

**INSTRUCTIONS:**

1. The *Legal, Ethical, and Social Environment*, BSAD 8010-101, as taught during Summer 2005, has six foci: Economics, Separations of Power, Property, Contracts, Torts, and Crime. Ethics was addressed within each of these six foci. Likewise, this exam has the same six foci. Your task is to demonstrate master of the tools of analysis of each of those six foci.
2. Below are a set of FACTS about the XYZ Bookstore.
3.
  - 3A. Your analysis shall be typed.
  - 3B. Set your font face to 12 font and your four margins at one inch each.
  - 3C. Set your header so that your last name appears in the left corner.
  - 3D. Set your header so that the Page X of Y in the right corner.
  - 3E. Your analysis shall be limited to a total of six pages.
  - 3F. Each one of those six pages shall be devoted to a single focus.
  - 3G. One focus shall address Ethics in sufficient depth to demonstrate master of both that focus and its Ethics component.
  - 3H. Start the first line of each typed page with the focus (and, if appropriate, **ETHICS**) in all caps and bolded.
  - 3I. Any focus may appear on any page X of the 6 pages, **but ETHICS must appear on page 1 of 6.**
4. Analyze the FACTS from the perspective of, and using the tools of analysis of, each of the six foci.
5. This exam is a solo exam that seeks to objectively detect the existence of and the extent of your actual knowledge. This exam is closed book. This exam is closed notes. This exam is closed web. This exam is a zero discussion exam. You shall start with an empty MS Word file and all of its contents shall be originally created by you during the exam time.

**FACTS:**

AA phoned BB seeking a shareholders' agreement whereby FF would be added to the XYZ Corporation's Board of Directors (BoD) and continue as Chief Financial Officer (CFO) at the FY0506 annual meeting next month. BB liked the ideas for FF, but also wanted to return their father, DD, to the BoD and make DD the corporate Secretary. BB wanted DD to act as a neutral and help settle some of the disputes that had been plaguing XYZ since DD left the BoD at the end of FY0001. AA suggested to BB that they

continue this discussion between courses of the holiday dinner that evening at their mother's (MM) house.

Upon entering MM's house that evening, AA found CC (BB's wife) and DD in a heated argument over EE's suitability as XYZ's Chief Executive Officer (CEO). CC punctuated her point with a glass of red wine that splattered over DD, AA, and the entryway to the living room. GG (MM's father) did not help matters any by siding once again with EE, and then insulting both CC and DD. AA and MM were able to separate the combatants and restore sufficient order for dinner to be served.

That evening AA and BB drafted a shareholder agreement between AA, BB, CC, and DD whereby AA, BB, DD, and FF would be on XYZ's BoD as well as agreeing that DD would become the corporate Secretary and FF (XYZ's non-stock owning CPA) the CFO. Those four then executed that agreement. GG caught wind of this and agreed with EE and MM that DD would not be returned to the BoD. After the annual meeting, the XYZ BoD consisted of AA, BB, EE, FF, GG, and MM; and an Executive Committee of EE as CEO, FF as CFO, and GG as corporate Secretary. Contrary to her shareholder agreement with AA, BB, and DD: CC never voted her shares.

XYZ runs an independent bookstore in a just annexed suburban strip mall in a metropolitan city. One week after the annual meeting, EE, after only consulting FF, redirected 40% of the floor space and converted it to the sale of CDs and specialty gift cards. To spur sales of the CDs, EE played featured CDs on a stereo system that was clearly audible throughout the store.

When CC arrived at the store, for the second quarter meeting of FY0506 of the BoD, she was shocked. CC immediately approached EE and GG at the cash register, and excoriated both of them in front of customers. At that meeting EE reported to the BoD a

10% increase in total revenues for the quarter, with all of the growth in revenue on a per square foot basis coming from the redirected floor space.

The next day the Amaho Police Department (APD) and the Amaho City Attorney (ACA) visited XYZ because of consumer complaints about many of the specialty gift cards and some of the CDs. Many cards are of an "adult" and/or crude nature and are prominently displayed. Some CDs have "adult" language and themes, but none contain warning labels. CC's behavior towards EE and GG, as well as the APD and ACA visit appeared on the front page of the neighborhood newspaper.

Just prior to the third quarter FY0506 BoD meeting of XYZ, the ACA filed two suits against XYZ and its management and staff. The criminal suit alleged XYZ was corrupting minors by displaying and selling indecent material in a retail store within 500 feet of a high school. The civil suit sought damages for creating a public nuisance in addition to violation of zoning by providing "amusement services" instead of the "book store" for which XYZ was zoned. DD and GG are XYZ's only employees. CC is employed by Amaho as the ACA.

To raise \$250,000 of working capital, at the FY0506 annual meeting XYZ issued bonds purchased by each of its shareholders. GG immediately obtained a signed agreement from EE collateralizing the store and all of its current and future contents for bonds purchased by GG. At the fourth quarter FY0506 BoD meeting XYZ directed FF to file bankruptcy citing the expenses, adverse publicity, and lost sales following the lawsuits.