

Shareholders Votes for Sale



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Buying votes? It may be illegal in politics, but in the corporate arena, it is a legitimate, if controversial, strategic tool. In essence, to achieve a corporate goal, management can give cash, loans, or business opportunities to shareholders in exchange for the voting rights attached to their shares. Indeed, the pro-merger side in the HP-Compaq affair secured its hair-thin lead with the help of 17 million Deutsche Bank votes that HP management had allegedly bought from the bank. In a decision on the case, the judge addressed HP's vote buying, finding that it did not violate Delaware law governing corporate fiduciary duty. The judge also laid down guidelines that have important implications for managers and directors contemplating vote buying.