

**QUESTION 10 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK
IV OR IN EXAMPLIFY ANSWER SCREEN 10**

The Acme Widget Company (AWC) is a registered Michigan corporation located in Springfield, Michigan. Barney Burns serves as a director of the corporation. Sid Simpson and Frank Flanders are the shareholders.

After several years of losses, AWC was closing its doors. AWC owed the City of Springfield \$50,000 in delinquent property taxes. Instead of paying the delinquent taxes, Barney voted to divide the last \$100,000 in corporate assets evenly between Sid and Frank (\$50,000 each). Sid favored this course of action because he wanted to make a down payment on a new condo in Florida. Frank, who was on a safari in Kenya, was unaware of the plan.

After the corporation dissolved, the City of Springfield indicated its intent to file a lawsuit against Barney, Sid and Frank, alleging that all three caused the corporation to be left without sufficient assets to meet its known outstanding debts.

Applying principles of Michigan corporation law, and without consideration of any liability set offs from any other party, discuss the extent and amount of:

- 1. Barney's liability to the corporation for the benefit of its creditor, and any defense he may have as a director;**
- 2. Sid's liability to the corporation for the benefit of its creditor; and**
- 3. Frank's liability to the corporation for the benefit of its creditor.**

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