

FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

PUBLIC LAW NO. 5-46

HOUSE BILL NO. 5-204,  
S.D.1

THIRD REGULAR SESSION, 1987

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AN ACT

To amend 4 CMC, Division 4, Chapter 1 by adding a new Section 4106 to provide that no corporation organized under the laws of the Commonwealth shall require a shareholder to sell his or her shares, without permission of the stockholder; and providing for other remedies and rights of minority shareholder, and for other purposes.

BE IT ENACTED BY THE FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

Section 1. Short Title. This Act may be cited as the "Shareholder Protection Act of 1987."

Section 2. Purpose. The Legislature finds that shareholders, particularly minority shareholders, are unprotected by the existing law should a corporation decide to buy out its shareholders, or declare a stock split diluting the shareholders' ownership. This Act protects all shareholders in corporations organized under Commonwealth law from such action.

Section 3. Amendment. 4 CMC, Division 4, Chapter 1 shall be amended by adding a new Section 4106 to read as follows:

"Section 4106. No Shareholder 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, non-proxy 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 organized 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, non-proxy 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 corporation by Chapter 2 of the Corporation Regulations published in the Territorial Register, Volume 1, No. 1, dated July 15, 1974.

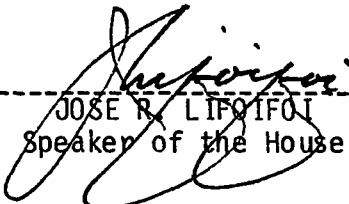
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(e) This section shall apply to all corporate mergers in which the 30 day time period provided under Chapter 2 Section 1.20 of the Corporation Regulations has not yet expired. This section will not affect an employee stock option plan where the employee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

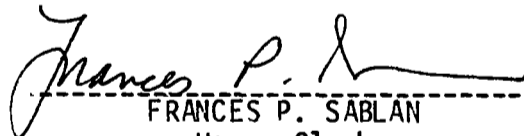
Section 4. Amendment. 4 CMC, Division 1, Chapter 1, shall be amended by renumbering existing Section 4106 to read as 4 CMC, Section 4107.

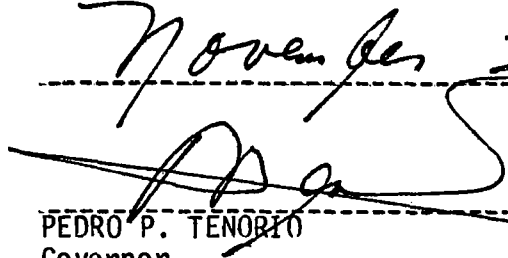
Section 5. Severability. If any provision of this Act, or the application thereof to any person or circumstance is held invalid, the invalidity does not affect any other provision or application of the Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

Section 6. Effective Date. This Act shall take effect upon its approval by the Governor, or upon its becoming law without such approval.

ATTEST:

  
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JOSE R. LIFOIFOI  
Speaker of the House

  
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FRANCES P. SABLAN  
House Clerk

  
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November 23, 1987

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PEDRO P. TENORIO  
Governor  
Commonwealth of the Northern Mariana Islands