

Preface

Concepts relating to business organizations surround us every day. The evening news broadcasts often begin with a report on stock prices, the recent corporate accounting or compensation scandals, or the latest corporate mergers. The ups and downs of major companies such as Microsoft and General Motors are analyzed in depth. Commercials promote brokerage companies that facilitate stock purchases. Newspapers often devote a separate section to business and financial news. Nevertheless, many of us have only a vague notion of the import and effect of the news of business organizations that we hear about every day. Some individuals are intimidated by the financial sections of newspapers and periodicals, assuming that only those with degrees in business or finance are capable of understanding the business news.

This text is intended to provide readers with a fundamental understanding of the various types of business organizations that operate in the United States. Learning about the advantages and disadvantages of different forms of business entities will provide you with the knowledge necessary to understand the business concepts that surround us. Equally important, understanding the various ways in which business is conducted in this country will enhance your ability to perform as a paralegal. According to a 2008 survey by the National Association of Legal Assistants, except for litigation, corporate work represents the largest specialty practice area for paralegals, with 32 percent of paralegals engaged in some corporate work.

Although the study of business organizations is undoubtedly most useful for paralegals intending to work in the corporate field, the concepts discussed in this text cross over to many other practice fields. For example, litigation paralegals will need to know whether partners in a partnership may be personally sued for partnership obligations, whether members in a limited liability company are liable for the company's debts, and under which circumstances corporate directors may be sued for negligence in managing their corporations. Paralegals working with general practitioners will need to know how to form the business organizations



described in this text, draft resolutions, and prepare minutes for corporate meetings.

Each of the varieties of business organizations is discussed thoroughly. The nature of the entity, its advantages and disadvantages, the relative ease with which the entity may be formed, its dissolution, and its tax consequences are all addressed. Each chapter includes a discussion of the pertinent topic, a section devoted to the possible tasks to be performed by paralegals relating to that business enterprise, a brief summary of a judicial opinion illustrating a topic discussed in the chapter, references to Internet resources enabling you to locate additional materials of interest, a brief summary of the key features covered in the chapter, a list of key terms in the chapter, discussion questions challenging you to apply the concepts discussed in the chapter to fact patterns, and questions requiring you to locate information accessing commonly used business-related Internet sites.

The text begins with an introduction to the various business entities and then progresses from the simplest, the sole proprietorship, through partnerships, to the most complex, the business corporation. The newest forms of business entities, the limited liability partnership and limited liability company, are also discussed. Chapters include sample forms to illustrate the principles discussed and key terms highlighting the terms discussed. Appendices provide additional forms, and a glossary is included for easy reference to the many and often difficult terms used in the law of business organizations.

This third edition of the text includes the following new features:

- New case summaries illustrating core principles in each chapter
- Discussion of the newly revised Uniform Limited Liability Company Act of 2006
- Treatment of the financial crisis of 2008
- Recent amendments to the Model Business Corporations Act
- Enhanced discussion of the 2001 Uniform Limited Partnership Act and limited liability limited partnerships
- New discussion on entity domestications (changing the state of organization) and conversions (changing the form of a business entity)
- Discussion of new and emerging trends in corporate governance, shareholder activism, and corporate reform, including the trend toward electing directors by majority rather than plurality vote
- Updated forms

When you begin reading this text, you might be unfamiliar with most of the business enterprises and concepts discussed. As you move forward in class and through the chapters and discussion questions, you will readily be able to measure your progress. When you complete this text and your class, you will have gained a thorough introduction to business organizations as well as familiarity with the terms and concepts required by paralegals in the business or corporate fields and those that we hear and read about each and every day.

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