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CORPORATIONS, PARTNERSHIPS, AND ASSOCIATIONS Business Corporations; Nonprofit Corporations; Revised Uniform Limited Partnership Act; Limited Liability Companies: Provide that Certain Documents Filed with the Secretary of State May Be Signed by an Attorney in Fact; Provide that Certain Documents May Be Filed Electronically with the Secretary of State; Provide that a Shareholder May by Means of Electronic Transmission Appoint a Proxy Vote for Himself or Herself; Provide that a Parent Corporation May Merge Itself into a Subsidiary Corporation

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CORPORATIONS, PARTNERSHIPS, AND ASSOCIATIONS

Business Corporations; Nonprofit Corporations; Revised Uniform Limited Partnership Act; Limited Liability Companies: Provide that Certain Documents Filed with the Secretary of State May Be Signed by an Attorney in Fact; Provide that Certain Documents May Be Filed Electronically with the Secretary of State; Provide that a Shareholder May by Means of Electronic Transmission Appoint a Proxy Vote for Himself or Herself; Provide that a Parent Corporation May Merge Itself into a Subsidiary Corporation


BILL NUMBER: HB 224
ACT NUMBER: 295
GEORGIA LAWS: 1999 Ga. Laws 405
SUMMARY: The Act provides that certain electronic media should be acceptable methods of processing procedural business documents. These electronic media include any means of processing communication that do not directly involve the physical transfer of paper documents from one entity to another. The Act enables the electronic filing of shareholder proxies and other documents with the Secretary of State. The Act encompasses business corporations, nonprofit corporations, limited partnerships, and limited liability corporations. In addition, the Act allows a parent corporation to merge into a subsidiary and updates several definitions, including what
constitutes a "beneficial owner" and a "foreign corporation."

EFFECTIVE DATE: July 1, 1999

History

Electronic forms of communication are becoming more prevalent in this information age. With the proliferation of facsimile technology and the advent of e-mail, faster and more efficient methods of sending and receiving documents have become a reality in daily business communications. Businesses communicate not only between trading partners but also with government agencies as well. Specifically, the Georgia Office of the Secretary of State plays a major role in a business entity's birth and tracks information pertinent to each business entity over its life span.¹ Most, if not all, of this information tracking is facilitated by documents filed with the Office of the Secretary of State.²

HB 224

The Act combines several bills introduced during the 1999 legislative session.³ One series of bills was introduced at the request of the State Bar of Georgia.⁴ The Office of the Secretary of State requested the second and largest portion of the Act.⁵ The General Assembly merged each of these bills into the Act.⁶ The analysis that follows focuses on the modifications or additions to HB 224.

Versions of Bill

Introduction of Bill on House Floor

During the 1999 legislative session, Representatives Robert A.B. Reichert of the 126th District, Larry Walker of the 141st District, John

¹. See Georgia Secretary of State, About the Corporations Division (visited Aug. 10, 1999) <http://www.sos.stat.ga.us/corporations/about.htm>.
². See id.
⁴. See id.
⁵. See Telephone Interview with Rep. Mary Hodges Squires, House District No. 78 (May 3, 1999) [hereinafter Squires Interview].
⁶. See Reichert Interview, supra note 3. The bills that were incorporated into HB 224 are HB 223, HB 225, and HB 682. See id.
Wiles of the 34th District, Jimmy Skipper of the 137th District, and
Tom Campbell of the 42nd District introduced the original version of
the bill. The only changes this version of the bill proposed were to the
Business Corporations chapter of Title 14.8 First, the bill added a
definition of “electronic transmission” as “any process of
communication not directly involving the physical transfer of paper
that is suitable for the retention, retrieval, and reproduction of
information by the recipient."9 Although the term “electronic
transmission” appeared in five different Code sections,10 prior to this
legislation, it had never been defined. Second, the bill changed the
requirement for proxy delivery by expanding the delivery mechanism
to include electronic transmissions as an acceptable medium for
delivery.11 Third, the bill changed the definition of a shareholder to be
gender neutral.12 Finally, the bill gave electronic transmissions equal
evidentiary standing with copies and facsimiles, so long as the
transmitted document is a complete reproduction of the entire
original.13 The General Assembly incorporated all of these changes
into the final Act.14

From Introduction to House Judiciary Committee

After the bill’s initial reading in the House, the House Judiciary
Committee received the legislation and made several changes and
additions.15 First, the Committee further modified Code section 14-2-722
by replacing the word “facsimile” with the word “electronic” when
discussing the transmission of proxies.16 This change made the bill
consistent with the corporation Code section by always referring to

10. See O.C.G.A. § 20-2-320(f) (Supp. 1999); id. § 33-52-4(f) (1996); id. § 48-2-55(b)(2)
(1999); id. § 48-7-108(c) (Supp. 1999); id. § 48-8-47.
non-paper documents with the more inclusive term "electronic," rather than with a more restrictive term such as "facsimile."\textsuperscript{17} Second, the Committee gave corporations the ability to accept a proxy vote or appointment of a proxy by electronic means.\textsuperscript{18} Third, in Code section 14-2-1104, the Committee granted corporations the right to merge a parent corporation into a subsidiary, so long as the articles of incorporation and bylaws are identical; shareholders receive like numbers of shares in the surviving corporation with identical rights; the numbers and kinds of shares of the surviving corporation do not exceed the number and kinds of shares in aggregate existence before the merger; and the directors of the parent corporation remain directors in the surviving corporation.\textsuperscript{19} Prior to this modification, only a subsidiary could merge into a parent.\textsuperscript{20} Fourth, the Committee provided shareholders with a right of dissent for mergers falling under the revised Code section 14-2-1104.\textsuperscript{21} Finally, the Committee altered the definition of a "beneficial owner" found in Code section 14-2-1110(4) by incorporating the limitations on the definition formerly found in Code section 14-2-1131(j). The General Assembly incorporated all these changes into the final Act.\textsuperscript{22}

\textit{From the House Floor Without Amendments to the Senate Special Judiciary Committee}

After the House Judiciary Committee passed the bill by substitute, the bill proceeded to the House floor where it passed on February 16, 1999.\textsuperscript{23} The Senate then referred the bill to the Senate Special Judiciary Committee.\textsuperscript{24} The Committee then merged HB 224 with HB 682,\textsuperscript{25} which modified a variety of Code sections in Title 14 that affect

\begin{enumerate}
\item \textit{Compare id. with} 1988 Ga. Laws 1070, § 1, at 1182 (formerly found at O.C.G.A. § 14-2-1104 (1994)).
\item \textit{See} State of Georgia Final Composite Status Sheet, May 3, 1999.
\item \textit{See id.}
\end{enumerate}
business corporations, nonprofit corporations, limited partnerships, and limited liability corporations.

First, the Committee changed the requirements for persons filing documents with the Office of the Secretary of State for business corporations, nonprofit corporations, limited partnerships, and limited liability corporations. The modifications for business corporations and nonprofit corporations require that a person filing documents with the Secretary of State may be an attorney-in-fact. However, a power of attorney does not need to be filed with the Secretary of State. In addition, for business corporations and nonprofit corporations, as well as limited partnerships and limited liability corporations, the Code modifications specify that if a document is transmitted electronically, the electronic version may be used in lieu of a signature. Further, the Committee authorized the Office of the Secretary of State to accept electronic filings from all these entities under the Georgia Electronic Records and Signatures Act.

Second, the Committee gave prima-facie evidentiary standing to documents filed with the Office of the Secretary of State that are transmitted or retained in electronic form for business corporations and nonprofit corporations. The previous Code sections discussed facsimile or printed documents only. In addition, the Committee

added new Code sections for limited partnerships and limited liability corporations and granted the same evidentiary standing to electronically processed records.\textsuperscript{34}

Third, the Committee established the requirement that business corporations and nonprofit corporations must set forth in their articles of incorporation the mailing address of their principle office, but only if the address differs from the initial registered office.\textsuperscript{35} The previous Code sections required the inclusion of this information even when the two addresses were the same.\textsuperscript{36}

This modification provides no substantive change in the law\textsuperscript{37} and merely serves to simplify the application process for businesses.\textsuperscript{38} Many businesses have the same registered office and principle office.\textsuperscript{39} In the application process, the Georgia Office of the Secretary of State deemed many applications deficient because the applicant “customer” had not completed both address sections.\textsuperscript{40} The applicant in most cases assumed it would be understood that the addresses were the same.\textsuperscript{41} The change in the law reduces these deficiencies.\textsuperscript{42}

Fourth, the Committee expanded the definition of a registered agent for business and nonprofit corporations.\textsuperscript{43} The previous Code sections defined a registered agent as an “individual.”\textsuperscript{44} The new Code sections expand the realm of possible registered agents by allowing an agent to be a “person.”\textsuperscript{45} Prior to this change, although corporations

\begin{footnotesize}
\begin{itemize}
\item[37.] See Telephone Interview with Warren Rary, Georgia Office of the Secretary of State (July 15, 1999) [hereinafter Rary Interview].
\item[38.] See id.
\item[39.] See id.
\item[40.] See id.
\item[41.] See id.
\item[42.] See id.
\item[45.] Compare 1988 Ga. Laws 1070, § 1, at 1094 (formerly found at O.C.G.A. § 14-2-501
\end{itemize}
\end{footnotesize}
could be registered agents, limited liability corporations and limited partnerships could not be agents.46 This change allows these two entities to become registered agents in Georgia.47

Fifth, the Committee changed the timing for publishing a name change for a business or nonprofit corporation.48 The previous Code sections specified that corporations must send notice of a name change to the publisher of a newspaper before they file the articles of amendment with the Secretary of State.49 The new Code sections allow this notification to be sent to the newspaper the next business day after filing.50

The Office of the Secretary of State wanted to make the timing of notice requirements consistent throughout Title 14.51 Other Code sections, such as those that govern the filing of notice of intent to incorporate, allow the filing of notice up to the next business day after filing with the Georgia Secretary of State.52 The Act makes notice requirements for corporate name changes consistent with other types of filings.53

Sixth, the Committee created a new exemption for foreign corporations from obtaining a certificate of authority to transact business in the State of Georgia.54 In addition to the enumerated exemptions listed in Code section 14-2-1501, the Committee also gave an exemption for corporations that serve as managers for limited liability companies organized under Georgia laws.55

48. See Rary Interview, supra note 37.
49. See id.
50. See id.
51. See id.
52. See id.
53. See id.
The Committee also modified the requirements for filing an annual registration with the Secretary of State. Prior to these modifications, the Code required business and nonprofit corporations to include the corporation's federal identification number on their annual registration. The Committee eliminated this requirement by removing the relevant language from the Code sections. The federal identification number, if needed, can be obtained through other sources.

The Committee also changed several fee structures for nonprofit corporations, limited partnerships, and limited liability companies. The Committee added a "reinstatement" filing fee of $100 for limited liability companies. Although a reinstatement filing fee already existed for nonprofit corporations, the Committee reduced the filing fees from $100 to $20. Further, the Committee added a filing fee of $80 for those entities electing to become a limited partnership. As with notice timing, the changes in fees were intended to bring consistency to the various Code sections.

(1994)).


59. See Rary Interview, supra note 37.


65. See Rary Interview, supra note 37.
Ninth, the Committee reclassified the dissolution process for nonprofit corporations that fail to file or refuse to file annual reports with the Secretary of State as "administrative" dissolutions governed by Code section 14-3-1420 instead of judicial dissolution governed by Code section 14-3-1430. This moves the proceeding for dissolution from the superior court to the Office of the Secretary of State. In addition, the Committee expanded the enumerated reasons that allow the Secretary of State to initiate an administrative dissolution of a limited liability company. The new Code section allows the Secretary of State to initiate a proceeding if the limited liability company's fee payment is dishonored and if the company fails to submit a repayment within sixty days.

Tenth, the Committee added a new Code section allowing limited partnerships to file corrections to documents filed with the Office of the Secretary of State. The Code section requires that the limited partnership prepare articles of correction by including information identifying the original document, the specific misstatement originally included, and the correction to replace the defective statement. In addition, the Committee specified that the articles of correction are effective as of the effective date of the original document, except for those persons who relied on the uncorrected document. For those persons in reliance, the effective date of the correction is the filing date of the correction.

Eleventh, the Committee changed the procedure for foreign limited partnerships to cancel a certificate of authority with the Secretary of State. Prior to the Code section change, the general partner of a foreign limited partnership had to file a certificate of cancellation before the Secretary of State would grant a cancellation. The new

71. See id. § 14-9-208.3(c).
72. See id.
73. See id.
75. See 1988 Ga. Laws 1016, § 1, at 1058 (formerly found at O.C.G.A. § 14-9-906 (1994)).
Code section now gives the Office of the Secretary of State the authority to approve certificate cancellation by reclassifying the process as an “appl[ication]” for a “certificate of withdrawal.”

In addition, the foreign limited partnership must affirm that it: (1) surrenders authority to transact in the state, and (2) revokes the authority of its registered agent. Similarly, the Committee changed the requirements for dissolving a limited liability company. The previous Code section only “suggested” that limited liability companies file termination documents with the Office of the Secretary of State. The new Code section changes the word “may deliver” to “shall deliver,” thereby imposing a mandate of filing with the Secretary of State to terminate a limited liability company.

Twelfth, the Committee changed the requirements for limited partnerships and limited liability companies to change their respective registered offices or registered agents. Prior to the Code section changes, both entities had to execute and file a statement with the Office of the Secretary of State. The new Code sections require only an amendment to its annual registration.

Finally, the Committee made one further modification to the definition of “electronic transmission” to include the term “electronically transmitted.”

From the Senate Special Judiciary Committee and Final Passage by Both the Senate and House

After the Senate Special Judiciary Committee passed the bill by substitute, both the House and Senate passed the bill without

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77. See id.
79. See 1993 Ga. Laws 123, § 1, at 191 (formerly found at O.C.G.A. § 14-11-610 (1994)).
modification. Governor Roy Barnes signed the bill into law on April 23, 1999.

Brian Leslie

86. See id.