

QUESTION 2 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK I

Chris Collins wanted to open his own business, Muscle Machine (MM), specializing in training elite bodybuilders. In order to raise necessary start-up capital, he arranged a February 1, 2012 meeting with his three investors, Bob Bane, Dan Dunn and Greg Goop. All three men agreed to invest in Muscle Machine. Bob and Dan each signed documents, which provided in relevant part:

"I, the undersigned, agree to purchase shares (to be issued) of Muscle Machine common stock, a company to be incorporated in the State of Michigan for the purposes of training bodybuilders. I agree to purchase 100 shares at \$100 per share, payable on or before May 1, 2012. I understand that payment in full is required as a condition of issuance of the stock certificates."

Greg, who was vacationing in Puerto Rico, participated via conference call and orally agreed to the terms.

Two weeks later, on February 15, 2012, Chris received a signed letter from Dan, informing Chris that Dan changed his mind and no longer was going to invest in MM.

On March 1, 2012, Chris properly filed the relevant articles of incorporation with the State of Michigan. A few days later, Bob, Dan and Greg each received a copy of the above agreement, signed by Chris as President and CEO of Muscle Machine.

On May 1, 2012, Greg called Chris, indicated that he had recently made some bad investments, did not have sufficient liquid assets, and no longer wished to invest in MM. That same day, Bob called Chris and explained that, based on MM's financial data, he did not believe a share of MM was worth \$100. Believing that \$50 per share more accurately reflected the true market value of a share of MM, Bob offered Chris \$5,000 in exchange for 100 shares of MM common stock. Chris refused.

Based on principles of Michigan corporate law, discuss: (1) the validity and enforceability of the agreement against Bob, Dan and Greg; and (2) the possible avenues of recourse, if any, against each. Explain your answers.