

**QUESTION 13 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK V**

Paul Ping has been a minority shareholder in Callen Corp, a Michigan corporation, since its inception in 1988. After growing increasingly dissatisfied with the corporation's financial performance, Paul discovered that the annual salary of the members of the Board of Directors was increased substantially in 2012 to \$2 million each. On October 4, 2013, Paul wrote a tersely worded letter to the corporation, demanding that the board members' salaries be reduced to a reasonable amount.

Six weeks later, Paul ran into Sam Smith. Sam, one of the directors of the Callen Corp, told Paul that the board considered his letter at its last meeting. Sam told Paul that all of the directors laughed at Paul's letter and tore it up. The following day, Paul filed a shareholder derivative suit against Callen Corp and its board of directors, seeking to recover for alleged breach of fiduciary duty.

The Callen Corp asked the circuit court to appoint a panel of three disinterested persons to determine whether Paul's derivative suit was in the best interests of the corporation. The trial judge did so. After conducting a thorough investigation, the panel concluded that the continuation of Paul's derivative suit was not in the best interests of the corporation. After the trial court made the necessary findings, Callen Corp made a motion to dismiss the suit, which was granted.

Paul appealed, arguing dismissal was inappropriate because he had satisfied the requirements for filing a shareholder derivative suit. Paul also argued that the trial court improperly dismissed the case based on the panel's investigation.

**Applying Michigan law, discuss (1) whether Paul satisfied the procedural requirements necessary to filing a shareholder derivative suit, and (2) whether the trial court properly dismissed Paul's lawsuit. Explain your answer.**

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