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## VIRTUAL-ONLY SHAREHOLDER MEETINGS – ARE THEY A GOOD IDEA FOR YOUR COMPANY?

*Since 2009, an increasing number of companies have considered holding a virtual-only annual meeting of shareholders. The author explores the legal issues and other matters to consider before taking this step.*

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An annual meeting of shareholders can be an event not to be missed (a ticket to the Berkshire Hathaway annual meeting can be a hot commodity) but is more likely to be sparsely attended, expensive, and time-consuming for a large number of public companies. There are decided benefits to a virtual-only shareholder meeting, but if not carefully evaluated, it could create problems between the company and its shareholders. Discovering your answers to the following questions may help you decide – is a virtual-only shareholders’ meeting a good fit for your company?

### BACKGROUND

Proponents of virtual-only meetings point to the improved access, allowing more shareholders to participate in the annual meeting, particularly with a global shareholder base, the ability to reduce the cost, time, effort, and travel involved in holding the annual meeting and transporting management and the board to the meeting site, the use of technology that is viewed favorably by many shareholders, and increased security of the annual meeting, as positive reasons for holding a virtual-only annual meeting. A virtual-only meeting also makes it possible for disabled shareholders to attend, and

allows institutional and other professional investors the ability to attend multiple meetings during the busy annual meeting season. Opponents note that virtual-only meetings deprive shareholders of the ability to have direct interaction with management and boards, are taking away the only place for meaningful in-person dialogue with the owners of the business, and could allow management to “cherry-pick” shareholder questions to be addressed.<sup>1</sup> Another alternative, hybrid meetings that combine online participation with the in-person meeting, are viewed much more favorably, but may still raise some of the same concerns regarding active participation by those participating online.

Delaware, the home to a majority of public companies, adopted changes to the General Corporation Law in 2000 to allow for virtual-only shareholder meetings subject to the following requirements: (1) establishment of reasonable measures to verify voter identity; (2) provide for shareholder participation in the

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<sup>1</sup> New York City Comptroller Press Release “*Comptroller Stringer: Virtual Only Meetings Deprive Shareowners of Important Rights, Stifle Criticism*” (Apr. 2, 2017).