GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2023

S SENATE BILL 545

Short Title:	Inspection Rights Regarding Subsidiaries.	(Public)
Sponsors:	Senator Sawrey (Primary Sponsor).	
Referred to:	Rules and Operations of the Senate	

April 5, 2023

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE RIGHT OF A SHAREHOLDER OF A CORPORATION TO INSPECT THE RECORDS OF A SUBSIDIARY ENTITY OF THAT CORPORATION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 55-16-01.1 reads as rewritten:

"§ 55-16-01.1. Definitions.

In this Article, the following definitions apply:

- (1) Reserved.
- (2) Reserved.
- (3) Qualified shareholder. A person who has been a shareholder in the corporation for at least six months immediately preceding the shareholder's demand for inspection of records or who holds at least five percent (5%) of the corporation's outstanding shares of any class.
- (4) Shareholder. A record shareholder or a beneficial shareholder whose shares are held in a voting trust or by a nominee on the beneficial shareholder's behalf and whose beneficial ownership is certified to the corporation by that voting trust or nominee.
- (5) Subsidiary. Any domestic or foreign entity directly or indirectly owned, in whole or in part, by the corporation of which the shareholder is a shareholder and over the affairs of which the corporation directly or indirectly exercises control. The term includes domestic and foreign corporations, including professional corporations and nonprofit corporations, partnerships, limited partnerships, limited liability partnerships, limited liability companies, business trusts, and joint ventures."

SECTION 2. G.S. 55-16-02 reads as rewritten:

"§ 55-16-02. Inspection of records by shareholders.

- (a) A qualified shareholder of a corporation is entitled to inspect and copy, during regular business hours at the corporation's principal office, any of the records of the corporation described in G.S. 55-16-01(a), excluding minutes of meetings of, and records of actions taken without a meeting by, the corporation's board of directors and board committees established under G.S. 55-8-25, if the qualified shareholder gives the corporation written notice of the qualified shareholder's demand at least five business days before the date on which the qualified shareholder wishes to inspect and copy.
- (b) A qualified shareholder of a corporation is entitled to inspect and copy, during regular business hours at a reasonable location specified by the corporation, any of the following records of the corporation if the qualified shareholder meets the requirements of subsection (c) of this



section and gives the corporation written notice of the qualified shareholder's demand at least five business days before the date on which the qualified shareholder wishes to inspect and copy:

- (1) Records of any final action taken with or without a meeting by the board of directors, or by a committee of the board of directors while acting in place of the board of directors on behalf of the corporation maintained in accordance with G.S. 55-16-01(a).
- (2) Accounting records of the corporation.
- (3) The record of shareholders maintained in accordance with G.S. 55-16-01(c).
- (4) The financial statements of the corporation maintained in accordance with G.S. 55-16-01(b).

A shareholder of a public corporation is not entitled to inspect or copy any accounting records of the corporation or any records of the corporation with respect to any matter which that the corporation determines in good faith may, if disclosed, adversely affect the corporation in the conduct of its business or may constitute material nonpublic information at the time the shareholder's notice of demand to inspect and copy is received by the corporation.

- (c) A qualified shareholder may inspect and copy the records described in subsection (b) of this section only if all of the following apply:
 - (1) The qualified shareholder's demand is made in good faith and for a proper purpose.
 - (2) The qualified shareholder describes with reasonable particularity the qualified shareholder's purpose and the records the qualified shareholder desires to inspect.
 - (3) The records are directly connected with the qualified shareholder's purpose.
- (c1) The corporation may impose reasonable restrictions on the confidentiality, use, or distribution of records described in subsection (b) of this section.
- (d) The right of inspection granted by this section shall not be abolished or limited by a corporation's articles of incorporation or bylaws.
 - (e) This section does not affect any of the following:
 - (1) The right of a shareholder to inspect records under G.S. 55-7-20 or, if the shareholder is in litigation with the corporation, to inspect the records to the same extent as any other litigant.
 - (2) The power of a court, independently of this Chapter, to compel the production of corporate records for examination and to impose reasonable restrictions as provided in G.S. 55-16-04(c), so long as, in the case of production of records described in subsection (b) of this section at the request of a qualified shareholder, the qualified shareholder has met the requirements of subsection (c) of this section.
- (f), (g) Repealed by Session Laws 2021-106, s. 6(c), effective October 1, 2021, and applicable to demands for inspection and requests for financial statements received by a corporation on or after that date.
- (h) A qualified shareholder of a corporation that has the power to elect, appoint, or designate a majority of the directors of another domestic or foreign corporation or of a domestic or foreign nonprofit corporation, has the inspection rights provided in this section with respect to the records of that other corporation.a subsidiary of the corporation to the extent that either of the following applies:
 - (1) The corporation has actual possession and control of the records of the subsidiary.
 - (2) The corporation could obtain the records through the exercise of control over the subsidiary so long as, as of the date of the making of the demand, both of the following apply:

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(i) Notwithstanding the provisions of this section or any other provisions of this Chapter or interpretations to the contrary, a shareholder of a public corporation has no common law rights to inspect or copy any accounting records of the corporation or any other records of the corporation that may not be inspected or copied by a shareholder of a public corporation as provided in subsection (b) of this section."

SECTION 3. This act becomes effective October 1, 2023, and applies to written notices of demand for inspection given on or after that date.