CONTENTS

	Pre	face	xxiii
	Ack	knowledgments	xxv
[.	IN	TRODUCTION	1
	A.	The Legal Character of the Corporation: Factors	
		Influencing Choice of the Corporate Form	1
	B.	An Overview of This Casebook	3
	C.	A Scorecard of the Players: Public Corporations,	
		Managers, Directors, and Shareholders	5
		1. A Corporate Census	5
		2. The Individual Participants	6
	D.	History and Evolution of the Business Corporation	22
		1. The Early American Experience	23
		Lawrence Friedman, A History of	
		American Law	23
		2. Nineteenth-Century Efforts to Control the	2.
		Corporation	26
		Lawrence Friedman, A History of	27
		American Law	27
		Lawrence Friedman, A History of	27
		American Law	27
		3. Twentieth-Century Developments a. The "Race to the Bottom" Thesis	30 30
		b. The Rise of Managerial Capitalism	31
	E.	The Social Responsibility of the Corporation	33
	L.	To Whom Do Fiduciary Duties Run?	33
		E. Merrick Dodd, For Whom Are	55
		Corporate Managers Trustees?	34
		Milton Friedman, The Social	01
		Responsibility of Business Is to Increase	
		Its Profits	35
		,	ix
			17

		American Law Institute, Principles of	
		Corporate Governance (1994)	36
		2. The Rise of Corporate Constituency Statutes	39
		New York Business Corporation Law (2011)	39
		3. Objections to Constituency Statutes	40
		American Bar Association Committee	
		on Corporate Laws, Report: Other	
		Constituencies Statutes: Potential for	
		Confusion	41
		4. The Case for Constituency Statutes	43
	F.	The Global Perspective	44
	G.	The Public Benefit Corporation	49
II.		ASIC NORMS AND DUTIES FOR	F-1
	IVI.	ANAGEMENT OF CORPORATIONS	51
	A.	Transaction of Corporate Business	51
		1. Introduction	51
		Delaware General Corporation Law (2020)	53
		Model Business Corporation Act (2016)	53
		2. Directors	53
		Delaware General Corporation Law (2020)	54
		3. Officers	55
		Delaware General Corporation Law (2020)	55
		Delaware General Corporation Law (2020)	57
	В.	Directors' Fiduciary Duties	57
		1. Standards of Conduct and Standards of Review	57
		In re Trados Inc. Shareholder Litigation	57
		2. Disinterested Conduct: Duty of Care	61
		Shlensky v. Wrigley	61
		Aronson v. Lewis	64
		Gagliardi v. Trifoods International, Inc.	65
		Delaware General Corporation Law (2020)	78
		American Law Institute, Principles of	
		Corporate Governance (1994)	82
		3. Transactions in Which Directors, Officers, or	
		Shareholders Have a Personal Interest: Duty	
		of Loyalty	85
		Weinberger v. UOP, Inc.	86
		a. Corporate Opportunities and Competition	
		with the Corporation	89
		Guth v. Loft	89
		In re eBay, Inc. Shareholders Litigation	93
		American Law Institute, Principles of	,,
		Corporate Governance (1994)	96
		Model Business Corporation Act (2016)	97
		b. Interested Director Transactions	99
		Delaware General Cornoration Law	100

		CONTENTS	xi
		American Law Institute, Principles of	
		Corporate Governance (1994)	100
		c. Fiduciary Duties of Shareholders	108
		Sinclair Oil Corp. v. Levien	108
		d. Compensation of Directors	
		and Officers	113
		 Compensation of Officers and Executives 	114
		ii. Director Compensation	120
		In Re Investors Bancorp, Inc. Stockholder	400
		Litigation	120
		4. Duty of Good Faith: Liability for Oversight Failures	130
		Teamsters Local 443 Health Services &	101
		Insurance Plan v. Chou	131
TT			
11.	AN	N INTRODUCTION TO CORPORATE	
	FI	NANCE	139
	٨	Valuation: How Are Financial Assets Valued?	141
	A.		141
		1. Valuation Under Certainty: Present Value and the	141
		Time Value of Money William A. Klein & John C. Coffee, Jr.,	141
		Business Organization and Finance	141
		2. Valuation Under Uncertainty: Risk and	141
		Diversification	145
		a. Expected Value	145
		b. Risk	146
		c. Diversification	148
		d. The Capital Asset Pricing Model	151
		3. The Efficient Capital Market Hypothesis	154
		Kamin v. American Express Company	162
	В.	Capital Structure: Does the Ownership Structure of a	
		Corporation Affect Its Value?	164
		1. A Survey of Financial Assets	164
		a. Common Stock	165
		b. Debt	165
		c. Preferred Stock	166
		d. Warrants	167
		e. Hybrid Financial Assets	167
		2. Why Capital Structure Should Not Affect the	
		Value of the Corporation: The Miller-Modigliani	
		Irrelevance Proposition	169
		3. Why Capital Structure May Affect Firm Value	171
		a. Taxes	172
		b. The Information Content of Capital Structure	173
		c. The Disciplinary Effect of Debt	173
	_	d. Bankruptcy Costs	175
	C.		4
		Claims: Option Pricing	177

		1. The Basic Structure of Put and Call Options	178
		2. The Determinants of Option Value	179
		a. Current Value of the Underlying Asset	179
		b. The Exercise Price	179
		c. The Time Value of Money	180
		d. Variability in the Value of the Underlying Asset	180
		e. Time Remaining Until Expiration	181
			101
		3. Modes of Opportunistic Behavior Among Holders	1.01
		of Financial Assets	181
		a. Increasing the Riskiness of the Corporation's	
		Investments	182
		b. Increasing the Firm's Leverage by	
		Withdrawing Funds	183
		c. Increasing the Value of the Option by	
		Extending Its Term	184
	D.		185
		Weak Protection: The Statutory Legal	
		Capital Structure	186
		Fraudulent Conveyance Law	190
		3. Contractual Protection: Bond Covenants	191
		a. Investment Activity Covenants	191
		b. Capital Structure Covenants	192
		c. Dividend and Stock Repurchase Covenants	192
		4. Fiduciary Duty and the Covenant of Good Faith	
		and Fair Dealing	194
		Credit Lyonnais Bank Nederland, N.V. v.	
		Pathe Communications Corp.	196
		,	196
IV.	FC	,	
IV.	FC	Pathe Communications Corp. PRMING THE CORPORATION	196 199
IV.	FC	ORMING THE CORPORATION	199
IV.	A.	PRMING THE CORPORATION Selection of State of Incorporation	199 199
IV.		PRMING THE CORPORATION Selection of State of Incorporation Compliance with State Requirements	199 199 204
IV.	A.	DRMING THE CORPORATION Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents	199 199 204 204
IV.	A.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020)	199 199 204 204 204
IV.	A.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation	199 204 204 204 207
IV.	A.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020)	199 199 204 204 204 207 207
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations	199 199 204 204 204 207 207 208
IV.	A.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation	199 199 204 204 204 207 207
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v.	199 204 204 204 207 207 208 209
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co.	199 204 204 207 207 208 209
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020)	199 204 204 207 207 208 209
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020) Model Business Corporation Act (2016)	199 204 204 207 207 208 209 210 214 214
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020) Model Business Corporation Act (2016) "Piercing the Corporate Veil"	199 204 204 207 207 208 209
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020) Model Business Corporation Act (2016)	199 204 204 207 207 208 209 210 214 214
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020) Model Business Corporation Act (2016) "Piercing the Corporate Veil"	199 204 204 207 207 208 209 210 214 214
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020) Model Business Corporation Act (2016) "Piercing the Corporate Veil" Perpetual Real Estate Services, Inc. v. Michaelson Properties, Inc.	199 204 204 207 207 208 209 210 214 214 215
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020) Model Business Corporation Act (2016) "Piercing the Corporate Veil" Perpetual Real Estate Services, Inc. v. Michaelson Properties, Inc. Kinney Shoe Corp. v. Polan	199 204 204 207 207 208 209 210 214 214 215 218 221
IV.	A. B.	Selection of State of Incorporation Compliance with State Requirements 1. Preparation of Documents Delaware General Corporation Law (2020) 2. Organizing the Corporation Delaware General Corporation Law (2020) 3. "Domestication" of Foreign Corporations Defective Incorporation Thompson & Green Machinery Co. v. Music City Lumber Co. Delaware General Corporation Law (2020) Model Business Corporation Act (2016) "Piercing the Corporate Veil" Perpetual Real Estate Services, Inc. v. Michaelson Properties, Inc.	199 204 204 207 207 208 209 210 214 214 215

		CONTENTS	xiii
		Fletcher v. Atex, Inc.	231
		Bartle v. Home Owners Cooperative	240
		Stone v. Eacho	242
	E.	Pre-Formation Transactions	245
		1. Liability of the Corporation for Debts of Its	
		Predecessor	245
		Tift v. Forage King Industries, Inc.	246
		Smith v. Kelley	248
		Model Business Corporation Act (2016)	252
		2. Promoters' Contracts	253
		a. Introduction	253
		b. Liability of the Corporation	255
		Kridelbaugh v. Aldrehn Theatres Co.	255
		c. Liability of the Promoters	257
		Sherwood & Roberts–Oregon, Inc. v.	
		Alexander	257
		How & Associates, Inc. v. Boss	259
V.	CC	ORPORATE DISCLOSURE AND	
	SE	CURITIES FRAUD	263
	A.	Introduction	263
	B.	The Disclosure System	264
		1. The Securities Act of 1933	265
		2. The Securities Exchange Act of 1934	266
		3. "Blue Sky" Regulation	267
		4. Disclosure Requirements of Self-Regulatory	
		Organizations	269
		5. When Does the Disclosure Obligation Arise?	271
		Basic, Inc. v. Levinson	272
		Backman v. Polaroid Corp.	277
	C.	Civil Liability	282
		1. Common Law Remedies	283
		2. Blue Sky Statutes	284
		3. The Fiduciary Duty of Disclosure	284
		Malone v. Brincat	284
		4. Federal Law: Express Actions	290
		5. Federal Law: Implied Civil Liabilities	291
		a. The Origin of Rule 10b-5	291
		Securities Exchange Act of 1934	291
		b. The Rationale and Scope of Implied Liabilities	292
		J. I. Case Co. v. Borak c. The Elements of a Cause of Action Under	292
		Rule 10b-5	299
		i. Standing Under Rule 10b-5: Limiting the	-//
		Plaintiff Class	299
		Blue Chip Stamps v. Manor Drug Stores	299

		ii. Materiality	311
		Matrixx Initiatives, Inc. v. Siracusano	311
		Virginia Bankshares, Inc. v. Sandberg	323
		Omnicare, Inc. v. Laborers District	
		Council Construction Industry	
		Pension Fund	329
		iii. Causation	337
		Affiliated Ute Citizens v. United States	337
		Basic, Inc. v. Levinson	339
		Dura Pharmaceuticals, Inc. v. Broudo	347
		iv. Scienter	352
		Ernst & Ernst v. Hochfelder	352
		Tellabs, Inc. v. Makor Issues & Rights, Ltd.	360
		v. Damages	367
		vi. Statute of Limitations Applicable	
		to Rule 10b-5	370
	d.	The Policy Dilemma Surrounding Securities	
		Class Actions	371
	e.	The Response of the Private Securities	
		Litigation Reform Act of 1995	374
	f.	The Impact of the PSLRA	377
	g.	Transactions Not Covered by the Rule	378
	Ü	i. Corporate Mismanagement	378
		Santa Fe Industries, Inc. v. Green	378
		ii. Aiding and Abetting	383
		Central Bank of Denver v. First Interstate	
		Bank of Denver	383
		Janus Capital Group v. First Derivative	
		Traders	389
D.	Inside	r Trading	394
	1. Rul	le 10b-5 And Insider Trading	395
	a.	The Rationale and Scope of the Prohibition	395
		In the Matter of Cady, Roberts & Co.	395
	b.		397
		i. Corporate Harm	397
		ii. Allocational Efficiency and the Injury of	
		Delayed Disclosure	398
		iii. Investor Injury	398
	c.	The "Benefits" of Insider Trading	400
	d.	The Enforceability of the Prohibition	402
		Dirks v. SEC	402
	e.	Selective Disclosure and Regulation FD	414
	f.	Misappropriation Theory	418
		United States v. O'Hagan	418
	g.	When Does a Relationship Become a	
	Ŭ	Fiduciary One?	437
	h.	Causation and Damages in Insider	
		Trading Cases	438

		2. Section 16(B) and "Short Swing" Profits	443
		Securities Exchange Act of 1934:	
		Directors, Officers, and Principal	
		Stockholders	443
		a. Who Is Covered?	444
		Merrill Lynch, Pierce, Fenner & Smith,	
		Inc. v. Livingston	444
		CBI Industries, Inc. v. Horton	446
		Reliance Electric Co. v. Emerson Electric Co.	448
		b. The Definition of "Purchase or Sale"	455
		Kern County Land Co. v. Occidental	
		Petroleum Corp.	455
		3. Common Law Liability to the Corporation	462
		Diamond v. Oreamuno	462
		Freeman v. Decio	467
JI	V/C	OTING AND CORPORATE CONTROL	475
	<i>V</i> C	TING AND CORPORATE CONTROL	4/3
	A.	Overview: Voting and "Shareholder Democracy"	475
	В.	The Substantive Law of Shareholder Voting	482
		1. Who Votes?	483
		Delaware General Corporation Law (2020)	483
		Frank Easterbrook & Daniel Fischel,	
		Voting in Corporate Law	484
		2. What Vote Is Required?	485
		3. When Should a Shareholder Vote Be Required?	487
		a. A Shareholder Power of Initiative?	488
		b. Timing	489
		Hilton Hotels Corp. v. ITT Corp.	489
		c. Evasions of the Voting Requirement	492
		Hilton Hotels Corporation v. ITT Corp.	492
		4. What Voting Power Should a Share Carry? Rule	
		19c-4 and the "One Share, One Vote" Controversy	499
		a. The New York Stock Exchange's Policy and	
		Its Fate	499
		b. SEC Response and Judicial Reaction	501
		c. Dual Class Capitalizations	502
		d. Coercion and State Law Limitations	503
		Lacos Land Co. v. Arden Group, Inc.	503
		5. Vote Buying	508
		New York Business Corporation Law (2020)	508
	_	Schreiber v. Carney	509
	C.	Voting Procedures	515
		1. Record Dates	515
		2. Proxies	516 518
		3 "Street Name" Ownership	ココス

CONTENTS **xv**

	4. Inspector of Elections	520
	5. Stockholder Consents	521
	Delaware General Corporation Law (2020)	521
	Datapoint Corp. v. Plaza Securities Co.	522
D.	Proxy Contest Expenses	526
	Rosenfeld v. Fairchild Engine &	
	Airplane Corp.	526
E.		320
E.	Special Voting Systems: Cumulative, Class, and	E2 0
	Supermajority Voting	529
	1. Cumulative Voting	529
	a. Evasions	530
	b. Cumulative Voting and the Removal of Directors	531
	c. Pros and Cons of Cumulative Voting	531
	d. Cumulative Voting in Practice	532
	2. Class Voting	533
	New York Business Corporation Law (2020)	533
	a. Is Coercion Still Possible?	534
	b. Ambiguities	535
	c. Mergers	535
		535
	3. Supermajority Voting	333
	Revised Model Business Corporation	-0-
_	Act (2020)	535
F.	Removal and Vacancies	536
	1. Directors	536
	Delaware General Corporation Law (2020)	537
	2. Filling Board Vacancies	539
	New York Business Corporation Law (2020)	539
	3. Removal of Officers	540
	New York Business Corporation Law (2020)	540
G.	Judicial Supervision of Election Contests	541
٥.	Schnell v. Chris-Craft Industries, Inc.	541
	Stroud v. Grace	543
т т	MM Companies, Inc. v. Liquid Audio, Inc.	550
H.	Shareholders' Right of Inspection	563
	Delaware General Corporation Law (2020)	564
	Seinfeld v. Verizon Communications, Inc.	566
I.	Federal Law	576
	Securities Exchange Act of 1934: Proxies	576
	1. Solicitations to Which Rules Apply	579
	a. Introduction	579
	b. How Do the Proxy Rules Work Today?	582
	2. Reform of the Nomination and Election Process	587
	a. Access to the Proxy Statement	587
		589
	c. Curbing Broker Votes	589
	3. Information Required to Be Furnished	590
	a. Executive Compensation	591
	b. Annual Report	592
	c. Soliciting Materials and Preliminary Review	592

				CONTENTS	xvii
		4. I	Requireme	ents as to Proxy	593
			1	Rule 14a-4. Requirements as to Proxy	593
		5. I	Mailing Co	ommunications for Security Holders	597
		6. 5	Sharehold	er Proposals	598
				Medical Committee for Human Rights v. SEC	599
				CA, Inc. v. AFSCME Employees Pension Plan	
		7. <i>I</i>	Antifraud		620
				Rule 14a-9. False or Misleading Statements	620
		8. (Causation		624
				Mills v. Electric Auto-Lite Co.	624
				Virginia Bankshares, Inc. v. Sandberg	627
v 11.	SM CL LL	IAL .OSI ABI	LER EN E CORF LITY CO	RGANIZATION FOR THE TTERPRISE: PARTNERSHIPS, PORATIONS, LIMITED OMPANIES, AND OTHER DRATE FORMS	631
	A.	Intr	oduction		631
	В.	Par	tnerships		634
		1. 7	The Natur	e of Partnership: Aggregate or Entity?	635
				Fairway Development v. Title Ins. Co. of	
				Minnesota	635
		2. I	Formation		637
				Vohland v. Sweet	637
			Powers of		641
				of Partners	642
				p Governance	643
		6. I	Fiduciary		644
	C	C1-	C	Meinhard v. Salmon	644
	C.		se Corpor	ations ns on Transfer of Shares	651
		1. 1	Restriction		655 656
				Allen v. Biltmore Tissue Corp. Delaware General Corporation Law (2012)	656 659
		2 (Special Ac	greements Allocating Authority	662
				Pholder Agreements Respecting Election	002
				rectors	663
			OI DII	Ringling v. Ringling BrosBarnum &	000
				Bailey Combined Shows, Inc.	664
		ł	b. Votin	g Trusts	669
			· · · · · · · · · · · · · · · · · · · ·	Abercrombie v. Davies	670
				Delaware General Corporation Law (2012)	673
		(c. Agree	ements Respecting Actions of Directors	675
		`	-0-0	McQuade v. Stoneham	675
				Clark v. Dodge	678
				New York Business Corporation Law (2010)	682
		(d. Direc	tors' Delegation of Management Authority	683
				Pioneer Specialties, Inc. v. Nelson	683

xviii CONTENTS

		3.	Reso	olution of Disputes and Deadlocks	685
			a.	Arbitration	687
			b.	Protecting the Minority in the Absence of a	
				Shareholder Agreement: Judicial Imposition	(00
				of a Fiduciary Duty on the Majority	688
				Wilkes v. Springside Nursing Home, Inc.	688
				McLaughlin v. Schenck	696 700
			c.	Receivers, Provisional Directors, or Custodians	700
				Delaware General Corporation Law (2021) Giuricich v. Emtrol Corp.	700
			d.	Dissolution and Oppression	704
			u.	Nelkin v. H.J.R. Realty Corp.	704
				Meiselman v. Meiselman	709
	D.	Li	mitea	d Partnerships	721
	Δ.			nation	723
				atrol and Liability	724
				aciary Duty	725
			a.	Contractual Amendment of the General	
				Partner's Fiduciary Duty	726
			b.	Who Owes the Fiduciary Duty?	730
	E.	Li		d Liability Companies	730
		1.	Tax	Advantages	731
		2.	Org	anization, Structure, and Terminology	732
				Westec v. Lanham and Preferred Income	
				Investors, LLC	733
		3.	Wha	at Is a Limited Liability Company?	738
			a.	Piercing the Veil of an LLC	739
				Bastan v. RJM & Associates, LLC	739
			b.	The Scope of Fiduciary Duties	741
			c.	Fiduciary Duty and the Problem of the	740
				Default Rule	742
				Auriga Capital Corporation v. Gatz	743
				Properties, LLC Myron T. Steele, Freedom of Contract and	743
				Default Contractual Duties in Delaware	
				Limited Partnerships and Limited	
				Liability Companies	746
			d.	Miscellaneous Categorization Problems	748
	F.	Li	mited	d Liability Partnerships	748
	G.			Rationalization and the Proliferation of	
				zational Forms	750
			_		
T/TTT					
A 111 .	SH	Al	REH	IOLDER SUITS	<i>753</i>
	Α.	Īω	trod.	action	753
	л.	111	nout	Federal Rules of Civil Procedure (2007)	757
	B.	Ex	thaus	stion of Internal Remedies	757
	٠.	^		Will of littleffful Heilfewich	, 0,

		1. Demand on Directors	758
		United Food & Commercial Workers	
		Union v. Zuckerberg	758
		2. The Board's Authority to Terminate the Suit	770
		Levine v. Smith	771
		Zapata Corp. v. Maldonado	777
		Model Business Corporation Act (2005)	786
		American Law Institute, Principles of	707
	0	Corporate Governance (1994)	787
	C.	Qualifications of Plaintiff Shareholder	790 701
		California General Corporation Law (1982)	791
		American Law Institute, Principles of Corporate Governance (1994)	793
	D.	Security for Expenses	793
	D.	Donner Management Co. v. Schaffer	794
		New Jersey Business Corporation Act (1973)	797
	E.	Defending Against Derivative Suits	799
		Conflicting Interests of Defendants	799
		Patrick v. Alacer Corp.	799
		2. Conflicting Interests of Defendants' Counsel	803
		Cannon v. U.S. Acoustics Corp.	803
	F.	Dismissal, Discontinuance, and Settlement	808
		Griffith v. Quality Distribution, Inc.	808
	G.	Characterization of the Suit	815
		1. Derivative or Direct	815
		In Re Activision Blizzard, Inc. Stockholder	
		Litigation	816
		2. Derivative Suits and Close Corporations	821
		Barth v. Barth	821
	H.	Reimbursement of Plaintiff's Expenses	826
	_	In re Wachovia Shareholders Litigation	826
	I.	Indemnification of Defendants	836
		Waltuch v. Conticommodity Services, Inc.	837
		Baker v. Health Management Systems, Inc.	843
1			
Α.		DRPORATE ACQUISITIONS, TAKEOVERS,	
	AN	ND CONTROL TRANSACTIONS	849
	A.	Introduction: The Different Roles of Corporate	
		Acquisitions	849
	B.	Corporate Acquisitions as an Equilibrating Mechanism	850
	C.	The Corporate Governance Role of Acquistions	851
	D.	Transactional Techniques: Allocation of Decision	
		Authority for Control Transactions	852
		1. The Statutory Merger	853
		a. Basic Transaction Structures	853
		b. Appraisal Remedy	854

xix

CONTENTS

	2.	Sale	e of All or Substantially All the Assets	855
	3.	Ten	der Offer	857
	4.	Sele	ection of Transaction Form	858
			Delaware Gen. Corp. Law (2020)	862
			Delaware Gen. Corp. Law (2020)	863
	5.	Hos	stile Transactions	866
		a.	Poison Pill Plans	869
		b.	Charter and Bylaw Provisions	873
		c.	The Effect on Shareholder Wealth	875
			i. Judicial Review of Defensive Tactics:	
			Proportionality Review under the Unocal	
			Standard	875
			Air Products & Chemicals v. Airgas, Inc.	878
E.	A		sts and the Modern Market for Corporate Control	894
	1.	Tac	tics in the New World of Activist Investors and	
		Pas	sive Institutions	895
	2.	Boa	ard Responses to Activist Campaigns	898
		a.	Defend and Fight	899
			Third Point LLC v. Ruprecht	899
	3.	Frie	endly Transactions	909
			Revlon, Inc. v. MacAndrews & Forbes	
			Holdings, Inc.	910
		a.	Revlon's Substantive Obligations: Defending	
			a Friendly Acquisition	915
			i. Information Requirement	915
			ii. Structuring the Transaction	916
		b.	What Triggers Revlon?	920
			Paramount Communications, Inc. v. Time Inc.	920
			Paramount Communications, Inc. v. Time Inc.	923
			Paramount Communications, Inc. v. QVC	
			Network, Inc.	926
		c.	Revlon Review in Practice	931
			In re Toys "R" Us, Inc., Shareholder Litigation	932
		d.	What Is the Standard When Revlon Is Not	
			Triggered?	939
			Ace Limited v. Capital Re Corp.	940
			Omnicare, Inc. v. NCS Healthcare, Inc.	944
	4.	Sale	e of Control at a Premium	949
			Mendel v. Carroll	950
			In re Digex Shareholders Litigation	963
F.	Fr	eeze	-Out Mergers	969
			In re Pure Resources, Inc., Shareholders	
			Litigation	970
			Kahn v. M & F Worldwide Corp.	978

		CONTENTS	XX1
	G.	Federal Regulation of Takeovers	987
		1. Regulation of the Bidder	987
		A. An Overview of the Williams Act	987
		B. What Is a Tender Offer?	993
		C. Disclosure	995
		2. Regulation of the Target	997
		A. Mandatory Disclosure: Schedule 14D-9	997
		B. Disclosure of Negotiations in Tender Offers	999
		C. Issuer Repurchases	999
	H.	Stakeholders, Shareholders, and the Future of the	
		Corporate Enterprise	1000
	1.	Where Are We Now? Corporate Acquisitions and the	
		Role of Stakeholders	1000
	Table of Cases		1009
Tak		ole of Statutes and Regulation	1023
	Ind	lex	1037