

UVA LAW | Mock Class: Corporate Structure

PROFESSOR HWANG: Hello, everybody. My name is Professor Hwang. Welcome to UVA.

So, here at UVA, I teach business law classes, including corporations, mergers, and acquisitions, and deals. Before I became a Professor, I worked as a mergers and acquisitions attorney at Skadden in New York, which is a firm that made its name doing hostile takeovers and other novel transactions.

So here is our agenda for today. We're going to do a super brief introduction to corporate law and structure. This would take a couple of weeks in real class, but we're fine. We're very smart, so we're going to do it in like 10 minutes.

Then we're going to do our case, which is *AP Smith v. Barlow*. And then I'll answer any questions you have about the case, about the business law program here, or really anything else you want to talk about.

So today, we're going to be talking about corporate purpose. What is the point of corporations? What can they do? Should they do it?

Corporations are a type of business entity, so a way to organize business. Other ways might include a partnership, or a sole proprietorship, or an LLC. So, because of the way corporations are organized, they present a lot of unique issues.

Specifically, corporations suffer from something called a separation of ownership and control. So, you, me, your grandma, Jeff Bezos can all buy shares of a corporation, which makes us into shareholders, a.k.a. part owners of the company. So that's us over on this side, on the left.

But, as small fry shareholders, we don't really get much involvement in the management of the corporation. So we don't really get to say like if there is going to be new admin hired or if there is going to be a new line of business. Instead, the management of the corporation [AUDIO OUT] delegated to hired guns, like the CEO, the CFO, and an even higher up group of managers, collectively known as the board of directors.

So think about how scary this is. Imagine that I put my life savings into a house. But, because of the way home ownership is set up in this bizarre world, I don't get to manage the house at all.

I've hired someone else to decide whether to fix leaks, get rid of mold, build a deck, put on a new roof, build an addition, everything. And this manager is spending my money, working on my house, and I don't get to have a say in it. That would be really weird.

But that's, basically, how corporations work. I put my hard-earned money into the corporation. Now I'm a part owner.

But I don't, basically, get to say much of anything about how the corporation is run. And, yet, how it's run is going to have a real impact on how much money I get back in my investment. So, if this was the case that I had someone managing my house and spending my money, I'd want to make sure that the manager was acting in my best interest, and not wasting my money, and making sure that they're getting a good investment on my money, or I'm going to get a good investment here.

Enter Corporate Law. So Corporate Law is interested in the relationship between shareholders-- you'll also hear these folks called stockholders-- that's us, small fry investors-- and the people that we hire to manage our investment, which would be the board of directors and hired managers, like the CEO, CFO.

So you can think of the board of directors of a company kind of like a school's board of trustees. They're part-time employees. They're smart people with lots of experience, and they're making major decisions about the major direction of the corporation.

Managers, like the CEO, and CFO, and CTO, they're people like the dean. They're full-time employees. They're on the ground daily making kind of nitty-gritty decisions about who to hire, and who to fire, and also whether we should start a new LLM program, and all sorts of these little kind of like business decisions.

So the primary way that the law makes sure that managers and directors act in the best interests of the shareholders is through a body of law called Fiduciary Law. So, specifically, we say that directors owe two major fiduciary duties to the corporation and to its shareholders-- the duty of care and the duty of loyalty.

So the duty of care requires directors to act in the best interests and to exercise a reasonable care in making decisions and overseeing corporate affairs. The duty of loyalty, basically, requires directors to act in the good faith belief that their actions are in the best interests of the corporation and its shareholders, rather than in their personal interest.

So, to put a little bit of an example here, a duty of care means that, if you are-- a corporate manager has to do things carefully, as a normally prudent person would. And the duty of loyalty just means that they have to put the corporation's interests ahead of their own. So, for instance, if a supplier comes and says, I want to sell you all these chickens for a very low price, and they're not very good chickens, but I'm also going to give you a bribe, well, you can't take that bribe because buying these low quality chickens is not very good for the corporation. And taking that bribe would mean you're putting your interests ahead of the corporations.

Stemming from these duties, directors also have a duty of candor or the duty of disclosure, which we're not going to talk about too much today. But it just means that they have to truthfully disclose all of the material within their control.

As we head into this case, a couple of things to think about. First, what does the law of fiduciary duty require directors to do when they're making decisions? Second, to whom do directors owe their duties? Is it just shareholders, is it the broader community, is it the corporation?

Third, what kinds of duties do directors owe to shareholders. And, finally, somewhat related to the second question, whether directors should owe duties to others beyond shareholders, specifically should they owe duties to other stakeholders-- for instance, environmental groups, people living in the vicinity of their factory, the community in which their headquarters are, the country where they are, the state where they're incorporated-- all sorts of these questions.

Any questions so far? You can just pop them in the chat if you have any questions. OK.

So let's get started with *Smith v. Barlow*. So, if you would like to volunteer for this case, I would say that go ahead and raise your hand using the moderation. We're, actually-- sorry.

I think you request sharing your video and audio, and I'll go ahead and pop a couple of people up here to volunteer on this case, just like real life. So if you are interested in doing that, please go ahead and do that now. And we'll go through a few questions, initially. Then I'll just ask people to answer in the chat. So please feel free to go ahead and answer those in the chat.

Somebody-- it's hopefully saying, it's asked to share audio and video. Yes. Thank you for doing that. I can't actually see it from my side.

So, Ryan, does that mean you want to volunteer? You should do it. OK.

Where are we? OK. So the company at the center of this case is AP Smith Manufacturing. Did anyone notice what AP Smith Manufacturing-- like, what do they make? You can just put it in the chat.

Fire hydrants. OK. Valves, hydrants, et cetera, valves. Yep, exactly. So they make valves, fire hydrants, and equipment for water and gas industries.

So the board of directors decides to spend their money in a kind of peculiar way. What is it that they do? And go ahead and just pop that in the chat. I could also, by the way, use a couple more volunteers.

Yeah, exactly. They donated their money to Princeton. So they made a \$1,500 donation to Princeton University.

So just a real quick question out of-- just a random question here. Do we think Princeton University needs \$1,500? Nope. They probably do not. No, Princeton University is extremely wealthy. They do not need \$1,500.

All right. So let's talk a little bit about the company's funny donation-- or, sorry-- the procedural posture of the case. So, even though it's the corporation's funny donation that's an issue here, the corporation is also the one bringing the case to court. Did anyone notice why the corporation is the one who is suing in court? What do they want?

Anyone? Hm, interesting. OK. I'm not actually surprised.

Oh, a declaratory judgment. OK. Several Ryans have decided it's a declaratory-- oh, no. Just one Ryan. Sorry.

And Jake and Hannah have decided it's a declaratory judgment. You're absolutely right. So what they're suing for is a declaratory judgment.

So, basically, stockholders questioned the decision to donate money to Princeton University. And the corporation instituted an action seeking declaratory judgment from the Delaware Court of Chancery.

This is kind of rare. But the corporation is, like, please stop complaining. We're going to go to the Delaware Chancery Court to rule on whether we-- and ask them to rule on whether we are right or wrong.

The more common posture would be shareholders get mad, they sue the corporations board of directors for a breach of duties, the corporation fights back. So, usually, the shareholders are the plaintiff here. But here, in a kind of unusual corporate procedural posture, the corporation is, like, please, let's just go to the court and this out.

So the Delaware Court of Chancery, by the way, is part of the Delaware State court system. Delaware State courts are super influential in business law disputes because many corporations are incorporated in Delaware. And, due to a quirky thing called the Internal Affairs Doctrine, many corporate law disputes, no matter where they happen, get funneled to Delaware State courts.

Delaware Chancery Court, where this case is tried, is a very, very busy court for business law disputes. And it is one of the lowest courts in Delaware. It's also a court of equity, which is just like this old-timey British thing that says that they can do things-- like not only award damages-- but they can also issue injunctions, which means that they can stop a transaction, rather than just saying, this transaction went badly, and you have to pay damages. The details of that are not super, super important. But I just wanted to emphasize how weird it is that this super low-rung state court is very important in business law.

The judges on the Delaware Chancery are called chancellors, rather than judges. The main one is the chancellor, Chancellor Bouchard, who is down here in the middle, kind of the short, smiling kid [INAUDIBLE] place in the school pictures. And then all of the other people are VCs, so they're vice chancellors.

Vice Chancellor Laster right here to the left is one of our UVA Law alums, and he'll be speaking in my class later this semester. Vice Chancellor Zurn-- who is up here in the corner-- she is a UVA undergrad alum, and she talked to my class last semester. Vice Chancellor Montgomery-Reeves, who is right here, has been elevated to the Delaware Supreme Court, so she has been replaced by Vice Chancellor Fioravanti, who's hovering here like the Casper, the Friendly Ghost. Nobody said my Photoshop skills were good.

So let's get back to the case-- oh, actually, we have a couple of questions. Is this a normal way that state courts are set up, or is this unique to Delaware? It's normal in that state courts always have lower courts.

Usually, there's not a court of equity. That's pretty infrequent. And Delaware courts are kind of a weird and interesting place but definitely the most interesting place for corporate law.

All right. So let's go back to the case. I continue to ask for one additional volunteer. But let me practice my skills at adding this one volunteer to my queue. And it'll take them a minute.

Hi, how are you?

[CHUCKLING]

ESSOSA: Hello. I'm doing well. Thank you so much.

PROFESSOR Does anyone want to join, a brave person? Let's-- let's see if there's a brave joiner. Oh, thank you, Miranda. OK.

HWANG: What's-- it'll take Miranda a minute to join us. OK, great.

So, [? Essosa? ?] Is that how you say your name? [? Essosa ?] and Miranda, hello. Welcome to my class.

OK, so I'm going to ask you some questions. They're not going to be that hard, but they're not going to be that easy. And, you know, we're just going to have fun with it.

OK. So let's go back to this. So, [? Essosa, ?] tell me what the issue in the case is.

[? ESSOSA: ?] It seems like the issue is that the shareholders don't really think that the corporation has the power to make this contribution. It seems like they don't disagree that it could be an honorable contribution, and that education is important, and all those things. But they don't think it's within the corporation's power to do that.

PROFESSOR HWANG: Yeah. So, yeah, exactly. So the issue is, did the corporation violate-- or the directors, did they violate their fiduciary duties? Are they allowed to use the corporation's money to make this charitable gift on behalf of the corporation?

So, Miranda, what do the shareholders think about this? What's their argument?

MIRANDA: The shareholders think it does benefit the corporation and that corporations rely on private entities in order to help them exist. And they get things out of that, like labor and--

PROFESSOR HWANG: Oh, that's the corporation. We're talking about the grumpy people. What do they think?

MIRANDA: The shareholders-- they think that it doesn't benefit the corporation. And that, in order for them to be able to donate, it needs to directly benefit the corporation.

PROFESSOR HWANG: Yeah. Yeah, so they are unhappy with this. And they are saying that it doesn't benefit the corporation. And, specifically, they say that the corporate certificate of incorporation, which is like the corporation's Constitution, if you will, doesn't authorize the contribution. And the corporation doesn't have implied or incidental powers to make this contribution.

They also talk about this New Jersey Statute, which expressly authorized the contribution. And they said that couldn't be applied to the corporation because the corporation was incorporated before the Statute was enacted. So that's the kind of boring stuff here.

OK. So, [? Essosa, ?] back to you. Did the corporations say that it had discretion-- oh, sorry-- the corporation said that it had discretion to do so, and it presented some testimony. So tell us a bit about the president's testimony-- the president of the company-- and the former chairman's testimony.

[? ESSOSA: ?] Absolutely. So I'm looking around for it.

PROFESSOR HWANG: Yes, while you do that, I'm going to also say that we have a couple-- I would take a couple of, uh-- let me just take a look at what we got here. Oh, we'll take a couple more volunteers. So, if people want to join the volunteering crew, please do so. Just raise your hand in the moderation panel, and I will add you once we hop off of these two volunteers. What else was I going to say? Oh, there are a couple of questions, so let's answer those.

How did this case end up in the New Jersey Supreme Court? Oh, that's a good question. I don't remember. Great question.

Unrelated, are there any other states with a really cool title alternative to judge or justice? Oh, I don't know. I would recommend a 50-state survey, which is like a classic RA, research assistant, or a first-year associate kind of assignment. Off the cuff, I can't think of any.

In Delaware, I think they also have marshals, or something like that. There's some kind of ceremonial sounding name that I forget-- something where you would imagine they would wear a weird hat.

OK. [? Essosa, ?] back to you. So what did the president and the former chairman say?

[? ESSOSA: ?] Well, the president thought it was a sound investment because he said it would help create a favorable environment for the business to do this and kind of [INAUDIBLE] relationship with the community. And the chairman, on a sooner note, was saying that it was good business. It's not good business for them to not do these normally-accepted obligations of contributing to the social community. So, therefore, it was justified for them to meet this public expectation of contributing.

PROFESSOR HWANG: Yeah, exactly. So, yeah. You're absolutely right. So the president says this a sound investment. The public expects corporations to do charitable giving. And this will generate goodwill in the community, create a favorable environment for their business operations, further ensuring their self-interests in ensuring the free flow of properly-trained employees from Princeton University to this fire hydrant company. So the former chairman of the company also testified that liberal education is the bulwark of good government and that American business depends on properly protecting the long-range interests of its stockholders, employees, and customers.

OK. So the court held for the company, saying that the corporation could make the gift for two reasons. So I'll ask Miranda to help with that in a second. And then I'll ask a third volunteer-- so now is the time for that brave third volunteer to join us-- to see if this case is right.

So, thank you, [? Essosa. ?] We're going to hop you off. Fabulous. OK, so Miranda is the only one remaining.

Miranda, so, first, the court explained that the state reserved power to enact statutory changes, so the Statute applies here. When you buy stock in a corporation, you're buying the existing powers as you see them in the certificate. And, as you see them in the certificate, and the bylaws, and the corporate law, plus you know there's a possibility that the state will change the corporate law or that, pursuant to the corporate law, the certificate of incorporation or bylaws could change. So that's the first reason that the court says this is fine.

The second reason, which I'll give to you, relates to the donation as a donation. So why does the court think that the donation is fine?

MIRANDA: The donation's fine also because it helps the company-- because it helps the company in fact that, like you said before, it generates public goodwill, and they can get labor from Princeton. And then it also is in the company's responsibility to help the public.

PROFESSOR HWANG: OK. Fair enough. Yeah, exactly. They say that this shifts wealth from private corporations to public goods, as long as there are no unusually large gifts, or weird little pet charities-- not like woof-woof pet charities-- but, you know, my own charity that works on providing lotions to people named Professor Hwang or something like that. So, as long as you're not giving to weird charities or giving unusually large gifts, that'll be fine. Private gifts from companies to private universities are widely-accepted with a few limitations.

OK. So thank you very much, Miranda. I'm going to pop you off now. Barring other volunteers, I guess we'll switch to just having folks tell us in the chat what they think.

Oh, no. Sam is going to join us. Sam, welcome. So we'll give Sam a minute to join us. So-- oh, hi, Sam. How are you?

SAM: Good.

PROFESSOR HWANG: OK. So let's talk about some of the reasoning. So the court says this donation helps the company obtain goodwill, create a favorable environment for business operations, assure the free-flow of properly-trained personnel for administrative and other corporate employment. So a question I have for you is, does Princeton's annual fund really help sell fire hydrants? Do you agree with this reasoning?

SAM: I would say no. I disagreed with the reasoning that you just laid out. But the opinion also talked about how the duty to donate to public goods has shifted from the individual to the corporation, because wealth has shifted more from private individuals to corporations in the last decades or something like that. And so that was kind of the reasoning that I understood as why the reasoning for this case was valid. But I didn't think that, necessarily, the \$1,500 that they donate is really going to help the company one way or another.

PROFESSOR HWANG: Yeah. I think that totally makes sense. They're not making a really good connection with the money they're giving to Princeton and how it's going to help their company sell more fire hydrants and valves.

So let's think about it in a different way. So imagine that AP Smith gave the gift, anonymously. Would that affect the court's analysis? Do you think that would change it? Would the court be less or more cool with the donation, if it was an anonymous donation?

SAM: I think that the court would be less cool with it because part of the reasoning was that the corporation has to uphold this public image. And part of that is doing good in the community and this obligation that they have to serve the community. And so, if they gave it anonymously, there wouldn't really be a way to track it back to them and show that they did this and, therefore, put them in good public light. And so it seems like an anonymous donation would almost be less helpful for this case because it wouldn't have that same kind of public reputation of goodwill towards the community.

PROFESSOR HWANG: Yeah, exactly. So this case has a little bit of a funny reasoning. So AP Smith, as it is, already barely is able to connect their donation to doing good for their company. So the court, basically, says this is fine because it's good for the company. It's generating goodwill in the community.

And we already kind of are, like, really? A \$1,500 donation from a fire hydrant company to a very wealthy University? That's really helping fire hydrants?

An anonymous gift, though, would not support goodwill in the community at all because it would provide no good PR for AP Smith, just as Sam says. So the company has to find a way to claim credit for this. This is the only way that they can actually generate goodwill.

So this is kind of our extra take-away from this case, which is that there must be some benefit to the corporation of this donation, however tenuous that connection is. OK, thank you, Sam. So I'm going to pop you off.

All right. OK, so one of the issues that this case raises is whether corporate donations are generally a good thing or a bad thing. So the court raises many rationales for why corporate giving is good, including that corporations have tons of money.

They have a responsibility to give. They have more and more wealth. They should be giving it away to the public. Are there any policy rationales that anyone can think of-- and you can just pop these in the chat-- that the corporation should not engage in charitable donations or should be prohibited from doing so?

So, putting on your uncharitable hats for a minute, think about why corporations should be prohibited from charitable donations. So, while you think about that, let me look at some questions in the chat here. Yes, it's the Delaware Court of Chancery that has chancellors. Would the size of the donation impact the ruling? If it would be larger, would it be better for publicity?

Yeah. I mean, sure. I think so, but there's also, remember, the limitation that corporations can't make huge donations, or that can get them in trouble. Let's see.

All right. So Miranda says it biases the organization. Say a little bit more about that, Miranda. Camilla says, corporations could influence academic research or freedom.

OK. That's a really big issue, especially as somebody who's in academia. You could say if-- oh, I don't know. Like, if evil corporation donates something and makes me the evil corporation chair of Business Law, does that-- I mean, first of all, that would be very redundant. And, second of all, what does that-- does that mean that all of my-- potentially, does it influence my studies?

I mean, my little backstage look at chairs is that it wouldn't. But it would be interesting. It would create the illusion of potentially being influencing incorrectly. Discriminating between certain charities and others. So that's a good one.

Potentially, some charities are very corporate-friendly. And so we could donate to corporate-friendly charities. Some donations could be contentious or bad for the corporate image. Exactly, right? So if AP Smith was donating to Princeton University, that's pretty neutral. I don't think they need it, but they're still a University. And we think education is good. That's why we're all here. But if they donated to a University for the propagation of snakes in the Florida Everglades, then we're like, oh, well, that's not good. That's actually not a pleasant thing.

All right. Let's do a couple more. If the primary duty of the corporation is to represent the best interests of the shareholders, and their shareholders explicitly voice disapproval, maybe the corporation shouldn't be able to overrule them.

That is a really good point, except that corporations have so little ability to influence-- or shareholders have so little ability to influence their corporations. So, as we'll talk about at length in corporations, the class, shareholders basically have two abilities to intervene in corporate affairs. One is that they can vote up the board of directors. They don't even get to vote on the CEO, or CFO, or anything like that.

And, secondly, they get to vote on major transactions. So we're talking about major mergers and acquisitions, not even like a small merger and acquisition. So, for instance, when Apple bought Beats, I believe their Apple shareholders did not get to vote on that transaction because it was too small.

Here's an interesting one. Shareholders may believe that social benefit is not the responsibility of the corporation. So that's interesting. So some shareholders may disagree that the donation serves the firm's interest, as many people have noted in the chat and as we saw here in this case.

Some would prefer a donation to something else or to nothing else. And, instead, for the corporation to funnel all of its money back into the corporation. So, thinking back to our house manager example, I buy a house. Someone else is managing it.

Do I want this person to buy lawn mowing services for everybody on the block? On one hand, this person could say, that creates a lot of goodwill. Then they're not going to complain that we're using this house as an Airbnb.

But, on the other hand, I might be like, well, I don't know if we need to provide lawn mowing services to the whole block. Maybe we just need to provide lawn mowing services to our neighbors on either side or something like that. Like, we might have a discussion about whether we should be behaving charitably and to what extent.

You might also imagine that you are-- let's say you are a very small fry shareholder of a corporation, and the corporation is giving money to a cause that you hate, like a rival school, in which case you might be very upset about that. I will say there's one final thing that didn't seem to pop up in the chat. And that's the question of wealth distribution. So, often, investors and companies are middle income people investing their money. And, a lot of times, corporations are investing in very highbrow things, like Princeton or the Metropolitan Opera.

So, when you think about this, you're like my Granny is on a fixed income, and she's got two shares of Coca-Cola. Why should my Granny's fixed income investments be going to-- why should some of that be funneled off to the Metropolitan Opera or Princeton University? These things seem to be doing just fine, where my Granny is really trying to get some more money for her medications or whatever. So that is another question that comes up.

All right. So that's the end of our case. Let's do some questions about the case. And then I'll also welcome any questions about the business law program, any other questions you have for me.

So let me just zip through some of these comments, questions. And feel free to add some more. Do I think that shareholders should have more or less rights, relative to the management, given current case law because I just mentioned that they don't have many rights.

This is such a big debate in Corporate Law, whether shareholders should have more rights or whether management should have more rights. So it's kind of the shareholder, management debate. People tend to fall on one side or the other.

I don't know. I guess I'm still-- it's an active question that I'm thinking about. So I have a paper a couple of years ago-- two papers a couple years ago where I talk about all the good that shareholders can do. So, a lot of times, shareholders now are the ones pushing for environmental, social governance, diversity, that kind of stuff, like really positive changes in corporations. And they're kind of banding together to use their influence to pressure corporations to do things that I think are good.

But, on the other hand, I have a paper recently that shows that, if you're just thinking about whether shareholder participation contributes to value or return on investment, that result is not as strong as people have thought. So, traditionally, some people have thought that huge shareholder participation increases-- or, the more Democratic a firm is, the better its return on investment. And I'm not really sure that that result is as robust as people have thought.

Does the opportunity cost of the donations matter at all? What if the shareholders argue that the money would benefit the corporation more by investing back into the company directly? So I think that's an implicit-- that's a great question. And that's, I think, an implicit argument that the shareholders are making.

You shouldn't be giving to Princeton. You ought to have been spending it on better development of valves or something like that. I think that's really hard to prove because every \$1,500-- could it have been used to scientifically improve valves, or would it have been better spent on Princeton University? It's very hard to measure, but I think that's their implicit argument, that you shouldn't have spent the money this way. There was a better way to spend it.

Other question-- you mentioned a scenario where a CEO took a bribe from a supplier for a lower quality of chickens. I love this. In your 1L case, you'll talk about a chicken case. It's one of my favorite ones, about high and low-quality chickens.

And the CEO is putting their interests first. But what if the supplier offering the bribe had chickens that matched the quality of the current supplier's chickens. Could they take the bribe?

Well, you're not supposed to take bribes, Tommy. But I think that would probably-- that would end up being a [INAUDIBLE] issue. So maybe I'm saying Tommy and Sam both are offering the same quality chickens at the same price. But Tommy is also offering me \$100,000 if I buy from him. In that case, I think that's still a problem.

I would probably, at least, have to refuse the money or share the money with the corporation or something like that. I guess, now that I'm logic'ing it out, I would say, well, if Tommy had \$100,000 to give to me, the CEO, then he ought to just be giving the company \$100,000 discount on the chickens, in which case, that should be what happens, instead of him giving the money to me.

Jake asks, can these kinds of requests for declaratory judgment be abused by corporate managers to circumvent shareholder concerns before those shareholders are able to band together and seek the change they would like to see, e.g. By electing new directors, which I'm sure takes some time?

I think declaratory judgments are really pretty rare. So that's part of what makes this case really interesting. One way that corporate managers do sometimes circumvent shareholder concerns-- so shareholders can also attempt to influence the corporation through something called a shareholder proposal. So this happens-- really, it can happen any time but most commonly happens at the annual meeting of the shareholders. So there's always an annual meeting of the shareholders.

Nobody ever shows up. Like three people will show up. And all the other shareholders will vote by mail. But, if you are a shareholder who has a bone to pick-- let's say you want to propose that the company, every year, gives money to Princeton University or something like that, you can put in a shareholder proposal, and the other shareholders can vote on it.

There's usually a threshold of how many shareholders have to sign on in order to get that shareholder proposal on the ballot, so kind of like a write-in election or whatever. And sometimes, once there is a whiff that a shareholder is going to put together a shareholder proposal, the company will approach the shareholder and say, what if you don't put in a shareholder proposal, and we just settle out of court or out of the voting process for what you want? And that shareholder can then negotiate for something that the corporation can do.

So, for instance, this happened a lot with campaign finance. So shareholders became very interested in companies putting out campaign finance disclosures. They put in shareholder proposals about wanting the company to put out various campaign finance disclosures and wanting the company to limit their campaign finance contributions. And a lot of companies actually negotiated with shareholders directly to say, what if we just put out some voluntary campaign finance disclosures, and you withdraw your proposal.

This is actually a little bit of a problem because this accounts for why campaign finance disclosures are very non-uniform across corporations, and you can't really compare them, like apples to apples, because they negotiated with different shareholders for different types of contributions.

Liam asks, do the gifts, like in the chicken case, become fuzzier, ethically, when it becomes stuff like nice dinners, court-side tickets, and the like, as they are no longer explicit financial gain? Yes. So, certainly, there is a lot of buttering up corporations to keep their business. Private box at Madison Square Garden or a fancy vacation-- it becomes very hard to distinguish between that and between those kind of regular business buttering up and bribes, so to speak. Yes. And that's a question we discuss at much more length in corporations.

Camilla asks, how large of a shareholder do you have to be influential? I'm sure it depends on the corporation. So Securities Law says that you have to disclose that you are a major shareholder. You have to make various filings if you own more than 5%.

So 5% by yourself or with a group that has a desire to do something together regarding the company. So, if you and I each owned 3%, and we were talking together about maybe we should vote up a different director next year, then we would be in a group, and we would have to make relevant disclosure. So I think 5% is the magic number.

Jack asks, is there any indication that Princeton's ability to influence local politics by being a powerful institution could yield a return for the company in a way that would be more concrete than just goodwill? That's an interesting-- that would be a question of proof. So these things are all so squishy and hard to pin down. It's really hard to say exactly how much Princeton would be doing for the corporation.

So would we be saying maybe we're giving this donation to Princeton so that they'll install fire hydrants, like AP Smith fire hydrants all over Princeton University? I don't know. Would that be sketchy? It's a little bit sketchy.

But maybe you could say that that's something, or maybe we give this money to Princeton, and we know that the President of Princeton is on the fire hydrant planning community for Princeton, New Jersey. And the president of Princeton will now install our fire hydrants all over Princeton University or all over Princeton, New Jersey. Yeah, I think it's really, really hard to quantify that.

Other questions about not just the case but also about business law here?

Ryan has been subjected to an obscene amount of mandatory training, discouraging the appearance of bribes. This is also, by the way, why, if you ever invite a government official, or a judge, or someone from a regulating body, you often can't pay for them-- like, even in my class, I can't pay for their trip. Or I went out to get drinks with people from the SEC, and they paid for their own drinks, even though I was like, oh, no. It's to thank you for coming to my class.

And they were like, no. We cannot. So, yeah. They have to be super, super careful about that. And that can be in the corporate policy, as well. Yes, you can find a lot of those on the Internet.

Other questions that I can answer for you about being a law student here, about business law classes? All right.

Natalie, Boss? All right.

OK, so what we'll do is I think we'll wrap it up here. If you want to chill the reception or get some food or whatever, go for it. If you have any questions that you want to ask, I'll be sticking around for another 10 minutes. So please stick around and ask me any questions that you have.

Victoria says, what 1L Spring elective classes fall under the Business Law realm? So I think that there are-- I don't teach in the 1L curriculum-- so I believe there are two. So one of them is, I think, Intro to Law and Business, which is a new offering this year. And I believe Corporations is also offered. And there might be a couple more that are kind of other related, but I think those are the two that come to mind for me.

Do you recommend taking Business Law classes, even if you're considering public interest? Absolutely. I think you should take Corporations because Corporations is on the Bar. And, also, I have students every semester who take my class as a 3L and say, oh, my gosh. I wish I'd taken this earlier. It's super relevant to my practice.

I have students who do all sorts of public interest-type things who realize that Corporations is super important. So, for instance, let's say you're doing housing law and you want to sue landlords, well, they're not usually individual people. They're usually some kind of business entity.

So you need to know how to serve them, and who to serve, and how to find the money. Like, who do you sue to get to the money? Or let's say you're doing environmental. Like, it's usually not a person emitting toxic stuff into the river. It's usually a corporation, that's owned by another corporation, that's owned by another corporation. So thinking about how to trace that line of liability is really important, so absolutely.

Does UVA offer any opportunities for students to take courses on general business principles, accounting, or finance, et cetera? The answer is yes. And one of the things that we've introduced this year is the Intro to Law and Business, where you should be getting some of those principles, as well. But yes.

Do we have any opportunities for students to take courses-- oh, no. We already did that one. Is it a disadvantage not to have a Business Econ background if you're pursuing Corporate Law? That's such a good question. The answer is no.

We have what we designate or tag as Law in Business courses, which are for students who had an undergrad Finance major and then Non-Law in Business, which is for everybody. I actually like teaching the Non-Law in Business classes because I super think that having a Business, or Econ, or Finance background is not necessary to being a successful corporate lawyer. I think you can be successful-- you can be a transactional or a corporate lawyer having never taken an accounting, a finance, or an econ class. Although, I might, at some point, recommend that you take some of them in law school. But you can do it, and it's totally fine, and you will not in any way, shape, or form be behind, or on your back foot, or anything like that.

Let's see. You mentioned that a student wished they had taken a class earlier. Do you have any recommendations or advice on 1L electives, in general? Well, I'm super biased, Jerry. So I think you should take Corporations as a 1L elective, or you should take Corporations with me, and I usually teach it in the fall, which would not make it a 1L elective.

But I think you should take something that opens up-- the earlier in your career you are, the more classes you should take that open up the doors for future classes. So, for instance, Corporations is a pre-rec for a lot of different business law classes. So I would take it first, so that kind of opens up your schedule for the next four semesters, in terms of how you can place all the other classes. Whereas, if you save Corporations for Spring of your 2L year, then your schedule becomes a lot more constrained. So I would think about what you're interested in and find the kind of opener in your first year.

What opportunities exist for 1Ls to get involved with or support Business Law-related research. So we have the Business Law Society, which does a lot of stuff. Also, I know a lot of professors hire-- I hire RAs every semester.

And then people just vary on whether they hire 1Ls or not. And then a lot of people hire summer RAs. So, after your 1L year, you'll have the opportunity to apply for RA positions with Business Law folks.

Does Business Law at UVA focus on state level law, or is it more generalist? Oh, that is such an interesting question. So Business Law everywhere focuses on the same law, and that is Delaware Law. So Delaware is the most important court in Business Law.

And so we mostly focus on Delaware law, and that's going to be the same everywhere that you go. So I've taught at two other law schools. And, everywhere you go, that's going to be the same story. But Securities Law, I think, also broadly falls under Business Law. And Securities, you'll focus on Federal Securities Law. In Antitrust, you'll focus on Federal Antitrust Law. In Mergers and Acquisitions, it's more like 50-50 on Delaware law and federal laws that intersect with M&A.

So that's not going to change, depending on where you go. Or it shouldn't change at all. I don't know any professors who would teach it differently, based on where they are.

How can 1Ls unsure about whether they're interested in Business Law learn more about the field without committing to a whole elective in the spring? Are there info sessions, informal Professor chats, et cetera?

I think there are. I think the Law in Business Society will put stuff on. You can always schedule an office hour with somebody who you're interested in talking to, like a Professor.

I would also just talk to upperclassmen about what their experiences were. But the other thing is I would say you've got a lot of classes, and I think Corporations is on the Bar. And you should take it, no matter what. So it's not a huge commitment to take it.

You can save it until first semester or 2L year. It's not going to make a material difference in your life to take it. You'll take it eventually, and I think you should.

All right. Is there a course explicitly focused on Business and Social Responsibility to Public Good? So, yes. Professor Curtis teaches a seminar on Business Law and Environmental Social Governance. I have proposed a new course on a similar vein for next year to be co-taught with one of our colleagues here, as well. So, yes. And, also, me and a couple of the Business Law faculty here do some research in that area, as well, so I think this is an area in which we're really strong in.

How often can students engage with the issue of corporate social responsibility related to this case in other classes and UVA Law learning experiences? We have our classes. And I also think it's just a super important part of Business Law practice because this is something that's one of maybe the top two or three things that corporations, and law firms, and corporate counselors are thinking about right now. And so, even though some of these cases haven't percolated into the book that you might use-- just because books are always a few years behind-- these are issues that, as far as I know, all of my colleagues talk about in their classes as supplements to what's in the book. So I think there's lots of opportunities to talk about that in your classes.

Other questions? Natalie has given us the OK to talk until 11:30.

How much Business Law is looking at the history of corporate governance and how much is looking at current issues? Oh, that's an interesting question. I think of my classes all about current issues. But we sometimes use old cases.

So this case is a little bit old, but it's a really interesting one. And it's an issue that continues to be really, really important today about corporate donations and how corporations spend their money. And so I think that that's absolutely-- I think that it's not really a historical survey.

Compared to other law schools where I've taught at, what is my favorite thing about teaching at UVA? I think-- well, let me think. So I think, in teaching, students here are more engaged than any students I've ever taught before. I very, very rarely call on somebody who is not prepared for class, which is not the case everywhere.

And I think people here are very nice, so students are very nice to each other. They're very nice to me. They tend to treat disagreements really respectfully, which I think allows me to talk about issues in class that might be more controversial, or there might be debate about it.

And everyone can kind of engage and come away having learned something. And, often, that somebody is me. So I think that's a really positive and healthy part of being here.

Why did I become a Professor? So I was an associate at a law firm. And I really loved the work I was doing. But, basically, two reasons. One, I realized it would take me 10 more years to really do the thinking about deals and contracts that I was really interested in. So I got a little impatient.

And then, separately, I was starting to work with Junior associates and to mentor people. And I mentioned these legal assistants who had this office next to me. And I just wanted to think about a career where I could do more of the things about my job that I really loved, which is kind of thinking about novel issues and also the kind of mentoring aspect of my job. And I literally made a list of every job I could think about, including manufacturer of fire hydrants, physical therapists, firefighter, all sorts of things, and decided that being a Professor was the job I could have that would allow me to both think about the hard issues, and novel issues, and also to mentor and work with students on a regular basis. That's a good question.

Other questions? Oh, thank you, Tommy. Tommy says, it was a super cool class. Thank you, Tommy.

All right. You don't have to stick around. So, as I see more people are popping off, I will also log out. But I'm happy to stay for a few more minutes if people have questions.