

# Preface

Concepts relating to business organizations surround us every day. News reports often begin with a report on stock prices, 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.

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 case 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 to highlight 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. Additional resources to accompany this text are available at the product page at [wklegaledu.com](http://wklegaledu.com).

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

- New and updated charts and all new case illustrations and end-of-chapter discussion and Net Worth questions
- Discussion of the Corporate Transparency Act of 2021, which requires corporations, limited liability companies, and perhaps even certain partnerships to disclose information about their owners to the Department of the Treasury
- Discussion of the shift away from the *shareholder primacy doctrine* (in which the interests of shareholders are given top priority in corporate decision-making) to a new standard for corporate responsibility in which the interests of other stakeholders (employees, customers, and the local community) are considered when corporations take action
- Examination of green and social bonds, by which corporations fund eco-friendly projects or raise funds for social projects such as affordable housing
- An entirely new section in Chapter Ten on governance trends, including the following:
  - ESG (environmental, social, and governance) proposals;
  - California's new laws requiring diversity and inclusion on corporate boards;
  - Shareholder proposals urging corporations to combat climate change; and
  - The SEC's newly created Climate and ESG Task Force
- The effect of the #MeToo and Black Lives Matter movements on businesses, such as the use of "Weinstein Clauses" in merger agreements by which companies represent that there are no pending misconduct actions against senior executives as well as shareholder lawsuits alleging that corporate managers failed to promote diversity as promised

- The effect of the COVID-19 pandemic on various business-related issues, including the following:
  - The immediate shift to virtual shareholder meetings with record shareholder participation; and
  - The suspension of dividend payments as companies sought to stabilize their finances in an uncertain time
- Updated forms

At the time of the writing of this seventh edition of the text, legislation was pending that would change many tax provisions relating to business organizations, including those for individuals and pass-through entities as well as those for corporations. Always check the Internal Revenue Code for current tax rates and provisions. Changes to the tax rates discussed in this text will be posted to the product page at [www.wklegaledu.com](http://www.wklegaledu.com).

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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*Summer 2021*