



**The Law of
Corporations,
Partnerships, and
Sole Proprietorships**

Second Edition

Angela Schneeman

THE LAW OF CORPORATIONS, PARTNERSHIPS, AND SOLE PROPRIETORSHIPS

SECOND EDITION

Angela Schneeman

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a division of International Thomson Publishing

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Printed in the United States of America

For more information, contact:

Delmar Publishers

3 Columbia Circle, Box 15015

Albany, New York 12212-5015

International Thomson Publishing—Europe

Berkshire House

168-173 High Holborn

London WC1V 7AA

England

Thomas Nelson Australia

102 Dodds Street

South Melbourne, 3205

Victoria, Australia

Nelson Canada

1120 Birchmount Road

Scarborough, Ontario

Canada M1K 5G4

International Thomson Editores

Campos Eliseos 385, Piso 7

Col Polanco

11560 Mexico D F Mexico

International Thomson Publishing GmbH

Königswinterer Strasse 418

53227 Bonn

Germany

International Thomson Publishing Asia

221 Henderson Road

#05-10 Henderson Building

Singapore 0315

International Thomson Publishing—Japan

Hirakawacho Kyowa Building, 3F

2-2-1 Hirakawacho

Chiyoda-ku, Tokyo 102

Japan

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4 5 6 7 8 9 10 XXX 02 01 00 99 98

Library of Congress Cataloging-in-Publication Data

Schneeman, Angela

The law of corporations, partnerships, and sole proprietorships/

Angela Schneeman.—2nd ed.

p. cm.

Includes bibliographical references and index.

ISBN 0-8273-7568-9

1. Sole proprietorship—United States. 2. Partnership—United

States. 3. Corporation law—United States. 4. Legal assistants—

United States—Handbooks, manuals, etc. I. Title.

KF1355.Z9S36 1997

346.73'066—dc20

[347.30666]

96-24674

CIP

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CORPORATIONS,
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DEDICATION

To my parents, Al and Anna Lutterman

PREFACE

The purpose of this book is to educate the paralegal student with regard to the law of business organizations, and to prepare the student to work in the area of corporate law as a paralegal. It gives an overview of the law and the theory behind the law, as well as practical information that the paralegal can use on the job.

Each chapter includes a general discussion of the law concerning the pertinent topic, often using model or uniform acts and case law as examples. The heavy use of model and uniform acts in this book is intended to give the student an understanding of the model laws that state legislatures commonly follow, as well as to give the paralegal familiarity with statutory research. Tables of state law refer the student to the law of his or her home state.

Cases are included throughout this text to illustrate the application of the laws being discussed. Corporate case law tends to be very complex, and the cases included in this text have been edited to simplify them as much as possible. Although it is important for the student to grasp the main point being made by each case, a complete understanding of all of the procedural formalities included within each case is not necessary. Terms that may be unfamiliar have been defined to help eliminate any confusion, and those marked with a dagger are from *Ballentine's Legal Dictionary and Thesaurus* (Delmar/LCP, 1994).

Review questions at the end of each chapter require that the student review and summarize the key points learned throughout the chapter. In addition, hypothetical questions require the student to apply that knowledge to a practical situation.

Forms and a discussion of pertinent procedures that often must be followed by paralegals are included throughout this text wherever practical. Each chapter also contains a section that specifically discusses the role of the paralegal as it relates to that chapter's topic.

The discussions of available resources to assist the paralegal serve as a useful reference to working paralegals.

Although the main focus of this text is on corporate law, it also contains chapters on sole proprietorships, partnerships, limited partnerships, and limited liability companies. These topics have been included with the aim of giving the paralegal student an understanding of the alternate forms of business organizations. Each of these chapters includes a discussion of the advantages and disadvantages of doing business in that format.

The discussions of corporate law include an in-depth analysis of the nature, formation, dissolution, and financial structure of the corporation. Mergers and acquisitions, securities, and employment agreements are covered in separate chapters.

Probably the most significant addition to the Second Edition is a chapter on the limited liability company. As recently as 1993, when the First Edition of this text was published, the limited liability company was a new entity that was recognized in just eight states. Now every state has adopted or is considering limited liability company legislation. Chapter 4 is an in-depth introduction to the law of limited liability companies. The recently-adopted Model Limited Liability Company Act is also included as Appendix E.

The partnership chapter of the Second Edition now includes an in-depth discussion of the new Uniform Partnership Act, which was adopted subsequent to the publication of the First Edition. This new Uniform Act is included as Appendix C.

One topic covered here that is rarely found in introductory corporate law texts is employee benefit plans. I have included this chapter because many paralegals are employed in the benefits area, and there is seldom a separate course offered on employee benefit plans.

Finally, because corporate law is not always considered to be the most stimulating topic—and students cannot learn anything from a text if it puts them to sleep—there are several features included within the chapters to pique the student’s interest in corporate law. As much as possible, I have tried to include discussions relating to corporate law that may be of particular interest to the paralegal student. These “features” are written in a magazine-article style and include discussions of current news topics and items that may be of special interest to working paralegals.

I would like to give my thanks to several people for the assistance they have given me on this project, including Chris Anzalone, Jeff Litton, and Judy Roberts at Delmar and Jehanne Schweitzer and Mark Arnest at Graphics West.

I would also like to thank my family, friends and co-workers for their advice and encouragement. A very special thanks to my husband, Greg, and my children Alex and Katherine for their patience and support.

Lastly, I acknowledge the contributions of the following reviewers, whose suggestions and insights have helped me enormously:

Randi Ray
Des Moines Area Community College
Des Moines, Iowa

David Hardy
University of Charleston
Charleston, West Virginia

Claudia Clinton
McMurry University
Abilene, Texas

Jim Hodge
International College
Naples, Florida

Charles DeWitt
University of Memphis
Memphis, Tennessee

Anthony Piazza
David N. Meyers College
Cleveland, Ohio

Angela Schneeman

ABOUT THE AUTHOR

A resident of suburban St. Paul/Minneapolis, Angela Schneeman received her paralegal certificate from the University of Minnesota. She completed her internship at the law firm where she had been working as a legal secretary. Subsequently, Schneeman convinced the attorneys of that firm to hire her on a full-time, permanent basis as a paralegal. "I was the first paralegal the law firm had ever hired, and when I first started, neither the attorneys nor I had a very clear idea of how my time and skills could best be utilized by the firm. Fortunately, the attorneys I worked for were very busy and willing to delegate any work that could possibly be done by a paralegal," Schneeman says. Within two years there were two other paralegals working for the firm, and the attorneys were very convinced of the benefits of working with paralegals.

The firm Schneeman worked for specialized in corporate law, mergers and acquisitions, qualified plans, estate planning, probate, and real estate. Originally she worked in all of those areas, but corporations became her specialty. Most of her workdays were fast-paced and unpredictable. On a "typical" day, she would spend most of her time meeting with several attorneys, calling and/or meeting with clients, and drafting legal documents and correspondence. Some of the legal documents that she prepared were articles of incorporation, bylaws, and other corporate documents. It was also her responsibility to keep the clients' corporate-minute books up to date by preparing the necessary annual minutes and other documentation.

One of the most interesting and exciting aspects of Schneeman's job involved mergers and acquisitions. She was often responsible for drafting and organizing the numerous documents required for large closings, which she usually attended. "It was very exciting and rewarding to me to be an integral part of a multi-million dollar transaction," Schneeman says. Although she found that working on mergers and acquisitions was very interesting, it also involved working long hours under a lot of pressure. It was not uncommon for her to work late into the night, and in some cases, early into the next morning, to prepare for a large closing.

The group of attorneys who employed Schneeman understood the importance of a good team effort and recognized that every member of the law firm staff is essential. Typically, when the firm was about to undertake a large project, the attorneys would decide on a team to handle the work. This team would usually consist of a partner of the firm, an associate attorney, a paralegal, and a secretary. The team would meet to discuss how the project would

be handled, and then work together to see the project through to its successful conclusion.

“My advice to anyone considering a career as a paralegal is to explore several different opportunities. The field is very diverse, and job descriptions and position qualifications can vary greatly depending on the size of the firm or corporation and the type of law being practiced. I think it is important to find a position with the challenges and rewards that will match your personality,” Schneeman advises.

Currently, Schneeman is a free-lance paralegal, working directly with small corporations and their attorneys. She is also the corporate columnist for *Legal Assistant Today*.

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