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===== Start of Answer #5 (953 words) =====

1. D's Rights and Remedies

a. D's Rights

Duty of Care

Duty of care requires that directors act as a reasonable prudent persons under the circumstances.

Here, both J and S acted as reasonable prudent persons under the circumstances because their company, O, was cashed strapped and they did what reasonable business directors do in these situations, look for strategic alliances to turn thier case flow situation around for the foreseeable future. Even though the company was growing, they were still short on cash. So mcuh so that couldn't afford to pay their CEO J, but instead had to issue her stock. But how long would it be before the inability to pay J trickles down to other employees, and because they were growing, it's reasonable to expect that they possibly hired new lower level employs to help out in operations. So, J and S likely looked for opportunities to improve O's cash situation before they didn't have enough cash to pay other employees.

Further, the fact the expansion of O's operations was with the wife of one of the director's doesn't necessary mean it was reasonable or prudent. Many times in business transactions occur because of relationships. So, it is possible that J knew and had relationship with H's wife and that's how they were able to discuss the possibility of O expanding operations strategicaly with L-Co. And, so when L-Co offered a \$1 million to a company that was struggling to pay its bills, it would seem like a reasonable to prudent thing to do to survive.

