, giving investors greater voice to ensure management accountability. This can be expected to enhance stock returns.

Mark Latham is a financial economist and consultant based in San Francisco. He holds a Ph.D. in finance from MIT's Sloan School of Management. After seven years on the U.C. Berkeley business school faculty, he worked on Wall Street for six years as a derivatives modeler, risk manager and trader for Salomon Brothers and Merrill Lynch in New York and Tokyo. He started the Corporate Monitoring Project in 1997 to improve corporate governance by empowering investors. His extensive publications in this area are listed at www.corpmon.com/publications.htm.

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