
By: **Delegate Barve**
Introduced and read first time: February 12, 1999
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 23, 1999

CHAPTER _____

1 AN ACT concerning

2 **Corporations - Investment Companies**

3 FOR the purpose of providing that certain shares of stock acquired by an investment
4 company may be held by the investment company in a certain capacity under
5 certain circumstances; providing that the investment company may exercise
6 voting rights, receive distributions, and be allocated other rights under certain
7 circumstances; allowing a closed-end investment company under certain
8 circumstances to submit a proposal to its stockholders to take certain actions
9 even if the board of directors fails to recommend the proposal or declare it
10 advisable or recommends that the stockholders reject it; defining certain terms;
11 and generally relating to investment companies.

12 BY adding to
13 Article - Corporations and Associations
14 Section 2-112 and 2-310.2
15 Annotated Code of Maryland
16 (1993 Replacement Volume and 1998 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article - Corporations and Associations
19 Section 2-604 and 3-403
20 Annotated Code of Maryland
21 (1993 Replacement Volume and 1998 Supplement)

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

1 **Article - Corporations and Associations**

2 2-112.

3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
4 INDICATED.5 (2) "CLOSED-END INVESTMENT COMPANY" MEANS A CORPORATION
6 REGISTERED AS A CLOSED-END INVESTMENT COMPANY UNDER THE INVESTMENT
7 COMPANY ACT OF 1940.8 (3) "OPEN-END INVESTMENT COMPANY" MEANS A CORPORATION
9 REGISTERED AS AN OPEN-END INVESTMENT COMPANY UNDER THE INVESTMENT
10 COMPANY ACT OF 1940.

11 (B) ~~UNLESS OTHERWISE PROVIDED IN THE CHARTER OR BYLAWS OF A~~
12 ~~CLOSED-END INVESTMENT COMPANY, A CLOSED-END INVESTMENT COMPANY, BUT~~
13 ~~NOT ITS STOCKHOLDERS, MAY NOTWITHSTANDING ANY REQUIREMENT OF § 2-604(B)~~
14 ~~OR § 2-607(A)(1) OF THIS TITLE OR § 3-403(B) OF THIS ARTICLE, THE CHARTER OF A~~
15 ~~CLOSED-END INVESTMENT COMPANY OR ANY PROSPECTUS FILED BY THE~~
16 ~~CLOSED-END INVESTMENT COMPANY PURSUANT TO THE FEDERAL INVESTMENT~~
17 ~~COMPANY ACT OF 1940 MAY REQUIRE THE COMPANY TO SUBMIT TO ITS~~
18 STOCKHOLDERS, AT AN ANNUAL OR SPECIAL MEETING OF THE STOCKHOLDERS, A
19 PROPOSAL TO AMEND ITS CHARTER TO CONVERT TO AN OPEN-END INVESTMENT
20 COMPANY, TO DISSOLVE, TO REQUIRE THE CLOSED-END INVESTMENT COMPANY TO
21 MAKE ONE OR MORE TENDER OFFERS FOR ITS SHARES, OR TO TAKE OTHER ACTION
22 INTENDED TO ELIMINATE ANY TRADING DISCOUNT TO NET ASSET VALUE OF THE
23 CLOSED-END INVESTMENT COMPANY'S SHARES, EVEN IF THE BOARD OF DIRECTORS
24 FAILS TO RECOMMEND THE PROPOSAL OR DECLARE THE PROPOSAL ADVISABLE OR
25 RECOMMENDS THAT THE STOCKHOLDERS REJECT IT.

26 2-310.2.

27 (A) IN THIS SECTION, "INVESTMENT COMPANY" MEANS A CORPORATION
28 REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940.29 (B) UNLESS OTHERWISE PROVIDED IN THE CHARTER OF AN INVESTMENT
30 COMPANY, IF AUTHORIZED BY ITS BOARD OF DIRECTORS, SHARES OF ANY CLASS OR
31 SERIES OF ITS STOCK ACQUIRED BY AN INVESTMENT COMPANY USING ASSETS
32 ALLOCATED TO ANY OTHER CLASS OR SERIES OF STOCK OF THE INVESTMENT
33 COMPANY MAY BE HELD BY THE INVESTMENT COMPANY IN A FIDUCIARY CAPACITY
34 FOR THE BENEFIT OF THE HOLDERS OF SHARES OF THE OTHER CLASS OR SERIES OF
35 STOCK, AND THE INVESTMENT COMPANY MAY EXERCISE VOTING RIGHTS, RECEIVE
36 DISTRIBUTIONS, AND BE ALLOCATED OTHER RIGHTS TO THE EXTENT DETERMINED
37 BY ITS BOARD OF DIRECTORS.

38 2-604.

39 (a) If there is any stock outstanding or subscribed for entitled to be voted on
40 the charter amendment, it shall be approved as provided in this section.

1 (b) [The] EXCEPT AS PROVIDED IN § 2-112 OF THIS TITLE, THE board of
2 directors of a corporation proposing a charter amendment shall:

3 (1) Adopt a resolution which sets forth the proposed amendment and
4 declares that it is advisable; and

5 (2) Direct that the proposed amendment be submitted for consideration
6 at either an annual or a special meeting of the stockholders.

7 (c) (1) Notice which states that a purpose of the meeting will be to act on the
8 proposed amendment shall be given by the corporation in the manner required by
9 Subtitle 5 of this title to:

10 (i) Each stockholder entitled to vote on the proposed amendment;
11 and

12 (ii) Each stockholder not entitled to vote on the proposed
13 amendment if the contract rights of his stock, as expressly set forth in the charter,
14 would be altered by the amendment.

15 (2) The notice shall include a copy of the amendment or a summary of
16 the changes it will effect.

17 (d) The proposed amendment shall be approved by the stockholders of the
18 corporation by the affirmative vote of two thirds of all the votes entitled to be cast on
19 the matter.

20 3-403.

21 (a) If there is any stock entitled to be voted on the dissolution either
22 outstanding or subscribed for, the dissolution shall be approved as provided in this
23 section.

24 (b) [A] EXCEPT AS PROVIDED IN § 2-112 OF THIS ARTICLE, A majority of the
25 entire board of directors of a corporation proposing to dissolve shall:

26 (1) Adopt a resolution which declares that dissolution of the corporation
27 is advisable; and

28 (2) Direct that the proposed dissolution be submitted for consideration at
29 either an annual or a special meeting of the stockholders.

30 (c) Notice which states that a purpose of the meeting will be to act on the
31 proposed dissolution shall be given by the corporation in the manner required by Title
32 2 of this article to each stockholder entitled to vote on the proposed dissolution.

33 (d) The proposed dissolution shall be approved by the stockholders of the
34 corporation by the affirmative vote of two thirds of all the votes entitled to be cast on
35 the matter.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 1999.