

**9**

JUNE

# **LEGAL OPTIONS FOR MERGING**

**CALVARY BIBLE FELLOWSHIP &  
GRACE EVANGELICAL CHURCH**

# WHAT IT IS NOT:

- No impact on tax-exempt status
- Magic solution to all legal problems
- Placing the church under the authority of the state
- Placing limits on the ability of the pastor to preach about political issues

# INCORPORATION

- Formal, legal process
- Creates a legal entity (“person”)
  - Holds and administers property
  - Engages in contracts
  - Limited liability for all officers, directors, and members
- Church corporation ≠ Church

# IMPORTANT CONSIDERATIONS

1. Doctrinal foundations (Statement of Faith)
2. Leadership functions (Bylaws)
3. Membership (Bylaws)
4. Legal entity (Articles)
5. Property ownership/title (Deeds/Titles)

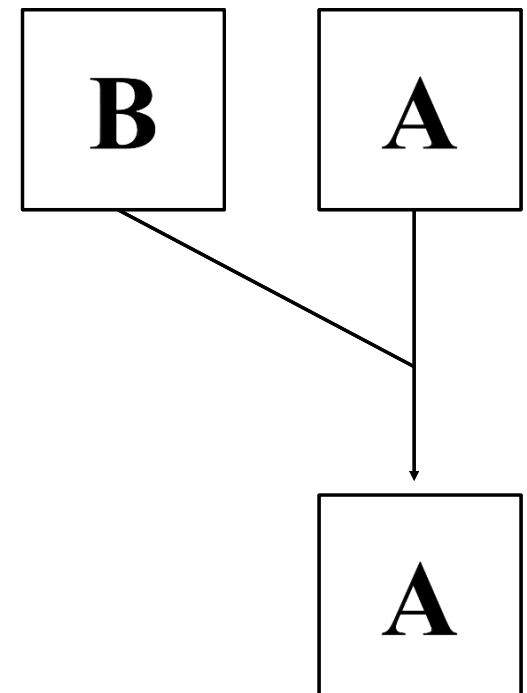
# MERGER & CONSOLIDATION

Church corporations can combine/grow by:

- Merger
- Consolidation
- Acquiring another corporation's assets
- Establishing a controlling interest in another corporation's governing board

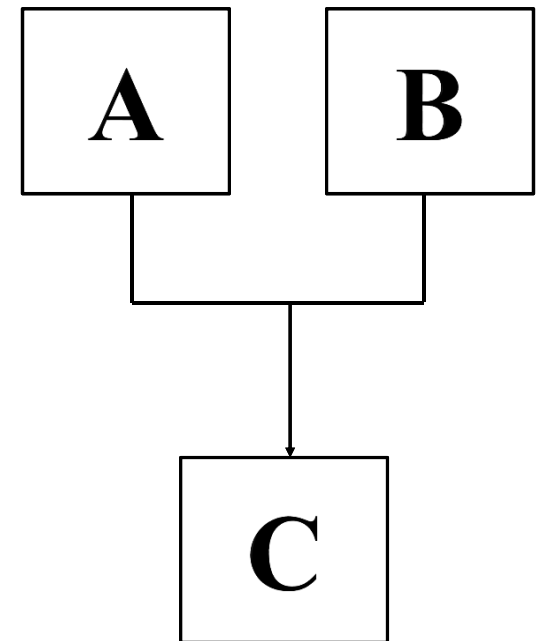
# MERGER

- Legal combination of two corporations (A & B) after which only the A corporation remains.
- A's *Articles of Incorporation* are amended to include articles of merger.
- After merger, A continues as the surviving corporation with all of B's rights and obligations.
- B dissolves.



# CONSOLIDATION

- Two or more corporations (A & B) combine such that both cease to exist and a new corporation emerges (C).
- C has all the rights and obligations previously held by A and B.
- C's *Articles of Consolidation* take the place of the original articles of A and B.



# ACQUIRING ASSETS

- The acquiring corporation receives ownership and control over the physical assets of a donor company.
- Generally not liable for liabilities of donor corp. unless:
  - Impliedly or expressly assumes the liabilities.
  - Acquiring corp. continues the donor's business and retains the same personnel.
  - Sale is fraudulently executed to escape liability.
- Donor dissolves. No other legal paperwork.



# CONTROLLING INTEREST

- Alternative to merger or consolidation is the acquisition of a controlling interest of the governing board.
- Both corporations continue to exist formally.
- Makes sense if the acquired corporation is continuing operation, keeping contracts, etc.