

SPONSOR: [INSERT SPONSORS]

DELAWARE [HOUSE OF REPRESENTATIVES][STATE SENATE]
[152nd GENERAL ASSEMBLY]

[HOUSE][SENATE] BILL NO. [●]

AN ACT TO AMEND TITLE 8 OF THE DELAWARE CODE RELATING TO THE
GENERAL CORPORATION LAW.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE (Two-
thirds of all members elected to each house thereof concurring therein):

1 Section 1. Amend § 122, Title 8 of the Delaware Code by making deletions as shown by
2 strike through and insertions as shown by underline as follows:

3 § 122. Specific powers.

4 Every corporation created under this chapter shall have the power, whether or not so
5 provided in the certificate of incorporation, to:

6 (1) Have perpetual succession by its corporate name, unless a limited period of duration is
7 stated in its certificate of incorporation;

8 (2) Sue and be sued in all courts and participate, as a party or otherwise, in any judicial,
9 administrative, arbitrate or other proceeding, in its corporate name;

10 (3) Have a corporate seal, which may be altered at pleasure, and use the same by causing
11 it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced;

12 (4) Purchase, receive, take by grant, gift, devise, bequest or otherwise, lease, or otherwise
13 acquire, own, hold, improve, employ, use and otherwise deal in and with real or personal property,
14 or any interest therein, wherever situated, and to sell, convey, lease, exchange, transfer or otherwise
15 dispose of, or mortgage or pledge, all or any of its property and assets, or any interest therein,
16 wherever situated;

17 (5) Appoint such officers and agents as the business of the corporation requires and to pay
18 or otherwise provide for them suitable compensation; provided that any contract or other
19 appointment or delegation of authority that empowers an officer or agent to act on behalf of the
20 corporation shall be subject to § 141(a) of this title, to the extent it is applicable;

21 (6) Adopt, amend and repeal bylaws in accordance with § 109 of this title;

22 (7) Wind up and dissolve itself in the manner provided in this chapter;

23 (8) Conduct its business, carry on its operations and have offices and exercise its powers
24 within or without this State;

25 (9) Make donations for the public welfare or for charitable, scientific or educational
26 purposes, and in time of war or other national emergency in aid thereof;

27 (10) Be an incorporator, promoter or manager of other corporations of any type or kind;

28 (11) Participate with others in any corporation, partnership, limited partnership, joint
29 venture or other association of any kind, or in any transaction, undertaking or arrangement which
30 the participating corporation would have power to conduct by itself, whether or not such
31 participation involves sharing or delegation of control with or to others;

32 (12) Transact any lawful business which the corporation's board of directors shall find to
33 be in aid of governmental authority;

34 (13) Make contracts, including contracts of guaranty and suretyship, incur liabilities,
35 borrow money at such rates of interest as the corporation may determine, issue its notes, bonds
36 and other obligations, and secure any of its obligations by mortgage, pledge or other encumbrance
37 of all or any of its property, franchises and income, and make contracts of guaranty and suretyship
38 which are necessary or convenient to the conduct, promotion or attainment of the business of (a) a
39 corporation all of the outstanding stock of which is owned, directly or indirectly, by the contracting

40 corporation, or (b) a corporation which owns, directly or indirectly, all of the outstanding stock of
41 the contracting corporation, or (c) a corporation all of the outstanding stock of which is owned,
42 directly or indirectly, by a corporation which owns, directly or indirectly, all of the outstanding
43 stock of the contracting corporation, which contracts of guaranty and suretyship shall be deemed
44 to be necessary or convenient to the conduct, promotion or attainment of the business of the
45 contracting corporation, and make other contracts of guaranty and suretyship which are necessary
46 or convenient to the conduct, promotion or attainment of the business of the contracting
47 corporation;

48 (14) Lend money for its corporate purposes, invest and reinvest its funds, and take, hold
49 and deal with real and personal property as security for the payment of funds so loaned or invested;

50 (15) Pay pensions and establish and carry out pension, profit sharing, stock option, stock
51 purchase, stock bonus, retirement, benefit, incentive and compensation plans, trusts and provisions
52 for any or all of its directors, officers and employees, and for any or all of the directors, officers
53 and employees of its subsidiaries;

54 (16) Provide insurance for its benefit on the life of any of its directors, officers or
55 employees, or on the life of any stockholder for the purpose of acquiring at such stockholder's
56 death shares of its stock owned by such stockholder;

57 (17) Renounce, in its certificate of incorporation or by action of its board of directors, any
58 interest or expectancy of the corporation in, or in being offered an opportunity to participate in,
59 specified business opportunities or specified classes or categories of business opportunities that
60 are presented to the corporation or 1 or more of its officers, directors or stockholders; and

61 (18) Make contracts with one or more current or prospective stockholders (or one or more
62 beneficial owners of stock), in its or their capacity as such, in exchange for such minimum

63 consideration as determined by the board of directors (which may include inducing stockholders
64 or beneficial owners of stock to take, or refrain from taking, one or more actions). Without limiting
65 the provisions that may be included in such contracts, the corporation may agree to: (a) restrict or
66 prohibit itself from taking actions specified in the contract, whether or not the taking of such action
67 would require approval of the board of directors under this title, (b) require the approval or consent
68 of one or more persons or bodies before the corporation may take actions specified in the contract
69 (which persons or bodies may include the board of directors or one or more current or future
70 directors, stockholders or beneficial owners of stock of the corporation), and (c) covenant that the
71 corporation or one or more persons or bodies will take, or refrain from taking, actions specified in
72 the contract (which persons or bodies may include the board of directors or one or more current or
73 future directors, stockholders or beneficial owners of stock of the corporation). With respect to all
74 contracts made under this subsection, the corporation shall be subject to the remedies available
75 under the law governing the contract, including for any failure to perform or comply with its
76 agreements under such contract.

77 Section 2. Amend Title 8 of the Delaware Code by inserting a new § 147 as shown by
78 underline as follows:

79 § 147. Authorization of agreements and other instruments.

80 Whenever this chapter expressly requires the board of directors to approve or take other
81 action with respect to any agreement, instrument or document, such agreement, instrument or
82 document may be approved by the board of directors in final form or in substantially final form.
83 If the board of directors shall have acted to approve or take other action with respect to an
84 agreement, instrument or document that is required by this chapter to be filed with the Secretary
85 of State or referenced in any certificate so filed, the board of directors may, at any time after

86 providing such approval or taking such other action and prior to the effectiveness of such filing
87 with the Secretary of State, adopt a resolution ratifying the agreement, instrument or document,
88 and such ratification shall be deemed to be effective as of the time of the original approval or other
89 action by the board of directors and to satisfy any requirement under this chapter that the board of
90 directors approve or take other action with respect to such agreement, instrument or document in
91 a specific manner or sequence.

92 Section 3. Amend § 232, Title 8 of the Delaware Code by making deletions as shown by
93 strike through and insertions as shown by underline as follows:

94 § 232. Delivery of notice; notice by electronic transmission.

95 (g) If a notice is given pursuant to subsection (a)(1) or (a)(2) of this section, each document
96 enclosed therewith or annexed or appended thereto shall be deemed part of the notice solely for
97 purposes of determining whether notice was duly given under this title, the certificate of
98 incorporation or bylaws.

99 ~~(g)(h)~~ No provision of this section, except for paragraphs (a)(1), (d)(2) and (d)(3) of this
100 section, shall apply to § 164, § 296, § 311, § 312, or § 324 of this title.

101 Section 4. Amend § 261, Title 8 of the Delaware Code by making deletions as shown by
102 strike through and insertions as shown by underline as follows:

103 (a) Any agreement of merger or consolidation governed by § 251 (other than a merger
104 effected pursuant to § 251(g)), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 may
105 provide:

106 (1) that (i) a party to the agreement that fails to perform its obligations under such
107 agreement in accordance with the terms and conditions of such agreement, or that otherwise fails
108 to comply with the terms and conditions of such agreement, in each case, required to be performed

109 or complied with prior to the time such merger or consolidation becomes effective, or that
110 otherwise fails to consummate, or fails to cause the consummation of, the merger or consolidation
111 (whether prior to a specified date, upon satisfaction or, to the extent permitted by law, waiver of
112 all conditions to such consummation set forth in such agreement, or otherwise) shall be subject, in
113 addition to any other remedies available at law or in equity, to such penalties or consequences as
114 are set forth in the agreement of merger or consolidation (which penalties or consequences may
115 include an obligation to pay to the other party or parties to such agreement an amount representing,
116 or based on the loss of, any premium or other economic entitlement the stockholders of such other
117 party would be entitled to receive pursuant to the terms of such agreement if the merger or
118 consolidation were consummated in accordance with the terms of such agreement) and (ii) if,
119 pursuant to the terms of such agreement, a corporation is entitled to receive payment from another
120 party to an agreement of merger or consolidation of any amount representing such a penalty or
121 consequence (as specified in clause (i) of this subsection (a)(1)), such corporation shall be entitled
122 to enforce the other party's payment obligation and, upon receipt of any such payment, shall be
123 entitled to retain the amount of such payment so received.

124 (2) (i) for the appointment, at or after the time at which the agreement of merger or
125 consolidation is adopted by the stockholders of a constituent corporation to such merger or
126 consolidation in accordance with the requirements of this subchapter, of one or more persons
127 (which may include the surviving or resulting entity or any officer, manager, representative or
128 agent thereof) as representative of the stockholders of a constituent corporation of this State,
129 including those whose shares of capital stock shall be cancelled, converted or exchanged in the
130 merger or consolidation and for the delegation to such person or persons of the sole and exclusive
131 authority to take action on behalf of such stockholders pursuant to such agreement, including

132 taking such actions as the representative determines to enforce (including by entering into
133 settlements with respect to) the rights of such stockholders under the agreement of merger or
134 consolidation, on the terms and subject to the conditions set forth in the agreement, (ii) that any
135 appointment pursuant to clause (i) of this subsection (a)(2) shall be irrevocable and binding on all
136 such stockholders from and after the adoption of the agreement of merger or consolidation by the
137 requisite vote of such stockholders pursuant to this subchapter, and (iii) that any provision adopted
138 pursuant to this subsection (a)(2) may not be amended after the merger or consolidation has
139 become effective or may be amended only with the consent or approval of persons specified in the
140 agreement of merger or consolidation.

141 Any provision of the agreement of merger or consolidation adopted pursuant to this §
142 261(a) may be made dependent upon facts (including, but not limited to, the occurrence of any
143 event, including a determination or action by any person or body, including the corporation)
144 ascertainable outside of such agreement, provided that the manner in which such facts shall operate
145 upon the terms of the agreement is clearly and expressly set forth in the agreement of merger or
146 consolidation.

147 (b) Any action or proceeding, whether civil, criminal or administrative, pending by or
148 against any corporation which is a party to a merger or consolidation shall be prosecuted as if such
149 merger or consolidation had not taken place, or the corporation surviving or resulting from such
150 merger or consolidation may be substituted in such action or proceeding.

151 Section 5. Amend Title 8 of the Delaware Code by inserting a new § 268 as shown by
152 underline as follows:

153 § 268. Amendments to certificate of incorporation of the surviving corporation; disclosure
154 schedules.

155 (a) If an agreement of merger entered into pursuant to any provision of this subchapter
156 (other than § 251(g)) provides, with respect to any constituent corporation, that all of the shares of
157 capital stock of such constituent corporation issued and outstanding immediately before the time
158 at which the merger becomes effective shall be converted into or exchanged for cash, property,
159 rights or securities (excluding stock of the surviving corporation), then, notwithstanding any other
160 provision of this subchapter), with respect to such constituent corporation, (i) the agreement of
161 merger as approved by the board of directors need not include any provision regarding the
162 certificate of incorporation of the surviving corporation in order for the agreement of merger to be
163 considered in final form or substantially final form, (ii) any amendment or amendment and
164 restatement of the certificate of incorporation of the surviving corporation may be adopted by the
165 board of directors of such constituent corporation or any person acting at the direction thereof (or,
166 if under the terms of the agreement of merger the shares or equity interests of a constituent entity
167 are to be converted into all of the shares of capital stock of the surviving corporation, the board of
168 directors or governing body of such constituent entity or other person acting at the direction
169 thereof), and (iii) no alteration or change of such certificate of incorporation shall be deemed to
170 constitute an amendment to the agreement of merger.

171 (b) Unless otherwise expressly provided by an agreement of merger or consolidation,
172 any disclosure letter, disclosure schedules or similar documents or instruments delivered in
173 connection with the agreement that modify, supplement, qualify, or make exceptions to
174 representations, warranties, covenants or conditions contained in the agreement shall not be
175 deemed part of the agreement for purposes of any provision of this title but shall have the effects
176 provided in the agreement.

177 Section 6. Sections 1 through 5 of this Act shall become effective on August 1, 2024, and
178 shall apply to all contracts made by a corporation, all agreements, instruments or documents
179 approved by the board of directors and all agreements of merger and consolidation entered into by
180 a corporation, in each case whether or not the contracts, agreements, instruments, documents or
181 agreements of merger or consolidation are made, approved or entered into on or before such date,
182 except that these Sections 1 through 6 of this Act shall not apply to or affect any civil action or
183 proceeding completed or pending on or before such date.

SYNOPSIS

Section 1. Section 1 of this Act amends § 122. New § 122(18) sets forth certain types of provisions that may be included in contracts between a corporation and its current or prospective stockholders or beneficial owners of its stock, even if those provisions are not set forth in, or referenced as a fact ascertainable in, the certificate of incorporation pursuant to § 141(a). The Court of Chancery recently observed that “[t]he expansive use of stockholder agreements suggests that greater statutory guidance may be beneficial[.]” *West Palm Beach Firefighters’ Pension Fund v. Moelis & Company*, 2024 WL 747180 (Del. Ch. Feb. 23, 2024) at n.272. Accordingly, new § 122(18) specifically authorizes a corporation to enter into contracts with one or more of its stockholders or beneficial owners of its stock, for such minimum consideration as approved by its board of directors, and provides a non-exclusive list of contract provisions by which a corporation may agree to:

- restrict or prohibit future corporate actions specified in the contract (even if those actions require approval by the board of directors under title 8);
- require the approval or consent of one or more persons or bodies (including the board of directors or one or more current or future directors, stockholders or beneficial owners of stock) before the corporation may take actions specified in the contract; and
- covenant that the corporation or one or more persons or bodies (including the board of directors or one or more current or future directors, stockholders or beneficial owners of stock) will take, or refrain from taking, future actions specified in the contract.

New § 122(18) also provides that the corporation may be subject to the remedies available under applicable contract law, including in connection with any breach or attempted breach of the contract. New § 122(18) provides bright-line authorization for these contractual provisions, and therefore would reach a different result from a holding in *Moelis* with respect to the validity of a contract with a stockholder. The Court in *Moelis* found that provisions in a stockholder agreement that required a stockholder’s approval before the corporation could take a number of actions constituted, in the aggregate, impermissible internal governance restrictions in violation of §

141(a), and therefore those approval rights should have been included in the certificate of incorporation to be valid.

The amendments do not impact certain other principles articulated in existing case law, including the following:

- Amended § 122(5) clarifies that management contracts and other arrangements appointing or delegating authority to an officer or agent to act on behalf of the corporation continue to be subject to § 141(a) and the related common law addressing an over-delegation of duties and authority by a board of directors. *See Grimes v. Donald*, 673 A.2d 1207 (Del. 1996), *Politan Capital Management LP v. Masimo Corporation*, C.A. No. 2022-0948-NAC (Del. Ch. Feb. 3, 2023) (transcript); *In re Bally's Grand Derivative Litigation*, 1997 WL 305803 (Del. Ch. June 4, 1997).
- New § 122(18) does not authorize a corporation to enter into contracts with stockholders or beneficial owners of stock that impose remedies or other consequences against directors if they take, or fail to take, specified actions as required by the contract or that purport to bind the board of directors or individual directors as parties to the contract. Contracts that would impose such remedies or consequences on directors or that would bind directors as parties are subject to existing law. *Abercrombie v. Davies*, 123 A.2d 893 (Del. Ch. 1956); *Chapin v. Benwood Foundation, Inc.*, 402 A.2d 1205 (Del. Ch. 1979). Instead, new § 122(18) authorizes contracts that impose remedies only against the corporation, including as a result of any failure by the corporation, its board of directors, or its current or future directors, stockholders or beneficial owners of stock, to take, or refrain from taking, actions specified in the contract. If an action addressed in a covenant by the corporation requires director or stockholder approval under title 8, that approval must still be obtained in order to effect the action pursuant to title 8. For example, the lack of stockholder approval of an action under title 8 requiring such approval would render specific performance of the covenant unavailable. Moreover, as noted below, even the enforceability of a claim for money damages for breach of the covenant may be subject to equitable review if the making or performance of the contract constitutes a breach of fiduciary duty.
- Amended § 122(18) authorizes only contracts with stockholders and beneficial owners of stock if the contracts are supported by consideration received by the corporation and if the minimum amount of that consideration is approved by the board of directors. *Accord In re infoUSA, Inc. Shareholders Litigation*, 953 A.2d 963 (Del. Ch. 2007) (“[A] board is empowered to make agreements with other actors in commerce, including its own shareholders”); *Unisuper Ltd. v. News Corporation*, 2005 WL 3529317 (Del. Ch. Dec. 20, 2005) (noting that a board policy could be enforceable if stockholders relied to their detriment on that policy by voting to redomicile the corporation in Delaware). Accordingly, new § 122(18) would not change the outcome in cases that invalidated bylaws, and other arrangements, where consideration had not been provided to the corporation and the provisions at issue conflicted with § 141(a) of this title. *See e.g. Quickturn Design Systems, Inc. v. Shapiro*, 721 A.2d 1281 (Del. 1998) (applying § 141(a) to invalidate a provision in a stockholder rights plan, which is a nominal agreement between a corporation and a rights agent in which the corporation does not receive consideration for distributing rights to its stockholders); *Carmody v. Toll Brothers, Inc.*,

723 A.2d 1180 (Del. Ch. 1998) (testing a stockholder rights plan for compliance with §§ 141(a) and 141(d)); *CA, Inc. v. AFSCME Employees Pension Plan*, 953 A.2d 227 (Del. 2008) (holding that a bylaw amendment would violate § 141(a) if adopted by stockholders, in circumstances where no new consideration was provided to the corporation in connection with a vote on the bylaw amendment).

- New § 122(18) does not relieve any directors, officers or stockholders of any fiduciary duties they owe to the corporation or its stockholders, including with respect to deciding to cause the corporation to enter into a contract with a stockholder or beneficial owner of stock and with respect to deciding whether to cause the corporation to perform, or to breach, the contract. New § 122(18) also does not affect the case law empowering a court to grant equitable relief in respect of a contract, such as when a contract is set aside because the counterparties thereto have aided and abetted a breach of fiduciary duty or when a court reviews director actions under an enhanced form of judicial scrutiny. *See e.g. Paramount Communications Inc. v. QVC Network Inc.*, 637 A.2d 34 (Del. 1994); *ACE Limited v. Capital Re Corporation*, 747 A.2d 95 (Del. Ch. 1999). However, the amendments are intended to promote a policy of granting such relief based on equitable principles relating to fiduciary duties, as applied to specific facts and circumstances, rather than on the grounds that the contract is facially invalid under title 8.

Corporations may continue to rely upon § 122(13) to make contracts, including contracts containing the types of provisions addressed by § 122(18), with counterparties who are not contracting with the corporation in their capacities as current or prospective stockholders and beneficial owners of stock.

An amendment to the opening clause of § 122 provides that a corporation is authorized to take any of the actions specified in § 122, whether or not such actions are provided in the certificate of incorporation. This amendment clarifies existing law, other than with respect to § 122(18). Accordingly, when a certificate of incorporation is silent with respect to the matters addressed by § 122, the powers in § 122 apply to the corporation. A corporation may limit these default powers if a limitation is provided for, or referenced as a fact ascertainable in, the certificate of incorporation, in accordance with §§ 102(b)(1), 102(b)(4) and 102(d). An amendment to § 122(6) clarifies that the adoption, amendment or repeal of bylaws must be effected in accordance with § 109 of title 8.

Section 2. Section 2 of this Act enacts a new § 147, which provides that whenever chapter 1 of title 8 expressly requires a board of directors to approve or take other action (such as making an advisability determination or a recommendation to stockholders) with respect to an agreement, instrument or document, the agreement, instrument or document may be approved in final form or substantially final form. The Delaware Court of Chancery recently considered competing interpretations of § 251 of title 8 as to whether a board of directors must approve an agreement of merger on final or essentially final terms. *Sjunde AP-Fonden v. Activision Blizzard, Inc.*, 2024 WL 863290 (Del. Ch. Feb. 29, 2024) (corrected March 19, 2024). New § 147 is intended to enable a board of directors to approve an agreement, instrument or document if, at the time of board approval, all of the material terms are either set forth in the agreement, instrument or document or are determinable through other information or materials presented to or known by the board. New § 147 also provides that if the board of directors has acted to approve or take other action with

respect to an agreement, instrument or document that is required by chapter 1 of title 8 to be filed with the Secretary of State or referenced in any certificate so filed, the board may, after providing such approval or taking such action and before making such filing, ratify the agreement, instrument or document at any time before such filing is made, and such ratification will satisfy any requirement under the statute relating to the board's authorization, whether in terms of the manner or sequence in which it is provided. Although new § 147 may be used to ratify an agreement, instrument or document after a stockholder vote or consent, it does not, of itself, enable the board to make changes to an agreement, instrument or document that is required by the statute to be adopted by stockholders after that stockholder vote or consent is obtained. (New § 147 does not affect the board's ability to amend an agreement, instrument or document without further vote or consent of the stockholders in circumstances where such an amendment would otherwise be permitted, including, for example, any amendment to a merger agreement accomplished in accordance with § 251(d) that does not fall within one of the enumerated categories of amendments requiring an additional vote of stockholders.) The ratification provision is available as an option to provide greater certainty in circumstances where there may be a question as to whether the agreement, document or instrument as initially approved was in substantially final form. Although a board may elect to use § 147's procedure to ratify an agreement, document or instrument that it had previously approved in substantially final form, no such ratification is required for the valid authorization of any such agreement, document or instrument. Ratification under § 147, where available, is an alternative to ratification under §§ 204 and 205 of title 8. *Accord Activision Blizzard, Inc.*, 2024 WL 863290, at *5-6 (indicating "Delaware law offers solutions for missteps" and referencing §§ 204 and 205). As with ratification under those sections, however, ratification under § 147 relates back to the time of the original board approval. New § 147 is not intended to, and does not, exclude any equitable remedies, nor does it alter the fiduciary duties of directors in connection with approving, taking other action with respect to, or ratifying an agreement, instrument or document.

Section 3. Section 3 of this Act amends § 232. New § 232(g) provides that a notice given to stockholders is deemed to include any document enclosed with, or appended or annexed to, the notice (such as a proxy statement provided along with a notice of a stockholder meeting to approve an agreement of merger). § 251 of title 8 requires a corporation to include either a copy of an agreement of merger, or a brief summary thereof, in a notice of a stockholder meeting to adopt the merger agreement. There are similar requirements in other provisions of title 8. The Court of Chancery recently observed that title 8 could be amended to indicate how this statutory notice requirement relates to proxy materials that are given to stockholders. *Sjunde AP-Fonden v. Activision Blizzard, Inc.*, 2024 WL 863290 (Del. Ch. Feb. 29, 2024) (corrected March 19, 2024) at n.55. Amended § 232 provides that information in any document enclosed with, or appended or annexed to, a notice is incorporated in the notice. However, a document is incorporated in a notice solely for purposes of satisfying the requirements of giving notice under title 8, the certificate of incorporation or the bylaws. Accordingly, the enclosed, appended or annexed information is not intended to be deemed "per se" material to stockholders. Amended § 232 does not affect the equitable disclosure obligations of directors or officers (or, as applicable, stockholders) with respect to any corporate action as to which notice is given.

Section 4. Section 4 of this Act amends § 261 of title 8.

New § 261(a)(1) clarifies that parties to an agreement of merger or consolidation may, through express provision in the agreement, specify the penalties or consequences of a party's failure to perform its obligations under, or comply with the terms and conditions of, such agreement before the effective time of the merger, or to consummate the merger or consolidation contemplated by such agreement. Such penalties or consequences may include an obligation to make payments to the other party if the merger or consolidation is not consummated, including damages based on the lost premium that stockholders of a constituent corporation would be entitled to receive if the merger becomes effective in accordance with the terms of the agreement and reverse termination fees. New § 261(a) provides that in the event a corporation is entitled to so receive such payment, the corporation may enforce the other party's payment obligation, and, upon receipt of any such payment, the corporation is entitled to retain the amount of any such payment.

New § 261(a)(1) is being adopted in light of the Court of Chancery's decision in *Crispo v. Musk*, 304 A.3d 567 (Del. Ch. 2023), to clarify the authority under title 8 to include in an agreement of merger or consolidation provisions for penalties or consequences (including a requirement to pay lost premium damages) upon a party's failure to perform or consummate the merger or consolidation, regardless of any otherwise applicable provisions of contract law, such as those addressing liquidated damages and unenforceable penalties. Consistent with the Delaware General Corporation Law's role as an enabling statute, new § 261(a)(1) confirms that constituent corporations have latitude to allocate the risk of non-performance by provisions expressly set forth in agreements of merger or consolidation. New § 261(a)(1) is not intended to, and does not, exclude any remedies otherwise available to any party at law or in equity, nor does it alter the fiduciary duties of directors in connection with determining whether to approve, perform or enforce any such provision, including any provision requiring a corporation to pay a termination fee or lost premium damages under certain circumstances.

New § 261(a)(2) confirms that parties to an agreement of merger or consolidation may, through express provision in the agreement, appoint one or more persons to serve as the representative of stockholders of any constituent corporation, including stockholders whose shares shall be cancelled, converted or exchanged in the merger or consolidation, and to delegate to such person(s) the exclusive authority to enforce the rights of such stockholders, such as rights to receive payments and enforce stockholders' rights under an escrow or indemnification arrangement, and to enter into settlements with respect thereto. Any such appointment of a representative of stockholders of a constituent corporation may be made effective as of, or at any time following, the time at which the agreement of merger or consolidation is adopted by stockholders in accordance with the requirements of this subchapter, and thereafter shall be binding on all stockholders of such constituent corporation. The merger and consolidation provisions of subchapter IX of title 8 have for decades included provisions allowing agreements of merger or consolidation to be made dependent on facts ascertainable outside of the agreement. *See Aveta Inc. v. Cavallieri*, 23 A.3d 157 (Del. Ch. 2010). The "facts ascertainable" provisions set forth in several sections of subchapter IX already provide a corporation broad authorization to include in an agreement of merger or consolidation one or more provisions making the consideration received by stockholders subject to any future determinations made by, or documents entered into in the future by, a stockholder representative. *Id.* It has become market practice, however, to refer to a stockholders' representative appointed in an agreement of merger or consolidation as an agent of the stockholders of the constituent corporation whose shares are cancelled and converted in the merger into the right to receive cash or other property. Accordingly, new § 261(a)(2) is intended

to provide express authorization for these representative provisions, confirming that a stockholders' representative appointed pursuant to the terms of a merger agreement may be delegated powers, exercisable after the effectiveness of the merger, in addition to the power to make adjustments in respect of the nature or amount of merger consideration. These amendments should not be construed to limit the broad authority permitted under title 8 and recognized in opinions of the Delaware courts, including *Aveta*, for constituent entities to make agreements or other instruments dependent on facts ascertainable outside of the agreement or instrument. The amendments to § 261(a)(2) do not allow for a provision of an agreement of merger or consolidation empowering a stockholders' representative to exercise powers beyond those related to the enforcement of the rights of stockholders under the agreement. Thus, for example, the amendments would not empower a stockholders' representative, acting solely pursuant to a provision adopted under new § 261(a)(2), to waive, compromise or settle, in the name of any stockholder, any rights to appraisal under § 262 or any direct claim for breach of fiduciary duty that such stockholder is entitled to assert following a merger or consolidation, or to consent, in the name of a stockholder, to restrictive covenants, such as a covenant not to compete or a non-solicitation covenant. The amendments do not, however, restrict any individual stockholder or group of stockholders from granting a stockholders' representative or other agent any such power or any other delegable power, whether through execution of a joinder to the agreement of merger or consolidation, consent or support agreement or other instrument evidencing assent the grant of such power.

Section 5. Section 5 of this Act adds a new § 268(a), which provides that if an agreement of merger (other than a holding company reorganization under § 251(g)) entered into pursuant to subchapter IX provides, with respect to a constituent corporation, that all of the shares of capital stock of the constituent corporation issued and outstanding immediately before the effective time of the merger are converted into or exchanged for cash, property, rights or securities (other than stock of the surviving corporation), then the merger agreement approved by the board need not include any provision relating to the certificate of incorporation of the surviving corporation, the board of directors or any person acting at its direction may approve any amendment or amendment and restatement of the certificate of the surviving corporation, and no alteration or change to the certificate of incorporation of the surviving corporation will be deemed to constitute an amendment to the merger agreement. New § 268(a) is being adopted in light of the Court of Chancery's decision in *Sjunde AP-Fonden v. Activision Blizzard, Inc.*, 2024 WL 863290 (Del. Ch. Feb. 29, 2024)(corrected March 19, 2024), which involved a merger transaction in which the board of directors did not approve the certificate of incorporation for the corporation surviving the merger. Among other things, this amendment will provide flexibility to a buyer in a typical "reverse triangular merger" to adopt the terms of the certificate of incorporation of the corporation that, following the effectiveness of the merger, will be wholly owned and controlled by the buyer. Despite the additional statutory flexibility, a target corporation may insist, however, that the merger agreement expressly provide that the certificate of incorporation of the surviving corporation be adopted in a specified form or contain specified provision, such as those relating to indemnification and advancement of expenses of directors, officers and others.

Section 5 of this Act also adds a new § 268(b), which provides that a disclosure letter or disclosure schedules or any similar documents or instruments delivered in connection with an agreement of merger or consolidation that modify, qualify, supplement, or make exceptions to representations, warranties, covenants or conditions in the agreement will not, unless otherwise

provided by the agreement of merger or consolidation, be deemed part of the agreement for purposes of the provisions of title 8. New § 268(b) is being adopted to avoid any implication from the Court's decision in *Activision* that, in order for an agreement of merger or consolidation to have been duly authorized, the board of directors must have approved final or substantially final disclosure schedules (or similar documents), or that the disclosure schedules (or similar documents) must be submitted to or adopted by the stockholders. The new section reflects the fact that disclosure schedules and similar documents frequently operate as extrinsic facts incorporated by reference into the agreement but are not themselves part of the agreement and, as such, may be negotiated and prepared by officers and agents at the direction of the board of directors without the need, as a statutory matter, for formal approval by the board of directors.

Section 6. Section 6 of this Act provides that Sections 1 through 5 of this Act shall become effective on August 1, 2024, and shall apply to all contracts made by a corporation, all agreements, instruments or documents approved by the board of directors and all agreements of merger and consolidation entered into by a corporation, in each case whether or not the contracts, agreements, instruments, documents or agreements of merger or consolidation are made, approved or entered into on or before such date, except that Sections 1 through 6 of this Act shall not apply to or affect any civil action or proceeding completed or pending on or before such date. With respect to such suits and proceedings, the law predating the amendments will apply.