Disney Amends Bylaws To Limit 'Poison Pill' Provisions

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LOS ANGELES (AP)--The Walt Disney Co. (DIS) has adopted a plan to limit the use of so-called poison pill shareholder rights plans that are designed to thwart hostile takeovers.

Disney's board voted last week to adopt a version of a plan it first opposed when it was placed before shareholders at the company's annual meeting earlier this year.

The proposal would require that any shareholder rights plan be approved by a majority of the board, including a majority of independent directors.

Such plans typically allow a company to issue additional shares whenever someone acquires a large percentage of the company. The plans are designed to make it more costly for an unwanted suitor to make a hostile takeover bid.

But they are viewed as unfriendly to shareholders because they discourage deals many believe should be put to shareholders for a vote.

The proposal adopted by Disney's board is a version of the one being promoted by Harvard law professor and corporate governance expert Lucian Bebchuk.

Bebchuk had wanted Disney's board to agree to a 75% vote to approve any poison pill. Disney objected, saying the proposal was too inflexible. The company has not had any kind of poison pill provision in place since the late 1990s.

After 58% of shareholders voted in favor of the plan at Disney's annual meeting, board Chairman John Pepper said the company would consider it.

The provision adopted last week also requires that any shareholder rights plan expire no later than one year after adoption, unless extended by a majority vote of the board, including a majority of independent directors. The board could extend a right plan indefinitely, but that action would require a unanimous vote.