

# Contents

## Part I Introduction and General Principles

<b>1</b>	<b>Introduction</b>	3
1.1	Preliminary Notes	3
1.2	Intended Audience	3
1.3	A Note on the American Case Law	4
1.4	The Business Organization: An Overview	4
1.5	Factors to Consider When Choosing a Business Entity	6
<b>2</b>	<b>Agency</b>	9
2.1	Defining Agency	9
2.2	Liability of Principals to Third Parties in Tort	10
2.3	Liability of Principals to Third Parties in Contract	13
2.4	Fiduciary Obligations of Agents	17
<b>3</b>	<b>Accounting and Finance</b>	21
3.1	Principles of Accounting	21
3.2	Principles of Finance	23
3.3	Conclusion	25

## Part II The Sole Proprietorship and Partnerships

<b>4</b>	<b>Sole Proprietorships</b>	29
4.1	Characteristics	29
4.2	Credit, Financing, and Unlimited Liability	29
4.3	Employees, Relationships and Duties	31

<b>5 Partnerships</b>	33
5.1 Characteristics	33
5.2 Partnership Variations	34
5.3 The Partners	37
5.4 Binding the Partnership	39
5.5 Fiduciary Obligations	40
5.6 Partnership Dissolution	41
 <b>Part III The Corporation</b>	
<b>6 Introduction to the Corporation</b>	47
6.1 Characteristics	47
6.2 The Internal Affairs Rule	50
6.3 The Scope of Corporate Purpose	50
6.4 Corporate Modalities	52
<b>7 Obligations of Directors and Officers</b>	55
7.1 Liability and the Business Judgment Rule	55
7.2 Duty of Loyalty	58
7.3 Inside Information	61
7.4 Piercing the Corporate Veil	64
7.5 Indemnification and Insurance	66
<b>8 Corporate Accountability</b>	69
8.1 The Appraisal Right	69
8.2 Takeover Bids	69
8.3 Securities Monitoring: Disclosure and Fairness	70
8.4 Shareholder Derivative Litigation	75
<b>9 Problems of Control</b>	79
9.1 The Special Context of Closely Held Corporations	79
9.2 Control in Non-closely Held Corporations	84
<b>10 Mergers and Acquisitions</b>	91
10.1 Introduction	91
10.2 Classification of Mergers	91
10.3 The <i>De Facto</i> Merger Doctrine	93
10.4 The <i>De Facto</i> Non-merger Doctrine	95
10.5 Freeze-Out Mergers	95

**Part IV The Limited Liability Company**

<b>11 Limited Liability Companies . . . . .</b>	<b>99</b>
11.1 Characteristics . . . . .	99
11.2 Formation . . . . .	100
11.3 The Operating Agreement . . . . .	100
11.4 Piercing the “LLC Veil” . . . . .	100
11.5 Fiduciary Duties . . . . .	101
11.6 Dissolution . . . . .	101
<b>Appendices . . . . .</b>	<b>103</b>
<b>Glossary . . . . .</b>	<b>109</b>
<b>Table of Cases . . . . .</b>	<b>115</b>
<b>Index . . . . .</b>	<b>119</b>