

Entity	Liability of owners	Capital contributions	Management
1)	Unlimited personal liability for the obligations of the business.	Capital needed is contributed by sole proprietor.	Business is managed by the sole proprietor.
2)	Generally no personal liability of the members for obligations of the business.	No minimum share capital requirement. However, capital can be raised through the issuance of shares to members or through a guarantee.	Company is managed through its managing director or the board of directors acting as a whole.
3)	No personal liability; liability is generally limited to shareholder contributions (i.e. consideration for shares).	The minimum share capital of £50,000 is raised through issuance of shares to the public and/or existing members.	Company is managed by the board of directors; shareholders have no power to participate in management.
4)	Unlimited personal liability of the general partners for the obligations of the business.	Partners contribute money or services to the partnership; they share profits and losses.	The partners have equal management rights, unless they agree otherwise.
5)	Unlimited personal liability of the general partners for the obligations of the business; limited partners generally have no personal liability.	General and limited partners contribute money or services to the limited partnership; they share profits and losses.	The general partner manages the business, subject to any limitations of the Limited Partnership Agreement.

4 Reading B: A memorandum of association

An important document in company formation is the memorandum of association (UK) or articles/certificate of incorporation (USA). This document sets forth the objects of the company and its capital structure; as such, it represents a legally binding declaration of intent to which the members of the company must adhere.

4.1 Below is an extract from the articles of incorporation of a US company. Read through the extract quickly and tick the issues it addresses.

- 1 appointing members of the board of directors
- 2 changing corporation bylaws
- 3 procedures for holding a vote of the shareholders
- 4 stipulations for keeping corporation records

The power to alter, amend or repeal the bylaws or to adopt new bylaws shall be vested in the Board of Directors; provided, however, that any bylaw or amendment thereto as adopted by the Board of Directors may be altered, amended or repealed by a vote of the shareholders entitled to vote for the election of directors, or a new bylaw in lieu thereof may be adopted by vote of such shareholders.

- 5 No bylaw which has been altered, amended or adopted by such a vote of the shareholders may be altered, amended or repealed by vote of the directors until two years shall have expired since such action by vote of such shareholders. [...]

The Corporation shall keep as permanent records minutes of all meetings of its shareholders and directors, a record of all action taken by the shareholders or the directors without a meeting, and a

- 10 record of all actions taken by a committee of the directors in place of the Board of Directors on behalf of the Corporation. The Corporation shall also maintain appropriate accounting records. The Corporation, or its agent, shall maintain a record of its shareholders in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order, by class of shares, showing the number and class of shares held by each.