

### General Partnership Question No. 3

Eighteen months ago, Plato asked Socrates to loan him money to start a book store business. Socrates agreed. Plato decided to name the new business “Egg Head Books” and to focus on selling leather bound books published by The Academy Inc. The loan initially bore a 6% interest rate per annum. However, after six months, Socrates told Plato he would decline to receive any more interest payments on the loan. Instead he proposed to Plato that he receive 50% of the profits generated by Egg Head Books until the loan was fully repaid (that crafty Socrates). Plato agreed to this deal (even though he thought it was a bit odd).

One year after Egg Head Books was established, Plato approached Aristotle, who was well-connected in the graduate education business. Aristotle agreed to join Egg Head Books in exchange for a one-third share of all of its profits (Aristotle had heard about Socrates' deal and wanted profits not interest). Aristotle and Plato approached Socrates to renegotiate the repayment of the loan. Socrates was excited by Aristotle’s ideas to expand the business and agreed to forgive the loan and instead accept a one-third share of all of the profits of Egg Head Books. Socrates also offered to let Egg Head Books use one of his properties outside the walls of the city, rent-free, so that Egg Head Books could open a second location for suburban customers.

Plato and Aristotle both worked full time at Egg Head Books. Aristotle began an aggressive sales campaign, focusing his efforts on entertaining potential high end customers, like Gorgias and Alcibiades. Socrates was not involved in the day-to-day operations of Egg Head Books, as he was too busy examining and interrogating people.

Plato, Socrates, and Aristotle were all present when Egg Head Books opened its second store. The store was packed with potential customers, but Socrates was dismayed by the limited inventory. When a representative of The Academy Inc. asked Socrates about increasing the number of books in the stores, Socrates agreed and signed a large purchase order for The Academy Inc.'s leather books. He also ordered some scrolls because he thought scrolls would be an alternative reading platform customers might like. He placed both orders without consulting either Plato or Aristotle.

After the second store opening, Socrates, Plato, and Aristotle celebrated at a local bar. Aristotle suggested that Egg Head Books should buy a small sailboat for entertaining the elite readers attracted to Egg Head Books. Plato agreed because he wanted to expand to a third location near the beach. Socrates protested loudly and said: “We can’t afford a small sailboat. I absolutely oppose any such purchase.” Two weeks later, Aristotle signed a contract with Piraeus Marine to purchase a small sailboat for Egg Head Books.

#### **Answer the following questions assuming that the applicable jurisdiction has passed the Revised Uniform Partnership Act (1997).**

Explain whether or not Socrates and Plato ever established a partnership between the two of them, and, if so, when it was formed.

Explain whether Egg Head Books is liable to The Academy Inc. for the books and scrolls Socrates ordered.

Explain whether Egg Head Books is liable to Piraeus Marine for the small sailboat Aristotle ordered.

Are Socrates, Plato, and Aristotle personally liable on either of the purchase contracts or are they only liable to the extent of their respective interests in Egg Head Books?