



SENATE BILL 507: Modify Business Corporation Act.

2021-2022 General Assembly

Committee:		Date:	January 28, 2022
Introduced by:		Prepared by:	Bill Patterson Staff Attorney
Analysis of:	S.L. 2021-106		

OVERVIEW: *S.L. 2021-106 makes various clarifying and updating changes to the Business Corporation Act, including:*

- *Provisions governing superior court proceedings brought by a shareholder seeking an appraisal*
- *Provisions relating to voting of shares held by a subsidiary*
- *Quorum requirements applicable to the board of directors*
- *Authority of board of directors to change corporate name without shareholder approval*
- *Provisions governing corporate records and shareholder inspection rights*

The changes to provisions governing shareholder appraisal proceedings became effective August 16, 2021, and apply to proceedings commenced on or after that date. The other changes to the Business Corporation Act became effective October 1, 2021, and the changes relating to shareholder rights to inspect records and to obtain financial statements apply to demands to inspect and requests for financial statements received by a corporation on or after that date.

BILL ANALYSIS:

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

Section 2 clarifies 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 provides that, except as otherwise fixed in the articles of incorporation or bylaws, a majority of a board of directors constitutes a quorum.

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

Section 5 provides 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 is required to dismiss the proceeding as to the shareholder.

Section 6 makes changes to the law governing corporate records and shareholder inspection rights, including:

- Eliminating the current requirement that certain records be maintained at the corporation's principal office

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578

Senate Bill 507

Page 2

- 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

Section 7 requires the Revisor of Statutes to print as annotations to the General Statutes all relevant portions of the Official Comments to the Model Business Corporation Act and all explanatory comments of the drafters of this act as the Revisor may deem appropriate.

EFFECTIVE DATE: Sections 1, 2, 3, 4, and 6 of this act became effective October 1, 2021, and the changes in Section 6 relating to shareholder rights to inspect records and obtain financial statements apply to demands for inspection and requests for financial statements received by a corporation on or after that date. The remainder of this act became effective August 16, 2021, and the changes in Section 5 relating to shareholder appraisal proceedings applies to proceedings commenced on or after that date.