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Judicial Proceedings Committee



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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

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The Maryland State Senate Judicial Proceedings Committee  
The Honorable William C. Smith, Jr.  
2 East Miller Senate Building  
Annapolis, Maryland 21401

**Re: Senate Bill 400: Corporations and Associations – Definitions, Emergencies, and Outstanding Stock – Revisions**

Dear Chairman Smith and Members of the Committee,

Senate Bill 400 is the annual bill to clean up and tweak Maryland’s corporation laws. As usual, it is brought to us by the Business Law Section of the Maryland State Bar Association. As we have in years past, Senators Waldstreicher and I are pleased to sponsor the bill this year.

Senate Bill 400 has four components. By far the most important component addresses the situation that could arise when a “catastrophic” event occurs which makes it impossible for a quorum of the board of directors of a corporation to be readily assembled. New language is added to the Corporations and Associations Article that addresses three scenarios.

First, the bill authorizes bylaws to be enacted in advance of an emergency containing provisions necessary for managing the company during the emergency and states that any corporate acts taken in good faith during the emergency in accordance with the emergency provisions will bind the corporation and will protect the directors and officers of the corporation from lawsuits premised on the contention that they acted beyond the scope of their authority.

Second, the bill addresses situations in which emergency bylaws had not been enacted prior to the emergency and provides for meetings of the directors and stockholders to be convened with whatever directors and stockholders can be assembled. Once again, the bill states that corporate acts taken in good faith in such circumstances will bind the corporation.

The other three components of the bill are minor technical tweaks to the existing law. The bill clarifies the timing of when shares of stock are no longer deemed to be outstanding. It permits a limited partnership to serve as a resident agent for Maryland business entities. Finally, it clarifies the requirements for principal offices of limited liability companies and limited partnerships.

I appreciate the Committee’s consideration of Senate Bill 400 and will be happy to answer any questions the Committee may have.