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Yvan Allaire makes "The Case for Dual-Class of Shares"

Allaire, Yvan, The Case for Dual-Class of Shares (December 20, 2018). Available at SSRN: <https://ssrn.com/abstract=3318447> or <http://dx.doi.org/10.2139/ssrn.3318447>

The debate over whether dual class of shares increases or decreases share value, should be prohibited or not, should be subjected to mandatory sunset provisions, and so on has been heating up over the last few years. This paper reviews the pros and cons of dual class of shares in light of more recent empirical results of (mostly) American studies. The paper surveys the evolution of dual-class companies in the Canadian context and makes a number of recommendations to enhance the usefulness of this type of capital structure and protect the rights of minority shareholders.

The paper comes out against time-based sunset clauses but supports the obligation for dual-class companies to adopt a "coattail" provision, as is the case in Canada, which provision ensures that all shareholders will have to be offered the same price and conditions should the controlling shareholder decide to sell its controlling stake in the company. The paper also recommends that separate tallies of vote results be made public for each class of shares and that a third of board members be elected by shareholders with "inferior" voting rights.

Not only is there growing evidence of their better economic performance but the coupling of dual class and family ownership brings about longer survivorship, better integration in the social fabric of host societies, less vulnerability to transient shareholders and more resistance to strategic and financial fashions.

This precious form of ownership must come with appropriate measure to ensure and protect the rights of minority shareholders.

I have addressed the issue in prior posts:

[Understanding Dual Class Stock Part I: An Historical Perspective](#)

[Understanding Dual Class Stock II: The Flawed Corporate Democracy Argument](#)

[Understanding Dual Class Stock III: The Conflict of Interest Argument](#)

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