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Covid-19 Emergency Orders Allow Remote-Only Annual Meetings For Connecticut Corporations

Connecticut Gov. Ned Lamont has issued two emergency executive orders, one protecting the shareholders of stock corporations and one protecting members of nonstock corporations (frequently, charities) that are required by law to hold in-person annual meetings. These orders allow Connecticut corporations to eliminate in-person annual meetings while still conducting important corporate business during the COVID-19 emergency. This should be welcome relief for many Connecticut corporations.

Lawyers at Day Pitney LLP were instrumental in proposing these executive orders, recommending appropriate language and working with the governor's office on their adoption. They consulted with other Connecticut corporate law attorneys on the orders, and they worked with the Pro Bono Partnership on the order regarding nonstock corporations.

Under Executive Order No. 7I, the directors of a Connecticut stock corporation now can choose to hold a shareholder meeting entirely by means of computers and smartphones. And under Executive Order No. 7NN, the directors of a Connecticut nonstock corporation can choose to hold membership meetings remotely as well. There will be no need to designate a place where shareholders or members must go in order to participate. This comes at a time when many corporations have planned to hold their annual meetings.

"There are good reasons to allow remote-only annual meetings," said Lane Watson, a partner in Day Pitney's Corporate department and leader of the Merger and Acquisition practice group. "Every corporation is required by law to hold an annual meeting so the management can report on the company's results and plans and so shareholders and members can elect a board of directors and conduct other business. But gathering people in a room is risky and might violate applicable emergency orders during the COVID-19 pandemic. The governor's executive orders solve this problem by allowing the meetings to be conducted entirely online."

Before these orders, corporations that were reluctant to hold in-person meetings may have had no option but postponement, Watson said. But there are issues with that approach as well. With the unique challenges facing businesses this year, the management may want to meet with its concerned shareholders and members to present plans and strategies. Also, some corporations may need timely shareholder approval for certain corporate actions, or they may need to bring new directors on board.

The executive orders allow meetings to be held remotely if certain requirements are met. The corporation must implement reasonable measures to verify that the remote participant is a shareholder or member, and the participant must be allowed the right to participate and vote on matters submitted for a vote. Typical notice, quorum and voting requirements must be met.

The orders will continue until the end of the current declared state emergency. At that point, the Day Pitney lawyers hope to work with bar association groups and the General Assembly to enact permanent amendments to the Connecticut statutes to allow remote-only shareholder and member meetings.

In addition to Watson, Day Pitney lawyers Patricia Jimenez in the Hartford office and David Swerdloff and Lydia Joo Lee in the Stamford office participated in the preparation and submission of the proposed executive orders.

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COVID-19 DISCLAIMER: As you are aware, as a result of the COVID-19 pandemic, things are changing quickly and the effect, enforceability and interpretation of laws may be affected by future events. The material set forth in this document is not an unequivocal statement of law, but instead represents our best interpretation of where things stand as of the date of first publication. We have not attempted to address the potential impacts of all local, state and federal orders that may have been issued in response to the COVID-19 pandemic.

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