

QUESTION 14 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK V OR IN EXAMPLIFY ANSWER SCREEN 14

Michigan Pet Emporium (MPE) is a Michigan corporation that sells small animals and pet supplies. It was founded in 2001 by Adam and his friends Bill, Chris, and Dan. Adam owns 40% of the shares, Bill owns 36% and Chris and Dan own 12% each.

Adam and Dan also compete in barbecue competitions and have developed their signature barbecue rub called "Ad-Da barbeque rub." Forty days before the annual shareholder's meeting, notice was e-mailed to all four shareholders that a board of director proposal recommending to amend the articles of incorporation to expand its stated corporate mission was to be presented at the upcoming meeting. The following resolution was presented:

"To sell, market and otherwise promote Ad-Da barbecue rub."

Adam and Dan voted for it, while Bill and Chris voted against it. The proposed amendment was adopted by a vote of 52 percent of the shares to 48 percent. Subsequently, a certificate amending the articles of incorporation was filed with the state of Michigan.

According to Bill, who remains opposed to the amendment, the amendment is invalid because selling barbecue rub has nothing to do with pet supplies and is likely to confuse their loyal customers. He demanded that MPE pay him for his shares at fair value as determined by an appraisal. The corporation declined. Bill then announced that he would sell his shares to Chris, giving Chris 48% of the company. However, Adam stated that Bill could not sell his shares to Chris. Rather, under the terms of an agreement Bill and Adam entered at the time the company was founded, Bill was required to sell his shares to Adam (and vice versa) in the event that either one of them ever wanted to liquidate their interest in MPE. Bill indicated that his shares were his personal property and he could sell them to whomever he liked.

Bill seeks legal advice. First, he seeks to have the amended articles of incorporation declared invalid. Alternatively, Bill wants MPE to pay him for his shares, or to sell his shares to Chris, or donate the shares to charity, but absolutely does not want to

****THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK V OR IN EXAMPLIFY ANSWER SCREEN 14****

sell them to Adam, as it would give Adam 76% of the shares of the company.

Applying principles of Michigan law, discuss in detail:

1. Whether the amendment to the articles of incorporation expanding the corporate mission of Michigan Pet Emporium is both procedurally and substantively valid;
2. Whether Michigan Pet Emporium is required to purchase Bill's shares; and
3. Assuming that MPE is not required to purchase Bill's shares, whether Bill can sell his shares to Chris or donate them to charity, or whether he is required to sell them to Adam.