

**QUESTION 11 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK IV
OR IN SOFTEST ANSWER SCREEN 11**

Muma Corp (MC), a Michigan corporation founded in 2000, has among its shareholders three individuals named Arnold, Dutton and Ping. The articles of incorporation indicated that Muma Corp "elects to have preemptive rights." Muma Corp announced that shareholders could exercise their preemptive rights from April 1 to April 30.

- On April 1, Dutton wrote to MC, indicating that he was waiving his preemptive rights because he was planning to sink his spare capital into another venture.
- On April 7, Dutton wrote to MC, indicating that he changed his mind about waiving his preemptive rights and would like to exercise his preemptive rights.
- On April 15, MC paid compensation in the form of shares of MC stock to the Directors of MC.
- On April 21, Arnold demanded to purchase the MC stock paid to the Directors.
- On April 27, Ping, who owned 5% of Muma Corp's stock, tendered money to purchase 10% of the newly issued shares.
- On May 1, MC properly amended its articles of incorporation to abolish its shareholders' preemptive rights.

Muma Corp refused to sell any shares to Dutton, refused Arnold's demand to purchase the Director's shares, and refused to sell Ping more than 5% of the stock. Dutton, Arnold and Ping sought legal advice, claiming that Muma Corp violated their preemptive rights.

Dutton claimed that he validly revoked his waiver, and that his initial waiver was invalid in any event, because it was not supported by any form of consideration.

Arnold claimed that his preemptive rights included the right to acquire the stock issued to the Directors as compensation.

Ping claimed that, so long as he tendered sufficient money, Muma Corp was required to sell him the requisite number of shares of Muma Corp. Moreover, Ping claimed that his preemptive

right to acquire MC stock was precisely that - a RIGHT - and that MC could not abolish Ping's shareholder's preemptive rights.

Applying principles of Michigan corporation law, discuss whether the claims of Dutton, Arnold and Ping are likely to prevail. Except to the degree indicated in the facts, assume that the corporate bylaws and articles of incorporation are silent.

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