

2016 Regular Session

HOUSE BILL NO. 714

BY REPRESENTATIVE FOIL

(On Recommendation of the Louisiana State Law Institute)

CORPORATIONS: Provides relative to the Business Corporation Act

1 AN ACT

2 To amend and reenact R.S. 12:1-124(B), 1-128(B)(introductory paragraph) and (2),

3 1-140(15C), 1-141(I)(1)(introductory paragraph) and (3) and (J)(introductory

4 paragraph), 1-202(A)(5) and (B)(6) and (E), 1-302(introductory paragraph), 1-

5 303(A)(introductory paragraph) and (D), 1-401(D)(introductory paragraph) and (2),

6 1-601(C)(introductory paragraph) and (1), 1-621(F)(2)(a)(introductory paragraph),

7 1-622(D)(introductory paragraph), 1-623(B)(introductory paragraph), 1-

8 624(B)(introductory paragraph), 1-703(A)(introductory paragraph), 1-

9 721(E)(2)(introductory paragraph), 1-725(A), (C), and (D), 1-727, 1-802, 1-805(B)

10 and (E), 1-820(C), 1-831(A)(1), 1-833(C)(1)(introductory paragraph), 1-

11 842(C)(introductory paragraph), 1-851(A)(introductory paragraph) and (1), 1-

12 854(A)(introductory paragraph) and (3), 1-860(5), 1-870(A), 1-1022, 1-

13 1106(A)(introductory paragraph), 1-1107(A)(9) and (F)(introductory paragraph) and

14 (2), 1-1301(5.1)(introductory paragraph), 1-1432(C)(introductory paragraph), 1-

15 1435(F), 1-1436(D)(2)(b), 1-1444(A), and 1-1602(F)(introductory paragraph) and

16 to enact R.S. 12:1-143(A)(5), 1-202(B)(7) and (F), 1-709, 1-832(D), 1-870(C), 1-

17 955(F) and 1-1705, relative to corporations; to provide for qualifications of directors;

18 to provide relative to business opportunities; to provide for remote participation in

19 shareholders' meetings; to provide relative to quorum and voting requirements; to

1 provide relative to board of director meetings; to provide relative to protection  
2 against monetary liability; to provide for required disclosures; to provide for service  
3 of process on foreign entities; to provide relative to public corporation bylaws  
4 provisions relating to the election of directors; to provide for previous delivery of a  
5 share certificate for withdrawal by an oppressed shareholder; to provide a transition  
6 rule for reinstatement of corporations with revoked charters; to provide for technical  
7 corrections; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 12:1-124(B), 1-128(B)(introductory paragraph) and (2), 1-140(15C),  
10 1-141(I)(1)(introductory paragraph) and (3) and (J)(introductory paragraph), 1-202(A)(5)  
11 and (B)(6) and (E), 1-302(introductory paragraph), 1-303(A)(introductory paragraph) and  
12 (D), 1-401(D)(introductory paragraph) and (2), 1-601(C)(introductory paragraph) and (1),  
13 1-621(F)(2)(a)(introductory paragraph), 1-622(D)(introductory paragraph),  
14 1-623(B)(introductory paragraph), 1-624(B)(introductory paragraph), 1-703(A)(introductory  
15 paragraph), 1-721(E)(2)(introductory paragraph), 1-725(A), (C), and (D), 1-727, 1-802, 1-  
16 805(B) and (E), 1-820(C), 1-831(A)(1), 1-833(C)(1)(introductory paragraph),  
17 1-842(C)(introductory paragraph), 1-851(A)(introductory paragraph) and (1),  
18 1-854(A)(introductory paragraph) and (3), 1-860(5), 1-870(A), 1-1022,  
19 1-1106(A)(introductory paragraph), 1-1107(A)(9) and (F)(introductory paragraph) and (2),  
20 1-1301(5.1)(introductory paragraph), 1-1432(C)(introductory paragraph), 1-1435(F),  
21 1-1436(D)(2)(b), 1-1444(A) and 1-1602(F)(introductory paragraph) are hereby amended and  
22 reenacted and R.S. 12:1-143(A)(5), 1-202(B)(7) and (F), 1-709, 1-832(D), 1-870(C),  
23 1-955(F) and 1-1705 are hereby enacted to read as follows:

24 §1-124. Correcting filed document

25 \* \* \*

26 B. A document is corrected by ~~doing~~ delivering to the secretary of state for  
27 filing articles of correction. The articles of correction shall do all of the following:

28 ~~(1) Preparing articles of correction that perform all of the following:~~



1 specified shareholders, partners, members, or interest holders liable in their capacity  
2 as shareholders, partners, members, or interest holders for all or specified debts,  
3 obligations, or liabilities of the entity.

4 \* \* \*

5 §1-141. Notices and other communications

6 \* \* \*

7 I. Notice or other communication, if in a comprehensible form or manner,  
8 is effective at the earliest of the following:

9 (1) If in physical form, the earliest of when it is actually received, or when  
10 it is left at a place apparently designated for the receipt of mail or other similar  
11 communication at ~~any~~ the relevant one of the following:

12 \* \* \*

13 (3) If mailed by United States mail postage prepaid and correctly addressed  
14 to a recipient other than a shareholder, the earliest of ~~when it is actually received, or~~  
15 ~~either~~ of the following:

16 (a) The date when actually received.

17 ~~(a)~~(b) If sent by registered or certified mail, return receipt requested, the date  
18 shown on the return receipt signed by or on behalf of the addressee.

19 ~~(b)~~(c) Five days after it is deposited in the United States mail.

20 \* \* \*

21 J. A notice or other communication may be in the form of an electronic  
22 transmission that cannot be directly reproduced in paper form by the recipient  
23 through an automated process used in conventional commercial practice only if ~~both~~  
24 all of the following ~~conditions~~ requirements are met:

25 \* \* \*

26 §1-143. Qualified director

27 A. A "qualified director" is a director who meets the following criteria:

28 \* \* \*



1 a reasonable time, not less than one year in any event, after the dividend or  
 2 redemption price became payable or the shares became issuable, despite reasonable  
 3 efforts by the corporation to pay the dividend or redemption price or deliver the  
 4 certificates for the shares to such shareholders within such time, shall, at the  
 5 expiration of such time, revert in full ownership to the corporation, and the  
 6 corporation's obligation to pay such dividend or redemption price or issue such  
 7 shares, as the case may be, shall thereupon cease; provided that the board of directors  
 8 may, at any time, for any reason satisfactory to it, but need not, authorize either of  
 9 the following:

10 \* \* \*

11 E. As used in this Section, "related person" has the meaning specified in R.S.  
 12 12:860(5).

13 E.F. A written consent to appointment, signed by the initial registered agent,  
 14 shall be attached or appended to the articles of incorporation.

15 Comment - 2016

16 Paragraph (A)(5) of this Section was amended in 2016 to eliminate the  
 17 mandatory nature of the statement in the articles of incorporation of a corporation's  
 18 acceptance, rejection or limitation of the protection against monetary liability - often  
 19 called "exculpation" - provided by R.S. 12:1-832. A statement concerning  
 20 exculpation is required only if the corporation chooses to reject or limit the  
 21 protections provided by R.S. 12:1-832. The earlier approach was designed only to  
 22 alert those filing new articles of incorporation to the change in the law concerning  
 23 the default rule on the subject. A reference to the now-optional statement remains  
 24 part of Subsection (A) to draw attention to the possibility of rejecting or limiting the  
 25 protections that R.S. 12:1-832 provides by default.

26 \* \* \*

27 §1-302. General powers

28 Unless its articles of incorporation provide otherwise, every corporation has  
 29 perpetual duration and has the power to do all things necessary or convenient to carry  
 30 out its business and affairs, including without limitation power to do perform any of  
 31 the following ~~actions~~:

32 \* \* \*

1 §1-303. Emergency powers

2 A. In anticipation of or during an emergency defined in Subsection D of this  
3 Section, the board of directors of a corporation may do ~~either~~ any of the following:

4 \* \* \*

5 D. An emergency exists for purposes of this Section if a catastrophic event  
6 makes it impracticable, without applying the rules ~~pursuant to~~ stated in Subsection  
7 B of this Section, to attain a quorum of the corporation's directors when and as  
8 necessary to carry out the functions of the board of directors.

9 \* \* \*

10 §1-401. Corporate name

11 \* \* \*

12 D. A corporation may use in its filings with the secretary of state a name that  
13 is not distinguishable from one or more of the names described in Subsection B of  
14 this Section if the registrant of the name is incorporated, organized, or authorized to  
15 transact business in this state and the proposed user corporation ~~performed~~ did any  
16 of the following ~~actions~~:

17 \* \* \*

18 (2) ~~Been formed by~~ Came into existence through the reorganization of the  
19 other registrant.

20 \* \* \*

21 §1-601. Authorized shares

22 \* \* \*

23 C. The articles of incorporation may authorize one or more classes or series  
24 of shares that ~~meet~~ have any of the following ~~characteristics~~ criteria:

25 (1) ~~Have~~ Are entitled to special, conditional, or limited voting rights, or no  
26 right to vote, except to the extent otherwise provided by this Chapter.

27 \* \* \*

28 §1-621. Issuance of shares

29 \* \* \*

1 F.

2 (2) In this Subsection, both of the following shall apply:

3 (a) For purposes of determining the voting power of shares issued and  
4 issuable as a result of a transaction or series of integrated transactions, the voting  
5 power of shares shall be the greater of ~~either~~ of the following:

6 \* \* \*

7 §1-622. Liability of shareholders

8 \* \* \*

9 D. A proceeding to enforce the liability of a shareholder under Subsection  
10 C of this Section is subject to a preemptive period of two years measured from the  
11 relevant one of the following dates ~~date of either of the following~~:

12 \* \* \*

13 §1-623. Share dividends

14 \* \* \*

15 B. Shares of one class or series may not be issued as a share dividend in  
16 respect of shares of another class or series unless one of the following conditions ~~are~~  
17 is satisfied:

18 \* \* \*

19 §1-624. Share options

20 \* \* \*

21 B. The terms and conditions of such rights, options or warrants, including  
22 those outstanding on the effective date of this Section, may include, without  
23 limitation, restrictions or conditions that do ~~either~~ any of the following:

24 \* \* \*

25 §1-703. Court-ordered meeting

26 A. The district court of the parish where a corporation's principal office or,  
27 if none in this state, its registered office, is located may in a summary proceeding  
28 order a meeting to be held ~~at upon~~ either of the following:

29 \* \* \*



1        §1-709. Remote participation in annual special meetings

2                A. Shareholders of any class or series may participate in any meeting of  
3        shareholders by means of remote communication to the extent the board of directors  
4        authorizes such participation for such class or series. Participation by means of  
5        remote communication shall be subject to such guidelines and procedures as the  
6        board of directors adopts, and shall be in conformity with Subsection B.

7                B. Shareholders participating in a shareholders' meeting by means of remote  
8        communication shall be deemed present and may vote at such a meeting if the  
9        corporation has implemented reasonable measures to do all of the following:

10                (1) Verify that each person participating remotely is a shareholder.

11                (2) Provide such shareholders a reasonable opportunity to participate in the  
12        meeting and to vote on matters submitted to the shareholders, including an  
13        opportunity to communicate, and to read or hear the proceedings of the meeting,  
14        substantially concurrently with such proceedings.

15                                \*        \*        \*

16        §1-721. Voting entitlement of shares

17                                \*        \*        \*

18                E. For purposes of Subsections B and C of this Section, the following  
19        meanings shall apply:

20                                \*        \*        \*

21                (2) "Majority control" means ownership, direct or indirect, of a majority of  
22        ~~either~~ any of the following:

23                                \*        \*        \*

24        §1-725. Quorum and voting requirements for voting groups

25                A. Shares entitled to vote as a separate voting group may take action on a  
26        matter at a meeting only if a quorum of those shares exists with respect to that  
27        matter. ~~Unless the articles of incorporation provide otherwise~~ Unless a provision in  
28        the articles of incorporation authorized by R.S. 12:1-727 provides otherwise, a

1 majority of the votes entitled to be cast on the matter by the voting group constitutes  
2 a quorum of that voting group for action on that matter.

3 \* \* \*

4 C. If a quorum exists, action on a matter, other than the election of directors,  
5 by a voting group is approved if the votes cast within the voting group favoring the  
6 action exceed the votes cast opposing the action, unless this Chapter or the articles  
7 of incorporation require a greater number of affirmative votes.

8 D. [Reserved.] ~~An amendment of articles of incorporation adding, changing,~~  
9 ~~or deleting a quorum or voting requirement for a voting group greater than specified~~  
10 ~~in Subsection A or C of this Section is governed by R.S. 12:1-727.~~

11 \* \* \*

12 Comment - 2016

13 Model Act § 7.25 (d) was omitted from this Section in connection with an  
14 amendment of R.S. 12:1-727 that covered the same subject matter.

15 \* \* \*

16 §1-727. Greater quorum or voting requirements

17 A. The articles of incorporation may provide for a greater ~~quorum or~~ voting  
18 requirement for shareholders, or voting groups of shareholders, than is provided for  
19 by this Chapter. The articles of incorporation may make a quorum requirement for  
20 shareholders, or for a voting group of shareholders, greater or lesser than that  
21 provided by this Chapter, but the requirement may not be lower than twenty-five  
22 percent of the shares entitled to vote on a matter.

23 B. An amendment to the articles of incorporation that adds, changes, or  
24 deletes a ~~greater~~ quorum or voting requirement must meet the same quorum  
25 requirement and be adopted by the same vote and voting groups required to take  
26 action under the quorum and voting requirements then in effect or proposed to be  
27 adopted, whichever is greater.

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Comment - 2016

This Section was amended in 2016 to clarify the extent to which the quorum and voting requirements provided by this Chapter could be changed by provisions in the articles of incorporation. This Section effectively adopts the approach to the issue taken by the former LBCL. While the LBCL did permit the voting requirement for most fundamental decisions, such as mergers and amendments of the articles of incorporation, to be reduced from its statutory default standard of two-thirds of shares present, it did not permit the standard to be reduced to less than a majority of voting power. This Chapter provides the equivalent of that minimum standard, a majority of shares entitled to vote on a matter, as the default rule for fundamental decisions. Hence, by allowing only increases in that standard in the articles of incorporation, this Section is effectively retaining the floor that was imposed by the LBCL with respect to decisions of that kind. The other two voting requirements provided by this Chapter - plurality voting for directors and a majority-of-votes-cast standard for decisions not governed by other rules - are already as low as they practically could be for such decisions. They may be increased, but not decreased, by a provision in the articles of incorporation.

\* \* \*

§1-802. Qualifications of directors

A. The articles of incorporation or bylaws may prescribe qualifications for directors or for nominees for director. ~~A director need not be a resident of this state or a shareholder of the corporation unless the articles of incorporation or bylaws so prescribe.~~

B. A requirement that is based on a past, current or prospective action, or expression of an opinion, by a nominee or director that could limit the ability of a nominee or director to discharge his or her duties as a director is not a permissible qualification under this Section. Notwithstanding the foregoing, qualifications may include not being or having been subject to specified criminal, civil or regulatory sanctions or not having been removed as a director by judicial action or for cause.

C. A director need not be a resident of this state or a shareholder of the corporation unless the articles of incorporation or bylaws so provide.

D. A qualification for nomination for director adopted before a person's nomination shall apply to such person at the time of nomination. A qualification for nomination for director adopted after a person's nomination shall not apply to such person with respect to such nomination.

E. A qualification for director adopted before the start of a director's term may apply only at the time an individual becomes a director or may apply during a



1 (1) No defense interposed by the director based on R.S. 12:1-832, a  
2 provision in the articles of incorporation authorized by R.S. 12:1-202(B)(6), the  
3 protection afforded by R.S. 12:1-861, for action taken in compliance with R.S.  
4 12:1-862 or R.S. 12:1-863, or the protection afforded by R.S. 12:1-870, precludes  
5 liability.

6 \* \* \*

7 §1-832. Protection against monetary liability

8 \* \* \*

9 D. A provision in a corporation's articles of incorporation that became  
10 effective before January 1, 2015, and that purports to protect a director or officer of  
11 the corporation against monetary liability to the corporation or its shareholders, shall  
12 not operate as a limitation of the protection against liability provided by this Section  
13 except to the extent that it provides less protection against liability than was  
14 permitted by the law in effect at the time the provision became effective.

15 Comment - 2016

16 In accordance with R.S. 12:1-1701, the protections provided by this Section  
17 apply to all Louisiana business corporations, including those formed before January  
18 1, 2015. However, many corporations that were formed before that date will already  
19 have provisions in their articles of incorporation that were designed to provide  
20 similar protections under the "opt in" form of exculpation provision that was  
21 permitted under former law. Subsection (D) of this Section was added in 2016 to  
22 provide a transitional rule for corporations whose articles of incorporation contain  
23 that kind of exculpatory provision.

24 The transitional rule turns on whether a pre-2015 exculpatory provision  
25 provided less protection than allowed by law at the time that the provision became  
26 effective. While such a provision might theoretically create a complicated set of  
27 questions concerning the law in effect at a particular time, the law that authorized  
28 exculpatory provisions was first enacted in 1987 and did not change until it was  
29 repealed, effective January 1, 2015, the date that the current law took effect. The  
30 relevant provision was former R.S. 12:24(C)(4), which read as follows:

31  
32 A provision eliminating or limiting the personal liability of a director or  
33 officer to the corporation or its shareholders for monetary damages for  
34 breach of fiduciary duty as a director or officer, provided that such provision  
35 shall not eliminate or limit the liability of a director or officer:

36  
37 (a) For any breach of the director's or officer's duty of loyalty to the  
38 corporation or its shareholders;

39 (b) For acts or omissions not in good faith or which involve  
40 intentional misconduct or a knowing violation of law;  
41

1 (c) For liability under R.S. 12:92(D); or

2 (d) For any transaction from which the director or officer derived a  
3 improper personal benefit.

4  
5 No such provision shall eliminate or limit the liability of a director or officer  
6 for any act or omission occurring prior to the date when such provision  
7 becomes effective.

8  
9 The four exceptions to exculpation listed in former R.S. 12:24(C)(4) are  
10 similar, but not identical, to the four exceptions listed in Subsection (A) of this  
11 Section. Hence, pre-2015 exculpatory provisions that essentially copied the former  
12 statutory language will contain exceptions to exculpation that will differ from those  
13 provided in this Section. Some of those differences will not matter. The old  
14 reference to former R.S. 12:92(D), for example, which dealt with unlawful  
15 dividends, has been replaced in the current law by a reference to R.S. 12:1-833, the  
16 current unlawful dividend provision. But the current law states its own prohibition  
17 against the elimination of the unlawful dividend liability imposed by R.S. 12:1-833,  
18 regardless of whether a similar limitation appears in a corporation's articles of  
19 incorporation. See R.S. 12:1-832(B).

20  
21 Still, it is possible that other differences between the former and current list  
22 of exceptions could matter. The former law, for example, did not allow a  
23 corporation to eliminate a director's or officer's liability for any form of "intentional  
24 misconduct" or any "knowing violation of law," while the current law excludes that  
25 form of protection only for an intentional infliction of harm on the corporation or its  
26 shareholders or for an intentional violation of criminal law. Hence, it is possible that  
27 the language of a pre-2015 exculpatory provision could be construed as a limitation  
28 on exculpation if it tracked the old statutory language, even though a provision of  
29 that kind was far more likely intended to provide, not limit, the broadest form of  
30 exculpation permitted by law.

31  
32 Subsection (D) of this Section is designed to give effect to the likely intention  
33 of the shareholders who approved a pre-2015 exculpation provision. If a pre-2015  
34 provision provided for exculpation subject only to exceptions that tracked the old  
35 statutory language, the provision is treated as calling for exculpation to the full  
36 extent allowed by law, and thus to the full extent provided by this Section. In the  
37 unlikely event that a corporation did choose to adopt an exculpatory provision before  
38 2015, but on terms more limited than those allowed by former R.S. 12:24(C)(4), the  
39 greater-than-required form of limitation continues to be respected by Subsection (D),  
40 as that form of limitation suggests a deliberate choice by shareholders not to provide  
41 as much protection against liability as allowed by law.

42 §1-833. Directors' liability for unlawful distributions

43 \* \* \*

44 C.(1) A proceeding to enforce the liability of a director under Subsection A  
45 of this Section is barred unless it is commenced within two years after ~~of~~ the relevant  
46 one of the following dates:

47 \* \* \*

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

1 §1-842. Standards of conduct for officers

2 \* \* \*

3 C. In discharging his or her duties, an officer who does not have knowledge  
4 that makes reliance unwarranted is entitled to rely on ~~either~~ any of the following:

5 \* \* \*

6 §1-851. Permissible indemnification

7 A. Except as otherwise provided in this Section, a corporation may  
8 indemnify an individual who is a party to a proceeding because the individual is a  
9 director against liability incurred in the proceeding if ~~either condition exists~~ the  
10 requirements of Paragraph (1) or (2) of this Subsection are met:

11 (1)~~(a)~~ The director satisfied the requirements of Subparagraphs (a) and (b)  
12 and, if applicable, Subparagraph (c) of this Paragraph:

13 (a) The director conducted himself or herself in good faith, ~~and reasonably~~  
14 ~~believed either of the following:~~

15 (b) The director reasonably believed the relevant one of the following:

16 (i) In the case of conduct in an official capacity, that his or her conduct was  
17 in the best interests of the corporation.

18 (ii) In all other cases, that the director's conduct was at least not opposed to  
19 the best interests of the corporation.

20 ~~(b)~~(c) In the case of any criminal proceeding, the director had no reasonable  
21 cause to believe his or her conduct was unlawful.

22 \* \* \*

23 §1-854. Court-ordered indemnification and advance for expenses

24 A. A director who is a party to a proceeding because he or she is a director  
25 may petition the court conducting the proceeding for indemnification or an advance  
26 for expenses or, if the indemnification or advance for expenses is beyond the scope  
27 of the proceeding or of the jurisdiction of the court or other forum for the proceeding,  
28 may petition another court of competent jurisdiction. After ordering any notice it

1 considers necessary, the court shall hear the petition by summary proceeding and  
2 shall, if it makes the required determination, order one of the following:

3 \* \* \*

4 (3) Indemnification or advance for expenses if the court determines, in view  
5 of all the relevant circumstances, that it is fair and reasonable for the corporation to  
6 provide the ordered indemnification or advance for expenses, ~~a do either of the~~  
7 ~~following:~~

8 (a) ~~Indemnify the director.~~

9 (b) ~~Advance expenses to the director, even if, in the case of (a) or (b), he or~~  
10 ~~she has not met~~ even though the director did not meet the relevant standard of  
11 conduct set forth in R.S. 12:1-851(A), failed to comply with R.S. 12:1-853, or was  
12 adjudged liable in a proceeding referred to in R.S. 12:1-851(D)(1) or (D)(2), ~~but if~~  
13 If the director was adjudged so liable in a proceeding referred to in R.S.  
14 12:1-851(D)(1) or (D)(2), indemnification shall be limited to expenses incurred in  
15 connection with the proceeding.

16 \* \* \*

17 §1-860. Subpart definitions

18 In this Subpart, the following meanings shall apply:

19 \* \* \*

20 (5) "Related person" means, at the relevant time, ~~one~~ any of the following:

21 (a) The ~~director's~~ individual's spouse.

22 (b) A child, stepchild, grandchild, parent, stepparent, grandparent, sibling,  
23 stepsibling, half sibling, aunt, uncle, niece or nephew, or spouse of any thereof, of  
24 the ~~director~~ individual or of the ~~director's~~ individual's spouse.

25 (c) ~~An individual~~ A natural person living in the same home as the ~~director~~  
26 individual.

27 (d) An entity, other than the corporation or an entity controlled by the  
28 corporation, controlled by the ~~director~~ individual or any person specified above in  
29 this Paragraph.



1 (e) A domestic or foreign business or nonprofit corporation, other than the  
 2 corporation or an entity controlled by the corporation, of which the ~~director~~  
 3 individual is a director, a domestic or foreign unincorporated entity of which the  
 4 ~~director~~ individual is a general partner or a member of the governing body, or a  
 5 domestic or foreign individual, trust, or estate for whom or of which the ~~director~~  
 6 individual is a trustee, guardian, personal representative, or like fiduciary.

7 (f) A person that is, or an entity that is controlled by, an employer of the  
 8 ~~director~~ individual.

9 (g) A person with whom the ~~director~~ individual has a material relationship.

10 \* \* \*

11 §1-870. Business opportunities

12 A. ~~A director's~~ If a director or officer or related person of either pursues or  
 13 takes ~~taking~~ advantage, directly or indirectly, of a business opportunity, that action  
 14 may not be the subject of any form of relief, or give rise to an award of damages or  
 15 other sanctions against the director, officer or related person, in a proceeding by or  
 16 in the right of the corporation on the ground that such opportunity should have first  
 17 been offered to the corporation, ~~if before becoming legally obligated respecting the~~  
 18 ~~opportunity the director brings it to the attention of the corporation, and either of the~~  
 19 ~~following occurs~~ the requirements of Paragraph (1) or (2) of this Subsection are  
 20 satisfied:

21 (1) Before the director, officer or related person becomes legally obligated  
 22 respecting the opportunity, the director or officer brings it to the attention of the  
 23 corporation and either of the following occurs:

24 ~~(1)~~(a) Action by qualified directors disclaiming the corporation's interest in  
 25 the opportunity is taken in compliance with the same procedures set forth in R.S.  
 26 12:1-862, ~~as if the decision being made concerned a director's conflicting interest~~  
 27 ~~transaction.~~

28 ~~(2)~~(b) Shareholders' action disclaiming the corporation's interest in the  
 29 opportunity is taken in compliance with the procedures set forth in R.S. 12:1-863, as

1 if the decision being made concerned a director's conflicting interest transaction;  
2 ~~except that, rather than making "required disclosure" as defined in R.S. 12:1-860,~~  
3 ~~in each case the director shall have made prior disclosure to those acting on behalf~~  
4 ~~of the corporation of all material facts concerning the business opportunity that are~~  
5 ~~then known to the director.~~

6 (2) The duty to offer the corporation the particular business opportunity has  
7 been limited or eliminated pursuant to a provision of the articles of incorporation  
8 adopted, and in the case of officers and their related persons made effective by action  
9 of qualified directors, in accordance with R.S. 12:1-202(B)(6).

10 \* \* \*

11 C. For purposes of this Section, the term "required disclosure" as used in  
12 R.S. 12:1-862 and R.S. 12:1-863 means prior disclosure to those acting on behalf of  
13 the corporation of all material facts concerning the business opportunity that are then  
14 known to the director or officer.

15 \* \* \*

16 §1-955. Effect of entity conversion

17 \* \* \*

18 F. For purposes of service of process under Paragraph (B)(2) of this Section,  
19 a foreign eligible entity that is a survivor of a merger may be served in accordance  
20 with the rules applicable to service of process on a foreign corporation, as if both of  
21 the following conditions existed:

- 22 (1) The survivor were a foreign corporation.
- 23 (2) Each of the following persons were a director of that corporation:
  - 24 (a) A general partner if the survivor is a partnership of any kind.
  - 25 (b) A member if the survivor is a member-managed limited liability  
26 company.
  - 27 (c) A manager if the survivor is a manager-managed limited liability  
28 company.





1 §1-1106. Articles of merger or share exchange

2 A. After a plan of merger or share exchange has been adopted and approved  
3 as required by this Subpart, articles of merger or share exchange shall be signed on  
4 behalf of each party to the merger or share exchange by any officer or other duly  
5 authorized representative. Articles of merger need not be signed on behalf of any  
6 subsidiary that is a party to a merger authorized without the approval of the  
7 subsidiary's board of directors or shareholders as permitted by R.S. 12:1-1105(A).

8 The articles shall set forth all of the following:

9 \* \* \*

10 §1-1107. Effect of merger or share exchange

11 A. When the merger becomes effective, all of the following shall apply:

12 \* \* \*

13 (9) The survivor possesses all the rights, licenses, privileges, and franchises  
14 possessed by each of the parties to the merger, except that the survivor does not  
15 possess any right, license, privilege, or franchise that ~~meets either of the following~~  
16 ~~conditions:~~

17 ~~(a) The~~ the survivor is ineligible to possess or to exercise: or that does

18 ~~(b) Does~~ not survive a merger because of a provision to that effect in the law  
19 or administrative rules under which the right, license, privilege, or franchise is held  
20 at the time of the merger.

21 \* \* \*

22 F. For purposes of service of process under Paragraph (D)(2) of this Section,  
23 a foreign eligible entity that is a survivor of a merger may be served in accordance  
24 with the rules applicable to service of process on a foreign corporation, as if both of  
25 the following conditions ~~exist~~ existed:

26 \* \* \*

27 (2) Each of the following persons were a director of that corporation:

28 \* \* \*

1 §1-1301. Definitions

2 In this Part, the following meanings shall apply:

3 \* \* \*

4 (5.1) "Interested person" means a person, or an affiliate of a person, who at  
5 any time during the one-year period immediately preceding approval by the board  
6 of directors of the corporate action, satisfies ~~one~~ any of the following criteria:

7 \* \* \*

8 §1-1432. Appointment of receiver or liquidator

9 \* \* \*

10 C. The court shall describe the powers and duties of the receiver or liquidator  
11 in its appointing order, which may be amended from time to time and may require  
12 the receiver or liquidator to file interim and final reports with the court as the court  
13 considers appropriate. Except as limited by the court, ~~either~~ of the following powers  
14 may be exercised ~~actions may be taken~~:

15 \* \* \*

16 §1-1435. Oppressed shareholder's right to withdraw

17 \* \* \*

18 F. A notice of acceptance that operates as an acceptance of both the  
19 shareholder's offer to sell and the shareholder's proposed price forms a contract of  
20 sale of the shares at that price, payable in cash. The contract includes the warranties  
21 of a seller of investment securities under the Uniform Commercial Code and imposes  
22 a duty on the selling shareholder to deliver any certificates issued by the corporation  
23 for the withdrawing shareholder's shares or, if a certificate has been lost, stolen, ~~or~~  
24 destroyed, or previously delivered to the corporation, an affidavit to that effect.  
25 Either party may file an action to enforce the contract at the specified price if the  
26 contract is not fully performed within thirty days after the effective date of the notice  
27 of acceptance. If a withdrawing shareholder fails to deliver the certificate for a share  
28 purchased by the corporation under a contract formed under this Subsection, the

1 shareholder owes the same indemnity obligation as a shareholder who sells shares  
2 as described in R.S. 12:1-1436(F).

3 \* \* \*

4 §1-1436. Judicial determination of fair value and payment terms for withdrawing  
5 shareholder's shares

6 \* \* \*

7 D. Except as provided in Subsection E of this Section, at the conclusion of  
8 the trial the court shall render final judgment as described in Paragraphs (1) and (2)  
9 of this Subsection:

10 \* \* \*

11 (2) In favor of the corporation and against the shareholder that does both of  
12 the following:

13 \* \* \*

14 (b) Orders the shareholder to deliver to the corporation within thirty days of  
15 the date of the judgment any certificate issued by the corporation for the shares or  
16 an affidavit by shareholder that the certificate has been lost, stolen, ~~or destroyed,~~ or  
17 previously delivered to the corporation.

18 \* \* \*

19 §1-1444. Reinstatement of terminated corporation

20 A. A terminated corporation may be reinstated if the corporation satisfies  
21 both of the following conditions:

22 (1) It was ~~Was~~ not dissolved by a judgment of dissolution.

23 (2) It requests ~~Requests~~ reinstatement in accordance with this Section no  
24 later than three years after the effective date of its articles or certificate of  
25 termination.

26 \* \* \*

27 §1-1602. Inspection of records by shareholders

28 \* \* \*

1 F. This Section does not affect ~~either~~ any of the following:

2 \* \* \*

3 §1-1705. Transition rule for reinstatement of a corporation with a revoked charter

4 A. A corporation whose charter was revoked before January 1, 2015, may  
5 be reinstated as provided in R.S. 12:1-1444 for a corporation that was terminated  
6 administratively. Subject to the time limitation stated in Subsection (F) of this  
7 Section, a corporation whose charter was revoked before January 1, 2015, may also  
8 be reinstated as provided in Subsections (B) through (E) of this Section.

9 B. A corporation whose charter was revoked before January 1, 2015, may  
10 request reinstatement by delivering to the secretary of state for filing articles of  
11 charter-revocation reinstatement and an annual report. The articles of  
12 charter-revocation reinstatement and the annual report shall be signed by an officer  
13 or director of the corporation who is entitled to approve articles of reinstatement  
14 under R.S. 12:1-1444(B). The annual report shall be accompanied by a written  
15 consent to appointment signed by the registered agent named in the annual report.

16 C. The articles of charter-revocation reinstatement shall state all of the  
17 following:

- 18 (1) The name of the corporation.
- 19 (2) That the charter of the corporation was revoked before January 1, 2015.
- 20 (3) That the reinstatement was approved by an officer or director who is  
21 entitled to approve articles of reinstatement pursuant to R.S. 12:1-1444(B).
- 22 (4) That the corporation is reinstated, effective retroactively as if the  
23 corporation had never been terminated.

24 D. If the corporation's name is no longer available for use, the secretary of  
25 state shall file the articles of charter-revocation reinstatement only if the corporation  
26 also delivers for filing articles of amendment that change the name of the corporation  
27 to a name that meets the requirements of R.S. 12:1-401.



- 1           E. When the secretary of state files articles of charter-revocation  
 2           reinstatement, the existence of the corporation is reinstated retroactively, and the  
 3           corporation continues to exist as if the termination had never occurred.
- 4           F. A corporation may be reinstated pursuant to Subsections (B) through (E)  
 5           of this Section only if the documents required by those Subsections, and entitled to  
 6           filing pursuant to R.S. 12:1-120, are delivered for filing to the secretary of state  
 7           before January 1, 2019.

## DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 714 Original

2016 Regular Session

Foil

**Abstract:** Provides for revisions to the Business Corporation Act.

Present law (R.S. 12:1-143) provides for the requirements of a qualified director.

Proposed law provides an exception to those who are qualified directors with respect to offering potential business opportunities to the corporation.

Present law (R.S. 12:1-202(A)) requires an acceptance, rejection, or limitation of the protection against liability of directors and officers to be included in the articles of incorporation.

Proposed law eliminates the requirement of providing for acceptance of the protection in the articles of incorporation.

Present law (R.S. 12:1-202(B)) provides for permissive inclusions in the articles of incorporation.

Proposed law (R.S. 12:1-202(B)(6)) provides that a prospective limitation or elimination of the duty to offer business opportunities to the corporation may be included in the articles of incorporation.

Proposed law (R.S. 12:1-709) provides for remote participation in shareholders' meetings.

Present law (R.S. 12:1-727) provides that greater quorum or voting requirements for shareholders may be included in the articles of incorporation.

Proposed law provides that greater voting requirements or greater or lesser quorum requirements for shareholders may be included in the articles of incorporation.

Present law (R.S. 12:1-802) provides generally that qualifications for directors may be included in the articles of incorporation or bylaws.

Proposed law provides for the specific qualifications for directors or nominees for directors that may be included and the applicability of such qualifications.

Present law (R.S. 12:1-820) provides for the manner in which meetings of the board of directors may be called.

Proposed law allows meetings of the board of directors to be called in accordance with the bylaws.

Present law (R.S. 12:1-832) provides for protection against monetary liability for directors and officers of all Louisiana business corporations, including those formed under former law.

Proposed law provides a transitional rule for corporations whose articles of incorporation contain "opt in" exculpation provisions under former law.

Present law (R.S. 12:1-955) provides for the effects of entity conversion.

Proposed law provides that a foreign entity may be served in accordance with the service of process rules for foreign corporations.

Present law (R.S. 12:1-1022) provides for a detailed set of rules concerning public corporation bylaw provisions relating to the election of directors.

Proposed law replaces the detailed set of rules provided under present law with a more general statement of authority.

Present law (R.S. 12:1-1106(A)) requires the articles of merger or share exchange to be signed on behalf of each party to the transaction.

Proposed law adds an exception for any subsidiary that is a party to a merger without the approval of its board of directors or shareholders.

Present law (R.S. 12:1-1435) allows an oppressed shareholder to deliver an affidavit with respect to any lost, stolen, or destroyed share certificates.

Proposed law additionally allows an oppressed shareholder to deliver an affidavit with respect to any share certificates that were previously delivered to the corporation.

Proposed law (R.S. 12:1-1705) provides a transition rule for reinstatement of a corporation whose charter was revoked before January 1, 2015.

Present law provides for the Business Corporations Act, modeled after the Model Business Corporations Act, as enacted in 2014.

Proposed law incorporates revisions to the Model Business Corporations Act since the enactment of present law and provides for other technical corrections.

(Amends R.S. 12:1-124(B), 1-128(B)(intro. para.) and (2), 1-140(15C), 1-141(I)(1)(intro. para.) and (3) and (J)(intro. para.), 1-202(A)(5) and (B)(6) and (E), 1-302(intro. para.), 1-303(A)(intro. para.) and (D), 1-401(D)(intro. para.) and (2), 1-601(C)(intro. para.) and (1), 1-621(F)(2)(a)(intro. para.), 1-622(D)(intro. para.), 1-623(B)(intro. para.), 1-624(B)(intro. para.), 1-703(A)(intro. para.), 1-721(E)(2)(intro. para.), 1-725(A), (C), and (D), 1-727, 1-802, 1-805(B) and (E), 1-820(C), 1-831(A)(1), 1-833(C)(1)(intro. para.), 1-842(C)(intro. para.), 1-851(A)(intro. para.) and (1), 1-854(A)(intro. para.) and (3), 1-860(5), 1-870(A), 1-1022, 1-1106(A)(intro. para.), 1-1107(A)(9) and (F)(intro. para.) and (2), 1-1301(5.1)(intro. para.), 1-1432(C)(intro. para.), 1-1435(F), 1-1436(D)(2)(b), 1-1444(A), and 1-1602(F)(intro. para.); Adds R.S. 12:1-143(A)(5), 1-202(B)(7) and (F), 1-709, 1-832(D), 1-870(C), 1-955(F), and 1-1705)