Article 7.

Shareholders.

Part 1. Meetings.

§ 55-7-01. Annual meeting.

(a) A corporation shall hold a meeting of shareholders annually at a time stated in or fixed in accordance with the bylaws.

(b) Unless the board of directors determines to hold the meeting solely by means of remote communication in accordance with G.S. 55-7-09(c), annual shareholders' meetings may be held (i) in or out of this State at the place stated in or fixed in accordance with the bylaws, or (ii) if no place is stated in or fixed in accordance with the bylaws, at the corporation's principal office.

(c) The failure to hold an annual meeting at the time stated in or fixed in accordance with a corporation's bylaws does not affect the validity of any corporate action. Upon such failure, whether from lack of quorum or otherwise, a substitute annual meeting may be called in accordance with the provisions of G.S. 55-7-02 and any meeting so called may be designated as the annual meeting.

(d) Any matter relating to the affairs of a corporation that is appropriate for shareholder action is a proper subject for action at an annual meeting of shareholders, and unless required by some provision of this Chapter, the matter need not be specifically stated in the notice of meeting. (1901, c. 2, ss. 46, 49, 51; Rev., ss. 1179, 1188, 1190; C.S., ss. 1168, 1169, 1176; G.S., ss. 55-105, 55-106, 55-113; 1955, c. 1371, s. 1; 1959, c. 1316, ss. 21, 22; 1985 (Reg. Sess., 1986), c. 801, s. 44; 1989, c. 265, s. 1; 2021-162, s. 1(a).)

§ 55-7-02. Special meeting.

(a) A corporation shall hold a special meeting of shareholders if either of the following applies:

(1) On call of its board of directors or the person or persons authorized to do so by the articles of incorporation or the bylaws.

(2) In the case of a corporation that is not a public corporation, within 30 days after the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date, and deliver to the corporation's secretary one or more written demands for the meeting describing the purpose or purposes for which it is to be held. The written demand shall cease to be effective on the sixty-first day after the date of signature appearing on the demand unless prior to the sixty-first day the corporation has received effective written demands from holders sufficient to call the special meeting.

(b) If not otherwise fixed under G.S. 55-7-03 or G.S. 55-7-07, the record date for determining shareholders entitled to demand a special meeting is the date the first shareholder signs the demand.

(c) Unless the board of directors determines to hold the meeting solely by means of remote communication in accordance with G.S. 55-7-09(c), special shareholders' meetings may be held (i) in or out of this State at the place stated in or fixed in accordance with the bylaws or (ii) if no place is stated or fixed in accordance with the bylaws, at the corporation's principal office.

(d) Only business within the purpose or purposes described in the meeting notice required by G.S. 55-7-05(c) may be conducted at a special shareholders' meeting. (1901, c. 2, ss. 46, 49, 51; Rev., ss. 1179, 1188, 1190; C.S., ss. 1168, 1169, 1176; G.S., ss. 55-105, 55-106, 55-113; 1955, c.

1371, s. 1; 1959, c. 1316, ss. 21, 22; 1985 (Reg. Sess., 1986), c. 801, s. 44; 1989, c. 265, s. 1; 1991, c. 645, s. 17(a); 2001-201, s. 15; 2002-58, s. 1; 2021-162, s. 1(b).)

§ 55-7-03. Court-ordered meeting.

(a) The superior court of the county where a corporation's principal office (or, if none in this State, its registered office) is located may, after notice is given to the corporation, summarily order a meeting to be held:

(1) On application of any shareholder if an annual meeting of the shareholders was not held within 15 months after the corporation's last annual meeting; or

(2) On application of a shareholder who signed a demand for a special meeting valid under G.S. 55-7-02, if the corporation does not proceed to hold the meeting as required by that section.

(b) The court may fix the time and place of the meeting, determine the shares entitled to participate in the meeting, specify a record date for determining shareholders entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, fix the quorum required for specific matters to be considered at the meeting (or direct that the votes represented at the meeting constitute a quorum for action on those matters), enter other orders necessary to accomplish the purpose or purposes of the meeting, and award such reasonable expenses, including attorneys' fees, as it deems appropriate. (1901, c. 2, ss. 46, 49, 51; Rev., ss. 1179, 1188, 1190; C.S., ss. 1168, 1169, 1176; G.S., ss. 55-105, 55-106, 55-113; 1955, c. 1371, s. 1; 1959, c. 1316, ss. 21, 22; 1985 (Reg. Sess., 1986), c. 801, s. 44; 1989, c. 265, s. 1; 1991, c. 645, s. 17(b).)

§ 55-7-04. Action without meeting.

(a) Any action required or permitted by this Chapter to be taken at a shareholders' meeting may be taken without a meeting and without prior notice except as required by subsection (d) of this section, if the action is taken by all the shareholders entitled to vote on the action or if the action is taken by either of the following:

(1) For corporations incorporated prior to October 1, 2023, subject to subsection (a1) of this section, if so provided in the articles of incorporation of a corporation that is not a public corporation at the time the action is taken, by shareholders having not less than the minimum number of votes that would be necessary to take the action at a meeting at which all shareholders entitled to vote were present and voted.

(2) For corporations incorporated on or after October 1, 2023, subject to subsection (a1) of this section, if not prohibited by the articles of incorporation of a corporation that is not a public corporation at the time the action is taken, by shareholders having not less than the minimum number of votes that would be necessary to take the action at a meeting at which all shareholders entitled to vote were present and voted.

The action must be evidenced by one or more unrevoked written consents signed by shareholders sufficient to take the action without a meeting, before or after the action, describing the action taken and delivered to the corporation for inclusion in the minutes or filing with the corporate records. To the extent the corporation has agreed pursuant to G.S. 55-1-50, a shareholder's consent or revocation of consent to action taken without meeting may be in electronic form and delivered by electronic means.

(a1) Notwithstanding subsection (a) of this section, the following actions may be taken without a meeting only by all the shareholders entitled to vote on the action:

(1) If cumulative voting is not authorized, the election of directors at the annual meeting.

(2) If cumulative voting is authorized, the election of directors and the removal of a director unless the entire board of directors is to be removed. If G.S. 55-7-28(e) applies to the corporation, an amendment to the articles of incorporation to deny or limit the right of shareholders to vote cumulatively and an amendment to the articles of incorporation or bylaws to decrease the number of directors.

(b) A shareholder's written consent to action to be taken without a meeting shall not be effective to take the corporate action referred to in the consent unless the corporation has, within 60 days following the first date on which a consent for that action is received by the corporation, received unrevoked written consents sufficient under subsection (a) of this section to take the action without meeting. If not otherwise fixed under G.S. 55-7-03 or G.S. 55-7-07, the record date for determining shareholders entitled to take action without a meeting is the earliest date that any consent that is to be counted in satisfying the requirements of subsection (a) of this section is received by the corporation. A shareholder may only revoke a written consent if the shareholder delivers to the corporation a written revocation prior to the corporation's receipt of unrevoked written consents sufficient under subsection (a) of this section to take the action.

(c) A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

(d) Unless the articles of incorporation otherwise provide, if shareholder approval is required by this Chapter for (i) an amendment to the articles of incorporation pursuant to Article 10 of this Chapter, (ii) a plan of merger or share exchange pursuant to Article 11 of this Chapter, (iii) a plan of conversion pursuant to Part 2 of Article 11A of this Chapter, (iv) the sale, lease, exchange, or other disposition of all, or substantially all, of the corporation's property pursuant to Article 12 of this Chapter, or (v) a proposal for dissolution pursuant to Article 14 of this Chapter, and the approval is to be obtained through action without meeting, the corporation must give its shareholders, other than shareholders who consent to the action, written notice of the proposed action at least 10 days before the action is taken. The notice shall contain or be accompanied by the same material that, under this Chapter, would have been required to be sent to shareholders not entitled to vote on the action in a notice of meeting at which the proposed action would have been submitted to shareholders for action.

(e) If action is taken without a meeting by fewer than all shareholders entitled to vote on the action, the corporation shall give written notice to all shareholders who have not consented to the action and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting with the same record date as the action taken without a meeting, within 10 days after the action is taken. The notice shall describe the action and indicate that the action has been taken without a meeting of shareholders. Failure to comply with the requirements of this subsection does not invalidate any action taken that otherwise complies with this section. (1955, c. 1371, s. 1; 1969, c. 751, s. 33; 1989, c. 265, s. 1; 2001-387, s. 11; 2001-487, ss. 62(b), 62(c); 2005-268, ss. 2, 3; 2023-130, s. 2(a).)

§ 55-7-05. Notice of meeting.

(a) A corporation shall notify shareholders of the date, time, and place, if any, of each annual and special shareholders' meeting no fewer than 10 nor more than 60 days before the

meeting date. If the board of directors has authorized participation by means of remote communication pursuant to G.S. 55-7-09 for any class or series of shareholders, the notice to such class or series of shareholders shall describe the means of remote communication to be used. Unless this Chapter or the articles of incorporation require otherwise, the corporation is required to give notice only to shareholders entitled to vote at the meeting.

(b) Unless this Chapter or the articles of incorporation require otherwise, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called.

(c) Notice of a special meeting must include a description of the purpose or purposes for which the meeting is called.

(d) If not otherwise fixed under G.S. 55-7-03 or G.S. 55-7-07, the record date for determining shareholders entitled to notice of and to vote at an annual or special shareholders' meeting is the close of business on the day before the first notice is delivered to shareholders.

(e) Unless the bylaws require otherwise, if an annual or special shareholders' meeting is adjourned to a different date, time, or place, if any, notice need not be given of the new date, time, or place, if any, if the following are announced at the meeting before adjournment:

(1) The new date, time, or place, if any.

(2) If the meeting is to be continued solely by means of remote communication, a description of the means of remote communication.

If a new record date for the adjourned meeting is or must be fixed under G.S. 55-7-07, however, notice of the adjourned meeting must be given under this section to persons who are shareholders as of the new record date.

(f) After a public corporation has notified shareholders of the date, time, and place of an annual or special shareholders' meeting in accordance with subsection (a) of this section, further notification in accordance with subsection (a) of this section is not required if all of the following apply:

(1) A governmental order restricting travel or group gatherings applicable to the place of the shareholders' meeting or public corporation's principal office is in effect and is anticipated in good faith by the board of directors to be in effect at the date and time set forth in the initial notification, including by an anticipated extension of an existing order.

(2) The public corporation's board of directors determines that the shareholders' meeting is instead to be held solely by means of remote communication in accordance with G.S. 55-7-09(c) at the same date and time set forth in the initial notification or at a different date and time.

(3) The public corporation (i) promptly issues a press release for national dissemination announcing the determination of its board of directors that the shareholders' meeting is to be held solely by means of remote communication and describing the means of remote communication to be used and providing the date and time of the shareholders' meeting to be held solely by means of remote communication and (ii) files the press release with the Securities and Exchange Commission as close to the time the press release is issued as practicable and approximately contemporaneously posts such press release to its corporate website. (1955, c. 1371, s. 1; 1989, c. 265, s. 1; 2013-153, s. 3; 2021-162, s. 1(c).)

§ 55-7-06. Waiver of notice.

(a) A shareholder may waive any notice required by this Chapter, the articles of incorporation, or bylaws before or after the date and time stated in the notice. The waiver must be in writing, be signed by the shareholder entitled to the notice, and be delivered to the corporation for inclusion in the minutes or filing with the corporate records.

(b) A shareholder's attendance at a meeting:

(1) Waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting;

(2) Waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter before it is voted upon. (1955, c. 1371, s. 1; 1989, c. 265, s. 1.)

§ 55-7-07. Record date.

(a) The bylaws may fix or provide the manner of fixing the record date for one or more voting groups in order to determine the shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to take any other action. If the bylaws do not fix or provide for fixing a record date, the board of directors of the corporation may fix a future date as the record date.

(b) A record date fixed under this section may not be more than 70 days before the meeting or action requiring a determination of shareholders.

(c) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the board of directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(d) If a court orders a meeting adjourned to a date more than 120 days after the date fixed for the original meeting, it may provide that the original record date continues in effect or it may fix a new record date. (1955, c. 1371, s. 1; 1973, c. 469, s. 45.1; 1989, c. 265, s. 1.)

§ 55-7-08: Repealed by Session Laws 2013-153, s. 4, effective January 1, 2014.

§ 55-7-09. Remote participation in meetings; meetings held solely by remote participation.

(a) To the extent authorized by a corporation's board of directors, shareholders of any class or series designated by the board of directors may participate in any meeting of shareholders by means of remote communication. Participation by means of remote communication shall be subject to such guidelines and procedures as the board of directors adopts and shall be in conformity with subsection (b) of this section.

(b) Shareholders participating in a shareholders' meeting by means of remote communication are deemed present and may vote at the meeting if the corporation has implemented reasonable measures to do all of the following:

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

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

(c) Unless shareholders' meetings held solely by means of remote communication are prohibited by the articles of incorporation or the bylaws, the board of directors may, in its sole discretion, determine that any meeting of shareholders shall not be held at any place and shall instead be held solely by means of remote communication, but only if the corporation implements the measures specified in subsection (b) of this section. (2013-153, s. 5; 2021-162, s. 1(d).)

§ 55-7-10: Reserved for future codification purposes.

§ 55-7-11: Reserved for future codification purposes.

§ 55-7-12: Reserved for future codification purposes.

§ 55-7-13: Reserved for future codification purposes.

§ 55-7-14: Reserved for future codification purposes.

§ 55-7-15: Reserved for future codification purposes.

§ 55-7-16: Reserved for future codification purposes.

§ 55-7-17: Reserved for future codification purposes.

§ 55-7-18: Reserved for future codification purposes.

§ 55-7-19: Reserved for future codification purposes.

Part 2. Voting.

§ 55-7-20. Shareholders' list for meeting.

(a) After fixing a record date for a meeting, a corporation shall prepare an alphabetical list of the names of all its shareholders who are entitled to notice of a shareholders' meeting. The list shall be arranged by voting group, by class or series of shares within each voting group, and shall show the address of and number of shares held by each shareholder. If the notice or other communications regarding the meeting have been or will be sent by the corporation to a shareholder by email or other electronic means, the list shall also show that shareholder's email address or address for transmission by other electronic means.

(b) The shareholders' list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, (i) at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held or (ii) on a reasonably accessible electronic network so long as the information required to gain access to the list is provided with the notice of the meeting. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that the information is available only to shareholders of the corporation. A shareholder, personally or by or with the shareholder's representative, is entitled on written demand to inspect and, subject to the requirements of G.S. 55-16-02(c), to copy the list, during regular business hours and at the shareholder's expense, during the period it is available for inspection.

(c) If the meeting is to be held at a place, the corporation shall make the shareholders' list available at the meeting, and any shareholder, personally or by or with the shareholder's representative, is entitled to inspect the list at any time during the meeting or any adjournment. If the meeting is to be held at a place, the corporation is not required to make the list available through electronic or other means of remote communication to a shareholder or proxy attending the meeting by remote communication pursuant to G.S. 55-7-09. If the meeting is to be held solely by means of remote communication, then the list shall also be open to inspection during the meeting on a reasonably accessible electronic network, and the information required to access the list shall be provided with the notice of the meeting.

(d) If the corporation refuses to allow a shareholder or the shareholder's representative to inspect the shareholders' list before or at the meeting, or copy the list as permitted by subsection (b) of this section, the superior court of the county where a corporation's principal office is located, or, if the corporation has no principal office in this State, the superior court of the county where the corporation's registered office is located, on application of the shareholder, after notice is given to the corporation, may summarily order the inspection or copying at the corporation's expense and may postpone the meeting for which the list was prepared until the inspection or copying is complete.

(e) Refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting. (1955, c. 1371, s. 1; 1989, c. 265, s. 1; 1993, c. 552, s. 9; 2001-387, s. 13; 2013-153, s. 6; 2021-162, s. 1(e); 2023-130, s. 1(c).)

§ 55-7-21. Voting entitlement of shares.

(a) Except as provided in subsections (b) and (c) of this section or unless the articles of incorporation provide otherwise, each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a shareholders' meeting.

(b) Absent special circumstances, the shares of a corporation are not entitled to vote if they are owned by or otherwise belong to the corporation, directly or indirectly, through an entity of which a majority of the voting power is held directly or indirectly by the corporation or which is otherwise controlled by the corporation.

(c) Subsection (b) of this section does not limit the power of a corporation to vote any shares, including its own shares, held, directly or indirectly, in a fiduciary capacity, unless they are held for the benefit of, or otherwise belong to, the corporation, directly or indirectly, through an entity of which a majority of the voting power is held directly or indirectly by the corporation or which is otherwise controlled by the corporation.

(d) Redeemable shares are not entitled to vote after notice of redemption is given to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

(e) For purposes of this section, "voting power" means the current power to vote in the election of directors of a corporation or to elect, select, or appoint managers, managing members, or other members of the governing body of another entity. (Rev., ss. 1183, 1184; 1907, c. 457, s. 1; 1909, c. 827, s. 1; C.S., s. 1173; 1945, c. 635; G.S., s. 55-110; 1951, c. 265, s. 2; 1953, c. 722; 1955, c. 1371, s. 1; 1959, c. 768; c. 1316, s. 23; 1963, c. 1065; 1969, c. 751, ss. 34, 35; 1985, c. 419; 1985 (Reg. Sess., 1986), c. 801, s. 45; 1989, c. 265, s. 1; 2021-106, s. 1(a).)

§ 55-7-21.1. Rights of holders of debt securities.

In addition to any rights otherwise lawfully conferred, the articles of incorporation of the corporation may confer upon the holders of any bonds, debentures or other debt obligations issued or to be issued by the corporation any one or more of the following powers and rights upon such terms and conditions as may be prescribed in the articles of incorporation:

(1) The power to vote on any matter either in conjunction with or to the full or partial exclusion of its shareholders, notwithstanding G.S. 55-6-01(c)(1), and in determination of votes and voting groups, the holders of such debt obligations shall be treated as shareholders;

(2) The right to inspect the corporate books and records;

(3) Any other rights concerning the corporation which its shareholders have or may have.

Any such power or right shall not be diminished, as to bonds, debentures or other obligations then outstanding, except by an amendment of the articles of incorporation approved by the vote or written consent of the holders of a majority in principal amount thereof or such larger percentage as may be specified in the articles of incorporation. (1969, c. 751, s. 19; 1989, c. 265, s. 1; 1989 (Reg. Sess., 1990), c. 1024, s. 12.10; 1991, c. 645, s. 5.)

§ 55-7-22. Proxies.

(a) A shareholder may vote his shares in person or by proxy.

(b) A shareholder may appoint one or more proxies to vote or otherwise act for the shareholder by signing an appointment form, either personally or by the shareholder's attorney-in-fact. Without limiting G.S. 55-1-50, an appointment in the form of an electronic record that bears the shareholder's electronic signature and that may be directly reproduced in paper form by an automated process shall be deemed a valid appointment form within the meaning of this section. In addition, a public corporation may permit a shareholder may to appoint one or more proxies by any kind of telephonic transmission, even if not accompanied by written communication, under circumstances or together with information from which the corporation can reasonably assume that the appointment was made or authorized by the shareholder.

(c) An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for 11 months unless a different period is expressly provided in the appointment form.

(d) An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest. Appointments coupled with an interest include the appointment of:

(1) A pledgee;

(2) A person who purchased or agreed to purchase the shares;

(3) A creditor of the corporation who extended it credit under terms requiring the appointment;

(4) An employee of the corporation whose employment contract requires the appointment; or

(5) A party to a voting agreement created under G.S. 55-7-31.

(e) The death or incapacity of the shareholder appointing a proxy does not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises his authority under the appointment.

(f) An appointment made irrevocable under subsection (d) shall be revocable when the interest with which it is coupled is extinguished.

(g) A transferee for value of shares subject to an irrevocable appointment may revoke the appointment if he did not know of its existence when he acquired the shares and the existence of the irrevocable appointment was not noted conspicuously on the certificate representing the shares or on the information statement for shares without certificates.

(h) Subject to G.S. 55-7-24 and to any express limitation on the proxy's authority appearing on the face of the appointment form, a corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment. (1955, c. 1371, s. 1; 1959, c. 1316, s. 24; 1973, c. 469, ss. 23-25; 1989, c. 265, s. 1; 1999-138, s. 1; 2001-387, s. 14.)

§ 55-7-23. Shares held by nominees.

(a) A corporation may establish a procedure by which the beneficial owner of shares that are registered in the name of a nominee is recognized by the corporation as a shareholder. The extent of this recognition may be determined in the procedure.

(b) The procedure may set forth:

(1) The types of nominees to which it applies;
(2) The rights or privileges that the corporation recognizes in a beneficial owner;
(3) The manner in which the procedure is selected by the nominee;
(4) The information that must be provided when the procedure is selected;
(5) The period for which selection of the procedure is effective; and
(6) Other aspects of the rights and duties created. (1989, c. 265, s. 1.)

§ 55-7-24. Corporation's acceptance of votes.

(a) If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the corporation if acting in good faith is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder.

(b) If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its shareholder, the corporation if acting in good faith is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if:

(1) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity;
(2) The name signed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
(3) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of its status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
(4) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, or proxy appointment;

(5) Two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.

(c) The corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

(d) The corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this section or G.S. 55-7-22(b) are not liable in damages to the shareholder for the consequences of the acceptance or rejection.

(e) Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this section is valid unless a court of competent jurisdiction determines otherwise. (1901, c. 2, ss. 42, 43; c. 474, ss. 1, 2; Rev., ss. 1185, 1186, 1187; C.S., s. 1174; G.S., s. 55-111; 1955, c. 1371, s. 1; 1957, c. 1039; 1959, c. 1316, s. 36; 1989, c. 265, s. 1; 2005-268, ss. 4, 5.)

§ 55-7-25. Quorum and voting requirements for voting groups.

(a) Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of that voting group exists with respect to that matter, except that, in the absence of a quorum at the opening of any meeting of shareholders, such meeting may be adjourned from time to time by the vote of a majority of the votes cast on the motion to adjourn. Unless the articles of incorporation, a bylaw adopted by the shareholders, or this act provides otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

(b) Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

(c) If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the articles of incorporation, a bylaw adopted by the shareholders, or this Chapter requires a greater number of affirmative votes.

(d) An amendment of the articles of incorporation or bylaws adding, changing, or deleting a quorum or voting requirement for a voting group greater than specified in subsection (a) or (c) is governed by G.S. 55-7-27.

(e) The election of directors is governed by G.S. 55-7-28.

(f) Whenever a provision of this Chapter provides for voting by one or more series as separate voting groups, unless otherwise provided in this Chapter, the requirement provided in G.S. 55-10-04(c) for amendments of articles of incorporation apply to that provision. (1901, c. 2, s. 39; Rev., s. 1182; C.S., s. 1175; 1927, c. 138; G.S., s. 55-112; 1955, c. 1371, s. 1; 1973, c. 469, ss. 21, 22; 1989, c. 265, s. 1; 1991, c. 645, s. 16(a); 2018-45, s. 4.)

§ 55-7-26. Action by single and multiple voting groups.

(a) If the articles of incorporation, a bylaw adopted by the shareholders, or this Chapter provides for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group as provided in G.S. 55-7-25.

(b) If the articles of incorporation, a bylaw adopted by the shareholders, or this Chapter provides for voting by two or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately as provided in G.S. 55-7-25. Action may be taken by one voting group on a matter even though no action is taken at the same time by another voting group entitled to vote on the matter. (1989, c. 265, s. 1.)

§ 55-7-27. Greater quorum or voting requirements.

(a) The articles of incorporation or a bylaw adopted by the shareholders may provide for a greater quorum or voting requirement for shareholders (or voting groups of shareholders) than is provided for by this Chapter. Any such bylaw adopted by the shareholders after the effective date of this section must be approved by a quorum and vote sufficient to amend the articles of incorporation for that purpose.

(b) Any provision in the articles of incorporation or bylaws prescribing the quorum or vote required for any purpose as permitted by this section may not itself be amended by a quorum or vote less than the quorum or vote therein prescribed. (1955, c. 1371, s. 1; 1959, c. 1316, ss. 2, 3; 1973, c. 469, ss. 4, 22; 1989, c. 265, s. 1.)

§ 55-7-28. Voting for directors; cumulative voting.

(a) Unless otherwise provided in the articles of incorporation or in an agreement valid under G.S. 55-7-31, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

(b) Except as provided in subsection (e) of this section, shareholders do not have a right to cumulate their votes for directors unless the articles of incorporation so provide.

(c) A statement included in the articles of incorporation that "[all] [a designated voting group of] shareholders are entitled to cumulate their votes for directors" (or words of similar import) means that the shareholders designated are entitled to multiply the number of votes they are entitled to cast by the number of directors for whom they are entitled to vote and cast the product for a single candidate or distribute the product among two or more candidates.

(d) Shares otherwise entitled to vote cumulatively may not be voted cumulatively at a particular meeting unless:

(1) The meeting notice or proxy statement accompanying the notice states conspicuously that cumulative voting is authorized; or

(2) A shareholder or proxy who has the right to cumulate his votes announces in open meeting, before voting for directors starts, his intention to vote cumulatively; and if such announcement is made, the chair shall declare that all shares entitled to vote have the right to vote cumulatively and shall announce the number of votes represented in person and by proxy, and shall thereupon grant a recess of not less than one hour nor more than four hours, as he shall determine, or of such other period of time as is unanimously then agreed upon.

(e) Shareholders of a corporation incorporated in this State shall have the right to cumulate their votes for directors if

(1) The corporation was in existence prior to July 1, 1957, under a charter which does not grant the right of cumulative voting and at the time of the election the stock transfer book of such corporation discloses, or it otherwise appears, that there is at least one stockholder who owns or controls more than one-fourth of the voting stock of such corporation (shares represented at a meeting by

revocable proxy relating to that meeting or adjourned meetings thereof shall not be deemed shares "controlled" within the meaning of this subsection), or if

(2) The corporation was incorporated on or after July 1, 1957, and before July 1, 1990,

unless, when the stock transfer books are closed or at the record date fixed to determine the shareholders entitled to receive notice of and to vote at the meeting of shareholders, the corporation is a public corporation as defined in G.S. 55-1-40(18a). This right to vote cumulatively may be denied or limited by amendment to the articles of incorporation, but no such amendment shall be made when the number of shares voting against the amendment would be sufficient to elect a director by cumulative voting if such shares are entitled to be voted cumulatively for the election of directors. (Rev., ss. 1183, 1184; 1907, c. 457, s. 1; 1909, c. 827, s. 1; C.S., s. 1173; 1945, c. 635; G.S., s. 55-110; 1951, c. 265, s. 2; 1953, c. 722; 1955, c. 1371, s. 1; 1959, c. 768; c. 1316, s. 23; 1963, c. 1065; 1969, c. 751, ss. 34, 35; 1985, c. 419; 1985 (Reg. Sess., 1986), c. 801, s. 45; 1989, c. 265, s. 1; 1989 (Reg. Sess., 1990), c. 1024, s. 12.11; 1991, c. 645, ss. 16(b), 19.)

§ 55-7-29. Reserved for future codification purposes.

Part 3. Voting Trusts and Agreements.

§ 55-7-30. Voting trusts.

(a) One or more shareholders may create a voting trust, conferring on a trustee the right to vote or otherwise act for them, by signing an agreement setting out the provisions of the trust (which may include anything consistent with its purpose) and transferring their shares to the trustee. When a voting trust agreement is signed, the trustee shall prepare a list of the names and addresses of all owners of beneficial interests in the trust, together with the number and class of shares each transferred to the trust, and deliver copies of the list and agreement to the corporation's principal office.

(b) A voting trust becomes effective on the date the first shares subject to the trust are registered in the trustee's name.

(c) Repealed by Session Laws 2018-45, s. 5, effective October 1, 2018.

(d) Any limits on the duration of a voting trust shall be as set forth in the voting trust. A voting trust that became effective prior to October 1, 2018, is valid for not more than 10 years after its effective date unless the voting trust is amended to provide otherwise by agreement of the parties to the voting trust. An amendment to a voting trust under this subsection shall bind only those parties signing it. The voting trustee shall deliver copies of the amendment and a list of beneficial owners signing it to the corporation's principal office. (1955, c. 1371, s. 1; 1963, c. 1233; 1973, c. 469, ss. 26-28; 1989, c. 265, s. 1; 2018-45, s. 5.)

§ 55-7-31. Shareholders' agreements.

(a) An agreement between two or more shareholders, if in writing and signed by the parties thereto, may provide that in the exercise of any voting rights of shares held by the parties, including any vote with respect to directors, the shares shall be voted as provided by the agreement, or as the parties may agree, or as determined in accordance with any procedure (including arbitration) specified in the agreement. A voting agreement created under this subsection is not subject to the provisions of G.S. 55-7-30 and is specifically enforceable.

(b) Except for public corporations, an agreement among the shareholders of a corporation that complies with this section and does any or all of the following is effective among the

shareholders and the corporation even though it is inconsistent with one or more other provisions of this Chapter:

(1) Eliminates the board of directors or restricts the discretion or powers of the board of directors.

(2) Governs the authorization or making of distributions, whether or not in proportion to ownership of shares, subject to the limitations in G.S. 55-6-40.

(3) Establishes who shall be directors or officers of the corporation, or their terms of office or manner of selection or removal.

(4) Governs, in general or in regard to specific matters, the exercise or division of voting power by or between the shareholders and directors or by among any of them, including use of weighted voting rights or director proxies.

(5) Establishes the terms and conditions of any agreement for the transfer or use of property or the provision of services between or among the corporation and any shareholder, director, officer, or employee of the corporation.

(6) Transfers to one or more shareholders or other persons all or part of the authority to exercise the corporate powers or to manage the business and affairs of the corporation, including the resolution of any issue about which there exists a deadlock among directors or shareholders.

(7) Requires dissolution of the corporation at the request of one or more of the shareholders or upon the occurrence of a specified event or contingency.

(8) Otherwise governs the exercise of the corporate powers or the management of the business and affairs of the corporation or the relationship between or among the shareholders, the directors, and the corporation and is not contrary to public policy.

(c) Repealed by Session Laws 2018-45, s. 6, effective October 1, 2018.

(d) Both of the following requirements apply to an agreement authorized by subsection (b) of this section:

(1) The agreement shall be set forth (i) in the articles of incorporation or bylaws and approved by all persons who are shareholders at the time of the agreement or (ii) in a written document that is signed by all persons who are shareholders at the time of the agreement and is made known to the corporation.

(2) The agreement is subject to amendment only by all persons who are shareholders at the time of the amendment unless the agreement provides otherwise.

(e) The existence of an agreement authorized by subsection (b) of this section shall be noted conspicuously on the front or back of each certificate for outstanding shares or on the information statement required by G.S. 55-6-26(b). If, at the time of the agreement, the corporation has shares outstanding represented by certificates, the corporation shall recall the outstanding certificates and issue substitute certificates that comply with this subsection. The failure to note the existence of the agreement on the certificate or information statement shall not affect the validity of the agreement or any action taken pursuant to it. Any purchaser of shares who, at the time of purchase, did not have knowledge of the existence of the agreement is entitled to rescission of the purchase. A purchaser is deemed to have knowledge of the existence of the agreement if its existence is noted on the certificate or information statement for the shares in compliance with this subsection and, if the shares are not represented by a certificate, the information statement is delivered to the purchaser at or prior to the time of purchase of the shares. An action to enforce the

right of rescission authorized by this subsection shall be commenced within the earlier of 90 days after discovery of the existence of the agreement or two years after the time of purchase of the shares.

(f) An agreement authorized by subsection (b) of this section shall cease to be effective when the corporation becomes a public corporation. If the agreement ceases to be effective for any reason, the board of directors may, if the agreement is contained or referred to in the corporation's articles of incorporation or bylaws, adopt an amendment to the articles of incorporation or bylaws, without shareholder action, to delete the agreement and any references to it.

(g) The existence or performance of an agreement authorized by subsection (b) of this section shall not be a ground for imposing personal liability on any shareholder for the acts or debts of the corporation even if the agreement or its performance treats the corporation as if it were a partnership or results in failure to observe the corporate formalities otherwise applicable to the matters governed by the agreement.

(h) Incorporators or subscribers for shares may act as shareholders with respect to an agreement authorized by subsection (b) of this section if no shares have been issued when the agreement is made.

(i) A written agreement between all or less than all of the shareholders, whether solely between themselves or between one or more of them and a party who is not a shareholder, is not invalid as between the parties thereto on the ground that it relates to the conduct of the affairs of the corporation so as to limit the discretion or powers of the board of directors. The effect of the agreement is to relieve the directors of, and impose upon the person or persons in whom the discretion or powers are vested, liability for managerial acts or omissions that are imposed on directors to the extent and so long as the discretion or powers of the board of directors in its management of corporate affairs is controlled by the agreement.

(j) Any limits on the duration of any agreement authorized by this section shall be set forth in the agreement. A voting agreement authorized by subsection (a) of this section that became effective prior to October 1, 2018, is valid as between the parties thereto for not more than 10 years after its effective date or, if later, the effective date of the most recent extension or renewal of the voting agreement, unless it is amended after October 1, 2018, to provide otherwise by agreement of the parties thereto. An amendment to a voting agreement under this subsection shall bind only those parties signing it. (1955, c. 1371, s. 1; 1973, c. 469, s. 29; 1981 (Reg. Sess., 1982), c. 1163; 1989, c. 265, s. 1; 2018-45, s. 6.)

§§ 55-7-32 through 55-7-39. Reserved for future codification purposes.

Part 4. Derivative Proceedings.

§ 55-7-40. Shareholders' derivative actions.

Subject to the provisions of G.S. 55-7-41 and G.S. 55-7-42, a shareholder may bring a derivative proceeding in the superior court of this State. The superior court has exclusive original jurisdiction over shareholder derivative actions. (1973, c. 469, s. 12; 1989, c. 265, s. 1; 1995, c. 149, s. 1.)

§ 55-7-40.1. Definitions.

In this Part:

(1) "Derivative proceeding" means a civil suit in the right of a domestic corporation or, to the extent provided in G.S. 55-7-47, in the right of a foreign corporation, to recover for an injury to the corporation.

(2) "Shareholder" has the same meaning as in G.S. 55-1-40 and includes a beneficial owner whose shares are held in a voting trust or held by a nominee on the beneficial owner's behalf. (1995, c. 149, s. 1; 2025-33, s. 5(a).)

§ 55-7-41. Standing.

A shareholder may not commence or maintain a derivative proceeding unless the shareholder:

(1) Was a shareholder of the corporation at the time of the act or omission complained of or became a shareholder through transfer by operation of law from one who was a shareholder at that time; and

(2) Fairly and adequately represents the interests of the corporation in enforcing the right of the corporation. (1995, c. 149, s. 1.)

§ 55-7-42. Demand.

No shareholder may commence a derivative proceeding until both of the following have occurred:

(1) A written demand has been delivered to the corporation to take suitable action. The written demand shall describe in reasonable detail the reasons for the demand and the action being requested and state that the shareholder may commence a derivative proceeding if the action is not taken. If the shareholder is a beneficial shareholder or an unrestricted voting trust beneficial owner, the written demand shall be accompanied by evidence of the beneficial ownership.

(2) 90 days have expired from the date the demand was made unless, prior to the expiration of the 90 days, the shareholder was notified that the corporation rejected the demand, or unless irreparable injury to the corporation would result by waiting for the expiration of the 90-day period. (1995, c. 149, s. 1; 2025-33, s. 5(b).)

§ 55-7-43. Stay of proceedings.

If the corporation commences an inquiry into the allegations set forth in the demand or complaint, the court may stay a derivative proceeding for a period of time the court deems appropriate. (1995, c. 149, s. 1.)

§ 55-7-44. Dismissal.

(a) The court shall dismiss a derivative proceeding on motion of the corporation if a determination is made, whether before or after the commencement of the derivative proceeding, by one of the groups specified in subsection (b) of this section in good faith, after conducting a reasonable inquiry upon which its conclusions are based, that the maintenance of the derivative proceeding is not in the best interest of the corporation.

(b) The inquiry and determination in subsection (a) of this section shall be made by any of the following:

(1) A majority vote of independent directors present at a meeting of the board of directors if the independent directors constitute a quorum.

(2) A majority vote of a committee consisting of two or more independent directors appointed by majority vote of independent directors present at a meeting of the board of directors, whether or not the independent directors constituted a quorum.

(3) Upon motion by the corporation, by a panel of one or more individuals appointed by the court.

(c) For purposes of this section, none of the following factors by itself shall cause a director to be considered not independent:

(1) The nomination or election of the director by any person who is a defendant in the derivative proceeding or against whom action is demanded.

(2) The naming of the director as a defendant in the derivative proceeding or as a person against whom action is demanded.

(3) The approval by the director of the act being challenged in the derivative proceeding or demand if the act resulted in no personal benefit to the director.

(d) If a determination has been made by one of the groups specified in subsection (b) of this section that maintaining the derivative proceeding is not in the best interest of the corporation, in order to contest the determination, the plaintiff shall allege with particularity facts establishing that the requirements of subsection (a) of this section have not been met. Defendants may make a motion to dismiss a complaint under subsection (a) of this section for failure to comply with this subsection. Prior to the court's ruling on the motion to dismiss, the plaintiff is entitled to discovery only with respect to the issues presented by the motion and only if and to the extent that the plaintiff has alleged the facts with particularity. The preliminary discovery shall be limited solely to matters germane and necessary to support the facts alleged with particularity relating solely to the requirements of subsection (a) of this section.

(e) The burden of proving whether the requirements of subsection (a) of this section have been met is determined as follows:

(1) If the determination was made by one of the groups specified in subdivision (b)(1) or (b)(2) of this section, then the plaintiff has the burden of proving that the requirements of subsection (a) of this section have not been met unless the plaintiff has alleged with particularity facts establishing that a majority of the board of directors at the time the determination was made did not consist of independent directors, in which case the corporation has the burden of proving that the requirements of subsection (a) of this section have been met.

(2) If the determination was made by a panel appointed pursuant to subdivision (b)(3) of this section, then the plaintiff has the burden of proving that the requirements of subsection (a) of this section have not been met.

(f) The court on its own motion or on the motion of any party may order that any motion to dismiss under subsection (a) of this section be made within a specified reasonable time. (1995, c. 149, s. 1; c. 509, s. 135.2(t); 2025-33, s. 5(c).)

§ 55-7-45. Discontinuance or settlement.

(a) A derivative proceeding may not be discontinued or settled without the court's approval. If the court determines that a proposed discontinuance or settlement will substantially affect the interests of the corporation's shareholders or a class of shareholders, the court shall direct that notice be given to the shareholders affected.

(b) The court shall determine the manner and form of the notice and the manner in which costs of the notice shall be borne. (1995, c. 149, s. 1.)

§ 55-7-46. Payment of expenses.

On termination of the derivative proceeding, the court may do any of the following:

(1) Order the corporation to pay the plaintiff's reasonable expenses, including attorneys' fees, incurred in the derivative proceeding if it finds that the derivative proceeding has resulted in a substantial benefit to the corporation.

(2) Order the plaintiff to pay the corporation's or any defendant's reasonable expenses, including attorneys' fees, incurred in responding to the demand or defending the derivative proceeding if it finds that the demand was made or the derivative proceeding was commenced or maintained without reasonable cause or for an improper purpose.

(3) Order a party to pay an opposing party's reasonable expenses, including attorneys' fees, incurred as a result of the filing of a pleading, motion, or other paper, if the court, after reasonable inquiry, finds that the pleading, motion, or other paper was not well grounded in fact or was not warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law, and that it was interposed for an improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation. (1995, c. 149, s. 1; 2025-33, s. 5(d).)

§ 55-7-47. Applicability to foreign corporations.

In any derivative proceeding in the right of a foreign corporation, the matters covered by this Part shall be governed by the laws of the jurisdiction of incorporation of the foreign corporation except for the matters governed by G.S. 55-7-43, 55-7-45, and 55-7-46. (1995, c. 149, s. 1.)

§ 55-7-48. Suits against directors of public corporations.

In addition to the requirements of this Part, the plaintiff in an action brought on behalf of a corporation that is a public corporation at the time of the action against one or more of its directors for monetary damages shall:

(1) Allege, and it must appear, that each plaintiff has been a shareholder or holder of a beneficial interest in shares of the corporation for at least one year;

(2) Bring the action within two years of the date of the transaction of which the plaintiff complains; and

(3) If the court orders, execute and deposit with the clerk of court a written undertaking with sufficient surety, approved by the court, to indemnify the corporation against any and all expenses reasonably expected to be incurred by the corporation in connection with the proceeding, including expenses arising by way of indemnity. (1995, c. 149, s. 1.)

§ 55-7-49. Privileged communications.

In any derivative proceeding, no shareholder shall be entitled to obtain or have access to any communication within the scope of the corporation's attorney-client privilege that could not be obtained by or would not be accessible to a party in an action other than on behalf of the corporation. (1995, c. 149, s. 1.)

§ 55-7-50. Repealed by Session Laws 2025-33, s. 3(b), effective October 1, 2025.