Contractual Personal Liability: The Body Trumps the Signature Line

When negotiating and drafting a contract on behalf of a business, one of the most important considerations is whether it will create personal liability for the individual signing on behalf of the business, as illustrated by a recent decision from Florida's Third District Court of Appeal, ***Frieri v. Capital Investment Services, Inc***., writes **Adam B. Edgecombe** of **Jimerson & Cobb, P.A.**

"*Frieri* involved an investor who contributed $6 million to a business trust that he formed with the president of a small corporation, with each of them owning 50% of the trust," **Edgecombe explains**. "In exchange for the investor's contribution, the president of the corporation was to transfer 78% of the corporate stock to the trust. However, after the investor paid over his $6 million contribution, the president of the corporation never transferred the stock."

The investor sued both the president of the corporation and the corporation, alleging that the defendants had breached the stock-purchase agreement. The trial court agreed, entering a final verdict in the amount of $7,369,222.00 against the corporation and the president individually. On appeal, the president and the corporation argued there was no basis for his personal liability.

"The Third District disagreed with the president's position, finding that, when two businesses contract, the entirety of the document must be analyzed to determine whether the parties intend to bind the businesses alone or whether the obligation extends to the signing agents in their individual capacities," Edgecombe writes.

Read the article.