

**FINAL EXAMINATION
BUSINESS ASSOCIATIONS
PROFESSOR G. FLINT**

**ESSAY
PLEASE READ CAREFULLY**

**ALL ANSWERS ARE TO BE WRITTEN ON THE BLUE BOOKS
PROVIDED WITH THIS EXAM**

There are four questions (time and percent indicated). The Time for completing the examination is four hours.

1. This examination is "open book". You may use your casebook, statutory supplement, and class notes. Use of calculators and cleansed laptops is permitted.
2. **Be sure to answer the specific question that is asked. No question calls for a general recitation about a topic from your notes.** Information supplied relating to general material from your notes or some unasked question will not increase your score and consumes your time needed to answer the asked questions.
3. If additional facts are necessary to resolve an issue, specify what additional facts you believe to be necessary and why they are significant. You may not make an assumption that changes or contradicts the stated facts. Assume you are in the State of Texas and Texas law applies, unless otherwise clearly denoted.
4. Quality, not quantity, is desired. Think through and briefly outline your answer before you begin to write.
5. Write legibly. Be sure to formulate your answers in complete sentences and paragraphs with proper grammar. Failure to do so will result in an appropriately lower score.
6. Do not seek an interpretation of language in the question from anyone. If you sense ambiguity or typographical error, correct the shortcoming by shaping the question in a reasonable way and by recording your editorial correction in your answer.

Under the Honor Code, when you turn in this examination, you affirm that you have neither given, received, nor obtained aid in connection with this examination, nor have you known of any one so doing. If you cannot make this affirmation, you shall note such fact on your examination and must immediately advise the Dean of the reason therefore.

I. (25 %--1 hour)

Davis Flint along with Bateson Crampton and Arunah Hubbell is forming business to explore for oil and gas. The three want to raise additional capital by selling securities in the business to local investors. The three intend to retain control of the business and not to allow the local investors to interfere in the business's operations. Davis Flint has read in the newspapers recently about the liability of business managers to the owners for mismanagement of the business.

Davis Flint has entered your associate's office at Blue Stocking Law Firm, P.C. , to create the paper work formally establishing the business. Davis Flint wants the business form to eliminate his liability for mismanagement. (a) What are your conclusions about the feasibility of eliminating that liability, and recommendations on what needs to be done? Be sure to include your reasons and support. (b) Would your answer be any different if the business was a law practice?

II. (25%--1 hour)

Francis Burpee, Joseph Ferguson, and George Lee have decided to incorporate their business, the operation of a restaurant in San Antonio, Texas. They want to have equal ownership of the corporation. To insure that each of them serves on the board, they want to have different types of stock. The holders of each class will be able to elect one-third of the board. Francis Burpee, Joseph Ferguson, and George Lee also want to have the right to acquire additional shares in any issuance pro-rata. They also want to have straight voting. They also want the ability to issue out preferred with the terms to be determined in the future. They are also concerned about being sued for management mistakes so they want to be indemnified the largest extent allowed by the law.

Elizabeth Thompson, the senior member of your law firm, has entered your associate's office at Silk Stocking Law Firm, P.C. Elizabeth Thompson wants you to draft the articles of incorporation for this corporation. Write your draft on the left side of the open booklet. Provide your reasons and support on the right side of the open booklet. Use footnote numbering to indicate which part of the draft articles corresponds with the your written support material. If you need any additional information, leave a blank in the draft with a footnote number and in the footnote explain what additional information you need and why.

III. (25 %--1 hour)

Otha Gasaway and Georgena McClelland Voshell are shareholders, directors, and officers in a corporation that has a few other shareholders. They have great difficulty in remembering to formally meet, prepare minutes, and obtaining authorization before acting on behalf of the corporation. They would prefer to operate the management of the business as if it were a partnership. One shareholder, James Madison Rogers, who owns less than 10 % of the corporation's shares refuses to sign any shareholder agreement to permit this type of management.

Otha Gasaway entered your associate's office at Suem & Stickem Law Firm, P.C. Otha Gasaway wants to know what needs to be done to change his corporation into a partnership. What are your recommendations on what needs to be done and how to carry them out? Be sure to include your reasons and support?

IV. (25 %--1 hour)

George Justice and Franz Joseph Stainer are forming business to breed Limousine cattle. The three want to raise additional capital of \$8,000,000 by selling securities in the business to local investors. The three intend to retain control of the business and not to allow the local investors to interfere in the business's operations. But the business will generate lots of tax losses in the early years so George Justice and Franz Joseph Stainer have organized the business as a general partnership, with a corporate general partner of which they are the sole owners.

George Justice entered your associate's office at Steelum & Cheatem Law Firm, P.C. George Justice wants to know what he needs to do to sell the limited partnership interests to the numerous rich medical doctors in San Antonio. What are your recommendations on what needs to be done and how to carry them out? Be sure to include your reasons and support?