
By: **Delegates Barve and Brown**
Introduced and read first time: February 7, 2001
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
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CHAPTER _____

1 AN ACT concerning

2 **Corporations - Meetings of Directors and Stockholders**

3 FOR the purpose of providing that certain actions by the board of directors of a
4 Maryland corporation or a committee of the board may be taken by a certain
5 consent given in writing or by electronic transmission; providing that certain
6 meetings of the board of directors of a Maryland corporation may be held by
7 means of remote communication; providing that certain meeting notices may be
8 delivered to the directors of a Maryland corporation by electronic transmission;
9 authorizing the ~~director~~ directors of a Maryland corporation to waive notice of
10 certain meetings by delivering a written waiver or a waiver by electronic
11 transmission; expanding the types of communications equipment that may be
12 used by directors and stockholders of a Maryland corporation to hold certain
13 meetings of directors and stockholders; authorizing the charter of a Maryland
14 corporation to provide for the place of stockholders' meetings or to provide that
15 the board of directors may determine the place of stockholders' meetings;
16 providing that the board of directors of a Maryland corporation under certain
17 circumstances has the sole power to determine the means of remote
18 communication by which stockholders and proxy holders may be considered
19 present in person and may vote at a special meeting of stockholders; authorizing
20 the board of directors of a Maryland corporation under certain circumstances to
21 determine that meetings of stockholders shall be held by means of remote
22 communication; requiring the board of directors to provide a place for a meeting
23 of stockholders under certain circumstances; authorizing stockholders under
24 certain circumstances to participate in, be considered present at, and vote at
25 certain stockholders' meetings held by means of remote communication;
26 requiring stockholders' meeting notices to contain certain information with
27 respect to meetings held by means of remote communication; providing that
28 certain notices of stockholders' meetings are considered given to a stockholder

1 on the occurrence of certain events; providing that a stockholder may deliver a
2 certain waiver of notice in writing or by electronic transmission; providing that
3 certain actions of stockholders of a Maryland corporation may be taken by a
4 certain consent given in writing or by electronic transmission; defining a certain
5 term; making certain stylistic changes; and generally relating to meetings of
6 directors and stockholders of Maryland corporations.

7 BY repealing and reenacting, without amendments,
8 Article - Corporations and Associations
9 Section 1-101(a)
10 Annotated Code of Maryland
11 (1999 Replacement Volume and 2000 Supplement)

12 BY adding to
13 Article - Corporations and Associations
14 Section 1-101(k-1)
15 Annotated Code of Maryland
16 (1999 Replacement Volume and 2000 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article - Corporations and Associations
19 Section 2-408(c), 2-409, 2-502(e), 2-502.1(a), 2-503, 2-504, and 2-505
20 Annotated Code of Maryland
21 (1999 Replacement Volume and 2000 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That the Laws of Maryland read as follows:

24 **Article - Corporations and Associations**

25 1-101.

26 (a) In this article, unless the context clearly requires otherwise, the following
27 words have the meanings indicated.

28 (K-1) "ELECTRONIC TRANSMISSION" MEANS ANY FORM OF COMMUNICATION,
29 NOT DIRECTLY INVOLVING THE PHYSICAL TRANSMISSION OF PAPER, THAT CREATES
30 A RECORD THAT MAY BE RETAINED, RETRIEVED, AND REVIEWED BY A RECIPIENT OF
31 THE COMMUNICATION AND THAT MAY BE REPRODUCED DIRECTLY IN PAPER FORM
32 BY A RECIPIENT THROUGH AN AUTOMATED PROCESS.

33 2-408.

34 (c) Any action required or permitted to be taken at a meeting of the board of
35 directors or of a committee of the board may be taken without a meeting, if an
36 unanimous [written] consent [which sets forth the action] is:

1 (1) [Signed] GIVEN IN WRITING OR BY ELECTRONIC TRANSMISSION by
2 each member of the board or committee; and

3 (2) Filed IN PAPER OR ELECTRONIC FORM with the minutes of
4 proceedings of the board or committee.

5 2-409.

6 (a) Unless the bylaws of the corporation provide otherwise, a regular or
7 special meeting of the board of directors may be held at any place in or out of the
8 State OR BY MEANS OF REMOTE COMMUNICATION.

9 (b) (1) Notice of each meeting of the board of directors shall be given as
10 provided in the bylaws.

11 (2) Unless the bylaws provide otherwise, the notice:

12 (i) Shall be in writing OR DELIVERED BY ELECTRONIC
13 TRANSMISSION; and

14 (ii) Need not state the business to be transacted at or the purpose of
15 any regular or special meeting of the board of directors.

16 (c) Whenever this article or the charter or bylaws of a corporation require
17 notice of the time, place, or purpose of a meeting of the board of directors or a
18 committee of the board, [each] A person who is entitled to the notice waives notice if
19 [he] THE PERSON:

20 (1) Before or after the meeting [signs a] DELIVERS A WRITTEN waiver
21 OR A WAIVER BY ELECTRONIC TRANSMISSION [of the notice] which is filed with the
22 records of the meeting; or

23 (2) Is present at the meeting.

24 (d) (1) Unless restricted by the charter or bylaws of the corporation,
25 members of the board of directors or a committee of the board may participate in a
26 meeting by means of a conference telephone or [similar] OTHER communications
27 equipment if all persons participating in the meeting can hear each other at the same
28 time.

29 (2) Participation in a meeting by these means constitutes presence in
30 person at the meeting.

31 2-502.

32 (e) The board of directors has the sole power to fix:

33 (1) The record date for determining stockholders entitled to request a
34 special meeting of the stockholders and the record date for determining stockholders
35 entitled to notice of and to vote at the special meeting; and

1 (2) The date, time, and place, IF ANY, AND THE MEANS OF REMOTE
2 COMMUNICATION, IF ANY, BY WHICH STOCKHOLDERS AND PROXY HOLDERS MAY BE
3 CONSIDERED PRESENT IN PERSON AND MAY VOTE AT [of] the special meeting.

4 2-502.1.

5 (a) Unless restricted by the charter or bylaws of the corporation, a corporation
6 may allow stockholders to participate in a meeting by means of a conference
7 telephone or [similar] OTHER communications equipment if all persons participating
8 in the meeting can hear each other at the same time.

9 2-503.

10 (A) Unless the charter provides otherwise, meetings of stockholders shall be
11 held as is:

12 (1) Provided in the CHARTER OR bylaws; or

13 (2) Set by the board of directors under the provisions of the CHARTER OR
14 bylaws.

15 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IF THE BOARD OF
16 DIRECTORS IS AUTHORIZED TO DETERMINE THE PLACE OF A MEETING OF THE
17 STOCKHOLDERS, THE BOARD, ~~IN ITS SOLE DISCRETION~~, MAY DETERMINE THAT THE
18 MEETING NOT BE HELD AT ANY PLACE, BUT INSTEAD MAY BE HELD SOLELY BY
19 MEANS OF REMOTE COMMUNICATION, AS AUTHORIZED BY SUBSECTION (C) OF THIS
20 SECTION.

21 (2) AT THE REQUEST OF A STOCKHOLDER, THE BOARD OF DIRECTORS
22 SHALL PROVIDE A PLACE FOR A MEETING OF THE STOCKHOLDERS.

23 (C) IF AUTHORIZED BY THE BOARD OF DIRECTORS ~~IN ITS SOLE DISCRETION~~,
24 AND SUBJECT TO ANY GUIDELINES AND PROCEDURES THAT THE BOARD ADOPTS,
25 STOCKHOLDERS AND PROXY HOLDERS NOT PHYSICALLY PRESENT AT A MEETING OF
26 THE STOCKHOLDERS, BY MEANS OF REMOTE COMMUNICATION:

27 (1) MAY PARTICIPATE IN THE MEETING OF THE STOCKHOLDERS; AND

28 (2) MAY BE CONSIDERED PRESENT IN PERSON AND MAY VOTE AT THE
29 MEETING OF THE STOCKHOLDERS, WHETHER THE MEETING IS HELD AT A
30 DESIGNATED PLACE OR SOLELY BY MEANS OF REMOTE COMMUNICATION, IF:

31 (I) THE CORPORATION IMPLEMENTS REASONABLE MEASURES TO
32 VERIFY THAT EACH PERSON CONSIDERED PRESENT AND AUTHORIZED TO VOTE AT
33 THE MEETING BY MEANS OF REMOTE COMMUNICATION IS A STOCKHOLDER OR
34 PROXY HOLDER;

35 (II) THE CORPORATION IMPLEMENTS REASONABLE MEASURES TO
36 PROVIDE THE STOCKHOLDERS AND PROXY HOLDERS A REASONABLE OPPORTUNITY
37 TO PARTICIPATE IN THE MEETING AND TO VOTE ON MATTERS SUBMITTED TO THE

1 STOCKHOLDERS, INCLUDING AN OPPORTUNITY TO READ OR HEAR THE
 2 PROCEEDINGS OF THE MEETING SUBSTANTIALLY CONCURRENTLY WITH THE
 3 PROCEEDINGS; AND

4 (III) IN THE EVENT ANY STOCKHOLDER OR PROXY HOLDER VOTES
 5 OR TAKES OTHER ACTION AT THE MEETING BY MEANS OF REMOTE
 6 COMMUNICATION, A RECORD OF THE VOTE OR OTHER ACTION IS MAINTAINED BY
 7 THE CORPORATION.

8 2-504.

9 (a) Not less than 10 nor more than 90 days before each stockholders' meeting,
 10 the secretary of the corporation shall give [written] notice IN WRITING OR BY
 11 ELECTRONIC TRANSMISSION of the meeting to:

12 (1) Each stockholder entitled to vote at the meeting; and

13 (2) Each other stockholder entitled to notice of the meeting.

14 (b) The notice shall state:

15 (1) The time and place of the meeting, IF ANY, AND THE MEANS OF
 16 REMOTE COMMUNICATION, IF ANY, BY WHICH STOCKHOLDERS AND PROXY HOLDERS
 17 MAY BE DEEMED TO BE PRESENT IN PERSON AND MAY VOTE AT THE MEETING; and

18 (2) The purpose of the meeting, if:

19 (i) The meeting is a special meeting; or

20 (ii) Notice of the purpose is required by any other provision of this
 21 article.

22 (c) For purposes of this section, notice is given to a stockholder when it is:

23 (1) Personally delivered to the stockholder;

24 (2) Left at the stockholder's residence or usual place of business;

25 (3) Mailed to the stockholder at the stockholder's address as it appears
 26 on the records of the corporation;{or}

27 (4) Transmitted to the stockholder by AN electronic mail TRANSMISSION
 28 to any electronic mail address OR NUMBER of the stockholder or by any other
 29 electronic means; AT WHICH THE STOCKHOLDER RECEIVES ELECTRONIC
 30 TRANSMISSIONS.

31 ~~(5) TRANSMITTED BY A FACSIMILE TELECOMMUNICATION THAT IS~~
 32 ~~DIRECTED TO A NUMBER AT WHICH THE STOCKHOLDER HAS CONSENTED TO~~
 33 ~~RECEIVE NOTICE; OR~~

1 ~~(6)~~ ~~TRANSMITTED BY A POSTING ON AN ELECTRONIC NETWORK, AND~~
 2 ~~SEPARATE NOTICE IS GIVEN TO THE STOCKHOLDER OF THE SPECIFIC POSTING.~~

3 (D) (1) ~~WITHOUT LIMITING THE MANNER BY WHICH NOTICE OTHERWISE~~
 4 ~~MAY BE GIVEN EFFECTIVELY TO STOCKHOLDERS, ANY NOTICE TO STOCKHOLDERS~~
 5 ~~GIVEN BY A CORPORATION UNDER THIS TITLE OR UNDER THE CHARTER OR BYLAWS~~
 6 ~~OF A CORPORATION SHALL BE EFFECTIVE IF GIVEN BY A FORM OF ELECTRONIC~~
 7 ~~TRANSMISSION CONSENTED TO BY THE STOCKHOLDER TO WHOM THE NOTICE IS~~
 8 ~~GIVEN.~~

9 ~~(2)~~ AN AFFIDAVIT OF THE SECRETARY, AN ASSISTANT SECRETARY, THE
 10 TRANSFER AGENT, OR OTHER AGENT OF THE CORPORATION THAT NOTICE HAS BEEN
 11 GIVEN BY A FORM OF ELECTRONIC TRANSMISSION, IN THE ABSENCE OF ACTUAL
 12 FRAUD, SHALL BE PRIMA FACIE EVIDENCE OF THE FACTS STATED IN THE AFFIDAVIT.

13 ~~(3)~~ ~~ANY CONSENT DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION:~~

14 ~~(I)~~ ~~SHALL BE REVOCABLE BY THE STOCKHOLDER BY WRITTEN~~
 15 ~~NOTICE TO THE CORPORATION; AND~~

16 ~~(II)~~ ~~SHALL BE CONSIDERED REVOKED IF:~~

17 (2) NOTICE GIVEN BY ELECTRONIC TRANSMISSION UNDER THIS
 18 SECTION SHALL BE CONSIDERED INEFFECTIVE IF:

19 ~~1.~~ (I) THE CORPORATION IS UNABLE TO DELIVER BY
 20 ~~ELECTRONIC TRANSMISSION TWO CONSECUTIVE NOTICES GIVEN BY THE~~
 21 ~~CORPORATION IN ACCORDANCE WITH THE CONSENT; AND~~

22 ~~2.~~ (II) THE INABILITY TO DELIVER THE NOTICE NOTICES
 23 BECOMES KNOWN TO THE SECRETARY, AN ASSISTANT SECRETARY, THE TRANSFER
 24 AGENT, OR OTHER PERSON RESPONSIBLE FOR THE GIVING OF NOTICE.

25 ~~(4)~~ (3) THE INADVERTENT FAILURE TO TREAT A CONSENT AS
 26 ~~REVOKED DELIVER NOTICE~~ UNDER PARAGRAPH ~~(3)(II)~~ (2) OF THIS SUBSECTION DOES
 27 NOT INVALIDATE ANY MEETING OR OTHER ACTION.

28 [(d)] (E) Whenever this article or the charter or bylaws of a corporation
 29 require notice of [the time, place, or purpose of] a meeting of the stockholders, each
 30 person who is entitled to the notice waives notice if the person:

31 (1) Before or after the meeting [signs a] DELIVERS A WRITTEN waiver
 32 OR A WAIVER BY ELECTRONIC TRANSMISSION [of the notice] which is filed with the
 33 records of stockholders meetings; or

34 (2) Is present at the meeting in person or by proxy.

35 [(e)] (F) The charter or bylaws may require any stockholder proposing a
 36 nominee for election as a director or any other matter for consideration at a meeting

1 of the stockholders to provide advance notice of the nomination or proposal to the
2 corporation of not more than:

- 3 (1) 90 days before the date of the meeting; or
- 4 (2) In the case of an annual meeting, 90 days before the first anniversary
5 of:
- 6 (i) The mailing date of the notice of the preceding year's annual
7 meeting; or
- 8 (ii) The preceding year's annual meeting; or
- 9 (3) Another time specified in the charter or bylaws.

10 2-505.

11 (a) Except as provided in subsection (b) of this section, any action required or
12 permitted to be taken at a meeting of stockholders may be taken without a meeting if
13 a unanimous [written] consent which sets forth the action and is signed OR
14 DELIVERED BY ELECTRONIC TRANSMISSION by each stockholder entitled to vote on
15 the matter is filed with the records of stockholders meetings.

16 (b) Unless the charter requires otherwise, the holders of any class of stock
17 other than common stock, entitled to vote generally in the election of directors, may
18 take action or consent to any action by DELIVERING A [the written] consent IN
19 WRITING OR BY ELECTRONIC TRANSMISSION of the stockholders entitled to cast not
20 less than the minimum number of votes that would be necessary to authorize or take
21 the action at a stockholders meeting if the corporation gives notice of the action to
22 each stockholder not later than 10 days after the effective time of the action.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 June 1, 2001.