



Section VII

business transactions and organizations

“A man with a new idea is a crank, until the idea succeeds.”

– Mark Twain

Special sets of rules govern many daily business transactions. For example, sales, credit and banking are largely regulated by special statutory rules. In Ohio, these rules are compiled in the *Uniform Commercial Code* (UCC), and allow us to have predictability in our business lives.

Business transactions may involve several major fields of the law, particularly the law of contracts and the law of property. (*For discussions of these areas, see Section VI, “Contracts,” and Section VIII, “Property Law.”*)

Business Transactions in General

Ohio and most other states have adopted the UCC to govern a wide range of commercial practices, including:

- sales of goods and merchandise and other consumer transactions;
- commercial paper, such as checks and promissory notes; and
- secured transactions—sales of goods on credit, or loans secured by a security agreement roughly similar to a mortgage (except that it applies to personal property rather than real estate).

Many commercial transactions, and, in particular, most consumer transactions, are not covered by the UCC, but by separate laws. Some of these retail transactions include retail installment sales, charge accounts, home solicitation sales and small loans.

Commercial Paper

Commercial paper is a written document evidencing an obligation of one party to pay another. Checks and promissory notes are the most common forms of commercial paper. Drafts, bills of exchange and certificates of deposit are also common forms of commercial paper. Think of a regular check when the term commercial paper is used. Similarly, think of depositing a check, paying a bill by check, or cashing a check when the terms *negotiation*, *negotiable* and *negotiability* are used.

When a check is negotiated, the cash represented by the check is transferred from one party to another. For example, when an individual writes a check to pay an electric bill, the value of the cash represented by the check is taken from that individual’s checking account and transferred to the electric company’s account.

When commercial paper meets certain requirements, it is *negotiable* and moves freely in commerce. Negotiable commercial paper is a substitute for cash and is used in commerce because it can be more convenient and more secure than cash.

Consumer Transactions in General

Consumer transactions are common and often depend upon the use of credit. In fact, credit is used so often that paying cash for large

consumer transactions (buying a car, for example) has become rare. Consumer credit transactions can be confusing and expensive and are governed by various state and federal laws.

Interest rates charged on borrowed money must fall within certain limits. For most consumer loans, including retail installment sales and revolving charge accounts (credit cards), Ohio law allows an interest rate up to an annual percentage rate of 25 percent. However, the law also allows for some methods of computing the annual percentage rate that may result in rates of more than 25 percent, which can be enforced under the law. (See “*Small Loans*” later in this chapter.) The law does not require a 25 percent annual percentage rate (or any other interest rate). Rather, interest rates are subject to market pressure negotiation, and each consumer’s credit rating.

Both state and federal laws deal with canceling (*rescinding*) many kinds of consumer transactions within a short period after the goods or services are received. Consumers usually have only a very short time to exercise their *right of rescission* (cancel their orders). For example, a consumer who has been solicited at home to buy merchandise or services on credit has three days to change his or her mind. If the consumer wishes to cancel an order, it is good practice to do so in writing.

Disclosure to the Buyer

In most consumer transactions, the buyer receives paperwork that includes disclosure forms required by the Federal Truth in Lending Act and certain state laws. Disclosure forms vary. Sellers and lenders may, with certain limitations, modify the disclosure forms, and the forms may or may not be separate from the contract. Even where disclosure forms are part of a contract, the information shown in the form also must clearly appear in the contract itself.

Credit Cards

Credit cards are perhaps the most widespread method of extending consumer credit. Some people use credit cards instead of cash or

checks. Historically, credit card (revolving charge) accounts have been among the most expensive forms of consumer credit because many people do not reduce the principal balances on those cards each month. Instead, they pay just the minimum payment while the principal continues to accrue at a high interest rate.

Revolving Charge Accounts

A credit card is evidence that the credit card holder has a contract with the card issuer to maintain a revolving charge account in the cardholder’s name. This permits the card holder to purchase goods and services at any time on presentation of the card where it is accepted.

Some credit card accounts are not revolving charge accounts, but rather open accounts where the cardholder promises to pay the entire balance within a certain time period. In such cases, a balance is not forwarded to the next billing period. The issuer can cancel the credit card immediately and refuse to accept further charges if the bill is not paid on time. These credit cards are usually “travel and entertainment” cards. For example, some credit card companies offer their cards to small business owners. The card gives business owners access to cash for various purposes under the promise that outstanding balances will be paid off monthly.

Credit Card Law (in General)

Credit card companies are willing to extend credit to consumers because it is profitable. Credit card issuers earn interest on consumers’ payments when consumers do not pay off the entire balance of their credit cards on a monthly basis. Because of the popularity of credit cards in our society, it is important to understand some general rules about credit card law:

- Credit cards cannot be issued indiscriminately. They can be issued only in response to a written or oral request, or as a renewal or replacement of an existing card. While companies sometimes issue unsolicited credit card offers that may include actual credit cards, no card can be activated for use without the written or

oral agreement of the person to whom the card was issued.

- If a credit card is stolen or lost, the cardholder is liable for paying no more than \$50 in any unauthorized charges, and maybe nothing at all, depending upon the credit card issuer. (The maximum liability can be reduced by contract or through negotiation. Further, the cardholder can reduce the maximum liability by reporting the loss as soon as possible after the loss is discovered.)
- A cardholder may, with limitations, withhold payments when a dispute arises over a particular purchase. For the cardholder to exercise this right, however, the initial transaction must have 1) exceeded \$50 and 2) taken place within the same state as the cardholder's mailing address or within 100 miles from that address. If these requirements are met and the cardholder has made a good faith attempt to resolve the disagreement with the merchant, then the card issuer may not attempt to collect the amount in dispute or issue adverse credit reports against the cardholder until the dispute is settled.

Disclosure to Buyer (Cardholder)

Generally, a financial institution must notify a consumer in writing at least 21 days before making changes to the terms or conditions of a particular account, if those changes would mean the consumer would pay more, or have increased liability or decreased access to the account.

As noted earlier, there are special disclosure requirements for credit card accounts. Before a credit card account is used, the card issuer must provide the cardholder with a written initial disclosure, stating:

- the periodic (monthly) rate used to determine finance charges and the annual percentage rate of the finance charges;
- when finance charges begin accruing and any grace period (a period where no interest or finance charges are made);

- the method used to determine the balance upon which the finance charge is computed;
- a description of the property or item purchased by the cardholder, if the lender keeps a security interest.

Finally, the initial disclosure must contain a statement of the cardholder's billing rights under the Federal Fair Credit Billing Act.

Retail Installment Sales

An individual who finances a new car likely will be participating in a retail installment sales transaction. A *retail installment sale* is any transaction where the purchase price is paid over time in periodic payments. In this type of sale, the buyer always gives the seller an installment note and a security interest or *lien* (like a mortgage) on the items purchased, which permits the seller to repossess the items if the debt is not paid. Sometimes, the contract, security agreement and note are all included in one form. (The previous section discussing disclosure for credit cards is an example of the required kind of disclosure.)

Balloon Notes

A buyer signs a *balloon note* when promising to pay a series of small installments and a final large installment (or balloon payment) for the remaining balance. Balloon notes are permitted in consumer transactions only if the note specifically allows the buyer to refinance the balance due on the final installment at the same, or better, terms as the small installments.

Acceleration of Payments

If the buyer is more than 30 days late on a payment in a consumer transaction, the seller may demand that the payments be paid more quickly, or *accelerated*. Stated differently, the

seller can demand that the entire remaining balance be made immediately since, by delaying payment, the buyer has defaulted on the loan.

Interest Refund

A buyer who pays off the balance of a loan before the final payment is due is entitled to a proportionate refund on any interest or finance charge that was included in the original loan amount.

Home Solicitation Sales

Paramount's 1987 film, *Tin Men*, parodied the door-to-door aluminum siding sales industry of the early 1960s. The film shed light on abuses that had become common in sales made at consumers' homes. Such abuses led Ohio and other states to pass laws controlling home solicitation sales.

Common abuses included:

- deception and high-pressure salesmanship;
- the sale of goods and services the consumer did not want or need; and
- the sale of inferior goods and services at grossly inflated prices.

Another common abuse involved the business practices of transient salespersons. Door-to-door salespeople would sell the consumers' promissory notes—their written promise to pay—to finance companies or banks for less than the face amount of the note before leaving the area. In effect, they left the consumer owing a finance company or bank, but did not provide the name of a person or company to contact about any problems with the sale or with the goods and services. Note, however, that the good-faith sale of promissory notes at a discount by sellers of goods and services is a common and legitimate business practice.

Basic Requirements for a Home Solicitation Sale

In a *home solicitation* sale, the seller closes the transaction at the buyer's home following a

personal solicitation. An example would be the purchase of a vacuum cleaner from a door-to-door salesperson. Home solicitation sales do *not* include:

- sales under \$25;
- sales of real estate, insurance, stocks, bonds, or cars or automotive services (when licensed brokers or dealers in such items are making the sales); or
- sales at auctions.

To be valid, a contract for a home solicitation sale must be in writing and must contain substantially the same language used in the sales pitch. That is, the salesperson cannot say one thing and write something else into the contract.

If the sale is made on an installment plan, the laws on retail installment sales apply to such transactions and must be followed. The contract must contain a *cancellation notice* (a clear description of the buyer's right to cancel) and clear instructions on how the buyer can cancel the contract.

Right of Cancellation

A buyer in a home solicitation sale may cancel the contract at any time within three days (the grace period) after it is signed by providing a written notice of the cancellation to the seller. If the sale is canceled, the seller must return any money paid, plus any trade-in or deposit. Also, the seller cannot discount the note until five days after the sale, nor can the seller *negotiate* (transfer) the note after the sale has been canceled. In such cases, the note must be returned to the buyer. If the note is negotiated, the laws on retail installment sales apply and the *transferee* (the person or entity who received the note from the seller) must notify the buyer of the transfer and give the buyer 15 days to say why the note is not valid. For example, the buyer may state that the note is not valid because he or she had canceled the transaction within three days. A buyer who cancels a home-solicitation sale must return any goods in substantially as good a condition as when the buyer received them.

When an individual buys something for \$25 or more from a home sales representative, he or she has until midnight of the third business day

to legally cancel the transaction. In return, the company must give the buyer a notice of cancellation form along with a copy of the signed contract, and must provide a valid address to which the cancellation notice is to be sent.

Purchase of New Motor Vehicles (Ohio's Lemon Law)

Ohio's "Lemon Law," enacted in November 1987, protects consumers against manufacturers' defects that substantially impair the use, value or safety of a new motor vehicle, either purchased or leased. These defects must be reported in the first year or within 18,000 miles, whichever comes first. The law protects passenger cars, light trucks (no more than one ton capacity and not used for business), motor homes (vehicle portion only) and motorcycles. If the manufacturer is unable to repair the defect after a reasonable number of repair attempts, the consumer may be eligible for a refund or replacement. The manufacturer is presumed to have made a reasonable number of repair attempts if any of the following have taken place within the first year or 18,000 miles, whichever occurs first:

- There have been three or more attempts to repair one problem and the problem either continues to exist or reoccurs.
- The vehicle has been out of service for repair for 30 days or more.
- There have been eight or more attempts to repair different defects that substantially impair the use, value or safety of the vehicle.
- There has been one attempt to repair a manufacturer's defect that could result in serious injury or death and the problem continues to exist or reoccurs.

(For more information about Ohio's Lemon Law, see www.ohiobar.org. Go to "Public," then "Resources," then "Law You Can Use." Type the word "lemon" in the search box.)

Other Consumer Credit Transactions

Other means of extending consumer credit are through electronic fund transfers, small loans and payday lenders.

Electronic Fund Transfers

The Electronic Fund Transfer Act establishes the basic rights, liabilities and responsibilities of individuals who receive electronic transfers to their accounts and make debit card transactions using electronic-fund-transfer machines, more commonly known as *automatic teller machines* (ATMs) and point-of-sale terminals. The terms and conditions involving an individual's account must be disclosed in understandable language when such transactions occur.

In addition to certain other specific requirements, the disclosure must include:

- the consumer's liability for unauthorized transfers;
- the person or office to contact with questions;
- a statement of any charges assessed for the service;
- the circumstances under which the financial institution will, in the ordinary course of business, disclose information about the customer's account to third persons;
- the consumer's right to stop payment of a pre-authorized electronic fund transfer and how to initiate a stop-payment order; and
- a statement of the consumer's right to receive documentation of electronic fund transfers.

Gramm-Leach-Bliley Act

Signed into law in 1999, the Gramm-Leach-Bliley Act requires financial institutions to give

customers notice about its privacy policies and practices when initiating the customer relationship, and annually once a customer relationship is established.

Banks, credit card issuers and all other types of businesses that offer financial products and services to consumers are required to protect the privacy of non-public personal information about customers. Such institutions may not disclose non-public personal information to non-affiliated third parties, unless the financial institution meets various disclosure and opt-out requirements, and the customer has not chosen to opt out of the disclosure. This means financial institutions must send out initial and annual notices of their privacy policies to customers, notifying them of their right to maintain the confidentiality of personal or private (protected) information with non-affiliated entities, except in limited cases.

Small Loans

All loan companies must be licensed by the state of Ohio. According to state law, loan companies are allowed to make small loans—up to \$5,000—at special interest rates. They may charge up to 28 percent per year on the first \$1,000 and 22 percent on loans of more than \$1,000. Interest rates are negotiable, meaning buyers can shop for the best interest rate and terms. Sellers of money as well as sellers of merchandise can change the terms of their documents, and interest rates on this type of transaction might fluctuate.

Payday Lenders

Payday lenders make small, short-term, high-rate loans, called payday loans, cash advance loans, check advance loans, post-dated check loans or deferred deposit check loans. Typically, an individual writes a personal check payable to the lender for an amount plus a fee. The lender gives the individual the amount of the check minus the fee. An individual who extends the loan for payment at a later time pays a fee for each extension.

The federal Truth in Lending Act requires payday lenders to disclose the cost of payday

loans. Individuals must receive, in writing, the dollar amount of the finance charge and the annual percentage rate.

Bankruptcy

No discussion of business law would be complete without an examination of bankruptcy. The U.S. Bankruptcy Court is part of the federal court system. (*See Section II, “The Courts.”*) Individuals and businesses use bankruptcy as a way to obtain relief from debts owed to creditors. Title 11 of the *United States Code* governs bankruptcy. The *U.S. Bankruptcy Code* has been amended several times since it was enacted in 1978, most recently with the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. As federal law, it supersedes any conflicting state law, and with the exception of certain exemptions, it is fairly uniform from state to state.

Types of Bankruptcy

There are four kinds of bankruptcy proceedings, and they are named for the chapters of the Bankruptcy Code that describe them. The chapter best suited for a business or individual depends on the nature of the debts and the nature and value of assets.

Chapter 7

Chapter 7 bankruptcy, known as a *straight liquidation*, is available to qualified individuals, married couples, corporations and business partnerships. A Chapter 7 trustee, assigned by the U.S. Trustee’s Office or chosen by the creditors, *liquidates* (sells) any assets that are not protected by the court (*non-exempt assets*) to pay all or a portion of the debts owed to creditors. Depending on where the individual debtor lived before filing bankruptcy, he or she may be entitled to keep (or *exempt*) some or all of the equity in certain kinds of property (such as a house, car, boat or household item).

Unless the money raised from the sale of the property is expected to be greater than these exemptions and any liens or mortgages, the

trustee may decide to abandon the item of property, meaning that the debtor gets to keep it. Through this liquidation process, any debts not paid by the trustee, with certain exceptions, will be *discharged* (eliminated), and creditors cannot force the debtor to pay any remaining amount owed.

Chapter 13

Chapter 13 of the Bankruptcy Code provides for an *individual reorganization*, an alternative to Chapter 7 that generally allows a debtor to keep personal property. A Chapter 13 debtor must have regular income and meet certain debt and asset limits. Effective October 17, 2005 under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, individuals who earn more than the median income in the state where they lived before filing bankruptcy, and who can repay at least \$6,000 of their debt over five years, are no longer eligible to have all their debts eliminated.

Instead, these individuals must repay their creditors over time and enroll in a financial counseling program. Under Chapter 13, an individual debtor submits a plan detailing how all of his or her debts will be paid from disposable monthly income (income after providing for ordinary living expenses) over a period of time of up to five years. A plan or reorganization is monitored by a Chapter 13 trustee and supervised by the bankruptcy court. A Chapter 13 debtor must pay creditors at least as much as they would be paid if the debtor's assets had been liquidated in a Chapter 7 case.

Chapter 11

Corporations or other businesses typically use Chapter 11 reorganization as an alternative to Chapter 7 liquidation. It also may be available for individuals who do not qualify for the Chapter 13 individual reorganization because they cannot meet the debt and asset limits, or for those who do not wish to reorganize under Chapter 13.

In a Chapter 11 reorganization, as in a Chapter 13 reorganization, the business debtor may keep certain property and be required to

pay creditors with future earnings according to a reorganization plan.

Chapter 12

Chapter 12 is a special reorganization for family farmers. To qualify, a family farmer must earn most of his or her income from family farming operations.

Exemptions

The *U.S. Bankruptcy Code* and *Ohio Revised Code* include a list of items bankruptcy filers are permitted to keep from creditors during the bankruptcy proceedings. These items are called *exemptions*. Again, depending on where the individual debtor lived before filing bankruptcy, he or she maybe entitled to keep (or *exempt*) some or all of the equity in certain kinds of property. In general, the exemptions available to debtors are as follows:

- **Equity in the home:** The homestead exemption may allow debtors to protect all or some of the equity in their homes.
- **Insurance:** Debtors may be permitted to keep the cash value of their life insurance policies.
- **Retirement plans:** Pensions that qualify under the Employee Retirement Income Security Act (ERISA) are fully protected from bankruptcy proceedings. In addition, many other retirement benefits are protected; however, IRAs and Keoghs are not.
- **Personal property:** Most household goods, furniture, furnishings, clothing (other than furs), appliances, books and musical instruments are exempt up to a certain amount. Debtors may be limited in how much jewelry they can keep. Most states allow a debtor to keep a vehicle if the debtor has paid off more than \$2,400 of the vehicle debt; many states give debtors a prescribed (or "wild card") amount of money that they can apply toward any property. Ohio permits \$400 of wild card money.
- **Public benefits:** All public benefits, such as welfare, Social Security and

unemployment insurance, are fully protected.

- **Tools used on the job:** Debtors may be able to keep a few thousand dollars worth of tools used in their trade or profession.
- **Wages:** In most states, including Ohio, the debtor can protect at least 75 percent of wages that have been earned but not yet paid.

Discharge of Debts

Individuals frequently opt for a Chapter 7 bankruptcy because the debtor receives a discharge of most unsecured debts within several months of filing the case. If the debtor's income appears high enough to permit some repayment of debt, the trustee or the court may move to dismiss the case for substantial abuse. The theory is that allowing someone with the ability to repay to file Chapter 7 and avoid repayment abuses the bankruptcy system. This is why Chapter 13 is often a better choice for debtors if they:

- have debts that cannot be discharged in Chapter 7;
- default on mortgages or car payments;
- own more property than can be exempted from creditors in Chapter 7;
- owe taxes or other debts that are not discharged under Chapter 7.

Chapter 11 bankruptcy is a form of reorganization available to individuals, corporations and partnerships. It is the typical choice for large businesses seeking to restructure their debt. The debtor entity usually remains in possession of its assets and operates the business under the supervision of the court and for the benefit of creditors. A Chapter 11 plan is allowed only with a vote of approval by creditors, who are divided into classes based on the characteristics of their claims, and whose votes are allocated based on the amount of their claims against the debtor.

The filing of a bankruptcy petition does not guarantee the discharge of debts. The bankruptcy court may deny a general discharge of debts if the debtor commits certain acts of misconduct before or after filing the bankruptcy

petition, such as destroying, concealing or removing assets that might otherwise be used to pay creditors. Also, a discharge of debts may be denied if the debtor has destroyed or concealed records that show what assets are available to pay creditors. Finally, the bankruptcy court may deny a general discharge if the debtor has lied under oath during the bankruptcy case, or has refused to answer questions without a good reason. In addition to acts of misconduct, a debtor will not be granted a general discharge if he or she has obtained a discharge in a Chapter 7 case within six years of the date that a second bankruptcy is filed.

Even if a general discharge is granted, some debts are not discharged in bankruptcy. Also, the type of bankruptcy affects which debts may be discharged. Generally, more debts are discharged in Chapter 13 than in Chapter 7. Congress provided for greater relief under Chapter 13 as an incentive to encourage debtors to repay their debts through a reorganization plan.

Debts that are generally not discharged in bankruptcy include taxes assessed within 240 days of the bankruptcy filing, certain student loan debts, some child or spousal support debts arising from a divorce, criminal fines and debts arising from operating a vehicle while impaired (OVI), and any debt incurred because the debtor has committed fraud, breached a fiduciary duty as a trustee, or committed a "willful" act causing injury to a creditor. The bankruptcy court ultimately decides whether these types of debts will be discharged based on a particular debtor's circumstances.

Business Organizations

The law of business organizations concerns the various forms of businesses, such as corporations, limited-liability companies and partnerships, and the legal consequences that arise from each form of business.

Business Formation in General

There are several legal forms that a for-profit business can take. Each form requires complicated legal and taxation decisions that can affect the business entity and its owners far into the future. New businesses must consider the following issues:

- start-up expenses;
- the management structure desired;
- personal liability issues;
- tax consequences; and
- the continuing legal requirements imposed on the business form by statutes and regulations.

Most businesses choose from among the following forms: sole proprietorship; partnership; limited liability company; or corporation.

Sole Proprietorship

Sole proprietorship offers the simplest form of organization, combining ownership and management in one person. The business has no separate existence. The owner is directly affected by business profits as well as losses. Income is taxed on the owner's personal return and not at the business level (business activity is shown on a separate schedule). Sole proprietorships are popular, but a disadvantage is that sole proprietors are completely and personally liable for business obligations. This means that their personal assets, such as homes and automobiles, are not protected from debt obligations. A sole proprietor can start a business at any time, but must obtain any needed licenses and obey employment laws.

Partnership

There are various kinds of partnerships: general partnerships, limited partnerships and limited liability partnerships. A *partnership* is similar to a sole proprietorship; however, it involves two or more owners operating a business for profit. As in a sole proprietorship, the partners pay the partnership taxes themselves (the partnership must file a tax return to show its taxable income and allocate it among the partners according to their interests). Also, in a

general partnership, all the partners are personally liable for business obligations.

Incorporation

The *corporation* is a separate legal entity that is liable for its own taxes and obligations. This form insulates the owners, directors and officers of the business from personal responsibility for taxes and debts. A corporation can sell ownership interests, or shares, in the company to raise capital. Two different kinds of tax treatment are available for corporations, depending on whether the corporation qualifies for, and elects to be taxed under, Subchapter S of the *Internal Revenue Code*.

A corporation is formed by filing articles of incorporation with the Secretary of State. Various other formalities, such as electing directors, adopting regulations and accepting subscriptions for shares, need to be carried out before the corporation begins to operate.

• C-Corporations

A *C-corporation* is a corporation that has not elected special tax treatment under the *Internal Revenue Code*. It is subject to corporate income tax on its profits and its shareholders are generally taxed on any dividends at a maximum rate of 15 percent. The application of these two layers of tax is sometimes referred to as *double (or dual) taxation*.

• S-Corporations

An *S-corporation* is a corporation that has elected to have its income and losses taxed like a partnership.

• Limited Liability Companies

The *limited liability company* is Ohio's newest form of business entity. Its owners are identified as members. To form an LLC, articles of organization must be filed with the Secretary of State. Fewer formalities are required in the ongoing operation of an LLC than are required for a corporation. Members of an LLC are not liable out of their personal assets for debts or obligations of the business, unless they have specifically agreed to personally guarantee the

debt. Members are liable only for the amounts they have agreed to invest in the business.

Nonprofit and Tax-Exempt Organizations

A *nonprofit corporation* is a corporation that is not formed for its members' financial gain or profit. The net earnings of a nonprofit corporation are not distributed to its members, directors, officers or other private persons. A nonprofit corporation must follow the specific guidelines set forth in Section 501(c) of the *Internal Revenue Code* of 1986 if it wishes to obtain an exemption from federal and state taxes that might otherwise be imposed upon the income it receives. Nonprofit corporations that qualify as charitable, religious, scientific, literary or educational organizations under Section 501(c)(3) also may receive contributions that are tax-deductible to their donors. The government has granted special tax treatment to nonprofit organizations because of the benefits the public derives from them. Many states also regulate nonprofit corporations that engage in certain charitable activities.

Structuring an organization as a nonprofit corporation protects its directors, officers and members from personal liability for the corporation's debts and liabilities. Of course, its directors and officers remain personally liable for their own negligence in carrying out their duties to the nonprofit organization.

Covering Business Transactions and Organizations

Like covering contract law (Section VI), covering the law of business transactions and

organizations mostly involves following and researching the detailed paper trail of business establishments. Journalists covering credit card, loan or bankruptcy stories are advised to spend time reading about the law, comparing that law to the notices issued by businesses regarding these issues, talking to attorneys involved in disputes and talking to business spokespersons about the disputes. As when covering other areas of the law, journalists need to understand the subtle differences in business and consumer options. For example, in stories about bankruptcy, readers and viewers are likely to understand more about bankruptcy when they understand the choices consumers and businesses can make when filing for bankruptcy (for example, the difference between Chapter 7 and Chapter 13 bankruptcies.)

Often, the job of the reporter in covering this area of the law is simply to educate. Unlike the criminal trial, in which the reporter's goal may be to tell the public about how its government is trying to ensure safety and punish criminals, the reporter covering a credit card story or a bankruptcy filing plays a critical role in educating the public about consumer and business protection issues. In many cases, the media may be the first and only contact the consumer or business has about this aspect of the law.

Because such laws and regulations are often intricate, experienced legal reporters often try to represent such laws in graphic form. Writers are encouraged to employ the help of graphic artists who can often communicate such important intricacies in the form of charts or other visual graphic devices.

Web Links:

From OSBA's "LawFacts" pamphlet series:

(go to <http://www.ohiobar.org/pub/lawfacts/> and locate topic by title)

"What you should know about... Bankruptcy"

From OSBA's "Law You Can Use" articles:

(go to <http://www.ohiobar.org/pub/lycu> and search for article by title or by topic)

"Consumers Use Arbitration to Settle Lemon Law Disputes"

"Consumers Should Exercise Care When Purchasing Health Products Online"

"Consumers Should Watch Out for Predatory Lenders"

"Federal Law Restricts Telemarketing and Unsolicited Fax Advertisements"

"Franchise Laws Protect Investors"

"Guard Against Identity Theft"

"Holiday Spending with Credit Cards: How Much Do You Know About It?"

"How Do Consumer Class Action Lawsuits Work?"

"Know Which Contracts Can Be Canceled within a Three-Day Period"

"New Bankruptcy Law Limits Filing Choices"

"New Bankruptcy Law Redefines Debt Relief Agencies"

"Ohio's Lemon Law Protects Consumers"

"Stores Must Honor Shelf Prices"

"To Lease or Buy: Know the Differences Before You Decide"

"What Consumers Should Know Before Selecting a Credit Counseling Agency"

"What You Should Know about On-Line Shopping"

From OSBA's *Legal Basics for Small Business, 2004 Edition*:

(go to <http://www.ohiobar.org>; then "Public," then "Resources," then "Legal Basics for Small Business")

Includes articles about business organization types

From Nolo.com:

<http://www.nolo.com>

Links to resources and information of interest to small businesses

Search by topic: under "property and money" and "rights and disputes"

From the Ohio Attorney General's Web site:

<http://www.ag.state.oh.us/citizen/consumer/index.asp>

From the federal government:

<http://www.consumer.gov/>

Consumer information and National Do Not Call Registry

From Hieros Gamos:

<http://www.hg.org/consume.html>

<http://www.hg.org/credit.html>

Consumer and credit law

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Web Links *continued*

From the Consumer Federation of America:

<http://www.consumerfed.org/>

Search: payday loans

From the U.S. Small Business Association:

<http://www.sba.gov/>

From the Ohio Secretary of State's Web page:

<http://www.sos.state.oh.us/>

(click on "business services")

Business services information, including how to incorporate a business

From Findlaw:

<http://www.findlaw.com/01topics/> FindLaw's encyclopedia of legal topics

(click on "bankruptcy law")

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