

Corporations

1. Be prepared to define, explain, give examples of, and distinguish between the following terms:
 - a. Shareholders
 - b. Officers
 - c. Directors
 - d. Fiduciary duty
 - e. Duty of loyalty
 - f. Duty of care
 - g. Business Judgment rule
2. Be prepared to identify and explain the roles, the rights and powers, and the duties and liabilities of the shareholders, the officers, and the directors in a corporation. How do these roles, rights, powers, duties and liabilities differ in each of these roles?
3. Read and be prepared to orally brief the case:
 - *Federal Deposit Insurance Corp. v. Castetter*, 184 F.3d 1040 (9th Circuit Court of Appeals, 1999) [online]

Be prepared to discuss and answer the following questions:

 - a. What is the Business Judgment Rule? How does it apply to the facts of this case? Who relies on the Business Judgment Rule for protection?
 - b. Describe and discuss the test that the court used to determine if the bank's directors were entitled to the protection of the Business Judgment Rule. What criteria apply?
 - c. Suppose that the facts were somewhat different. Suppose that the president of the bank, whose family members were in the business of selling automobiles, advocated that the bank concentrate on auto loans in order to be able to increase his family's auto sales.
 - (1) Would that be a conflict of interest for him?
 - (2) Would it be a conflict of interest for the rest of the Board members? What if the Board of Directors knew of the connection between the president and the family auto business?
 - d. What if the Board of Directors had not followed the advice of the experts it had called in? Would it be able to avoid liability in this case? Why or why not?
4.
 - a. What is meant by the directors and officers' "duty of care?" What does this involve?
 - b. What is meant by the directors and officers' "duty of loyalty?"
 - c. What types of actions may directors and officers not take? What are the possible consequences of a breach of the duty of loyalty and/or the duty of care?