

GRADING NUMBER _____

GONZAGA UNIVERSITY SCHOOL OF LAW
CORPORATIONS
Professor Keller

April 28, 2004

Multiple Choice, Short Answer and Essay Questions

This is a three-hour examination. You are permitted your supplement book and three pages of handwritten notes.

Multiple Choice Questions: Write your answers directly on the machine-readable answer sheet provided. Do *not* write your answers to multiple choice questions in a bluebook or on the question sheet. Mark your answers clearly -- ambiguous marks will result in no credit being given for the question.

Short Answer and Essay Questions: Write *all* your answers either (a) directly onto this exam question booklet in the space provided after the question or (b) into softest observing the character limits. Do not mix -- chose all handwritten or all typed. *Do not use more space or characters than allotted -- excess writing will not be read or graded.*

You may refer to the supplement distributed with this exam and your single page of notes sheet. No other materials are permitted.

Recommended time allotments:

Part I: T/F questions -- 30 minutes *5 points each, 110 points total*

Part II: Multiple Choice: 1 hour and 15 minutes *Five points each, 85 points total*

Part III: Short Essay Questions: 1 hour and 15 minutes *70 points total*

Please READ QUESTIONS CAREFULLY

REGARDING "ARGUABLE" ANSWERS:

IN THE MULTIPLE CHOICE QUESTIONS YOU MAY FEEL THAT THERE IS MORE THAN ONE POSSIBLE ANSWER, PARTICULARLY IF YOU IMAGINE ADDITIONAL OR EXTENUATING CIRCUMSTANCES OR FACTS THAT HAVE NOT BEEN PRESENTED NOR DENIED IN THE FACTS OF THE HYPOTHETICAL.

YOU ARE BEING TESTED ON BEING ABLE TO DETERMINE THE STRONGEST LINE OF LAW IN THE ABSENCE OF SUCH ADDITIONAL FACTS, **THEREFORE, YOU MUST MAKE UP YOUR MIND WHICH ANSWER IS THE BEST ANSWER, BASED ON THE FACTS PRESENTED, EVEN THOUGH YOU MIGHT BE ABLE TO MOUNT AN ATTENUATED ARGUMENT FOR ANOTHER ANSWER.**

ERRATA

Indicate below if there are questions that you believe have typographical errors and/or have no correct answer as written and therefore, in your opinion, should perhaps be excluded in grading the exam. *There are no deliberately erroneous questions in this exam.*

I believe there is an error in question _____ (question number)

- There is a typo that renders the question unintelligible
- There is no correct answer to this question
- There are two or more equally correct answers.

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I. TRUE OR FALSE:

QUESTION NUMBER 1

Under common law the default treatment of a business enterprise with more than one owner is as a corporation.

- a. True
- b. False

QUESTION NUMBER 2

If the relationship between two business entities is as franchiser and franchisee, the franchiser cannot be held liable under the doctrine of respondeat superior for the torts of the franchisee.

- a. True
- b. False

QUESTION NUMBER 3

The CEO of a corporation has inherent agency power.

- a. True
- b. False

QUESTION NUMBER 4

A self-interested transaction by a corporate officer can be "sanitized" by ratification by a disinterested board of directors.

- a. True
- b. False

QUESTION NUMBER 5

In respect to a single enterprise, people who are not partners to each other will not be considered to both be partners to a third person.

- a. True
- b. False

QUESTION NUMBER 6

If a creditor receives interest on a loan that varies with the profitability of the business, that creditor is a partner in the business.

- a. True
- b. False

QUESTION NUMBER 7

All corporations are "pass-through" entities for the purpose of income tax liability.

- a. True
- b. False

QUESTION NUMBER 8

It is possible for creditors of a corporation to attach the property of a director of that corporation who violates a duty of care.

- a. True
- b. False

QUESTION NUMBER 9

Charitable donations by corporations are corporate waste under law.

- a. True
- b. False

QUESTION NUMBER 10.

In a challenge to a business decision where the corporate directors had a conflict of interest, the burden is on the plaintiff challenging that decision to show the essential unfairness and unreasonableness of the transaction.

- a. True
- b. False

QUESTION NUMBER 11

"Blue Sky" laws are state laws that govern securities.

- a. True
- b. False

QUESTION NUMBER 12

The Securities Act of 1933 is primarily a "disclosure" statute.

- a. True
- b. False

QUESTION NUMBER 13

An interest in a limited partnership is a "security" under the federal securities acts.

- a. True
- b. False

QUESTION NUMBER 14

A convertible debenture is a "security" under the federal securities acts.

- a. True
- b. False

QUESTION NUMBER 15

An agent who violates a duty of loyalty to a principal pays contract damages to the principal only to the extent that the principal was harmed.

- a. True
- b. False

QUESTION NUMBER 16

A corporation can have more than one class of voting common stock

- a. True
- b. False

QUESTION NUMBER 17

Scienter is an element of a 10(b)5 violation.

- a. True
- b. False

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