

The Basic Corporate Charter Says All Common Shareholders Treated Equally

- Charter does not say that the firm ever has to raise debt, Board (and officers they appoint) decides
- Charter does not say that the firm ever has to pay dividends, Board decides
- Charter does not say the firm ever has to repurchase shares, Board decides
- Charter does not say that the firm ever has to issue warrants, convertible debt, anything else
- But, the shareholders elect the board!!

Berle and Means

- Adolf A. Berle Jr., and Gardiner C. Means, *The Modern Corporation and Private Property*, 1933
- Separation of ownership and control
- “ownership is so widely scattered that working control can be maintained with but a minority interest.”
- The “quasi-public corporation” is constrained by law to serve other interests.

Regulatory Efforts to Improve Voting for Corporate Control

- 1935 SEC under authority of Securities Exchange Act of 1934 established rules for proxy contests. Outside parties may solicit proxies but must register with SEC
- 1956 Amendments made proxy contests very difficult: required registration of all proxy communications
- 1992 Relaxed 1956 amendments, resulting in many more proxy contests

Classes of Shares

- Berkshire Hathaway, A Class have voting rights (close to \$200,000 per share), B do not (Listed NYSE)
- New York Times, Class A has less voting rights than Class B, which allows descendants of Adolph Ochs still to control (not publicly traded)
- Facebook: Mark Zuckerberg owns 28% of its shares but 57% of its voting shares (2012)