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Business Associations: Final Examination (January 1965)

William & Mary Law School

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I.

R Corporation is a French corporation manufacturing small automobiles which are imported and sold in the United States through RNY a 100% owned New York corporation which in turn owns 100% of the stock of GL a wholly owned corporation which acts as a regional distributor of the automobiles for Michigan. A substantial number of R automobiles are sold in Michigan through local distributors. Plaintiff P, a resident of Michigan, bought an R automobile in Ohio and was injured in Michigan as a result of defective brakes. Suit was brought in the United States District Court for the Eastern District of Michigan against the French and New York corporations. Service of process was had in Michigan on the Secretary of State for Michigan as provided by state statute. The defendants move to dismiss on the basis of lack of personal jurisdiction. How should the court hold? Explain.

II.

P and D entered into an agreement whereby 85% of the stock of a corporation was to go to P and 5% each to two others. D was to have the remaining 5%. The stock was to be delivered to D as trustee under a voting trust agreement executed by all of the parties which was to terminate five years after the corporation received title by deed to certain real estate which it was under contract to receive. The trust agreement was to be construed according to the laws of Virginia. The agreement forbade the sale of the stock or voting trust certificates during the existence of the trust without the consent of the other parties. A copy of the trust agreement was filed with the corporation after the institution of the suit. P sought cancellation of the voting trust agreement claiming, 1. the agreement violated the laws of the state; 2. it did not affirmatively state a business purpose; 3. that both legal title and beneficial ownership of the 5% of the stock was in the voting trustee; 4. that the agreement was on its face a fraud on P. Discuss the problems raised by this case and state how they should be answered.

III.

P, plaintiff partner, "hired" his individually owned truck to the partnership for use in transporting partnership property. While the truck was being serviced by a partnership employee at a service station for its fleet of trucks, it was destroyed by fire due to the negligence of the employee. Judgment was rendered against the partners individually and against the partnership. What contentions will be made on appeal? State how the case should be determined.

IV.

The D corporation sold all of its assets to the C company on February 14, 1962 and a certificate of dissolution of D was entered by the Corporation Commission on March 18, 1963. There was no fraud, the dissolution was not to avoid prosecution and the company and its officials had no knowledge they were under investigation for violation of the Sherman Act. On May 11, 1964 the D corporation was indicted with several other corporations, not including C, for violation of the Sherman Act. D moved for dismissal of the indictment on the ground that the corporation no longer exists. What action will the court take? Explain.