

Business Organizations & Corporate Law: Chapter 12

Introduction

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The screenshot shows a digital learning interface. On the left is a sidebar with six buttons: 'Applying Concepts', 'Chapter Review', 'eLecture: Review Answers', 'Reflection', 'Reflection Responses', and 'Chapter Quiz'. The main content area has a title bar 'Introduction' and a sub-header 'Chapter 12'. Below this is the main title 'Terminating Corporate Existence' and a 'Chapter Outline' section. The outline lists three main sections: I. Introduction, II. Perpetual Existence of Corporations, and III. Dissolving a Corporation. Section III is further divided into A. Voluntary Dissolution (with sub-points 1-4) and B. Dissolution By Specific Terms in Articles of Incorporation.

Tab Text

Chapter 12

Terminating Corporate Existence

Chapter Outline

I. Introduction

II. Perpetual Existence of Corporations

III. Dissolving a Corporation

A. Voluntary Dissolution

1. Shareholders Agree to Dissolve the Corporation

a. Failure of Corporate Purpose

- 2. Notification of Creditors
 - 3. Payment of Outstanding Debts from Corporate Assets
 - 4. Articles of Dissolution (Certificate of Dissolution)
 - a. Official Date of Dissolution
 - B. Dissolution By Specific Terms in Articles of Incorporation
 - C. Administrative Dissolution
 - 1. Statutory Steps Required to Dissolve a Corporation
 - D. Judicial Dissolution
 - 1. Judicial Dissolution of a Closely Held Corporation
- IV. Liquidation of Corporate Assets
- A. Appointment of a Liquidator
 - B. Prioritization of Claims
 - 1. Prioritizing Among Shareholders
 - a. Common Stock and Preferred Stock Revisited
 - b. The Trust Doctrine
 - c. Escheat
- V. "Winding Up" Corporate Affairs
- A. The Legal Effect of Dissolution
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Applying Concepts



The screenshot shows a sidebar on the left with the following buttons: 'Applying Concepts' (highlighted), 'Chapter Review', 'eLecture: Review Answers', 'Reflection', 'Reflection Responses', and 'Chapter Quiz'. The main content area is titled 'Applying Concepts' and contains the following text:

Instructions: Email your responses to your instructor, making clear that your answers are for the *Applying Concepts* segment of Chapter 12.

Visit your secretary of state's Web site and locate articles of dissolution. Does your secretary of state provide information on corporations that have been administratively or judicially dissolved? If so, what information can you glean from the site? Does the site provide legal forms that relate to corporate dissolution and termination?

Student responses will vary.

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Chapter Review

Chapter Review

1. What is judicial dissolution?
2. How does administrative dissolution compare to judicial dissolution?
3. What is the legal significance of corporate dissolution?
4. What are the priority rights of shareholders in liquidating corporate assets?
5. Can majority shareholders dissolve the corporation over the objection of the minority shareholders? Explain your answer.
6. When it comes to liquidating corporate assets, who has

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6. When it comes to liquidating corporate assets, who has greater priority, creditors or shareholders? Explain your answer.
 7. What is the "trust doctrine" as that term applies to liquidating a corporation's assets?
 8. Explain how members of a corporation's board of directors can become trustees during corporate liquidation.
 9. How does a corporation prioritize who will receive its assets after it terminates existence?
 10. What impact do state laws have on the dissolution of a corporation?
 11. What are articles of dissolution?
 12. What are the duties of a liquidator?
 13. Who has greater priority in receiving corporate assets during a corporate dissolution, preferred shareholders or common shareholders? Explain your answer.
 14. Can a corporation declare bankruptcy? Explain.
 15. What are some of the methods through which a corporation can terminate?
-

eLecture: Review Answers

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Applying Concepts

Chapter Review


eLecture: Review Answers

Reflection

Reflection Responses

Chapter Quiz

eLecture: Review Answers



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Narration Script

1. What is judicial dissolution?

Judicial dissolution is the power of a court to dissolve a corporation under statutory authority.

2. How does administrative dissolution compare to judicial dissolution?

Administrative dissolution is the power of the secretary of state's office to terminate a corporation, while a court has the power to judicially dissolve a corporation.

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3. What is the legal significance of corporate dissolution?

A corporation that has been dissolved has no legal standing and no legal authority.

4. What are the priority rights of shareholders in liquidating corporate assets?

Shareholders with preferred stock have priority rights to corporate assets, but shareholders of common stock must usually wait until all other creditors have been paid before they receive any of the corporate assets.

5. Can majority shareholders dissolve the corporation over the objection of the minority shareholders? Explain your answer.
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Yes, majority shareholders can dissolve a corporation over the objection of minority shareholders, but they are prohibited from violating the rights of the minority shareholders.

6. When it comes to liquidating corporate assets, who has greater priority, creditors or shareholders? Explain your answer.

Creditors have higher priority than shareholders. This is because shareholders have expressly agreed to a lower priority as part of their other rights to corporate assets.

7. What is the "trust doctrine" as that term applies to liquidating a corporation's assets?

Under this theory, the corporate profits that come from divestiture are held in trust for the shareholders. Once corporate debts are paid out of these funds, the remainder becomes the legal property of the shareholders as a kind of trust.

8. Explain how members of a corporation's board of directors can become trustees during corporate liquidation.

In some states, after the filing of articles of dissolution, the directors automatically become trustees for the shareholders and supervise the liquidation of corporate assets.

9. How does a corporation prioritize who will receive its assets after it terminates existence?

When it comes to dissolving corporations, creditors always have priority over shareholders. Among the shareholders, there are also different levels of priority, based on the different class of stock held by shareholders. Some states also have statutes that forbid the payment of any assets to the corporation when the company is insolvent and cannot meet the full burden of its debts to creditors.

10. What impact do state laws have on the dissolution of a corporation?

State laws limit only how a corporation can be dissolved, including how the corporation should be dissolved and the rights of the creditors and shareholders. Instructor's Manual to Accompany Business Organizations and Corporate Law 79

11. What are articles of dissolution?

Articles of dissolution are the documents filed by a corporation to officially begin the process of terminating the corporation.

12. What are the duties of a liquidator?

A liquidator collects all information about outstanding claims, prioritizes the payment of those claims, and transfers all corporate assets until nothing of the corporation is left.

13. Who has greater priority in receiving corporate assets during a corporate dissolution, preferred shareholders or common shareholders? Explain your answer.

When it comes to liquidating a corporation, the preferred shareholders have higher status than common stock shareholders. This is part of the essential arrangement created by common stock arrangements, where the common stockholders hold stock and receive dividends but do so in exchange for lower status in receiving corporate assets in the event of termination.

14. Can a corporation declare bankruptcy? Explain.

A corporation can declare bankruptcy and dissolve its official status. It can also terminate its existence and transfer its assets to creditors and stockholders.

15. What are some of the methods through which a corporation can terminate?

A corporation can terminate by judicial dissolution, administrative termination, and bankruptcy, among others.

Reflection



Reflection

1. Do the laws concerning dissolution of a corporation make it more or less likely that a corporation that should be terminated actually will be?
2. Should a minority of shareholders have the power to force a corporation into voluntary dissolution? Why or why not?

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Reflection Responses



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Your responses will vary according to your own opinion.
2. Should a minority of shareholders have the power to force a corporation into voluntary dissolution? Why or why not?
This question depends on your outlook.

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Chapter Quiz

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Chapter Quiz

[Click here for the Chapter Quiz.](#)

Applying Concepts

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