### THE TENNESSEE JOURNAL OF BUSINESS LAW

#### ARTICLES

THE "CIRCLE OF ASSENT" DOCTRINE:

AN IMPORTANT INNOVATION IN CONTRACT LAW

ROBERT M. LLOYD

ACQUISITION ESCROWS IN TENNESSEE:
AN ANNOTATED MODEL TENNESSEE ACQUISITION ESCROW AGREEMENT
JOAN MACLEOD HEMINWAY & TIMOTHY M. MCLEMORE

THE ACCURACY AND MANIPULABILITY OF LOST PROFITS DAMAGES CALCULATIONS:
SHOULD THE TRIER OF FACT BE "REASONABLY CERTAIN?"

IONATHAN T. TOMLIN & DAVID R. MERRELL

A CRITICAL ANALYSIS OF THE CHARITABLE GIVING ACT OF 2005 AND THE CHARITABLE AID, RECOVERY, AND EMPOWERMENT ACT OF 2005 EDDIE BAKER

"During the Tender Offer" or Some Time Around it: Helping Courts Interpret the Best-Price Rule Michael A. Akiya

#### CASE NOTE

ARC LIFEMED, INC. V. AMC-TENNESSEE, INC.: IMPLICATIONS FOR THE APPLICATION (OR LACK THEREOF) OF THE INTERNAL AFFAIRS DOCTRINE CHRISTIAN M. CRADDOCK

#### MEMO TO THE PARTNER

ARTICLES OF AMENDMENT FOR TN COMPANY, INC.

JORDANA K. NELSON

#### CASE COMMENTARIES

ARBITRATION, BUSINESS ENTITIES, CONTRACTS, INSURANCE, LABOR & EMPLOYMENT, PROPERTY, & TAX



A PUBLICATION OF
THE CLAYTON CENTER FOR ENTREPRENEURIAL LAW
OF
THE UNIVERSITY OF TENNESSEE COLLEGE OF LAW



#### The Tennessee Journal of Business Law

VOLUME 7 SPRING 2006 NUMBER 2

#### EXECUTIVE EDITORIAL BOARD

GENNIE E. GIESELMANN

Editor in Chief

C. DAMON GUNNELS Managing Editor

Darsi M. Newman
Executive Editor

#### SENIOR EDITORIAL BOARD

COURTNEY M. ROGERS Senior Commentary Editor

CHRISTIAN M. CRADDOCK
News & Publications Editor

#### ASSISTANT EDITORS

CATHERINE C. HUIE

Articles & Research Editor

ELIZABETH SAXTON

Articles & Research Editor

ADAM G. SMITH

Articles & Research Editor

STEPHANIE THOMPSON

Articles & Research Editor

MEGAN WILSON

Articles & Research Editor

PATRICK C. WOODSIDE Articles & Research Editor

#### **THIRD-YEAR MEMBERS**

LELAND C. ABRAHAM JASON BAXTER AARON L. BELVILLE MYRIA E.D. CARPENTER ANICA C. CONNER DOUGLAS M. ELKINS JOHN ESKEW
DANIEL T. FRENCH
CHRISTOPHER J. HARRIS
JOHN M. INMAN
A. NIKKI JONES
MEREDITH A. MALLARD

Lauren E. Medley Katerina Vatulina Moore Brian L. O'Shaughnessy Stacy L. Sanders Alexis M. Walsh Kristine M. West

#### **SECOND-YEAR MEMBERS**

ELENA V. BABAEVA EMILY BRACKSTONE KEVIN A. DEAN JOSHUA S. GANZ D. LEIGH GRIGGS SCOTT GRISWOLD MELISSA C. HUNTER
M. AARON LAY
LORI S. LOTT
MATTHEW PETRIE
RACHEL RALSTON
ERIKA D. ROBERTS

JENNIFER G. ROWLETT
CAITLIN E. SHOCKEY
MATTHEW D. THOMPSON
JESSICA A. WEBB
RICHARD L. WHITE
LAURA M. WILLIAMS
VIVIAN L. WRIGHT

#### FACULTY ADVISOR

PROFESSOR GEORGE W. KUNEY DIRECTOR, THE CLAYTON CENTER FOR ENTREPRENEURIAL LAW

THE TENNESSEE JOURNAL OF BUSINESS LAW

ISSN 4486-1457. Transactions: The Tennessee Journal of Business Law is published semi-annually and edited by students of the University of Tennessee College of Law. The publisher is Transactions: The Tennessee Journal of Business Law, Inc., c/o The Clayton Center for Entrepreneurial Law, 1505 W. Cumberland Ave., Knoxville, Tennessee 37996-1810. The domestic subscription rate is \$20.00 per volume, \$10.00 per single issue; foreign subscription is \$25.00 per volume, \$15.00 per single issue, plus postage. Unless notice to the contrary is received, Transactions: The Tennessee Journal of Business Law assumes that a renewal of the subscription is desired. All claims of non-receipt of an issue should be made within six months of date of publication if claimant wishes to avoid paying for the missing issue. To order back issues, contact William S. Hein & Co., Inc. at 1285 Main Street, Buffalo NY 14209-1987, or call toll free at (800) 828-7571. POSTMASTER: Send address changes to: Transactions: The Tennessee Journal of Business Law, c/o The Clayton Center for Entrepreneurial Law, 1505 W. Cumberland Ave., Knoxville, Tennessee 37996-1810.

The University of Tennessee College of Law does not discriminate on the basis of race, sex, color, religion, national origin, age, handicap, or veteran status in provision of educational opportunities or employment opportunities and benefits. The UT College of Law does not discriminate on the basis of sex or handicap in its educational programs or activities, pursuant to requirements of Title IX of the Educational Amendments of 1972, Public Law 92-318, and Section 504 of the Rehabilitation Act of 1973, Public Law 93-112, and the Americans With Disabilities Act of 1990, Public Law 101-336. This Policy extends to both employment by and admission to the University. Inquiries concerning Title IX, Section 104, and the Americans With Disabilities Act should be directed to the Office of Equity and Diversity ("OED") at 1840 Melrose Avenue, Knoxville, TN 37996-3560; or telephone (865) 974-2498. Charges of violations of the above policy should also be directed to OED.

Copyright © 2006 Transactions: The Tennessee Journal of Business Law, Inc.

#### THE UNIVERSITY OF TENNESSEE

#### **COLLEGE OF LAW**

#### UNIVERSITY ADMINISTRATION

JOHN D. PETERSEN, B.S., Ph.D LOREN W. CRABTREE, B.A., Ph.D	PresidentChancellor and Vice President for Academic Affairs	
COLLEGE OF LAW ADMINISTRATION		
THOMAS C. GALLIGAN, JR., A.B., J.D., LL.M.	an and Elvin E. Overton Distinguished Professor of Law	
JOHN L. SOBIESKI, JR., B.S., J.D.	Associate Dean for Academic Affairs and	
	Lindsay Young Distinguished Professor of Law	
RACHEL E. INMAN, B.S., J.D.  DOUGLAS A. BLAZE, B.S., J.D.		
DOUGLAS A. BLAZE, B.S., J.D.	Director of Clinical Programs,	
	Art Stolnitz Distinguished Professor of Law, and	
	Elvin E. Overton Distinguished Professor of Law	
GEORGE W. KUNEY, B.A., J.D., M.B.A.	ector of The Clayton Center for Entrepreneurial Law and	
	Associate Professor of Law	
CAROL M. PARKER, B.S., M.A., J.D.	Director of Legal Writing and Associate Professor of Law	
WILLIAM J. BEINTEMA, B.B.A., J.D., M.S.L.S.	Director of the Law Library and Associate Professor	
D. CHERYN PICQUET, B.A., M.S.L.S.	Associate Director of the Law Library and Professor	
REBA A. BEST, B.S., M.L.S.	Head of Cataloging for the Law Library and Professor	
KAREN REAGAN BRITTON, B.S., M.S., Ed.D		
KEITH S. CARVER, JR., B.A., M.S.	Director of Development and Alumni Affairs	
R.G. SMITHSON, B.S., M.S.	Director of Public Affairs	
TERESA L. PETERSON, B.S.	Budget Director	
WILLIAM HODGES, B.S.		
	Networking Manager of the Law Library	
MARY ANN JAMES		

#### COLLEGE OF LAW FACULTY

DWIGHT L. AARONS, B.A., J.D., Associate Professor of Law GARY L. ANDERSON, S.B., J.D., LL.M., Associate Professor of Law FRANCES LEE ANSLEY, B.A., J.D., LL.M., Distinguished Professor of Law BENJAMIN H. BARTON, B.A., J.D., Associate Professor of Law WILLIAM J. BEINTEMA, B.B.A., J.D., M.S.L.S., Associate Professor of Law and Director of the Law Library REBA A. BEST, B.S., M.L.S., Professor and Head of Cataloging for the Law Library JERRY P. BLACK, JR., B.A., J.D., Associate Professor of Law DOUGLAS A. BLAZE, B.S., J.D., Art Stolnitz Distinguished Professor of Law, Elvin E. Overton Distinguished Professor of Law, and Director of Clinical Programs CATHLEEN COCHRAN, B.A., M.S.I.S., Associate Professor and Computer Services Librarian NEIL PHILIP COHEN, B.A., J.D., LL.M., UTK Distinguished Service Professor of Law and W.P. Toms Professor of Law CAROL MORGAN COLLINS, B.A., M.S., Assistant Professor and Catalog Librarian JOSEPH G. COOK, A.B., J.D., LL.M., Williford Gragg Distinguished Professor of Law

JUDY M. CORNETT, B.A., J.D., M.A., Ph.D., Associate Professor of Law THOMAS Y. DAVIES, B.A., M.A., J.D., Ph.D., UT National Alumni Professor of Law THOMAS C. GALLIĞAN, JR., A.B., J.D., LL.M., Dean and Elvin E. Overton Distinguished Professor of Law IRIS J. GOODWIN, A.B., Ph.D., J.D., Associate Professor Law JOAN MACLEOD HEMINWAY, A.B., J.D., Associate Professor of Law JENNIFER S. HENDRICKS, B.A., J.D., . Associate Professor of Law AMY MORRIS HESS, B.A., J.D., Waller Lansden Dortch & Davis Professor of Law and UTK Distinguished Service Professor of Law JEFFREY M. HIRSCH, B.A., M.P.P., J.D., Associate Professor of Law BECKY L. JACOBS, B.S., J.D. Associate Professor of Law DESERIEE A. KENNEDY, B.A., J.D., LL.M., Associate Professor of Law JOSEPH H. KING, JR., B.A., J.D., Walter W. Bussart Professor of Law and UTK Distinguished Service Professor of Law GEORGE W. KUNEY, B.A., J.D., M.B.A., Associate Professor of Law and Director of The Clayton Center for Entrepreneurial Law

DON A. LEATHERMAN, B.A., J.D., LL.M., Associate Professor of Law ROBERT M. LLOYD, B.S.E., J.D., Lindsay Young Distinguished Professor of Law SIBYL MARSHALL, B.A., J.D., M.L.S., Assistant Professor and Reference Librarian JEAN E. MOORE, B.A., M.A.L.S., Reference Librarian and Instructor CAROL M. PARKER, B.S., M.A., J.D., Associate Professor of Law and Director of Legal Writing D. CHERYN PICQUET, B.A., M.S.L.S., Professor and Associate Director of the Law Library CARL A PIERCE, B.A., J.D., Professor of Law THOMÁS E. PLANK, A.B., J.D., Professor of Law NATHANIEL PRESTON, B.A., M.A., Ph.D., Writing Specialist M. LORETTA PRICE, B.A., M.S.L.S., Associate Professor and Acquisitions Librarian GARY PULSINELLI, Â.B., Ph.D., J.D., Associate Professor of Law

MAE C. QUINN, B.A., J.D., LL.M., Associate Professor of Law GLENN H. REYNOLDS, B.A., J.D., Beauchamp E. Brogan Distinguished Professor of Law DEAN HILL RIVKIN, A.B., J.D., Distinguished Professor of Law JOHN L. SOBIESKI, JR., B.S., J.D., Lindsay Young Distinguished Professor of Law and Associate Dean for Academic Affairs BARBARA J. STARK, B.A., J.D., LL.M., Professor of Law GREGORY M. STEIN, A.B., J.D., Woolf, McClane, Bright, Allen & Carpenter Distinguished Professor of Law OTIS H. STEPHENS, A.B., Ph.D., J.D., Resident Scholar in Constitutional Law and Alumni Distinguished Service Professor of Political Science PENNY J. WHITE, B.S., J.D., LL.M., Associate Professor of Law PAULETTE J. WILLIAMS, B.A., J.D., Associate Professor of Law

### The Tennessee Journal of Business Law

VOLUME 7	SPRING 2006	NUMB	ER 2
	CONTENTS		
BUSINESS FACULTY NOTES			231
ARTICLES			
THE "CIRCLE OF ASSENT" DOCT INNOVATION IN CONTRACT LAW		Robert M. Lloyd	237
Acquisition Escrows in Tenn Tennessee Acquisition Escro		Joan MacLeod Heminway & Timothy M. McLemore	273
THE ACCURACY AND MANIPULAI DAMAGES CALCULATIONS: SHOW "REASONABLY CERTAIN?"		Jonathan T. Tomlin & David R. Merrell	295
A CRITICAL ANALYSIS OF THE CEAND THE CHARITABLE AID, RECOACT OF 2005		Eddie Baker	323
"DURING THE TENDER OFFER" ( HELPING COURTS INTERPRET TH		Michael A. Akiva	353
CASE NOTE  ARC LIFEMED, INC. V. AMC-TE FOR THE APPLICATION (OR LACK AFFAIRS DOCTRINE		Christian M. Craddock	387
MEMO TO THE PARTNER ARTICLES OF AMENDMENT FOR	I'N COMPANY, INC.	Jordana K. Nelson	401
CASE COMMENTARIES ARBITRATION, BUSINESS ENTITH LABOR & EMPLOYMENT, PROPER		·	419

#### **BUSINESS FACULTY NOTES**



**Professor Iris J. Goodwin's** recent article, "Donor Standing to Enforce Charitable Gifts: Civil Society vs. Donor Empowerment," appearing in the May 2005 issue of the Vanderbilt Law Review, has been cited on two blogs. Professor Goodwin is currently working on her next research paper, which focuses on nonprofit organizations. In this next project she is examining the *cy pres* doctrine and how the Rawls' concept of public reasoning might appropriately influence charities in these types of proceedings.



**Professor Joan Heminway** returned to the University of Tennessee College of Law this semester after completing a semester as a visiting professor at Boston College Law School. She received the Marilyn V. Yarbrough Faculty Award for Writing Excellence at the College of Law's annual awards ceremony and dinner in February 2006. In addition to the annotated escrow agreement she co-authored with University of Tennessee College of Law alumnus Timothy M. McLemore being published in this issue of *Transactions*,

Professor Heminway recently completed an article entitled "Caught in (or on) the Web: A Review of Course Management Systems for Legal Education," which will be published this spring in the *Albany Law Journal of Science and Technology*. In addition, she is editing a book of essays on Martha Stewart's legal troubles that is scheduled to be released by Carolina Academic Press later this year. In April 2006, Professor Heminway will talk about criminal securities fraud prosecutions as a participant in an academic roundtable at the University of Maryland School of Law on "The Criminalization of Corporate Law." This summer she will present papers at two academic conferences.



Professor Amy Morris Hess was selected to receive the 2005 Treat Award for Excellence from the National College of Probate Judges in recognition of her significant contributions to the improvement of probate and trust law. The award was presented at the College's annual banquet in November. In October 2005, Professor Hess was elected to membership in the American College of Trust and Estate Counsel. In addition to teaching and mentoring, Professor Hess continues to work on updates and revisions to Bogert: The Law of Trusts and Trustees.



Professor Jeff Hirsch recently gave a presentation at the American Economic Association/Labor and Employment Relations Association conference and co-authored a paper in conjunction with that presentation entitled "The NLRA After Seventy Years: What Next?" He has submitted his article "Taking State Property Rights out Of Federal Labor Law" for publication and has recently agreed to co-author a book entitled "Understanding Employment Law."



Professor George Kuney received the Harold C. Warner Outstanding Teacher Award at the University of Tennessee College of Law's annual awards banquet. This spring, West will publish Contracts: Transactions and Litigation, a casebook that he coauthored with Professor Robert Lloyd. This summer Professor Kuney expects to publish California Law of Contracts, a new onevolume comprehensive treatise from the University of California's Continuing Education of the Bar. After completing a law review article on the state of successor liability doctrine nationally, he

expects to publish new editions of The Elements of Contract Drafting and Legal Drafting in a Nutshell for West and produce a series of articles on specific standards for performance under contracts; including best efforts, reasonable efforts, and the state of a party's actual knowledge. He is working with Professor Jack Ayer of UC Davis's King Hall; Michael Bernstein of Washington, DC's, Arnold & Porter; and Jonathan Friedland of Chicago's Kirkland & Ellis to produce "Chapter 11 -- 101 for The American Bankruptcy Institute," which is aimed at bridging the gap between law school and practice in this field. Professor Kuney continues to consult and give presentations on these and related subjects to members of the academy, the bench, and the bar. Professor Kuney and Professor Donna Looper coached the University of Tennessee College of Law's Conrad Duberstein Bankruptcy Moot Court Team, which competed in New York during March 2006.



**Professor Becky Jacobs** continues to work with the Knoxville mediation community. This year, the University of Tennessee College of Law Mediation Clinic and the Community Mediation Center conducted a joint training program for civil mediators. Professor Jacobs coached student Moot Court teams in two separate competitions in 2005-2006: the ABA's Representation in Mediation Competition and the Philip C. Jessup International Law

Moot Court team. The Jessup team advanced to the Semi-Finals at the Regional level. Professor Jacobs' most recent article, "The Post-Apartheid City in the New South Africa: A Constitutional Triomf?," has been accepted for publication and will appear in print in the Fall of 2006. She will teach this summer in the ABA-approved Summer Legal and Policy Study in Rio de Janeiro sponsored by Georgia State University in consortium with Florida International University College of Law and Seattle University School of Law. Professor Jacobs also has been invited to participate as an instructor in The Black Lawyers Association South Africa Commercial Law Education Project.



**Professor Don Leatherman** was in Los Angeles in November of 2005 to participate on a panel for the Mergers and Acquisitions Conference presented by the Practicing Law Institute. The panel considered current developments for consolidated groups. Professor Leatherman spoke on the same topic at the ABA Tax Section meeting in San Diego in February 2006. Professor Leatherman's chapter for an e-book for CCH on fundamental

federal income tax concepts for consolidated groups was published in late 2005.



Professor Robert Lloyd's article "The 'Circle of Assent' Doctrine: An Important Innovation in Contract Law" appears in this issue. Another article by Professor Lloyd, "Proving Lost Profits After Daubert," is currently under consideration at several law reviews. A contracts casebook co-authored by Professor Lloyd and Professor George Kuney is in the final stages of publication. In March, Professor Lloyd and John Mudock of Boult, Cummings, Conners & Berry, conducted a national teleconference on "Promissory Notes in Commercial Financing Transactions."



Professor Carl Pierce's article, "Client Misconduct in the 21st Century" was published in the University of Memphis Law Review -35 U. MEM. L. REV. 731 (2005). The article, part of a larger examination of ABA Model Rule 1.2(d), examines the Rule's specification of the client's conduct that a lawyer may not encourage or assist - i.e., criminal or fraudulent conduct. It examines the client conduct embraced by this prohibition and argues for the broadening of the prohibition to include additional misconduct, such as breaches of fiduciary duty, intentional torts, and wrongful discharge of a

lawyer for complying with the lawyer's professional responsibilities. Professor Pierce continues to serve as a reporter for the Tennessee Bar Association Standing Committee on Legal Ethics and Professional Responsibility, which is reviewing and generating proposals for revision of the Tennessee Rules of Professional Conduct in light of the approval by the ABA in 2002 of the recommendation of its Ethics 2000 Commission for revision of the ABA's Model Rules of Professional Conduct. In collaboration with Karen Britton, Director of Admissions and Career Services at the College of Law, Professor Pierce helped coordinate the presentation by the Knoxville Chapter of the Association of Legal Administrators of a four-part lunch and learn program on the "Business of Practicing Law."



Professor Thomas Plank was awarded the 2005 Carden Award for Outstanding Achievement in Scholarship (for a distinguished record of scholarship over a period of years) by the University of Tennessee College of Law at the February honors banquet. In January, Professor Plank served as a discussion leader at the Eastern District of Pennsylvania Bankruptcy Conference 17th Annual Forum, which analyzed provisions of the Bankruptcy Code governing rejection of leases and appointment of trustee in chapter 11 cases. The United

States Supreme Court twice cited one of Professor Plank's articles, "The Constitutional Limits of Bankruptcy," 63 TENN. L. REV. 487 (1996), in deciding that the United States Constitution empowered Congress to abrogate states' sovereign immunity in bankruptcy cases. Professor Plank wrote a chapter entitled "The Key to Securitization: Isolating the Assets to Be Securitized from the Risk of An Insolvency Proceeding" in the newly published, John Arnholz and Edward E. Gainor, Offerings of Asset Backed Securities (Aspen Publishers 2005).



**Professor Gary Pulsinelli** continues to concentrate on research and teaching. His article "Share and Share Alike: Increasing Access to Government-Funded Inventions under the Bayh-Dole Act" will be published in the spring issue of the Minnesota Journal of Law, Science, and Technology.



Professor Greg Stein has been elected as Chair-Elect of the Real Estate Transactions section of the Association of American Law Schools. He continues to serve as Co-Chair of the Legal Education Committee of the Real Property, Probate and Trust Law Section of the American Bar Association. Professor Stein will participate in a panel discussion at this year's spring meeting of the ABA Real Property, Probate & Trust Law Section, addressing several recent developments in land use law. He will speak at this

summer's conference of the Southeastern Association of Law Schools on Chinese real estate law. Professor Stein recently gave a presentation on "Recent Developments in Real Estate Law" to the Sevier County Bar Association.



Professor Paulette J. Williams teaches in the Business Law Clinic. She and her students are working on several projects for new businesses, non-profits, and community organizations. Professor Williams' chapter "Preservation of Affordable Housing" was published in 2005 in *The Legal Guide to Affordable Housing Development* (Tim Iglesias and Rochelle E. Lento, eds.). Her review of Susan R. Jones' book *The Legal Guide to Microenterprise Development* appears in the Fall 2005 issue of the Journal of Affordable Housing and Community Development Law. Professor Williams serves this

year as the Chair-Elect of the Clinical Legal Education Association, the co-chair of the Legal Educators Committee of the ABA Forum on Affordable Housing and Community Development, and a member of the Executive Committee of the AALS Section on Clinical Education. She will be making panel presentations this spring at the Faculty Conference and Workshop on Teaching Transactional and Exempt Organization Law, and at the AALS Conference on Clinical Legal Education.