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# PROXY

## CHRONICLES

### **DRACONIAN PROXY RULES,**

unscrupulous board members, vicious lawsuits, too few/too many proxies – these are just some of the challenges board members have encountered when voting is required at their meetings. If you've ever served on your board, you may, unfortunately, be no stranger to proxy skirmishes, proxy wars, or in some cases (!) proxy apathy. In the following section, expert attorneys, managers, and board members relate their firsthand experiences with the power of the proxy.

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A recent challenge I had with election proxies occurred when a board member solicited proxies from many of the shareholders in the building. He had another year left on his term and was not running in this particular election. He was at odds with the board members running for reelection and found two other shareholders willing to run for their seats. He was trying to take control of the board. Most of the shareholders were happy with the current board, however, and believed that, by giving this board member their proxy, they were voting for the incumbents, including the sitting president

of many years. It was not until after the election that the shareholders realized that this dissident board member had voted his own slate for his own purposes. The shareholders were outraged that the incumbents had been voted out of office and felt they had been misled. Fortunately, the two new board members resigned and the ousted incumbents were appointed to their positions.

What did the board learn? When preparing the notice of meeting and proxy package, it would be useful to have a proxy statement and/or a detailed letter of explanation to the shareholders explaining the power the proxy gives the proxy-holder. Another approach would be to include the ballot on the proxy, so the shareholder can direct the proxy-holder for which candidates to vote.