

# Introduction to Corporate Law

## Introduction to Corporate Law – Study Notes

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### 1. What Is Corporate Law?

- **Definition:** The body of law governing the formation, operation, and dissolution of corporations and other business entities.
  - **Purpose:**
    - Regulates relationships among shareholders, directors, officers, employees, creditors, and the state.
    - Provides a framework for raising capital, limiting liability, and ensuring corporate accountability.
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### 2. Key Concepts & Terminology

| Term                                          | Meaning                                                                            | Typical Relevance                                   |
|-----------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------|
| Corporation                                   | A legal person created by statute, separate from its owners.                       | Central entity in corporate law.                    |
| Shareholder                                   | Owner of shares (equity) in the corporation.                                       | Voting rights, dividend entitlement.                |
| Director                                      | Member of the board that governs the corporation.                                  | Fiduciary duties, strategic oversight.              |
| Officer                                       | Senior executive (e.g., CEO, CFO) appointed by the board.                          | Day-to-day management.                              |
| Limited Liability                             | Shareholders are liable only up to the amount they invested.                       | Core advantage of incorporation.                    |
| Corporate Charter / Articles of Incorporation | Founding document filed with the state.                                            | Sets purpose, capital structure, authorized shares. |
| Bylaws                                        | Internal rules governing corporate governance.                                     | Meeting procedures, officer duties, quorum.         |
| Fiduciary Duty                                | Legal obligation to act in the best interests of the corporation and shareholders. | Includes duty of care, loyalty, and good faith.     |

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| Term                               | Meaning                                               | Typical Relevance                             |
|------------------------------------|-------------------------------------------------------|-----------------------------------------------|
| <b>Piercing the Corporate Veil</b> | Court disregards limited liability when abuse occurs. | Protects creditors, prevents fraud.           |
| <b>Securities</b>                  | Tradable financial instruments (stocks, bonds).       | Subject to securities regulation (e.g., SEC). |

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## 3. Formation of a Corporation

### 1. Choose a Jurisdiction

- State of incorporation (e.g., Delaware, Nevada) – influences tax, governance, and litigation environment.

### 2. File the Articles of Incorporation

- Include corporate name, purpose, registered agent, share structure, and initial directors.

### 3. Adopt Bylaws

- Adopted at the organizational meeting; outline internal governance.

### 4. Initial Organizational Steps

- Hold the first board meeting.
- Issue stock certificates or electronic shares.
- Obtain necessary licenses, permits, and an Employer Identification Number (EIN).

### 5. Compliance Requirements

- Annual reports, franchise taxes, and periodic board/shareholder meetings.
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## 4. Corporate Governance

| Element | Description | Legal Requirements |
|---------|-------------|--------------------|
|---------|-------------|--------------------|

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|--------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <b>Board of Directors</b>            | Sets policy, hires/fires officers, approves major transactions.               | Must act in good faith; majority of directors must be independent for public companies (e.g., Sarbanes-Oxley). |
| <b>Shareholder Meetings</b>          | Annual meeting for election of directors, ratifying major actions.            | Notice requirements; quorum rules (usually a majority of shares entitled to vote).                             |
| <b>Committees</b>                    | Audit, compensation, nominating committees (especially for public companies). | Specific duties and independence standards imposed by securities law.                                          |
| <b>Disclosure &amp; Reporting</b>    | Periodic financial statements, proxy statements, insider trading disclosures. | SEC Form 10-K, 10-Q, 8-K for U.S. public companies; similar regimes elsewhere.                                 |
| <b>Conflict of Interest Policies</b> | Procedures to identify and manage conflicts among directors/officers.         | Required under corporate governance codes and securities regulations.                                          |

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