

B, C, D, E, F and G are directors of Alphacorp. B is the CEO, C is the CFO, and D is the Corporation's General Counsel. B owns 29% of the voting shares in Alphacorp. Each of the other directors owns voting shares in Alphacorp: C owns 5%, D, E, F and G own 1% of the shares. B is Chair of the Alphacorp Board.

The directors of Alphacorp have all known each other for over 20 years. B, C, and D were roommates at college together, and have been close ever since. They have taken numerous vacations together, and always get together to celebrate family birthdays and holidays. Their relationships with the other directors have not been as close, but B was recently divorced and G has become his new girlfriend. B and G have not disclosed the existence of their relationship to anyone at Alphacorp (not even to C and D, who would usually be among the first people B would tell about anything significant in his life).

Alphacorp focuses on engineering innovations and the Board has recently been interested in expanding Alphacorp's activities in the area of robotics.

G is the majority owner of Xcorp (owning 55% of the voting shares) which is actively involved in robotics. G would like to sell her ownership interest in Xcorp and sees Alphacorp's new interest in robotics as a useful opportunity to sell her shares. G is aware that some of Xcorp's products have problems and that there are some threats of litigation hanging over the company, as well as some potential regulatory enforcement action. She would like to get out of her involvement in Xcorp as soon as possible.

G makes a presentation to the Alphacorp Board arguing that Alphacorp should acquire Xcorp in order to develop its robotics activities. G does not disclose the information she has about the problems at Xcorp to the Alphacorp board (or to B). The Board decides to pursue this acquisition and decides to establish a transaction committee to evaluate the transaction. The transaction committee comprises C, E, and F, and the Board determines that these three directors are disinterested with respect to the Xcorp acquisition proposal.

Before the committee reaches a decision on the transaction B, C and D go on a fishing trip together and B spends a lot of time talking to the others about what a good opportunity the acquisition of Xcorp would be for Alphacorp. Because they trust him, C and D decide that the acquisition is a good idea.

As the Chief Financial Officer of Alphacorp, C has a lot of influence with the other board members with respect to financial matters, and E and F are happy to follow his lead on the evaluation of the Xcorp acquisition proposal. Within Alphacorp F is known to be rather lazy when it comes to performing the duties of a director.

The committee approves the transaction at a price G is very happy about. Some months after the closing of the transaction, the problems at Xcorp become the subject of media reports. Shareholders in Alphacorp are upset that Alphacorp paid so much to acquire this problematic company.