
Alphabet Soup for Corporations

- a. Corporation is a separate and distinct legal entity. It is a creature of statute
- b. B/c it's a creature of statute, must look at corporation acts. In this country it's done at the state level. Each state has its own act. Any corporation that is domiciled in a given state (formed under laws of that state) must set up the corporation in accordance w/ the rules of that State's incorporation act
- c. Three sources of corporate law*:
 - i. state statute
 - ii. minimal governing documents
 1. articles of incorporation
 2. bylaws of organization
 - iii. Case Law
 1. cases interpret and apply the provisions in corporate statutes and in a corporation's articles and bylaws and
 2. cases fill gaps in the law—resolve problems n/ covered or n/ fully covered by statutes, articles or bylaws
 - iv. * fed'l law
 1. there is no fed'l law statute except there are a few that relate to publicly traded companies. Fed'l statutes tie in to security statutes
- d. Limited liability
 - i. Liabilities are at corporate level and don't flow down to shareholders (n/ like partnership)
 - ii. S is n/ personally liable for acts or debts of corp. except that they may

become personally liable for reason of his own acts or conduct

- e. In exchange for this protection, the C corporation is a tax-paying entity that must pay taxes on its income
- f. The way an individual has an ownership interest in the corp. is through the purchase of stock
- g. Free transferability of ownership interest
 - i. Shareholders own interest in the corporation through stock
 - ii. No restriction on transfer: In the absence of an agreement restricting transfer of stock, that stock is freely transferable. And when there is a stock transfer (i.e. transfer of interest) the corporation continues to exist notwithstanding the fact that there is a new owner. Even if a shareholder dies, there is no impact on the corporation.
 - iii. No free transferability of interest:
 - 1. If sell sole proprietorship to someone else, your sole proprietorship ends
 - 2. If sell partnership interest to someone else or if the partner dies, the partnership ends unless the partners have included in the agreement a provision for the continuation of the partnership after the sale of a partnership interest or the death of a partner
- h. Corp. has centralized management
- i. Where is the corporation going to be incorporated?
 - i. Can apply to another state for permission to do business in that state.
 - 1. Get a certificate of good standing from the state of MI.
 - 2. Appoint someone to be served w/ process in OH.

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3. The corporation is now a foreign corporation w/ respect to OH—a separate legal entity. As a separate legal entity, the corporation has separate and distinct legal characteristics from the state in which it resides.