

# [Allocation of power between directors and shareholders](https://assignbuster.com/allocation-of-power-between-directors-and-shareholders/)

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Regular meetings of stockholders or members must be held on the time specified by the law or the articles of incorporation as may be applicable. Special meetings of stockholders or members shall also be held as such. Notice of any meeting may be waived expressly or impliedly by any stockholders. The president shall preside at all meetings of the directors or trustees as well as of the stockholders or members.

Conflicts of Interest in Corporate Transactions

A corporate director, trustee or officer may be held personally liable with the corporation if he acts in bad faith or with gross negligence in directing the affairs of the corporation, or in conflict with the interest of the corporation resulting in damages to the corporation, its stockholders or other persons.

Close Corporations

A close corporation is one whose articles of incorporation provides that the entire corporation’s issued stock of all classes, exclusive of treasury shares, shall be held of record by not more than a specified number of persons not exceeding 20 and the corporation shall not list in any stock exchange or make any public offering of any of its stock of any class.

Insider Trading

Insider trading is the purchasing of a security by an individual who has way in material, nonpublic information about re security.

Rule 10b-5 and Section 16(b);

Directors, officers and ten per cent shareholders of an issuer to disclose on Form 4 any changes in ownership of the issuer’s equity securities or the purchase or sale of a security-based swap agreement before the end of the second business day following the day on which the subject transaction has been executed (“ SEC Adopts Final Rule for Section 16 Reporting Requirements under Sarbanes-Oxley Act of 2002”).

Shareholders Voting Rights

At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock, or if there be no capital stock a majority of the members entitled to vote. In stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the numbers of shares of stock standing in his own name on the stock books of the corporation.

Shareholders Right to Inspect Records

The record of all business transactions of the corporation and the minutes of any meetings shall be open to inspection by any director, trustee, stockholder or member of the corporation at reasonable hours on business days and he may demand, writing, for a copy of excerpts from said records or minutes, at his expense.

Shareholders Suits

There are three basic cases that can be filed by a stockholder against a corporation. These are individual suit, representative suit and derivative suit. An individual suit is one brought to assert a right by a stockholder peculiar to himself. A representative suit is one brought by a stockholder in his own behalf, and in behalf of other stockholders similarly situated, and having a common cause against the corporation. A derivative suit is an action brought by the stockholder, for and in behalf of the corporation and against any person be he also a stockholder, director, officer or third person.