

PRE INCORPORATION CONTRACT PROBLEM

Whether the promoter is liable for pre-incorporation contract or not? One might question that 'why is company not liable, even if it a beneficiary to contract' or.

Since the corporation has not been formed yet, it cannot be a party to the agreement. What is a pre-incorporation contract? This study explores the impact and effect that the new Act will have on the conclusion of pre-incorporation contracts, and also identifies the possible shortcomings of the Act. The total number of issued shares need not be equal to the number of authorized shares -- leave the corporation room to issue additional shares in response to future business needs. However, a pre-incorporation contract carries an additional layer of risk for the parties and should only be entered into following the receipt of experienced legal advice. Check the website of the Secretary of State of the state of incorporation for information on how to perform a name availability search prior to choosing a name, to make sure that the intended name is not already in use. Your state also requires the corporate name to use a suffix, such as Inc. The facts of *Royal Mail Estates v Maples Teesdale* The case concerned the purchase of a commercial property by a company, before it had been incorporated. This is known as a pre-incorporation contract. Many large corporations choose to incorporate in Delaware because of its corporation-friendly legal system. In order to determine what impact the new Act will have on pre-incorporation contracts, these contracts must first be placed in their historical context. What are the risks of entering a pre-incorporation contract? The proposed reforms as introduced by section 21 are therefore welcomed. Commercial contract breaches can result in one party having to pay a vast sum of money to another, as compensation for the breach. The actual intention of the wording in question was more likely to prevent or restrict a third party from becoming a third-party purchaser by way of assignment or sub-sale in circumstances where the original contracting party was the company. To put in perspective how easy it is to be caught out in a pre-incorporation contract, it is worth noting that the defendants, in this case, were a firm of solicitors. It reads as follows: 51 Pre-incorporation contracts, deeds, and obligations 1 A contract that purports to be made by or on behalf of a company at a time when the company has not been formed has effect, subject to any agreement to the contrary, as one made with the person purporting to act for the company or as agent for it, and he is personally liable on the contract accordingly. At the time of the contract, the parties were unaware that the company had not been incorporated. However, questions still arise on the future role of the statutory arrangements in light of the various alternative methods available to promoters. He spends much of his time in various Asian countries and is fluent in Mandarin Chinese. It has offered valuable improvements to previous statutes. The advantages, disadvantages and legal consequences of these alternative methods are also discussed and analysed in this study. If the corporation is not formed or if it fails to adopt the agreement, the promoters can be held personally liable for any breach of the agreement. Listing the trade name in the pre-incorporation agreement helps establish that the corporation intends to use it in business -- a requirement for registration of a trademark that is not already in use. This needs to be made unambiguous in any agreement entered into. Select a registered agent, to whom all official communications to the corporation will be addressed. The financial ramifications can affect not only the signatories, but other entities reliant upon them. It is clear from the research presented in this study that pre-incorporation contracts have the potential to present a range of complex and challenging questions in practice. To this end, the research reveals that section 21 of the new Act will succeed in equitably balancing the interests of third parties, companies and promoters, by providing clearly stipulated protection measures for all parties involved in the conclusion of pre-incorporation contracts. The law allows for individuals to limit their liability in commercial contracts by entering into the contracts on behalf of a company. Secondly this study attempts to determine whether the old and the current legislation regulating pre-incorporation contracts have been effective, and if so, to what extent. Academic opinions have also been divided with regards to the future role of pre-incorporation contracts within changing commercial environments. Do you have any comments to make on this article? The fact that neither party was aware the company was not yet incorporated meant they could not have had s.