



CALIFORNIA BAR EXAMINATION CONTENT MAP BUSINESS ASSOCIATIONS

Applicants should be prepared to answer questions that have issues concerning a variety of Business Associations, including, but not limited to Corporations, Sole Proprietorships, Partnerships (General Partnerships, Limited Partnerships, Limited Liability Partnerships), Joint Ventures, Limited Liability Companies, and the principles of Agency inherent in business relationships.

The topics listed below are illustrative of those covered in Business Associations, but are not exhaustive.

I. Agency

- A. Formation
 - 1. Formation by act of parties
 - 2. Formation by operation of law
- B. Rights and duties of principal and agent
 - 1. Duties owed by agent to principal
 - a. Remedies to principal
 - 2. Duties owed by principal to agent
 - a. Remedies to agent
- C. Termination
- D. Agency contract liability
 - 1. Agency authority/Scope of authority
 - a. Actual authority
 - (1) Express actual authority
 - (2) Termination of actual authority
 - b. Implied authority
 - c. Apparent authority
 - 2. Ratification
 - a. Requirements for valid ratification
 - b. Methods of ratification
 - c. Effect of ratification
 - 3. Liability of principal to third party
 - 4. Liability of agent to third party
 - a. Disclosed principal
 - b. Undisclosed principal
 - c. Unidentified principal

- 5. Third-party liability
- E. Agency tort liability/vicarious liability
 - 1. Principal's liability to third party
 - a. Respondeat superior
 - (1) Scope of employment
 - (2) Deviations
 - b. Distinguishing employee from independent contractor
 - c. Agent as employee
 - (1) Employee by estoppel
 - (2) Scope of employment
 - d. Agent as non-employee/independent contractor
 - e. Intentional torts

II. General Partnerships

- A. Definition
- B. Formation
 - 1. Partnership by agreement
 - 2. Partnership by estoppel
- C. Characteristics
 - 1. Personal liability of partners for partnership obligations
- D. Rights of partners
 - 1. Partnership assets
 - a. Distribution of profits
 - b. Contribution toward losses
 - 2. Management and control of partnership
- E. Fiduciary obligations of partners
- F. Partnership authority
 - 1. Partner as agent of partnership
 - 2. Authority to bind partnership
 - a. Actual authority
 - b. Implied authority
 - c. Apparent authority
- G. Partnership/partner liability
 - 1. Contract liability
 - 2. Tort liability
 - 3. Joint and several civil liability
 - a. Liability of incoming partner
 - b. Liability of outgoing partner
 - 4. Criminal liability
 - 5. Assets/ordering of collection
- H. Legal actions by partnership against partner/actions by partner against partnership
- I. Dissociation and dissolution of partnership

III. Limited partnerships

- A. Characteristics
- B. Formation
- C. Duties of partners
 - 1. General partners
 - 2. Limited partners
- D. Rights of partners
 - 1. Right to distributions
 - 2. Management rights
 - 3. Right to information
- E. Partnership liability
- F. Personal liability of partners
 - 1. General partners
 - 2. Limited partners
- G. Dissociation and dissolution

IV. Limited liability partnerships

- A. Characteristics
- B. Formation
- C. Rights and duties of partners
- D. Partnership liability
- E. Extent of liability of partners
- F. Dissociation and dissolution

V. Corporations

- A. Characteristics of corporations
 - 1. Limited liability
 - 2. Exceptions to limited liability
 - a. Piercing the corporate veil
 - b. Claims against shareholders' personal assets
 - 3. Management and control
- B. Structure
 - 1. Shareholders
 - 2. Directors
 - a. Election, powers, and removal
 - b. Meetings, quorum, voting requirements/agreements
 - 3. Officers
 - a. Selection, authority and removal
 - b. Actual, inherent, and apparent authority
 - c. Agency liability
 - 4. Financial structure
 - a. Equity
 - b. Stock and dividends
 - (1) Public companies

- (2) Stock sold for less than full value
 - c. Debt
- C. Formation
 - 1. Promoters
 - a. Fiduciary duties
 - b. Promoter fraud
 - c. Liability
 - 2. Subscribers
 - 3. Corporation's liability for promoters' preformation contracts
 - 4. Articles of incorporation
 - 5. Bylaws
 - 6. De jure versus de facto corporation
 - 7. Corporation by estoppel
 - 8. Effect of defective formation
 - a. Shareholder liability
- D. Powers and duties
 - 1. Purpose of corporation
 - 2. Limitations on actions
 - a. Ultra vires acts
 - 3. Fiduciary duties
 - a. Duties of shareholders, officers, and directors
 - b. Duty of care
 - (1) Business judgment rule
 - (2) Failure to act
 - c. Duty of loyalty
 - (1) Conflicts of interest
 - (2) Corporate opportunity doctrine
 - (3) Competing business
 - (4) Ratification of conflicting interest transaction
 - (5) Duties of dominant shareholders
- E. Shareholder rights
 - 1. Economic rights
 - 2. Voting rights
 - 3. Information rights
 - 4. Individual direct lawsuits
 - 5. Shareholder derivative actions
- F. Securities
 - 1. Definition
 - 2. Rule 10b-5 of the Securities Exchange Act
 - a. Requirements for claim
 - b. Damages
 - 3. Sarbanes-Oxley requirements
 - 4. Insider trading
- G. Mergers and acquisitions
 - 1. Hostile takeovers
- H. Closely-held corporations

1. Features
 2. Requirements
 3. Unique rules relative to non-closely held corporations
- I. Non-profit corporations

VI. Other business structures

- A. Limited liability companies
1. Features and purpose
 2. Formation requirements
 3. Rights, obligations, and liability of owners (members)
 4. Management
 5. Dissociation and dissolution
- B. Joint ventures
1. Features and purpose
 2. Formation requirements
 3. Rights, obligations, and liabilities of participants
 4. Management
 5. Dissociation and dissolution
- C. Sole proprietorships
1. Features and purpose
 2. Formation requirements
 3. Rights, obligations, and liabilities of owner
 4. Dissolution