QUESTION 5 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK II OR IN EXAMPLIFY ANSWER SCREEN 5

The Michigan Widget Corporation (MWC), a Michigan corporation, is owned by five shareholders – Larry, Moe, Curly, Joe and Shemp. Each shareholder owns 20% of the shares, which has been the case since the company was formed back in 1985. Larry and Moe serve on the Board of Directors. Larry is the President and CEO, while Moe serves as the Vice-President and CFO.

In 2017, MWC entered into a 7-year contract with the Dinwiddie Graphite Company (DGC). Under the terms of the agreement, DGC agreed to be MWC's exclusive supplier of graphite at a fixed price. Moe entered into this contract after becoming aware that the International Association of Graphite Miners, a trade organization in the field of graphite mining, predicted that there would be a shortage of graphite in the coming years which would drastically increase the price.

However, the cost of graphite did not rise dramatically. Indeed, the cost of graphite fell by nearly 66%. Unhappy with the company's performance, Shemp discovered that the primary reason for MWC's poor profits was that it was paying ridiculously high amounts for graphite pursuant to the terms of the contract with DGC. Shemp demanded a meeting of the shareholders in order to oust Moe and elect a new director. In anticipation of a shareholders meeting, Shemp drafted a confidential agreement, signed by Curly, Joe and Shemp, agreeing to vote for Curly as a corporate director in lieu of Moe.

However, prior to the shareholder's meeting, Joe indicated that he changed his mind and would not vote for Curly. Joe indicated that Larry, an ardent supporter of Moe, persuaded Joe to vote for Moe.

Applying principles of Michigan corporation law, fully explain:

1. How can Shemp pursue legal action against Moe;

2. Whether the shareholders have any possible recourse against Moe; and

3. Who can Joe vote for at the next shareholder's meeting, Curly or Moe?

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