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By: **Delegate Frank**  
Introduced and read first time: January 30, 1998  
Assigned to: Economic Matters

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Committee Report: Favorable  
House action: Adopted  
Read second time: March 24, 1998

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Corporations - Power to Transact Business and Make Gifts**

3 FOR the purpose of altering the locations in which a corporation has the power to  
4 transact its business, carry on its operations, and exercise certain powers;  
5 altering the power of a corporation to make certain gifts or contributions by  
6 repealing certain restrictions on the power and allowing gifts or contributions to  
7 be made in cash, other property, or stock or other securities of the corporation;  
8 allowing a corporation to issue stock or other securities of the corporation  
9 without consideration of any kind under certain circumstances; and generally  
10 relating to the powers of corporations.

11 BY repealing and reenacting, with amendments,  
12 Article - Corporations and Associations  
13 Section 2-103(4) and (13) and 2-203  
14 Annotated Code of Maryland  
15 (1993 Replacement Volume and 1997 Supplement)

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

18 **Article - Corporations and Associations**

19 2-103.

20 Unless otherwise provided by law or its charter, a Maryland corporation has the  
21 general powers, whether or not they are set forth in its charter, to:

1 (4) Transact its business, carry on its operations, and exercise the  
2 powers granted by this article in any state, territory, district, and possession of the  
3 United States and in any foreign country OR OTHER PLACE;

4 (13) [If authorized by its board of directors, make] MAKE [reasonable]  
5 gifts or contributions [out of profits] IN CASH, OTHER PROPERTY, OR STOCK OR  
6 OTHER SECURITIES OF THE CORPORATION to or for the use of:

7 (i) The United States, this State, another state of the United  
8 States, a territory, possession, or district of the United States, or any institution,  
9 agency, or political subdivision of any of them; and

10 (ii) Any governmental or other organization, whether inside or  
11 outside the United States, for religious, charitable, scientific, civic, public welfare,  
12 literary, or educational purposes;

13 2-203.

14 (a) Before the issuance of stock or convertible securities, the board of directors  
15 shall adopt a resolution which:

16 (1) Authorizes the issuance;

17 (2) Sets the minimum price or value of consideration for the stock or  
18 convertible securities or a formula for its determination; and

19 (3) Fairly describes any consideration other than money and states:

20 (i) Its actual value as determined by the board of directors; or

21 (ii) That the board of directors has determined that the actual  
22 value is or will be not less than a certain sum.

23 (b) In the absence of actual fraud in the transaction, the value of consideration  
24 stated in the charter or determined by the board of directors in its resolution is  
25 conclusive for all purposes.

26 (c) For purposes of this section, the consideration for stock issued as a stock  
27 dividend is the resulting capitalization of surplus.

28 (d) This section does not apply to the issuance of stock or convertible securities  
29 as part of:

30 (1) A reclassification of stock effected by amendment of the charter; or

31 (2) A consolidation, merger, or share exchange.

32 (e) If its issuance is authorized in accordance with this subtitle, stock with par  
33 value and securities convertible into stock with par value may be issued as full paid  
34 and nonassessable even if the price or value of the consideration received is less than  
35 the par value of the stock issued or the stock into which the securities are convertible.

1 (F) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION OR § 2-204  
2 OR § 2-206 OF THIS SUBTITLE, A CORPORATION MAY ISSUE STOCK OR OTHER  
3 SECURITIES OF THE CORPORATION PURSUANT TO § 2-103(13) OF THIS TITLE  
4 WITHOUT CONSIDERATION OF ANY KIND.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 October 1, 1998.