
By: Delegate Frank

Introduced and read first time: February 6, 1997

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 18, 1997

CHAPTER ____

1 AN ACT concerning

2 **Corporations and Real Estate Investment Trusts - Voting Trusts**

3 FOR the purpose of repealing the ten-year limit on the term of a voting trust agreement
4 for corporations; repealing certain requirements for extending a voting trust
5 agreement for corporations; providing for voting trust agreements for real estate
6 investment trusts; providing that a voting trust for a real estate investment trust can
7 be established by entering into a certain written agreement, depositing the
8 agreement with the principal office of the real estate investment trust, and
9 transferring the shares ~~of beneficial interest~~ for purposes of the agreement to the
10 trustee; and generally relating to the establishment of voting trusts.

11 BY repealing and reenacting, with amendments,
12 Article - Corporations and Associations
13 Section 2-510
14 Annotated Code of Maryland
15 (1993 Replacement Volume and 1996 Supplement)

16 BY adding to
17 Article - Corporations and Associations
18 Section 8-303
19 Annotated Code of Maryland
20 (1993 Replacement Volume and 1996 Supplement)

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

2

1 **Article - Corporations and Associations**

2 2-510.

3 [(a)] One or more stockholders of a corporation may confer the right to vote or
4 otherwise represent their stock to a trustee [for a period not exceeding ten years] by:

5 (1) Entering into a written voting trust agreement which specifies the terms
6 and conditions of the voting trust;

7 (2) Depositing an executed copy of the agreement with the corporation at its
8 principal office; and

9 (3) Transferring their stock for purposes of the agreement to a trustee.

10 [(b)] Notwithstanding subsection (a) of this section, a voting trust may be extended
11 for one additional period not to exceed 10 years if:

12 (1) (i) All stock in the voting trust is stock in a single corporation; and

13 (ii) The stock in the voting trust represents a 5 percent or more
14 interest in the corporation;

15 (2) Immediately before the establishment of the voting trust, the stock in the
16 voting trust:

17 (i) Was held by a testamentary or inter vivos trust; and

18 (ii) Represented more than 50 percent of the value of the assets of the
19 trust;

20 (3) For a period of 10 years or more before the establishment of the voting
21 trust, the inter vivos or testamentary trust had legal ownership of 50 percent or more of
22 the stock, valued after adjustment for stock acquired as a result of a stock dividend or
23 stock split, transferred to the voting trust;

24 (4) As of the date the voting trust is established, the recipients of more than
25 50 percent of the income and the ultimate recipients of more than 50 percent of the
26 principal of the testamentary or inter vivos trust are charitable or educational institutions
27 that:

28 (i) Are exempt from federal income taxes under § 501(c)(3) of the
29 Internal Revenue Code; and

30 (ii) Carry on a substantial portion of the institutions' charitable activity
31 in the State; and

32 (5) The testamentary or inter vivos trust provides that upon termination and
33 final distribution of the trust assets, the trustee may:

34 (i) Create a voting trust of stock that is part of the trust corpus; and

35 (ii) Distribute to the beneficiaries, certificates of beneficial interest in
36 the voting trust in lieu of the stock.]

3

1 8-303.

2 ONE OR MORE SHAREHOLDERS OF A REAL ESTATE INVESTMENT TRUST MAY
3 CONFER THE RIGHT TO VOTE OR OTHERWISE REPRESENT THEIR SHARES TO A
4 TRUSTEE BY:

5 (1) ENTERING INTO A WRITTEN VOTING TRUST AGREEMENT WHICH
6 SPECIFIES THE TERMS AND CONDITIONS OF THE VOTING TRUST;

7 (2) DEPOSITING AN EXECUTED COPY OF THE AGREEMENT WITH THE
8 REAL ESTATE INVESTMENT TRUST AT ITS PRINCIPAL OFFICE; AND

9 (3) TRANSFERRING THEIR SHARES FOR PURPOSES OF THE AGREEMENT
10 TO A TRUSTEE.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 October 1, 1997.