

Date:

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Summary:

A bylaw sponsored by the pension fund of the American Federation of State, County and Municipal Employees was deemed invalid by the Delaware Supreme Court. The bylaw would have required CA Inc. to reimburse reasonable expenses to shareholders successful in electing an independent board member.

The SEC had asked the court to decide this case. The court found the bylaw over encompassing and ruled that it would have prevented CA's directors from exercising their judgment by deciding, for example, that in certain cases it would be inappropriate to reimburse dissident proxy contests. After the court's decision, the SEC said CA could exclude the shareholder proposal.

The ruling does not settle the brouhaha concerning the ability of shareholders to nominate independent directors, but it does shift the focus back to the SEC. The ruling may also be instructive in designing similar bylaws which would not incur too far on the board's discretion.

Robert Giuffra Jr., CA's attorney, said the bylaw would have turned CA's directors into rubber-stamping "robots" had it been adopted.

Link to Original:

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Original Title:

Delaware Court Rules for CA in Suit
