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SENATE BILL DRS15220-MVf-22

Short Title: Modify Nonprofit Corp. Act/Charitable Org. (Public)

Sponsors: Senator Sawrey (Primary Sponsor).

Referred to:

A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS CHANGES TO THE NORTH CAROLINA NONPROFIT
CORPORATIONS ACT AND TO ALLOW A CHARITABLE ORGANIZATION'S
DISCLOSURE UNDER STATE LAW TO BE SATISFIED BY THE
ACKNOWLEDGEMENT REQUIRED FOR A TAX DEDUCTION UNDER FEDERAL
LAW.

The General Assembly of North Carolina enacts:

PART I. MODIFY LIMITATIONS ON MERGERS AND SALES OF ASSETS

SECTION 1.(a) G.S. 55A-11-02 reads as rewritten:

"§ 55A-11-02. Limitations on mergers by charitable or religious corporations.

(a) Without the prior approval of the superior court in a proceeding in which the Attorney General has been given written notice, a charitable or religious corporation may merge only with any of the following:

...

(5) A limited liability company that satisfies both of the following conditions:

- a. Its sole member is a domestic or foreign corporation that is exempt from income tax under section 501(c)(3) of the Internal Revenue Code of 1986 or any successor section.
- b. It is disregarded for income tax purposes but would be eligible for an exemption under section 501(c)(3) of the Internal Revenue Code of 1986 or any successor section if it were not disregarded for income tax purposes.

...."

SECTION 1.(b) G.S. 55A-11-09 reads as rewritten:

"§ 55A-11-09. Merger with unincorporated entity.

(a) As used in this section, "business entity" means a (i) domestic business corporation ~~(including corporation, including a professional corporation as defined in G.S. 55B-2), a~~ G.S. 55B-2, (ii) foreign business corporation (including corporation, including a foreign professional corporation as defined in G.S. 55B-16), a G.S. 55B-16, (iii) domestic or foreign nonprofit corporation, ~~a (iv) domestic or foreign limited liability company, a (v) domestic or~~ foreign limited partnership, ~~a (vi) registered limited liability partnership or foreign limited~~ liability partnership as defined in G.S. 59-32, or any other partnership as defined in G.S. 59-36 whether or not formed under the laws of this State, ~~State, or (vii) nonprofit association as defined~~ in G.S. 59B-2 whether or not formed under the laws of this State.



(b) One or more domestic nonprofit corporations may merge with one or more unincorporated entities and, if desired, one or more foreign nonprofit corporations, domestic business corporations, or foreign business corporations ~~if~~ if all of the following apply:

(1) The merger is permitted by the laws of the state or country governing the organization and internal affairs of each of the other merging business ~~entities;~~ entities.

(2) Each merging domestic nonprofit corporation and each other merging business entity comply with the requirements of this section and, to the extent applicable, the laws referred to in subdivision (1) of this ~~subsection;~~ and subsection.

(3) The merger complies with G.S. 55A-11-02, if applicable.

...

(c3) In the case of a merging domestic nonprofit corporation, approval of the plan of merger requires that the plan of merger be adopted as provided in G.S. 55A-11-03. If any member of a merging domestic nonprofit corporation has or will have personal liability for any existing or future obligation of the surviving business entity solely as a result of holding an interest in the surviving business entity, then in addition to the requirements of G.S. 55A-11-03, approval of the plan of merger by the domestic nonprofit corporation shall require the affirmative vote or written consent of the member. In the case of each other merging business entity, the plan of merger ~~must~~ shall be approved in accordance with the laws of the state or country governing the organization and internal affairs of such merging business entity.

...

(d) After a plan of merger has been approved by each merging domestic nonprofit corporation and each other merging business entity as provided in subsection (c) of this section, the surviving business entity shall deliver articles of merger to the Secretary of State for filing. The articles of merger shall set ~~forth;~~ forth all of the following:

...

(e) A merger takes effect when the articles of merger become effective. When a merger ~~takes effect;~~ takes effect, all of the following apply:

(1) Each other merging business entity merges into the surviving business entity and the separate existence of each merging business entity except the surviving business entity ~~ceases;~~ ceases.

(2) The title to all real estate and other property owned by each merging business entity is vested in the surviving business entity without reversion or ~~impairment;~~ impairment.

(3) The surviving business entity has all liabilities of each merging business ~~entity;~~ entity.

(4) A proceeding pending by or against any merging business entity may be continued as if the merger did not occur, or the surviving business entity may be substituted in the proceeding for a merging business entity whose separate existence ceases in the ~~merger;~~ merger.

(5) If a domestic nonprofit corporation is the surviving business entity, its articles of incorporation shall be amended to the extent provided in the articles of ~~merger;~~ merger.

(6) The interests in each merging business entity that are to be converted into interests, obligations, or securities of the surviving business entity or into the right to receive cash or other property are ~~thereupon~~ so converted, and the former holders of the interests are entitled only to the rights provided to them in the plan of merger or, in the case of former holders of shares in a domestic business corporation, any rights they may have under Article 13 of Chapter 55 of the General ~~Statutes;~~ and Statutes.

1 ...
2 (e1) If the surviving business entity is not a domestic limited liability company, a domestic
3 business corporation, a domestic nonprofit corporation, or a domestic limited partnership, when
4 the merger takes effect the surviving business entity is ~~deemed~~:deemed to have done all of the
5 following:

6 (1) ~~To agree~~ Agreed that it may be served with process in this State in any
7 proceeding for enforcement of (i) any obligation of any merging domestic
8 limited liability company, domestic business corporation, domestic nonprofit
9 corporation, domestic limited partnership, or other partnership as defined in
10 G.S. 59-36 that is formed under the laws of this State, or nonprofit association
11 as defined in G.S. 59B-2 that is formed under the laws of this State, (ii) the
12 appraisal rights of shareholders of any merging domestic business corporation
13 under Article 13 of Chapter 55 of the General Statutes, and (iii) any obligation
14 of the surviving business entity arising from the ~~merger~~; and merger.
15 (2) ~~To have appointed~~ Appointed the Secretary of State as its agent for service of
16 process in ~~any such~~ the proceeding. Service on the Secretary of State of ~~any~~
17 ~~such~~ process shall be made by delivering to and leaving with the Secretary of
18 State, or with any clerk authorized by the Secretary of State to accept service
19 of process, duplicate copies of ~~such the~~ process and the fee required by
20 G.S. 55A-1-22(b). Upon receipt of service of process on behalf of a surviving
21 business entity in the manner provided for in this section, the Secretary of
22 State shall immediately mail a copy of the process by registered or certified
23 mail, return receipt requested, to the surviving business entity. If the surviving
24 business entity is authorized to transact business or conduct affairs in this
25 State, the address for mailing shall be its principal office designated in the
26 latest document filed with the Secretary of State that is authorized by law to
27 designate the principal office or, if there is no principal office on file, its
28 registered office. If the surviving business entity is not authorized to transact
29 business or conduct affairs in this State, the address for mailing shall be the
30 mailing address designated pursuant to subdivision (3) of subsection (d) of
31 this section.

32 (f) This section does not apply to a merger that does not include a merging
33 unincorporated entity."

34 **SECTION 1.(c)** G.S. 55A-12-02 reads as rewritten:

35 **"§ 55A-12-02. Sale of assets other than in regular course of activities.**

36 ...
37 (b) Unless this Chapter, the articles of incorporation, bylaws, or the board of directors or
38 members (acting pursuant to subsection (d) of this section) require a greater vote or voting by
39 class, the proposed transaction to be authorized shall be ~~approved~~:approved by all of the
40 following:

41 (1) ~~By the board~~; The board.
42 (2) ~~By the~~ The members entitled to vote thereon by two-thirds of the votes cast or
43 a majority of the votes entitled to be cast on the proposed transaction,
44 ~~whichever is less~~; and less.
45 (3) In writing by any person or persons whose approval is required by a provision
46 of the articles of incorporation authorized by G.S. 55A-10-30 for an
47 amendment to the articles of incorporation or bylaws.

48 (c) If the corporation does not have members entitled to vote thereon, the transaction
49 shall be approved by a vote of a majority of the directors then in office. The corporation shall
50 provide at least five days' written notice of any directors' meeting at which ~~such the~~ approval will
51 be considered. The notice shall state that the purpose, or one of the purposes, of the meeting is to

consider the sale, lease, exchange, or other disposition of all, or substantially all, of the property or assets of the corporation and contain or be accompanied by a description of the transaction.

...

(h) After a sale, lease, exchange, or other disposition of property is authorized, the transaction may be ~~abandoned~~ ~~(subject to any contractual rights)~~, ~~rights~~, without further action by the members or any other person who approved the transaction, in accordance with the procedure set forth in the resolution proposing the transaction or, if none is set forth, in the manner determined by the board of directors."

SECTION 1.(d) This section becomes effective October 1, 2025, and applies to plans of mergers adopted on or after that date.

PART II. REQUIRE ANNUAL REPORTS TO THE SECRETARY OF STATE

SECTION 2.(a) Article 16 of Chapter 55A of the General Statutes is amended by adding a new section to read:

"§ 55A-16-22.1. Annual report to the Secretary of State.

(a) Each domestic corporation and each foreign corporation authorized to conduct affairs in this State shall submit an annual report to the Secretary of State, in electronic form as prescribed by the Secretary of State, that sets forth all of the following:

- (1) The name of the corporation and the state or country under whose law it is incorporated.
- (2) The street address, and the mailing address if different from the street address, of the registered office in this State, the county in which the registered office is located, the name and email address of its registered agent at that office, and a statement of any change of the registered office or registered agent.
- (3) The address and telephone number of its principal office.
- (4) The names, titles, and business street addresses of its principal officers and the name, mailing address, email address, and telephone number of an individual who is authorized to provide information regarding persons with the authority to bind the corporation.
- (5) A brief description of the nature of its activities.
- (6) An email address for the corporation, if different from the email address provided under subdivision (2) of this subsection.

(b) The information in the annual report shall be current as of the date the annual report is submitted on behalf of the corporation.

(c) The corporation shall submit an annual report to the Secretary of State by November 15 of each year following (i), in the case of a domestic corporation, the calendar year in which the corporation was formed or (ii), in the case a foreign corporation, the calendar year in which the Secretary of State issued to the foreign corporation a certificate of authority to conduct affairs in this State. An annual report is due each year until (i), in the case of a domestic corporation, the effective date of a voluntary or judicial dissolution or (ii), in the case of a foreign corporation, the effective date of a certificate of withdrawal or revocation of a certificate of authority.

(d) If an annual report does not contain the information required by this section, the Secretary of State shall promptly notify the reporting corporation in writing and return the report to it for correction. If the report is corrected to contain the information required by this section and submitted to the Secretary of State within 30 days after the notice, the report shall be deemed to be timely submitted.

(e) Amendments to any previously filed annual report may be submitted for filing to the Secretary of State at any time for the purpose of correcting, updating, or augmenting the information contained in the annual report.

(f) If the Secretary of State does not receive an annual report within 60 days after the date the report is due, the Secretary of State may presume that the annual report is delinquent. This presumption may be rebutted by evidence of submission presented by the filing corporation.

(g) The Secretary of State may provide by email any notice or form required under this section if the submitting domestic or foreign corporation to be notified has consented to receiving notices and forms via email and has provided the Secretary of State an email address for receiving the notices or forms. Any email address provided by a submitting corporation in accordance with this section is confidential information and is not a public record under Chapter 132 of the General Statutes.

(h) A domestic or foreign corporation shall be deemed to have filed the annual report required by this section if all of the following have occurred:

(1) The corporation is a charitable organization or sponsor that is licensed under Article 2 of Chapter 131F of the General Statutes.

(2) The corporation applies for the license electronically in a form prescribed by the Secretary and provides additional information in that application that is required for the annual report in this section.

(3) The corporation is licensed on the annual report due date."

SECTION 2.(b) G.S. 55A-1-22, as amended by Section 3.2(a) of this act, reads as rewritten:

"§ 55A-1-22. Filing, service, and copying fees.

(a) The Secretary of State shall collect the following fees when the documents described in this subsection are submitted to the Secretary for filing:

	Document	Fee
...		
(29)	<u>Annual report</u>	<u>No fee</u>
...."		

SECTION 2.(c) G.S. 55A-14-20 reads as rewritten:

"§ 55A-14-20. Grounds for administrative dissolution.

The Secretary of State may commence a proceeding under G.S. 55A-14-21 to dissolve administratively a corporation ~~if~~if any of the following occurs:

(1) The corporation does not pay within 60 days after they are due any penalties, fees, or other payments due under this ~~Chapter;~~Chapter.

(2) Repealed by Session Laws 1995, c. 539, s. 24.

(2a) The corporation is delinquent in submitting its annual report.

(3) The corporation is without a registered agent or registered office in this State for 60 days or ~~more;~~more.

(4) The corporation does not notify the Secretary of State within 60 days that its registered agent or registered office has been changed, that its registered agent has resigned, or that its registered office has been ~~discontinued;~~discontinued.

(5) The corporation's period of duration stated in its articles of incorporation ~~expires;~~expires.

(6) The corporation knowingly fails or refuses to answer truthfully and fully within the time prescribed in this Chapter interrogatories propounded by the Secretary of State in accordance with the provisions of this ~~Chapter;~~Chapter.

(7) The corporation does not designate the address of its principal office with the Secretary of State or does not notify the Secretary of State within 60 days that the principal office has changed."

SECTION 2.(d) G.S. 55A-14-22 reads as rewritten:

"§ 55A-14-22. Reinstatement following administrative dissolution.

(a) A corporation administratively dissolved under G.S. 55A-14-21 may apply to the Secretary of State for reinstatement. The application ~~shall~~shall do all of the following:

(1) Recite the name of the corporation and the effective date of its administrative ~~dissolution; and~~dissolution.

(2) State that the ground or grounds for dissolution either did not exist or have been eliminated.

(a1) If, at the time the corporation applies for reinstatement, the name of the corporation is not distinguishable from the name of another entity authorized to be used under G.S. 55D-21, ~~then the corporation must~~shall change its name to a name that is distinguishable upon the records of the Secretary of State from the name of the other entity before the Secretary of State may prepare a certificate of reinstatement.

(b) If the Secretary of State determines that the application contains the information required by subsection (a) of this section, that the information is correct, ~~and that the name of the corporation complies with G.S. 55D-21 and any other applicable section, and that any penalties, fees, or other payments due under this Chapter have been paid,~~ the Secretary of State shall cancel the certificate of ~~dissolution and~~dissolution, prepare a certificate of reinstatement that recites the Secretary of State's determination and the effective date of reinstatement, file the original of the ~~certificate,~~certificate of reinstatement, and mail a copy of it to the corporation.

(c) When the reinstatement is effective, it relates back to and takes effect as of the effective date of the administrative dissolution and the corporation resumes carrying on its activities as if the administrative dissolution had never occurred, subject to the rights of any person who reasonably relied to ~~his~~the person's prejudice upon the certificate of dissolution."

SECTION 2.(e) Until January 1, 2029, the Secretary of State may waive the fee payable under G.S. 55A-1-22(a)(17) by a corporation seeking reinstatement following administrative dissolution for delinquent filing pursuant to G.S. 55A-14-20(2a).

SECTION 2.(f) This section becomes effective January 1, 2027, and applies to annual reports due on or after that date.

PART III. AUTHORIZE DOMESTICATION

SECTION 3.1. Chapter 55A of the General Statutes is amended by adding a new Article to read:

"Article 11B.

"Domestication.

"§ 55A-11B-01. Definitions.

In this Article, the following definitions apply:

(1) Domesticated corporation. – The domesticating nonprofit corporation as it continues in existence after a domestication.

(2) Domesticating corporation. – The domestic nonprofit corporation that approves a plan of domestication pursuant to G.S. 55A-11B-04 or the foreign corporation that approves a domestication pursuant to the law of the jurisdiction of the foreign corporation.

(3) Domestication. – A transaction pursuant to this Article.

(4) Interest holder liability. – Any of the following:

a. Personal liability for a liability of a domestic or foreign nonprofit corporation that is imposed on a person by either of the following:

1. Solely by reason of the status of the person as an interest holder.

2. By a provision of the articles of incorporation or bylaws that make one or more specified interest holders or categories of interest holders liable in their capacity as interest holders for all or specified liabilities of the entity.

b. An obligation of an interest holder under the bylaws to contribute to the domestic or foreign nonprofit corporation.

(5) Law of the jurisdiction. – The law of the jurisdiction governing the organization and internal affairs of the corporation.

"§ 55A-11B-02. Domestication; preliminary provisions.

(a) By complying with the provisions of this Article applicable to foreign nonprofit corporations, a foreign nonprofit corporation may become a domestic nonprofit corporation, if the domestication is permitted by the law of the jurisdiction of the foreign corporation.

(b) By complying with the provisions of this Article, a domestic nonprofit corporation may become a foreign nonprofit corporation pursuant to a plan of domestication, if the domestication is permitted by the law of the jurisdiction of the foreign corporation.

(c) A charitable or religious corporation may only become a foreign nonprofit corporation in accordance with the requirements of G.S. 55A-11-02 for mergers involving charitable or religious corporations, and the domesticated corporation shall meet the same requirements as the survivor in a merger.

(d) Any devise, gift, grant, or promise contained in a will or other instrument of donation, subscription, or conveyance that is made to a domesticating corporation and that takes effect or remains payable after the domestication becomes effective inures to the domesticated corporation unless the will or other instrument otherwise specifically provides.

"§ 55A-11B-03. Plan of domestication.

(a) A domestic nonprofit corporation may become a foreign nonprofit corporation by approving a plan of domestication. The plan of domestication shall include all of the following:

(1) The name of the domesticating corporation.

(2) The name and governing jurisdiction of the domesticated corporation.

(3) The manner and basis of converting the memberships, if any, of the domesticating corporation into memberships, obligations, rights to acquire memberships, cash, other property, or any combination thereof.

(4) The proposed articles of incorporation and bylaws of the domesticated corporation.

(5) The other terms and conditions of the domestication.

(b) In addition to the requirements of subsection (a) of this section, a plan of domestication may contain any other provision not prohibited by law.

(c) The terms of a plan of domestication, other than the terms described in subdivisions (1), (2), and (4) of subsection (a) of this section, may be made dependent upon facts objectively ascertainable outside the plan if the plan sets forth the manner in which the facts will operate upon the terms of the plan. The facts may include any of the following:

(1) Statistical or market indices, market prices of any security or group of securities, interest rates, currency exchange rates, or similar economic or financial data.

(2) A determination or action by any person or body, including the nonprofit corporation or any other party to the plan.

(3) The terms of, or actions taken under, an agreement to which the corporation is a party, or any other agreement or record.

"§ 55A-11B-04. Approval of domestication.

(a) If a domestic nonprofit corporation is to be the domesticating corporation, the plan of domestication shall be adopted in the following manner:

(1) The plan of domestication shall first be adopted by the board of directors. The board may set conditions for (i) approval of the plan of domestication by the members or (ii) the effectiveness of the plan of domestication. If the domesticating corporation does not have any members entitled to vote on the

- domestication, a plan of domestication is adopted by the corporation when it has been adopted by the board of directors pursuant to this subdivision.
- (2) Except as provided in subdivision (1) of this subsection, the plan of domestication shall then be approved by the members. In submitting the plan of domestication to the members for approval, the board of directors shall recommend that the members approve the plan, unless the board of directors makes a determination that because of conflicts of interest or other special circumstances it should not make the recommendation, in which case the board shall inform the members of the basis for not making the recommendation.
- (3) If the plan of domestication is required to be approved by the members, and if the approval is to be given at a meeting, the corporation shall notify each member entitled to vote of the meeting of the members at which the plan of domestication is to be submitted for approval. The notice shall (i) state that the purpose, or one of the purposes, of the meeting is to consider the plan of domestication and (ii) contain or be accompanied by a copy or summary of the plan. The notice shall include or be accompanied by a copy of the articles of incorporation and the bylaws as they will be in effect immediately after the domestication.
- (4) Unless the articles of incorporation or bylaws, or the board of directors acting pursuant to subdivision (1) of this subsection, require a greater vote or a greater quorum, approval of the plan of domestication requires (i) the approval of the members at a meeting at which a quorum exists consisting of a majority of the votes entitled to be cast on the plan and (ii), if any class of membership is entitled to vote as a separate group on the plan of merger, the approval of each class of members voting as a separate voting group at a meeting at which a quorum of the voting group exists consisting of a majority of the votes entitled to be cast on the plan by that voting group.
- (5) Subject to subdivision (6) of this subsection, separate voting by voting groups on a plan of domestication is required in the following circumstances:
- a. By each class of memberships that is either of the following:
1. To be converted under the plan of domestication into security interests, obligations, rights to acquire securities or interests, cash, other property, or any combination thereof.
2. Entitled to vote as a separate group on a provision in the plan that constitutes a proposed amendment to the articles or bylaws of the domesticated corporation that requires action by separate voting groups under the provisions of this Chapter.
- b. If the voting group is entitled under the articles of incorporation or bylaws to vote as a group to approve a plan of domestication.
- (6) The articles of incorporation or bylaws may expressly limit or eliminate the separate voting rights provided in sub-sub-subdivision (5)a.1. of this subsection as to any class of members, except when the plan includes what would be in effect an amendment subject to sub-sub-subdivision (5)a.2. of this subsection.
- (7) If, as a result of a domestication, one or more members of the domesticating corporation would become subject to new interest holder liability, approval of the plan of domestication requires the signing in connection with the domestication, by each affected member, of a separate consent in a record to become subject to the new interest holder liability. This subdivision does not apply in the case of a member that already has interest holder liability with

respect to the domesticating corporation, if the terms and conditions of the new interest holder liability with respect to the domesticated corporation are substantially identical to those of the existing interest holder liability, other than for changes that eliminate or reduce the interest holder liability.

(8) In addition to the adoption and approval of the plan of domestication by the board of directors and members as required by this section, the plan of domestication shall also be approved in a record by any person or group of persons whose approval is required under G.S. 55A-10-30 to amend the articles or bylaws.

(b) The plan of domestication of a charitable or religious corporation is subject to the approval requirements described in G.S. 55A-11B-02(c).

"§ 55A-11B-05. Amendment or abandonment of plan of domestication; abandonment.

(a) Before articles of domestication have taken effect, a plan of domestication of a domestic nonprofit corporation may be amended, except as otherwise provided in the plan.

(b) A domestic nonprofit corporation may approve an amendment of a plan of domestication in any of the following ways:

(1) In the same manner as the plan was approved, if the plan does not provide for the manner in which it may be amended.

(2) In the manner provided in the plan, except that a member that was entitled to vote on or consent to approval of the plan is entitled to vote on or consent to any amendment of the plan that will change any of the following:

a. The amount or kind of memberships, securities, obligations, money rights to acquire memberships, securities, money, other property, or any combination thereof to be received by any of the members of the domesticating corporation under the plan.

b. The articles of incorporation or bylaws of the domesticated corporation that will be in effect immediately after the domestication becomes effective, except for changes that do not require approval of the members of the domesticated corporation under the law of the jurisdiction of the domesticated corporation or its proposed articles of or bylaws as set forth in the plan.

c. Any of the other terms or conditions of the plan, if the change would adversely affect the member in any material respect.

(c) After a plan of domestication has been approved and before the articles of domestication have become effective, the plan may be abandoned as provided in the plan. Unless prohibited by the plan, a domestic nonprofit corporation may abandon the plan in the same manner as the plan was approved by the corporation without action by its members in accordance with any procedures set forth in the plan or, if no such procedures are set forth in the plan, in the manner determined by the board of directors.

(d) If a domestication is abandoned after articles of domestication have been delivered to the Secretary of State for filing but before the articles are effective, articles of abandonment, signed by the domesticating nonprofit corporation, shall be delivered to the Secretary of State for filing before the articles of domestication are effective. The articles of abandonment take effect upon filing, and the domestication is abandoned and does not become effective. The articles of abandonment shall contain all of the following:

(1) The name of the domesticating corporation.

(2) The date on which the articles of domestication were filed by the Secretary of State.

(3) A statement that the domestication has been abandoned in accordance with this section.

"§ 55A-11B-06. Articles of domestication; effective date.

(a) Articles of domestication shall be signed by the domesticating corporation and delivered to the Secretary of State for filing.

(b) The articles of domestication shall contain all of the following:

(1) The name and governing jurisdiction of the domesticating corporation.

(2) The name and governing jurisdiction of the domesticated corporation.

(3) If the domesticating corporation is a domestic nonprofit corporation, a statement that the plan of domestication was approved in accordance with this Article or, if the domesticating corporation is a foreign nonprofit corporation, a statement that the domestication was approved in accordance with its law of jurisdiction.

(4) If the domesticated corporation is a domestic nonprofit corporation, its articles of incorporation, as an attachment, except that provisions that would not be required to be included in restated articles of incorporation may be omitted from the articles of the domesticated corporation and the articles do not need to be signed.

(c) In addition to the requirements of subsection (b) of this section, articles of domestication may contain any other provision not prohibited by law.

(d) If the domesticated corporation is a domestic nonprofit corporation, the domestication becomes effective when the articles of domestication are effective. If the domesticated corporation is a foreign nonprofit corporation, the domestication becomes effective on the later of the following:

(1) The date and time provided by the law of the jurisdiction of the domesticated corporation.

(2) When the articles of domestication are effective.

"§ 55A-11B-07. Effect of domestication.

(a) When a domestication becomes effective, all of the following apply:

(1) All property owned by, and every contract right possessed by, the domesticating corporation becomes the property and contract rights of the domesticated corporation without transfer, reversion, or impairment.

(2) All debts, obligations, and other liabilities of the domesticating corporation remain the debts, obligations, and other liabilities of the domesticated corporation.

(3) The name of the domesticated corporation may be, but is not required to be, substituted for the name of the domesticating corporation in any pending proceeding.

(4) The articles of incorporation and bylaws of the domesticated corporation become effective.

(5) The memberships of the domesticating corporation are reclassified into memberships, obligations, rights to acquire memberships, cash, or other property in accordance with the terms of the domestication, and the members of the domesticating corporation are entitled only to the rights provided to them by those terms.

(6) The domesticated corporation is all of the following:

a. Incorporated under and subject to the current law of the jurisdiction of the domesticated corporation.

b. The same corporation without interruption as the domesticating corporation.

c. Deemed to have been incorporated on the date the domesticating corporation was originally incorporated.

(b) Except as otherwise provided under the law of the jurisdiction or the articles of incorporation or bylaws of a foreign nonprofit corporation that is the domesticating corporation,

the interest holder liability of a member in a foreign corporation that is domesticated into this State who had interest holder liability in respect of the domesticating corporation before the domestication becomes effective shall be as follows:

(1) The domestication does not discharge that prior interest holder liability with respect to any interest holder liabilities that arose before the domestication becomes effective.

(2) The provisions of the law of the jurisdiction of the domesticating corporation shall continue to apply to the collection or discharge of any interest holder liabilities preserved by subdivision (1) of this subsection, as if the domestication had not occurred.

(3) The member shall have such rights of contribution from other persons as are provided by the law of the jurisdiction of the domesticating corporation with respect to any interest holder liabilities preserved by subdivision (1) of this subsection, as if the domestication had not occurred.

(4) The member shall not, by reason of the prior interest holder liability, have interest holder liability with respect to any interest holder liabilities that are incurred after the domestication becomes effective.

(c) A member who becomes subject to interest holder liability in respect of the domesticated corporation as a result of the domestication shall have such interest holder liability only in respect of interest holder liabilities that arise after the domestication becomes effective.

(d) A domestication does not constitute or cause the dissolution of the domesticating corporation."

SECTION 3.2.(a) G.S. 55A-1-22 reads as rewritten:

"§ 55A-1-22. Filing, service, and copying fees.

(a) The Secretary of State shall collect the following fees when the documents described in this subsection are ~~delivered-submitted~~ to the Secretary for filing:

Document	Fee
...	
(13a) Reserved for future codification purposes.	
(13b) Reserved for future codification purposes.	
(13c) Articles of domestication	\$25.00
(13d) Articles of abandonment of domestication	\$10.00
...."	

SECTION 3.2.(b) G.S. 55A-1-60 reads as rewritten:

"§ 55A-1-60. Judicial relief.

(a) If for any reason it is impracticable for any corporation to call or conduct a meeting of its members, delegates, or directors, or otherwise obtain their consent, in the manner prescribed by its articles of incorporation, bylaws, or this Chapter, then upon petition of a director, officer, delegate, member, or the Attorney General, the superior court may order that ~~such~~ a meeting be held or that a written ballot or other method be used for obtaining the vote of members, delegates, or directors, in such a manner as the court finds fair and equitable under the circumstances.

(d) Whenever practical any order issued pursuant to this section shall limit the subject matter of meetings or other forms of consent authorized to items, including amendments to the articles of incorporation or bylaws, the resolution of which will or may enable the corporation to continue managing its affairs without further resort to this ~~section; provided, however, that~~ section. However, an order under this section may also authorize the obtaining of whatever votes and approvals are necessary for the dissolution, domestication, merger, or sale of assets.

...."

SECTION 3.2.(c) G.S. 55A-8-25 reads as rewritten:

"§ 55A-8-25. Committees of the board.

1 ...
2 (d) To the extent specified by the board of directors or in the articles of incorporation or
3 bylaws, each committee of the board may exercise the board's authority under
4 ~~G.S. 55A-8-01.~~ G.S. 55A-8-01, except that a

5 (e) ~~A committee of the board shall not, however, not exercise authority to do any of the~~
6 following:

7 (1) ~~Authorize distributions;~~ distributions.

8 (2) Recommend to members or approve dissolution, ~~merger-domestication,~~
9 merger, or the sale, pledge, or transfer of all or substantially all of the
10 corporation's ~~assets;~~ assets.

11 (3) Elect, appoint or remove directors, or fill vacancies on the board of directors
12 or on any of its ~~committees;~~ committees.

13 (4) Adopt, amend, or repeal the articles of incorporation or bylaws.

14"

15 **SECTION 3.3.(a)** Sections 3.1 and 3.2 of this Part become effective October 1, 2025.
16 Except as otherwise provided, this Part is effective when it becomes law.

17 **SECTION 3.3.(b)** If a protected agreement of a domestic domesticating nonprofit
18 corporation in effect immediately before the domestication becomes effective contains a
19 provision applying to a merger of the corporation and the agreement does not refer to a
20 domestication of the corporation, the provision applies to a domestication of the corporation as
21 if the domestication were a merger until the provision is first amended after October 1, 2025.

22 **SECTION 3.3.(c)** For the purposes of this section, a protected agreement is any of
23 the following in effect immediately before October 1, 2025:

24 (1) A document evidencing indebtedness of a domestic nonprofit corporation and
25 any related agreement.

26 (2) An agreement that is binding on a domestic nonprofit corporation.

27 (3) The articles of incorporation or bylaws of a domestic nonprofit corporation.

28 (4) An agreement that is binding on any of the interest holders or directors of a
29 domestic nonprofit corporation in their capacities as interest holders or
30 directors.

31 32 **PART IV. MODIFY REQUIRED NUMBER OF DIRECTORS**

33 **SECTION 4.(a)** G.S. 55A-1-50 reads as rewritten:

34 **"§ 55A-1-50. Private Foundations.**

35 (a) Except where otherwise determined by a court of competent jurisdiction, a
36 corporation that is a private foundation as defined in section 509(a) of the Internal Revenue Code
37 of 1986:1986 shall comply with all of the following:

38 (1) Shall distribute such amounts for each taxable year at ~~such the~~ the time and in
39 ~~such the~~ the manner required so as not to subject the corporation to tax under
40 section 4942 of the Code.

41 (2) Shall not engage in any act of self-dealing as defined in section 4941(d) of the
42 Code.

43 (3) Shall not retain any excess business holdings as defined in section 4943(c) of
44 the Code.

45 (4) Shall not make any investments in ~~such a manner as to that would~~ such a manner as to that would subject the
46 corporation to tax under section 4944 of the Code.

47 (5) Shall not make any taxable expenditures as defined in section 4945(d) of the
48 Code.

49 All references in this section to sections of the Code shall be to sections of the Internal
50 Revenue Code of 1986 as amended from time to time, or to corresponding provisions of
51 subsequent internal revenue laws of the United States.

(b) A board of directors of a private foundation shall consist of one or more natural persons, with the number specified in or fixed in accordance with the articles of incorporation or bylaws."

SECTION 4.(b) G.S. 55A-8-03 reads as rewritten:

"§ 55A-8-03. Number of directors.

(a) ~~A-Except as provided in G.S. 55A-1-50(b),~~ a board of directors shall consist of ~~one~~ three or more natural persons, with the number specified in or fixed in accordance with the articles of incorporation or bylaws.

(b) The number of directors may be increased or decreased from time to time by amendment to or in the manner prescribed in the articles of incorporation or bylaws.

(c) The articles of incorporation or bylaws may establish a variable range for the size of the board of directors by fixing a minimum number not inconsistent with this Chapter and maximum number of directors. If a variable range is established, the number of directors may be fixed or changed from time to time, within the minimum and maximum, by the members entitled to vote for directors ~~or (unless or, unless the articles of incorporation or an agreement valid under G.S. 55A-7-30 shall otherwise provide)-provide,~~ the board of directors. If the corporation has members entitled to vote for directors, only ~~such those~~ members may change the range for the size of the board or change from a fixed to a variable-range size board or vice versa."

SECTION 4.(c) G.S. 55A-8-11 reads as rewritten:

"§ 55A-8-11. Vacancy on board.

(a) Unless the articles of incorporation or bylaws provide otherwise, and except as provided in subsections (b) and (c) of this section, if a vacancy occurs on a board of directors, including, without limitation, a vacancy resulting from an increase in the number of directors or from the failure by the members to elect the full authorized number of directors, the vacancy may be ~~filled~~ filled by any of the following means:

(1) By the members entitled to vote for directors, if any, or if the vacant office was held by a director elected by a class, chapter or other organizational unit, or by region or other geographic grouping, by the members of that class, chapter, unit, or ~~grouping~~ grouping.

(2) By the board of ~~directors~~ directors.

(3) If the directors remaining in the office constitute fewer than a quorum of the board, by the affirmative vote of a majority of all the directors, or by the sole director, remaining in office.

(b) Unless the articles of incorporation or bylaws provide otherwise, if a vacant office was held by an appointed director, only the person who appointed the director may fill the vacancy.

(c) If a vacant office was held by a designated director, the vacancy shall be filled only as provided in the articles of incorporation or bylaws.

(d) A vacancy that will occur at a specific later ~~date (by date, by~~ reason of a resignation effective at a later date under G.S. 55A-8-07(b) or ~~otherwise)-otherwise,~~ may be filled before the vacancy occurs but the new director shall not take office until the vacancy occurs.

(e) Notwithstanding G.S. 55A-8-03(a), a board of directors may have fewer than three members due to vacancies until the vacancies are filled."

SECTION 4.(d) This section becomes effective October 1, 2025, and applies to corporations organized on or after that date.

PART V. MODIFY THE REQUIREMENT FOR ESTABLISHING COMMITTEES OF THE BOARD OF DIRECTORS

SECTION 5.(a) G.S. 55A-8-25 reads as rewritten:

"§ 55A-8-25. Committees of the board.

(a) Unless the articles of incorporation or bylaws provide otherwise, a board of directors may create one or more committees of the board and appoint members of the board to serve on them. Each committee shall have two or more members, who serve at the pleasure of the board.

(b) ~~The~~ Unless the articles of incorporation or bylaws provide otherwise, the creation of a committee and appointment of members to it shall be approved by the greater ~~of~~ of the following:

(1) A majority of all the directors in office when the action is ~~taken~~; or taken.

(2) The number of directors required by the articles of incorporation or bylaws to take action under G.S. 55A-8-24.

(c) G.S. 55A-8-20 through G.S. 55A-8-24, which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the board, apply to committees of the board and their members as well.

(d) To the extent specified by the board of directors or in the articles of incorporation or bylaws, each committee of the board may exercise the board's authority under G.S. 55A-8-01.

(e) A committee of the board shall not, ~~however~~; however, take the following actions:

(1) Authorize ~~distributions~~; distributions.

(2) Recommend to members or approve dissolution, merger or the sale, pledge, or transfer of all or substantially all of the corporation's ~~assets~~; assets.

(3) Elect, appoint or remove directors, or fill vacancies on the board of directors or on any of its ~~committees~~; or committees.

(4) Adopt, amend, or repeal the articles of incorporation or bylaws.

(f) The creation of, delegation of authority to, or action by a committee does not alone constitute compliance by a director with the standards of conduct described in G.S. 55A-8-30."

SECTION 5.(b) This section becomes effective October 1, 2025, and applies to committees created on or after that date.

PART VI. FURTHER AUTHORIZE AND CLARIFY CONVERSION

SECTION 6.(a) Article 11A of Chapter 55A of the General Statutes is amended by adding a new Part to read:

"Part 1. Conversion To Nonprofit Corporation.

"§ 55A-11A-01. Conversion.

(a) As used in this section, "business entity" means a domestic business corporation, including a professional corporation as defined in G.S. 55B-2, a foreign business corporation, including a foreign professional corporation as defined in G.S. 55B-16, a domestic or foreign nonprofit corporation, a domestic or foreign limited liability company, a domestic or foreign limited partnership, a registered limited liability partnership or foreign limited liability partnership as defined in G.S. 59-32, or any other partnership as defined in G.S. 59-36 whether or not formed under the laws of this State.

(b) A business entity, other than a domestic nonprofit corporation, may convert to a domestic nonprofit corporation if both of the following apply:

(1) The conversion is permitted by the laws of the state or country governing the organization and internal affairs of the converting business entity.

(2) The converting business entity complies with the requirements of this Part and, to the extent applicable, the laws referred to in subdivision (1) of this subsection.

"§ 55A-11A-02. Plan of conversion.

(a) The converting business entity shall approve a written plan of conversion containing all of the following:

(1) The name of the converting business entity, its type of business entity, and the state or country whose laws govern its organization and internal affairs.

(2) The name of the resulting domestic nonprofit corporation into which the converting business entity will convert.

(3) The terms and conditions of the conversion.

(4) The manner and basis for converting the interests in the converting business entity, if any, into any combination of eligible interests or other securities, rights to acquire interests or other securities, obligations, cash, or other property of the resulting domestic nonprofit corporation.

(b) The plan of conversion may contain any other provisions not prohibited by law.

(c) The provisions of the plan of conversion, other than the provisions required by subdivisions (1) and (2) of subsection (a) of this section, may be made dependent on facts objectively ascertainable outside the plan of conversion if the plan of conversion sets forth the manner in which the facts will operate upon the affected provisions.

(d) The plan of conversion shall be approved in accordance with the laws of the state or country governing the organization and internal affairs of the converting business entity.

(e) After a plan of conversion has been approved as provided in subsection (d) of this section, but before articles of incorporation for the resulting domestic nonprofit corporation become effective, the plan of conversion may be amended or abandoned to the extent permitted by the laws that govern the organization and internal affairs of the converting business entity.

"§ 55A-11A-03. Filing of articles of incorporation by converting business entity.

(a) After a plan of conversion has been approved by the converting business entity as provided in G.S. 55A-11A-02, the converting business entity shall deliver articles of conversion to the Secretary of State for filing. In addition to the matters required or permitted by G.S. 55A-2-02, the articles of incorporation shall contain articles of conversion stating all of the following:

(1) That the corporation is being formed pursuant to a conversion of a business entity.

(2) The name of the converting business entity, its type of business entity, and the state or country whose laws govern its organization and internal affairs.

(3) That a plan of conversion has been approved by the converting business entity as required by law.

(b) If the plan of conversion is abandoned after the articles of incorporation have been filed with the Secretary of State but before the articles of incorporation become effective, the converting business entity shall deliver to the Secretary of State for filing prior to the time the articles of incorporation become effective an amendment to the articles of incorporation withdrawing the articles of incorporation.

(c) The conversion takes effect when the articles of incorporation become effective.

(d) Certificates of conversion shall also be registered as provided in G.S. 47-18.1.

"§ 55A-11A-04. Effects of conversion.

When the conversion takes effect, all of the following apply:

(1) The converting business entity ceases its prior form of organization and continues in existence as the resulting domestic nonprofit corporation.

(2) The title to all real estate and other property owned by the converting business entity continues vested in the resulting domestic nonprofit corporation without transfer, reversion, or impairment.

(3) Except as otherwise provided by law or by the plan of conversion, all rights, privileges, immunities, powers, and purposes of the converting business entity remain vested in the resulting domestic nonprofit corporation.

(4) All debts, obligations, and other liabilities of the converting business entity continue as debts, obligations, and other liabilities of the resulting domestic nonprofit corporation.

(5) A proceeding pending by or against the converting business entity may be continued as if the conversion did not occur. The name of the resulting domestic nonprofit corporation may be substituted for the name of the converting business entity in any pending action or proceeding.

(6) The interests and obligations in the converting business entity are converted to eligible interests or other securities, rights to acquire interests or other securities, obligations, cash, or other property of the resulting domestic corporation in accordance with the plan of conversion.

(7) All of the following apply to the resulting domestic nonprofit corporation:

a. It is incorporated under and subject to this Chapter.

b. It converts from the converting business entity into its new form of organization interruption.

c. It is deemed to have been incorporated on the date that the converting entity was originally incorporated or organized.

The conversion does not affect the liability or absence of liability of any holder of an interest in the converting business entity for any acts, omissions, or obligations of the converting business entity made or incurred prior to the effectiveness of the conversion. The cessation of the existence of the converting business entity in its prior form of organization in the conversion does not constitute a dissolution or termination of the converting business entity."

SECTION 6.(b) Part 2 of Article 11A of Chapter 55A of the General Statutes reads as rewritten:

"Part 2. Conversion of Nonprofit Corporation.

"§ 55A-11A-10. Conversion.

(a) A charitable or religious corporation may convert to a domestic limited liability company if the converting charitable or religious corporation complies with the requirements of this ~~part~~ Part and the requirements of G.S. 57D-9-20, 57D-9-21, and 57D-9-22.

(b) The plan of conversion of a charitable or religious corporation to a domestic limited liability company under G.S. 57D-9-21 shall comply with all of the following:

(1) If the converting charitable or religious corporation does not have any members entitled to vote on the conversion, the plan shall be approved by the board of directors of the converting charitable or religious corporation.

(2) If the charitable or religious corporation has members entitled to vote on the conversion, the plan shall first be approved by the board of directors and then by the members entitled to vote on the conversion in accordance with the following:

a. In submitting the plan of conversion to the members for approval, the board of directors shall recommend that the members approve the plan unless the directors make a determination that because of conflicts of interest or other special circumstances they should not make this recommendation, in which case the directors shall inform the members of the basis for so proceeding.

b. If the approval is to be given at a meeting, the charitable or religious corporation shall notify each member entitled to vote of the meeting of members at which the plan of conversion will be submitted for approval. The notice shall state that the purpose, or one of the purposes, of the meeting is to consider the plan of conversion and shall contain or be accompanied by a copy or summary of the plan.

c. Unless the articles of incorporation, the bylaws, or the board of directors of the charitable or religious corporation require a different vote or quorum, approval of the plan of conversion requires (i) the approval of the members, consisting of the majority of the votes

entitled to be cast on the plan, at a meeting at which a quorum exists and (ii) the approval of each separate voting group, consisting of a majority of the votes entitled to be cast on the plan by that voting group, at a meeting at which a quorum of the voting group is present.

(3) If, as a result of the conversion, one or more members of the converting entity would become subject to new member liability, approval of the plan of conversion requires that each of those members sign a separate record consenting to become subject to the new member liability.

(4) In addition to the adoption and approval of the plan of conversion by the board of directors and members as required by this section, the plan of conversion shall also be approved by any person or group of persons whose approval is required under G.S. 55A-10-30 to amend the articles of incorporation or bylaws of the charitable or religious corporation."

SECTION 6.(c) This section becomes effective October 1, 2025, and applies to plans of conversion approved on or after that date.

PART VII. ALIGN STATE AND FEDERAL DISCLOSURE REQUIREMENTS FOR CHARITABLE ORGANIZATIONS

SECTION 7. G.S. 131F-9 reads as rewritten:

"§ 131F-9. Disclosure requirements of charitable organizations and sponsors.

...

(b) Disclosures. – A charitable organization or sponsor soliciting in this State shall include all of the following disclosures at the point of solicitation:

...

(4) Upon request, the amount of the contribution ~~which that~~ may be deducted as a charitable contribution under federal income tax laws. A written acknowledgement that provides the information set forth in section 170(f)(8) of the Internal Revenue Code satisfies this disclosure requirement.

...."

PART VIII. EFFECTIVE DATE AND APPLICABILITY

SECTION 8. Except as otherwise provided, this act is effective when it becomes law.