

# **Business Enterprises**



# Business Enterprises

## LEGAL STRUCTURES, GOVERNANCE, AND POLICY

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### Cases, Materials, and Problems

FIFTH EDITION

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Joan MacLeod Heminway

*I dedicate this book to Merrit, Helen, and Lou, who afforded me the time and knowledge I needed to accomplish this.*

Mark J. Loewenstein

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Marc I. Steinberg

*I dedicate this book to my wonderful family — my daughter Alexandra (Alex) and my sons Avram (Avi) and Phillip (Bear) — with all of my love.*

Manning Gilbert Warren III

*I dedicate this book to my former law partners at Ritchie, Rediker & Warren, Thomas A. Ritchie and J. Michael Rediker, for their creativity, their pragmatism and their professionalism in the practice of corporate law.*



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# Preface

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In this book, four law professors from across the country have assembled cases, problems, and other materials for use in an introductory Business Associations, Business Organizations, Corporations, or similar law school course. Each author brings to the book his or her individual experience in the teaching and practice of the subject matter and his or her own voice.

This teaching and learning resource is designed to provide comprehensive coverage of state and federal law and policy governing the legal structures through which business is conducted in the United States, principally including unincorporated and incorporated business entities (as opposed to sole proprietorships). The authors generally anchor this law and policy in relevant theory and practice. In carrying out its objectives, the book covers foundational issues relating to agency and entity formation, corporate finance, internal governance, and legal liability to third parties. Moreover, the text covers fundamental state and federal rules governing corporate transactions and litigation and, in its final chapter, touchstone issues relating to the role of legal counsel in representing business enterprises. Importantly, the book focuses on privately held entities and also provides comprehensive coverage of the basics of public company theory, policy, law, and practice.

Each chapter begins with a title and a narrative that covers an introductory point or otherwise sets the stage for the materials that follow. Consideration is given to both legal analysis and practice issues. A number of chapters include significant descriptions of applicable theory and policy as framing devices for the chapter contents.

The materials in each chapter have been selected to afford adequate coverage of business law basics (including, for example, fundamental corporate finance and takeover nomenclature and other information necessary to an understanding of transactional business law). Law review articles, glossaries, charts, and textual citations to statutes and other materials supplement the standard fare of case law. Moreover, in key areas of study, the text allows for a comparison of laws and practices in other countries with those of the United States. These parts of the book are especially important, since more and more students must handle international contracts, transactions, or cases in the early years of their practice. To reinforce key principles and analysis, the book includes notes and problems that permit the integration of concepts and foster applied skills.

In short, this text allows for coverage of law, underlying theory and policy, and practice skills. In one volume, the book contains material sufficient to educate an emerging lawyer to function in general business law practice in a transactional or advocacy-oriented setting. In creating this resource, the four authors, all of whom have extensive academic and practical credentials, seek to create a comprehensive, introductory resource for students regardless whether they will subsequently practice in small, medium, or large-sized firms here in the United States or abroad. In our increasingly electronic and global world, these students need wide-ranging, inclusive, applied knowledge of the legal aspects of business enterprises—structures, governance, and policy—and this book is designed to foster that knowledge.