

OPPRESSIVE CONDUCT IN A CLOSELY HELD CORPORATION

2019 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Kirk A. Cullimore

House Sponsor: Steve Waldrip

LONG TITLE

General Description:

This bill establishes a cause of action for oppressive conduct in a closely held corporation.

Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ creates a cause of action for oppressive conduct toward a shareholder of a closely held corporation; and
- ▶ establishes a remedy.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

ENACTS:

16-10a-1901, Utah Code Annotated 1953

16-10a-1902, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:



28 Section 1. Section **16-10a-1901** is enacted to read:

29 **Part 19. Oppressive Conduct in a Closely Held Corporation**

30 **16-10a-1901. Definition.**

31 As used in this part:

32 (1) "Oppressive conduct" means a continuing course of conduct, a significant action, or
33 a series of actions that substantially interferes with the interests of a shareholder as a
34 shareholder.

35 (2) "Oppressive conduct" may include:

36 (a) termination of a shareholder's employment; or

37 (b) limitations on a shareholder's employment benefits to the extent that the limitations
38 interfere with distributions or other shareholder interests disproportionately as to the affected
39 shareholder.

40 (3) "Oppressive conduct" does not include an action allowed by an agreement, the
41 corporation's articles of incorporation, the corporation's bylaws, or a consistently applied
42 written corporate policy or procedure.

43 Section 2. Section **16-10a-1902** is enacted to read:

44 **16-10a-1902. Shareholder cause of action -- Relief.**

45 (1) A shareholder of a closely held corporation who is injured by oppressive conduct
46 may bring a private cause of action against the closely held corporation.

47 (2) (a) If a court finds that oppressive conduct toward the shareholder occurred, the
48 court shall order one or more persons described in Subsection (2)(b) to purchase the injured
49 shareholder's shares in the closely held corporation at fair value.

50 (b) A court may order that any of the following purchase the shares of the shareholder
51 as described in Subsection (2)(a):

52 (i) the closely held corporation;

53 (ii) an officer of the closely held corporation;

54 (iii) a director of the closely held corporation; or

55 (iv) a shareholder of the closely held corporation that is responsible for the oppressive
56 conduct.

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