

---

## Interoffice Memorandum of Law Advice Letter

---

TO: Mr. Dudley Knox; Advanced Legal Research and Writing LGLA-2331-53500  
FROM: Mr. Chris Rainbolt  
DATE: April 29, 2015  
IN RE: Advice Letter

---

**Assignment:** To write an advice letter to Max Martin, CEO of Argo Data Resource Corporation, explaining my legal reasoning of his case and providing information for his decision whether to appeal or not to appeal.

---

Max Martin  
CEO  
Argo Data Resource Corporation  
123 Main St  
Richardson, TX 75081

Date: August 31, 2014  
Re: ARGO v. Shagrithaya

Dear Mr. Martin

It was nice to meet you earlier this month, although I wish the circumstances were different. A jury verdict in favor of the opposition is unpleasant, I am sure. I appreciate your trust and confidence in choosing our firm to assist you with this matter.

In this letter, I have addressed the two issues we discussed before: whether the act of withholding dividends constituted minority shareholder oppression and whether an implied contract existed that you and Shagrithaya would maintain equal salaries. As you will see, my conclusion is that withholding dividends was not oppressive conduct and there was no implied contract regarding your salaries.

Please note that I have based my analysis and conclusions on the facts stated below; please correct me if you see any errors. Furthermore, my analysis is current to today, and the law does change from time to time. If I have failed to address any of your concerns in my analysis, please contact me. Finally, please keep this letter confidential.

According to our conversation and the court transcript, you formed Argo Data Resource Corp. with Balkrishna Shagrithaya in 1980. Although you maintained a controlling interest, the two of you ran the corporation as its only two board members. The board's strategy when the company began was to grow the business by retaining earnings rather than distributing dividends. Shagrithaya alleges that sometime in the 2000's, Argo anticipated the repurchase of Shagrithaya's minority stake in the company and planned to use retained earnings to meet this objective.

Although there was never an agreement to do so, for 25 years you and Shagrithaya voted yourselves equal salaries. But in 2006, you cut his salary from \$1 million to \$300,000 annually, an act he claims was a breach of contract.

Regarding minority shareholder oppression, a recent Texas Supreme Court decision redefined oppressive conduct to be an abuse of authority by a corporation's directors with intent to harm the interests of one or more shareholders that lacks the honest exercise of business judgment and creates a serious risk of harm to the corporation. It is unlikely that a court would find your actions

---

were an abuse of power with the intent of harming Shagrithaya's interest. Proving that your actions lacked the honest exercise of business judgment and created a risk of harm to the corporation would be particularly difficult. This recent decision makes showing "oppressive conduct" a much higher standard to reach than when you first went to trial.

Turning our attention to salaries, to prove the existence of an implied contract, the plaintiff must show a meeting of the minds between the parties regarding the subject matter of the agreement and all its essential terms. Shagrithaya acknowledged at trial that there were never any discussions and there were no oral or written agreements concerning compensation. It is likely that an appeals court would overrule the trial court's finding that there was an implied contract requiring equal salaries.

With this legal framework in mind, I see several options. One is to abide by the trial court's judgment. While this would eliminate further legal fees and put the matter behind you, it seems that the trial court made numerous findings that would not withstand appellate review. As explained above, your position has merit and warrants an appeal, but the final decision lies with you. Upon your approval, I will begin making the necessary preparations.

I hope that this letter is encouraging to you. I look forward to hearing from you to discuss our next steps.

Sincerely,

Karen Sue Pxxx