

**Department of Legislative Services**  
Maryland General Assembly  
1999 Session

**FISCAL NOTE**  
**Revised**

House Bill 810 (Delegate Barve)

Economic Matters

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**Maryland Corporations and Real Estate Investment Trusts**

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This bill makes several changes to the governance provisions of Maryland corporations and real estate investment trusts (REITs).

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**Fiscal Summary**

**State Effect:** None. This bill would not substantially affect State activities or operations.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Fiscal Analysis**

**Bill Summary:** This bill contains the following provisions:

- includes REITs in the provisions governing service of process and notice for corporations, companies, and partnerships;
- eliminates certain requirements regarding issuance of stock or convertible securities that involve consideration other than money;
- provides that except as otherwise provided by Section 8-204 of the Commercial Law article, the fact that a stock certificate of a corporation or REIT does not contain or refer to a restriction on transferability that is adopted after the date of issuance of the stock certificate does not mean that the restriction is invalid or

unenforceable;

- eliminates the restriction that stockholder meetings must be held in the United States;
- provides that an agreement of consolidation, merger, share exchange, or transfer of assets of a corporation may require that the proposed transaction shall be submitted to the stockholders, even if the board of directors determines at any time after having declared the advisability of the proposed transaction that the proposed transaction is no longer advisable and either makes no recommendation to the stockholders or recommends that the stockholders reject the proposed transaction, and provides a similar provision for mergers of REITs;
- provides that a person is not an interested stockholder if, prior to the most recent time at which the person would otherwise have become an interested shareholder, the board of directors of the corporation approved the transaction which otherwise would have resulted in the person becoming an interested stockholder;
- allows the board of trustees of a REIT to delegate any of its powers to one or more committees of one or more trustees;
- eliminates the restriction that a REIT must hold, either directly or through other entities, at least 75% of the value of its assets in real estate assets, mortgages or mortgage related securities, government securities, cash and cash equivalent items, including high-grade short term securities and receivables; and
- eliminates the restriction that a REIT may not use or apply land for farming, agriculture, horticulture, or similar purposes.

Under a separate section, the bill also:

- includes REITs in the existing provision that if any charter document or other corporate document filed with the State Department of Assessments and Taxation contains a typographical error, error of transcription, or other error, or has been defectively executed, the document may be corrected by the filing of a certificate of correction;

- provides that a corporation may provide by its charter for restrictions on ownership for any purpose including restrictions designed to permit a corporation to qualify as a REIT or investment company;
  - provides that for charter provisions relating to the capital stock of corporations and REITs, “facts outside the charter” includes the contents of any agreement to which the corporation is a party or any other document;
  - deletes Section 2-203 of the Corporations and Associations Article, relating to price and consideration of stock issuances;
  - provides that shares of a corporation’s own stock acquired by the corporation between the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders and the time of the meeting may be voted at the meeting by the holder of record as of the record date and shall be counted in determining the total number of outstanding shares entitled to be voted at the meeting;
  - alters the manner in which the stockholders of a corporation may remove any director by specifying the affirmative vote of a majority of all the votes entitled to be cast generally for the election of directors;
  - provides that the approval of the stockholders and articles of transfer or share exchange are not required for any transfer of assets as a distribution;
  - provides that a REIT’s declaration of trust may include restrictions on ownership designed to permit the REIT to comply with federal law; and
  - provides that the declaration of trust of by-laws of a REIT may provide for one or more committees of the board of trustees and allows for delegation of power to those committees.
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**Information Source(s):** State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 1999  
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Analysis by: Matthew D. Riven

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510