

**FINAL EXAMINATION
CORPORATIONS LAW
PROFESSOR GREENBERG
SPRING 2005**

1. You have four (4) hours to complete this exam. You are not required to spend the entire time working on the exam - the average time for completion is between slightly over three hours. I recommend that you spend ninety minutes on the multiple-choice questions, and two-and-one-half hours on the essay question. Try to avoid the temptation to second-guess yourself on the multiple-choice questions – your initial instinct is often the most accurate.
2. **THIS IS A CLOSED BOOK EXAM.** You may **not** bring in or use any notes, books or other materials to assist you in responding to the questions.
3. The exam has two components – a set of 40 multiple-choice questions, and a single essay question. The multiple-choice questions are each worth one (1) point, for a total of 40 points. The essay question is worth 60 points.
4. With respect to the multiple choice question section, you must complete your answers on the separate “ParSCORE TEST FORM” using pen or pencil and following the instructions on that form. If you change your answer, place a clear **X** through the wrong answer and mark the correct answer. A machine will score the exam and any ambiguities will be counted as a wrong answer.
5. With respect to the essay question, answer it as fully as you can, citing any appropriate cases, model rules, industry standards, and statutes that are relevant. Please answer the essay question in the blue books provided to you. Write only on the right hand side of the page (skipping a page each time) and double-space your work. Please write clearly. If I cannot read your response to a question, your grade will be adversely affected.
6. On the essay question, I recommend that you first spend about one hour issue-spotting and outlining your response, before you start writing. This way you are less likely to miss issues or to submit a disorganized response. Points are deducted if you miss an issue. The essay question contains numerous issues. Each issue is worth the same amount of points (for example, if there are ten (10) issues, they are each worth 6 points towards the total of 60 points). To obtain a high score, you will need to properly identify and respond to all of the issues.
7. Write your exam number on your exam envelope. Put your correct class section and student exam # at the top of this page, each page of questions, each blue book, and the “ParSCORE TEST FORM.” **Do not** use your name, student ID number or Social Security Number on any exam materials.
8. At the conclusion of the exam, return all test materials, including blue books, ParScore answer sheet, scratch paper, and this exam packet to the envelope and submit it to the

proctor. **DO NOT** seal the envelope. Students who do not return all exam materials at the end of the exam may not be graded.

Part 2 – Essay Question – Sixty (60) points

In January 2005, Victor, president of publicly traded, New York based Doom Corporation, decides to launch a takeover attempt to acquire a controlling interest in the shares of FF Corporation, a publicly traded California research company studying human mutation and life span. Victor directs Doom's outside attorney, Otto, to send out proxy solicitations to all of FF's shareholders, using a list Victor got from a former FF employee. At Victor's direction, the solicitation is sent out on January 10th. Doom offers to buy FF stock from its shareholders by trading them two shares of Doom stock for each one share of FF stock. FF stock is then trading at \$25 per share. Doom stock is then trading at \$15 per share, so shareholders would get a \$5 per share profit on the trade. The solicitation does not disclose that only Victor knows that Doom stock will drop in value by \$10 per share due to a restatement of earnings that is going to be announced after the proxy vote, and before the transfer of stock will take place. Assume that the assets of both companies exceed \$50 million, and that they each have several million shareholders.

Otto is a holder of 10,000 shares of Doom stock. Hearing on January 11th about the upcoming drop in the stock from Victor, Otto sells his shares the next day, receiving \$150,000 for them.

Two weeks after sending the proxy solicitation out to FF's shareholders, Otto registers the solicitation with the SEC. Victor, so he can legitimately commence this proxy fight, buys 10,000,000 shares of FF stock, making him a 12% owner of FF.

In response to the proxy solicitation, the FF board launches a poison pill shareholder rights plan that grants FF shareholders a "flip-over" right to purchase Doom stock at a discounted rate. The effect of this pill would allow FF shareholders to buy Doom stock at such a low rate that the impact of the undisclosed drop in Doom stock would likely trigger many shareholder lawsuits against Doom if the takeover were to be completed.

Victor abandons his pursuit of FF because of this poison pill. In March, he sells his FF stock, which is now trading at \$27 per share. In April, the SEC commences an investigation of these activities. Identify any and all violations of corporate law that the SEC will find in this situation. Who will be charged with these violations, what defenses are available to them, and what is the likely outcome of these charges?

END OF EXAM