



## H.F. No. 747/S.F. No. 1431 – Minnesota Business Corporation Act

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**Chapter 302A** is the Minnesota Business Corporation Act and governs corporations that are organized for profit. **H.F. 747/S.F. 1431** makes several changes to chapter 302A, including addressing procedures in the event of an emergency, limitations on a board’s authority to manage the corporations, and ratification and validation for defective corporate acts.

**Section 1 (302A.011, subd. 41; Beneficial owner; beneficial ownership)** clarifies the definition of “beneficial ownership.”

**Section 2 (302A.011, subd. 72; Defective corporate act)** defines a “defective corporate act” for purposes of chapter 302A.

**Section 3 (302A.011, subd. 73; Emergency)** defines “emergency” for purposes of chapter 302A.

**Section 4 (302A.011, subd. 74; Failure of authorization)** defines “failure of authorization” for purposes of chapter 302A.

**Section 5 (302A.011, subd. 75; Overissue)** defines “overissue” for purposes of chapter 302A.

**Section 6 (302A.011, subd. 76; Putative shares)** defines “putative shares” for purposes of chapter 302A.

**Section 7 (302A.011, subd. 77; Time of defective corporate act)** defines “time of defective corporate act” for purposes of chapter 302A.

**Section 8 (302A.011, subd. 78; Validation effective time)** defines “validation effective time” for purposes of chapter 302A.



**Section 9 (302A.011, subd. 79; Valid shares)** defines “valid shares” for purposes of chapter 302A.

**Section 10 (302A.111, subd. 2; Statutory provisions that may be modified only in articles or in a shareholder control agreement)** provides that section 302A.201, a statute that requires that a corporation’s business and affairs be managed by the board, governs a corporation unless modified by the articles or a shareholder control agreement.

**Section 11 (302A.161, subd. 23a; Emergency powers)** provides default requirements for meeting notices, meetings of the board, and meetings of shareholders in an emergency.

**Section 12 (302A.166; Defective corporate acts and shares; ratification)** provides that a defective corporate act or putative share is not void or voidable solely as a result of a failure to authorize if it is ratified under this section or validated by a court proceeding. This section provides the process for a board to ratify a defective corporate act, as well as a separate specific process to ratify a defective corporate act in respect to the election of the first board of directors.

This section requires that a defective corporate act, other than ratifying the election of the first board, must be submitted for approval by the shareholders under certain circumstances and provides a process for submission to the shareholders. This section describes the circumstances under which a certificate of validation must be filed with the secretary of state and provides requirements for the contents of the certificate.

After the validation effective time, ratified defective corporate acts and putative shares are no longer void or voidable and are effective retroactively. This section provides timing and content requirements for notice to shareholders of ratification of defective corporate act.

**Section 13 (302A.167; Validity of defective corporate acts and shares; proceedings)** provides a judicial process to review the ratification and issue potential remedies. This section permits the court to consider certain information when making a determination in an action related to a ratification and establishes a statute of limitations.

**Section 14 (302A.181, subd. 4; Emergency bylaws)** permits bylaws to include provisions effective only during an emergency, unless articles provide otherwise.

**Section 15 (302A.201, subd. 1; Board to manage)** permits the articles to limit the board’s powers and, in that event, addresses the liabilities of the directors and other natural persons with the responsibilities of the directors.

**Section 16 (302A.237, subd. 3; Agreements and other instruments; authorizations)** permits a board of directors to ratify an agreement when a certificate must be filed with the secretary of state.

**Section 17 (302A.361; Standard of conduct)** permits the articles to limit or eliminate the personal liability of an officer for monetary damages for a breach of fiduciary duty during the time the corporation is publicly held.

**Section 18 (302A.461, subd. 4; Right to inspect)** permits a shareholder, beneficial owner, or a holder of a voting trust certificate of the corporation to petition the court to enforce their right to inspect and collect expenses for attorney fees.

**Section 19 (302A.471, subd. 1; Actions creating rights)** permits a shareholder to dissent and obtain payment for their shares if the corporation diminishes or abolishes the board's right to manage the corporation.

**Section 20 (302A.471, subd. 3; Rights not to apply)** makes a technical change.

**Section 21 (302A.611, subd. 1a; Additional remedies; shareholder representatives)** permits a plan of merger or exchange to include penalties for a party's failure to perform its obligations and that an appointment is irrevocable and unamendable.