



SENATE BILL 507: Modify Business Corporation Act.

2021-2022 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	August 3, 2021
Introduced by:	Sen. Galey	Prepared by:	Bill Patterson
Analysis of:	First Edition		Staff Attorney

OVERVIEW: *Senate Bill 507 would make a number of clarifying and updating changes to the Business Corporation Act.*

BILL ANALYSIS:

Section 1 would extend existing provisions relating to voting of shares held by a subsidiary to situations in which the subsidiary entity is not a corporation.

Section 2 would clarify the authority of the board of directors to fix the compensation of directors for services in any capacity as director, codifying a decision of the North Carolina Business Court interpreting this statutory provision.

Section 3 would provide that, except as otherwise fixed in the articles of incorporation or bylaws, a majority of a board of directors constitutes a quorum.

Section 4 would allow the board of directors of a corporation with a single class of shares outstanding to change the corporate name without shareholder approval.

Section 5 would provide that in a proceeding brought in superior court by a shareholder seeking an appraisal, the court must determine whether the shareholder is entitled to appraisal rights, on which issue the shareholder would bear the burden of proof. If the court determines that the shareholder is not entitled to appraisal rights, the court would be required to dismiss the proceeding as to the shareholder.

Section 6 would make a number of changes to the law governing corporate records and shareholder inspection rights, including:

- Eliminating the current requirement that particular records be maintained at the corporation's principal office.
- Requiring all relevant records to be maintained in a manner permitting them to be made available for inspection within a reasonable time.
- Placing limits on the use and distribution of records subject to qualified inspection rights or financial statements being delivered to a shareholder.
- Permitting the corporation to make records available through electronic transmission.
- Providing greater flexibility in the method by which a corporation makes financial statements available to qualified shareholders.

EFFECTIVE DATE: Sections 1, 2, 3, 4, and 6 of this act are effective October 1, 2021, and the provisions in Section 6.(c), (d), (e) and (f) apply to demands for inspection and requests for financial statements received by a corporation on or after that date. The remainder of this act is effective when it becomes law, and Section 5 applies to proceedings commenced on or after that date.

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578