



CORPORATIONS  
AND OTHER BUSINESS  
ORGANIZATIONS:  
CASES, MATERIALS,  
PROBLEMS

SEVENTH EDITION



Linda O. Smiddy  
Lawrence A. Cunningham



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# CORPORATIONS AND OTHER BUSINESS ORGANIZATIONS

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## *CASES, MATERIALS, PROBLEMS*

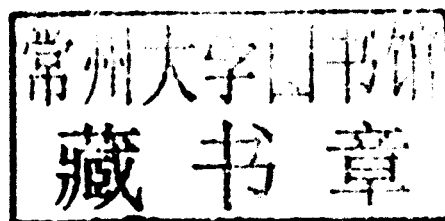
Seventh Edition

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# DEDICATIONS

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To James and Beatrice, and to the memory of John and Mae  
with love and gratitude  
-LOS

To Stephanie Cuba  
with love and thanks, always and forever  
-LAC

# PREFACE

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Since the book's last edition, the law of business organizations has undergone significant and dynamic change. This edition reflects the substance and implications of these recent developments.

Most chapters of this book begin with a situation involving one or more hypothetical clients, with later situations building on earlier ones. Classroom work can involve the situations as much or as little as the teacher wishes, or it can exclude the situations entirely. For example, the situations can simply be used, as part of assigned readings, to place the cases and other materials in an understandable context. The inclusion of these situations, then, is not meant to dictate the agenda for the class.

The book is designed to be used in a three- or four-semester-hour corporation law or business associations course. Chapters 1 and 2 deal with unincorporated business organizations. The remaining chapters focus on corporations. Some of the securities related materials have been included simply to give students a first acquaintance with a few of the more common securities law questions likely to arise in a corporate practice. Teachers who wish to deal only selectively with these questions, or to save them for another course, will find no difficulty in doing so. An introduction to the reading of financial statements is included in an appendix. The materials on reading financial statements were designed to be understandable to students with little or no help.

Citations of authority and references of various sorts have been omitted, as have footnotes, except where inclusion or partial inclusion has served a specific purpose. These deletions generally have not been indicated. Other deletions and revisions usually have been, except for the correction of typographical errors and the deletion of paragraphs and longer portions of text appearing before or after excerpts from non-case materials, and except for a few miscellaneous deletions and revisions of a minor nature. Where footnotes have been retained, the original footnote numbers have been indicated with brackets. Unless otherwise indicated, the term "Model Act" refers to the Model Business Corporation Act (1984, as amended through 2008). The term "ALI" refers to the citations from *Principles of Corporate Governance: Analysis and Recommendations*, Vols. 1 & 2 (1994) which is published by the American Law Institute (ALI). We have also used the alternative titles of Chairman of the Board and Chair of the Board to designate that position. This approach reflects both the currency of the traditional term and the increasing use of the newer form.

We continue to be grateful to our late co-authors on earlier editions of the book, Larry D. Soderquist and A.A. Sommer, Jr. Many people helped in the preparation of this edition of book, and we gratefully express our thanks to all of them. Particularly, we first wish to thank the students of Professors Smiddy and Cunningham who provided helpful research assistance, including Clare Cavaliero, Noel Hudson, Natalie Karras, Dan Martin, and Saima Jala Zuberi. We also thank Jane Woldow and Wendy Smith for their invaluable assistance. We also want to thank the Practising Law Institute for allowing us to use material from our book *Soderquist on Corporate Law & Practice* (3d ed. 2007) and from Gary Brown's book, *Soderquist on the Securities Laws* (5th ed. 2006), both of which are published by PLI, with all rights reserved. In addition, the authors acknowledge the numerous excerpts from the American Law Institute, *Principles of*

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## *PREFACE*

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Linda O. Smiddy  
Lawrence A. Cunningham

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