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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

A N A C T

RELATING TO CORPORATIONS-ELECTRONIC NETWORKS AND DATABASES

Introduced By: Representatives Place, Nardone, Roberts, Filippi, and Chippendale

Date Introduced: February 27, 2019

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 7-1.2-106, 7-1.2-602, 7-1.2-608, 7-1.2-702, 7-1.2-708 and 7-1.2-
2 709 of the General Laws in Chapter 7-1.2 entitled "Rhode Island Business Corporation Act" are
3 hereby amended to read as follows:

4 **7-1.2-106. Definitions.**

5 As used in this chapter:

6 (1) "Articles of incorporation" means the original or restated articles of incorporation and
7 all of their amendments including agreements of merger.

8 (2) "Authorized shares" means the shares of all classes which the corporation is
9 authorized to issue.

10 (3) "Corporation" or "domestic corporation" means a corporation for profit subject to the
11 provisions of this chapter, except a foreign corporation.

12 (4) "Data address" means the string of alphanumeric characters on one or more
13 distributed or other electronic networks or databases that may only be accessed by knowledge or
14 possession of a private key in order to facilitate or record transactions on the distributed or other
15 electronic network or database;

16 ~~(4)~~(5) "Delivering/Delivered" means either physically transferring a paper document to
17 the secretary of state or transferring a document to the secretary of state by electronic
18 transmission through a medium provided and authorized by the secretary of state.

19 ~~(5)~~(6) "Electronic transmission" or "transmitted electronically" means any form of

1 communication; that does not directly ~~involving~~ involve the physical transmission of paper,
2 including a process of communication that uses one or more distributed or other electronic
3 networks or databases, and that creates a record that may be retained, retrieved, and reviewed by
4 a recipient thereof, and that may be directly reproduced in paper form by such a recipient through
5 an automated process.

6 ~~(6)~~(7) "Employee" includes officers but not directors. A director may accept duties which
7 also make him or her an employee.

8 ~~(7)~~(8) "Filing" means delivered to the secretary of state in either paper format or
9 electronic transmission through a medium provided and authorized by the secretary of state.

10 ~~(8)~~(9) "Foreign corporation" means a corporation for profit organized under laws other
11 than the laws of this state for a purpose or purposes for which a corporation may be organized
12 under this chapter.

13 (10) "Identity" means the name of a shareholder or the data address for which the
14 shareholder has knowledge or possession of the private key uniquely associated with the data
15 address;

16 ~~(9)~~(11) "Individual" means a natural person.

17 ~~(10)~~(12) "Insolvent" means the inability of a corporation to pay its debts as they become
18 due in the usual course of its business.

19 (13) "Network signature" means a string of alphanumeric characters that when
20 broadcasted by a shareholder to the data address's corresponding distributed or other electronic
21 network or database provides reasonable assurances to a corporation that the shareholder has
22 knowledge or possession of the private key uniquely associated with the data address;

23 ~~(11)~~(14) "Person" means an individual or an entity. An entity includes domestic and
24 foreign business corporation, domestic and foreign nonprofit corporation; estate; trust; domestic
25 and foreign unincorporated entity; and a state, the United States and a foreign government.

26 (15) "Record of shareholders" means one or more records administered by or on behalf of
27 a corporation that records the identity of all the corporation's shareholders and the number and
28 class of shares held by each shareholder in accordance with § 7-1.2-602. "Record of
29 shareholders" includes a record of all issuances and transfers of shares of a corporation at the
30 discretion of the corporation;

31 ~~(12)~~(16) "Shareholder" means one who is a holder of record of shares in a corporation or
32 the owner of a private key that is uniquely associated with a data address that facilitates or
33 records the sending and receiving of shares.

34 ~~(13)~~(17) "Shares" means the units into which the proprietary interests in a corporation are

1 divided.

2 ~~(14)~~(18) "Signature" or "Signed" or "Executed" means an original signature, facsimile, or
3 an electronically transmitted signature submitted through a medium provided and authorized by
4 the secretary of state.

5 ~~(15)~~(19) "State" means the state of Rhode Island and Providence Plantations.

6 ~~(16)~~(20) "Subscriber" means one who subscribes for shares in a corporation, whether
7 before or after incorporation.

8 ~~(17)~~(21) The singular shall be construed to include the plural, the plural the singular, and
9 the masculine the feminine, when consistent with the intent of this chapter.

10 **7-1.2-602. Authorized shares -- Shares in classes or series -- Issuance of shares.**

11 (a) Every corporation has the power to create and issue the number of shares stated in its
12 articles of incorporation or any amendment thereto.

13 (b) Classes and series. As stated in the articles of incorporation or in any amendment
14 thereto, or in the resolution or resolutions providing for the issue of such shares adopted by the
15 board of directors pursuant to authority expressly vested in it by the provisions of its articles of
16 incorporation, a corporation may issue one or more classes of shares, including one or more
17 classes of common shares, or one or more series of shares within any class thereof, any or all of
18 which classes or series of shares may be certificated or uncertificated, with par value or without
19 par value, and which classes or series may have such voting powers, full or limited, or no voting
20 powers, and such designations, preferences and relative, participating, optional or other special
21 rights, and qualifications, limitations or restrictions thereof as are stated and expressed in the
22 articles of incorporation or any amendment thereto, or in the resolution or resolutions providing
23 for the issue of such shares adopted by the board of directors pursuant to the authority expressly
24 vested in it by the provisions of its articles of incorporation.

25 (c) Without limiting the authority contained in these provisions, a corporation, when
26 provided for in its articles of incorporation, may issue shares of preferred or special classes or
27 series:

28 (1) Redeemable for cash, property, promissory notes or rights, including securities of any
29 other corporation, at the option of either the holder or the corporation or upon the happening of a
30 specified event, at the time or times, at the price or prices, or the rate or rates, and with the
31 adjustments stated and expressed or provided for in the articles of incorporation or any
32 amendment thereto, or in the vote or votes providing for the issuance of the shares adopted by the
33 board of directors as previously provided; provided, however, that immediately following any
34 such redemption the corporation must have outstanding one or more shares of one or more classes

1 or series, which share, or shares together, have unlimited voting rights.

2 (2) Entitling the holders of the shares to cumulative, noncumulative, or partially
3 cumulative dividends.

4 (3) Having preference over any other class or classes or series of shares as to the payment
5 of dividends.

6 (4) Having preference in the assets of the corporation over any other class or classes or
7 series of shares upon the voluntary or involuntary liquidation of the corporation.

8 (5) To the extent not inconsistent with this chapter, having limited or no voting rights, or
9 having special voting rights including the power to elect one or more directors.

10 (6) Convertible into, or exchangeable for, at the option of either the holder or the
11 corporation or upon the happening of a specified event, shares of any other class or classes or any
12 other series of shares of the corporation, at such price or prices or at such rate or rates of
13 exchange and with such adjustments as are stated in the articles of incorporation or in the
14 resolution or resolutions providing for the issuance of such shares adopted by the board of
15 directors.

16 (d) If the articles of incorporation expressly vest authority in the board of directors, then,
17 to the extent that the articles of incorporation have not established series and fixed and
18 determined the variations in the relative rights and preferences as between the series, the board of
19 directors has authority to divide any or all of the classes into series and, within the limitations, if
20 any, stated in the articles of incorporation, to fix and determine the relative rights and preferences
21 of the shares of any series established.

22 (e)(1) Open-end investment company. Notwithstanding the provisions of subsections (a)
23 and (b) of this section, the board of directors of a corporation that is registered or intends to
24 register as an open-end investment company under the Investment Company Act of 1940, as
25 heretofore or hereafter amended, after the registration as an open-end investment company takes
26 effect, may increase or decrease the aggregate number of shares or the number of shares of any
27 class or series that the corporation has authority to issue unless a provision has been included in
28 the articles of incorporation of the corporation after July 1, 2001, prohibiting such an action by
29 the board of directors to increase or decrease the aggregate number of shares or the number of
30 shares of any class or series that the corporation has authority to issue.

31 (2) Conditional license of franchise. Any shares of a corporation which holds (directly or
32 indirectly) a license or franchise from a governmental agency to conduct its business or is a
33 member of a national securities exchange, which license, franchise or membership is conditioned
34 upon some or all of the holders of its shares possessing prescribed qualifications may be made

1 subject to redemption by the corporation to the extent necessary to prevent the loss of such
2 license, franchise or membership or to reinstate it.

3 (f) Dividends. The holders of preferred or special shares of any class or of any series of
4 shares are entitled to receive dividends at the rates, on the conditions and at the times that are
5 stated and expressed in the articles of incorporation or in the vote or votes providing for the issue
6 of the shares adopted by the board of directors as previously provided, payable in preference to,
7 or in relation to, the dividends, payable on any other class or classes of shares, or of any other
8 series of shares, and cumulative, non-cumulative or partially cumulative as is stated and
9 expressed. When dividends upon the preferred and special shares, if any, to the extent of the
10 preferences to which the shares are entitled, have been paid or declared and set apart for payment,
11 a dividend on the remaining class or classes or series of shares may then be paid out of the
12 remaining assets of the corporation available for dividends.

13 (g) Rights upon liquidation. The holders of the preferred or special shares of any class or
14 of any series of shares are entitled to the rights upon the dissolution of, or upon any distribution
15 of the assets or liquidation, voluntary or involuntary, of the corporation as are stated and
16 expressed in the articles of incorporation or in the vote or votes providing for the issue of the
17 shares adopted by the board of directors as previously provided.

18 (h) Facts ascertainable outside the articles of incorporation. Any of the voting powers,
19 designations, preferences, rights and qualifications, limitations or restrictions of any class or
20 series of shares may be made dependent upon facts ascertainable outside the articles of
21 incorporation or outside the resolution or resolutions providing for the issue of such shares
22 adopted by the board of directors pursuant to authority expressly vested in it by its articles of
23 incorporation, provided that the manner in which such facts operate upon the voting powers,
24 designations, preferences, rights and qualifications, limitations or restrictions of such class or
25 series of shares is clearly and expressly set forth in the articles of incorporation or in the
26 resolution or resolutions providing for the issue of such shares adopted by the board of directors.
27 The term "facts", as used in this subsection, includes, but is not limited to, the occurrence of any
28 event, including a determination or action by any person, including the corporation.

29 (i) Amendment of rights and restrictions by board of directors. Subject to subsection (j),
30 unless otherwise provided in the articles of incorporation, if no shares have been issued of a class
31 or series established by resolution of the board of directors, the voting powers, designations,
32 preferences, and relative, participating optional or other rights, if any or the qualifications,
33 limitations or restrictions thereof, may be amended by a resolution or resolutions adopted by the
34 board of directors.

1 (j)(1) Issuance. Before any corporation issues any shares of any class or of any series of
2 any class of which the voting powers, designations, preferences, and relative, participating,
3 optional, or other rights, if any, or the qualifications, limitations, or restrictions of the shares, if
4 any, have not been stated in the articles of incorporation but are provided for in a vote or votes
5 adopted by the board of directors pursuant to authority expressly vested in it by the provisions of
6 the articles of incorporation, a certificate presenting a copy of the vote or votes and the number of
7 shares of the class or series must be signed by an authorized officer of the corporation and filed in
8 accordance with § 7-1.2-105. Upon filing, the certificate constitutes an amendment to the articles
9 of incorporation.

10 (2) Increase or decrease of shares. Unless otherwise provided in any vote or votes, the
11 number of shares of any class or series as stated in the vote or votes may be increased or
12 decreased (but not below the number of shares then outstanding) by a certificate likewise made,
13 signed, and filed presenting a statement that a specified increase or decrease in the number of
14 shares had been authorized and directed by a vote or votes likewise adopted by the board of
15 directors. If the number of shares is decreased, the number of shares specified in the certificate
16 resume the status which they had before the adoption of the prior resolution.

17 (k) For purposes of this chapter, the following identified as a shareholder in a
18 corporation's current record of shareholders constitutes a shareholder:

19 (1) Three (3) or fewer co-owners;

20 (2) A corporation, partnership, trust, estate, or other entity;

21 (3) The trustees, guardians, custodians, or other fiduciaries of a single trust, estate, or
22 account; or

23 (4) One data address.

24 (l) For purposes of this chapter, shareholdings registered in substantially similar names
25 constitute one shareholder if it is reasonable to believe that the names represent the same person.

26 **7-1.2-608. Form and content of certificates.**

27 (a) The shares of a corporation may but need not be represented by certificates as
28 determined by the board of directors. Every holder of shares represented by certificates and upon
29 request every holder of uncertificated shares is entitled to have a certificate signed by the officer
30 or officers designated for the purpose by the bylaws of the corporation, and in the absence of any
31 designation, by the chairperson or the vice chairperson of the board of directors, or the president
32 or a vice president, and by the treasurer or the assistant treasurer, or the secretary or an assistant
33 secretary of the corporation, representing the number of shares registered in certificate form and
34 may be sealed with the seal of the corporation or a facsimile of the seal. Any or all of the

1 signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar
2 who has signed or whose facsimile signature has been placed upon the certificate has ceased to be
3 the officer, transfer agent or registrar before the certificate is issued, it may be issued by the
4 corporation with the same effect as if he or she were the officer, transfer agent or registrar at the
5 date of its issue.

6 (b) Every certificate representing shares issued by a corporation which is authorized to
7 issue shares of more than one class must state upon the face or back of the certificate, or state that
8 the corporation will furnish to any shareholder upon request and without charge, a full statement
9 of the designations, preferences, limitations and relative rights of the shares of each class
10 authorized to be issued and, if the corporation is authorized to issue any preferred or special class
11 in series, the variations in the relative rights and preferences between the shares of each series so
12 far as the series have been fixed and determined and the authority of the board of directors to fix
13 and determine the relative rights and preferences of subsequent series.

14 (c) Each certificate representing shares must state upon the face of the certificate:

15 (1) That the corporation is organized under the laws of this state.

16 (2) The ~~name~~ identity of the person to whom issued.

17 (3) The number and class of shares, and the designation of the series, if any, which the
18 certificate represents.

19 (4) The par value of each of the shares, if any;

20 (5) A record of shareholders administered by or on behalf of a corporation shall be kept
21 in a form that permits preparation of a list of the identities of all shareholders, in alphabetical or
22 numerical order by class of shares showing the number and class of shares held by each. The list
23 shall also show each shareholder's physical mailing address, if the identity of a shareholder on the
24 list consists of the shareholder's name, and each shareholder's authorized means of receipt for
25 electronic transmissions, if the identity of a shareholder on the list consists of the shareholder's
26 data address. A record of shareholders may show both the shareholder's name and data address.

27 (6) Records administered by or on behalf of, or maintained by, a corporation may be kept
28 on, or by means of, or be in the form of any information storage device or method or any one or
29 more distributed or other electronic networks or databases provided that the records are kept in
30 written form or in another form capable of conversion into written form within a reasonable time.

31 (d) No certificate may be issued for any share until the share is fully paid.

32 (e) Within a reasonable time after the issuance or transfer of uncertificated shares, the
33 corporation shall send to the registered owner of the shares a written notice containing the
34 information and statements required to be presented or stated on certificates pursuant to

1 subsections (b) and (c) and § 7-1.2-609(b).

2 (f) Except as otherwise expressly provided by law, the rights and obligations of the
3 holders of uncertificated shares and the rights and obligations of the holders of certificates
4 representing shares of the same class and series are identical.

5 **7-1.2-702. Notice to shareholders.**

6 (a) Any notice to shareholders given by the corporation under any provision of this
7 chapter, the articles of incorporation or the bylaws is effective if given in writing, or by facsimile
8 or a form of electronic transmission consented to by the shareholder to whom the notice is given.
9 Any consent to alternative notice is revocable by the shareholder by written notice to the
10 corporation. Any consent to alternative notice is deemed revoked if:

11 (1) The corporation is unable to deliver by facsimile or electronic transmission two (2)
12 consecutive notices given by the corporation in accordance with such consent; and

13 (2) Such inability becomes known to the secretary or an assistant secretary of the
14 corporation or to the transfer agent, or other person responsible for the giving of notice; provided,
15 however, the inadvertent failure to treat such inability as a revocation does not invalidate the
16 action.

17 (b) If mailed, the notice is deemed to be delivered when deposited in the United States
18 mail addressed to the shareholder at his or her address as it appears on the stock transfer books of
19 the corporation, with prepaid postage on the mail- or:

20 (1) When an electronic transmission has been made to a data address provided by the
21 shareholder; or

22 (2) When electronically transmitted to the shareholder in a manner otherwise authorized
23 by the shareholder.

24 (c) In the case of any corporation which has fifty (50) or more shareholders of record, if
25 two (2) successive notices, reports or other communications addressed to a shareholder of the
26 corporation at the address of the shareholder appearing on the books of the corporation have been
27 returned to the corporation by the United States postal service marked to indicate that the United
28 States postal service is unable to deliver the notices, reports or other communications to the
29 shareholder at the address, all future notices, reports or other communications are deemed to have
30 been given without further mailing if they are available for the shareholder upon written demand
31 of the shareholder at the principal executive office of the corporation for a period of one year
32 from the date of the giving of the notice, report, or other communication to other shareholders.

33 (d) A shareholder may waive any notice required by this section, the articles of
34 incorporation, or bylaws before or after the date and time stated in the notice. The waiver must be

1 in writing, be signed by the shareholder entitled to the notice, and be delivered to the corporation
2 for inclusion in the minutes or filing with the corporate records.

3 **7-1.2-708. Voting of shares.**

4 (a) Each outstanding share, regardless of series or class, is entitled to one vote on each
5 matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights
6 of the shares of any class or classes are limited, enlarged or denied by the articles of incorporation
7 as permitted by this chapter. If the articles of incorporation provide for more or less than one vote
8 for any share, on any matter, every reference in this chapter to a majority or other proportion of
9 shares refers to a majority or other proportion of votes entitled to be cast.

10 (b) Shares held, directly or indirectly, by another corporation if a majority of the shares
11 entitled to vote for the election of directors of the other corporation is held by the corporation,
12 may not be voted at any meeting or counted in determining the total number of outstanding shares
13 at any given time. Nothing contained in these provisions is construed as limiting the right of any
14 corporation to vote shares, including, but not limited to, its own shares, held in a fiduciary
15 capacity.

16 (c) Every shareholder entitled to vote at a meeting of shareholders or to express consent
17 without a meeting may authorize another person or persons to act for him or her by proxy,
18 executed, in writing, by the shareholder or by his or her duly authorized attorney in fact. No
19 proxy is valid after three (3) years from the date of its execution, unless otherwise provided in the
20 proxy.

21 (1) Without limiting the manner in which a shareholder may authorize another person or
22 persons to act for him or her as proxy pursuant to subsection (c) of this section, the following
23 constitutes a valid means by which a shareholder may grant that authority:

24 (i) A shareholder may execute a writing authorizing another person or persons to act for
25 him or her as proxy. Execution may be accomplished by the shareholder or his or her authorized
26 officer, director, employee or agent signing the writing or causing his or her signature to be
27 affixed to the writing by any reasonable means including, but not limited to, facsimile signature.

28 (ii) A shareholder may authorize another person or persons to act for him or her as proxy
29 by transmitting or authorizing the transmission of a telegram, cablegram or other means of
30 electronic transmission, including internet and telephonic transmissions, to the person who will be
31 the holder of the proxy or to a proxy solicitation firm, proxy support service organization or an
32 agent authorized by the person who will be the holder of the proxy to receive the transmission,
33 provided that the telegram, cablegram or other means of electronic transmission must either state
34 or be submitted or communicated with information from which it can be determined that the

1 telegram, cablegram or other electronic transmission, including internet and telephonic
2 transmissions, was authorized by the shareholder. If it is determined that the telegrams,
3 cablegrams or other electronic transmissions, including internet and telephonic transmissions, are
4 valid, the inspectors or, if there are no inspectors, the other persons making that determination,
5 shall specify the information upon which they relied.

6 (2) Any reliable reproduction of the writing or transmission created pursuant to this
7 section may be substituted or used in lieu of the original writing or transmission for any and all
8 purposes for which the original writing or transmission could be used, provided that the copy,
9 facsimile telecommunication or other reproduction is a complete reproduction of the entire
10 original writing or transmission.

11 (3) The death or incapacity of the shareholder appointing a proxy does not affect the right
12 of the corporation to accept the proxy's authority unless notice of the death or incapacity is
13 received by the secretary or other officer or agent authorized to tabulate votes before the proxy
14 exercises his or her authority under the appointment.

15 (d) The articles of incorporation may provide that at each election of directors, or at
16 elections held under specified circumstances, every shareholder entitled to vote at the election has
17 the right to vote, in person or by proxy, the number of shares owned by him or her for as many
18 persons as there are directors to be elected and for whose election he or she has a right to vote, or
19 to cumulate his or her votes by giving one candidate as many votes as the number of directors
20 multiplied by the number of his or her shares equals, or by distributing the votes on the same
21 principle among any number of the candidates.

22 (e) Shares standing in the name of another corporation, domestic or foreign, may be voted
23 by any officer, agent or proxy that the bylaws of the corporation may prescribe or, in the absence
24 of a provision, as the board of directors of the corporation may determine.

25 (f) Shares held by an administrator, executor, guardian, custodian under a gift to minors
26 act, conservator or trustee may be voted by him or her, either in person or by proxy, without a
27 transfer of the shares into his or her name.

28 (g) Shares held by two (2) or more persons as joint tenants or as tenants in common may
29 be voted at any meeting of the shareholders by any one of the persons, unless another joint tenant
30 or tenant in common seeks to vote any of the shares in person or by proxy. In the latter event, the
31 written agreement, if any, which governs the manner in which the shares are voted, controls if
32 presented at the meeting. If there is no agreement presented at the meeting, the majority in
33 number of the joint tenants or tenants in common present control the manner of voting. If there is
34 no majority, or if there are two (2) joint tenants or tenants in common, both of whom seek to vote

1 the shares, the shares, for the purpose of voting, must be divided equally among the joint tenants
2 or tenants in common present.

3 (h) Shares standing in the name of a receiver may be voted by the receiver, and shares
4 held by or under the control of a receiver may be voted by the receiver without the transfer of
5 those shares into his or her name if authority to do so is contained in an appropriate order of the
6 court by which the receiver was appointed.

7 (i) A shareholder whose shares are pledged is entitled to vote the shares until the shares
8 have been transferred into the name or network signature of the pledgee, and thereafter the
9 pledgee is entitled to vote the shares so transferred.

10 (j) On and after the date on which written notice of redemption of redeemable shares has
11 been mailed to the holders of the shares or data address and a sum sufficient to redeem the shares
12 has been deposited with a bank or trust company with irrevocable instruction and authority to pay
13 the redemption price to the holders of the shares upon surrender of certificates for the shares, the
14 shares are not entitled to vote on any matter and are not deemed to be outstanding shares.

15 (k)(1) An executed proxy is irrevocable if it specifies that it is irrevocable and if, and
16 only so long as, it is coupled with an interest sufficient in law to support an irrevocable power
17 coupled with it. A proxy may be made irrevocable regardless of whether the interest with which it
18 is coupled is an interest in the shares itself or an interest in the corporation generally.

19 (2) Without limiting the generality of subsection (k)(1) and subject to that subsection, a
20 proxy is coupled with an interest and is irrevocable if it is held by any of the following or a
21 nominee of any of the following:

22 (i) A pledgee under a valid pledge;

23 (ii) A person who has agreed to purchase the shares under an executory contract of sale;

24 (iii) A creditor or creditors of the corporation who extend or continue credit to the
25 corporation in consideration of the proxy if the proxy states that it was given in consideration of
26 the extension or continuation of credit, the amount of the credit, and the name of the person
27 extending or continuing credit; and

28 (iv) A person who has contracted to perform services for the corporation if a proxy is
29 required by the contract of employment, as part of the consideration for the contract of
30 employment, if the proxy states that it was given in consideration of the contract of employment,
31 the name of the employee, and the period of employment contracted for; provided the proxies are
32 respectively revocable after the pledge is redeemed, or the executory contract of sale is
33 performed, or the debt of the corporation is paid, or the period of employment has terminated.

34 (3) A provision contained in a proxy making it irrevocable is not enforceable against a

1 purchaser for value of the shares subject to the provision without actual knowledge of the
2 existence of the provision, unless notice of the proxy and its irrevocability appears plainly on the
3 certificate or certificates representing the shares; provided that if such shares are uncertificated, a
4 provision contained in a proxy making it irrevocable is enforceable against a purchaser for value
5 of the shares subject to the provision without actual knowledge of the existence of the provision
6 if, and only if, notice of the proxy and its irrevocability was provided in writing to such purchaser
7 prior to the consummation of the purchase of such shares.

8 **7-1.2-709. Voting trusts and agreements among shareholders.**

9 (a) Any number of shareholders of a corporation may create a voting trust for the purpose
10 of conferring upon a trustee or trustees the right to vote or otherwise represent their shares, for a
11 period not to exceed ten (10) years, by entering into a written voting trust agreement specifying
12 the terms and conditions of the voting trust, by depositing a counterpart of the agreement with the
13 corporation at its registered office, and by transferring their shares to the trustee or trustees for the
14 purposes of the agreement. The trustee or trustees shall keep a record of the holders of voting
15 trust certificates evidencing a beneficial interest in the voting trust, giving the ~~names and~~
16 ~~addresses~~ identities of all the holders and the number and class of the shares in respect of which
17 the voting trust certificates held by each are issued, and shall deposit a copy of the record with the
18 corporation at its registered office. The list shall also show each shareholder's physical mailing
19 address, if the identity of a shareholder on the list consists of the shareholder's name, and each
20 shareholder's authorized means of receipt for electronic transmissions, if the identity of a
21 shareholder on the list consists of the shareholder's data address. Copies of the list and agreement
22 shall be delivered to the corporation's principal office. The counterpart of the voting trust
23 agreement and the copy of the record deposited with the corporation are subject to the same right
24 of examination by a shareholder of the corporation, in person or by agent or attorney, as are the
25 books and records of the corporation, and the counterpart and the copy of the record is subject to
26 examination by any holder of record of voting trust certificates, either in person or by agent or
27 attorney, at any reasonable time for any proper purpose. The trust certificates must state that they
28 are issued pursuant to the voting trust agreement, and that fact must be stated in the stock ledger
29 of the corporation.

30 (b) Agreements among shareholders regarding the voting of their shares are valid and
31 enforceable in accordance with their terms for a period not to exceed ten (10) years. An
32 agreement is not subject to the provision of this section regarding voting trusts unless it is stated
33 in the agreement that it is a voting trust.

34 (c) The provisions of this section are construed as permissive and should not be

1 interpreted to invalidate any voting or other agreement among shareholders, or any irrevocable
2 proxy which is otherwise not illegal.

3 (d) A voting trust or shareholders agreement may at any time or times be extended for an
4 additional period not in excess of ten (10) years, but the extension is binding only with respect to
5 those shares owned of record or beneficially by parties to the extension.

6 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO CORPORATIONS-ELECTRONIC NETWORKS AND DATABASES

- 1 This act would enable the use of electronic networks and databases for corporate records.
- 2 This act would take effect upon passage.

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