

Scenario – Café Co

1. Brad and Angie are old school friends. Tired of working for wages and after watching popular reality TV series My Café Rules, they decide it would be fun to own and operate a café business together.
2. They decide to operate through a company, Café Co Pty Ltd (**Café Co**), with Brad and Angie holding one share each.
3. Brad's wife Jen already has business experience running her own fabric business, so they decide to include her as a director of Café Co. They decide that the directors of Café Co will be Brad, Jen and Angie.
4. They delay registering Café Co until Brad's accountant returns from holiday in Bali. They also delay opening a company bank account until Café Co is registered.
5. Angie finds empty premises in the main street in a building scheduled for demolition in four years' time. To secure Brad and Angie as a tenant, the landlord offers cheap rent and a \$50,000 landlord fitout contribution. The landlord will require the fitout contribution to be repaid if they vacate the lease within the four year period.
6. The draft lease says that the landlord must approve any changes to directors of the tenant company. The draft lease also requires directors' guarantees for any debts owing by the company to the landlord.
7. Eager to get started, Brad buys furniture from a friend who imports furniture. Brad's brother Ben is a carpenter who offers to do the fitout. Brad pays \$40,000 in cash for the furniture and fitout to get a better deal.
8. Angie spends \$25,000 on a coffee machine and kitchen appliances using her credit card. She keeps receipts.
9. When the accountant returns from Bali, they register Café Co. As they are old school friends, Brad and Angie don't see any point spending money on lawyers for legal advice. They don't sign a shareholder agreement.
10. Café Co establishes a company bank account and all three directors sign the lease and directors' guarantees without obtaining legal advice.
11. The café business starts trading. Brad works in the kitchen and Angie works making coffees and serving customers. Café Co employs two casual wait staff, one of whom is Angie's mother Glenda who is paid cash in hand.

12. Angie trusts the finances to Brad and his wife Jen who also deal exclusively with the accountant. The accountant records Brad's payments for the furniture and fitout as a director's loan. Angie's purchases for the crockery, cutlery and appliances are not recorded as a loan. The financial statements record, as plant and equipment, the furniture and fitout (paid by Brad) but not the coffee machine and kitchen appliances (paid by Angie).
13. Initially things go well. The business is technically still trading at a loss, but Café Co pays Brad and Angie \$10,000 each after three months of trading.
14. Three months after trading, a new café opens across the street, offering organic food and coffee. Café Co's income nosedive. The company has to let its casual wait staff go. Angie's mother Glenda hasn't been paid for a month.
15. Brad's wife Jen starts working at the café but isn't paid. Café Co falls behind in its rent and the landlord is unhappy.
16. Brad, Jen and Angie frequently argue. Angie feels that Brad and Jen make all of the day to day decisions at home and ignore her.
17. After 18 months of trading, Angie tells Brad that she wants out of the business, to sell her share and to resign as director of Café Co. Angie tells Brad that she wants to be paid the \$25,000 for her initial contributions in establishing the business.
18. Brad replies:
 - (a) Angie can't resign as a director, as that will enable the landlord to require Café Co to repay the \$70,000 fitout contribution. If necessary, the landlord will enforce the directors' guarantees against all three of them.
 - (b) Jen is owed \$12,000 in unpaid wages for her work at the café.
 - (c) Brad is willing to return the coffee machine and kitchen appliances to Angie but Café Co won't be paying her for those. Brad says that Angie only loaned those appliances to Café Co.

Based on the readings and work you have done during this semester, what are the gendered issues relating to this scenario and the concluding dilemma?

What possible actions might have been taken, at what stage, to avoid this outcome?

What are the associated difficulties with any such courses of action?