

**International Law & Compliance**  
**Master International Management**

**Case Study 1:**

Facts: Mr. Major is the Chairman of the Board of Management (*Vorstandsvorsitzender*) of German Aeospace AG, a German stock corporation (*Aktiengesellschaft*) listed at the Frankfurt Stock Exchange with seat in Düsseldorf (hereinafter also the „AG“). The AG produces a number of devices for airplanes and employs about 1,800 employees in Germany. The performance of the AG is far below expectations and many shareholders do criticize the Chairman of the Management Board for his long lasting decision making processes as well as his bureaucratic behavior in the past.

After the return from a business trip Mr. Major finds the following documents and information on his desk:

- The Chairman of the Works Council (*Betriebsratsvorsitzender*) informs Mr. Major about a number of serious violations of local employee protection laws in a wholly owned subsidiary of the AG in South-East Asia.
- A non-identified employee informs Mr. Major about a number of sales where third parties received significant payments from the AG. The money was taken from a so called „Schwarze Kasse“.
- Ms. Murkel, the Chairman of the Supervisory Board (*Vorsitzende des Aufsichtsrats*) of the AG, who holds more the 25% of the nominal share capital of the AG informs the CEO that she suggests to acquire immediately the Ruhr Valley Enterprises GmbH, an outstanding high tech company with about 300 employees. Ms. Murkel already made an appointment with a well known Notary for next Friday. The price of EUR 10,000,000.00 for all shares in Ruhr Valley Enterprises GmbH shall be paid with shares of the AG. The Chairman of the Supervisory Board would „appreciate“ if no further bureaucratic and expensive steps would be taken by Mr. Major.
- The shareholder of the Ruhr Valley Enterprises GmbH, a financial investor based in Chicago, Illinois, asked the AG to provide him with a number of documents of the AG (e.g. internal financial data and a list of the top ten customers of the AG). The Chairman of the Supervisory Board asks Mr. Major to submit such documents as soon as possible to the GmbH. The CFO prepared already one file with the most relevant data of the AG and confirmed that this information is correct.
- The sales department informs Mr. Major about a typing error made by an employee during the last week, where some online sales have been for EUR 100.00 instead of EUR 10,000.00.
- A top customer of German Aerospace AG makes an order for specific devices in the total amount of EUR 2,000,000.00, however, the AG does currently not have the capacity to produce such devices in accordance with this order.

Mr. Major asks himself how to deal with these issues, whether there are alternative structures for the acquisition of the GmbH and where to start. Furthermore, he is concerned about his personal liability.

Assignment: Please explain Mr. Major the legal background of these matters, the standards for his potential personal liability and provide him with comprehensive guidance how to deal with the various issues.