

TABLE OF CONTENTS

Dedication	iii
Acknowledgments.....	v
Introduction	vii

CHAPTER 1

Overview of Shareholder Derivative Litigation

§ 1.01	The Shareholder of the Modern Corporation	1-2
§ 1.02	The Shareholder Derivative Action:	
	Definition	1-8
	[1] A Working Example of Shareholder Litigation.....	1-8
	[2] Defining the Derivative Suit and Distinguishing It from the Direct Action	1-9
§ 1.03	History.....	1-17
	[1] Early History	1-17
	[2] Derivative Suits Today.....	1-25
§ 1.04	Statutes Affecting Derivative Lawsuits	1-30
	[1] The Private Securities Litigation Reform Act (PSLRA).....	1-30
	[a] Purposes of the Reform Act	1-31
	[b] Provisions of the Reform Act	1-32
	[i] Reduction of Abusive Litigation	1-32
	[ii] Reduction of Coercive Settlements	1-42
	[iii] Auditor Disclosure of Corporate Fraud	1-43
	[c] Evaluating the Impact of the PSLRA	1-45

SHAREHOLDER DERIVATIVE LITIGATION

	[2]	Securities Litigation Uniform Standard Act (SLUSA) of 1998	1-47
	[3]	The Sarbanes-Oxley Act of 2002	1-48
	[4]	The Dodd-Frank Wall Street Reform and Consumer Protection Act	1-51
	[5]	Corporate Bylaws	1-53
§ 1.05		Nature of the Derivative Suit	1-54.4

CHAPTER 2**The Role of the Delaware Court of Chancery in Shareholder Derivative Litigation**

§ 2.01		Introduction	2-1
§ 2.02		The Birth of Delaware's General Corporations Law	2-3
§ 2.03		The Role of the Delaware Court of Chancery	2-6
	[1]	Influence of English Courts of Equity	2-6
	[2]	Establishment and Growth of Equity Jurisprudence in Delaware	2-8
§ 2.04		Conclusion	2-16

CHAPTER 3**The Role of the Business Judgment Rule in Derivative Suits**

§ 3.01		In General	3-2
	[1]	The Business Judgment Rule Defined	3-2
	[2]	The Entire Fairness Standard	3-7
	[3]	Escaping Entire Fairness Review	3-11
		[a] Shareholder Ratification Under the <i>Corwin</i> Doctrine	3-11
		[b] Use of an Independent Committee	3-17
	[4]	The Contemporary Reexamination of the Business Judgment Rule	3-18
§ 3.02		Rationale for the Business Judgment Rule	3-20.3
§ 3.03		Elements of the Business Judgment Rule	3-20.5
	[1]	Exercise of Business Judgment	3-20.5
	[2]	The Duty of Loyalty	3-20.6
		[a] Disinterestedness	3-20.7
		[b] Independence	3-24
	[3]	The Duty of Due Care	3-26
	[3A]	The Duty of Oversight	3-30
		[a] Caremark Claims	3-30

TABLE OF CONTENTS

xiii

	[b]	Fairness Opinions and the Engagement of Financial Advisors	3-34
	[c]	Conflict of Interest	3-35
	[d]	Regulating Conflicts of Interest	3-44
	[4]	“Good Faith” or “In the Best Interests of the Corporation”	3-47
	[a]	Waste	3-49
§ 3.04		Fiduciary Duties in Context of Change of Corporate Control	3-52.1
	[1]	<i>Unocal</i> and the Creation of the Change of Control Doctrine	3-52.1
	[2]	The <i>Revlon</i> Duties	3-52.3
	[3]	<i>Toys “R” Us</i>	3-62.1
	[a]	Background of the Case	3-62.1
	[b]	Reasonable Deliberative Process	3-62.2
	[c]	Reasonable Basis for Protective Measures	3-64
	[4]	Confidentiality Agreements— <i>Martin Marietta Materials, Inc. v. Vulcan Materials Co.</i>	3-65
	[a]	Background of the Case	3-65
	[b]	The Parties’ Legal Arguments	3-69
	[c]	The Chancery Court’s Legal Analysis	3-71
	[d]	The Chancery Court Grants Injunctive Relief	3-76
	[5]	Shareholder Protective Measures in Response to Activist Investors	3-78
§ 3.05		Fiduciary Duties and Controlling Stockholders	3-81
	[1]	What Qualifies as “Controlling”?	3-82
	[2]	The Evolution of Entire Fairness Review in Controlling Shareholder Transactions	3-85
	[a]	Mergers with Controlling Shareholders: Shifting the Burden Under <i>Lynch</i>	3-85
	[b]	Departing from <i>Lynch</i> via Tender Offers	3-89
	[c]	Questioning <i>Lynch</i> ’s Approach	3-92
	[d]	Adopting the Unified Standard: <i>In re MFW Shareholders’ Litigation</i> and Its Progeny	3-101
	[e]	Applying the <i>MFW</i> Framework Beyond Controlling Shareholder Freeze-Out Transactions	3-106

SHAREHOLDER DERIVATIVE LITIGATION

	[f] Conditioning a Transaction on the <i>MFW</i> Procedures	3-108
	[3] Derivative or Direct Claims	3-110.1
	[4] Entire Fairness Review in Non-Merger Transactions with Controlling Shareholders	3-110.3
§ 3.06	The Business Judgment Rule in the Context of Derivative Litigation	3-111

CHAPTER 4**The Demand Requirement and Other Prerequisites
to Shareholder Derivative Litigation**

§ 4.01	In General	4-2
§ 4.02	Purpose of the Demand Requirement	4-6
§ 4.03	Adequacy of the Demand	4-8
	[1] Alerting the Board of Directors	4-10
	[2] Content of the Demand	4-12
	[3] Assistance of the Shareholder	4-14
	[4] Time to Respond to the Demand	4-14
§ 4.04	Demand on Shareholders	4-16.1
§ 4.05	Choice of Law Considerations	4-19
	[1] Federal Court Actions	4-19
	[2] State Court Actions	4-23
	[3] Choice of Law Issues Surrounding Demand on Shareholders	4-26
	[4] Effect of Forum Selection Bylaws on Derivative Plaintiffs	4-26
	[5] Choice of Law Issues for Hedge Funds	4-32.2
§ 4.06	Survey of State Demand Requirements	4-32.4
§ 4.07	The Universal Demand Requirement	4-33
§ 4.08	The Standing Requirement	4-38
	[1] Stock Ownership at the Time Suit Is Commenced	4-42
	[2] Stock Ownership at the Time of the Conduct Being Challenged	4-45
	[a] Generally	4-45
	[b] Choice of Law Issues Regarding Stock Ownership	4-49
	[3] Exceptions to the Contemporaneous Ownership Rule	4-51
	[a] Statutory	4-51
	[b] Continuing Wrong Doctrine	4-53
	[4] Equitable Standing	4-56

TABLE OF CONTENTS

xv

	[a]	Standing for Corporate Directors in Derivative Actions?	4-56
	[b]	Derivative Actions Filed on Behalf of Limited Liability Companies.	4-57
[5]		Effect of Merger on Standing to Sue Derivatively.	4-60
[6]		Effect of Bankruptcy on Shareholder Standing	4-70
[7]		Shareholder Standing Following Initial Public Offering.	4-72.1
[8]		Minimum-Stake-to-Sue Bylaws	4-72.2
[9]		Double (and Multi-Tier) Derivative Actions	4-72.3
	[a]	Rationale for Double Derivative Actions	4-72.4
	[b]	The Requirement of Injury to the Parent Corporation	4-72.5
	[c]	Ownership Requirements.	4-72.6
	[d]	Demand in Double Derivative Lawsuits	4-72.7
§ 4.09		Fair and Adequate Representation.	4-73
	[1]	In General.	4-73
	[2]	Factors Considered.	4-76
	[a]	The “Professional Plaintiff”.	4-79
	[b]	Simultaneous Prosecution of Class and Derivative Actions.	4-83
	[c]	The “Fast-File” Presumption	4-86
§ 4.10		Security-for-Expense Statutes.	4-91
§ 4.11		Corporation’s Ability to Recover Expenses.	4-95

CHAPTER 5

Demand Futility

§ 5.01		In General	5-2
§ 5.02		Pleading Demand Futility.	5-4
§ 5.03		Applicable Legal Standards	5-9
	[1]	The Delaware Test	5-10
	[a]	<i>Aronson v. Lewis</i> : Action by Board of Directors	5-11
	[b]	Reasonable Doubt.	5-12
	[c]	The First Prong of the <i>Aronson</i> Test	5-13
	[i]	Interestedness	5-13
	[ii]	Independence	5-14

SHAREHOLDER DERIVATIVE LITIGATION

	[d]	The Second Prong of the <i>Aronson</i> Test: Valid Business Judgment . . .	5-16
	[e]	<i>Rales v. Blasband</i> : Non-Action by Board of Directors	5-17
	[f]	Moving Towards a New Test: Comparing <i>Aronson</i> and <i>Rales</i> . . .	5-18
	[g]	A Sea Change: Delaware's Single, Three-Prong Test	5-23
	[h]	Determining Which Board to Evaluate.	5-27
	[2]	The New York Test	5-29
	[3]	The Maryland Test.	5-30
	[4]	The Indiana Test	5-31
§ 5.04		Common Grounds for Allegations of Demand Futility	5-33
	[1]	Naming Directors as Defendants	5-33
	[2]	Approval or Acquiescence of the Challenged Transaction	5-34
	[3]	Financial Interest and Director Compensation	5-34.2
	[4]	Entrenchment	5-39
	[5]	Domination and Control	5-43
	[6]	Personal Friendships and Other Relationships	5-47
	[7]	Philanthropic Ties	5-52
	[8]	Threat of Personal Liability.	5-54
	[9]	Failure of Oversight (<i>Caremark</i> Claims) . . .	5-62
	[a]	<i>Caremark</i> 's First Prong: Board-Level Oversight and Controls	5-63
	[b]	<i>Caremark</i> 's Second Prong: Ignoring Red Flags.	5-71
	[10]	Engaging in Illegal Conduct	5-85
	[11]	Insured Versus Uninsured Exclusion.	5-86.4
	[12]	Claims of Waste.	5-87
	[13]	Activity After Suit Is Filed	5-90.3
§ 5.05		Effects of a Demand Futility Dismissal	5-90.5
	[1]	Demand Futility Allegations and Issue Preclusion	5-90.6
	[2]	Privity Between Multiple Shareholders . . .	5-90.8
	[3]	Adequacy of Representation	5-90.16
§ 5.06		Appellate Review of Demand Futility Determinations	5-90.27
§ 5.07		Demand Futility and the 2008 Financial Crisis	5-92
	[1]	<i>Citigroup</i> and the Failure to Monitor Risks.	5-92

TABLE OF CONTENTS

xvii

[2]	<i>Dow, Goldman Sachs</i> , and the Reaffirmation of the Business Judgment Rule	5-97
[3]	Increased Oversight of Executive Compensation	5-101

CHAPTER 6

Board Responses in Demand-Required Cases

§ 6.01	In General	6-2
§ 6.02	The Wrongful Refusal Rule	6-3
§ 6.03	Inspection of Books and Records Under Section 220	6-8
[1]	Proper Purpose	6-10
[2]	Scope of Inspection	6-14.2
[3]	Standing	6-23
[4]	Judicial Limitations on Books and Records Actions	6-25
[5]	Effect of Section 220 Demand Requestor's Identity	6-26.1
[a]	Section 220 Demand by Requestor Not Involved in Pending Derivative Litigation	6-26.1
[b]	Section 220 Demand by Plaintiff in Pending Derivative Litigation	6-26.3
[c]	Section 220 in Demand-Refused Cases	6-26.4
[d]	Section 220 Demand by Corporate Director	6-26.8
[6]	Books and Records Demands in Other Jurisdictions	6-26.9
§ 6.04	The Modified Business Judgment Rule in Wrongful Refusal Cases	6-26.11
§ 6.05	Demand as Concession of Independence	6-26.14
§ 6.06	Lack of Due Care or Good Faith as a Basis for Wrongful Refusal	6-31
[1]	Reasonableness of Investigation	6-31
[2]	Good Faith	6-39
[3]	Independence of Counsel	6-40
§ 6.07	Use of a Committee to Review Demand	6-44
§ 6.08	Consideration of Factors Other Than the Merits in Reviewing a Demand	6-50

CHAPTER 7

**Board Responses in Demand-Excused Cases:
The Special Litigation Committee**

§ 7.01	In General	7-2
§ 7.02	Judicial Treatment of Special Litigation Committees	7-5
	[1] The New York Rule	7-5
	[2] The Delaware Rule	7-10
	[3] The Massachusetts Approach	7-19
	[4] The Second Circuit Approach	7-22
	[5] The Iowa Rule	7-25
	[6] The North Carolina Rule	7-26
	[7] The New Jersey Rule	7-27
§ 7.03	The Theory of Structural Bias	7-30
§ 7.04	Statutory Responses to Special Litigation Committees	7-34
§ 7.05	Independence, Good Faith, and Due Care: Characteristics of an Adequate Special Litigation Procedure	7-37
	[1] Independent Committee	7-37
	[2] Adequate Procedures	7-42
	[3] Thorough Consideration of Potential Claims	7-50
	[4] Stays and Timing of the Special Litigation Committee's Review	7-52.1
§ 7.06	The ALI Approach and the Future of the Delaware Two-Step	7-59

CHAPTER 8

**Special Issues with
Outside Director Liability**

§ 8.01	Introduction	8-2
§ 8.02	<i>In re Walt Disney Company Derivative Litigation</i>	8-4
	[1] Breach of Fiduciary Duty	8-4
	[2] Allegations of Egregious Director Misconduct	8-4
	[3] Exception to the Business Judgment Rule	8-5
§ 8.03	<i>In re Emerging Communications, Inc. Shareholders Litigation</i>	8-9
	[1] Theory of the Case: Fairness Standard of Review	8-9

TABLE OF CONTENTS

xix

	[2] Unfair Dealing: Specialized Financial Expertise	8-9
	[3] Breaches of Fiduciary Duty and Loyalty	8-10
§ 8.04	<i>Integrated Health Services, Inc. v. Elkins</i>	8-13
	[1] Outside Director Misconduct and Personal Liability	8-13
	[2] Duty of Loyalty	8-13
§ 8.05	<i>In re Oracle Corporation Derivative Litigation</i>	8-16
	[1] Misappropriation of Inside Information	8-16
	[2] Heightened Scrutiny	8-16
§ 8.06	<i>Disney's Impact on Settlements of Shareholder Derivative Litigation</i>	8-18
	[1] <i>Enron</i>	8-19
	[2] <i>Worldcom</i>	8-20
§ 8.07	The Road Forward: Recent Conceptions of Outside Directors' Liability	8-22

CHAPTER 9

Procedural Issues in Derivative Litigation

§ 9.01	In General	9-1
§ 9.02	Federal Subject Matter Jurisdiction	9-2
	[1] Diversity Jurisdiction	9-2
	[2] Amount in Controversy for Purposes of Diversity Jurisdiction	9-4
	[3] Ripeness	9-5
§ 9.03	Personal Jurisdiction	9-7
§ 9.04	Venue and Process	9-8.2
§ 9.05	Verification of the Complaint	9-9
§ 9.06	Right to a Jury Trial	9-11
§ 9.07	Discovery	9-13
§ 9.08	Statutes of Limitations	9-20

CHAPTER 10

An Overview of the Attorney-Client Privilege and Work Product Doctrine

§ 10.01	Setting the Stage	10-2
§ 10.02	The Attorney-Client Privilege: Background and Definition	10-4

§ 10.03	The Attorney-Client Privilege in the Corporate Context	10-8
	[1] Application of the Attorney-Client Privilege to Corporations	10-8
	[2] Scope of the Attorney-Client Privilege in the Corporate Context	10-10
	[a] The Control Group Test	10-13
	[b] The Subject Matter Test	10-15
	[c] Hybrid Approaches	10-16
	[3] Directors' Access to Privileged Information	10-18
	[4] Attorney-Client Privilege for Communications That Include an Investment Banker	10-20.1
§ 10.04	Exceptions to the Attorney-Client Privilege	10-20.3
	[1] The Fiduciary Exception	10-20.3
	[2] The Crime-Fraud Exception	10-20.3
	[3] Other Exceptions	10-23
§ 10.05	Waiver of the Attorney-Client Privilege	10-25
	[1] The Corporate Client	10-25
	[2] Implied Waiver in General	10-28
	[3] Disclosure to Government Agencies	10-29
	[4] Disclosure to Insurance Carriers	10-39
	[5] Disclosure to Outside Auditors	10-41
	[6] Inadvertent Disclosure	10-42
	[7] Reliance on Advice of Counsel	10-47
	[8] Effect of Waiver by Corporation on Corporate Officers or Employees	10-50
§ 10.06	The Work Product Doctrine	10-52
§ 10.07	Exceptions to and Waiver of the Work Product Doctrine	10-56
	[1] Exceptions to the Work Product Doctrine	10-56
	[2] Waiver of Work Product Protection	10-58
§ 10.08	The Self-Evaluative or Self-Critical Analysis Privilege	10-63

CHAPTER 11

Special Issues Regarding the Attorney-Client Privilege and Work Product Doctrine in Shareholder Derivative Litigation

§ 11.01	In General	11-1
§ 11.02	Development of the Fiduciary Exception	11-4

TABLE OF CONTENTS

xxi

§ 11.03	Application of the Fiduciary Exception	11-8
	[1] Generally	11-9
	[2] Expansion of the <i>Garner</i> Fiduciary Exception Beyond Derivative Actions.	11-11
	[3] Criticism of the <i>Garner</i> Fiduciary Exception	11-16
§ 11.04	Application of the Fiduciary Exception in the Derivative Context	11-20
§ 11.05	Application of the Fiduciary Exception in the Class Action Context	11-24
	[1] Distinguishing Derivative Actions from Class Actions.	11-24
	[2] Invocation of the Exception by “Purchasers” as Opposed to Shareholders	11-25
§ 11.06	Invoking the Protections of Either the Attorney-Client Privilege or the Work Product Doctrine in the Derivative Context.	11-27
	[1] Mandated Disclosure	11-27
	[2] Privilege Considerations Following a Special Litigation Committee’s Investigation	11-30

CHAPTER 12

Indemnification

§ 12.01	In General	12-2
§ 12.02	Statutory Indemnification	12-5
	[1] Indemnification Statutes Generally.	12-5
	[2] Prerequisites to Statutory Indemnification.	12-7
	[a] Who May Be Indemnified.	12-7
	[b] Proceedings Covered	12-9
	[3] Mandatory Indemnification by Statute.	12-10
	[a] Degree of Success Required	12-10
	[b] Nature of the Success Required	12-11
§ 12.03	Mandatory Indemnification by Charter, By-law, or Agreement	12-15
§ 12.04	Permissive Indemnification.	12-17
	[1] Conditions Precedent to Permissive Indemnification.	12-17
	[2] Limitations on Permissive Indemnification.	12-18
	[3] Corporate Authorization of Indemnification.	12-20

§ 12.05	Non-Exclusivity Provisions and the Public Policy Limitation	12-23
§ 12.06	Court-Ordered Indemnification	12-29
§ 12.07	Disclosure of Indemnification	12-32
§ 12.08	Indemnification and the Federal Securities Laws	12-33
§ 12.09	Advancement of Expenses	12-36
	[1] Timing of Advancement	12-39
	[2] Non-Exclusivity of Advancement Rights	12-44
§ 12.10	Advancement of Expenses to Former Officers and Directors	12-46

CHAPTER 13**D&O Liability Insurance**

§ 13.01	In General	13-2
§ 13.02	Enabling Statutes	13-5
§ 13.03	Basic Features of a D&O Liability Policy	13-7
	[1] The Insuring Clauses	13-7
	[2] “Claims-Made” Policy	13-8
§ 13.04	Defined Terms	13-12
	[1] “Wrongful Act”	13-12
	[2] “Loss”	13-14.1
§ 13.05	Exclusions	13-15
	[1] Insured Versus Insured	13-15
	[2] Antitakeover Exclusion	13-24
	[3] Prior or Pending Litigation	13-25
	[4] Fraud	13-26.1
§ 13.06	Reporting and Notice	13-27
	[1] Claim Reporting Requirement	13-27
	[2] The Occurrence Exception to the Claims-Made Rule	13-28
	[3] Discovery Period	13-29
§ 13.07	Defense of Actions	13-31
	[1] Advancement of Defense Expenses	13-31
	[2] Allocation of Settlement Costs and Defense Expenses	13-35
	[a] The Relative Exposure Analysis	13-37
	[b] The Larger Settlement Rule	13-38
	[c] The Reasonably Related Test	13-40
	[3] Settlement	13-40
	[4] Recoupment of Defense Costs	13-40.1

TABLE OF CONTENTS

xxiii

§ 13.08	Excess Coverage	13-41
§ 13.09	Cancellation and Rescission	13-43
	[1] Cancellation	13-43
	[2] Rescission	13-43
§ 13.10	Liability Limiting Statutes	13-45

CHAPTER 14

Settlement

§ 14.01	In General	14-2
§ 14.02	Notification of Shareholders	14-5
	[1] Notification Requirement	14-5
	[2] Adequacy of Notice	14-6
§ 14.03	Preclusive Effect of Settlement	14-9
§ 14.04	Objectors	14-10.1
	[1] Standing of Shareholders to Object and Appeal	14-10.1
	[2] Discovery by Objector	14-11
§ 14.05	Legal Standards for Reviewing Proposed Settlements	14-13
	[1] Establishing a Presumption of Fairness	14-14
	[a] Absence of Collusion	14-15
	[b] Experienced Counsel	14-16
	[c] Sufficient Discovery	14-16.1
	[d] Reaction of Shareholders	14-16.1
	[2] Factors to Be Considered When Settlement Is Accorded Initial Presumption of Fairness	14-17
	[a] Benefit to the Corporation	14-20
	[b] Likelihood of Success on the Merits	14-23
	[c] Complexity, Expense, and State of Litigation	14-24
	[d] Reaction of Shareholders	14-25
§ 14.06	Attorneys' Fees and Incentive Awards	14-26
	[1] Attorneys' Fees in General	14-26
	[2] Making Plaintiff's Counsel Earn Their Fees	14-32
	[3] Attorneys' Fees When Defendants' Action Renders the Litigation Moot	14-38.2
	[4] Allocating Attorneys' Fees Among Plaintiffs' Counsel	14-42

SHAREHOLDER DERIVATIVE LITIGATION

	[5] Incentive Awards to Plaintiffs	14-46.1
	[6] <i>In re Riverbed Technology: A Sea Change in Shareholder Litigation Settlements?</i>	14-46.1
§ 14.07	Special Settlement Committees and Board Decisions to Settle	14-47
§ 14.08	Considerations Regarding Representation in Settlement Negotiations	14-49
	[1] The Need for Separate Corporate and Individual Counsel in Derivative Actions	14-49
	[2] The Need for Separate Corporate and Individual Counsel in Successive Representations	14-54

CHAPTER 15**Practical Considerations**

§ 15.01	Introduction	15-2
§ 15.02	Identifying a Derivative Demand	15-4
§ 15.03	Initial Response to a Demand Letter	15-6
	[1] Notification of the Company's Insurance Carrier	15-6
	[2] Communicating with the Demanding Shareholder	15-8
§ 15.04	An Overview of the Formation of a Committee of the Board to Consider Derivative Claims	15-9
§ 15.05	Formation of a Committee of the Board to Consider a Demand	15-10
§ 15.06	Formation of a Committee of the Board After a Lawsuit Is Filed with No Pre-Suit Demand Having Been Made	15-12
§ 15.07	The Investigation of the Committee of the Board	15-14
	[1] Retention of Counsel	15-14
	[2] Scope of the Committee's Review	15-16
	[3] Role of the Committee in the Investigative Process	15-17
	[4] Document Collection and Review	15-18
	[a] Identifying the Essential Documents	15-18
	[b] Collecting and Processing Relevant Documents	15-19

TABLE OF CONTENTS

xxv

	[5] The Witness Interview	15-20
	[a] Opening Remarks	15-20
	[b] Memorializing the Witness Interview	15-21
§ 15.08	Meeting with Shareholder’s Counsel	15-23
§ 15.09	Reporting the Results of the Committee’s Investigation	15-24
	[1] Reporting in the Demand-Required Context	15-24
	[a] Report of Counsel to the Evaluation Committee	15-26
	[b] Report of the Evaluation Committee to the Board	15-27
	[c] The Board Meeting	15-28
	[d] The Board Resolution	15-28
	[2] Reporting in the Demand-Excused Context	15-29
§ 15.10	Conclusion of a Derivative Proceeding	15-30
	[1] Conclusions of the Board After the Recommendation Is Made by an Evaluation Committee	15-30
	[2] Conclusions of an Empowered Committee	15-31
§ 15.11	Settlement of a Derivative Proceeding	15-33
	[1] Structuring a Settlement	15-34
	[2] The Memorandum of Understanding	15-35
	[3] Involvement of the Insurance Carrier	15-37
	[4] Conducting Confirmatory Discovery	15-38
	[5] The Final Settlement Agreement	15-39
	[a] The Basic Terms of the Settlement Agreement	15-39
	[b] Contingencies and Other Miscellaneous Provisions to Be Included in the Settlement Agreement	15-41
	[6] Notice to Shareholders	15-43
	[a] When to Provide Individual Notice	15-43
	[b] Dispatching Notice to Shareholders	15-44
	[c] Form of Individual Notice	15-45
	[d] Notice by Publication	15-46
	[7] Obtaining Final Approval of the Settlement	15-47
§ 15.12	Insurance Considerations	15-49

Appendices

APPENDIX A: Derivative Action Flow Chart	A-1
APPENDIX B: Federal Rule of Civil Procedure 23.1 Derivative Action by Shareholders	B-1
APPENDIX C: State Derivative Action Statutes and Rules	C-1
APPENDIX D: Selected Provisions from the Model Business Corporation Act	D-1
APPENDIX E: Selected Provisions from the American Law Institute’s Principles of Corporate Governance: Analysis and Recommendations	E-1
APPENDIX F: Selected Provisions from the Sarbanes-Oxley Act of 2002	F-1
APPENDIX G: Memorandum of Understanding	G-1
APPENDIX H: Settlement Documents	H-1
Appendix H-1 Stipulation of Settlement	H-3
Appendix H-2 Notice of Proposed Settlement	H-18
Appendix H-3 Summary Notice	H-29
Appendix H-4 Order Certifying a Settlement Class	H-31
Appendix H-5 Order of Notice Hearing and Administration	H-33
Appendix H-6 Order and Final Judgment	H-39
Appendix H-7 Order Awarding Attorneys’ Fees	H-43
TABLE OF CASES	TC-1
TABLE OF ABBREVIATIONS	TA-1
INDEX	I-1