

SUBJECT VII

PERSONAL LIABILITY

I. Directors

A. Intro



I. Directors

B. Forms of Possible Liability

1. Issuing shares in consideration (s.118(1))



I. Directors

B. Forms of Possible Liability

2. Share purchase/redemption: (s.118(2)(a))



I. Directors

B. Forms of Possible Liability



3. Commissions for sale of shares (s.118(2)(b))



I. Directors

B. Forms of Possible Liability

4. Issuing dividends (s.118(2)(c))



I. Directors

B. Forms of Possible Liability

5. Indemnification of Director (s.118(2)(d))



I. Directors



B. Forms of Possible Liability

6. Dissent or oppression obligations (s.118(2)(e))



I. Directors

B. Forms of Possible Liability

7. Employee wages (s.119(1))



I. Directors



B. Forms of Possible Liability

8. Failure to disclose interest (s.120(1))



I. Directors



B. Forms of Possible Liability

9. Duty of care and Duty to comply (s.122(1)(2))



I. Directors



C. Defence (s.123)



II. Shareholders Liability

A. Intro

1. Statutes

- s.15(1)
 - like a natural person
- S. 45 (1)
 - therefore shareholder immunity

“Separate legal entity”

II. Shareholders Liability

A. Intro

2. Common Law

- *Salomon v A Salomon & Co Ltd (1897)*
 - *Sold shoe business to Corporation £39 000*
 - *Lost government as sole supplier*
 - *Borrowed and then went in receivership*



II. Shareholders Liability

B. Statutes Lifting Corporate Veil (s.45.1)

1. Violation of s.118 (buyback, dividends)
 - S.118(4) force payback by shareholder
2. Property part of Inc. during dissolution
 - S.226(4) force return by shareholder
3. Unanimous Shareholder Agreement
 - S.146(5) imposes on shareholders same liability as BD

II. Shareholders Liability

C. Common Law Lifting Corporate Veil



III. Quebec Application

A. Intro

- An organization that is a legal person separate from its owners (art. 309 CCQ)
- Have own patrimony (art. 302 CCQ)
- Have full enjoyment of civil rights (art. 301 CCQ)
- Act through BD and shareholders (art. 311 CCQ)
- Therefore SH liability limited to investment and BD mandated

III. Quebec Application

B. Board of Directors Liability



III. Quebec Application

C. Shareholders Liability

- Limited Liability
- Except:

