

SENATE BILL 570

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01r2350
CF 01r2825

By: **Senators Frosh, Raskin, Conway, Currie, Exum, Forehand, Gladden, Harrington, Jones, Kelley, King, Klausmeier, Lenett, Madaleno, McFadden, Muse, Pinsky, Robey, Rosapepe, and Stone**

Introduced and read first time: February 4, 2010

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Corporations – Campaign Material – Stockholder Approval**

3 FOR the purpose of prohibiting a corporation from publishing or distributing
4 campaign material in the State unless certain conditions are met; authorizing
5 stockholder approval of campaign material and the expenditure of funds for
6 campaign material to occur at an annual or special meeting of the corporation;
7 establishing certain requirements for notice of a stockholder vote on campaign
8 material; authorizing a stockholder alleging a violation of this Act to bring an
9 action directly against the directors of the corporation; providing that it is not a
10 defense to a certain action that a director acted in accordance with certain
11 provisions of law; and generally relating to the distribution or publication of
12 campaign material in this State by corporations.

13 BY adding to

14 Article – Corporations and Associations
15 Section 1–407
16 Annotated Code of Maryland
17 (2007 Replacement Volume and 2009 Supplement)

18 BY repealing and reenacting, without amendments,

19 Article – Election Law
20 Section 1–101(k)
21 Annotated Code of Maryland
22 (2003 Volume and 2009 Supplement)

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

25 **Article – Corporations and Associations**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **1-407.**

2 (A) IN THIS SECTION, "CAMPAIGN MATERIAL" HAS THE MEANING
3 STATED IN § 1-101 OF THE ELECTION LAW ARTICLE.

4 (B) A CORPORATION MAY NOT PUBLISH OR DISTRIBUTE CAMPAIGN
5 MATERIAL IN THE STATE UNLESS:

6 (1) THE CAMPAIGN MATERIAL IS TRUE;

7 (2) THE BOARD OF DIRECTORS HAS DETERMINED THAT THE
8 EXPENDITURE OF FUNDS FOR THE CAMPAIGN MATERIAL IS IN THE BEST
9 INTERESTS OF THE CORPORATION; AND

10 (3) SUBJECT TO SUBSECTION (C) OF THIS SECTION, THE
11 CONTENT OF THE CAMPAIGN MATERIAL AND THE EXPENDITURE OF FUNDS HAS
12 BEEN APPROVED BY THE STOCKHOLDERS OF THE CORPORATION BY THE
13 AFFIRMATIVE VOTE OF TWO-THIRDS OF ALL THE VOTES ENTITLED TO BE CAST.

14 (C) (1) STOCKHOLDER CONSIDERATION OF CAMPAIGN MATERIAL
15 AND THE EXPENDITURE OF FUNDS FOR CAMPAIGN MATERIAL MAY OCCUR AT AN
16 ANNUAL OR SPECIAL MEETING OF THE CORPORATION.

17 (2) IN ADDITION TO THE NOTICE REQUIREMENTS UNDER TITLE 2,
18 SUBTITLE 5 OF THIS ARTICLE, NOTICE OF A STOCKHOLDER VOTE ON CAMPAIGN
19 MATERIAL UNDER THIS SECTION SHALL INCLUDE:

20 (I) THE CONTENTS OF THE PROPOSED CAMPAIGN
21 MATERIAL;

22 (II) THE MANNER OF PUBLICATION OR DISTRIBUTION OF
23 THE CAMPAIGN MATERIAL;

24 (III) THE GEOGRAPHIC AREA IN WHICH THE CAMPAIGN
25 MATERIAL WILL BE PUBLISHED OR DISTRIBUTED; AND

26 (IV) THE AMOUNT OF CORPORATE FUNDS THAT WILL BE
27 EXPENDED ON THE CAMPAIGN MATERIAL.

28 (D) (1) A STOCKHOLDER ALLEGING A VIOLATION OF THIS SECTION
29 MAY BRING A CIVIL ACTION DIRECTLY AGAINST THE DIRECTORS OF THE
30 CORPORATION AND IS NOT SUBJECT TO § 2-405.1(G) OF THIS ARTICLE.

1 **(2) IT IS NOT A DEFENSE TO AN ACTION UNDER THIS SUBSECTION**
2 **THAT A DIRECTOR ACTED IN ACCORDANCE WITH § 2-405.1 OF THIS ARTICLE.**

3 **Article – Election Law**

4 1-101.

5 (k) (1) “Campaign material” means any material that:

6 (i) contains text, graphics, or other images;

7 (ii) relates to a candidate, a prospective candidate, or the
8 approval or rejection of a question; and

9 (iii) is published or distributed.

10 (2) “Campaign material” includes:

11 (i) material transmitted by or appearing on the Internet or
12 other electronic medium; and

13 (ii) an oral commercial campaign advertisement.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 June 1, 2010.