

February 3, 1981

LB 43

state of corporate practice in Nebraska. A final recommendation of LR 266 was the Judiciary Committee introduce legislation incorporating several of the national amendments to the Nebraska Corporation laws. Much of the language itself was refined by the Nebraska Bar Association Committee on Corporate Practice. All the provisions in LB 43 were adopted by the Nebraska State Bar Association at their House of Delegates meeting last fall. The thrust of the entire bill is permissive in nature in that it will allow Nebraska corporations to modify several aspects of their practice and procedures to keep Nebraska current with other states as to the way we allow corporations to function in Nebraska. As many of you realize the corporations are a creature of statute and can function only as the laws of the state under which they are incorporated allow them to function. Nebraska's Corporation Act has not been substantially amended for approximately ten years, and during that time changes have been made and amendments have been adopted to the Model Business Corporation Act upon which Nebraska modeled its corporation laws. I would like to highlight some of the proposed changes for you. Number one, Sections 21-2002 (7), 21-2022, 21-2023 and 21-2080 are amended by the bill to modify the definition of shareholder and to provide for creation of uncertified shares. It has become a common practice for persons purchasing stock to have the shares registered in the street name of a broker-dealer or other financial institutions for several reasons, principally in order to facilitate transfer by eliminating the need for the beneficial owner's signature and delivery. This system has been developed on more or less a national level. In this system, financial institutions deposit securities held of record by them with the depository which becomes a record owner of the shares. Transfers between depositors are then accomplished by book entry of the depository. The purpose of this proposal is to facilitate direct communications between the corporation and the beneficial owner by authorizing a procedure for bypassing the immediate record holders. The adoption of this procedure would be discretionary with each corporation and would require authorization in the Articles of incorporation or the bylaws. Number two, Section 21-2004 (15) is amended to clarify corporation power to indemnify directors, officers and employees. Current Nebraska statutes are unclear as to the degree of care upon which the legal basis corporations can act to indemnify its directors, officers and employees. The purpose of this provision is to eliminate that confusion. Section three, Sections 21-2035 and 21-2042 are amended and relate to qualifications of the Board of Directors, the standard of conduct required for directors and authorize telephonic meetings of the Board of Directors. One of the most discussed provisions in LB 43 is the authorization for telephonic meeting of the Board of Directors.