1. (Like 14.4 of the text) The shareholders of Gravelly Oysters need to elect 9 members to the board of directors. What fraction of the shares of Gravelly is needed to assure the election of at least one director under cumulative voting? Explain. Under what conditions could a minority elect a director using even fewer shares.

2. On this sheet, explain the Miller model of debt and equity. What are the effects of a rise in the rate of taxation of capital gains?
2. (Miller model again) $T_C = .34$ is the corporate tax rate, the value of EBIT packaged as equity is $v_e$ and the demand for such equity is

$$e = 300 - 10v_e - 300T_C$$

Similarly demand for EBIT packaged as debt is

$$d = 180 - 10v_d$$

where $v_d$ is the value of debt. Total cash flows in the economy are 150. What are the values of $d$ and $e$ in equilibrium? Illustrate in a diagram.

If the corporate tax rate falls to $T_C = .3$, what happens to $e, d, v_e, v_d$? Illustrate.

In order to facilitate Tuesday’s discussion of "The Smartest Guys in the Room," we are assigning some themes for discussion and teams to pursue the themes. Each person will have one minute to introduce his or her viewpoint on the assigned theme. After all members of a team have spoken, we expect general discussion. We hope that members of teams will coordinate so that each participant will have a different point to make.

Lay and Skilling should be convicted. Lay and Skilling should be acquitted.

BRAUNGER
CHIN
LEE, G
LUO
PINTAR
WALTER

Abuses started after Kinder left. Abuses started before Kinder left.

CHEN, C
HU
LIU, YAMING
MAO
POMELLA
SHI

(1)

CHEN, J
KIM
LIU, YUYUAN
PARKER
SHUM
YUE

(2)