

Bender & Wise's Proposed Business Venture

What is the great idea here?

Wise may have discovered a process that will make the antibacterial properties of lysozyme (a naturally recurring enzyme found in egg-whites) more robust. According to Wise, lysozyme has “dramatic potential” and could “revolutionize food storage.”

What are the basic contours of their plan?

Phase 1: For the first year, Wise will work full-time to test the effectiveness of the processed egg-white lysozyme against different types of bacteria in a variety of food products. Wise will also attempt to modify this process to achieve optimal results against various food bacteria. Finally, Wise will attempt to streamline this process so that large-scale production of lysozyme can be commercially viable. Here are the basic deal points so far:

- Total budget will be \$840,000
- Budget includes \$120,000 salary for Wise (a \$30,000 pay cut), plus funds for three other employees.
- Bender and Wise want to share profits “equally.” However, Bender wants to recoup his \$800,000 before any other distributions are made. [Functionally a loan?]
- Bender and Wise agree that all expenses greater than \$10,000 require approval of both Bender & Wise. [Functionally a partnership?]
- Only \$8,000 in budget for legal and patent work [They can't be serious?]

Phase 2: Right now, there is no phase 2. Bender sighs apologetically, “I normally like to have a much firmer business strategy from day one of a new venture; but in this instance, pending the tests to determine in which foods and against which microorganisms the lysozyme is effective, as well as getting a better feel as to what it will take to produce the substance on a commercial scale, that is just not possible.”

Obvious loose ends?

- Bender's travel expenses are not in the budget?
- Bender will be initially working for free doing basic administrative tasks, while Wise will be working full time and getting a salary. Later, Bender may work more extensively to bring the product to market. What about a salary, then? Need to clarify the extent of each party's contributions in terms of the value of their time. We also may need to place a value on the underlying process for buy-out purposes.
- Unclear what the nature is of the University's possible claim on Wise's research.