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Penny Stock Monster (press release) Google splits stock, creates new C shares, A shares retain Voting right

NEW YORK (AP) — Google Inc. has announced plans to issue a new class of stock to existing shareholders, effectively splitting shares 2 to 1. It's an unusual approach that reflects a desire by Google's founders to preserve the company's long-term interests.

Here's an explanation of the plan:

Q. Why is Google doing this?

A. Google's current stock structure concentrates voting power with Google's founders, Larry Page and Sergey Brin, and with Executive Chairman Eric Schmidt. Google is afraid of diluting that power as it issues new shares to employees and to companies that it acquires through stock purchases. Google says there's no immediate danger of that happening, but it sees no need to wait. "It's important to bear in mind that this proposal will only have an effect on governance over the very long term," Page and Brin wrote in a letter. "It's just that since we know what we want to do, there's no reason to delay the decision."

Q. What does this mean for existing shareholders?

A. Investors typically have Class A stock now. They will be given an equal number of Class C shares, which won't have any voting power. The value of the Class A stock will be split between the two, so if the stock is trading at $600 when it happens, a Class A share will be worth $300 and a Class C share will be worth $300. Investors will have twice

the number of shares they held before, but the total voting power and stock value won't change. So if Bob owns 100 shares worth $600 each, he will own 200 shares worth $300 each. Bob will still have 100 votes, and the value of all his shares will still be $60,000. Investors will be free to buy and sell shares in either class independently, and the new class will get its own ticker symbol. If Bob sells his 100 Class C shares, he will have 100 votes through the Class A stock, and the shares will be worth $30,000. But if Bob sells his 100 Class A shares, he will have no vote on the Class C stock worth $30,000.