

Business Associations Fall 2020 Writing Assignment (for 25% of the course grade). Please send your answer in a file with your AGN clearly marked (and without your name on the document) to Claire Amador camador@law.miami.edu by October 1, 2020.

Ally and Billy, two business school graduates, agreed to work together to raise money to buy a business. The plan was to run the business for a few years and then sell it. They borrowed money from two friends, Cally and Dili, to get the business up and running. None of them thought they needed to formalize their relationship because they were such good friends, but Cally and Dili understood that their loans would be repaid with a market rate of interest, and that they would have a share in the profits of the business, but they might need to wait until the business were sold before they would receive much of a return on their investment.

The business they chose to acquire was a restaurant business, and in the process of identifying which restaurant they should buy and refurbishing the premises and making decisions about staffing and menus and marketing, Ally and Billy both learned a lot about the restaurant business. Over time Ally came to focus on the day to day running of the restaurant (managing the staff and making decisions about menus and helping to source food ingredients) and Billy focused on external relations (marketing and relations with other suppliers). Cally and Dili were both regular and visible visitors to the restaurant. To begin with, Ally and Billy regularly met together to discuss issues relating to the business, but over time Billy grew to spend less and less time at the restaurant, and when he did he often had disagreements with Ally because she thought he was spending too much money on marketing strategies that were not very effective. Meanwhile very many customers came into the restaurant because Cally and Dili highlighted the restaurant on their social media.

Billy recently agreed a contract for a new and expensive advertising campaign for the restaurant with XYZ Media. During the negotiation process the people at XYZ Media met Filly, Billy's sister, and they offered to hire her, which encouraged Billy to think very favorably of the XYZ Media proposal, and was a significant factor in his agreeing to the contract.

Elly, who owns a number of successful restaurants, decided that she was interested in acquiring the restaurant. She liked the restaurant concept and location and thought she would be able to use some of the ideas Ally had implemented in her own other restaurants. But she also thought that it would be possible to make the operation run more efficiently. She began to make more and more definite suggestions about how the business should be run. In particular she says that the XYZ Media contract is too expensive and that Ally should think carefully about rejecting it and also limiting Billy's future involvement in the business. Elly offers to buy a half interest in the restaurant business.

Discuss the legal issues raised by these facts.

In your answer be sure to include answers to the following questions (but please also discuss any other issues you think are raised), giving your reasoning:

1. Who has the right to decide whether or not to accept Elly's offer to acquire a half interest in the business?
2. What issues are raised by Billy's interactions with XYZ Media and what can Ally do about these issues?