

Chapter 29

1. A lawsuit was brought against a corporation by a shareholder named Smith. Smith believed that the directors had not negotiated the best price for the sale of stock when the corporation merged with another. Smith argued that the directors had violated their duty of due care because they had made their decision after a 20-minute presentation by the president. Smith also pointed out that the directors had not looked at the merger agreement. He also noted that the directors did not seek an outside evaluation of the deal before making their decision. Does the business judgment rule or the fairness rule apply in this case? Explain your answer. *Smith v. VanGorkon*, 488 A. 2d 858 (DE).
2. A corporation named S.L.& E., Inc. owned land and buildings in Rochester. LGT a tire manufacturer leased the land and the buildings from S.L.& E. Donald Lewis was a shareholder in S.L.& E., Inc. Donald's brothers were also shareholders in S.L.& E., Inc. However, they were also shareholders in LGT. Donald thought that the rent paid by LGT was so low it was damaging to S.L.& E., Inc. In fact, he argued that the rental rate was so low that it prevented S.L.& E., Inc. from ever making a profit. Consequently, he filed a lawsuit. Does the business judgment rule or the fairness rule apply in this case? Explain your answer. *Lewis v. S.L.& E., Inc.*, 629 F.2d 764 (2nd Cir.).