

Venture Capital

Minority Shareholder Rights

Control Provisions

- Board Representation
- Veto Rights
- Controls over Existing Shareholders
- Information Rights

Minority Oppression Doctrine – Close Corporations

- Theories of liability minority shareholders look too
- Massachusetts Law – Majority Rule
- California – Minority Rule
- Delaware Law

Protection Measures for VCs Against Minority Shareholder Claims

- Add explicit protections into initial investment document
- Take appropriate actions at the time of a conflicting interest transaction
- Rights Offerings
- Fairness Opinions
- Special Independent Board Committees
- Solicitation of Minority Shareholder Approval
- Business Exigency is the Best Defense

What's New

- Majority voting rule trend
- Duty of Good Faith
- Director Duty of Oversight
- Interest Merger Transactions and Stockholder Ratification