

NJ Boards of Directors May Not Alter Shareholder Quorum Requirements Via Amendment to Corporate Bylaws

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It is not unusual for shareholders in closely held companies to overlook the shareholder quorum requirements. But such quorum requirements can be either an Achilles' heel or powerful tool in the event of a shareholder dispute on the direction and operations of the company. In a recent appellate decision, a New Jersey court ruled that a corporation's board of directors could not deal with an obstructionist shareholder by modifying the company's shareholder-quorum requirement through a bylaw amendment.[1] Instead, any deviation from the New Jersey Business Corporation Act's default rule on shareholder quorum—that a majority of a corporation's shares must be represented in person or by proxy at a shareholder meeting in order to constitute quorum—must be provided for in the corporation's certificate of incorporation. Companies and shareholders looking to either prevent corporate changes or overcome obstructionist shareholders should carefully consider their options.

[1] *Sterling Laurel Realty, LLC, et al. v. Laurel Gardens Co-Op, Inc.*, No. A-0696-14T4 (N.J. App. Div. April 5, 2016) (approved for publication).