

3)

1. ABC Shoes Should Be Liable for The Delta Loan

Partnership

A partnership is formed when more than one persons associated as co-owners to conduct business for profit. Each partner has the authority to manage the partnership, his act will bind the partnership. Any partner is an agent of the partnership.

Here, Ann, Bob, and Claire pooled their resources and opened a retail shoe store called ABC Shoes. They each provided initial operating capital, took an active role in day-to-day operations, and agreed to split any profits equally.

Thus, ABC Shoes was a partnership.

Agency

Agency forms when a principle assents to an agent to represent P and on P's behalf to do business with a third party and A assents.

Authority

An agent has authority by the principal: (1) actual authority, (2) apparent authority

Actual Authority

Actual authority can be divided to (1) express, and (2) implied

Express Authority

P by words or conducts assents A to act on his behalf gives A express authority.

Here, Anne was a partner and she had express authority as a partner.

Thus, Anne had express authority.

Implied Authority

A partner is the agent of the partnership.

Here, Anne was a partner with equal rights to operate the partnership.

Thus, Anne had implied authority.

Anne Had Authority to Sign Delta Loan on behalf of ABC Shoes

See rules and analysis above.

Here, two months later, Delta Bank(Delta) loaned ABC shoes \$30,000 for additional expenses. Anne signed the loan papers as "Anne, for ABC Shoes".

Thus, ABC Shoes should be liable for Delta loan.

2. ABC Inc. Should Be Liable for The Echo Loan

Corporation

A corporation is formed when investors filed with the Secretary of State with Certificate of Incorporation to conduct business.

Here, ABC Shoes was validly incorporated as "ABC Incorporated" (ABC Inc.) with Ann as president, Bob as Secretary, and Clair as treasurer, A, B, and C were also directors and sole shareholders.

Thus, ABC Inc. was a corporation.

ECho Loan

Here, in the following 6 months, A, with the approval of B and C, borrowed \$40,000 for biz expansion from Echo Bank(Echo). Ann signed the note as "ABC Inc. by Ann, president." It was a valid loan lent by Ann, the President and Director on behalf of ABC Inc.

Thus, ABC Inc. should be liable for the Echo Loan.

3. ABC Inc Should be liable for The Big Shoe Co. Contract

Here, without consulting B or Claire, Anne signed the BigShoe Co contract. But Anne was the president, she had the authority to sign the contract to bind the company.

Thus, ABC Inc should be liable for the Big Shoe Co. Contract.

4. ABC Inc. should be liable for Peter's Injuries

Vicarious Liability

An employer is vicariously liable for the tort committed by its employee in the scope of employment.

Here, Fred was an employee of ABC Inc. and injured Peter negligently in the scope of his employment.

Thus, ABC should be liable for damages for Peter's injuries.

1. Damages for Peter's Injuries

Question #3 Final Word Count = 505

END OF EXAM