

BY: Economic Matters Committee

AMENDMENTS TO HOUSE BILL NO. 684

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 14, after the semicolon insert “providing that stock issued prior to the time the articles supplementary with respect to the issuance of the stock are effective shall cease to be voidable at the time the articles supplementary become effective; providing that a right or liability accrued by reason of the issuance of the stock prior to the time the articles supplementary are effective shall be extinguished at the time the articles supplementary become effective under certain circumstances; providing that under certain circumstances certain debts, liabilities, obligations, and expenses existing with respect to a particular class or series of stock of an investment company are enforceable only against the assets associated with that class or series;”.

On page 2, in line 21, after “2-206(d),” insert “2-208, 2-208.1,”; and in line 29, after “1-201(d)” insert “and 2-208.2”.

AMENDMENT NO. 2

On page 4, after line 8, insert:

“2-208.

(a) (1) If, under a power contained in the charter, the board of directors classifies or reclassifies any unissued stock by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption, the board shall file articles supplementary for record with the Department.

(2) The board may not issue any of the stock that is classified or reclassified prior to the time the articles supplementary are effective, as provided in this section.

(b) Articles supplementary shall include:

(Over)

(1) A description of the stock, including the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption, as set or changed by the board of directors; and

(2) A statement that the stock has been classified or reclassified by the board of directors under the authority contained in the charter.

(c) Articles supplementary shall be executed in the manner required by Title 1 of this article.

(d) Articles supplementary are effective as of the later of:

(1) The time the Department accepts the articles for record; or

(2) The time established under the articles, not to exceed 30 days after the articles are accepted for record.

(E) NOTWITHSTANDING SUBSECTION (A)(2) OF THIS SECTION:

(1) THE STOCK ISSUED BY A CORPORATION PRIOR TO THE TIME THE ARTICLES SUPPLEMENTARY, WITH RESPECT TO THE ISSUANCE OF THE STOCK ARE EFFECTIVE, SHALL CEASE TO BE VOIDABLE AT THE TIME THE ARTICLES SUPPLEMENTARY BECOME EFFECTIVE; AND

(2) A RIGHT OR LIABILITY ACCRUED BY REASON OF THE ISSUANCE OF STOCK BY A CORPORATION PRIOR TO THE TIME THE ARTICLES SUPPLEMENTARY, WITH RESPECT TO THE ISSUANCE OF THE STOCK ARE EFFECTIVE, SHALL BE EXTINGUISHED AT THE TIME THE ARTICLES SUPPLEMENTARY BECOME EFFECTIVE, EXCEPT TO THE EXTENT THE PERSON HAVING THE RIGHT HAS ACTED DETRIMENTALLY IN RELIANCE ON THE RIGHT OR LIABILITY.

2-208.1.

(a) (1) If the board of directors of a corporation registered as an open-end company under the Investment Company Act of 1940 increases or decreases the aggregate number of shares of stock or the number of shares of stock of any class that the corporation has authority to issue in

accordance with § 2-105(c) of this title, the board shall file articles supplementary for record with the Department.

(2) The board may not issue any of the newly authorized stock prior to the time the articles supplementary are effective, as provided in this section.

(b) Articles supplementary shall include:

(1) Both as of immediately before the increase or decrease and as increased or decreased:

(i) The total number of shares of stock of all classes that the corporation has authority to issue;

(ii) The number of shares of stock of each class;

(iii) The parvalue of the shares of stock of each class or a statement that the shares are without parvalue; and

(iv) If there are any shares of stock with parvalue, the aggregate par value of all the shares of all classes;

(2) A statement that the corporation is registered as an open-end company under the Investment Company Act of 1940; and

(3) A statement that the total number of shares of capital stock that the corporation has authority to issue has been increased or decreased by the board of directors in accordance with § 2-105(c) of this title.

(c) Articles supplementary shall be executed in the manner required by Title 1 of this article.

(d) Articles supplementary are effective as of the later of:

(Over)

(1) The time the Department accepts the articles for record; or

(2) The time established under the articles, not to exceed 30 days after the articles are accepted for record.

(E) NOTWITHSTANDING SUBSECTION (A)(2) OF THIS SECTION:

(1) THE ISSUANCE OF STOCK BY A CORPORATION PRIOR TO THE TIME THE ARTICLES SUPPLEMENTARY, WITH RESPECT TO THE ISSUANCE OF THE STOCK ARE EFFECTIVE, SHALL CEASE TO BE VOIDABLE AT THE TIME THE ARTICLES SUPPLEMENTARY BECOME EFFECTIVE; AND

(2) A RIGHT OR LIABILITY ACCRUED BY REASON OF THE ISSUANCE OF STOCK BY A CORPORATION PRIOR TO THE TIME THE ARTICLES SUPPLEMENTARY, WITH RESPECT TO THE ISSUANCE OF THE STOCK ARE EFFECTIVE, SHALL BE EXTINGUISHED AT THE TIME THE ARTICLES SUPPLEMENTARY BECOME EFFECTIVE, EXCEPT TO THE EXTENT THE PERSON HAVING THE RIGHT HAS ACTED DETRIMENTALLY IN RELIANCE ON THE RIGHT OR LIABILITY.

2-208.2.

IF THE CHARTER OF A CORPORATION REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940 CREATES ONE OR MORE CLASS OR SERIES OF STOCK, AND IF SEPARATE AND DISTINCT RECORDS ARE MAINTAINED FOR THE CLASS OR SERIES AND THE ASSETS ASSOCIATED WITH THE CLASS OR SERIES ARE HELD AND ACCOUNTED FOR SEPARATELY FROM THE OTHER ASSETS OF THE CORPORATION, OR ASSETS ASSOCIATED WITH ANY OTHER CLASS OR SERIES:

(1) THE DEBTS, LIABILITIES, OBLIGATIONS, AND EXPENSES INCURRED, CONTRACTED FOR, OR OTHERWISE EXISTING WITH RESPECT TO A PARTICULAR CLASS OR SERIES ARE ENFORCEABLE AGAINST THE ASSETS ASSOCIATED WITH THAT CLASS OR SERIES ONLY, AND NOT AGAINST THE ASSETS

OF THE CORPORATION GENERALLY OR ANY OTHER CLASS OR SERIES OF STOCK;
AND

(2) NONE OF THE DEBTS, LIABILITIES, OBLIGATIONS, AND EXPENSES
INCURRED, CONTRACTED FOR, OR OTHERWISE EXISTING WITH RESPECT TO THE
CORPORATION GENERALLY OR ASSOCIATED WITH ANY OTHER CLASS OR SERIES
ARE ENFORCEABLE AGAINST THE ASSETS ASSOCIATED WITH THAT CLASS OR
SERIES.”.