



# California Corporate & Securities Law

## Comparing Books And Records Stockholder Inspection Rights In California, Delaware and Nevada

Posted In [Corporate Governance](#), [Nevada Corporations](#)

4/25/2011

The right of a stockholder to inspect a corporate books and records was originally a common law right. California, Delaware and Nevada have since codified stockholder inspection rights.

However, as summarized by the table below, these rights differ significantly amongst the three states. (This table doesn't address what may be inspected which is a subject for another post.) It should be noted that California's statute applies not only to corporations formed under its General Corporation Law but also to:

- Any foreign corporation keeping its records in California;
- Any foreign corporation having its principal executive office in California; and
- Any pseudo-foreign corporation (Section 2115).

Lest my out-of-state friends should interpose the objection that these extensions of California's inspection rights to foreign corporations violate the internal affairs doctrine, I note that a California Court of Appeal has held that Section 1600 (governing the right to inspect the shareholder records) applies to a Delaware corporation with its principal executive office in California. See *Valtz v. Penta Investment Corp.*, 139 Cal. App. 3d 803 (1983) which I discuss in *California Court of Appeal Applies California Inspection Rights to Delaware Corporation*, 17 CEB California Business Law Reporter 168 (1996). Last year, a stockholder invoked Section 1601 in an attempt to inspect records of Chevron Corporation, a Delaware corporation. *Bezirdjian v. O'Reilly*, 183 Cal. App. 4th 316 (2010). The plaintiff was unsuccessful, not because the Chevron is a Delaware corporation, but because he failed to persuade the court that Section 1601 authorizes discovery in an ongoing lawsuit.

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The table below is from the just released treatise, *Bishop & Zucker On Nevada Corporations and Limited Liability Companies*.

**TABLE 1.4**

	<b>California</b>	<b>Delaware</b>	<b>Nevada</b>
Who may inspect	Any stockholder (Cal. Corp. Code § 1601(c))	Any stockholder (Del. Code Ann., tit. 8, § 220(b))	Any person who has been a stockholder of record and owns not less than 15% of all of the issued or outstanding shares (or person authorized by the holders of at least 15%) (NRS 78.257(1))
Exception for publicly traded companies	NO	NO	YES (NRS 78.257(6))
Exception if financial statement is supplied	NO	NO	YES (NRS 78.257(6))
Purpose requirement	Must be a purpose reasonably related to the holder's interests as a stockholder (Cal. Corp. Code § 1601(c))	Must be a purpose reasonably related to the stockholder's interest <i>qua</i> stockholder	Must not be desired for any purpose not related to the stockholder's interest in the corporation as a stockholder (NRS 78.257(3))

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