

14A:5-28

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2017 **CHAPTER:** 364

NJSA: 14A:5-28 (Permits corporation to impose reasonable limitations or conditions on use or distribution of books and records by shareholders.)

BILL NO: A2975 (Substituted for S2238)

SPONSOR(S) Diegnan and others

DATE INTRODUCED: 2/16/2016

COMMITTEE: **ASSEMBLY:** Commerce & Economic Development

SENATE: Commerce

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** 1/23/2017

SENATE: 1/5/2018

DATE OF APPROVAL: 1/16/2018

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Introduced version of bill enacted) Yes

A2975

SPONSOR'S STATEMENT: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

S2238

SPONSOR'S STATEMENT: (Begins on page 3 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

To check for circulating copies, contact New Jersey State Government Publications at the State Library [609 278-2640 ext.103](tel:6092782640) or <mailto:refdesk@njstatelib.org>

REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

RH/CL

P.L. 2017, CHAPTER 364, *approved January 16, 2018*
Assembly, No. 2975

1 **AN ACT** concerning corporate books and records and amending
2 N.J.S.14A:5-28.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. N.J.S.14A:5-28 is amended to read as follows:
8 14A:5-28. Books and records; right of inspection.

9 (1) Each corporation shall keep books and records of account
10 and minutes of the proceedings of its shareholders, board and
11 executive committee, if any. Unless otherwise provided in the
12 bylaws, such books, records and minutes may be kept outside this
13 State. The corporation shall keep at its principal office, its
14 registered office, or at the office of its transfer agent, a record or
15 records containing the names and addresses of all shareholders, the
16 number, class and series of shares held by each and the dates when
17 they respectively became the owners of record thereof. Any of the
18 foregoing books, minutes or records may be in written form or in
19 any other form capable of being converted into readable form
20 within a reasonable time. A corporation shall convert into readable
21 form without charge any such records not in such form, upon the
22 written request of any person entitled to inspect them.

23 (2) Upon the written request of any shareholder, the corporation
24 shall mail to such shareholder its balance sheet as at the end of the
25 preceding fiscal year, and its profit and loss and surplus statement
26 for such fiscal year.

27 (3) Any person who shall have been a shareholder of record of a
28 corporation for at least six months immediately preceding his
29 demand, or any person holding, or so authorized in writing by the
30 holders of, at least 5% of the outstanding shares of any class or
31 series, upon at least five days' written demand shall have the right
32 for any proper purpose to examine in person or by agent or attorney,
33 during usual business hours, its minutes of the proceedings of its
34 shareholders and record of shareholders and to make extracts
35 therefrom, at the places where the same are kept pursuant to
36 subsection 14A:5-28(1).

37 (4) Nothing herein contained shall impair the power of any
38 court, upon proof by a shareholder of proper purpose, irrespective
39 of the period of time during which the shareholder shall have been a
40 shareholder of record, and irrespective of the number of shares held
41 by him, to compel the production for examination by such
42 shareholder of the books and records of account, minutes, and

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 record of shareholders of a corporation. The court may, in its
2 discretion prescribe any limitations or conditions with reference to
3 the inspection, or award any other or further relief as the court may
4 deem just and proper. The court may order books, documents and
5 records, pertinent extracts therefrom, or duly authenticated copies
6 thereof, to be brought within this State and kept in this State upon
7 whatever terms and conditions as the order may prescribe. In any
8 action for inspection the court may proceed summarily.

9 (5) Holders of voting trust certificates representing shares of the
10 corporation shall be regarded as shareholders for the purpose of this
11 section.

12 (6) A corporation may impose reasonable limitations or
13 conditions on the use or distribution of requested materials provided
14 to a demanding shareholder: (a) pursuant to either subsection
15 14A:5-28(2) or 14A:5-28(3); or (b) prior to the order of a court
16 pursuant to subsection 14A:5-28(4).

17 (cf: P.L.1988, c.94, s.22)

18

19 2. This act shall take effect immediately.

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STATEMENT

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24 Under current law, corporations are required to maintain certain
25 books and records and provide access to those books and records to
26 requesting shareholders in certain circumstances. This bill modifies
27 current law to allow corporations to impose reasonable limitations
28 or conditions on the use or distribution of these requested materials.
29 The bill preserves the ultimate authority of a court to decide and
30 order relief in actions brought by shareholders for inspection of
31 corporate books and records.

32 Due to significant changes in technology that have occurred and
33 the related ease by which materials may now be used and
34 disseminated, the sponsor has proposed this bill to allow
35 corporations to continue a common practice, which has developed,
36 to condition the receipt of requested materials on, for example, the
37 demanding shareholder agreeing to customary confidentiality
38 obligations. However, the bill is not intended to provide a
39 corporation with a right to deny access to a demanding shareholder
40 of materials which the demanding shareholder is otherwise entitled.

41 This bill is a proposal of The New Jersey Corporate and Business
42 Law Study Commission.

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46 Permits corporation to impose reasonable limitations or
47 conditions on use or distribution of books and records by
48 shareholders.

ASSEMBLY, No. 2975

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED FEBRUARY 16, 2016

Sponsored by:

Assemblyman PATRICK J. DIEGNAN, JR.

District 18 (Middlesex)

Assemblywoman NANCY J. PINKIN

District 18 (Middlesex)

Assemblyman JAMES J. KENNEDY

District 22 (Middlesex, Somerset and Union)

Co-Sponsored by:

Assemblyman Coughlin

SYNOPSIS

Permits corporation to impose reasonable limitations or conditions on use or distribution of books and records by shareholders.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/6/2018)

1 AN ACT concerning corporate books and records and amending
2 N.J.S.14A:5-28.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. N.J.S.14A:5-28 is amended to read as follows:

8 14A:5-28. Books and records; right of inspection.

9 (1) Each corporation shall keep books and records of account
10 and minutes of the proceedings of its shareholders, board and
11 executive committee, if any. Unless otherwise provided in the
12 bylaws, such books, records and minutes may be kept outside this
13 State. The corporation shall keep at its principal office, its
14 registered office, or at the office of its transfer agent, a record or
15 records containing the names and addresses of all shareholders, the
16 number, class and series of shares held by each and the dates when
17 they respectively became the owners of record thereof. Any of the
18 foregoing books, minutes or records may be in written form or in
19 any other form capable of being converted into readable form
20 within a reasonable time. A corporation shall convert into readable
21 form without charge any such records not in such form, upon the
22 written request of any person entitled to inspect them.

23 (2) Upon the written request of any shareholder, the corporation
24 shall mail to such shareholder its balance sheet as at the end of the
25 preceding fiscal year, and its profit and loss and surplus statement
26 for such fiscal year.

27 (3) Any person who shall have been a shareholder of record of a
28 corporation for at least six months immediately preceding his
29 demand, or any person holding, or so authorized in writing by the
30 holders of, at least 5% of the outstanding shares of any class or
31 series, upon at least five days' written demand shall have the right
32 for any proper purpose to examine in person or by agent or attorney,
33 during usual business hours, its minutes of the proceedings of its
34 shareholders and record of shareholders and to make extracts
35 therefrom, at the places where the same are kept pursuant to
36 subsection 14A:5-28(1).

37 (4) Nothing herein contained shall impair the power of any
38 court, upon proof by a shareholder of proper purpose, irrespective
39 of the period of time during which the shareholder shall have been a
40 shareholder of record, and irrespective of the number of shares held
41 by him, to compel the production for examination by such
42 shareholder of the books and records of account, minutes, and
43 record of shareholders of a corporation. The court may, in its
44 discretion prescribe any limitations or conditions with reference to
45 the inspection, or award any other or further relief as the court may

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 deem just and proper. The court may order books, documents and
2 records, pertinent extracts therefrom, or duly authenticated copies
3 thereof, to be brought within this State and kept in this State upon
4 whatever terms and conditions as the order may prescribe. In any
5 action for inspection the court may proceed summarily.

6 (5) Holders of voting trust certificates representing shares of the
7 corporation shall be regarded as shareholders for the purpose of this
8 section.

9 (6) A corporation may impose reasonable limitations or
10 conditions on the use or distribution of requested materials provided
11 to a demanding shareholder: (a) pursuant to either subsection
12 14A:5-28(2) or 14A:5-28(3); or (b) prior to the order of a court
13 pursuant to subsection 14A:5-28(4).

14 (cf: P.L.1988, c.94, s.22)

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16 2. This act shall take effect immediately.

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21 Under current law, corporations are required to maintain certain
22 books and records and provide access to those books and records to
23 requesting shareholders in certain circumstances. This bill modifies
24 current law to allow corporations to impose reasonable limitations
25 or conditions on the use or distribution of these requested materials.
26 The bill preserves the ultimate authority of a court to decide and
27 order relief in actions brought by shareholders for inspection of
28 corporate books and records.

29 Due to significant changes in technology that have occurred and
30 the related ease by which materials may now be used and
31 disseminated, the sponsor has proposed this bill to allow
32 corporations to continue a common practice, which has developed,
33 to condition the receipt of requested materials on, for example, the
34 demanding shareholder agreeing to customary confidentiality
35 obligations. However, the bill is not intended to provide a
36 corporation with a right to deny access to a demanding shareholder
37 of materials which the demanding shareholder is otherwise entitled.

38 This bill is a proposal of The New Jersey Corporate and Business
39 Law Study Commission.

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2975

STATE OF NEW JERSEY

DATED: JANUARY 12, 2017

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 2975.

Under current law, corporations are required to maintain certain books and records and provide access to those books and records to requesting shareholders in certain circumstances. This bill modifies current law to allow corporations to impose reasonable limitations or conditions on the use or distribution of these requested materials. The bill preserves the ultimate authority of a court to decide and order relief in actions brought by shareholders for inspection of corporate books and records.

Due to significant changes in technology that have occurred and the related ease by which materials may now be used and disseminated, the sponsor has proposed this bill to allow corporations to continue a common practice, which has developed, to condition the receipt of requested materials on, for example, the demanding shareholder agreeing to customary confidentiality obligations. However, the bill is not intended to provide a corporation with a right to deny access to a demanding shareholder of materials which the demanding shareholder is otherwise entitled.

This bill is a proposal of The New Jersey Corporate and Business Law Study Commission.

SENATE COMMERCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2975

STATE OF NEW JERSEY

DATED: JUNE 19, 2017

The Senate Commerce Committee reports favorably Assembly Bill No. 2975.

Under current law, corporations are required to maintain certain books and records and provide access to those books and records to requesting shareholders in certain circumstances. This bill modifies current law to allow corporations to impose reasonable limitations or conditions on the use or distribution of these requested materials. The bill preserves the ultimate authority of a court to decide and order relief in actions brought by shareholders for inspection of corporate books and records.

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This bill is a proposal of The New Jersey Corporate and Business Law Study Commission.

SENATE, No. 2238

STATE OF NEW JERSEY
217th LEGISLATURE

INTRODUCED MAY 23, 2016

Sponsored by:

Senator PATRICK J. DIEGNAN, JR.

District 18 (Middlesex)

SYNOPSIS

Permits corporation to impose reasonable limitations or conditions on use or distribution of books and records by shareholders.

CURRENT VERSION OF TEXT

As introduced.



S2238 DIEGNAN

2

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18 foregoing books, minutes or records may be in written form or in
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SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE, No. 2238

STATE OF NEW JERSEY

DATED: JUNE 19, 2017

The Senate Commerce Committee reports favorably Senate Bill No. 2238.

Under current law, corporations are required to maintain certain books and records and provide access to those books and records to requesting shareholders in certain circumstances. This bill modifies current law to allow corporations to impose reasonable limitations or conditions on the use or distribution of these requested materials. The bill preserves the ultimate authority of a court to decide and order relief in actions brought by shareholders for inspection of corporate books and records.

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