

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 3076

**DATE:** March 20, 2006

**Version:** As Introduced

**Authors:** Emmer and Thissen

**Subject:** Business Corporations

**Analyst:** Deborah K. McKnight, 651-296-5056

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

### Overview

This bill contains recommendations from the business law section of the Minnesota Bar Association. Article 1 contains amendments to chapter 302A, dealing with business corporations. Article 2 contains amendments to chapter 322B, dealing with limited liability companies. Most of the amendments in article 2 relating to limited liability companies are parallel to those made for business corporations in article 1.

#### Article 1: Business Corporations

- 1 **Articles.** Amends the definition of "articles" to refer to articles of conversion.
- 2 **Constituent corporation.** Amends the definition of "constituent corporation" to include both domestic or foreign corporations with respect to survivors of mergers and to broaden the term for exchanges from "corporation" to "organization."
- 3 **Corporation.** Amends the definition of "corporation" to include references to a domestic corporation.
- 4 **Foreign corporation.** Amends the definition of "foreign corporation" to refer to organizations.
- 5 **Parent.** Amends the definition of "parent" to be consistent with prior definition changes.
- 6 **Related organization.** Amends the definition of "related organization" to change references from governors to members of the governing body.
- 7 **Share.** Amends the definition of "share" to refer to ownership, rather than proprietary interests.

## Section

- 8**        **Subsidiary.** amends the definition of "subsidiary" consistent with prior definition changes.
- 9**        **Beneficial owner.** Amends the definition of "beneficial owner; beneficial ownership", consistent with prior definition changes.
- 10**       **Associate.** Amends the definition of "associate" consistent with prior definition changes.
- 11**       **Business combination.** Amends the definition of "business combination" consistent with prior definition changes.
- 12**       **Ownership interests.** Amends the definition of "ownership interests" to refer to governance or transferable interests in the case of organizations other than a corporation or limited liability company.
- 13**       **Governing body.** Adds a definition of "governing body."
- 14**       **Limited liability company.** Adds a definition of "limited liability company."
- 15**       **Statutory provisions.** Amends the statutory index of provisions that may be modified either in the articles or the bylaws to add a reference to the ability to create subcommittees and to delegate authority to subcommittees (consistent with the new provisions in section 20 ).
- 16**       **Dependence on facts.** Authorizes provisions of articles that are dependant upon facts ascertainable outside the articles or incorporate terms by reference (also see section 21 ).
- 17**       **Requirements, prohibitions.** Amends the corporate name requirements to add references to domestic or foreign corporations.
- 18**       **Use of name by successor corporation.** Amends the statute dealing with use of a name by a successor corporation to add a reference to domestic or foreign corporations.
- 19**       **Change of corporate name.** Adds a new provision dealing with an amendment to the article that only changes a corporation's corporate name. It may be authorized by a resolution approved by the board and may, but need not, be submitted to and approved by the shareholders.
- 20**       **Subcommittees.** Authorizes committees created by the board to create subcommittees.
- 21**       **Procedure.** Strikes language in the law dealing with the procedure for fixing terms of classes of shares, consistent with new language that is added in section 16.
- 22**       **Uncertificated shares.** Modifies requirements for the issuance of uncertificated shares.
- 23**       **Contractual requirement.** Authorizes a corporation to agree to submit a matter to its shareholders under certain circumstances.
- 24**       **Method.** Amends the provisions governing alternative ways for shareholders to take an action required or permitted to be taken at a meeting.
- 25**       **Shares held by other corporation.** Adds a reference to domestic or foreign corporations.
- 26**       **Other documents.** Changes a cross-reference dealing with incorporation by reference, consistent with the amendments in sections 16 and 21.
- 27**       **Actions creating rights.** Changes references from a corporation to an organization and adds references to domestic or foreign corporations and ownership, rather than proprietary, interests.
- 28**       **Actions creation rights.** Changes references from a corporation to an organization and adds references to domestic or foreign corporations and ownership, rather than proprietary, interests.
- 29**       **Other rights.** Amends the requirements with respect to shareholders who have a right to have certain corporate actions set aside or rescinded.
- 30**       **When permitted.** Contains a technical correction to language in the statute dealing with acquisition of its own shares by a corporation.
- 31**       **Merger.** Adds references to domestic or foreign corporations.

## Section

- 32**      **Merger.** Adds references to domestic or foreign corporations.
- 33**      **Contents of plan.** Amends the contents of a plan of merger to add a reference to other ownership interests.
- 34**      **Board approval.** Strikes a requirement that a plan of merger or exchange may require that it be submitted to the shareholders under certain circumstances.
- 35**      **Approval by owners.** Modifies provisions dealing with approval of a plan by owners.
- 36-41**    Amend the statute governing merger of a subsidiary.
- 42**      **Definitions.** Amends the definition for mergers to affect a holding company reorganization to refer to a parent corporation.
- 43-44**    Contain amendments to the law governing transfer of assets and when it is permitted.
- 45**      Repeals a definition of "acquiring corporation."
- 46**      **Effective date.** August 1, 2006.

## **Article 2: Limited Liability Companies**

### **Overview**

Article 2, section 1 amends the applicability provision of the Limited Liability Company Act to provide that certain laws are applicable to a limited liability company that is governed by, as well as organized under this chapter.

The remainder of article 2 contains amendments that are similar to those made for business corporations under article 1.