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Judicial Proceedings Committee



THE SENATE OF MARYLAND
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January 25th, 2023
Senate Judicial Proceedings Committee
The Honorable William C. Smith, Jr.
2 East Miller Senate Building
Annapolis, Maryland 21401

Re: Senate Bill – 58 – Corporations and Associations – Revisions

Dear Chairman Smith and Members of the Committee,

Senate Bill 58 is the annual bill sponsored by the Committee on Corporation Law of the Section on Business Law of the Maryland State Bar Association to make technical changes and upgrades to the Maryland General Corporation Law. Generally, this year's bill is a pot-pouri of fixes to highly technical corporate laws. The most significant provisions of the bill are as follows:

On page 3, the bill clarifies that a corporation may not issue a stock certificate in bearer form. Most corporate lawyers, noting a Maryland General Corporation Law provision requiring that a stock certificate must state the stockholder's name, consider "bearer form" certificates as improper, but the Maryland General Corporation Law currently does not expressly prohibit them. With the new Federal Corporate Transparency Act and concerns about money laundering, Maryland's General Corporation Law should be clear on this point. On page 5, the bill further states that "bearer form" certificates cannot be issued by limited liability companies.

On page 6, the bill provides that a nonstock corporation's charter may provide that an individual may serve as a director merely by virtue of an office that the person holds within the organization or in another organization.

On pages 7 and 8 of the bill, language is added to the Corporations and Associations Article setting forth the procedure for terminating the existence of real estate investment trusts.

The bill also clarifies the circumstances in which the owners of statutory trusts formed under the Investment Company Act of 1940, such as mutual funds, may be governed by a section of the Maryland Code that sets forth the voting rights and stockholders' meeting rules.

I appreciate the Committee's consideration of Senate Bill 58 and will be happy to answer any questions the Committee may have.