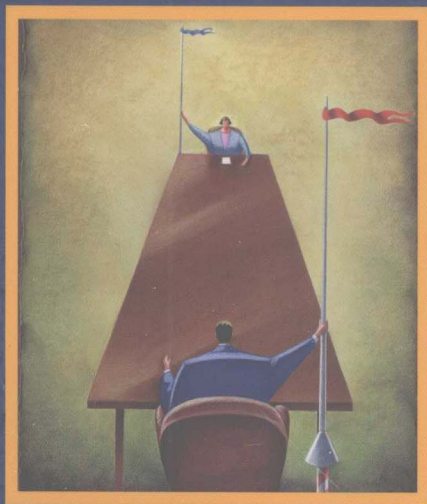


Corporate Law

Third Edition

Stephen M. Bainbridge



CORPORATE LAW

THIRD EDITION

by

STEPHEN M. BAINBRIDGE

William D. Warren Distinguished Professor of Law
UCLA School of Law



CONCEPTS AND INSIGHTS SERIES®

 FOUNDATION
PRESS

The publisher is not engaged in rendering legal or other professional advice, and this publication is not a substitute for the advice of an attorney. If you require legal or other expert advice, you should seek the services of a competent attorney or other professional.

Concepts and Insights Series is a trademark registered in the U.S. Patent and Trademark Office.

© 2002 FOUNDATION PRESS

© 2009 By THOMSON REUTERS/FOUNDATION PRESS

© 2015 LEG, Inc. d/b/a West Academic

444 Cedar Street, Suite 700

St. Paul, MN 55101

1-877-888-1330

Printed in the United States of America

ISBN: 978-1-60930-471-3

EDITORIAL BOARD

ROBERT C. CLARK

Directing Editor

Distinguished Service Professor and Austin Wakeman Scott

Professor of Law and Former Dean of the Law School

Harvard University

DANIEL A. FARBER

Sho Sato Professor of Law and Director, Environmental Law Program

University of California at Berkeley

HEATHER K. GERKEN

J. Skelly Wright Professor of Law

Yale University

SAMUEL ISSACHAROFF

Bonnie and Richard Reiss Professor of Constitutional Law

New York University

HERMA HILL KAY

Barbara Nachtrieb Armstrong Professor of Law and

Former Dean of the School of Law

University of California at Berkeley

HAROLD HONGJU KOH

Sterling Professor of International Law and

Former Dean of the Law School

Yale University

SAUL LEVMORE

William B. Graham Distinguished Service Professor of Law and

Former Dean of the Law School

University of Chicago

THOMAS W. MERRILL

Charles Evans Hughes Professor of Law

Columbia University

ROBERT L. RABIN

A. Calder Mackay Professor of Law

Stanford University

CAROL M. ROSE

Gordon Bradford Tweedy Professor Emeritus of Law and Organization and

Professorial Lecturer in Law

Yale University

Lohse Chair in Water and Natural Resources

University of Arizona

CORPORATE LAW

THIRD EDITION

SUMMARY OF CONTENTS

Chapter 1. An Introduction to the Corporation	1
§ 1.1 What Is a Corporation?	1
§ 1.2 Sources of Corporate Law	8
Chapter 2. Forming the Corporation	13
§ 2.1 Introduction	13
§ 2.2 Forming the Corporation	13
§ 2.3 Drafting the Organic Documents	14
§ 2.4 Preincorporation Transactions by Promoters	20
§ 2.5 Defective Incorporation	24
§ 2.6 Promoter's Fiduciary Duties	28
§ 2.7 Corporate Powers and Purposes	30
Chapter 3. Financing the Corporation	35
§ 3.1 Introduction	35
§ 3.2 Issuance of Securities: The Business Context	42
§ 3.3 Issuance of Securities: Corporate Law Aspects	43
§ 3.4 Issuance of Shares: Federal Law	46
Chapter 4. Limited Liability and Piercing the Corporate Veil	53
§ 4.1 Introduction	53
§ 4.2 Thinking About Limited Liability	55
§ 4.3 Veil Piercing and Related Doctrines	57
Chapter 5. Managing the Corporation	79
§ 5.1 The Allocation of Corporate Decisionmaking Power	79
§ 5.2 The Problem of Managerialism	81
§ 5.3 Consequences of the Separation of Ownership and Control	82
§ 5.4 The Board of Directors	85
§ 5.5 Board Composition	89
§ 5.6 Removal and Vacancies	94
§ 5.7 Board Committees	94
§ 5.8 Officers	99
Chapter 6. The Duty of Care and the Business Judgment Rule	107
§ 6.1 Introduction	107
§ 6.2 Why a Business Judgment Rule?	115
§ 6.3 The Law of Business Judgment	122
§ 6.4 The Duty of Care	139
§ 6.5 Statutory Responses to Van Gorkom and the "D & O Liability Crisis"	148
Chapter 7. The Duty of Loyalty	157
§ 7.1 Distinguishing Care and Loyalty	157
§ 7.2 Conflicted Interest Transactions	158
§ 7.3 Corporate Opportunities	169
§ 7.4 Good Faith	178
§ 7.5 Oversight and Loyalty	181
§ 7.6 Fiduciary Duties of Controlling Shareholders	184

SUMMARY OF CONTENTS

Chapter 8. Shareholder Litigation	207
§ 8.1 Introduction	207
§ 8.2 Direct v. Derivative Litigation	207
§ 8.3 Attorney's Fees: Herein of Strike Suits and Their Converse	209
§ 8.4 Procedural Aspects	211
§ 8.5 Demand and Board Control of Derivative Litigation	225
Chapter 9. The Limits of Fiduciary Obligation	245
§ 9.1 Introduction	245
§ 9.2 Corporate Social Responsibility and the Law	245
§ 9.3 Extra-Contractual Duties to Bondholders	252
§ 9.4 Extra-Contractual Duties to Preferred Shareholders	254
§ 9.5 The "Special" Problem of Corporate Philanthropy	257
Chapter 10. Shareholder Voting	259
§ 10.1 Introduction	259
§ 10.2 State Law	260
§ 10.3 Federal Regulation of Proxies	274
§ 10.4 Shareholder Proposals Under Rule 14a-8	294
Chapter 11. Insider Trading and Securities Fraud	303
§ 11.1 Introduction	303
§ 11.2 Origins of the Insider Trading Prohibition	305
§ 11.3 The Disclose or Abstain Rule	324
§ 11.4 The Misappropriation Theory and Rule 14e-3: Post-Chiarella Gap-Fillers	330
§ 11.5 Elements of the Modern Prohibition	347
§ 11.6 Section 16(b)	364
Chapter 12. Mergers and Acquisitions	373
§ 12.1 Introduction	373
§ 12.2 Statutory Acquisition Techniques	378
§ 12.3 The Appraisal Remedy	388
§ 12.4 De Facto Mergers	390
§ 12.5 The Target Board's Proper Role in Statutory Acquisitions	392
§ 12.6 Nonstatutory Acquisition Techniques	395
§ 12.7 Federal Regulation of Tender Offers	399
§ 12.8 Takeover Defenses: The Arsenal	415
§ 12.9 The Propriety of Target Board Resistance to Unsolicited Offers	426
§ 12.10 Consideration of Nonshareholder Constituency Interests	445
§ 12.11 State Anti-Takeover Legislation	448
Chapter 13. Dividends and Other Legal Capital Arcana	461
§ 13.1 Introduction	461
§ 13.2 Money In: Herein of Watered Stock	462
§ 13.3 Money Out: Dividend Statutes	465
§ 13.4 Redemptions and Repurchases	472
§ 13.5 Stock Splits and Dividends	476
§ 13.6 Dividends on Preferred Stock	478
§ 13.7 Suits to Compel Declaration of a Dividend	481

SUMMARY OF CONTENTS

Chapter 14. Close Corporations	485
§ 14.1 Exit Versus Voice.....	485
§ 14.2 Private Ordering in Close Corporations.....	487
§ 14.3 Fiduciary Duties in Close Corporations.....	504
§ 14.4 Dissolution	515
TABLE OF CASES	523
INDEX	535

TABLE OF CONTENTS

Chapter 1. An Introduction to the Corporation	1
§ 1.1 What Is a Corporation?	1
A. Formal Creation	1
B. Legal Personality	2
C. Separation of Ownership and Control	3
D. Indefinite Duration	5
E. Transferability	6
F. Limited Liability	6
G. Some Fundamental Distinctions	7
§ 1.2 Sources of Corporate Law	8
A. State Corporate Law	8
B. Federal Law	10
Chapter 2. Forming the Corporation	13
§ 2.1 Introduction	13
§ 2.2 Forming the Corporation	13
§ 2.3 Drafting the Organic Documents	14
A. Articles of Incorporation	14
B. Bylaws	16
1. Adoption and Amendment	17
2. Legality	18
§ 2.4 Preincorporation Transactions by Promoters	20
A. Corporation as Party	20
B. Promoter's Liability After the Corporation Is Formed	21
C. Promoter's Liability in the Event the Corporation Never Comes into Existence	23
D. Policy	23
§ 2.5 Defective Incorporation	24
A. De Facto Corporation	24
B. Corporation by Estoppel	26
C. Statutory Efforts to Abolish the Common Law Doctrines	27
D. Policy	28
§ 2.6 Promoter's Fiduciary Duties	28
§ 2.7 Corporate Powers and Purposes	30
Chapter 3. Financing the Corporation	35
§ 3.1 Introduction	35
A. Corporate Capital Structure	35
B. Equity Securities	36
1. Common Stock	36
2. Preferred Stock	37
C. Debt Securities	38
1. Bond Value and Interest Rates	39
2. The Indenture	39
D. Convertible Securities	40
E. Asset Backed Securities	41
§ 3.2 Issuance of Securities: The Business Context	42
§ 3.3 Issuance of Securities: Corporate Law Aspects	43
A. The Respective Roles of the Board and Shareholders	44
B. Subscription Agreements	45

TABLE OF CONTENTS

	C. Preemptive Rights	45
§ 3.4	Issuance of Shares: Federal Law	46
	A. The Registration Process	47
	B. Exemptions from Registration	47
	C. Civil Liabilities for Securities Fraud and Other Violations.....	50
	D. Becoming a Reporting Company: Registration Under the Securities Exchange Act.....	51
Chapter 4. Limited Liability and Piercing the Corporate Veil.....		53
§ 4.1	Introduction	53
§ 4.2	Thinking About Limited Liability	55
§ 4.3	Veil Piercing and Related Doctrines	57
	A. Standards	57
	B. Critical Factors in Any Veil Piercing Case.....	61
	1. Nature of the Claim	61
	2. The Nature of the Defendant	62
	3. The Laundry List	63
	4. Is Undercapitalization, Standing Alone, Enough?	67
	5. The Take-Home Lesson: Operationalizing Veil Piercing.....	70
	C. What Law Applies?	71
	D. Related Doctrines.....	72
	1. Reverse Veil Piercing.....	72
	2. Enterprise Liability.....	75
Chapter 5. Managing the Corporation		79
§ 5.1	The Allocation of Corporate Decisionmaking Power.....	79
§ 5.2	The Problem of Managerialism	81
§ 5.3	Consequences of the Separation of Ownership and Control.....	82
§ 5.4	The Board of Directors	85
	A. Why a Board?	85
	B. Board of Directors Housekeeping Rules	85
	1. The Requirement That Boards Act Collectively by Meeting	85
	2. Board Size.....	86
	3. Electronic Participation in Board Meetings.....	87
	4. Notice of Board Meetings.....	87
	5. Quorum and Voting.....	88
	6. Board Term Limits.....	88
§ 5.5	Board Composition	89
	A. Board Qualifications.....	89
	B. Independence	89
	1. The Majority Independent Board.....	90
	2. Who Is Independent?	91
§ 5.6	Removal and Vacancies.....	94
§ 5.7	Board Committees	94
	A. State Law.....	94
	B. Stock Exchange Standards.....	95
	1. The Nominating and Corporate Governance Committee	95
	2. The Compensation Committee.....	95

TABLE OF CONTENTS

	3. The Audit Committee	96
§ 5.8	Officers	99
	A. Delegation of Corporate Powers to Officers	99
	B. Officers as Agents	100
	1. The Agency Relationship Defined	100
	2. Authority of Agents	101
	3. Authority of Corporate Officers	103
Chapter 6. The Duty of Care and the Business Judgment Rule.....		107
§ 6.1	Introduction	107
	A. Shlensky and Abstention	108
	B. Technicolor and Substantive Review	110
	C. Where Is Delaware Now?	114
§ 6.2	Why a Business Judgment Rule?	115
§ 6.3	The Law of Business Judgment	122
	A. The Nature of the Rule	122
	B. Preconditions	123
	1. An Exercise of Judgment	123
	2. Disinterested and Independent Decisionmakers	123
	3. Absence of Fraud or Illegality	124
	4. Absence of Waste	126
	5. Rationality	127
	6. An Informed Decision (a.k.a. Process Due Care)	129
	C. The Contextual Business Judgment Rule	136
	D. Application to Officers	138
§ 6.4	The Duty of Care	139
	A. Is the Duty of Care a Negligence Standard?	139
	B. Causation	140
	C. Reliance on Officers	143
	D. Oversight Cases	144
	E. Shareholder Ratification	146
	F. The MBCA	146
§ 6.5	Statutory Responses to Van Gorkom and the “D & O Liability Crisis”	148
	A. Liability Limitation Statutes	148
	B. Indemnification Statutes	150
Chapter 7. The Duty of Loyalty		157
§ 7.1	Distinguishing Care and Loyalty	157
§ 7.2	Conflicted Interest Transactions	158
	A. Common Law Evolution	159
	B. Interested Director Statutes	161
	1. Approval of Conflicted Interest Transactions by a Disinterested Board Majority	162
	2. Approval of Conflicted Interest Transactions by Shareholders	163
	3. Fairness Absent Valid Approval or Ratification	165
	4. MBCA Subchapter F	166
	C. Executive Compensation	168
§ 7.3	Corporate Opportunities	169
	A. Delaware’s Standard	169

TABLE OF CONTENTS

	B. The ALI Approach.....	173
	C. Defenses.....	175
	1. Capacity	175
	2. Financial or Technical Inability.....	175
	3. Refusal to Deal	177
§ 7.4	Good Faith.....	178
§ 7.5	Oversight and Loyalty.....	181
§ 7.6	Fiduciary Duties of Controlling Shareholders.....	184
	A. Introduction.....	184
	B. Identifying Controlling Shareholders.....	185
	C. Parent-Subsidiary Transactions	186
	1. The Canonical Sinclair Oil Opinion	186
	2. Zahn v. Transamerica and Conflicts Between Classes of Stock	188
	D. Sales of Control	191
	1. The General Rule	191
	2. Sale to a Looter	192
	3. Sale of Office.....	192
	4. Usurping a Corporate Opportunity.....	194
	5. Refusals to Sell.....	196
	E. Freeze-Outs	198
	1. The Business Purpose Test	200
	2. Freeze-Outs and Fairness	201
	3. Freeze-Outs, Fiduciary Duties, and Appraisal	203
	4. Effect of Shareholder Ratification.....	206
	Chapter 8. Shareholder Litigation	207
§ 8.1	Introduction	207
§ 8.2	Direct v. Derivative Litigation.....	207
§ 8.3	Attorney's Fees: Herein of Strike Suits and Their Converse.....	209
§ 8.4	Procedural Aspects	211
	A. FRCP 23.1.....	211
	B. Choice of Law and Forum.....	212
	C. Verification	214
	D. Contemporaneous Ownership	216
	1. The Basic Requirement	216
	2. Bondholder Standing to Sue Derivatively	218
	3. Director qua Director Standing.....	220
	E. Collusive Jurisdiction and Realignment of Parties.....	221
	F. Fair and Adequate Representation.....	221
	G. Judicial Approval of Settlements.....	223
	H. Recovery.....	224
	I. Jury Trial.....	225
§ 8.5	Demand and Board Control of Derivative Litigation.....	225
	A. The Demand Requirement	225
	1. New York's Demand Futility Standard	226
	2. Delaware's Demand Futility Standard.....	228
	B. Board Control of Derivative Litigation.....	232
	1. Demand Required Cases.....	232
	2. Demand Excused Cases	234
	3. Judicial Concern with Structural Bias	238

TABLE OF CONTENTS

C.	The ALI and MBCA Universal Demand Alternatives	239
1.	MBCA § 7.44	240
2.	ALI PRINCIPLES Part VII	241
3.	Evaluating Universal Demand	241
Chapter 9.	The Limits of Fiduciary Obligation	245
§ 9.1	Introduction	245
§ 9.2	Corporate Social Responsibility and the Law	245
A.	Case Law	245
B.	Nonshareholder Constituency Statutes	249
C.	Benefit Corporations	251
§ 9.3	Extra-Contractual Duties to Bondholders	252
§ 9.4	Extra-Contractual Duties to Preferred Shareholders	254
§ 9.5	The “Special” Problem of Corporate Philanthropy	257
Chapter 10.	Shareholder Voting	259
§ 10.1	Introduction	259
§ 10.2	State Law	260
A.	Overview	260
B.	Notice, Quorum, and Votes Required	260
C.	Election of Directors	262
1.	Plurality Versus Majority Vote	262
2.	Cumulative Voting	264
3.	Classified Boards	266
D.	Group Voting	268
E.	Shareholder Inspection Rights	270
§ 10.3	Federal Regulation of Proxies	274
A.	Origins	274
B.	The Regulatory Framework	276
1.	What Is a Solicitation of Proxies?	276
2.	The Proxy Rules	277
C.	Proxy Contests	281
1.	Disincentives to Proxy Campaigns	282
2.	Reimbursement of Expenses	282
3.	Shareholder Apathy and Related Problems	285
4.	Proxy Contests and Takeover Bids	286
D.	Proxy Litigation	287
1.	The Implied Private Right of Action	287
2.	Key Elements of the Proxy Cause of Action	290
3.	Materiality	290
4.	Reliance and Causation	292
5.	State of Mind	293
6.	Remedies	293
§ 10.4	Shareholder Proposals Under Rule 14a–8	294
A.	SEC Review	295
B.	Eligibility	296
C.	Procedural Issues	296
1.	Number of Submissions	296
2.	Prior Submissions	296
3.	Attendance	297
4.	Timing	297
5.	Length	297
D.	Substantive Grounds for Excluding a Proposal	297
1.	Proper Subjects for Shareholder Action	297

TABLE OF CONTENTS

	2. False or Misleading Proposals.....	298
	3. Not Otherwise Significant.....	299
	4. Ordinary Business	300
Chapter 11. Insider Trading and Securities Fraud.....		303
§ 11.1	Introduction	303
§ 11.2	Origins of the Insider Trading Prohibition	305
	A. State Common Law.....	305
	1. Face-to-Face Transactions.....	305
	2. Do Selling Directors Owe a Fiduciary Duty to Their Nonshareholder Purchasers?	306
	3. Stock Market Transactions	307
	4. State Common Law Today.....	309
	5. Derivative Liability for Insider Trading Under State Corporate Law	310
	B. Origins of the Federal Prohibition	311
	C. A Rule 10b-5 Primer	314
	1. Standing.....	314
	2. Application to Omission Cases.....	315
	3. Materiality.....	316
	4. Scienter.....	318
	5. The Limits of Rule 10b-5: The Need for Deception	318
	6. Secondary Liability and the Plain Meaning Issue	320
	D. Cady, Roberts	320
	E. Texas Gulf Sulphur.....	321
§ 11.3	The Disclose or Abstain Rule	324
	A. Chiarella.....	324
	1. The Facts	324
	2. Inside Versus Market Information	325
	3. The Holding	325
	B. Dirks	327
	1. Selective Disclosure and Regulation FD	329
	2. Tipping Chains	330
§ 11.4	The Misappropriation Theory and Rule 14e-3: Post-Chiarella Gap-Fillers	330
	A. Rule 14e-3	330
	B. Misappropriation	332
	1. Origins	332
	2. Called into Question	334
	3. O'Hagan: Facts	335
	4. O'Hagan: Issues.....	335
	5. O'Hagan: Holding.....	340
	6. Open Questions	342
§ 11.5	Elements of the Modern Prohibition	347
	A. Material Nonpublic Information.....	347
	B. The Requisite Fiduciary Relationship	348
	C. Who Is an Insider?	351
	1. Classic Insiders	352
	2. Constructive Insiders.....	353
	3. Tipsters and Tippees.....	355
	4. Nontraditional Relationships.....	356
	5. What Does "Other Relationship of Trust and Confidence" Mean?.....	359

TABLE OF CONTENTS

	D. Possession or Use?	359
	E. Is There Liability for Trading in Debt Securities?	361
	F. Remedies and Penalties.....	362
§ 11.6	Section 16(b).....	364
	A. Matching Transactions	365
	B. Officers, Directors, and 10% Shareholders	367
	C. Limited Scope	369
	D. Form Versus Substance.....	370
	E. Impact of Sarbanes-Oxley	371
	Chapter 12. Mergers and Acquisitions	373
§ 12.1	Introduction	373
	A. Classifying Acquisition Techniques	373
	B. A Preliminary Overview of Acquisition Mechanics	374
	1. The Merger	374
	2. The Sale of All or Substantially All Assets	376
	3. The Tender Offer	376
	4. Negotiated or Open Market Purchases	377
	5. The Proxy Contest.....	377
§ 12.2	Statutory Acquisition Techniques	378
	A. The Merger	378
	B. The Sale of All or Substantially All Corporate Assets.....	380
	1. What Does “All or Substantially All” Mean?.....	381
	2. Choosing Between a Merger and an Asset Sale.....	383
	C. Triangular Transactions.....	385
	D. Ensuring Exclusivity	386
§ 12.3	The Appraisal Remedy	388
§ 12.4	De Facto Mergers	390
§ 12.5	The Target Board’s Proper Role in Statutory Acquisitions.....	392
§ 12.6	Nonstatutory Acquisition Techniques.....	395
	A. Share Purchases v. Tender Offers	396
	B. Tender Offers v. Proxy Contests	396
§ 12.7	Federal Regulation of Tender Offers.....	399
	A. Beachhead Acquisitions.....	400
	1. The Obligation to Disclose	400
	2. The Content of a Schedule 13D Disclosure Statement	403
	3. Section 13(d) Litigation	405
	B. Tender Offer Disclosure and Procedural Rules	407
	1. Definition of Tender Offer	408
	2. Commencement of a Tender Offer	410
	3. Content of Required Disclosure.....	411
	4. Procedural Rules	412
	5. Target Obligations	413
§ 12.8	Takeover Defenses: The Arsenal	415
	A. Shark Repellents.....	416
	1. Classified Boards.....	416
	2. Supermajority Vote Requirements	417
	3. The Fair Price Variant.....	418

TABLE OF CONTENTS

	B.	Poison Pills	418
	1.	Flip-Over Pills	419
	2.	Flip-In Pills.....	421
	3.	Redemption Provisions	422
	4.	Modern Pills	423
	C.	Other Defenses.....	423
	1.	Defensive Acquisitions.....	423
	2.	Dual Class Stock Plans.....	423
	3.	Stock Repurchases	424
	4.	Lockups.....	425
§ 12.9		The Propriety of Target Board Resistance to Unsolicited Offers.....	426
	A.	Cheff v. Mathes	427
	B.	Unocal.....	429
	C.	Revlon	432
	D.	The Paramount Cases.....	434
	E.	Unitrin	444
§ 12.10		Consideration of Nonshareholder Constituency Interests	445
	A.	Delaware Case Law	446
	B.	Nonshareholder Constituency Statutes	448
§ 12.11		State Anti-Takeover Legislation	448
	A.	The First Generation and MITE	448
	1.	Preemption Standards.....	449
	2.	Did the Williams Act Preempt the IBTA?	450
	B.	The Second Generation and CTS.....	453
	1.	The Second Generation Statutes.....	453
	2.	Powell's CTS Opinion.....	455
	C.	Interpreting CTS.....	457
	1.	A Meaningful Opportunity for Success.....	457
	2.	Amanda Acquisition.....	459
	3.	Commerce Clause Issues	460
		Chapter 13. Dividends and Other Legal Capital Arcana	461
§ 13.1		Introduction	461
§ 13.2		Money In: Herein of Watered Stock	462
	A.	Watered Stock in Delaware Law Today	464
	B.	Watered Stock Under the MBCA Today	465
§ 13.3		Money Out: Dividend Statutes	465
	A.	Modern Dividend Statutes	465
	1.	Delaware.....	466
	2.	MBCA: Old and New.....	469
	B.	Dividends and Asset Revaluation	471
§ 13.4		Redemptions and Repurchases.....	472
	A.	Delaware Law	473
	B.	MBCA	474
	C.	Note on Related Legal Issues	474
§ 13.5		Stock Splits and Dividends	476
	A.	Stock Dividends.....	476
	B.	Stock Splits.....	477
	C.	Reverse Stock Splits and Freeze-Outs.....	478
§ 13.6		Dividends on Preferred Stock	478
	A.	Cumulative Dividends	479
	B.	Contingent Voting Rights.....	481
§ 13.7		Suits to Compel Declaration of a Dividend.....	481

TABLE OF CONTENTS

Chapter 14. Close Corporations	485
§ 14.1 Exit Versus Voice.....	485
§ 14.2 Private Ordering in Close Corporations	487
A. Private Ordering of Voting Rights	487
1. Voting Trusts.....	487
2. Vote Pooling Agreements.....	488
B. Private Ordering re Decisionmaking Authority	494
C. Private Ordering re Exit Rights.....	498
1. Restrictions on Transferability	498
2. Buyout Agreements.....	500
§ 14.3 Fiduciary Duties in Close Corporations.....	504
A. The Massachusetts Line of Cases	504
1. The Fiduciary Duties of Majority Shareholders.....	504
2. The Fiduciary Duties of Minority Shareholders.....	508
B. California Law.....	510
C. Delaware Law	511
D. Lawyers and Freeze-Outs.....	512
E. Private Ordering of Fiduciary Obligation	513
§ 14.4 Dissolution	515
A. Dissolution on Grounds of Oppression and the Reasonable Expectations Standard	516
B. Buyout in Lieu of Dissolution	518
TABLE OF CASES	523
INDEX.....	535