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By: **Delegates Doory and Feldman**  
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CHAPTER 516

1 AN ACT concerning

2 **Corporations - Miscellaneous Provisions**

3 FOR the purpose of authorizing certain officers of a corporation to sign a stock  
4 certificate; authorizing the board of directors of a corporation to amend the  
5 charter of the corporation to effect a reverse stock split without stockholder  
6 action under certain circumstances; requiring the corporation to give certain  
7 written notice of the reverse stock split to certain holders of record of the  
8 combined shares of stock; authorizing the holders of common stock entitled to  
9 vote generally in the election of directors to take action or consent to any action  
10 by delivering a consent in writing or by electronic transmission of the  
11 stockholders entitled to cast not less than the minimum number of votes that  
12 would be necessary to authorize or take the action at a stockholders meeting  
13 under certain circumstances; requiring a certain consent to be delivered to the  
14 corporation by delivery to certain persons; authorizing a stockholder to deliver a  
15 certain consent in paper form, by hand, by certified or registered mail, return  
16 receipt requested, or by electronic transmission; authorizing the board of  
17 directors to adopt reasonable procedures for delivering certain consents instead  
18 of holding a meeting; prohibiting a written consent from taking effect unless a  
19 certain condition is met; providing that charter documents filed with the State  
20 Department of Assessments and Taxation in accordance with an action taken  
21 under this Act may provide that the stockholders approved the action in a  
22 certain manner; repealing a certain provision relating to the management of the  
23 assets of a voluntarily dissolved corporation; requiring the business and affairs  
24 of the corporation to be managed under the direction of the board of directors  
25 solely for a certain purpose under certain circumstances; requiring the directors  
26 to take certain actions on behalf of a corporation; providing that dissolution of a  
27 corporation does not subject the directors of a corporation to a standard of  
28 conduct other than the standards of conduct for directors established by a

1 certain provision of law; clarifying certain provisions relating to directors;  
2 providing for the application of certain provisions of this Act; defining a certain  
3 term; and generally relating to Maryland corporations.

4 BY repealing and reenacting, with amendments,  
5 Article - Corporations and Associations  
6 Section 2-212, 2-309, 2-505, 2-604, 3-410, 3-411, and 3-412  
7 Annotated Code of Maryland  
8 (1999 Replacement Volume and 2003 Supplement)

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

11 **Article - Corporations and Associations**

12 2-212.

13 (a) Each stock certificate shall be signed by the president, a vice president,  
14 [or] THE CHIEF EXECUTIVE OFFICER, THE CHIEF OPERATING OFFICER, THE CHIEF  
15 FINANCIAL OFFICER, the chairman of the board, OR THE VICE CHAIRMAN OF THE  
16 BOARD and countersigned by the secretary, an assistant secretary, the treasurer, or  
17 an assistant treasurer.

18 (b) Each certificate which represents any stock, bond, note, guaranty,  
19 obligation, or other corporate security:

20 (1) May be sealed with the actual corporate seal or a facsimile of it or in  
21 any other form; and

22 (2) The signatures may be either manual or facsimile signatures.

23 (c) A certificate described in this section is valid and may be issued whether or  
24 not an officer who signed it is still an officer when it is issued.

25 2-309.

26 (a) IN THIS SECTION, "REVERSE STOCK SPLIT" MEANS A COMBINATION OF  
27 OUTSTANDING SHARES OF STOCK OF A CORPORATION INTO A LESSER NUMBER OF  
28 SHARES OF STOCK OF THE SAME CLASS WITHOUT ANY CHANGE IN THE AGGREGATE  
29 AMOUNT OF STATED CAPITAL OF THE CORPORATION, EXCEPT FOR A CHANGE  
30 RESULTING FROM THE ELIMINATION OF FRACTIONAL SHARES IN ACCORDANCE  
31 WITH § 2-214 OF THIS TITLE.

32 (B) If authorized by its board of directors, a corporation may make  
33 distributions to its stockholders, subject to any restriction in its charter and the  
34 limitations in § 2-311 of this subtitle.

35 [(b)] (C) (1) A division of issued shares into a greater number of shares of  
36 the same class without any change in the aggregate amount of stated capital is a

1 stock split, and a division with a change in the aggregate amount of stated capital is  
2 a stock dividend within the meaning of this subsection.

3 (2) If authorized by its board of directors and unless the charter provides  
4 otherwise, shares may be issued by a corporation, without consideration to the  
5 holders of 1 or more classes or series of stock, as a stock split or a stock dividend.

6 (3) If a stock dividend is payable in a corporation's own stock with par  
7 value, the shares shall be issued at par value and, at the time the stock dividend is  
8 paid, the corporation shall transfer from surplus to stated capital an amount at least  
9 equal to the aggregate par value of the shares to be issued.

10 (4) If a stock dividend is payable in a corporation's own stock without par  
11 value, the board of directors shall adopt at the time the stock dividend is declared a  
12 resolution which sets the aggregate amount to be attributed to stated capital with  
13 respect to the shares that constitute the stock dividend and, at the time the stock  
14 dividend is paid, the corporation shall transfer at least that amount from surplus to  
15 stated capital.

16 (5) A dividend payable in shares of one class of a corporation's stock may  
17 not be declared or paid to the holders of shares of another class of stock unless the  
18 payment has been:

19 (i) Approved by the board of directors in accordance with specific  
20 authority in the charter; or

21 (ii) Approved at a meeting of stockholders by the affirmative vote of  
22 a majority of all the votes entitled to be cast on the matter of each class entitled to  
23 vote on it.

24 [(c)] (D) If the board of directors of a corporation has given general  
25 authorization for a distribution and provides for or establishes a method or procedure  
26 for determining the maximum amount of the distribution, the board may delegate to  
27 a committee of the board or an officer of the corporation the power, in accordance with  
28 the general authorization, to fix the amount and other terms of the distribution.

29 (E) (1) THIS SUBSECTION APPLIES TO A CORPORATION:

30 (I) WITH A CLASS OF EQUITY SECURITIES REGISTERED UNDER  
31 THE SECURITIES EXCHANGE ACT OF 1934; OR

32 (II) REGISTERED AS AN OPEN-END INVESTMENT COMPANY UNDER  
33 THE INVESTMENT COMPANY ACT OF 1940.

34 (2) UNLESS THE CHARTER OF A CORPORATION PROVIDES OTHERWISE,  
35 THE BOARD OF DIRECTORS OF THE CORPORATION MAY AMEND THE CHARTER, WITH  
36 THE APPROVAL OF A MAJORITY OF THE BOARD OF DIRECTORS AND WITHOUT  
37 STOCKHOLDER ACTION, TO EFFECT A REVERSE STOCK SPLIT THAT RESULTS IN A  
38 COMBINATION OF SHARES OF STOCK AT A RATIO OF NOT MORE THAN 10 SHARES OF  
39 STOCK INTO 1 SHARE OF STOCK IN ANY 12-MONTH PERIOD.

1 (3) WITHIN 20 DAYS AFTER THE EFFECTIVE DATE OF THE REVERSE  
2 STOCK SPLIT, THE CORPORATION SHALL GIVE WRITTEN NOTICE OF THE REVERSE  
3 STOCK SPLIT TO EACH HOLDER OF RECORD OF THE COMBINED SHARES OF STOCK AS  
4 OF THE EFFECTIVE DATE.

5 2-505.

6 (a) Except as provided in subsection (b) of this section, any action required or  
7 permitted to be taken at a meeting of the stockholders may be taken without a  
8 meeting if a unanimous consent which sets forth the action is:

9 (1) Given in writing or by electronic transmission by each stockholder  
10 entitled to vote on the matter; and

11 (2) Filed in paper or electronic form with the records of stockholders  
12 meetings.

13 (b) (1) Unless the charter requires otherwise, the holders of any class of  
14 [stock] STOCK, other than common stock[,], entitled to vote generally in the election  
15 of directors, may take action or consent to any action by delivering a consent in  
16 writing or by electronic transmission of the stockholders entitled to cast not less than  
17 the minimum number of votes that would be necessary to authorize or take the action  
18 at a stockholders meeting if the corporation gives notice of the action to each  
19 [stockholder] HOLDER OF THE CLASS OF STOCK not later than 10 days after the  
20 effective time of the action.

21 (2) IF AUTHORIZED BY THE CHARTER OF A CORPORATION, THE  
22 HOLDERS OF COMMON STOCK ENTITLED TO VOTE GENERALLY IN THE ELECTION OF  
23 DIRECTORS MAY TAKE ACTION OR CONSENT TO ANY ACTION BY DELIVERING A  
24 CONSENT IN WRITING OR BY ELECTRONIC TRANSMISSION OF THE STOCKHOLDERS  
25 ENTITLED TO CAST NOT LESS THAN THE MINIMUM NUMBER OF VOTES THAT WOULD  
26 BE NECESSARY TO AUTHORIZE OR TAKE THE ACTION AT A STOCKHOLDERS MEETING  
27 IF THE CORPORATION GIVES NOTICE OF THE ACTION TO EACH HOLDER OF THE  
28 CLASS OF COMMON STOCK NOT LATER THAN 10 DAYS AFTER THE EFFECTIVE DATE  
29 OF THE ACTION.

30 (C) ANY CONSENT AUTHORIZED BY THIS SECTION SHALL BE DELIVERED TO  
31 THE CORPORATION BY DELIVERY TO ITS PRINCIPAL OFFICE IN THE STATE, ITS  
32 RESIDENT AGENT, OR THE OFFICER OR AGENT OF THE CORPORATION THAT HAS  
33 CUSTODY OF THE BOOK IN WHICH PROCEEDINGS OF MINUTES OF STOCKHOLDERS  
34 MEETINGS ARE RECORDED.

35 (D) A STOCKHOLDER MAY DELIVER THE CONSENT AUTHORIZED BY THIS  
36 SECTION IN PAPER FORM, BY HAND, BY CERTIFIED OR REGISTERED MAIL, RETURN  
37 RECEIPT REQUESTED, OR BY ELECTRONIC TRANSMISSION.

38 (E) THE BOARD OF DIRECTORS MAY ADOPT REASONABLE PROCEDURES FOR  
39 DELIVERING CONSENTS INSTEAD OF HOLDING A MEETING UNDER THIS SECTION.

1 (F) A WRITTEN CONSENT MAY NOT TAKE EFFECT UNLESS WRITTEN  
2 CONSENTS SIGNED BY A SUFFICIENT NUMBER OF STOCKHOLDERS TO TAKE ACTION  
3 ARE DELIVERED TO THE CORPORATION WITHIN 60 DAYS AFTER THE DATE ON WHICH  
4 THE EARLIEST CONSENT IS DATED IN ACCORDANCE WITH PROCEDURES ADOPTED  
5 UNDER SUBSECTION (E) OF THIS SECTION.

6 (G) ANY CHARTER DOCUMENTS FILED WITH THE DEPARTMENT IN  
7 ACCORDANCE WITH AN ACTION TAKEN UNDER THIS SECTION MAY PROVIDE THAT  
8 THE ACTION WAS APPROVED BY THE STOCKHOLDERS IN THE MANNER PROVIDED BY  
9 THIS SECTION.

10 2-604.

11 (a) This section does not apply to a charter amendment by the board of  
12 directors in accordance with § 2-105(a)(12) OR § 2-309(E) of this title.

13 (b) If there is any stock outstanding or subscribed for and entitled to be voted  
14 on the charter amendment, it shall be approved as provided in this section.

15 (c) Except as provided in § 2-112 of this title, the board of directors of a  
16 corporation proposing a charter amendment shall:

17 (1) Adopt a resolution which sets forth the proposed amendment and  
18 declares that it is advisable; and

19 (2) Direct that the proposed amendment be submitted for consideration  
20 at either an annual or a special meeting of the stockholders.

21 (d) (1) Notice which states that a purpose of the meeting will be to act on the  
22 proposed amendment shall be given by the corporation in the manner required by  
23 Subtitle 5 of this title to:

24 (i) Each stockholder entitled to vote on the proposed amendment;  
25 and

26 (ii) Each stockholder not entitled to vote on the proposed  
27 amendment if the contract rights of his stock, as expressly set forth in the charter,  
28 would be altered by the amendment.

29 (2) The notice shall include a copy of the amendment or a summary of  
30 the changes it will effect.

31 (e) The proposed amendment shall be approved by the stockholders of the  
32 corporation by the affirmative vote of two thirds of all the votes entitled to be cast on  
33 the matter.

34 3-410.

35 (a) When a Maryland corporation is voluntarily dissolved, until a court  
36 appoints a receiver, [the directors of the corporation become the trustees of its assets

1 for purposes of liquidation] THE BUSINESS AND AFFAIRS OF THE CORPORATION  
2 SHALL BE MANAGED UNDER THE DIRECTION OF THE BOARD OF DIRECTORS SOLELY  
3 FOR THE PURPOSE SET FORTH IN § 3-408(B) OF THIS SUBTITLE.

4 (b) [The director-trustees are vested in their capacity as trustees with full  
5 title to all the assets of the corporation. They] ON BEHALF OF THE CORPORATION,  
6 THE DIRECTORS shall:

7 (1) Collect and distribute the assets, applying them to the payment,  
8 satisfaction, and discharge of existing debts and obligations of the corporation,  
9 including necessary expenses of liquidation; and

10 (2) Distribute the remaining assets among the stockholders.

11 (c) The [director-trustees] DIRECTORS may:

12 (1) Carry out the contracts of the corporation;

13 (2) Sell all or any part of the assets of the corporation at public or private  
14 sale;

15 (3) Sue or be sued [in their own names as trustees or] in the name of the  
16 corporation; and

17 (4) Do all other acts consistent with law and the charter of the  
18 corporation necessary or proper to liquidate the corporation and wind up its affairs.

19 (d) [The director-trustees govern by majority vote] DISSOLUTION OF A  
20 CORPORATION DOES NOT SUBJECT THE DIRECTORS OF A CORPORATION TO A  
21 STANDARD OF CONDUCT OTHER THAN THE STANDARDS OF CONDUCT FOR  
22 DIRECTORS SET FORTH IN § 2-405.1 OF THIS ARTICLE.

23 3-411.

24 (a) A director, stockholder, or creditor of a Maryland corporation which is  
25 dissolving voluntarily may petition a court of equity to take jurisdiction of the  
26 liquidation of the corporation.

27 (b) After notice and hearing, the court for good cause shown may order the  
28 corporation liquidated under court supervision either by the directors [as trustees] or  
29 by one or more receivers appointed by the court.

30 (c) The authority of the [director-trustees] DIRECTORS terminates when a  
31 court appoints a receiver.

32 3-412.

33 (a) If a Maryland corporation is voluntarily dissolved and assets are available  
34 for distribution to stockholders, the [director-trustees] DIRECTORS or receiver may  
35 notify the stockholders to prove their interests within a specified time at least 60 days  
36 after the date of the notice. The notice shall be mailed to each stockholder at his

1 address as it appears on the records of the corporation and published at least once a  
2 week for three successive weeks in a newspaper of general circulation published in  
3 the county in which the principal office of the corporation is located. The date of the  
4 notice is the later of the date of mailing or the date of first publication.

5 (b) After the expiration of the time specified in the notice, the  
6 [director-trustees] DIRECTORS or receiver may distribute to each stockholder who  
7 has proved his interest his proportionate share of the assets, reserving the shares of  
8 those who have not proved their interests. Thereafter, the [director-trustees]  
9 DIRECTORS or receiver may incur reasonable expenses in locating the remaining  
10 stockholders and securing proof of interests from them and may charge the expenses  
11 against the funds undistributed at the time the expenses are incurred. From time to  
12 time the [director-trustees] DIRECTORS or receiver may distribute a proportionate  
13 share to any stockholder who has proved his interest since the prior distribution.

14 (c) No earlier than three years from the date of the original notice, the  
15 [director-trustees] DIRECTORS or receiver may distribute all surplus assets  
16 remaining under his control to those stockholders who have proved their interests  
17 and are entitled to distribution. After final distribution, the interest of any  
18 stockholder who has not proved his interest is forever barred and foreclosed.

19 (d) (1) Any assets remaining unclaimed 60 days after the final distribution,  
20 whether through failure or inability of the postal authorities to deliver the  
21 distribution checks or for any other reason is presumed abandoned and shall be  
22 reported to the abandoned property unit of the State Comptroller's office in  
23 accordance with Title 17 of the Commercial Law Article, the Maryland Uniform  
24 Disposition of Abandoned Property Act.

25 (2) The [director-trustees] DIRECTORS or receiver are released and  
26 discharged from all further liability in the matter on payment or delivery of all  
27 unclaimed assets to the abandoned property unit of the State Comptroller's office.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
29 June 1, 2004.