Dual Class Share Structures And Est Practices In Corporate

How effectively can governing mechanisms forged before the surge of activist investment continue to protect shareholders and efficiently order capital markets? This is a pressing question for scholars and practitioners of corporate law, as well as for market participants generally. In order to illuminate the extent to which the growing trend of shareholder activism calls for a new understanding of the kind of shareholder-corporate relations the law should facilitate, this book introduces the concept of shareholder-driven corporate governance. This concept refers to the evident phenomenon of shareholder involvement in corporate governance and offers a normative endorsement of this development. In order to secure the benefits of investors' increasing involvement in corporate affairs, regulatory regimes must grapple with a number of considerations. This book is based on the idea that shareholder corporate governance is a welcome development, but that it does not come without regulatory challenges. For one, it requires rejecting the idea that well-ordered capital markets can be achieved through corporate law which is subservient to private ordering. The mandatory character of, for example, securities regulation is vital to fostering shareholder involvement in corporate affairs. Defenders of shareholder corporate governance must also confront the matter of "wolf packs," or loosely formed bands of investors who defy existing regulatory categories but nonetheless exert collective influence. Regulation that is sensitive to both the inadequacies of past approaches to corporate-shareholder relations and the novel challenges posed by increasing shareholder activism will be able to harness activism, allowing capital markets to flourish.

This paper studies the reasons and the costs of separating ownership from control by analyzing the decision of German dual class firms to consolidate their share structure from dual to single class equity between 1990 and 2001. We find that the firm value increases significantly by an average 4% on the announcement day. A significant part of the variation in abnormal returns can be explained by the ownership structure and by changes in liquidity. A logit analysis of the unification decision yields that firms are more likely to unify if their controlling shareholder loses only little voting power in a stock unification. Also, firms that are financially constrained are more likely to abolish dual class shares; these firms often issue additional shares after the stock unification.A previous version of this paper was circulated via SSRN under the title When do Firms Abolish Dual-Class Stocks?

The shareholder empowerment movement (movement) has renewed its effort to eliminate, restrict or at the very least discourage the use of dual class share structures in initial public offerings (IPOs). This renewed effort was triggered by the recent Snap Inc. IPO that utilized non-voting stock. Such advocacy, if successful, would not be trivial, as many of our most valuable and dynamic companies, including Alphabet (Google) and Facebook, have gone public by offering shares with unequal voting rights.Unless there are significant sunset provisions, a dual class share structure allows insiders to maintain voting control over a company even when, over time, there is both an ebbing of superior leadership skills and a significant decline in the insiders' ownership of the company's common stock. Yet, investors are willing to take that risk even to the point of investing in dual class shares where the shares have no voting rights and barely any sunset provisions, such as in the recent Snap Inc. IPO. Why they are willing to do so is a result of the wealth maximizing efficiency that results from the private ordering of corporate governance arrangements and the understanding that agency costs are not the only costs of governance that need to be minimized. In this essay, Zohar Goshen and Richard Squire's newly proposed "principal-cost theory," "each firm's optimal governance structure minimizes the sum of principal costs, produced when investors exercise control, and agent costs, produced when managers exercise control," is used to argue that the use of dual class shares in IPOs is a value enhancing result of private ordering, making the movement's renewed advocacy unwarranted.

In a typical public company, shareholders can elect the board, appoint the auditors, and approve fundamental changes. Firms with dual class share structures (DCS) alter this balance by inviting the subordinate shareholders to carry the financial risk of investing in the corporation without providing them with the corresponding power to elect the board or exercise other fundamental voting rights. This article fills a conspicuous gap in the scholarly literature by providing empirical data regarding the governance of DCS firms beyond the presence of sunrise and sunset provisions. The summary data suggest that the governance of DCS firms is not uniform and DCS firms tend not to adopt governance measures voluntarily. In particular, a large proportion of DCS firms have no majority of the minority voting provisions and no independent chair. By contrast, almost half of the DCS firms have a sunset clause and a majority of independent directors. Finally, just under one-third of DCS firms have change of control provisions over and above existing law. On the basis of this evidence, the article argues against complete private ordering in favor of modest reforms to protect shareholders in DCS firms including: mandatory sunset provisions followed by a shareholder vote if the DCS is going to continue, disclosure relating to shareholder votes, and buy-out protections that would address governance weaknesses inherent in DCS firms.

Timing and Wealth Effects of German Dual Class Stock Unifications
Rethinking Dual-Class Share Structure in the Context of China
Dual Class Share Structures and Firm Performance
And how These Ultimately Affect the Shareholders
Corporate Takeovers
Organized Exchanges and the Regulation of Dual Class Common Stock
How Unequal Voting Rights Affect Innovation, Insiders, Investors, and the Public

Standard economic models assume that many small investors own firms. This is so in most large U.S. firms, but wealthy individuals or families generally hold controlling blocks in smaller U.S. firms and in all firms in most other countries. Given this, the lack of theoretical and empirical work on tightly held firms is surprising. What corporate governance problems arise in tightly held firms? How do these differ from corporate governance problems in widely held firms? How do control blocks arise and how are they maintained? How does concentrated ownership affect economic growth? How should we regulate tightly held firms? Drawing together leading scholars from law, economics, and finance, this volume examines the economic and legal issues of concentrated ownership and their impact on a shifting global economy.

I am responding to the Council of Institutional Investors' ("CII") request that the NASDAQ Stock Market ("NASDAQ") and New York Stock Exchange amend its listing standards to require companies seeking to go public with dual class shares (classes of common stock with unequal voting rights) to include in their certificates of incorporation a time-based sunset provision (a forced unification of shares into one share structure with equal voting rights after a certain period of time) that must go into effect no more than seven years after the initial public offering (IPO) unless the minority shareholders vote to extend up to an additional seven years. These letters (both letters have been combined into one document) argue that such a mandatory provision would be extremely unwise and harmful to our most important public companies and their shareholders, current as well as future. As a creation of private ordering, the absence of time-based sunset provisions in dual class share structures serves a significant value enhancing purpose. It prevents the risk that a pre-mature and therefore suboptimal unification of shares may occur. This risk has so far been ignored by those advocating for the implementation of a mandatory time-based sunset provision.

Rethinking Dual-Class Share Structure in the Context of China

PMBOK&® Guide is the go-to resource for project management practitioners. The project management profession has significantly evolved due to emerging technology, new approaches and rapid market changes. Reflecting this evolution, The Standard for Project Management enumerates 12 principles of project management and the PMBOK&® Guide &– Seventh Edition is structured around eight project performance domains.This edition is designed to address practitioners' current and future needs and to help them be more proactive, innovative and nimble in enabling desired project outcomes.This edition of the PMBOK&® Guide:•Reflects the full range of development approaches (predictive, adaptive, hybrid, etc.);•Provides an entire section devoted to tailoring the development approach and processes;•Includes an expanded list of models, methods, and artifacts;•Focuses on not just delivering project outputs but also enabling outcomes; and• Integrates with PMIstandards+™ for information and standards application content based on project type, development approach, and industry sector.

Causes and Consequences
Model Rules of Professional Conduct
Pathways to Health Equity
Competition for Listings
The Three-Box Solution
Founders without Limits
Revisiting the Viability to Allow Dual-Class Share Structure Companies to List in the Financial Market of Hong Kong

How to Innovate and Execute Leaders already know that innovation calls for a different set of activities, skills, methods, metrics, mind-sets, and leadership approaches. And it is well understood that creating a new business and optimizing an already existing one are two fundamentally different management challenges. The real problem for leaders is doing both, simultaneously. How do you meet the performance requirements of the existing business—one that is still thriving—while dramatically reinventing it? How do you envision a change in your current business model before a crisis forces you to abandon it? Innovation guru Vijay Govindarajan expands the leader's innovation tool kit with a simple and proven method for allocating the organization's energy, time, and resources—in balanced measure—across what he calls "the three boxes": • Box 1: The present—Manage the core business at peak profitability • Box 2: The past—Abandon ideas, practices, and attitudes that could inhibit innovation • Box 3: The future—Convert breakthrough ideas into new products and businesses The three-box framework makes leading innovation easier because it gives leaders a simple vocabulary and set of tools for managing and measuring these different sets of behaviors and activities across all levels of the organization. Supported with rich company examples—GE, Mahindra & Mahindra, Hasbro, IBM, United Rentals, and Tata Consultancy Services—and testimonies of leaders who have successfully used this framework, this book solves once and for all the practical dilemma of how to align an organization on the critical but competing demands of innovation.

This is a supplement to the casebook The Law and Finance of Corporate Acquisitions, part of the University Casebook Series; . It contains a new Introduction to Corporate Acquisitions (replacing chapter 1 of the original text), discussions of many new cases, and new statutory material (replacing appendices A and B).

This is the long-awaited second edition of this highly regarded comparative overview of corporate law. This edition has been comprehensively updated to reflect profound changes in corporate law. It now includes consideration of additional matters such as the highly topical issue of enforcement in corporate law, and explores the continued convergence of corporate law across jurisdictions. The authors start from the premise that corporate (or company) law across jurisdictions addresses the same three basic agency problems: (1) the opportunism of managers vis-à-vis shareholders; (2) the opportunism of controlling shareholders vis-à-vis minority shareholders; and (3) the opportunism of shareholders as a class vis-à-vis other corporate constituencies, such as corporate creditors and employees. Every jurisdiction must address these problems in a variety of contexts, framed by the corporation's internal dynamics and its interactions with the product, labor, capital, and takeover markets. The authors' central claim, however, is that corporate (or company) forms are fundamentally similar and that, to a surprising degree, jurisdictions pick from among the same handful of legal strategies to address the three basic agency issues. This book explains in detail how (and why) the principal European jurisdictions, Japan, and the United States sometimes select identical legal strategies to address a given corporate law problem, and sometimes make divergent choices. After an introductory discussion of agency issues and legal strategies, the book addresses the basic governance structure of the corporation, including the powers of the board of directors and the shareholders meeting. It proceeds to creditor protection measures, related-party transactions, and fundamental corporate actions such as mergers and charter amendments. Finally, it concludes with an examination of friendly acquisitions, hostile takeovers, and the regulation of the capital markets.

This text argues that the rules and practices of corporate law mimic contractual provisions that parties involved in corporate enterprise would reach if they always bargained at zero cost and flawlessly enforced their agreements. It states that corporate l

2003-2004 Supplement
Governance in Dual Class Share Firms
The (Re)introduction of Dual-Class Share Structures in Hong Kong
Effects of Changes in the Dual-class Share Structure
Comment Letters to NASDAQ and NYSE
An Assessment of Dual-Class Shares in Brazil
Kanada

The first comprehensive collation of the international history of, and evidence on, dual-class stock, and their relevance to UK policy.

We examine the impact of dual class share structures on the parameters of debt issuance. We find that, as compared to single class firms, the debt in dual class firms is associated more use of covenants especially performance based covenants, and is more likely to be secured. In addition, the impact of dual class share structure differs based on the severity of the agency costs of debt. We find that many of these issuance parameters are differently affected for large, profitable and low leverage firms (which face lower agency costs of debt) as opposed to small, less profitable and highly levered firms. These results are robust when we control the endogeneity of ownership structure and simultaneous changes in these issuance parameters. These results suggest that dual class share structures exacerbate the conflicts between controlling shareholders and lenders. However, the link between dual class share structures and debt issuance is not as clear for other issuance parameters such as the maturity and interest cost of debt.

The beloved debut novel about an affluent Indian family forever changed by one fateful day in 1969, from the author of The Ministry of Utmost Happiness NEW YORK TIMES BESTSELLER • MAN BOOKER PRIZE WINNER Compared favorably to the works of Faulkner and Dickens, Arundhati Roy's modern classic is equal parts powerful family saga, forbidden love story, and piercing political drama. The seven-year-old twins Estha and Rahel see their world shaken irrevocably by the arrival of their beautiful young cousin, Sophie. It is an event that will lead to an illicit liaison and tragedies accidental and intentional, exposing "big things [that] lurk unsaid" in a country drifting dangerously toward unrest. Lush, lyrical, and unnerving, The God of Small Things is an award-winning landmark that started for its author an esteemed career of fiction and political commentary that continues unabated.

The request of Alibaba, China's largest e-commerce company, to allow a self-selected group of its past and present management known as the "partners" the right to nominate a majority of the directors in its negotiation with the Hong Kong Stock Exchange (HKEx) for an initial public offering (IPO) in 2013 reignited a new round of debate over the one share, one vote policy, which has survived for three decades in Hong Kong. Alibaba's IPO application to list on the HKEx was eventually rejected which ultimately led to the company's decision to list on the New York Stock Exchange (NYSE). In late 2017, the debate on whether companies with dual-class share (DCS) structure should be allowed to list in Hong Kong re-emerged as the HKEx has announced that it would amend its listing rules to enable companies with DCS structure to list on its exchange, subject to certain safeguards and restrictions. This article examines what measures Hong Kong could adopt to allow companies with DCS structure to list on its exchange despite legal and institutional shortcomings of its financial market. In doing so, it will also make reference to other major financial markets in the world and examine how other jurisdictions have handled the issue of DCS structure companies.

Evidence from the Novo Mercado Reform
The Evidence for Stigma Change
A Review
Dual Class IPOs, Share Recapitalizations, and Unifications
A Theoretical Analysis
The Shareholder Value Myth
Evidence from Switzerland

Estimates indicate that as many as 1 in 4 Americans will experience a mental health problem or will misuse alcohol or drugs in their lifetimes. These disorders are among the most highly stigmatized health conditions in the United States, and they remain barriers to full participation in society in areas as basic as education, housing, and employment. Improving the lives of people with mental health and substance abuse disorders has been a priority in the United States for more than 50 years. The Community Mental Health Act of 1963 is considered a major turning point in America's efforts to improve behavioral healthcare. It ushered in an era of optimism and hope and laid the groundwork for the consumer movement and new models of recovery. The consumer movement gave voice to people with mental and substance use disorders and brought their perspectives and experience into national discussions about mental health. However over the same 50-year period, positive change in American public attitudes and beliefs about mental and substance use disorders has lagged behind these advances. Stigma is a complex social phenomenon based on a relationship between an attribute and a stereotype that assigns undesirable labels, qualities, and behaviors to a person with that attribute. Labeled individuals are then socially devalued, which leads to inequality and discrimination. This report contributes to national efforts to understand and change attitudes, beliefs and behaviors that can lead to stigma and discrimination. Changing stigma in a lasting way will require coordinated efforts, which are based on the best possible evidence, supported at the national level with multiyear funding, and planned and implemented by an effective coalition of representative stakeholders. Ending Discrimination Against People with Mental and Substance Use Disorders: The Evidence for Stigma Change explores stigma and discrimination faced by individuals with mental or substance use disorders and recommends effective strategies for reducing stigma and encouraging people to seek treatment and other supportive services. It offers a set of conclusions and recommendations about successful stigma change strategies and the research needed to inform and evaluate these efforts in the United States.

The request of Alibaba, China's largest e-commerce firm, to allow a self-selected group of its past and present management known as the " partners " the right to nominate a majority of the directors in its negotiation with the Hong Kong Stock Exchange for an initial public offering has reignited a new round of debate over the one share, one vote policy, which has survived for 27 years in Hong Kong. This article discusses the viability of allowing the dual-class share structure in the city. Although the United States has adopted the dual-class share structures for decades, this article identifies the major institutional differences between Hong Kong and the United States and argues that Hong Kong should not follow suit due to these differences.

The dual-class share structure enables founders to maintain control of the company while obtaining external financing. It is popular with innovative companies. However, it deviates from the default rule of " one share, one vote " and has hence elicited heated debates on the topic. This article aims to contribute to the debate on dual-class share structure in the context of China. Chinese Company Law insists on the " one share, one vote " principle, and joint stock companies are not allowed to issue weighted voting shares. This article suggests that it is necessary to allow dual-class share structure in China for two reasons. First, the immense pressure of exchange competition from other jurisdictions, and second, to meet the demands of innovative companies and heterogeneous shareholders.The China Securities Regulations Committee (CSRC) recently launched the Science and Technology Innovation Board on the Shanghai Stock Exchange, issuing a new listing rule, which allows listed company to adopt dual-class share structure. However, some defects were found on the rules of dual-class share structure and needs to be improved. First, we should modify the Company Law and allow listed company to issue weighted voting shares. Second, shareholders ought to be encouraged to lay limitations on dual-class share structure in the articles of association, rather than through mandatory legal provisions. Third, information disclosure requirements imposed on the founder ought to be enhanced to prevent the founder from procuring private benefits. Fourth, the Investor Service Center (ISC) should be allowed to bring a lawsuit on behalf of the investors as long as the number of investors who have authorized it to do so hits a certain quota, and the cases supported by the ISC should become guiding cases which has de facto binding effect for similar subsequent cases. Last of all, the application of dual-class share structure should be made available to all listed companies after this area of company law has matured after years of practice.

Publicly traded stocks often have less legal rights attached to them (in terms of voting, for example) than the class of stocks held by company insiders. This paper analyzes the winners and losers of such structures with multiple classes of stocks, and whether regulation is appropriate. I argue that governmental regulation would cause more harm than good, and that self-regulation within the industry--which itself is made up of opposing interests--is more appropriate.

A Reply to Bebchuk and Kastiel
Stakeholders Or Shirkers?
A Private Ordering Defense of a Company's Right to Use Dual Class Share Structures in IPOs
Ending Discrimination Against People with Mental and Substance Use Disorders
A Historical and Comparative Analysis
Hedge Fund Activism
Governance Complexities in Firms with Dual Class Shares

During the past few decades, private equity (PE) has attracted considerable attention from investors, practitioners, and academicians. In fact, a substantial literature on PE has emerged. PE offers benefits for institutional and private wealth management clients including diversification and enhancement of risk-adjusted returns. However, several factors such as liquidity concerns, regulatory restrictions, and the lack of transparency limit the attractiveness of some PE options to investors. The latest volume in the Financial Markets and Investments Series, Private Equity: Opportunities and Risks offers a synthesis of the theoretical and empirical literature on PE in both emerging and developed markets. Editors H. Kent Baker, Greg Filbeck, Halil Kiymaz and their co-authors examine PE and provide important insights about topics such as major types of PE (venture capital, leveraged buyouts, mezzanine capital, and distressed debt investments), how PE works, performance and measurement, uses and structure, and trends in the market. Readers can gain an in-depth understanding about PE from academics and practitioners from around the world. Private Equity: Opportunities and Risks provides a fresh look at the intriguing yet complex subject of PE. A group of experts takes readers through the core topics and issues of PE, and also examines the latest trends and cutting-edge developments in the field. The coverage extends from discussing basic concepts and their application to increasingly complex and real-world situations. This new and intriguing examination of PE is essential reading for anyone hoping to gain a better understanding of PE, from seasoned professionals to those aspiring to enter the demanding world of finance.

This paper studies stock market reactions to a Swiss court ruling on the sale of shares in a Swiss company from October 2016. The study includes a hand-collected sample of 155 firms listed in Switzerland. The ruling represents a natural experiment-type situation to investigate price effects on dual-class firms. The study avoids endogeneity concerns, which are common in the literature on equity capital structures. The study finds evidence of statistically significant positive price reactions for shares of firms that have two of Sika's corporate governance characteristics: (1) dual-class equity structure; and (2) one shareholder controlling 50% or more of voting rights. On average, firms with these characteristics produced a statistically significant positive open-close return on the court ruling announcement. I provide evidence that the impact of the court ruling operates independently of statutory clauses, such as voting cap and opting-out. I interpret that these results show an increased perception of protection for outside shareholder of dual-class firms. The findings are not as robust when I estimate results for sub-sample tests or in the context of a long-term regression model. I also test the announcement of the sale as a reverse event. I find evidence for shares of firms with a shareholder holding at least 50% of voting rights or more to react negatively to the sale, which is the expected opposite reaction to the court ruling, while the equity capital structure of firms did not affect the stock-price reaction.

In the United States, some populations suffer from far greater disparities in health than others. Those disparities are caused not only by fundamental differences in health status across segments of the population, but also because of inequities in factors that impact health status, so-called determinants of health. Only part of an individual's health status depends on his or her behavior and choice; community-wide problems like poverty, unemployment, poor education, inadequate housing, poor public transportation, interpersonal violence, and decaying neighborhoods also contribute to health inequities, as well as the historic and ongoing interplay of structures, policies, and norms that shape lives. When these factors are not optimal in a community, it does not mean they are intractable: such inequities can be mitigated by social policies that can shape health in powerful ways. Communities in Action: Pathways to Health Equity seeks to delineate the causes of and the solutions to health inequities in the United States. This report focuses on what communities can do to promote health equity, what actions are needed by the many and varied stakeholders that are part of communities or support them, as well as the root causes and structural barriers that need to be overcome.

On 24 April 2018, after five years of consultation and deliberation, Hong Kong formally introduced new listing rules to allow the listing of companies with the dual class share structure, also known as weighted voting rights ("WVR"), under which a special class of shareholders' voting rights are conferred disproportionately with respect to their equity interest. Historically, some Hong Kong-listed companies adopted the WVR in the 1980s but a ban was effectively imposed in 1989. The debate on the WVR was triggered again by the departing of the Alibaba IPO in 2013. The WVR structure has the benefits of allowing the company management to focus on their long-term goals and also to increase the attractiveness of a stock exchange to potential issuers, particularly the so-called 'new economy' companies. On the other hand, the WVR structure has the potential to create very large agency costs in terms of the risks of expropriation and entrenchment. In response to this, Hong Kong has put in place relevant supporting mechanisms such as entry requirements, disclosure requirement and safeguard requirements. From a comparative perspective, the WVR regime in Hong Kong appears to be more stringent than jurisdictions that already allows for WVR companies, notably the United States and Canada, as well as Singapore, which has also recently adopted a WVR regime. This paper argues that the (re)introduction of WVR regime is generally a positive development for Hong Kong, but there are still some lingering concerns. It remains to be seen whether the WVR regime will achieve the purpose for which it was introduced.

Private Equity

Regulation of Dual Class Share Structures in Listed Companies

Concentrated Corporate Ownership

Value Effects of a Dual-class Share Structure and Statutory Limitations to Voting Rights Transferability

Shareholder-driven Corporate Governance

Dual-Class Stock Structures and Society

Hedge Fund Activism begins with a brief outline of the research literature and describes datasets on hedge fund activism.

The Model Rules of Professional Conduct provides an up-to-date resource for information on legal ethics. Federal, state and local courts in all jurisdictions look to the Rules for guidance in solving lawyer malpractice cases, disciplinary actions, disqualification issues, sanctions questions and much more. In this volume, black-letter Rules of Professional Conduct are followed by numbered Comments that explain each Rule's purpose and provide suggestions for its practical application. The Rules will help you identify proper conduct in a variety of given situations, review those instances where discretionary action is possible, and define the nature of the relationship between you and your clients, colleagues and the courts.

The takeover boom that began in the mid-1980s has exhibited many phenomena not previously observed, such as hostile takeovers and takeover defenses, a widespread use of cash as a means of payment for targeted firms, and the acquisitions of companies ranking among the largest in the country. With the aim of more fully understanding the implications of such occurances, contributors to this volume consider a broad range of issues as they analyze mergers and acquisitions and study the takeoveer process itself.

Examines five governance characteristics of DCS firms in the Canadian context where DCS have historically been more prevalent. It takes a broader look at the policy implications of continuing to respect private ordering as a means for regulating public corporations

Dual-class Share Structures and Best Practices in Corporate Governance

Dual-Class Stock and the Premium Tier of the London Stock Exchange

A Novel

Opportunities and Risks

The God of Small Things

An Analysis of the Reasons for Applying a Dual Class Share Ownership Structure

Should Listed Companies Be Allowed to Adopt Dual-Class Share Structure in Hong Kong?

An in-depth look at the trouble with shareholder value thinking and at better options for models of corporate purpose. Executives, investors, and the business press routinely chant the mantra that corporations are required to "maximize shareholder value." In this pathbreaking book, renowned corporate expert Lynn Stout debunks the myth that corporate law mandates shareholder primacy. Stout shows how shareholder value thinking endangers not only investors but the rest of us as well, leading managers to focus myopically on short-term earnings; discouraging investment and innovation; harming employees, customers, and communities; and causing companies to indulge in reckless, sociopathic, and irresponsible behaviors. And she looks at new models of corporate purpose that better serve the needs of investors, corporations, and society. "A must-read for managers, directors, and policymakers interested in getting America back in the business of creating real value for the long term." —Constance E. Bagley, professor, Yale School of Management; president, Academy of Legal Studies in Business; and author of Managers and the Legal Environment and Winning Legally "A compelling call for radically changing the way business is done... The Shareholder Value Myth powerfully demonstrates both the dangers of the shareholder value rule and the falseness of its alleged legal necessity." —Joel Bakan, professor, The University of British Columbia, and author of the book and film The Corporation "Lynn Stout has a keen mind, a sharp pen, and an unbending sense of fearlessness. Her book is a must-read for anyone interested in understanding the root causes of the current financial calamity." —Jack Willoughby, senior editor, Barron's "Lynn Stout offers a new vision of good corporate governance that serves investors, firms, and the American economy." —Judy Samuelson, executive director, Business and Society Program, The Aspen Institute

We analyze a firm's choice between dual class and single class share structures, either at IPO or subsequently, prior to an SEO. We consider an entrepreneur (incumbent) who obtains both security benefits and private benefits of control, and who wishes to sell equity to outsiders to raise financing to implement his firm's project. The incumbent may be either talented (lower cost of effort, comparative advantage in implementing projects) or untalented: the incumbent's ability is private information, with outsiders observing only a prior probability that he is talented (his reputation). The firm's project may be either long-term (intrinsically more valuable, but showing less signs of success in the short run) or short-term (faster resolution of uncertainty). Thus, under a single class share structure, an incumbent has a greater chance of losing control to potential rivals if he undertakes the long-term project, since outside equity holders may vote for the rival if they believe that the project is not progressing well. A dual class share structure allows the incumbent to have enough votes to prevail against any rival, but may be misused by untalented incumbents to dissipate value by not exerting effort. In equilibrium, the incumbent simultaneously chooses the IPO share structure (dual class or single class), project type (long-term or shortterm), and how much effort to exert. Our results help to explain firms' choices between dual class and single class IPOs and the relative post-IPO operating performance of dual class versus single class IPO firms. We also characterize the situations under which a firm will undergo a share unification or a dual class recapitalization, the announcement effect of these events on the firm's equity, and their effect on its subsequent operating performance. Finally, our model provides testable predictions for the conditions under which firms will include stronger antitakeover provisions in their corporate charters and the relationship between the prevalence of such provisions in a firm's charter and its post-IPO operating performance.

In a 2017 Virginia Law Review article, "The Untenable Case for Perpetual Dual-Class Stock," Lucian Bebchuk and Kobi Kastiel made the argument that time-based sunset provisions (a forced unification of shares into one share structure with equal voting rights after a certain period of time) should be a mandatory feature of dual class share structures (classes of common stock with unequal voting rights). Their article has recently been used as authority by the Council of Institutional Investors' ("CII") in its petitions to the NASDAQ Stock Market ("NASDAQ") and the New York Stock Exchange ("NYSE") to amend their listing standards. The requested amendments would require companies seeking to go public with dual class shares to include in their certificates of incorporation a time-based sunset provision that must go into effect no more than seven years after the initial public offering (IPO) unless minority shareholders vote to extend up to an additional seven years. This delayed unification based on a shareholder vote is incorporated in Bebchuk and Kastiel's argument. This Article, which is based on comment letters I sent in response to the CII's petitions, argues that such a mandatory provision would be extremely unwise and harmful to our most important public companies and their shareholders, current as well as future. As a creation of private ordering, the absence of time-based sunset provisions in dual class share structures serves a significant value enhancing purpose. It prevents the risk that a premature and therefore sub-optimal unification of shares may occur. This risk has so far been ignored by those advocating for the implementation of a mandatory time-based sunset provision. As subsequently discussed, this risk has been ignored because of an oversight in their analysis. This oversight being a lack of appreciation for how the positive skewness in stock market returns negatively impacts the value of mandatory time-based sunset provisions.

Big Tech has flourished on the US public markets in recent years with numerous blue-chip IPOs, from Google and Facebook, to new kids on the block such as Snap, Zoom, and Airbnb. A key trend is the burgeoning use of dual-class stock. Dual-class stock enables founders to divest of equity and generate finance for growth through an IPO, without losing the control they desire to pursue their long-term, market-disrupting visions. Bobby Reddy scrutinises the global history of dual-class stock, evaluates the conceptual and empirical evidence on dual-class stock, and assesses the approach of the London Stock Exchange and ongoing UK regulatory reforms to dual-class stock. A policy roadmap is presented that optimally supports the adoption of dual-class stock while still protecting against its potential abuses, which will more effectively attract high-growth, innovative companies to the UK equity markets, boost the economy, and unleash the true potential of 'founders without limits'.

A Strategy for Leading Innovation

The Anatomy of Corporate Law

Communities in Action

Urheberrechts-Gesetz von 1921 ; Ausdehng auf d. Vereinigten Staaten v. Amerika ; [Abschr.]

How Putting Shareholders First Harms Investors, Corporations, and the Public

A Comparison of Hong Kong and the United States

The Economic Structure of Corporate Law