
By: Delegates Frank and Doory

Introduced and read first time: February 1, 1996

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 20, 1996

CHAPTER ____

1 AN ACT concerning

2 **Corporations - Issuance of Stock**

3 FOR the purpose of altering the manner of authorizing the issuance of stock issuable
4 upon conversion of stock or other securities convertible into stock or upon exercise
5 of warrants or options exercisable for stock or convertible securities; and generally
6 relating to the issuance of stock of a corporation.

7 BY repealing and reenacting, with amendments,
8 Article - Corporations and Associations
9 Section 2-204
10 Annotated Code of Maryland
11 (1993 Replacement Volume and 1995 Supplement)

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

14 **Article - Corporations and Associations**

15 2-204.

16 (a) A corporation may not issue stock or convertible securities in violation of a
17 limitation or restriction contained in its charter or bylaws.

18 (b) If stock of the corporation is outstanding and entitled to be voted at the time
19 the board of directors adopts a resolution authorizing the issuance of additional stock or
20 convertible securities, the corporation may not issue the stock or the convertible
21 securities unless:

22 (1) The charter permits the board of directors to authorize the issuance;

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1 (2) The charter does not require stockholder approval of the issuance, and
2 the actual value of the consideration to be received by the corporation, as determined by
3 the board of directors or as set forth in the charter, is at least equal to:

4 (i) The par value of the stock to be issued;

5 (ii) In the case of stock without par value, the stated capital per share
6 of the shares of the same class then outstanding; or

7 (iii) In the case of convertible securities, the par value or the stated
8 capital per share, as the case may be, of the stock into which the convertible securities are
9 convertible, if greater than the par value, stated capital per share, or principal amount of
10 the convertible securities; or

11 (3) (i) The issuance as authorized by the board of directors was submitted
12 for approval at either an annual or a special meeting of the stockholders;

13 (ii) Notice stating that a purpose of the meeting will be to act on the
14 proposed issuance was given in the manner required by Subtitle 5 of this title to each
15 stockholder entitled to vote on the matter; and

16 (iii) The issuance was approved by the stockholders.

17 (c) Unless the charter or bylaws provide otherwise, approval of the stockholders is
18 not required under this section for the issuance of stock as a stock dividend.

19 (d) [Warrants or options purporting to confer or evidence the right to subscribe
20 for or otherwise acquire stock or convertible securities may not be issued and are not
21 valid unless the issuance of the stock or convertible securities subject to the warrants or
22 options has been authorized as provided in this subtitle.] IF THE ISSUANCE OF STOCK
23 CONVERTIBLE INTO OTHER STOCK OR OF SECURITIES CONVERTIBLE INTO STOCK,
24 OR THE ISSUANCE OF WARRANTS OR OPTIONS EXERCISABLE FOR STOCK OR
25 CONVERTIBLE SECURITIES, IS AUTHORIZED IN THE MANNER REQUIRED BY THIS
26 SUBTITLE FOR THE ISSUANCE OF THE STOCK INTO WHICH THE STOCK OR
27 SECURITIES ARE CONVERTIBLE OR FOR WHICH THE WARRANTS OR OPTIONS ARE
28 EXERCISABLE, THE AUTHORIZATION CONSTITUTES AN AUTHORIZATION OF THE
29 ISSUANCE OF THE STOCK INTO WHICH THE STOCK OR SECURITIES ARE
30 CONVERTIBLE OR FOR WHICH THE WARRANTS OR OPTIONS ARE EXERCISABLE,
31 WITHOUT FURTHER SPECIFIC AUTHORIZATION UNDER THIS SUBTITLE.

32 (e) This section does not apply to any issuance described in § 2-203(d) of this
33 subtitle.

34 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
35 October 1, 1996.

