

Table of Contents

PART I. SELECTION OF BUSINESS UNIT

CHAPTER 1. CHOOSING THE APPROPRIATE BUSINESS UNIT

- § 1:3 Sole proprietorship—Advantages
- § 1:5 General partnership
- § 1:6 General partnership—Advantages
- § 1:7 General partnership—Disadvantages
- § 1:8 Limited partnership
- § 1:9 Limited partnership—Advantages
- § 1:10 Limited partnership—Disadvantages
- § 1:13 Loan arrangements involving profit-sharing—
Disadvantages
- § 1:17.50 Joint ventures *[New]*
- § 1:18 Business or Massachusetts Trust
- § 1:19.50 Assumed business names *[New]*

PART II. CORPORATION HISTORY AND ATTRIBUTES

CHAPTER 3. CORPORATION ATTRIBUTES

- § 3:1 Corporation defined
- § 3:2 Attributes
- § 3:4 The legal entity
- § 3:5 The limit of liability
- § 3:9 Organizational cost and expense of formation
- § 3:10 The red tape of organization and operation
- § 3:11 Certificate of existence
- § 3:12 Public filing and access to records and transactions
- § 3:13 Filing requirements
- § 3:14 Filing of documents—The Secretary of State
- § 3:14.10 Advisory review of documents
- § 3:16 The tax burden
- § 3:18 Minimizing the tax burden
- § 3:19 Abuses by corporate management

PART III. TYPES OF CORPORATIONS

CHAPTER 4. CLASSIFICATION OF CORPORATIONS

- § 4:9 De facto business corporations—Domestic
- § 4:10 De facto business corporations—Foreign
- § 4:11 One-man corporation
- § 4:18 Subsidiary corporations
- § 4:21 Domestic corporations
- § 4:22 Domestic corporations—Correction of documents
- § 4:23 Domestic corporations—Annual registration—Report
- § 4:24 Foreign corporations—Generally—Authority to transact business
- § 4:25 Foreign corporations—Consequences of transacting business without authority
- § 4:26 Foreign corporations—Corporate name
- § 4:27 Foreign corporations—Obtaining certificate of authority
- § 4:28 Foreign corporations—Effect of certificate of authority
- § 4:29 Foreign corporations—Registered office and agent
- § 4:30 Foreign corporations—Change of registered office and agent
- § 4:31 Foreign corporations—Resignation of registered agent
- § 4:32 Foreign corporations—Correction of documents
- § 4:33 Foreign corporations—Withdrawal
- § 4:34 Foreign corporations—Grounds for revocation
- § 4:35 Foreign corporations—Procedures for and effect of revocation
- § 4:36 Foreign corporations—Appeal from revocation
- § 4:37 Withdrawal of foreign corporation by reason of merger, consolidation, or conversion

CHAPTER 5. CORPORATION DETERMINED BY COURT DECREE

- § 5:1 Corporation by estoppel
- § 5:2 Disregarding the corporate entity
- § 5:3 Disregarding the corporate entity—Instances
- § 5:5 Disregarding the corporate entity—Defrauding creditors avoided
- § 5:6 Disregarding the corporate entity—Evasion of contract, tort or statutory obligations
- § 5:8 Disregarding the corporate entity—Instrumentality or alter ego rule affected
- § 5:9 Disregarding the corporate entity—Commingling and confusion of assets effected

TABLE OF CONTENTS

**PART IV. PROMOTION,
CAPITALIZATION AND FINANCE
AND CONVEYANCES**

CHAPTER 6. PROMOTION

- § 6:3 Legal status of promoter
- § 6:4 Liability of promoter
- § 6:5 Fiduciary relationship of promoter

CHAPTER 7. CORPORATION CAPITAL

- § 7:2 Shares, shareholders and share certificates
- § 7:3 Capitalization on less than actual basis: Advantages—
Disadvantages
- § 7:7 Taking over a going business
- § 7:9 Mere continuation rule—Uniform Partnership Act
- § 7:10 Mere continuation rule—UCC

CHAPTER 8. CORPORATION FINANCING

- § 8:10 Financial statement of corporation
- § 8:11 Corporate conveyances—Generally

**PART V. SHARES, BONDS, NOTES,
SECURITIES AND CONTRACTS**

CHAPTER 9. SHARES

- § 9:6 Classes of shares—Preferences, limitations, relative
rights—Series of classes
- § 9:7 Shares—Issued—Outstanding
- § 9:8 Preferred shares
- § 9:11 Preferred shares—Voting rights
- § 9:21 Shares—Rights, options, warrants
- § 9:24 Shares—Issued, unissued and treasury shares
- § 9:25 Shares—Financing advantages and disadvantages
- § 9:26 Shares—Joint ownership—Right of survivorship
- § 9:26.10 Shares—Joint ownership—Equitable distribution *[New]*
- § 9:30 Voting of shares of corporate stock by personal
representatives and co-trustees

**CHAPTER 11. SHARE CERTIFICATES—
RIGHTS AND TRANSFERS**

- § 11:1 Share certificates
- § 11:4 Right to sell or pledge shares or securities—Transfer

- § 11:5 Restrictions on right to transfer, sell or pledge
- § 11:6 Rules for determining whether certain obligations and interests are securities or financial assets
- § 11:7 Acquisition of security or financial asset or interest therein
- § 11:13 Applicability; Choice of law
- § 11:30 Delivery
- § 11:31 Rights of purchaser
- § 11:55 Definitions

CHAPTER 12. TRANSFER AND REGISTRATION OF SHARES AND SECURITIES *[Deleted]*

PART VI. INCORPORATION

CHAPTER 13. CRITERIA FOR INCORPORATION

- § 13:3 Formation of corporation—General
- § 13:4 Procedural steps—General
- § 13:5 Name of corporation—General
- § 13:6 Registered name
- § 13:7 Reserved name
- § 13:8 Revocation of reserved and registered names
- § 13:9 Real property records—Corporate name
- § 13:10 Assumed or trade name
- § 13:15 Incorporators—Subscribers

CHAPTER 14. ARTICLES OF INCORPORATION

- § 14:1 Form of articles of incorporation
- § 14:2 Articles of incorporation—Contents
- § 14:7 Articles of incorporation—Registered office and registered agent
- § 14:10.50 Defective corporate action *[New]*
- § 14:12 Corporate powers—Generally
- § 14:14 Corporate powers under authority of directors
- § 14:18 Provisions regulating internal affairs
- § 14:20 Examples of types of optional provisions regulating corporate affairs
- § 14:23 Filing of documents
- § 14:24 Secretary of State—Filing duties
- § 14:25 Beginning of existence of corporation—Doing business
- § 14:26 Suspension of charter—Legal action

TABLE OF CONTENTS

- § 14:27 Registered office and registered agent
- § 14:28 Change of registered office or registered agent
- § 14:29 Resignation of registered agent

PART VII. ORGANIZATION OF BUSINESS CORPORATION

CHAPTER 15. ORGANIZATION

- § 15:4 Time requirement
- § 15:7 Organizational meeting—Minutes
- § 15:14 Amendment or repeal of bylaws
- § 15:18 Distinction between officers, agents and employees
- § 15:23 Adoption of corporate seal at organizational meeting
- § 15:24 Selection of committees
- § 15:31 Annual report for Secretary of State

PART VIII. DIRECTORS AND OFFICERS OF BUSINESS CORPORATION

CHAPTER 16. DIRECTORS

- § 16:2 Number of directors—Change of number
- § 16:3 Terms of directors—Classes of directors—Staggered terms
- § 16:8 Vacancies in board of directors: “Hold-overs”
- § 16:9 Meetings of directors: Time, place and manner of holding; Notice of; Quorum
- § 16:10 Importance of formal meetings—Action without meeting
- § 16:11 Powers of directors—Statutory (shares, assets, compensation)
- § 16:14 Directors’ discharge of duties—Fiduciary duty; good faith; reliance on information
- § 16:15 Loans to directors
- § 16:16 Directors—Conflicting interest; Fixing own compensation; Contracts
- § 16:18 Power of directors to authorize distributions
- § 16:18.50 Fraud for breach of fiduciary duty *[New]*
- § 16:19 Responsibilities and liabilities of directors and officers to corporation
- § 16:20 Responsibilities and liabilities of directors to creditors
- § 16:24 Indemnification—Additional—Insurance
- § 16:25 Committees of directors
- § 16:26 Successor liability *[New]*

CHAPTER 17. OFFICERS

- § 17:2 Officers: Standards of conduct—Duties—Contract rights
- § 17:3 Officers: Resignation and removal
- § 17:4 Powers of the president: general manager
- § 17:9 Execution of documents—Corporate seal
- § 17:10 Execution of documents—Authority and proof
- § 17:11 Executive and other committees
- § 17:13 Agents—Powers generally
- § 17:15 Right to sue officers
- § 17:16 Self-dealing: fraud—Criminal acts
- § 17:17 Corporations—Practice of law
- § 17:18 Tort liability

PART IX. SHAREHOLDERS

CHAPTER 18. LEGAL STATUS OF SHAREHOLDER

- § 18:1 Legal status of shareholder as individual
- § 18:3 Preemptive rights of shareholder
- § 18:4 Share dividends and distributions to shareholders
- § 18:6 Voting rights of shareholders affecting control of corporation
- § 18:8 Shareholders' agreements
- § 18:8.10 Shareholder buy-out agreements
- § 18:9 Voting trusts
- § 18:10 Voting by proxy or beneficial owner
- § 18:11 Corporate records—Duty to keep books and records and to make reports
- § 18:12 Corporate records—Rights of shareholders to inspect
- § 18:13 Corporate records—Court-ordered inspections
- § 18:14 Corporate records—Financial statements for shareholders
- § 18:16 Meetings of shareholders—Special meeting
- § 18:17 Meetings of shareholders—Court-ordered
- § 18:18 Meetings of shareholders—Action without meeting
- § 18:19 Meetings of shareholders—Notice and waiver of notice
- § 18:20 Meetings of shareholders—Record date
- § 18:21 Meetings of shareholders—Shareholders' list for meeting
- § 18:22 Meetings of shareholders—Voting entitlement of shares
- § 18:23 Meetings of shareholders—Debt securities; Rights of holders
- § 18:24 Sale, lease, exchange or mortgage of all or less than all of corporate assets—Bulk Sales Act
- § 18:24.50 Reasonable expectations analysis [*New*]

TABLE OF CONTENTS

- § 18:25 Shareholders' right to sue
- § 18:25.10 Responsibilities and liabilities of shareholders to creditors
- § 18:26 Majority and minority shareholders
- § 18:27 Fiduciary duties of shareholders
- § 18:28 Death of shareholder—Redemption of shares *[New]*

PART X. REORGANIZATION

CHAPTER 19. REORGANIZATION: AMENDMENTS

- § 19:1 Reorganization of a corporation—Generally
- § 19:2 Reorganization of a corporation: Statutory—Common law
- § 19:3 Amendments of articles of incorporation—Authority to amend
- § 19:4 Amendments of articles of incorporation—By board of directors and shareholders
- § 19:5 Amendments of articles of incorporation—Voting
- § 19:6 Amendments of articles of incorporation—Before shares issued—Without shareholder action
- § 19:8 Articles of amendment—Restated
- § 19:9 Amendment of bylaws
- § 19:11 Conversion to a corporation *[New]*
- § 19:12 Conversion from a corporation *[New]*

CHAPTER 20. MERGER OR SHARE EXCHANGE

- § 20:1 Merger
- § 20:2 Share exchange
- § 20:3 Plan of merger or share exchange
- § 20:4 Merger of subsidiary
- § 20:5 Articles of merger and share exchange
- § 20:6 Effect of merger or share exchange
- § 20:7 Merger or share exchange with foreign corporations
- § 20:8 Merger with nonprofit corporation
- § 20:9 Merger with unincorporated entity

CHAPTER 21. APPRAISAL RIGHTS

- § 21:1 Article 13 of the North Carolina Business Corporation Act; Appraisal Rights

PART XI. DISSOLUTION

CHAPTER 22. VOLUNTARY DISSOLUTION

- § 22:1 Dissolution of a business corporation—General
- § 22:3 Dissolution by directors and shareholders
- § 22:5 Effect of dissolution
- § 22:8.10 Contracts during periods of dissolution *[New]*
- § 22:10 Preference of creditors
- § 22:11 Liability of directors and shareholders for unlawful amounts received
- § 22:12 Reasonable necessity for liquidation *[New]*

CHAPTER 23. INVOLUNTARY DISSOLUTION

- § 23:2 Administrative dissolution—Procedure for and effect of
- § 23:3 Administrative dissolution—Reinstatement following
- § 23:4 Administrative dissolution—Appeal from denial of reinstatement
- § 23:5 Judicial dissolution—Grounds for
- § 23:7 Receivership

PART XII. ACTIONS BY AND AGAINST CORPORATIONS

CHAPTER 24. JURISDICTION, VENUE AND SERVICE

- § 24:1 Scope of chapter and legal status of corporation in litigation
- § 24:2 Personal jurisdiction in general
- § 24:3 Personal jurisdiction over foreign corporation—Long-arm statute
- § 24:4 Long-arm statute—Transacting business
- § 24:6 Venue in actions against domestic and foreign corporations
- § 24:7 Service of process against domestic and foreign corporations
- § 24:8 Content of summons—Corporations
- § 24:8.10 Amendment to summons
- § 24:9 Service on registered agent—Service on foreign corporations
- § 24:10 Corporation's right to sue—Necessary party
- § 24:11 Corporate negligence
- § 24:12 Piercing the corporate veil—Mere instrumentality rule

TABLE OF CONTENTS

- § 24:13 Actions by personal guarantors of corporate debt
- § 24:14 Unincorporated associations and partnerships *[New]*
- § 24:15 Alternative dispute resolutions *[New]*

CHAPTER 25. DERIVATIVE ACTIONS

- § 25:1 Derivative proceedings, generally
- § 25:2 Derivative claims—Payment of expenses and attorneys' fees
- § 25:3 Derivative actions—Decision to pursue
- § 25:4 Derivative actions—Defenses
- § 25:5 Derivative actions—Allegations in complaint
- § 25:6 Definitions
- § 25:7 Standing
- § 25:7.10 Closely held corporations *[Retitled]*
- § 25:8 Demand
- § 25:10 Dismissal
- § 25:11 Discontinuance or settlement
- § 25:12 Applicability to foreign corporations

CHAPTER 26. DAMAGES AND ULTRA VIRES

- § 26:1 Punitive damages
- § 26:2 Defense of ultra vires

PART XIII. NONPROFIT CORPORATIONS

CHAPTER 28. FILING DOCUMENTS

- § 28:1 Requirements for filing
- § 28:3 Service, filing and copying fees
- § 28:3.10 Expedited filings
- § 28:4 Effective time and date of document
- § 28:4.10 Advisory review of documents
- § 28:5 Correction of filed document
- § 28:6 Filing duty of Secretary of State
- § 28:7 Appeal from Secretary of State's refusal to file document
- § 28:8 Effect of certificate of filing
- § 28:10 Penalty for signing false document

CHAPTER 30. DEFINITIONS AND NOTICE

- § 30:1 Definitions—Statutory
- § 30:2 Notice—Written and oral

CHAPTER 33. ORGANIZATION

§ 33:3 Incorporation

CHAPTER 34. PURPOSES AND POWERS

§ 34:2 General powers

§ 34:3 Emergency powers

§ 34:4 Ultra vires

§ 34:7 Corporations subject to Public Records Act

CHAPTER 35. NAMES

§ 35:1 Corporate name

§ 35:2 Reserved name

§ 35:3 Registered name

§ 35:4 Registered and reserved names, powers of the Secretary of State

§ 35:5 Real property records

CHAPTER 36. OFFICE AND AGENT

§ 36:1 Registered office and registered agent

§ 36:2 Change of registered office or registered agent

§ 36:2.10 Principal office address

§ 36:3 Resignation of registered agent

§ 36:4 Service on corporation

CHAPTER 38. MEMBERS' RIGHTS AND OBLIGATIONS

§ 38:3.50 Liability of third parties to members *[New]*

CHAPTER 39. RESIGNATION AND TERMINATION OF MEMBERS

§ 39:2 Termination, expulsion, and suspension

CHAPTER 41. MEETINGS AND ACTION WITHOUT MEETINGS—MEMBERS

§ 41:1 Annual and regular meetings—Members

§ 41:2 Special meeting—Members

§ 41:3 Court-ordered meeting—Members

§ 41:4 Action by written consent—Members

§ 41:5 Notice of meeting—Members

§ 41:6 Waiver of notice—Members

§ 41:8 Action by written ballot—Members

TABLE OF CONTENTS

CHAPTER 42. VOTING BY MEMBERS

§ 42:1 Members' list for meeting

§ 42:5 Proxies

**CHAPTER 44. DERIVATIVE
PROCEEDINGS**

§ 44:1 Derivative proceedings

**CHAPTER 46. MEETINGS AND ACTION
OF THE BOARD**

§ 46:1 Regular and special meetings—Directors

§ 46:2 Action without meeting—Directors

**CHAPTER 47. STANDARDS OF
CONDUCT FOR DIRECTORS**

§ 47:1 General standards for directors

§ 47:3 Loans to or guaranties for directors and officers

CHAPTER 48. OFFICERS

§ 48:1 Officers—Generally

§ 48:3 Standards of conduct for officers

§ 48:4 Resignation and removal of officers

**CHAPTER 51. AMENDMENT OF
ARTICLES OF INCORPORATION**

§ 51:2 Amendment by board of directors—Articles of
incorporation

CHAPTER 54. MERGER

§ 54:1 Approval of plan of merger

§ 54:3 Action on plan

§ 54:4 Articles of merger

§ 54:5 Effect of merger

§ 54:6 Merger with foreign corporation

§ 54:7 Devises and gifts [*Retitled*]

§ 54:8 Merger with business corporation

§ 54:9 Merger with unincorporated entity

**CHAPTER 58. ADMINISTRATIVE
DISSOLUTION**

§ 58:2 Procedure for and effect of administrative dissolution

§ 58:3 Reinstatement following administrative dissolution

CHAPTER 59. JUDICIAL DISSOLUTION

§ 59:1 Grounds for judicial dissolution

§ 59:4 Decree of dissolution

CHAPTER 62. FOREIGN CORPORATIONS—CERTIFICATE OF AUTHORITY

§ 62:1 Authority to conduct affairs required

§ 62:2 Consequences of conducting affairs without authority

§ 62:4 Amended certificate of authority

§ 62:5 Effect of certificate of authority

§ 62:6 Corporate name of foreign corporation

§ 62:7 Registered office and registered agent of foreign corporation

§ 62:8 Change of registered office or registered agent of foreign corporation

§ 62:9 Resignation of registered agent of foreign corporation

§ 62:10 Service on foreign corporation

CHAPTER 63. WITHDRAWAL OF FOREIGN CORPORATION

§ 63:1 Withdrawal of foreign corporation

CHAPTER 64. REVOCATION OF CERTIFICATE OF AUTHORITY OF FOREIGN CORPORATION

§ 64:2 Procedure and effect of revocation

CHAPTER 65. RECORDS

§ 65:4 Court-ordered inspection

PART XIV. PROFESSIONAL CORPORATIONS

CHAPTER 68. DEFINITION AND APPLICABILITY

§ 68:1 Definitions

§ 68:2 Applicability of N. C. Gen. Stat. Chapter 55

TABLE OF CONTENTS

CHAPTER 69. FORMATION AND NAME

§ 69:1 Formation of professional corporation

CHAPTER 71. PROFESSIONAL SERVICES

§ 71:1 Rendition of professional services

§ 71:2 Types of professional services

CHAPTER 72. PROFESSIONAL LIABILITY

§ 72:1 Professional relationship and liability

CHAPTER 73. REGISTRATION WITH AND REGULATIONS OF LICENSING BOARDS

§ 73:2 Registration with licensing board

§ 73:4 Application of regulations of licensing boards

§ 73:4.50 Assertion of individual claims *[New]*

CHAPTER 74A. FOREIGN PROFESSIONAL CORPORATIONS

§ 74A:1 Foreign professional corporations

PART XV. COOPERATIVE ASSOCIATIONS

CHAPTER 75. NATURE AND ORGANIZATION OF ASSOCIATIONS

§ 75:1 Nature of the association

CHAPTER 78. DUTIES AND POWERS

§ 78:1 General nature of business

PART XVI. MARKETING ASSOCIATIONS

CHAPTER 80. ARTICLES OF INCORPORATION AND BYLAWS

§ 80:4 General and special meetings—How called

CHAPTER 83. POWERS OF MARKETING ASSOCIATIONS

§ 83:2 Power to make marketing contract

CHAPTER 86. MERGER AND CONSOLIDATION

§ 86:1 Merger procedure

§ 86:4 Merger or consolidation approval

PART XVII. LIMITED PARTNERSHIPS

CHAPTER 90. LIMITED PARTNERSHIPS—GENERALLY

§ 90:2 Meaning of terms

§ 90:3 Name

§ 90:4 Reservation of name

§ 90:5 Registered agent and registered office

§ 90:6 Records

§ 90:8 Suit by limited partners individually

CHAPTER 91. FORMATION AND CERTIFICATE

§ 91:1 Certificate of limited partnership

§ 91:4 Execution of documents

§ 91:6 Filing in office of Secretary of State

§ 91:6.10 Evidentiary effect of copy of filed document

§ 91:7 Liability for false statement in certificate

§ 91:7.10 Correction of document

§ 91:7.20 Advisory review of documents

CHAPTER 92. LIMITED PARTNERS

§ 92:1 Admission of limited partners

§ 92:4 Person erroneously believing himself limited partner

CHAPTER 93. GENERAL PARTNERS

§ 93:3 Liabilities and general powers

CHAPTER 96. ASSIGNMENT OF PARTNERSHIP INTEREST

§ 96:1 Nature and assignment of partnership interest

TABLE OF CONTENTS

§ 96:2 Creditor's rights

CHAPTER 97. DISSOLUTION

§ 97:1 Nonjudicial dissolution

§ 97:3 Winding up

§ 97:4 Distribution of assets

CHAPTER 98. FOREIGN LIMITED PARTNERSHIPS

§ 98:1 Law governing

§ 98:4 Name of foreign limited partnership

CHAPTER 99. DERIVATIVE ACTIONS

§ 99:1 Right of action

§ 99:3 Pleading

§ 99:5 Dismissal of action

CHAPTER 99A. CONVERSION AND MERGER

§ 99A:1 Conversions

§ 99A:2 Plan of conversion

§ 99A:3 Filing of certificate of limited partnership by converting business entity

§ 99A:5 Merger

§ 99A:6 Plan of merger

§ 99A:7 Articles of merger

§ 99A:8 Effects of merger

CHAPTER 100. MISCELLANEOUS

§ 100:3 Fees

PART XVIII LIMITED LIABILITY COMPANIES

PART XIX LIMITED LIABILITY PARTNERSHIPS

Appendix

Appendix A. Selections from the Limited Liability Company Act

Table of Laws and Rules

Table of Cases

NORTH CAROLINA CORPORATION LAW AND PRACTICE

Index