

TITLE 4: ECONOMIC RESOURCES
DIVISION 4: CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS

§ 4106. No Share Buyouts or Diluted Value Stock Splits or Diminished Proportional Ownership Without Permission of Shareholders.

(a) It shall be unlawful for a corporation organized under the laws of the Commonwealth, to require a shareholder to sell, decrease or otherwise relinquish his or her shares in the corporation. Such a transaction can only occur with the prior written, nonproxy consent. Further, the value of a shareholder's ownership in a corporation shall not be changed through merger or any form of corporate reorganization. If the shareholder had voting rights in the merged corporation, he or she shall have voting rights in the surviving corporation.

(b) It shall be unlawful for a corporation under the laws of the Commonwealth to reduce the number of shares of a shareholder to a lesser number of shares, or to a single share, or to a fraction of a share, without the prior written, nonproxy consent of any and all shareholders.

(c) If any officer, director, or controlling shareholder, in violation of his fiduciary duties, unlawfully takes funds or assets belonging to the corporation, this taking shall in addition to any other remedies provided by law or regulation be deemed to be a repurchase by the corporation of the capital stock of such officer, director, or controlling shareholder. The value of the stock repurchased shall be based on the fair market value of the corporation's stock on the date of the unlawful taking.

(d) The rights and remedies provided for minority shareholders in subsection (a) of this section shall be in addition to those remedies provided to shareholders of merged corporations by other provisions of this division.

(e) This section shall apply to all corporate mergers in which the 30 day time period provided under chapter 2, section 1.20 of the corporation regulations has not yet expired. This section will not affect an employee stock option plan where the employee is required upon termination of his employment to sell the stock back to the corporation.

Source: PL 5-46, § 3; amended by PL 10-7, § 2.

Commission Comment: PL 5-46, the "Shareholder Protection Act of 1987," took effect November 23, 1987. Subsection (e) (which was enacted as part of PL 5-46, § 3) refers to "corporation regulations" that were superseded by regulations adopted in 1990. The 1990 regulations (as amended in 1994) were enacted as statutory law by PL 10-7, which took effect May 10, 1996, and were codified at 4 CMC § 4251 et seq.; see the comment to 4 CMC § 4251.