

Business Law 3470
Professor Davis
March, 2005

**Extra Credit Assignment:
Draft a Complaint**

Directions:

Read the story below and draft a complaint with as many possible causes of action as you can determine that are viable. This extra credit assignment, if completed, will be assigned a number of 1 to 5 depending on its quality (5 being the highest). Whatever number is assigned will equal the number of percentage points added to the next exam *after and in addition* to the curve, if one is applied.

Relevant Facts

Reggie Rocket was a sophisticated engineer living in Toledo, Ohio who pioneered space travel at the University of Toledo. After having developed “warp speed” and the “lightsaber”, Reggie looked to retire on his royalties. He therefore had money to invest.

At a star trek convention in the Deathstar known as “Detroit” Michigan, Reggie met Regina Ripoff and he was immediately seduced by her lucky charms. Reggie was desperate to make Regina a “Rocket” but was confounded by her boyfriend, Count Chochula, who owed a successful Michigan cereal company. Reggie therefore attempted to impress Regina with his royalties.

Regina didn’t care for Reggie romantically. Instead, she saw an opportunity to sell Reggie some shares in Count Chocula’s new business, importing giant pixie sticks from Transylvania, Ohio. The Count believed that the giant pixie sticks would make a great new type of cereal bar and that if he could only get enough investors, and the approval of the FDA, then he could make a fortune.

Count Chocula learned of Reggie’s royalties from Regina and agreed with her that Reggie would make a good investor. Even though Count had no idea how many pixie sticks he might sell, he put together a “pro forma” income statement showing explosive growth of sales of giant pixie stick cereal bars. The Count therefore put together a brochure and a presentation and told Reggie that Lance Armstrong loved the giant pixie stick breakfast bar and volunteered to endorse it for free. Cyclists around the country would snap up the giant pixie sticks and it would spread like wildfire into body builders and pro athletes. Within one year, giant pixie stick breakfast bars would replace gatorade as the major sponsor of the NFL and every man, woman, and child in the whole universe would eat pixie sticks for breakfast, lunch, and dinner.. Accordingly, sales would be: Year 1: \$50 Million; Year 2: 350 Million, Year 3: 800 Million.

Impressed with this amazing product, and Lance Armstrong’s personal endorsement, Reggie Rocket wanted to invest \$50 Million for 10% of the company (plus, Regina threatened to tell everyone that Reggie once had inappropriate contact with an Ewok). His royalties, however,

raised him only \$5 Million a year. Reggie therefore contacted a financial adviser, Marty Frankel, who agreed to buy the income stream from the royalties for \$50 Million in diamonds.

Reggie took the diamonds and pledged them as security to Tony Montoya out of Miami who agreed to loan \$50 Million at only 5% weekly interest. Reggie then gave the money to Chocula in exchange for 10% of the company. Chocula gave Reggie stock shares showing a 10% ownership in their new company, Pixie-Enron, Inc.

Chocula also sold shares of stock to Bill Gates and Warren Buffett, who each bought 20% of the stock at 100 Million a piece. For 9 months, Reggie received reports from the board members, Bill and Warren approving the amazing sales produced by Chocula. Reggie began having cash flow problems when the light saber business declined with the killing off of the jedi's in the universe. With only Yoda and a few friends as remaining customers, Reggie could not keep up with the 5% interest payments to Montoya. Reggie flew down to Miami and met with Montoya, who took Reggie to a back room, tied him to a chair, smacked him around, and threatened to "introduce him to his little friend."

Reggie returned shaken, and asked to Chocula to sell his shares so that he could repay Montoya. Chocula said that the company was bust. Reggie called Bill and Warren who had an emergency board meeting. At this board meeting, Reggie witnessed Bill and Warren gently raise their voice with Chocula and politely asked him to leave the company and resign. Chocula was ousted. Bill and Warren then reformed a new company, called MicroPixie, took all of the assets of Pixie-Enron, and closed Pixie-Enron down. Later, Reggie would learn that Bill and Warren knew all along that Chocula had a sweet tooth and basically consumed all the pixie sticks himself.

Micro-Pixie made a deal with Montoya to mix into the pixie sticks a new white powdered "pixie dust" imported from Columbia. Sales rocketed and Bill and Warren decided to buy the moon. Montoya has since found out that the diamonds were actually cubic zirconia's and now wants all of his money back from Reggie. He has since ran ads in playboy magazine and on the fox news channel that Reggie is a fake and a poor business man.

Reggie comes into your office looking for an attorney. To pay you, he has \$300 and a plastic light saber from Toys R Us that runs on double D batteries. You decide to take the case and to sue. Draw up a complaint against Regina, Count Chocula, Montoya, Gates and Buffet and develop as many possible causes of action as you can. (Remember, what court would you sue in? What theories can you recover on?).