

House Research Act Summary

CHAPTER: 264

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TOPIC: Business Corporations and Limited Liability Companies; Housekeeping Changes

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- 1 **Submission to shareholders.** Amends the statute on amendments to a corporation's articles. Provides that a corporation registered under federal securities laws is governed by federal law to the extent that there is a conflict between state and federal law on timing and frequency of submitting amendments to shareholders.
- 2 **Power of shareholders; procedure.** Language stricken in this subdivision would be covered by section 1.
- 3 **Conflict; procedure when conflict arises.** Amends the statute on handling contracts that may involve a conflict of interest. Requires specified disclosures in existing law be made to "holders of all outstanding shares, whether or not entitled to vote." Prior law used the term "shareholder" in this place, but the law requires disclosures to non-voting shareholders. The amendment is a clarification.
- 4 **Payment; liability; contribution; statute of limitations.** Under prior law, "nonassessable" shares are those for which agreed consideration has been fully paid or rendered to the corporation. The section amends the concept of when consideration in the form of an agreement to render services is paid. It provides: "consideration in the form of services to be rendered to the corporation is fully paid when the issuance of the shares is authorized or approved under subdivision 1" of the section being amended.
- 5 **Issuance permitted.** Allows an officer with board authorization to fix the terms of the rights to purchase stock in the corporation.
- 6 **Actions creating rights.** Conforms to the amendment proposed in section 7.
- 7 **Rights not to apply.** Amends the law on when a shareholder's right to dissent and obtain payment for shares does not apply. The right does not apply to (1) a shareholder of the surviving corporation in a merger, with respect to shares not entitled to be voted on the merger and not canceled or exchanged in the merger; or (2) a shareholder of the corporation whose shares will be acquired by an acquiring corporation in a plan of exchange with respect to the shares that are not entitled to be voted on the plan of exchange and not exchanged in the plan of exchange.

- 8 **Determination of eligibility.** Amends the statute on when a corporation must indemnify a person. In an existing situation under clause (4) where a vote of shareholders is required, references existing law on the majority required for shareholder votes in general.
- 9 **Approval by owners.** Amends a statute on corporate merger or exchange. Adds to paragraph (b) of this subdivision parallel references to "exchange" that appear unintentionally omitted from that paragraph in prior law.
- 10 **Agreements permitted.** Amends a statute on contribution allowance agreements by limited liability companies. Allows a manager with board authorization to set terms of these agreements.
- 11 **Conflict and procedure when conflict arises.** Amends the statute on handling potential conflicts in transactions involving a limited liability company. Requires disclosure of material facts to members whether or not the members are entitled to vote. Clarification; parallel to section 3.
- 12 **Determination of eligibility.** Clarifies the necessary member vote on a question of whether a limited liability company must indemnify a person. Adopts the formula in the statute on required affirmative vote for limited liability companies in general.
- 13 **Approval by owners.** Amends a limited liability company statute on mergers and exchange to add references to "exchange" at several points in paragraph (b) where it appears to have been unintentionally omitted.