

# Between Worlds - Voting Methods Preserve Corporations' Status Quo

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These institutions face their own battles.

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A shareholder is furious.

As far as he's concerned, the board of directors is squandering corporate money. In most corporations, the solution is easy: Sell the stock. Reinvest.

But this shareholder owns shares in a Native corporation, which doesn't allow stock to be sold. The shareholder has only one other way to vent his frustration, vote the directors off the board.

Here's the catch: Some shareholders in Native corporations believe their votes don't count and that the board of directors can stack the votes to keep its own people at the helm.

"No matter what we do, we don't make any difference at all," said Vic Bean, a shareholder in Sealaska Corp. who lives in Hoonah, about 40 miles southwest of Juneau.

Gordon Jackson, president and CEO of Kake Tribal: "It caused so much divisiveness we just decided, let's try it without it and see what happens. The results have been pretty decent."

Native corporations use the same voting system as the rest of corporate America. But the system is far different than what people find in city, state and national elections. Unlike public elections, corporate elections can include

more than one ballot, called a "proxy" and shareholders can issue their own proxy, among many other differences.

Corporate leaders believe the system is a good one because it tends to keep boards stable, so they can carry out business plans to completion. Supporters also say the system gives shareholders more flexibility in voting and a better chance of getting their candidates elected.

"What I think is a lot of the folks who object to the system don't understand it well enough," said Budd Simpson, Sealaska's attorney.

Critics of the system said that's exactly the problem.

"There's a whole voting system within the corporate structure that people plain don't understand," said Hoonah's Wanda Culp, a Sealaska shareholder. "It's as far away from traditional thinking and traditional operations as you can get."

Traditional Native decision-making was largely based on consensus, with considerable weight given to elders. In corporations, voting is based on the number of shares a stockholder owns and involves complex rules on how those votes can be used.

Harold Stein, a shareholder in NANA Regional Corp., finds the system too confusing. He had to get his father, who worked in corporate management, to explain the process to him.

"I had to have a short course with my dad on how to fill out a proxy," said Stein, a Kotzebue electrician.

One of the most complicated aspects of corporate elections is "discretionary voting."

Take, for example, the proxy issued by the board of directors. Shareholders can vote on that proxy for any candidate, or they can check a box for "discretionary voting."

Checking the box is a vote of confidence in the board and tells the board to put the shareholders' votes behind any candidate the board chooses.

That part of the system angers some shareholders because it gives the board an advantage in getting its people elected. For instance, the board may know one of its candidates is popular and will get enough direct votes to win a board seat. But another candidate may have less of a chance to win. So the board puts discretionary votes behind that person, improving the candidate's odds.

What shareholders often don't realize is they can benefit from the system as well. They can come up with their own slate of candidates, send out a proxy so shareholders can vote for those candidates and include on that proxy a box for discretionary voting.

The ability to use discretionary voting for their own slate gives a group of dissidents or independents more power to get its people elected, said Larry Carroll, retired from the state Division of Banking, Securities and Corporations. "You hear them arguing to get rid of discretionary voting and it's like shooting themselves in the foot," Carroll said.

Bean, a critic of the system, said he didn't know shareholders could use discretionary voting to their advantage and that many others shareholders probably don't realize it either.

While Sealaska dissidents often complain independent candidates cannot get elected to a board, about half of the current directors on Sealaska's board were voted in on independent slates, according to Simpson, the corporation's attorney.

Yet, sending out position statements and proxies to Sealaska's 15,700 shareholders could cost thousands of dollars, which many people can't afford, said Joan Dangeli, a Juneau shareholder who unsuccessfully ran for the Sealaska board twice. Dangeli said the high cost of running on an independent slate makes the corporate voting system a poor choice for Alaska Natives, many of whom are already struggling against poverty.

Most Native corporations use the traditional corporate voting system. The few which have dropped discretionary voting include Kake Tribal Corp.; Goldbelt, Juneau's urban corporation; and Kootznoowoo, the village corporation for Angoon, also in Southeast.

"It caused so much divisiveness we just decided, let's try it without it and see what happens," said Gordon Jackson, president and CEO of Kake Tribal. "The results have been pretty decent."

Kake Tribal has saved money with the change, because it no longer spends cash promoting its own slate of candidates, who now pay for their campaigns. The corporation used some of the money instead to raise voter turnout by offering \$25 incentives to the first 100 or 200 people who vote, Jackson said.

Contrary to some expectations, changing Goldbelt's voting system did not destabilize the board, said Joe Beedle, the corporation's president and CEO. "It has not resulted in a significant change in the Goldbelt board," Beedle said. "It has resulted in a feeling of opportunity and fairness of the

shareholders."

However, Beedle doesn't recommend changing the election system in corporations in which families exert strong control or emotional issues sway votes. Such a change in the voting process could allow for a major turnover in directors, hurting the corporation's ability to carry on business.

People don't always realize voting methods are different in business and politics because they serve a different purpose.

"They tend to believe it's democratic," Beedle said. "Free enterprise is not democratic. It's market driven."