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Case 1

IS THE AGREEMENT BETWEEN ALYAN (A) AND BOWEN (B) VALID?
Discuss?

The issue is whether the agreement between A and B valid as shareholders who want to pool their share together to be able to elect themselves to board of Directors and further agreed ~~for~~ the election of a successor board member, and abstain from voting when in disagreement of a successor board member?

Under Corporate Law, the pooling vote among shareholders is allowed, however it is not w/o limitation if the sole purpose is to keep reelecting the same board member and it not binding on other share holder

Here, because there are 3 board member, consisting of A, B and C, & A & B's decision to elect themselves was proper,

Therefore the Agreement between A & B was valid.

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CA 11 =

Is Daya (D) Bound by Aliya and Bowen's Voting agreement with respect to the election of Successor Directors?
Discuss.

The Issue is Whether Daya as the sole purchaser of B's shares is bound by the terms of the agreement stamped "Subject to Agreement" on the back of all their certificates?

The rule is that successor directors may not be bound by the decision of the current successors.

Here, B and A's decision to pool their vote together may not appeal to D, as a mechanism to retain ^{her} position as Corporate Director. Thus D may not comply or forced to comply with A & B's prior decisions.

Therefore, Daya is not bound by A & B's voting agreement with respect to the election of successor directors.

Case 3

On What Theory or Theories, if any might Esger Bring an Action to enjoin Corp from moving solely into Manufacturing bicycles and what is the likely outcome? Discuss

The issue is whether Esger (E) can enjoin Corp from moving solely into manufacturing bicycles given that Corp has been making TV for the passed 20 yrs and has been profitable?

DERIVATIVE SUIT

The rule is that a shareholder ^{of Corp} can sue ~~on~~ ⁱⁿ behalf of Corp if the following criteria are met:
First, E must be a current share-holder, second notice must be given to the board ^{of Corp} unless such notice will be futile.

Here, E is a shareholder of Corp from inception and continues to be unlike B. It will be futile to give notice to the Board, who is unaware of Palmer's plan but who may go along with the redirection to bicycle making if Palmer's wishes come true.

Therefore E may file a derivative suit on behalf

Theories Liability

Enterprise Liability

Under the enterprise liability theory, a shareholder can enjoin Corp via a lawsuit to prevent from getting a bicycle business it was not ~~formed~~ incorporated for.

Here, b/c Corp a closely-held corporation was formed for the purpose of manufacturing televisions and Corp has been profitable in this business for 20 yrs. Therefore a speculative deviation into making TV can be enjoined, since no facts & figures have been presented. to support the transition to bicycle making.

Therefore E can sue on Enterprise Liability Theory

Under Capitalization

E may also sue unbehalf of Corp^{ter} under, Under Capitalization:

Here, Palmers wish to have Corp make change

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to making ~~bicycles~~ TV is purely speculation, there are no facts to support it ~~likely~~ that ^{bicycle} TV making would be more profitable or where the money will come from.

Therefore, E may succeed in a derivative suit against ~~Board~~ moving Corp into making TV.

Fraud Theory.

E may also sue on the fraud theory - which in this case would be a misrepresentation of material facts which is not likely to lead Corp into continued profit: Palmer has not provided plan about his plan to move Corp into making TV and how ~~that~~ ^{that} ~~it~~ ^{it} would be. Palmer is banking on unsubstantiated 'profitable venture' which would keep the board from 'complaining'

The Court can see the ^{Flaw} ~~slowdown~~ in Palmer's thinking and likely grant E's suit.

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Case 4.

On What Theory or Theories, if any might Essar bring an action for damages against Palmer related to Corp moving Soley into manufacturing bicycles and what is the likely outcome? Discuss

E may sue Palmer on ① Fraud, ② Undisclosed assets, ③ Enterprise liability as discussed above.

E is likely to succeed because Palmer has presented the plan on how he will make the switch to ~~TV~~ ^{bicycle} making profitable. Palmer has an ulterior motive b/c he has not even presented the plan to the board of directors and does not intend to do so, per his remarks

Conclusion:

E is likely to enjoin Palmer from moving Corp into bicycle making b/c TV production has been profitable for the past 20 yrs

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