
Preface

The concepts of business organizations surround us every day. References are made to the stock market during each day's news broadcasts. Newspapers and television reports often refer to partnerships and other forms of business entities. The ups and downs of major companies such as Microsoft, Coca-Cola Company, and Walmart are studied and analyzed in depth. Failures of companies such as Enron Corporation affect the lives of hundreds of thousands of people and often serve as the impetus for new legislation regarding corporate governance. Mergers and dissolutions of companies are reported as events significantly affecting the economy. Employees eagerly await the granting of stock options. Most newspapers in large cities devote an entire section of each daily issue to business or finance. Nevertheless, many of us have only a vague notion of the import and effect of the news of business organizations that we hear about each day. Some individuals are intimidated by the financial section of the newspaper or broadcast news reports, assuming that only those with degrees in business can appreciate and comprehend the business news.

This text is intended to provide readers with a basic and thorough understanding of the various types of business organizations operating in the United States. Learning about the advantages and disadvantages of different forms of business entities will provide you with the foundation to understand the business concepts that surround us. Equally important, understanding the nature of the various ways in which business is conducted in the United States will enhance your ability to perform competently as a paralegal.

Although the study of business organizations is undoubtedly most useful for paralegals intending to participate in the field of corporate law, 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 are personally liable for business debts and under which circumstances shareholders in a corporation may be liable for a corporation's obligations. Paralegals engaged in the field of estates and trusts need to understand that the effect of a shareholder's buy-sell agreement requires that shares owned by an individual at the time of death must be transferred to the corporation rather than to the decedent's heirs. Paralegals working with general practitioners will need to know how to form all of the business organizations described in this text, draft resolutions, prepare corporate bylaws, and take minutes of 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 it can be formed, its dissolution, and its tax consequences are addressed. Each chapter includes an introduction to the material to be covered in that chapter, a complete discussion of the pertinent topic, a section devoted to the possible tasks to be performed by paralegals regarding that business enterprise, a brief summary of a case illustrating a core concept in the chapter, a list of useful Internet resources enabling you to locate additional materials and forms of interest, discussion questions challenging you to apply the concepts discussed in the chapter to fact patterns, Internet questions requiring you to locate and navigate pertinent websites to locate information similar to that you will be required to locate “on the job,” and a brief summary of the key features covered in that chapter.

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 organizations, the limited liability partnership and the limited liability company, are also discussed in depth. Chapters include sample forms to illustrate the principles discussed and key terms highlighting concepts discussed. Appendices provide additional forms and model codes or uniform laws from which many state business statutes and concepts are derived. A glossary is included for easy reference to the many and difficult terms used in the law of business organizations.

There are a number of additions and enhancements to this ninth edition of the text, including the following:

- New and updated charts and all new case illustrations, discussion questions, 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.
- Discussions 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 Eleven 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.
- Discussion of direct listings and SPACs (special purpose acquisition companies) as alternatives to IPOs.

- The use of new stock trading apps such as Robinhood and the 2021 short sale of meme stock GameStop, which caused massive losses for some investors.
- The SEC's actions against celebrities for touting cryptocurrency investments.
- 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 sexual 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;
 - The suspension of dividend payments and payments to employee retirement funds as companies sought to stabilize their finances in an uncertain time;
 - The closing of the New York Stock Exchange trading floor for two months;
 - The effect of the pandemic on merger activity; and
 - The SEC requirement that companies disclose the effect of COVID-19 on their operations.

New and updated sample forms have been included, and Internet website addresses have been updated as online form banks and useful practice tools continue to be posted on Internet sites. Additional resources to accompany this text are available at the product page to accompany this book at wklegaledu.com.

At the time of the writing of this ninth 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.

When you begin reading this text, you might be unfamiliar with most, if not all, of the business enterprises and concepts discussed. As you progress 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