

Bradley Business Associations: Spring 2015  
Hypo Number 1.

Ajatar, Bennu and Cerberus became friends while they were in high school. Ajatar went to college and studied engineering and then went to work for Drac Inc, where he worked for a number of years on designing and programming robots. Bennu began to train as a chef and gradually established a name for himself as an innovative food designer. Cerberus studied marketing. Two years ago the three friends decided that it would be fun to put all of their skills together. They bought a second hand food truck and Ajatar spent a number of evenings and weekends working on the truck to build in robotic components for food delivery. When the truck was ready, they three decided that they would begin to set up a food truck each weekend at a local tourist spot. Cerberus began an advertising campaign for ABC Truck Foods, and he agreed to pay Firedrake to design a logo for the truck and to use in the ABC advertising.

The first weekend was a huge success. After paying for the costs of food and fuel the three friends cleared \$2000 in profits. After the third weekend customers were praising the ABC Truck Foods food on Twitter and a local journalist came to interview the friends. In the interview Ajatar says “This is our dream: we will be foodtrucking together for the next ten years,” while Bennu and Cerberus stand by, grinning.

Soon Cerberus began to talk to the others about expanding. He said that Griffin, a friend of his from college, was looking for investment opportunities and that he thought that ABC Truck Foods could be a useful opportunity because of the combination of its innovative truck design and good food. The three friends negotiate with Griffin about the possible terms of a business relationship between them. But Griffin persuades Bennu and Cerberus that Ajatar isn’t really the sort of person that they want to have involved in the business as he is too busy with his job with Drac Inc. and is not very practical.

Griffin, Bennu and Cerberus meet with an attorney who sets up a limited liability company for the business, ABC Truck Foods LLC. The LLC will sell Bennu’s food from trucks modeled on Ajatar’s designs. Each of Griffin, Bennu and Cerberus has a 1/3 ownership share in the LLC. It is to be a member managed LLC, and the operating agreement provides that each member shall receive a salary for their work for the LLC. Bennu will be the Chief Creative Officer of the LLC, Cerberus will be President, and Griffin will be Chief Financial Officer. The LLC operating agreement provides:

.... g. Any member may give written notice to the other members of his/her election to cease as a member and the remaining members shall have sixty (60) days from the receipt of said notice during which to elect to purchase the quitting member's interest in the company....

k. Members may compete with the business of the LLC.....

Griffin begins to be tired of dealing with Bennu and Cerberus. He persuades them to

allow Hob to join the LLC on payment of \$25,000 and that the ownership shares should be adjusted so that each of Bennu, Cerberus and Griffin owns 24% and Hob owns 28%. Hob becomes the Vice President of the LLC. Hob and Griffin begin to vote together consistently in ways that annoy Bennu and Cerberus and they decide to leave the LLC. They give notice to Griffin and Hob that they are leaving the LLC. Together they figure that they can use their savings to set up a new food trucks business with some new recipes Bennu has been working on in his spare time.

Discuss.