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Corporate Insights

Georgia Enacts Significant Corporate Governance Reforms Under HB 1185

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On May 11, 2026, Georgia enacted House Bill 1185, marking a significant reform of the state's corporate governance and shareholder litigation framework. Signed into law by Governor Brian Kemp, the legislation became effective on July 1, 2026 and applies to claims filed on or after that date.

HB 1185 amends Titles 14 and 15 of the Georgia Code, introducing new provisions governing "internal entity claims" (a new defined term, explained below, that includes derivative claims and more), expanding the jurisdiction and use of the Georgia State-wide Business Court and revising key aspects of shareholder litigation. These reforms align Georgia more closely with other business-friendly jurisdictions, such as Delaware, Texas and Nevada, which have adopted measures to centralize corporate disputes and limit shareholder litigation exposure.

Key changes under HB 1185

1. Expanded Business Court jurisdiction

HB 1185 significantly expands the jurisdiction of the Georgia State-wide Business Court over "internal entity claims," a newly defined category set forth in new O.C.G.A § 14-1-1 that includes:

- Derivative actions
- Fiduciary duty claims
- Books-and-records inspection demands
- Valuation proceedings
- Disclosure-based claims

For qualifying entities, such claims are now channeled into the Business Court, and the Business Court may be required to retain jurisdiction in certain circumstances.

2. Authorization of exclusive Business Court forum provisions

Under new O.C.G.A. § 14-2-206(c), Georgia corporations now may include provisions in their articles of incorporation or bylaws requiring that internal entity claims be brought exclusively in the Business Court. This marks a significant shift from prior law, under which the Business Court's jurisdiction was largely consensual and voluntary, as well as provides companies with a powerful tool to centralize internal disputes and reduce forum-shopping.

3. Streamlined removal and transfer of cases to Business Court

HB 1185 introduces new mechanisms to facilitate transfer of cases into the Business Court under new O.C.G.A § 15-5A-4:

- 90-day deadline for unilateral transfer petitions (extended from 60 days)
- Up to one year for consensual removal
- Required retention of certain internal entity claims

These changes are designed to increase utilization of the Business Court and promote consistency in business dispute resolution.

4. New limits on shareholder derivative actions

Under new O.C.G.A. § 14-2-741, public companies may adopt minimum ownership thresholds (up to 1% of outstanding shares) for shareholders seeking to bring derivative suits.

This reform will likely deter low-stake or opportunistic litigation, and ensure that plaintiffs have a meaningful economic interest in the company.

5. Restrictions on shareholder inspection rights

Historically, for a shareholder to inspect and copy a company's books and records, the shareholder must assert a "proper purpose" for doing so, under O.C.G.A. § 14-2-1602(d). HB 1185 narrows what constitutes a "proper purpose" for books-and-records requests in new O.C.G.A. § 14 2 1602(g). Notably, a shareholder generally lacks proper purpose when the shareholder is already engaged in litigation against the company, or pursuing a derivative claim.

6. Limitations on disclosure-only settlements and fee awards

A new subsection (b) was added to O.C.G.A. § 14 2 746 to provide that additional or amended disclosures to shareholders alone do not constitute a "substantial benefit" sufficient to justify plaintiffs' attorneys' fees, regardless of the materiality of such disclosures. This provision targets strike suits and merger-related disclosure challenges designed primarily to extract fee awards.

7. Expanded liability protections for corporate officers

HB 1185 authorizes corporations to extend exculpation provisions to officers under new O.C.G.A. § 14 2 202(b)(4), allowing limitations on liability for monetary damages similar to those long available to directors. However, as with director protections, exceptions apply for:

- Bad faith or intentional misconduct
- Improper personal benefit
- Other specified conduct

Practical implications for companies

HB 1185 is widely viewed as aligning Georgia more closely with leading corporate law jurisdictions, while offering companies greater predictability and control over internal disputes.

Companies organized in or doing business in Georgia should consider taking the following actions:

1. Review and update governing documents

- Evaluate whether to adopt exclusive Business Court forum provisions
- Consider implementing derivative standing thresholds

2. Reassess litigation strategy

- Expect increased use of the Business Court as the primary forum for internal disputes

3. Evaluate officer and director protections

- Consider whether to extend exculpation protections to officers

4. Prepare for reduced shareholder litigation exposure

- Anticipate fewer disclosure-based suits and inspection-driven claims

Conclusion

HB 1185 fundamentally reshapes Georgia's corporate litigation landscape by expanding the role of the Georgia State-wide Business Court, raising barriers to shareholder litigation and strengthening protections for corporations, as well as their directors and officers. Companies should act promptly to evaluate potential updates to their governing documents, litigation strategies and risk management frameworks in light of such changes.

Contacts

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