

# Partnership Formation: Urban Decay: Instructor Guide

## Title

Partnership Formation: Urban Decay

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## Discipline

Business Administration

## Target Audience

Introductory, nonmajors

## Keywords

General and limited, liability of partners, partnership agreement, partnerships, sharing profits and losses

## Length of Time/Staging

Two class periods, approximately 75 minutes each, student groups of five.

## Abstract

This problem is based upon the California court case: Holmes v. Lerner, 74 Cal.App.4th 442, 88 Cal.Rptr.2d 130 (1 Dist.1999). In that case, Sandra Lerner and Patricia Holmes met and became



friends in 1993. Approximately two years later, they started a company "Urban Decay," which initially produced nail polishes. Over time, Ms. Lerner started to edge Ms. Holmes out of the business. Ms. Holmes filed a lawsuit against Ms. Lerner claiming that Ms. Lerner breached the partnership agreement and that Ms. Holmes was entitled to a share of the profits. The problem of whether a partnership existed is presented in two stages. The first stage, which takes place on the very first day of class for the semester, presents a case based upon Holmes, outlines the problem, and asks informational questions. No additional information is provided to the student. The second stage presents the elements needed to create a partnership and then the students participate in role-play to determine if a partnership was created, based upon the student research. Assessment of student learning requires the students to submit a paper based upon their research to support their conclusions and through peer evaluations.

## **Date Submitted**

9/3/2008

## **Date Published**

1/24/2009

## **Format of Delivery**

For part 1, the following format is used:

1. Instructor selected groups (class size approximately 25-30 students; therefore, five to six teams)
2. Individual group discussion (20 minutes)
3. Group reporting (30 minutes)
4. Recap by professor (10 minutes)

### **Part 2A**

1. Return to same teams
2. Role play (40 minutes)
  - a. Draft arguments (10 minutes)
  - b. Plaintiff presents oral argument (five minutes)
  - c. Defendant presents oral argument (five minutes)
  - d. Questioning by judges (five minutes)
  - e. Judges deliberate and announce verdict (15 minutes)

### **Part 2B**

1. Return to same teams
2. Individual group discussion (15 minutes)
3. Group reporting (15 minutes)

## **Student Learning Objectives**

1. Understand the different ways in which a business entity may be organized and the advantages and disadvantages of the different types of organizations for a particular business purpose.



2. Identify and explain the legal requirements needed to form general and limited partnerships.
3. Demonstrate an understanding of partnerships and how they are formed and organized by the application of legal concepts learned.
4. Work cooperatively and collaborate as a team.
5. Practice oral and written communication skills.

## **Student Resources**

### ***Course textbook:***

Chesseman, H.R. (2009). *Contemporary business and online commerce law (6th ed.)*. New Jersey: Pearson.

### ***Additional textbooks:***

Bouchoux, D.E. (2004). *Fundamentals of business organizations for Paralegals*. Netherlands: Aspen Publishers.

Kubasek, N., Browne, N., Giampetro-Meyer, A., Barkacs, L., Herron, D., Williamson, C., & Dhooze, L (2009). *Dynamic business law*. New York: McGraw-Hill

Jennings, M. (2006). *Business: Its legal, ethical, and global environment (7th ed.)*. Thomson West

Miller, R. & Jentz, G. (2008). *Business law today (8th ed.)*. Thomson West

### ***Internet sites:***

general information regarding partnerships: <http://topics.law.cornell.edu/wex/partnership>  
<http://www.quickmba.com/law/partnership/general/>  
<http://www.coollawyer.com/webfront/bizfilings/partnership.php>

Virginia law and partnerships: <http://www.bos.virginia.gov/considering.shtml>  
<http://www.citmedialaw.org/legal-guide/virginia/forming-partnership-virginia>

## **Author's Teaching Notes**

### ***General comments:***

This problem is designed to introduce students to general and limited partnerships. It is designed to help the students understand partnership formation in order to differentiate between other forms of business organization discussed later in the course.

The problem requires two to three class periods. Between the two classes, students are required to read the chapter in the course text on business organization and conduct additional research for this problem.

### ***Class 1:***

Introduction to the problem.

Part 1 of the problem is presented at the very start of the section on general partnership and prior to the students reading the material on partnerships. The students work in assigned groups selected by the professor and are not permitted to use their textbook. After reading the problem,

group discussion takes place during which the group must agree on the answers. The instructor is present to observe each team and to ensure participation by all members.

At the end of the group work, the entire class meets and each group presents its oral report. During this time, much discussion takes place and the instructor is able to take the discussion and translate it into the criteria necessary to qualify as a partnership under the law.

Also, at this stage, the instructor tracks answers and records which team(s) believes that a partnership exists and which do not. The instructor does not provide the court's decision (answers to questions) at this time. (The students are somewhat disappointed that the answers are not provided; however, this element of suspense provides interest and motivation.) At the end of class, the students are given the assignment listed at the end of part 1, which includes reading the sections of the text on partnerships and conducting internet research.

### ***Class 2/3:***

In this class, the students return to their assigned group. The students will then participate in a role play of this case (Part 2-A). The students assigned to be either Ms. Hudson or Ms. Latter will argue her case before a panel of judges (approximately three students). New facts are not permitted. The judges are allowed to ask the parties questions during arguments. The judges then deliberate and must reach a majority decision. Each group will then present an oral report on the decision of the judges.

During this time, the instructor once again is able to take the discussion and translate it into the criteria necessary to qualify as a partnership under the law. The instructor records the responses and discussion ensues regarding if answers changed or not and why this occurred.

For the final group activity, the students return to their groups and complete the wrap-up questions listed at the end of Part 2-B. At the end of the group work, the entire class meets as a whole and each group presents its oral report. During this time, much discussion takes place and again the instructor is able to take the discussion and translate it into the criteria necessary to form either a general or a limited partnership and to form a partnership in the state of Virginia. As a wrap up, the instructor discusses the actual case: *Holmes v. Lerner*, 74 Cal.App.4th 442, 88 Cal.Rptr.2d 130 (1 Dist.1999) and discusses the court's decision.

## **Assessment Strategies**

Individually, each student is graded for the written report and oral presentations. (See presentation evaluation below.) At the conclusion of the chapters on business organizations, the students take exam that consists of essay questions and multiple-choice questions. For group effort, at the conclusion of the exercise, each student completes a peer evaluation for each team member.

### ***Oral Presentation Evaluation Form***

#### **Presentation Evaluation**

**Scale is 0-10 (low to high)**

**Total available points = 50**

Name of Presen ter	Cont ent	Communicat ion	Concisene ss	Contin uity	St yl e	<b>T ot al</b>	Comme nts


### **Peer Evaluation Form**

Your assessment will be held in complete confidence

Your Name: \_\_\_\_\_

1. In the first column, please list the name of each person on your team.
2. In the second column, distribute 50 points according to the contribution you perceive each person made to the team.
3. In the third column, use the legend at the top of the column and assign a value that best reflects what you think each person should receive as a grade for the project.
4. In the comments section, please make any comments you wish pertaining to any person on the team.

Name of Team Members	Contribution to Team (out of 50 points)	Recommended Grade: 10 = Outstanding 9 = High achievement 8 = satisfactory 7 or less = unsatisfactory	Comments
1.			
2.			
3.			
4.			
5.			
Total Points	50	n/a	n/a