

# Paging the boardroom

**CEOs and boards are right to fear losing control of the narrative to the much-feared white paper, says Brunswick's BILL LAUNDER**

**A**m I going to be white papered? For a CEO running a public company, it's the ultimate corporate slapdown. The acerbic, unwieldy "white paper" is a favored weapon in the shareholder activist's arsenal. The activist may know much less about your company than you do, but has suddenly grabbed the spotlight with a dense 100-slide-plus PowerPoint presentation designed to show that he has done his homework and is ready for a fight.

Equal parts manifesto, financial analysis and snark, the white paper frames the narrative around the company the way the activist sees it. The document is designed to put corporate boards immediately on the defensive.

The typical activist white paper isn't light reading but an outside audience might find bits of it entertaining. Mostly it will be heavy on detail, impressive by its sheer volume.

Sometimes, the points raised will be less than obvious to all but the most well-versed readers. Unused patents with significant auction value gathering dust in your corporate portfolio? The possibility of re-incorporating as a real estate investment trust for tax savings? Both are real-life issues raised by activists that had nothing to do with the likes of underperforming business units or executives who failed to pass muster.

The financial media loves a good white paper, both for its insights into the details of the activist's challenge and as a handy source for quippable quotes. Its contents will be dissected and reexamined at every step throughout the campaign. Seemingly trivial points can rapidly turn into soundbites that dart

across social media and news outlets. They are memorable and they stick.

Dan Loeb's hedge fund Third Point accused the management at Sotheby's of being "asleep at the switch" in a much-quoted excerpt from the fund's white paper on the auction house. Jeff Smith of Starboard Value presented a nearly 300-page white paper on Darden Restaurants detailing waste at operations such as the Olive Garden chain, including servers bringing diners too many breadsticks, as well as a gripe about the absence of salt in its pasta water (to increase the longevity of its pans).

Topping them all was Bill Ackman's 342-slide lecture to investors on Herbalife, an epic exposé that portrayed the health products company as a pyramid scheme. The presentation fueled a multi-year fight involving some of activism's biggest names and helped shatter the share price.

What does this mean for companies and boards worrying about being blindsided by an activist attack? Bottom line, get your narrative out there first before an activist takes the white paper route and beats you to it.

**BILL LAUNDER** is an Associate in Brunswick's New York office.



*"We need to talk. Here – it's all in this 342-slide PowerPoint."*