

**QUESTION 3     THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK I**

Brian's Cake Bakery (BCB) is a Michigan corporation whose stated corporate purpose is the creation and sale of cakes. Brian owns 30% (300 shares) of the corporation, while Vicky owns 40% (400 shares) of the corporation, and Murphy, Callen and Rick each own 10% of the corporation (100 shares each). The company's signature and most profitable item is "ridgely cake."

Michigan is known as the "Christmas pickle" capital of the world, and holds an annual pickle festival every December. Vicky, Rick and Callen are interested in profiting from the event.

Thirty days prior to the 2013 annual shareholders' meeting, notice was mailed to the shareholders by the board. The notice announced that a proposal to amend BCB's Articles of Incorporation to expand its stated corporate mission would be voted upon at the upcoming meeting. The following resolution was presented:

"To create, manufacture, and sell, and otherwise deal in pickles, pickle ornaments, pickle-related products, and pickle-related memorabilia."

The meeting was attended by Vicky, Rick and Brian. Murphy and Callen elected to skip the meeting. Per the Articles of Incorporation, each share of BCB stock was entitled to one vote. Vicky and Rick voted their collective 500 shares in favor of the proposal, while Brian voted his 300 shares against the proposal, claiming that the pickle festival would detract from the operation and profits of the bakery. The amendment was adopted by 62.5% of the shares voted at the meeting. Subsequently, a certificate amending the Articles of Incorporation was filed with the State of Michigan.

Angry with the vote, Brian donated stock certificates representing 50 shares of his BCB stock to his favorite charity. When Vicky and Rick learned of the transfer, they claimed that the transfer was not valid, noting that, from the time the company was founded in 1998, the Articles of Incorporation mandated that other BCB shareholders be given a right of first refusal to acquire BCB stock, a fact that was noted in bold on the face of the stock certificate. They demanded that the charity return the stock certificates. The charity refused.

**Except as otherwise indicated, assume that the Articles of Incorporation and bylaws are silent. Applying Michigan law, discuss: (1) whether the purpose of the Articles of Incorporation was properly amended, (2) whether the proper procedures were**

followed in amending the Articles, and (3) the validity of Brian's transfer of his stock to the charitable organization. Explain your answers.

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