

Continuing Legal Education  
Comprehension Quiz  
For  
**“Corporate Governance”**

**John Friedland – To Fish or Cut Bait**

1. When a corporation goes into bankruptcy, there is a big chance that any judgment against the corporation will not be paid. Thereby plaintiffs look to other possible defendants. Which of the following are examples given by Friedland of other possible defendants?
  - A. Corporation’s subsidiaries
  - B. Officers
  - C. Partners
  - D. A & C
  - E. B & C
  
2. Friedland states that creditors are suing directors and officers because they:
  - A. are easy targets
  - B. have deep pockets
  - C. have good insurance
  - D. both b and c
  
3. The tort of fraudulent prolongation of a corporation’s life, beyond insolvency resulting in damage to the corporation, commonly used by plaintiffs to sue directors and officers is:
  - A. tort of deepening insolvency
  - B. piercing the veil
  - C. plain negligence
  - D. none of the above
  
4. By making partners fiduciaries to each other and by making agents fiduciaries to their principles, what goals does the law further?
  - A. Liability goals
  - B. Normative goals
  - C. Efficiency goals
  - D. Both B & C
  - E. All of the above

5. According to Friedland, what are the two main duties that directors have:
  - A. duty of fair dealing and duty of due process
  - B. duty of care and duty of loyalty
  - C. duty of completeness and duty of carefulness
  - D. duty of good faith and duty of candor
  
6. The business judgment rule is the term for the ordinary standard that is used to determine if the board member has fulfilled his or her fiduciary duty. It defines the rebuttal presumption that in making a business decision, the board member is treated as having acted on good information and in good faith, in the honest believe that the action was taken in the best interest of the company.
  - A. True
  - B. False
  
7. The duty of loyalty is the duty whereby which directors must not act solely or personally for a non-corporate purpose.
  - A. True
  - B. False
  
8. The most recent decision in this area of law is:
  - A. Klang v. Smith's Food & Drug Centers, Inc.
  - B. Dodge v. Ford Motor Co.
  - C. Brehm v. Eisner (Disney case)
  - D. Smith v. Van Gorkom
  
9. Friedland claims that directors' and officers' duties are owed to:
  - A. the entity
  - B. shareholders
  - C. the board of directors
  - D. creditors
  
10. Which of the following are tests courts use to test the insolvency of a corporation?
  - A. Ability to pay bills test and balance sheet test
  - B. Ability to pay bills test and objective standards test
  - C. Balance sheet test and objective standards test
  
11. A way to protect directors and officers is through D&O Insurance (Director and Officer Insurance). What are the three different kinds of D&O Insurance?
  - A. Direct, indemnification, and indirect
  - B. Site A, B, and C
  - C. Officer/director, corporation, entity

UT CLE - "Corporate Governance"

## CONGRATULATIONS!!!

You have completed the exercise.

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