

HOUSE BILL 153

Unofficial Copy
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2002 Regular Session
(2r0572)

ENROLLED BILL
-- Environmental Matters/Finance --

Introduced by **The Speaker (Department of Legislative Services)**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Electric Cooperatives**

3 FOR the purpose of revising, restating, and codifying the laws relating to electric
4 cooperatives; requiring the name of an electric cooperative to be distinguishable
5 on the records of the State Department of Assessments and Taxation ~~from the~~
6 ~~entity name of an entity organized or authorized to transact business in the~~
7 ~~State in accordance with a certain provision of law~~; providing that certain
8 security instruments executed by electric cooperatives or certain foreign
9 corporations are governed by certain provisions of law; providing for the
10 continued validity of certain security instruments entered into or created before
11 the effective date of this Act; providing for the effect, construction, and
12 application of certain provisions of this Act; and generally relating to electric
13 cooperatives.

14 BY renumbering

15 Article - Corporations and Associations

16 Section 5-602; and 11-601(15), respectively

1 to be Section 5-6A-01 to be under the new subtitle "Subtitle 6A. Transportation
2 Cooperatives"; and 11-601(16), respectively
3 Annotated Code of Maryland
4 (1999 Replacement Volume and 2001 Supplement)

5 BY repealing
6 Chapter 179 of the Acts of the General Assembly of 1976, as amended by
7 Chapter 604 of the Acts of the General Assembly of 2001

8 BY repealing
9 Article - Corporations and Associations
10 Section 5-601
11 Annotated Code of Maryland
12 (1999 Replacement Volume and 2001 Supplement)

13 BY adding to
14 Article - Corporations and Associations
15 Section 5-601 through 5-642, inclusive, to be under the amended subtitle
16 "Subtitle 6. Electric Cooperatives"; and 11-601(15)
17 Annotated Code of Maryland
18 (1999 Replacement Volume and 2001 Supplement)

19 BY adding to
20 Article - Public Utility Companies
21 Section 7-104
22 Annotated Code of Maryland
23 (1998 Volume and 2001 Supplement)

24 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
25 MARYLAND, That Section(s) 5-602; and 11-601(15), respectively, of Article -
26 Corporations and Associations of the Annotated Code of Maryland be renumbered to
27 be Section(s) 5-6A-01 to be under the new subtitle "Subtitle 6A. Transportation
28 Cooperatives"; and 11-601(16), respectively.

29 SECTION 2. AND BE IT FURTHER ENACTED, That Chapter(s) 179 of the
30 Acts of the General Assembly of 1976, as amended by Chapter 604 of the Acts of the
31 General Assembly of 2001 be repealed.

32 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland
33 read as follows:

1 **Article - Corporations and Associations**

2 Subtitle 6. Electric [and Transportation] Cooperatives.

3 [5-601.

4 (a) Cooperative, nonprofit, membership corporations may be organized to
5 supply, promote, and extend the use of electric energy.6 (b) Each cooperative organized under this section shall be organized under
7 and governed by Ch. 179, Acts of 1976, the "Electric Cooperative Act".]8 **PART I. DEFINITIONS; GENERAL PROVISIONS.**

9 5-601. DEFINITIONS.

10 (A) IN GENERAL.

11 IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

12 DRAFTER'S NOTE: This subsection is new language substituted as the
13 standard introductory language to a definition section for the introductory language
14 of former Ch. 179, § 3, Acts of 1976, as amended by Ch. 604, Acts of 2001.

15 (B) COOPERATIVE.

16 "COOPERATIVE" MEANS A CORPORATION THAT:

17 (1) IS ORGANIZED UNDER THIS SUBTITLE; OR

18 (2) BECOMES SUBJECT TO THIS SUBTITLE IN THE MANNER PROVIDED
19 IN THIS SUBTITLE.20 DRAFTER'S NOTE: This subsection is new language derived without
21 substantive change from former Ch. 179, § 3(b), Acts of 1976, as amended by Ch. 604,
22 Acts of 2001.

23 (C) ELECTRIC PLANT.

24 "ELECTRIC PLANT" MEANS THE MATERIAL, EQUIPMENT, AND PROPERTY
25 OWNED BY A COOPERATIVE AND USED OR TO BE USED FOR OR IN CONNECTION WITH
26 ELECTRIC SERVICE.27 DRAFTER'S NOTE: This subsection is new language added for brevity and
28 consistency with terminology used in the Public Utility Companies Article.

29 Defined term: "Cooperative" § 5-601

30 (D) MEMBER.

1 "MEMBER" MEANS A PERSON OR HOUSEHOLD THAT HAS BEEN QUALIFIED AND
2 ACCEPTED FOR MEMBERSHIP IN A COOPERATIVE IN ACCORDANCE WITH ITS
3 BYLAWS.

4 DRAFTER'S NOTE: This subsection is new language derived without
5 substantive change from former Ch. 179, § 3(c), Acts of 1976, as amended by Ch. 604,
6 Acts of 2001.

7 Defined terms: "Cooperative" § 5-601

8 "Person" § 5-601

9 (E) PERSON.

10 (1) "PERSON" HAS THE MEANING STATED IN § 1-101 OF THIS ARTICLE.

11 (2) "PERSON" INCLUDES:

12 (I) THE STATE;

13 (II) A COUNTY, MUNICIPAL CORPORATION, OR OTHER POLITICAL
14 SUBDIVISION OF THE STATE; AND

15 (III) A UNIT OF FEDERAL, STATE, OR LOCAL GOVERNMENT.

16 DRAFTER'S NOTE: This subsection is new language derived without
17 substantive change from former Ch. 179, § 3(d), Acts of 1976, as amended by Ch. 604,
18 Acts of 2001.

19 The former reference to "any natural person, firm, association, corporation,
20 limited liability company, business trust, partnership, limited liability partnership" is
21 deleted as included in the definition of "person" in § 1-101 of this article.

22 In item (2) of this subsection, the reference to a "county [or] municipal
23 corporation" is added for clarity and specificity.

24 In item (3) of this subsection, the reference to a "unit of federal, State, or local
25 government" is substituted for the former references to a "federal agency", an
26 "agency" of the State or a political subdivision, and "any body politic" for clarity and
27 consistency with terminology used in other revised articles of the Code.

28 Defined terms: "County" § 1-101

29 "Person" § 1-101

30 DRAFTER'S NOTE TO SECTION: Former Ch. 179, § 3(a), Acts of 1976, as
31 amended by Ch. 604, Acts of 2001, which defined "Commission" to mean the
32 Maryland Public Service Commission, is deleted as unnecessary because the word is
33 not used in this subtitle.

1 5-602. RULES OF CONSTRUCTION.

2 (A) LIBERAL CONSTRUCTION.

3 THIS SUBTITLE SHALL BE CONSTRUED LIBERALLY.

4 (B) LISTING NOT EXCLUSIVE.

5 THE LISTING OF ONE THING MAY NOT BE CONSTRUED TO EXCLUDE SIMILAR
6 THINGS.

7 DRAFTER'S NOTE: This section is new language derived without substantive
8 change from former Ch. 179, § 31, Acts of 1976, as amended by Ch. 604, Acts of 2001.

9 In subsection (b) of this section, the former reference to "any object, purpose,
10 power, manner, [or] method" is deleted as included in the reference to a "thing".

11 5-603. RESERVED.

12 5-604. RESERVED.

13 PART II. FORMATION AND POWERS.

14 5-605. PURPOSE.

15 A COOPERATIVE, NONPROFIT, MEMBERSHIP CORPORATION MAY BE ORGANIZED
16 UNDER THIS SUBTITLE FOR THE PURPOSE OF SUPPLYING, PROMOTING, AND
17 EXTENDING THE USE OF ELECTRICITY.

18 DRAFTER'S NOTE: This section is new language derived without substantive
19 change from former Ch. 179, § 2, Acts of 1976, as amended by Ch. 604, Acts of 2001.

20 In this section and throughout this subtitle, the reference to "electricity" is
21 substituted for the former reference to "electric energy" for consistency with
22 terminology used in the Public Utility Companies Article.

23 5-606. FORMATION GENERALLY.

24 FIVE OR MORE INDIVIDUALS OR ONE OR MORE COOPERATIVES MAY ORGANIZE
25 A COOPERATIVE IN THE MANNER PROVIDED IN THIS SUBTITLE.

26 DRAFTER'S NOTE: This section is new language derived without substantive
27 change from former Ch. 179, § 6, Acts of 1976, as amended by Ch. 604, Acts of 2001.

28 Defined term: "Cooperative" § 5-601

29 5-607. POWERS.

30 (A) IN GENERAL.

31 A COOPERATIVE HAS THE POWER TO:

- 1 (1) SUE AND BE SUED IN ITS CORPORATE NAME;
- 2 (2) HAVE PERPETUAL EXISTENCE;
- 3 (3) ADOPT AND ALTER A CORPORATE SEAL;
- 4 (4) GENERATE, MANUFACTURE, PURCHASE, ACQUIRE, ACCUMULATE,
5 AND TRANSMIT ELECTRICITY;
- 6 (5) DISTRIBUTE, SELL, SUPPLY, AND DISPOSE OF ELECTRICITY TO:
 - 7 (I) ITS MEMBERS;
 - 8 (II) GOVERNMENTAL AGENCIES AND POLITICAL SUBDIVISIONS;
9 AND
 - 10 (III) OTHER PERSONS NOT EXCEEDING 10% OF THE NUMBER OF ITS
11 MEMBERS;
- 12 (6) ASSIST PERSONS TO WHOM THE COOPERATIVE SUPPLIES OR WILL
13 SUPPLY ELECTRICITY IN WIRING THEIR PREMISES BY:
 - 14 (I) PROVIDING FINANCING OR OTHER ASSISTANCE; OR
 - 15 (II) WIRING OR CAUSING THE PREMISES TO BE WIRED;
- 16 (7) ASSIST PERSONS TO WHOM THE COOPERATIVE SUPPLIES OR WILL
17 SUPPLY ELECTRICITY IN ACQUIRING AND INSTALLING ELECTRICAL AND PLUMBING
18 APPLIANCES, EQUIPMENT, FIXTURES, AND APPARATUS BY:
 - 19 (I) PROVIDING FINANCING OR OTHER ASSISTANCE;
 - 20 (II) WIRING OR CAUSING THE PREMISES TO BE WIRED; OR
 - 21 (III) PURCHASING, ACQUIRING, LEASING AS LESSOR OR LESSEE,
22 SELLING, DISTRIBUTING, INSTALLING, AND REPAIRING ELECTRICAL AND PLUMBING
23 APPLIANCES, EQUIPMENT, FIXTURES, AND APPARATUS;
- 24 (8) ASSIST PERSONS TO WHOM THE COOPERATIVE SUPPLIES OR WILL
25 SUPPLY ELECTRICITY IN CONSTRUCTING, EQUIPPING, MAINTAINING, AND
26 OPERATING ELECTRIC COLD STORAGE OR PROCESSING PLANTS, BY PROVIDING
27 FINANCING OR OTHER ASSISTANCE;
- 28 (9) CONSTRUCT, PURCHASE, LEASE AS LESSEE, OR OTHERWISE
29 ACQUIRE ELECTRIC TRANSMISSION AND DISTRIBUTION LINES OR SYSTEMS,
30 ELECTRIC GENERATING PLANTS, ELECTRIC COLD STORAGE OR PROCESSING PLANTS,
31 ELECTRIC PLANTS, AND ANY OTHER ASSETS CONSIDERED NECESSARY,
32 CONVENIENT, OR APPROPRIATE TO ACCOMPLISH THE PURPOSE FOR WHICH THE
33 COOPERATIVE IS ORGANIZED;

1 (10) EQUIP, MAINTAIN, AND OPERATE ELECTRIC TRANSMISSION AND
2 DISTRIBUTION LINES OR SYSTEMS, ELECTRIC GENERATING PLANTS, ELECTRIC COLD
3 STORAGE OR PROCESSING PLANTS, ELECTRIC PLANTS, AND ANY OTHER ASSETS
4 CONSIDERED NECESSARY, CONVENIENT, OR APPROPRIATE TO ACCOMPLISH THE
5 PURPOSE FOR WHICH THE COOPERATIVE IS ORGANIZED;

6 (11) SELL, ASSIGN, CONVEY, LEASE AS LESSOR, MORTGAGE, PLEDGE, OR
7 OTHERWISE DISPOSE OF OR ENCUMBER ELECTRIC TRANSMISSION AND
8 DISTRIBUTION LINES OR SYSTEMS, ELECTRIC GENERATING PLANTS, ELECTRIC COLD
9 STORAGE OR PROCESSING PLANTS, ELECTRIC PLANTS, AND ANY OTHER ASSETS
10 CONSIDERED NECESSARY, CONVENIENT, OR APPROPRIATE TO ACCOMPLISH THE
11 PURPOSE FOR WHICH THE COOPERATIVE IS ORGANIZED;

12 (12) PURCHASE, LEASE AS LESSEE, OR OTHERWISE ACQUIRE, USE AND
13 EXERCISE, AND SELL, ASSIGN, CONVEY, MORTGAGE, PLEDGE, OR OTHERWISE
14 DISPOSE OF OR ENCUMBER, FRANCHISES, RIGHTS, PRIVILEGES, LICENSES, AND
15 EASEMENTS;

16 (13) BORROW MONEY AND OTHERWISE CONTRACT INDEBTEDNESS,
17 ISSUE NOTES, BONDS, AND OTHER EVIDENCES OF INDEBTEDNESS, AND SECURE THE
18 PAYMENT OF THOSE INSTRUMENTS BY MORTGAGE, PLEDGE, OR DEED OF TRUST, OR
19 ANY OTHER ENCUMBRANCE ON ANY OF ITS ASSETS, REVENUES, OR INCOME;

20 (14) CONSTRUCT, MAINTAIN, AND OPERATE ELECTRIC TRANSMISSION
21 AND DISTRIBUTION LINES ALONG, ON, UNDER, AND ACROSS PUBLICLY OWNED
22 LANDS, ROADWAYS, AND PUBLIC WAYS, WITH THE PRIOR CONSENT OF THE
23 GOVERNING BODY OF THE MUNICIPAL CORPORATION OR COUNTY IN WHICH THE
24 LINES ARE PROPOSED TO BE CONSTRUCTED AND UNDER ANY REASONABLE
25 REGULATIONS AND CONDITIONS REQUIRED IN THE CONSENT;

26 (15) EXERCISE THE POWER OF CONDEMNATION IN THE MANNER
27 PROVIDED BY THE LAW OF THIS STATE FOR THE EXERCISE OF THAT POWER BY
28 OTHER CORPORATIONS THAT CONSTRUCT OR OPERATE ELECTRIC TRANSMISSION
29 AND DISTRIBUTION LINES OR SYSTEMS;

30 (16) BECOME A MEMBER OF OR OWN STOCK IN OTHER COOPERATIVES OR
31 CORPORATIONS;

32 (17) CONDUCT ITS BUSINESS AND EXERCISE ITS POWERS IN ANY STATE,
33 TERRITORY, DISTRICT, AND POSSESSION OF THE UNITED STATES AND IN ANY
34 FOREIGN COUNTRY;

35 (18) ADOPT, AMEND, AND REPEAL BYLAWS; AND

36 (19) DO ANY OTHER ACT AND EXERCISE ANY OTHER POWER THAT MAY BE
37 NECESSARY, CONVENIENT, OR APPROPRIATE TO ACCOMPLISH THE PURPOSE FOR
38 WHICH THE COOPERATIVE IS ORGANIZED.

39 (B) FURNISHING OF COLD STORAGE OR PROCESSING PLANT SERVICE.

1 A COOPERATIVE THAT FURNISHES ELECTRIC COLD STORAGE OR PROCESSING
2 PLANT SERVICE IS NOT CONSIDERED TO BE DISTRIBUTING, SELLING, SUPPLYING, OR
3 DISPOSING OF ELECTRICITY UNDER SUBSECTION (A)(5)(III) OF THIS SECTION SOLELY
4 ON THAT ACCOUNT.

5 DRAFTER'S NOTE: This section is new language derived without substantive
6 change from former Ch. 179, § 4, Acts of 1976, as amended by Ch. 604, Acts of 2001.

7 In subsection (a)(6) and (7) of this section, the former phrase "and in connection
8 therewith" is deleted as surplusage.

9 In subsection (a)(9), (10), and (11) of this section, the defined terms "electric
10 plants" and "assets" are substituted for the former references to "land, buildings,
11 structures, dams, plants, and equipment" and "real or personal property, tangible or
12 intangible", respectively, for brevity.

13 In subsection (a)(13) of this section, the former references to "real or personal
14 property" and "franchises" are deleted as included in the defined term "assets".

15 Also in subsection (a)(13) of this section, the former phrase "then owned or
16 after-acquired" is deleted as surplusage.

17 In subsection (a)(14) of this section, the reference to "roadways and public ways"
18 is substituted for the former reference to "public thoroughfares" for consistency with
19 terminology used in PUC § 7-103.

20 Also in subsection (a)(14) of this section, the former reference to "roads,
21 highways, streets, alleys, bridges and causeways" is deleted as included in the
22 reference to "roadways and public ways".

23 Also in subsection (a)(14) of this section, the reference to the "governing body of
24 the municipal corporation or county" is substituted for the former reference to "the
25 municipal authorities of the city or town, or of the county commissioners or county
26 council of the county" for brevity and consistency with terminology used in PUC §
27 7-103.

28 In subsection (a)(15) of this section, the reference to "condemnation" is
29 substituted for the former reference to "eminent domain" for consistency with
30 terminology used in PUC Title 5, Subtitle 4.

31 In subsection (a)(17) of this section, the phrase "in any state, territory, district,
32 and possession of the United States and in any foreign country" is substituted for the
33 former phrase "within or without this State" for consistency with similar provisions of
34 the Maryland General Corporation Law. *See, e.g.*, § 2-103(4) of this article.

35 In subsection (b) of this section, the reference to "subsection (a)(5)(iii) of this
36 section" is added for clarity.

37 Defined terms: "Assets" § 1-101

1 "Cooperative" § 5-601

2 "County" § 1-101

3 "Electric plant" § 5-601

4 "Member" § 5-601

5 "Person" § 5-601

6 5-608. ARTICLES OF INCORPORATION.

7 (A) REQUIRED PROVISIONS.

8 THE ARTICLES OF INCORPORATION OF A COOPERATIVE SHALL CONTAIN:

9 (1) THE NAME OF THE COOPERATIVE;

10 (2) THE ADDRESS OF THE PRINCIPAL OFFICE OF THE COOPERATIVE;

11 (3) THE NAME AND ADDRESS OF THE RESIDENT AGENT OF THE
12 COOPERATIVE;

13 (4) THE NAME AND ADDRESS OF EACH INCORPORATOR;

14 (5) THE NAME AND ADDRESS OF EACH DIRECTOR; AND

15 (6) A STATEMENT THAT THE ARTICLES ARE EXECUTED IN ACCORDANCE
16 WITH THIS SUBTITLE.

17 (B) PERMISSIBLE PROVISIONS.

18 THE ARTICLES OF INCORPORATION OF A COOPERATIVE MAY CONTAIN ANY
19 PROVISION THAT:

20 (1) IS CONSISTENT WITH THIS SUBTITLE; AND

21 (2) IS CONSIDERED NECESSARY OR ADVISABLE FOR THE CONDUCT OF
22 THE BUSINESS OF THE COOPERATIVE.

23 (C) UNNECESSARY PROVISIONS.

24 THE ARTICLES OF INCORPORATION NEED NOT STATE THE PURPOSE FOR WHICH
25 THE COOPERATIVE IS ORGANIZED OR ANY OF ITS CORPORATE POWERS.

26 (D) EXECUTION OF ARTICLES.

27 THE ARTICLES OF INCORPORATION SHALL BE SIGNED BY EACH INCORPORATOR
28 AND ACKNOWLEDGED BY AT LEAST TWO OF THE INCORPORATORS, OR ON THEIR
29 BEHALF, IF THEY ARE COOPERATIVES.

1 DRAFTER'S NOTE: This section is new language derived without substantive
2 change from former Ch. 179, § 7, Acts of 1976, as amended by Ch. 604, Acts of 2001.

3 Defined terms: "Cooperative" § 5-601

4 "Director" § 1-101

5 "Principal office" § 1-101

6 "Resident agent" § 1-101

7 5-609. AMENDMENT OF ARTICLES OF INCORPORATION.

8 (A) IN GENERAL.

9 A COOPERATIVE MAY AMEND ITS ARTICLES OF INCORPORATION AS PROVIDED
10 IN THIS SECTION.

11 (B) APPROVAL BY MEMBERS.

12 (1) A PROPOSED AMENDMENT SHALL BE SUBMITTED FOR
13 CONSIDERATION AT AN ANNUAL OR SPECIAL MEETING OF THE MEMBERS OF THE
14 COOPERATIVE.

15 (2) THE PROPOSED AMENDMENT SHALL BE INCLUDED IN OR ATTACHED
16 TO THE NOTICE OF THE MEETING.

17 (3) THE PROPOSED AMENDMENT AND ANY CHANGE TO THE PROPOSED
18 AMENDMENT SHALL BE APPROVED BY THE AFFIRMATIVE VOTE OF NOT LESS THAN
19 TWO-THIRDS OF THE MEMBERS VOTING ON THE MATTER.

20 (C) EXECUTION OF ARTICLES OF AMENDMENT.

21 IF THE PROPOSED AMENDMENT AND ANY CHANGE TO THE PROPOSED
22 AMENDMENT ARE APPROVED BY THE MEMBERS AS PROVIDED IN SUBSECTION (B) OF
23 THIS SECTION:

24 (1) ARTICLES OF AMENDMENT SHALL BE SIGNED AND ACKNOWLEDGED
25 FOR THE COOPERATIVE BY ITS CHAIRMAN OR VICE-CHAIRMAN AND ATTESTED BY
26 ITS SECRETARY; AND

27 (2) THE SEAL OF THE COOPERATIVE SHALL BE AFFIXED TO THE
28 ARTICLES.

29 (D) CONTENTS OF ARTICLES OF AMENDMENT.

30 THE ARTICLES OF AMENDMENT SHALL CONTAIN:

31 (1) THE NAME OF THE COOPERATIVE;

32 (2) THE ADDRESS OF THE PRINCIPAL OFFICE OF THE COOPERATIVE;

1 (3) THE AMENDMENT TO THE ARTICLES OF INCORPORATION; AND

2 (4) A STATEMENT THAT THE ARTICLES ARE EXECUTED IN ACCORDANCE
3 WITH THIS SUBTITLE.

4 (E) AFFIDAVIT OF COMPLIANCE.

5 THE CHAIRMAN OR VICE-CHAIRMAN WHO SIGNS THE ARTICLES OF
6 AMENDMENT FOR THE COOPERATIVE SHALL MAKE AND ATTACH TO THE ARTICLES
7 AN AFFIDAVIT STATING THAT THE COOPERATIVE HAS COMPLIED WITH THE
8 PROVISIONS OF THIS SECTION THAT RELATE TO THE ARTICLES.

9 DRAFTER'S NOTE: This section is new language derived without substantive
10 change from former Ch. 179, § 15, Acts of 1976, as amended by Ch. 604, Acts of 2001.

11 In subsection (a) of this section, the phrase "as provided in this section" is
12 substituted for the former phrase "by complying with the following requirements" to
13 conform to language used elsewhere in this article.

14 In subsection (b)(1) of this section, the requirement to submit a proposed
15 amendment to the articles of incorporation "for consideration at an annual or special
16 meeting" of the members is substituted for the former requirement to submit the
17 proposed amendment "to a meeting" of the members for clarity and consistency with
18 similar provisions of the Maryland General Corporation Law. *See, e.g.*, §§ 3-105(b)(2)
19 and 3-403(b)(2) of this article.

20 Subsection (b)(3) of this section is revised to state expressly that which was only
21 implied in the former law, *i.e.*, that the proposed amendment must be approved by the
22 affirmative vote of at least two-thirds of the members voting on the matter.

23 Also in subsection (b)(3) of this section, the former reference to members voting
24 on the matter "at such meeting" is deleted as unnecessary in light of subsection (b)(1)
25 of this section, which requires the submission of the proposed amendment "for
26 consideration at an annual or special meeting of the members of the cooperative".

27 In subsections (c)(1) and (e) of this section, the references to "sign[ing]" articles
28 of amendment are substituted for the former references to "execut[ing]" articles of
29 amendment to clarify that "signing" the articles is only one of the formalities required
30 for the "execution" of the articles. These substitutions are consistent with the
31 Maryland General Corporation Law, § 1-301 of this article.

32 In subsection (e) of this section, the former reference to an affidavit stating that
33 the cooperative has "duly" complied with certain provisions of this section is deleted
34 as implicit in the word "complied".

35 Defined terms: "Cooperative" § 5-601

36 "Member" § 5-601

37 "Principal office" § 1-101

1 5-610. NAME.

2 (A) REQUIRED WORDS.

3 (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THE
4 NAME OF A COOPERATIVE OR FOREIGN CORPORATION DOING BUSINESS IN THE
5 STATE UNDER THIS SUBTITLE SHALL INCLUDE:

6 (I) THE WORDS "ELECTRIC" AND "COOPERATIVE"; AND

7 (II) THE ABBREVIATION "INC.".

8 (2) A COOPERATIVE NEED NOT USE ANY WORD SPECIFIED UNDER
9 PARAGRAPH (1) OF THIS SUBSECTION IF:

10 (I) THE COOPERATIVE WISHES TO DO BUSINESS IN ANOTHER
11 STATE AND IS OR WOULD BE PRECLUDED FROM DOING BUSINESS IN THAT STATE
12 BECAUSE OF THE INCLUSION OF THE WORD IN ITS NAME; AND

13 (II) AN AFFIDAVIT STATING THE COOPERATIVE'S REASON FOR NOT
14 USING THE WORD IS:

15 1. MADE AND FILED WITH THE DEPARTMENT BY THE
16 COOPERATIVE'S CHAIRMAN OR VICE-CHAIRMAN; OR

17 2. MADE BY A PERSON WHO SIGNS ARTICLES OF
18 INCORPORATION, CONSOLIDATION, MERGER, OR CONVERSION FOR THE
19 COOPERATIVE AND FILED, TOGETHER WITH THE ARTICLES, WITH THE DEPARTMENT.

20 (B) NAME TO BE DISTINGUISHABLE.

21 THE NAME OF A COOPERATIVE SHALL BE DISTINGUISHABLE ON THE RECORDS
22 OF THE DEPARTMENT ~~FROM THE ENTITY NAME OF AN ENTITY ORGANIZED OR~~
23 ~~AUTHORIZED TO TRANSACT BUSINESS IN THE STATE AS PROVIDED UNDER § 1-504 OF~~
24 THIS ARTICLE.

25 DRAFTER'S NOTE: This section is new language derived without substantive
26 change from former Ch. 179, § 5, Acts of 1976, as amended by Ch. 604, Acts of 2001.

27 In subsection (b) of this section, the requirement that the name of a cooperative
28 be "distinguishable on the records of the Department from the entity name of an
29 entity organized or authorized to transact business in the State" is substituted for the
30 former requirement that the name be "distinct from the name of any other
31 cooperative or corporation organized under the laws of, or authorized to do business
32 in, this State" for consistency with entity name requirements under Title 1, Subtitle 5
33 of this article. *See* § 1-504 of this article.

34 Defined terms: "Cooperative" § 5-601

35 "Department" § 1-101

1 "Foreign corporation" § 1-101

2 "Person" § 5-601

3 5-611. BYLAWS.

4 (A) INITIAL BYLAWS.

5 THE BOARD OF DIRECTORS SHALL ADOPT THE INITIAL BYLAWS OF A
6 COOPERATIVE AFTER AN INCORPORATION, CONVERSION, MERGER, OR
7 CONSOLIDATION.

8 (B) AMENDMENT OR REPEAL OF BYLAWS.

9 AFTER ADOPTION OF THE INITIAL BYLAWS, THE MEMBERS SHALL ADOPT,
10 AMEND, OR REPEAL THE BYLAWS BY THE AFFIRMATIVE VOTE OF A MAJORITY OF
11 THE MEMBERS VOTING ON THE MATTER AT A MEETING OF THE MEMBERS.

12 (C) CONTENTS OF BYLAWS.

13 THE BYLAWS:

14 (1) SHALL STATE THE RIGHTS AND DUTIES OF MEMBERS AND
15 DIRECTORS; AND

16 (2) MAY CONTAIN OTHER PROVISIONS FOR THE REGULATION AND
17 MANAGEMENT OF THE AFFAIRS OF THE COOPERATIVE THAT ARE CONSISTENT WITH
18 THIS SUBTITLE AND THE ARTICLES OF INCORPORATION.

19 DRAFTER'S NOTE: This section is new language derived without substantive
20 change from former Ch. 179, § 8, Acts of 1976, as amended by Ch. 604, Acts of 2001.

21 Defined terms: "Cooperative" § 5-601

22 "Director" § 1-101

23 "Member" § 5-601

24 5-612. DISTRICTS.

25 (A) BYLAWS PROVISION.

26 THE BYLAWS MAY PROVIDE FOR THE DIVISION OF THE TERRITORY SERVED OR
27 TO BE SERVED BY A COOPERATIVE INTO TWO OR MORE DISTRICTS FOR ANY
28 PURPOSE, INCLUDING THE NOMINATION AND ELECTION OF DIRECTORS.

29 (B) BOUNDARIES.

30 IF THE BYLAWS PROVIDE FOR DISTRICTS, THE BYLAWS SHALL ESTABLISH:

1 (1) THE BOUNDARIES OF THE DISTRICTS OR THE MANNER OF
2 ESTABLISHING THE BOUNDARIES;

3 (2) THE MANNER OF CHANGING THE BOUNDARIES; AND

4 (3) THE MANNER IN WHICH THE DISTRICTS SHALL FUNCTION.

5 (C) VOTING BY PROXY OR MAIL PROHIBITED AT DISTRICT MEETINGS.

6 A MEMBER MAY NOT VOTE BY PROXY OR BY MAIL AT A DISTRICT MEETING.

7 DRAFTER'S NOTE: This section is new language derived without substantive
8 change from former Ch. 179, § 13, Acts of 1976, as amended by Ch. 604, Acts of 2001.

9 In subsection (a) of this section, the former phrase "without limitation" is
10 deleted as unnecessary in light of Art. 1, § 30, which provides that the term
11 "including" is used "by way of illustration and not by way of limitation".

12 Defined terms: "Cooperative" § 5-601

13 "Director" § 1-101

14 "Member" § 5-601

15 5-613. RESERVED.

16 5-614. RESERVED.

17 PART III. MEMBERS.

18 5-615. MEMBERS.

19 (A) ELIGIBILITY FOR MEMBERSHIP.

20 (1) EACH INCORPORATOR OF A COOPERATIVE SHALL BE A MEMBER OF
21 THE COOPERATIVE.

22 (2) A PERSON OTHER THAN AN INCORPORATOR MAY BECOME A MEMBER
23 OF THE COOPERATIVE IF THE PERSON AGREES TO USE ELECTRICITY OR OTHER
24 SERVICES SUPPLIED BY THE COOPERATIVE WHEN THE ELECTRICITY OR SERVICES
25 ARE MADE AVAILABLE THROUGH THE COOPERATIVE'S FACILITIES.

26 (B) ADDITIONAL QUALIFICATIONS AND LIMITATIONS.

27 THE BYLAWS MAY PROVIDE ADDITIONAL QUALIFICATIONS FOR AND
28 LIMITATIONS ON MEMBERSHIP.

29 (C) TERMINATION OF MEMBERSHIP.

30 THE MEMBERSHIP OF A MEMBER OF A COOPERATIVE WHO AGREES TO USE
31 ELECTRICITY SHALL TERMINATE IF:

1 (1) THE MEMBER DOES NOT USE ELECTRICITY SUPPLIED BY THE
2 COOPERATIVE WITHIN 6 MONTHS AFTER IT IS MADE AVAILABLE TO THE MEMBER; OR

3 (2) THE COOPERATIVE DOES NOT MAKE ELECTRICITY AVAILABLE TO
4 THE MEMBER WITHIN 2 YEARS AFTER THE PERSON BECOMES A MEMBER OR WITHIN
5 ANY SHORTER PERIOD PROVIDED BY THE BYLAWS OF THE COOPERATIVE.

6 (D) JOINT MEMBERSHIP.

7 A HUSBAND AND WIFE MAY HOLD A JOINT MEMBERSHIP IN A COOPERATIVE.

8 (E) MEMBERSHIP NOT TRANSFERABLE.

9 UNLESS THE BYLAWS PROVIDE OTHERWISE, MEMBERSHIP IN A COOPERATIVE
10 IS NOT TRANSFERABLE.

11 (F) LIABILITY OF MEMBERS FOR DEBTS OF COOPERATIVE.

12 (1) A MEMBER OF A COOPERATIVE IS NOT LIABLE FOR THE DEBTS OF
13 THE COOPERATIVE.

14 (2) THE PROPERTY OF A MEMBER OF A COOPERATIVE IS NOT SUBJECT
15 TO EXECUTION FOR THE DEBTS OF THE COOPERATIVE.

16 DRAFTER'S NOTE: This section is new language derived without substantive
17 change from former Ch. 179, §§ 9 and 25, Acts of 1976, as amended by Ch. 604, Acts
18 of 2001.

19 In subsection (f)(1) of this section, the former reference to not being
20 "responsible" for debts of the cooperative is deleted as unnecessary in light of the
21 reference to not being "liable" for those debts.

22 Defined terms: "Cooperative" § 5-601

23 "Member" § 5-601

24 "Person" § 5-601

25 5-616. MEETINGS OF MEMBERS.

26 (A) ANNUAL MEETING.

27 AN ANNUAL MEETING OF THE MEMBERS OF A COOPERATIVE SHALL BE HELD
28 AT THE TIME AND PLACE PROVIDED IN THE BYLAWS.

29 (B) SPECIAL MEETINGS.

30 A SPECIAL MEETING OF THE MEMBERS OF A COOPERATIVE MAY BE CALLED BY:

31 (1) THE CHAIRMAN;

1 (2) A MAJORITY OF THE BOARD OF DIRECTORS; OR

2 (3) NOT LESS THAN 10% OF THE MEMBERS.

3 DRAFTER'S NOTE: This section is new language derived without substantive
4 change from former Ch. 179, § 10(a) and (b), Acts of 1976, as amended by Ch. 604,
5 Acts of 2001.

6 Defined terms: "Cooperative" § 5-601

7 "Director" § 1-101

8 "Member" § 5-601

9 5-617. SAME -- NOTICE.

10 (A) MAILING OF NOTICE; CONTENTS.

11 (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBTITLE, NOTICE OF
12 EACH MEETING OF THE MEMBERS SHALL BE MAILED TO EACH MEMBER NOT LESS
13 THAN 10 DAYS OR MORE THAN 90 DAYS BEFORE THE DATE OF THE MEETING.

14 (2) THE NOTICE SHALL STATE:

15 (I) THE TIME AND PLACE OF THE MEETING; AND

16 (II) IF THE MEETING IS A SPECIAL MEETING, THE PURPOSE OF THE
17 MEETING.

18 (B) WAIVER OF NOTICE.

19 (1) A PERSON ENTITLED TO NOTICE OF A MEETING MAY WAIVE NOTICE
20 IN WRITING EITHER BEFORE OR AFTER THE MEETING.

21 (2) IF A PERSON ENTITLED TO NOTICE OF A MEETING ATTENDS THE
22 MEETING, THE PERSON'S PRESENCE SHALL CONSTITUTE A WAIVER OF NOTICE OF
23 THE MEETING, UNLESS THE PERSON PARTICIPATES IN THE MEETING SOLELY TO
24 OBJECT TO THE TRANSACTION OF ANY BUSINESS BECAUSE THE MEETING HAS NOT
25 BEEN LEGALLY CALLED OR CONVENED.

26 DRAFTER'S NOTE: This section is new language derived without substantive
27 change from former Ch. 179, §§ 10(c) and 11, Acts of 1976, as amended by Ch. 604,
28 Acts of 2001.

29 Defined terms: "Mail" § 1-101

30 "Member" § 5-601

31 "Person" § 5-601

1 5-618. SAME -- QUORUM.

2 (A) IN GENERAL.

3 UNLESS THE BYLAWS REQUIRE THE PRESENCE OF A GREATER PERCENTAGE OR
4 NUMBER OF THE MEMBERS FOR A QUORUM, A QUORUM FOR THE TRANSACTION OF
5 BUSINESS AT ALL MEETINGS OF THE MEMBERS OF A COOPERATIVE SHALL BE:

6 (1) 5% OF ALL MEMBERS, PRESENT IN PERSON, OF A COOPERATIVE THAT
7 HAS NOT MORE THAN 1,000 MEMBERS; AND

8 (2) FIFTY MEMBERS, PRESENT IN PERSON, OF A COOPERATIVE THAT
9 HAS MORE THAN 1,000 MEMBERS.

10 (B) LESS THAN QUORUM.

11 IF LESS THAN A QUORUM IS PRESENT AT ANY MEETING, A MAJORITY OF THOSE
12 PRESENT IN PERSON MAY ADJOURN THE MEETING FROM TIME TO TIME WITHOUT
13 FURTHER NOTICE.

14 DRAFTER'S NOTE: This section is new language derived without substantive
15 change from former Ch. 179, § 10(d), Acts of 1976, as amended by Ch. 604, Acts of
16 2001.

17 Defined terms: "Cooperative" § 5-601

18 "Member" § 5-601

19 5-619. SAME -- VOTING.

20 (A) EACH MEMBER ENTITLED TO ONE VOTE.

21 EACH MEMBER OF A COOPERATIVE IS ENTITLED TO ONE VOTE ON EACH
22 MATTER SUBMITTED TO A VOTE AT A MEETING OF THE MEMBERS.

23 (B) MANNER OF VOTING.

24 (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
25 VOTING SHALL BE IN PERSON.

26 (2) (I) IF THE BYLAWS SO PROVIDE, VOTING ALSO MAY BE BY PROXY
27 OR BY MAIL, OR BOTH.

28 (II) IF THE BYLAWS PROVIDE FOR VOTING BY PROXY OR BY MAIL,
29 THEY ALSO SHALL ESTABLISH THE CONDITIONS UNDER WHICH VOTING BY PROXY
30 OR BY MAIL IS ALLOWED.

31 (C) LIMITATION ON VOTING BY PROXY.

32 A PERSON MAY NOT VOTE BY PROXY FOR MORE THAN THREE MEMBERS AT ANY
33 MEETING OF THE MEMBERS.

1 DRAFTER'S NOTE: This section is new language derived without substantive
2 change from former Ch. 179, § 10(e), Acts of 1976, as amended by Ch. 604, Acts of
3 2001.

4 Defined terms: "Cooperative" § 5-601

5 "Member" § 5-601

6 "Person" § 5-601

7 5-620. RESERVED.

8 5-621. RESERVED.

9 PART IV. DIRECTORS AND OFFICERS.

10 5-622. BOARD OF DIRECTORS.

11 (A) MANAGEMENT OF COOPERATIVE; MINIMUM NUMBER OF DIRECTORS.

12 (1) THE BUSINESS OF A COOPERATIVE SHALL BE MANAGED BY A BOARD
13 OF DIRECTORS.

14 (2) EACH COOPERATIVE SHALL HAVE AT LEAST FIVE DIRECTORS.

15 (B) MEMBERSHIP REQUIREMENT.

16 EACH DIRECTOR SHALL BE A MEMBER OF THE COOPERATIVE OR OF A MEMBER
17 COOPERATIVE.

18 (C) BYLAWS PROVISIONS.

19 (1) THE BYLAWS SHALL ESTABLISH:

20 (I) THE NUMBER OF DIRECTORS;

21 (II) THE QUALIFICATIONS OF DIRECTORS OTHER THAN THE
22 QUALIFICATIONS REQUIRED UNDER THIS SUBTITLE;

23 (III) THE MANNER OF HOLDING MEETINGS OF THE BOARD OF
24 DIRECTORS; AND

25 (IV) THE MANNER OF ELECTING SUCCESSORS TO DIRECTORS WHO
26 RESIGN, DIE, OR ARE OTHERWISE INCAPABLE OF ACTING.

27 (2) THE BYLAWS MAY PROVIDE FOR THE REMOVAL OF DIRECTORS FROM
28 OFFICE AND FOR THE ELECTION OF THEIR SUCCESSORS.

29 (C) SPOUSES HOLDING JOINT MEMBERSHIP.

1 IF A HUSBAND AND WIFE HOLD A JOINT MEMBERSHIP IN A COOPERATIVE,
2 EITHER ONE, BUT NOT BOTH, MAY BE ELECTED A DIRECTOR.

3 (D) QUORUM.

4 A MAJORITY OF THE BOARD OF DIRECTORS IS A QUORUM.

5 (E) COMPENSATION.

6 (1) A DIRECTOR MAY NOT RECEIVE A SALARY FOR SERVING AS A
7 DIRECTOR.

8 (2) EXCEPT IN EMERGENCIES, A DIRECTOR MAY NOT BE EMPLOYED BY
9 THE COOPERATIVE IN ANY CAPACITY INVOLVING COMPENSATION WITHOUT THE
10 APPROVAL OF THE MEMBERS.

11 (3) THE BYLAWS MAY AUTHORIZE A FIXED FEE AND EXPENSES TO BE
12 PAID TO EACH DIRECTOR FOR ATTENDING A MEETING OF THE BOARD OF DIRECTORS.

13 (F) POWERS.

14 THE BOARD OF DIRECTORS MAY EXERCISE ALL OF THE POWERS OF A
15 COOPERATIVE NOT CONFERRED ON THE MEMBERS BY THIS SUBTITLE OR THE
16 COOPERATIVE'S ARTICLES OF INCORPORATION OR BYLAWS.

17 DRAFTER'S NOTE: This section is new language derived without substantive
18 change from former Ch. 179, § 12(a), (d), (e), and (f), Acts of 1976, as amended by Ch.
19 604, Acts of 2001.

20 In subsection (b) of this section, the reference to a "member cooperative" is
21 substituted for the former reference to "another cooperative which is a member
22 thereof" for brevity.

23 Defined terms: "Cooperative" § 5-601

24 "Director" § 1-101

25 "Member" § 5-601

26 5-623. SAME -- ELECTION AND TENURE; STAGGERING TERMS OF OFFICE; FILLING
27 VACANCIES.

28 (A) INITIAL DIRECTORS.

29 THE DIRECTORS OF A COOPERATIVE NAMED IN ANY ARTICLES OF
30 INCORPORATION, CONSOLIDATION, MERGER, OR CONVERSION SHALL HOLD OFFICE
31 UNTIL THE NEXT ANNUAL MEETING OF THE MEMBERS AND UNTIL THEIR
32 SUCCESSORS ARE ELECTED AND QUALIFIED.

33 (B) ELECTION BY MEMBERS.

1 EXCEPT AS OTHERWISE PROVIDED IN THIS SUBTITLE, AT EACH ANNUAL
2 MEETING OR, IF THE COOPERATIVE FAILS TO HOLD AN ANNUAL MEETING AS
3 SPECIFIED IN THE BYLAWS, AT A SPECIAL MEETING CALLED FOR THAT PURPOSE,
4 THE MEMBERS SHALL ELECT DIRECTORS TO HOLD OFFICE UNTIL THE NEXT ANNUAL
5 MEETING OF THE MEMBERS.

6 (C) TERM OF OFFICE.

7 EACH DIRECTOR SHALL HOLD OFFICE FOR THE TERM FOR WHICH THE
8 DIRECTOR IS ELECTED AND UNTIL A SUCCESSOR IS ELECTED AND QUALIFIES.

9 (D) STAGGERING TERMS OF OFFICE.

10 (1) (I) INSTEAD OF ELECTING ALL THE DIRECTORS ANNUALLY, THE
11 BYLAWS MAY REQUIRE THAT THE DIRECTORS BE DIVIDED INTO THREE CLASSES.

12 (II) EACH CLASS SHALL BE AS NEARLY EQUAL IN NUMBER AS
13 POSSIBLE.

14 (2) (I) IF THE BYLAWS REQUIRE THAT THE DIRECTORS BE DIVIDED
15 INTO THREE CLASSES, THE TERMS OF THE DIRECTORS SHALL BE STAGGERED IN
16 ACCORDANCE WITH SUBPARAGRAPH (II) OF THIS PARAGRAPH.

17 (II) 1. THE INITIAL TERM OF OFFICE OF THE DIRECTORS OF THE
18 FIRST CLASS SHALL EXPIRE AT THE NEXT SUCCEEDING ANNUAL MEETING.

19 2. THE INITIAL TERM OF THE SECOND CLASS SHALL EXPIRE
20 AT THE SECOND SUCCEEDING ANNUAL MEETING.

21 3. THE INITIAL TERM OF THE THIRD CLASS SHALL EXPIRE
22 AT THE THIRD SUCCEEDING ANNUAL MEETING.

23 (3) AT EACH ANNUAL MEETING AFTER THE INITIAL CLASSIFICATION OF
24 THE DIRECTORS, A NUMBER OF DIRECTORS EQUAL TO THE NUMBER OF THE CLASS
25 WHOSE TERM EXPIRES AT THAT MEETING SHALL BE ELECTED TO HOLD OFFICE FOR
26 3 YEARS OR UNTIL THE THIRD SUCCEEDING ANNUAL MEETING.

27 (E) FILLING VACANCIES.

28 IF A VACANCY OCCURS ON THE BOARD OF DIRECTORS, THE REMAINING
29 DIRECTORS SHALL ELECT A DIRECTOR TO FILL THE VACANCY FOR THE REMAINDER
30 OF THE TERM FOR WHICH THE VACATING DIRECTOR WAS ELECTED.

31 DRAFTER'S NOTE: Subsections (a), (b), (c), (d)(1), (2)(ii), and (3), and (e) of this
32 section are new language derived without substantive change from former Ch. 179, §
33 12(b) and (c), Acts of 1976, as amended by Ch. 604, Acts of 2001.

34 Subsection (d)(2)(i) of this section is new language added for clarity.

35 Defined terms: "Cooperative" § 5-601

1 "Director" § 1-101

2 "Member" § 5-601

3 5-624. OFFICERS.

4 (A) CHAIRMAN AND VICE-CHAIRMEN.

5 THE DIRECTORS SHALL ELECT ANNUALLY FROM AMONG THE DIRECTORS A
6 CHAIRMAN AND ONE OR MORE VICE-CHAIRMEN.

7 (B) SECRETARY AND TREASURER.

8 (1) THE DIRECTORS SHALL ELECT A SECRETARY AND A TREASURER.

9 (2) THE SECRETARY AND TREASURER NEED NOT BE DIRECTORS OR
10 MEMBERS.

11 (3) THE DIRECTORS MAY COMBINE THE OFFICES OF SECRETARY AND
12 TREASURER AND DESIGNATE THE COMBINED OFFICE AS SECRETARY-TREASURER.

13 (C) OTHER OFFICERS.

14 (1) THE BOARD OF DIRECTORS MAY ELECT OR APPOINT ANY OTHER
15 OFFICERS, AGENTS, OR EMPLOYEES IT CONSIDERS NECESSARY OR ADVISABLE.

16 (2) THE BOARD SHALL ESTABLISH THE POWERS AND DUTIES OF EACH
17 OFFICER, AGENT, OR EMPLOYEE IT ELECTS OR APPOINTS.

18 (D) REMOVAL FROM OFFICE.

19 AN OFFICER MAY BE REMOVED FROM OFFICE AND A SUCCESSOR ELECTED IN
20 THE MANNER PROVIDED IN THE BYLAWS.

21 DRAFTER'S NOTE: This section is new language derived without substantive
22 change from former Ch. 179, § 14, Acts of 1976, as amended by Ch. 604, Acts of 2001.

23 Defined terms: "Director" §1-101

24 "Member" § 5-601

25 5-625. RESERVED.

26 5-626. RESERVED.

27 PART V. CONSOLIDATION, MERGER, CONVERSION, AND DISSOLUTION.

28 5-627. CONSOLIDATION.

29 (A) IN GENERAL.

1 A COOPERATIVE MAY CONSOLIDATE WITH ONE OR MORE OTHER
2 COOPERATIVES TO FORM A NEW CONSOLIDATED COOPERATIVE AS PROVIDED IN
3 THIS SECTION.

4 (B) APPROVAL BY MEMBERS.

5 (1) A PROPOSED CONSOLIDATION AND PROPOSED ARTICLES OF
6 CONSOLIDATION THAT EFFECT THE CONSOLIDATION SHALL BE SUBMITTED FOR
7 CONSIDERATION AT AN ANNUAL OR SPECIAL MEETING OF THE MEMBERS OF EACH
8 CONSOLIDATING COOPERATIVE.

9 (2) A COPY OF THE PROPOSED ARTICLES OF CONSOLIDATION SHALL BE
10 ATTACHED TO THE NOTICE OF THE MEETING.

11 (3) THE PROPOSED CONSOLIDATION, PROPOSED ARTICLES OF
12 CONSOLIDATION, AND ANY AMENDMENTS TO THE PROPOSED ARTICLES OF
13 CONSOLIDATION SHALL BE APPROVED BY THE AFFIRMATIVE VOTE OF NOT LESS
14 THAN TWO-THIRDS OF THE MEMBERS OF EACH CONSOLIDATING COOPERATIVE
15 VOTING ON THE MATTER.

16 (C) EXECUTION OF ARTICLES OF CONSOLIDATION.

17 IF THE PROPOSED CONSOLIDATION, PROPOSED ARTICLES OF CONSOLIDATION,
18 AND ANY AMENDMENTS TO THE PROPOSED ARTICLES OF CONSOLIDATION ARE
19 APPROVED BY THE MEMBERS OF EACH CONSOLIDATING COOPERATIVE AS PROVIDED
20 IN SUBSECTION (B) OF THIS SECTION:

21 (1) ARTICLES OF CONSOLIDATION IN THE FORM APPROVED SHALL BE
22 SIGNED AND ACKNOWLEDGED FOR EACH COOPERATIVE BY ITS CHAIRMAN OR
23 VICE-CHAIRMAN AND ATTESTED BY ITS SECRETARY; AND

24 (2) THE SEAL OF EACH COOPERATIVE SHALL BE AFFIXED TO THE
25 ARTICLES.

26 (D) CONTENTS OF ARTICLES OF CONSOLIDATION.

27 (1) THE ARTICLES OF CONSOLIDATION SHALL CONTAIN:

28 (I) THE NAME OF EACH CONSOLIDATING COOPERATIVE AND THE
29 ADDRESS OF ITS PRINCIPAL OFFICE;

30 (II) THE NAME OF THE SUCCESSOR, THE ADDRESS OF ITS
31 PRINCIPAL OFFICE, AND THE NAME AND ADDRESS OF ITS RESIDENT AGENT;

32 (III) A STATEMENT THAT EACH CONSOLIDATING COOPERATIVE
33 AGREES TO THE CONSOLIDATION;

34 (IV) THE NAME AND ADDRESS OF EACH DIRECTOR OF THE
35 SUCCESSOR;

1 (V) THE TERMS AND CONDITIONS OF THE CONSOLIDATION AND
2 THE MANNER OF CARRYING IT INTO EFFECT, INCLUDING THE MANNER IN WHICH
3 MEMBERS OF THE CONSOLIDATING COOPERATIVES MAY OR SHALL BECOME
4 MEMBERS OF THE SUCCESSOR; AND

5 (VI) A STATEMENT THAT THE ARTICLES ARE EXECUTED IN
6 ACCORDANCE WITH THIS SUBTITLE.

7 (2) THE ARTICLES OF CONSOLIDATION MAY CONTAIN ANY PROVISION
8 THAT:

9 (I) IS CONSISTENT WITH THIS SUBTITLE; AND

10 (II) IS CONSIDERED NECESSARY OR ADVISABLE FOR THE CONDUCT
11 OF THE BUSINESS OF THE SUCCESSOR.

12 (E) AFFIDAVIT OF COMPLIANCE.

13 THE CHAIRMAN OR VICE-CHAIRMAN WHO SIGNS THE ARTICLES OF
14 CONSOLIDATION FOR EACH CONSOLIDATING COOPERATIVE SHALL MAKE AND
15 ATTACH TO THE ARTICLES AN AFFIDAVIT STATING THAT THE COOPERATIVE HAS
16 COMPLIED WITH THE PROVISIONS OF THIS SECTION THAT RELATE TO THE ARTICLES.

17 DRAFTER'S NOTE: This section is new language derived without substantive
18 change from former Ch. 179, § 17, Acts of 1976, as amended by Ch. 604, Acts of 2001.

19 In subsection (a) of this section, the reference to forming a new "consolidated"
20 cooperative is added for clarity and consistency with the Maryland General
21 Corporation Law, § 3-102(a)(1) of this article.

22 Also in subsection (a) of this section, the phrase "as provided in this section" is
23 substituted for the former phrase "by complying with the following requirements" to
24 conform to language used elsewhere in this article, and since each requirement for
25 effecting a consolidation is separately stated in this section.

26 Also in subsection (a) of this section, the former parenthetical phrase "(each of
27 which is hereinafter designated a `consolidating cooperative')" is deleted as
28 unnecessary since the meaning of the term "consolidating cooperative" is clear from
29 the context in which it is used.

30 Also in subsection (a) of this section, the former parenthetical phrase
31 "(hereinafter designated the `new cooperative')" is deleted since the term "new
32 cooperative" is not used in this section.

33 In subsection (b)(1) of this section, the reference to a "proposed consolidation" is
34 substituted for the former reference to a "proposition for the consolidation of the
35 consolidating cooperatives into the new cooperative" for brevity.

36 Also in subsection (b)(1) of this section, the requirement to submit a proposed
37 consolidation and proposed articles of consolidation "for consideration at an annual or

1 special meeting" of the members is substituted for the former requirement to submit
2 a proposed consolidation and articles "to a meeting" of the members for clarity and
3 consistency with similar provisions of the Maryland General Corporation Law. *See*,
4 *e.g.*, §§ 3-105(b)(2) and 3-403(b)(2) of this article.

5 Subsection (b)(3) of this section is revised to state expressly that which was only
6 implied in the former law, *i.e.*, that the proposed consolidation, proposed articles of
7 consolidation, and any amendments to the proposed articles of consolidation must be
8 approved by the affirmative vote of at least two-thirds of the members of each
9 consolidating cooperative voting on the matter.

10 In subsection (b)(3) of this section, the former reference to members voting on
11 the matter "at each such meeting" is deleted as unnecessary in light of subsection (b)
12 (1) of this section, which requires the submission of the proposed consolidation and
13 proposed articles of consolidation "for consideration at an annual or special meeting of
14 the members of each consolidating cooperative".

15 In subsections (c)(1) and (e) of this section, the references to "sign[ing]" articles
16 of consolidation are substituted for the former references to "execut[ing]" articles of
17 consolidation to clarify that "signing" the articles is only one of the formalities
18 required for the "execution" of the articles. These substitutions are consistent with
19 the Maryland General Corporation Law, § 1-301 of this article.

20 In subsection (c)(1) of this section, the reference to the chairman "or"
21 vice-chairman signing articles of consolidation is substituted for the former reference
22 to the chairman "and" vice-chairman signing articles of consolidation for consistency
23 with subsection (e) of this section.

24 In subsection (d)(1)(ii), (iv), and (v) and (2)(ii) of this section, the defined term
25 "successor" is substituted for the former references to the "new cooperative" for
26 consistency with the terminology used throughout this article.

27 In subsection (e) of this section, the former reference to an affidavit stating that
28 the cooperative has "duly" complied with certain provisions of this section is deleted
29 as implicit in the word "complied".

30 Defined terms: "Cooperative" § 5-601

31 "Director" § 1-101

32 "Member" § 5-601

33 "Principal office" § 1-101

34 "Resident agent" § 1-101

35 "Successor" § 1-101

1 5-628. MERGER.

2 (A) IN GENERAL.

3 A COOPERATIVE MAY MERGE INTO ANOTHER COOPERATIVE, OR HAVE ONE OR
4 MORE COOPERATIVES MERGED INTO IT, AS PROVIDED IN THIS SECTION.

5 (B) APPROVAL BY MEMBERS.

6 (1) A PROPOSED MERGER AND PROPOSED ARTICLES OF MERGER THAT
7 EFFECT THE MERGER SHALL BE SUBMITTED FOR CONSIDERATION AT AN ANNUAL
8 OR SPECIAL MEETING OF THE MEMBERS OF EACH MERGING COOPERATIVE AND OF
9 THE SUCCESSOR.

10 (2) A COPY OF THE PROPOSED ARTICLES OF MERGER SHALL BE
11 ATTACHED TO THE NOTICE OF THE MEETING.

12 (3) THE PROPOSED MERGER, PROPOSED ARTICLES OF MERGER, AND
13 ANY AMENDMENTS TO THE PROPOSED ARTICLES OF MERGER SHALL BE APPROVED
14 BY THE AFFIRMATIVE VOTE OF NOT LESS THAN TWO-THIRDS OF THE MEMBERS OF
15 EACH MERGING COOPERATIVE AND OF THE SUCCESSOR VOTING ON THE MATTER.

16 (C) EXECUTION OF ARTICLES OF MERGER.

17 IF THE PROPOSED MERGER, PROPOSED ARTICLES OF MERGER, AND ANY
18 AMENDMENTS TO THE PROPOSED ARTICLES OF MERGER ARE APPROVED BY THE
19 MEMBERS OF EACH MERGING COOPERATIVE AND OF THE SUCCESSOR AS PROVIDED
20 IN SUBSECTION (B) OF THIS SECTION:

21 (1) ARTICLES OF MERGER IN THE FORM APPROVED SHALL BE SIGNED
22 AND ACKNOWLEDGED FOR EACH COOPERATIVE BY ITS CHAIRMAN OR
23 VICE-CHAIRMAN AND ATTESTED BY ITS SECRETARY; AND

24 (2) THE SEAL OF EACH COOPERATIVE SHALL BE AFFIXED TO THE
25 ARTICLES.

26 (D) CONTENTS OF ARTICLES OF MERGER.

27 (1) THE ARTICLES OF MERGER SHALL CONTAIN:

28 (I) THE NAME OF EACH MERGING COOPERATIVE AND THE
29 ADDRESS OF ITS PRINCIPAL OFFICE;

30 (II) THE NAME OF THE SUCCESSOR, THE ADDRESS OF ITS
31 PRINCIPAL OFFICE, AND THE NAME AND ADDRESS OF ITS RESIDENT AGENT;

32 (III) A STATEMENT THAT EACH MERGING COOPERATIVE AND THE
33 SUCCESSOR AGREE TO THE MERGER;

34 (IV) THE NAME AND ADDRESS OF EACH DIRECTOR OF THE
35 SUCCESSOR;

1 (V) THE TERMS AND CONDITIONS OF THE MERGER AND THE
2 MANNER OF CARRYING IT INTO EFFECT, INCLUDING THE MANNER IN WHICH
3 MEMBERS OF THE MERGING COOPERATIVES MAY OR SHALL BECOME MEMBERS OF
4 THE SUCCESSOR; AND

5 (VI) A STATEMENT THAT THE ARTICLES ARE EXECUTED IN
6 ACCORDANCE WITH THIS SUBTITLE.

7 (2) THE ARTICLES OF MERGER MAY CONTAIN ANY PROVISION THAT:

8 (I) IS CONSISTENT WITH THIS SUBTITLE; AND

9 (II) IS CONSIDERED NECESSARY OR ADVISABLE FOR THE CONDUCT
10 OF THE BUSINESS OF THE SUCCESSOR.

11 (E) AFFIDAVIT OF COMPLIANCE.

12 THE CHAIRMAN OR VICE-CHAIRMAN WHO SIGNS THE ARTICLES OF MERGER
13 FOR EACH COOPERATIVE SHALL MAKE AND ATTACH TO THE ARTICLES AN AFFIDAVIT
14 STATING THAT THE COOPERATIVE HAS COMPLIED WITH THE PROVISIONS OF THIS
15 SECTION THAT RELATE TO THE ARTICLES.

16 DRAFTER'S NOTE: This section is new language derived without substantive
17 change from former Ch. 179, § 18, Acts of 1976, as amended by Ch. 604, Acts of 2001.

18 In subsection (a) of this section, the authorization for "[a] cooperative [to] merge
19 into another cooperative, or have one or more cooperatives merged into it" is
20 substituted for the former authorization for "[a]ny one or more cooperatives ... [to]
21 merge into another cooperative" for clarity and consistency with the Maryland
22 General Corporation Law, § 3-102(a)(2) of this article.

23 Also in subsection (a) of this section, the phrase "as provided in this section" is
24 substituted for the former phrase "by complying with the following requirements" to
25 conform to language used elsewhere in this article, and since each requirement for
26 effecting a merger is separately stated in this section.

27 Also in subsection (a) of this section, the former parenthetical phrase "(each of
28 which is hereinafter designated a `merging cooperative') is deleted as unnecessary
29 since the meaning of the term "merging cooperative" is clear from the context in
30 which it is used.

31 Also in subsection (a) of this section, the former parenthetical phrase
32 "(hereinafter designated the `surviving cooperative') is deleted since the term
33 "surviving cooperative" is not used in this section.

34 In subsection (b)(1) and (3), the introductory language of subsection (c), and
35 subsection (d)(1)(ii), (iii), (iv), and (v) and (2)(ii) of this section, the defined term
36 "successor" is substituted for the former references to the "surviving cooperative" for
37 consistency with the terminology used throughout this article.

1 In subsection (b)(1) of this section, the reference to a "proposed merger" is
2 substituted for the former reference to a "proposition for the merger of the merging
3 cooperatives into the surviving cooperative" for brevity.

4 Also in subsection (b)(1) of this section, the requirement to submit a proposed
5 merger and proposed articles of merger "for consideration at an annual or special
6 meeting" of the members is substituted for the former requirement to submit a
7 proposed merger and articles "to a meeting" of the members for clarity and
8 consistency with similar provisions of the Maryland General Corporation Law. *See*,
9 *e.g.*, §§ 3-105(b)(2) and 3-403(b)(2) of this article.

10 Subsection (b)(3) of this section is revised to state expressly that which was only
11 implied in the former law, *i.e.*, that the proposed merger, proposed articles of merger,
12 and any amendments to the proposed articles of merger must be approved by the
13 affirmative vote of not less than two-thirds of the members of each merging
14 cooperative and of the successor voting on the matter.

15 In subsection (b)(3) of this section, the former reference to members voting on
16 the matter "at each such meeting" is deleted as unnecessary in light of subsection (b)
17 (1) of this section, which requires the submission of the proposed merger and proposed
18 articles of merger "for consideration at an annual or special meeting of the members
19 of each merging cooperative and of the successor".

20 In subsections (c)(1) and (e) of this section, the references to "sign[ing]" articles
21 of merger are substituted for the former references to "execut[ing]" articles of merger
22 to clarify that "signing" the articles is only one of the formalities required for the
23 "execution" of the articles. These substitutions are consistent with the Maryland
24 General Corporation Law, § 1-301 of this article.

25 In subsection (e) of this section, the former reference to an affidavit stating that
26 the cooperative has "duly" complied with certain provisions of this section is deleted
27 as implicit in the word "complied".

28 Defined terms: "Cooperative" § 5-601

29 "Director" § 1-101

30 "Member" § 5-601

31 "Principal office" § 1-101

32 "Resident agent" § 1-101

33 "Successor" § 1-101

34 5-629. EFFECT OF CONSOLIDATION OR MERGER.

35 (A) IN GENERAL.

1 CONSUMMATION OF A CONSOLIDATION OR MERGER HAS THE EFFECTS
2 PROVIDED IN THIS SECTION.

3 (B) CESSATION OF SEPARATE EXISTENCE.

4 THE SEPARATE EXISTENCE OF EACH COOPERATIVE PARTY TO THE ARTICLES
5 OF CONSOLIDATION OR MERGER, EXCEPT THE SUCCESSOR, CEASES.

6 (C) ARTICLES OF INCORPORATION OF SUCCESSOR.

7 (1) IN A CONSOLIDATION, THE ARTICLES OF CONSOLIDATION SHALL BE
8 DEEMED TO BE THE ARTICLES OF INCORPORATION OF THE SUCCESSOR.

9 (2) IN A MERGER, THE ARTICLES OF INCORPORATION OF THE
10 SUCCESSOR SHALL BE DEEMED TO BE AMENDED TO THE EXTENT THAT CHANGES TO
11 THE ARTICLES OF INCORPORATION ARE PROVIDED FOR IN THE ARTICLES OF
12 MERGER.

13 (D) TRANSFER OF RIGHTS, PRIVILEGES, IMMUNITIES, AND ASSETS.

14 THE RIGHTS, PRIVILEGES, IMMUNITIES, AND ASSETS, INCLUDING
15 APPLICATIONS FOR MEMBERSHIP, OF EACH OF THE CONSOLIDATING OR MERGING
16 COOPERATIVES TRANSFER TO AND VEST IN THE SUCCESSOR WITHOUT FURTHER ACT
17 OR DEED.

18 (E) LIABILITY FOR DEBTS, OBLIGATIONS, AND LIABILITIES.

19 (1) THE SUCCESSOR IS LIABLE FOR ALL THE DEBTS, OBLIGATIONS, AND
20 LIABILITIES OF EACH CONSOLIDATING OR MERGING COOPERATIVE.

21 (2) AN EXISTING CLAIM, ACTION, OR PROCEEDING PENDING BY OR
22 AGAINST A CONSOLIDATING OR MERGING COOPERATIVE MAY BE PROSECUTED TO
23 JUDGMENT AS IF THE CONSOLIDATION OR MERGER HAD NOT TAKEN PLACE, OR, ON
24 MOTION OF THE SUCCESSOR OR ANY PARTY, THE SUCCESSOR MAY BE SUBSTITUTED
25 AS A PARTY AND A JUDGMENT AGAINST THE CONSOLIDATING OR MERGING
26 COOPERATIVE CONSTITUTES A LIEN ON THE PROPERTY OF THE SUCCESSOR.

27 (F) RIGHTS OF CREDITORS AND LIENS ON PROPERTY.

28 A CONSOLIDATION OR MERGER DOES NOT IMPAIR THE RIGHTS OF CREDITORS
29 OR ANY LIEN ON THE PROPERTY OF A COOPERATIVE PARTY TO THE ARTICLES OF
30 CONSOLIDATION OR MERGER.

31 DRAFTER'S NOTE: Subsection (a) of this section is new language added for
32 clarity and stylistic consistency with similar provisions of the Maryland General
33 Corporation Law. *See, e.g.*, §§ 3-114(a) and 3-115(a) of this article.

34 Subsections (b) through (f) of this section are new language derived without
35 substantive change from former Ch. 179, § 19, Acts of 1976, as amended by Ch. 604,
36 Acts of 2001.

1 Subsection (b) of this section is revised to conform to similar language used in
2 the Maryland General Corporation Law and elsewhere in this article. *See, e.g.*, §§
3 3-114(b), 4A-709(b), and 10-208(j)(2).

4 In subsection (c)(1) of this section, the defined term "successor" is substituted for
5 the former reference to the "new cooperative" for consistency with the terminology
6 used throughout this article. Similarly, in subsection (c)(2) of this section, the defined
7 term "successor" is substituted for the former reference to the "surviving cooperative",
8 and in subsections (d) and (e)(1) of this section, the defined term "successor" is
9 substituted for the former references to the "new or surviving cooperative".

10 In subsection (d) of this section, the defined term "assets" is substituted for the
11 former reference to "franchises and all property, real and personal, [including] ... all
12 debts due on whatever account and all other choses in action" for brevity.

13 Also in subsection (d) of this section, the former phrase "without limitation" is
14 deleted as unnecessary in light of Art. 1, § 30, which provides that the term
15 "including" is used "by way of illustration and not by way of limitation".

16 In subsection (e)(1) of this section, the reference to the "debts" of each
17 consolidating or merging cooperative is added for consistency with § 5-632(d)(3) and
18 (4)(i) and (f)(5) of this subtitle.

19 Also in subsection (e)(1) of this section, the former reference to being
20 "responsible" for debts, obligations, and liabilities is deleted as unnecessary in light of
21 the reference to being "liable" for debts, obligations, and liabilities.

22 In subsection (e)(2) of this section, the reference to a claim, action, or proceeding
23 being prosecuted "to judgment" is added for clarity and consistency with similar
24 provisions of the Maryland General Corporation Law. *See* § 3-114(e)(1) of this article.
25 Similarly, the phrase "or, on motion of the successor or any party, the successor may
26 be substituted as a party and a judgment against the consolidating or merging
27 cooperative constitutes a lien on the property of the successor" is substituted for the
28 former phrase "but the new or surviving cooperative may be substituted in its place".

29 In subsection (f) of this section, the reference to "a cooperative party to the
30 articles of consolidation or merger" is substituted for the former reference to "any of
31 such cooperatives" for clarity.

32 Defined terms: "Assets" § 1-101

33 "Cooperative" § 5-601

34 "Successor" § 1-101

35 5-630. CONVERSION OF CORPORATION TO COOPERATIVE.

36 (A) IN GENERAL.

1 A MARYLAND CORPORATION THAT SUPPLIES OR IS AUTHORIZED TO SUPPLY
2 ELECTRICITY MAY CONVERT TO A COOPERATIVE AS PROVIDED IN THIS SECTION.

3 (B) EFFECT OF CONVERSION.

4 ON CONVERSION OF A CORPORATION TO A COOPERATIVE, THE CORPORATION IS
5 SUBJECT TO THIS SUBTITLE AS IF IT HAD BEEN ORGANIZED UNDER THIS SUBTITLE.

6 (C) APPROVAL BY MEMBERS OR STOCKHOLDERS.

7 (1) A PROPOSED CONVERSION AND PROPOSED ARTICLES OF
8 CONVERSION THAT EFFECT THE CONVERSION SHALL BE SUBMITTED FOR
9 CONSIDERATION AT AN ANNUAL OR SPECIAL MEETING OF THE MEMBERS OR
10 STOCKHOLDERS OF THE CORPORATION.

11 (2) A COPY OF THE PROPOSED ARTICLES OF CONVERSION SHALL BE
12 ATTACHED TO THE NOTICE OF THE MEETING.

13 (3) THE PROPOSED CONVERSION, PROPOSED ARTICLES OF
14 CONVERSION, AND ANY AMENDMENTS TO THE PROPOSED ARTICLES OF
15 CONVERSION SHALL BE APPROVED:

16 (I) IF THE CONVERTING CORPORATION IS A NONSTOCK
17 CORPORATION, BY THE AFFIRMATIVE VOTE OF NOT LESS THAN TWO-THIRDS OF THE
18 MEMBERS OF THE CORPORATION VOTING ON THE MATTER; OR

19 (II) IF THE CONVERTING CORPORATION IS A STOCK CORPORATION,
20 BY THE AFFIRMATIVE VOTE OF THE HOLDERS OF NOT LESS THAN TWO-THIRDS OF
21 THE SHARES OF THE CAPITAL STOCK OF THE CORPORATION REPRESENTED AT THE
22 MEETING AND VOTING ON THE MATTER.

23 (D) EXECUTION OF ARTICLES OF CONVERSION.

24 IF THE PROPOSED CONVERSION, PROPOSED ARTICLES OF CONVERSION, AND
25 ANY AMENDMENTS TO THE PROPOSED ARTICLES OF CONVERSION ARE APPROVED BY
26 THE MEMBERS OR STOCKHOLDERS OF THE CORPORATION AS PROVIDED IN
27 SUBSECTION (C) OF THIS SECTION:

28 (1) ARTICLES OF CONVERSION IN THE FORM APPROVED SHALL BE
29 SIGNED AND ACKNOWLEDGED FOR THE CORPORATION BY ITS CHAIRMAN OR
30 VICE-CHAIRMAN AND ATTESTED BY ITS SECRETARY; AND

31 (2) THE SEAL OF THE CORPORATION SHALL BE AFFIXED TO THE
32 ARTICLES.

33 (E) CONTENTS OF ARTICLES OF CONVERSION.

34 (1) THE ARTICLES OF CONVERSION SHALL CONTAIN:

35 (I) THE NAME OF THE CORPORATION AND THE ADDRESS OF ITS
36 PRINCIPAL OFFICE BEFORE ITS CONVERSION TO A COOPERATIVE;

1 (II) THE STATUTE UNDER WHICH THE CORPORATION WAS
2 ORGANIZED;

3 (III) A STATEMENT THAT THE CORPORATION ELECTS TO BECOME A
4 COOPERATIVE, NONPROFIT, MEMBERSHIP CORPORATION SUBJECT TO THIS
5 SUBTITLE;

6 (IV) THE NAME OF THE CORPORATION AFTER ITS CONVERSION TO A
7 COOPERATIVE;

8 (V) THE ADDRESS OF THE PRINCIPAL OFFICE OF THE
9 COOPERATIVE AND THE NAME AND ADDRESS OF ITS RESIDENT AGENT;

10 (VI) THE NAME AND ADDRESS OF EACH DIRECTOR OF THE
11 COOPERATIVE;

12 (VII) THE MANNER IN WHICH MEMBERS OR STOCKHOLDERS OF THE
13 CORPORATION MAY OR SHALL BECOME MEMBERS OF THE COOPERATIVE; AND

14 (VIII) A STATEMENT THAT THE ARTICLES ARE EXECUTED IN
15 ACCORDANCE WITH THIS SUBTITLE.

16 (2) THE ARTICLES OF CONVERSION MAY CONTAIN ANY PROVISION
17 THAT:

18 (I) IS CONSISTENT WITH THIS SUBTITLE; AND

19 (II) IS CONSIDERED NECESSARY OR ADVISABLE FOR THE CONDUCT
20 OF THE BUSINESS OF THE COOPERATIVE.

21 (F) AFFIDAVIT OF COMPLIANCE.

22 THE CHAIRMAN OR VICE-CHAIRMAN WHO SIGNS THE ARTICLES OF
23 CONVERSION FOR THE CORPORATION SHALL MAKE AND ATTACH TO THE ARTICLES
24 AN AFFIDAVIT STATING THAT THE PROVISIONS OF THIS SECTION THAT RELATE TO
25 THE ARTICLES HAVE BEEN COMPLIED WITH.

26 (G) ARTICLES OF INCORPORATION OF COOPERATIVE.

27 THE ARTICLES OF CONVERSION SHALL BE DEEMED TO BE THE ARTICLES OF
28 INCORPORATION OF THE COOPERATIVE.

29 DRAFTER'S NOTE: This section is new language derived without substantive
30 change from former Ch. 179, § 20, Acts of 1976, as amended by Ch. 604, Acts of 2001.

31 In subsection (a) of this section, the defined term "Maryland corporation" is
32 substituted for the former reference to a "corporation organized under the laws of this
33 State" for brevity.

34 Also in subsection (a) of this section, the phrase "as provided in this section" is
35 substituted for the former phrase "by complying with the following requirements" to

1 conform to language used elsewhere in this article, and since each requirement for
2 effecting a conversion is separately stated in this section.

3 In subsection (b) of this section, the former reference to a corporation being
4 subject to this subtitle "with the same effect" as if it had been organized under this
5 subtitle is deleted as surplusage.

6 Also in subsection (b) of this section, the former reference to being "originally"
7 organized is deleted as implicit in the term "organized".

8 In subsection (c)(1) and the introductory language of subsection (d) of this
9 section, the references to a "proposed conversion" are substituted for the former
10 references to a "proposition for the conversion of such corporation into a cooperative"
11 for brevity.

12 In subsection (c)(1) of this section, the requirement to submit a proposed
13 conversion and proposed articles of conversion "for consideration at an annual or
14 special meeting" of the members or stockholders is substituted for the former
15 requirement to submit a proposed conversion and articles "to a meeting" of the
16 members or stockholders for clarity and consistency with similar provisions of the
17 Maryland General Corporation Law. *See, e.g.*, §§ 3-105(b)(2) and 3-403(b)(2) of this
18 article.

19 Subsection (c)(3) of this section is revised to state expressly that which was only
20 implied in the former law, *i.e.*, that the proposed conversion, proposed articles of
21 conversion, and any amendments to the proposed articles of conversion must be
22 approved by the affirmative vote of not less than two-thirds of the members or
23 stockholders of the converting corporation voting on the matter.

24 In subsection (c)(3)(i) of this section, the introductory language "[i]f the
25 converting corporation is a nonstock corporation" is added for clarity.

26 Also in subsection (c)(3)(i) of this section, the former reference to members
27 voting on the matter "at such meeting" is deleted as unnecessary in light of subsection
28 (c)(1) of this section, which requires the submission of the proposed conversion and
29 proposed articles of conversion "for consideration at an annual or special meeting of
30 the members ... of the corporation".

31 In subsection (c)(3)(ii) of this section, the reference to "the converting"
32 corporation is substituted for the former reference to "such" corporation for clarity.

33 In subsections (d)(1) and (f) of this section, the references to "sign[ing]" articles
34 of conversion are substituted for the former references to "execut[ing]" articles of
35 conversion to clarify that "signing" the articles is only one of the formalities required
36 for the "execution" of the articles. These substitutions are consistent with the
37 Maryland General Corporation Law, § 1-301 of this article.

38 In subsection (e)(1)(ii) of this section, the former reference to "statutes" is
39 deleted in light of the reference to "statute" and Art. 1, § 8, which provides that the
40 singular generally includes the plural.

1 In subsection (e)(1)(iv) of this section, the reference to "[t]he name of the
2 corporation after its conversion to a cooperative" is substituted for the former
3 reference to "its name as a cooperative" for clarity.

4 In subsection (f) of this section, the former reference to an affidavit stating that
5 certain provisions of this section have been "duly" complied with is deleted as implicit
6 in the word "complied".

7 Defined terms: "Cooperative" § 5-601

8 "Director" § 1-101

9 "Maryland corporation" § 1-101

10 "Member" § 5-601

11 "Principal office" § 1-101

12 "Resident agent" § 1-101

13 5-631. DISSOLUTION - COOPERATIVES THAT HAVE NOT BEGUN DOING BUSINESS.

14 (A) IN GENERAL.

15 A COOPERATIVE THAT HAS NOT BEGUN DOING BUSINESS MAY BE DISSOLVED
16 BY FILING ARTICLES OF DISSOLUTION FOR RECORD WITH THE DEPARTMENT.

17 (B) EXECUTION OF ARTICLES OF DISSOLUTION.

18 THE ARTICLES OF DISSOLUTION SHALL BE SIGNED AND ACKNOWLEDGED FOR
19 THE COOPERATIVE BY A MAJORITY OF THE INCORPORATORS OF THE COOPERATIVE.

20 (C) CONTENTS OF ARTICLES OF DISSOLUTION.

21 THE ARTICLES OF DISSOLUTION SHALL CONTAIN:

22 (1) THE NAME OF THE COOPERATIVE AND THE ADDRESS OF ITS
23 PRINCIPAL OFFICE; AND

24 (2) A STATEMENT THAT:

25 (I) THE COOPERATIVE HAS NOT BEGUN DOING BUSINESS;

26 (II) ANY MONEY RECEIVED BY THE COOPERATIVE, LESS ANY
27 DISBURSEMENTS FOR EXPENSES OF THE COOPERATIVE, HAS BEEN RETURNED OR
28 PAID TO THE PERSONS ENTITLED TO THE MONEY;

29 (III) ALL DEBTS OF THE COOPERATIVE HAVE BEEN PAID; AND

30 (IV) A MAJORITY OF THE INCORPORATORS OF THE COOPERATIVE
31 ELECT THAT THE COOPERATIVE BE DISSOLVED.

1 DRAFTER'S NOTE: This section is new language derived without substantive
2 change from former Ch. 179, § 21(a), Acts of 1976, as amended by Ch. 604, Acts of
3 2001.

4 In subsections (a) and (c)(2)(i) of this section, the references to "doing" business
5 are added for clarity and for consistency with language used elsewhere in this article.

6 In subsection (a) of this section, the reference to "filing" articles of dissolution
7 "for record with" the Department is substituted for the former reference to "delivering
8 to" the Department articles of dissolution for accuracy and consistency with similar
9 provisions of the Maryland General Corporation Law. *See, e.g.*, §§ 3-107 and 3-407(a)
10 of this article.

11 In subsections (b) and (c)(2)(iv) of this section, the references to the
12 incorporators "of the cooperative" are added for clarity.

13 In subsection (b) of this section, the reference to "sign[ing]" articles of
14 dissolution is substituted for the former reference to "execut[ing]" articles of
15 dissolution to clarify that "signing" the articles is only one of the formalities required
16 for the "execution" of the articles. This substitution is consistent with the Maryland
17 General Corporation Law, § 1-301 of this article.

18 In subsection (c)(2)(ii) of this section, the reference to "money" received by the
19 cooperative is substituted for the former reference to "sums" received by the
20 cooperative for clarity. Correspondingly, the reference to "the persons entitled to the
21 money" is substituted for the former reference to "those entitled thereto".

22 Also in subsection (c)(2)(ii) of this section, the reference to any "disbursements"
23 is substituted for the former reference to any "part thereof disbursed" for brevity and
24 clarity.

25 Defined terms: "Cooperative" § 5-601

26 "Department" § 1-101

27 "Person" § 5-601

28 "Principal office" § 1-101

29 5-632. SAME - COOPERATIVES THAT HAVE BEGUN DOING BUSINESS.

30 (A) IN GENERAL.

31 A COOPERATIVE THAT HAS BEGUN DOING BUSINESS MAY BE DISSOLVED AS
32 PROVIDED IN THIS SECTION.

33 (B) APPROVAL BY MEMBERS.

34 A PROPOSED DISSOLUTION SHALL BE APPROVED BY THE AFFIRMATIVE VOTE
35 OF NOT LESS THAN TWO-THIRDS OF THE MEMBERS VOTING ON THE MATTER AT AN
36 ANNUAL OR SPECIAL MEETING OF THE MEMBERS.

1 (C) CERTIFICATE OF ELECTION TO DISSOLVE.

2 (1) ON APPROVAL OF THE PROPOSED DISSOLUTION BY THE MEMBERS
3 OF THE COOPERATIVE AS PROVIDED IN SUBSECTION (B) OF THIS SECTION:

4 (I) A CERTIFICATE OF ELECTION TO DISSOLVE SHALL BE SIGNED
5 AND ACKNOWLEDGED FOR THE COOPERATIVE BY ITS CHAIRMAN OR
6 VICE-CHAIRMAN AND ATTESTED BY ITS SECRETARY; AND

7 (II) THE SEAL OF THE COOPERATIVE SHALL BE AFFIXED TO THE
8 CERTIFICATE.

9 (2) THE CERTIFICATE SHALL STATE:

10 (I) THE NAME OF THE COOPERATIVE AND THE ADDRESS OF ITS
11 PRINCIPAL OFFICE; AND

12 (II) THAT THE MEMBERS OF THE COOPERATIVE HAVE APPROVED
13 THE DISSOLUTION IN ACCORDANCE WITH SUBSECTION (B) OF THIS SECTION.

14 (3) THE CHAIRMAN OR VICE-CHAIRMAN WHO SIGNS THE CERTIFICATE
15 FOR THE COOPERATIVE SHALL MAKE AND ATTACH TO THE CERTIFICATE AN
16 AFFIDAVIT STATING THAT THE STATEMENTS MADE IN THE CERTIFICATE ARE TRUE.

17 (4) THE CERTIFICATE AND AFFIDAVIT SHALL BE FILED FOR RECORD
18 WITH THE DEPARTMENT.

19 (D) CESSATION OF BUSINESS OF COOPERATIVE AND WINDING UP OF ITS
20 AFFAIRS.

21 (1) (I) ON THE DEPARTMENT'S ACCEPTANCE FOR RECORD OF THE
22 CERTIFICATE OF ELECTION TO DISSOLVE AND AFFIDAVIT, THE COOPERATIVE SHALL
23 CEASE DOING BUSINESS EXCEPT TO THE EXTENT NECESSARY TO WIND UP ITS
24 BUSINESS AND AFFAIRS.

25 (II) THE CORPORATE EXISTENCE OF THE COOPERATIVE SHALL
26 CONTINUE UNTIL ARTICLES OF DISSOLUTION HAVE BEEN ACCEPTED FOR RECORD
27 BY THE DEPARTMENT.

28 (2) THE BOARD OF DIRECTORS IMMEDIATELY SHALL CAUSE NOTICE OF
29 THE DISSOLUTION PROCEEDINGS TO BE:

30 (I) MAILED TO EACH KNOWN CREDITOR OF AND CLAIMANT
31 AGAINST THE COOPERATIVE; AND

32 (II) PUBLISHED ONCE A WEEK FOR 2 SUCCESSIVE WEEKS IN A
33 NEWSPAPER OF GENERAL CIRCULATION PUBLISHED IN THE COUNTY IN WHICH THE
34 PRINCIPAL OFFICE OF THE COOPERATIVE IS LOCATED.

35 (3) THE BOARD SHALL COLLECT MONEY OWING TO THE COOPERATIVE,
36 LIQUIDATE ITS ASSETS, DISCHARGE ITS DEBTS, OBLIGATIONS, AND LIABILITIES, AND

1 DO ALL OTHER ACTS REQUIRED TO WIND UP THE BUSINESS AND AFFAIRS OF THE
2 COOPERATIVE.

3 (4) (I) AFTER DISCHARGING, OR ADEQUATELY PROVIDING FOR THE
4 DISCHARGE OF, ALL OF THE DEBTS, OBLIGATIONS, AND LIABILITIES OF THE
5 COOPERATIVE, THE BOARD SHALL DISTRIBUTE ANY REMAINING MONEY AMONG THE
6 CURRENT AND FORMER MEMBERS OF THE COOPERATIVE.

7 (II) THE MONEY SHALL BE DISTRIBUTED IN PROPORTION TO THE
8 PATRONAGE OF EACH CURRENT OR FORMER MEMBER:

9 1. DURING THE 7-YEAR PERIOD IMMEDIATELY PRECEDING
10 THE DATE ON WHICH THE CERTIFICATE OF ELECTION TO DISSOLVE IS ACCEPTED
11 FOR RECORD BY THE DEPARTMENT; OR

12 2. IF THE COOPERATIVE HAS BEEN IN EXISTENCE FOR LESS
13 THAN 7 YEARS, DURING THE PERIOD OF ITS EXISTENCE.

14 (E) EXECUTION OF ARTICLES OF DISSOLUTION.

15 (1) AFTER WINDING UP THE BUSINESS AND AFFAIRS OF THE
16 COOPERATIVE AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, THE BOARD OF
17 DIRECTORS SHALL AUTHORIZE THE EXECUTION OF ARTICLES OF DISSOLUTION.

18 (2) THE ARTICLES OF DISSOLUTION SHALL BE SIGNED AND
19 ACKNOWLEDGED FOR THE COOPERATIVE BY ITS CHAIRMAN OR VICE-CHAIRMAN
20 AND ATTESTED BY ITS SECRETARY, AND THE SEAL OF THE COOPERATIVE SHALL BE
21 AFFIXED TO THE ARTICLES.

22 (F) CONTENTS OF ARTICLES OF DISSOLUTION.

23 THE ARTICLES OF DISSOLUTION SHALL STATE:

24 (1) THE NAME OF THE COOPERATIVE AND THE ADDRESS OF ITS
25 PRINCIPAL OFFICE;

26 (2) THE DATE ON WHICH THE CERTIFICATE OF ELECTION TO DISSOLVE
27 WAS ACCEPTED FOR RECORD BY THE DEPARTMENT;

28 (3) THAT THERE ARE NO ACTIONS PENDING AGAINST THE
29 COOPERATIVE;

30 (4) THAT ALL DEBTS, OBLIGATIONS, AND LIABILITIES OF THE
31 COOPERATIVE HAVE BEEN DISCHARGED, OR THAT ADEQUATE PROVISION HAS BEEN
32 MADE FOR THEIR DISCHARGE;

33 (5) THAT THE ARTICLES ARE EXECUTED IN ACCORDANCE WITH THIS
34 SUBTITLE; AND

35 (6) THAT THE PROVISIONS OF THIS SECTION HAVE BEEN COMPLIED
36 WITH.

1 (G) AFFIDAVIT THAT STATEMENTS ARE TRUE.

2 THE CHAIRMAN OR VICE-CHAIRMAN WHO SIGNS THE ARTICLES OF
3 DISSOLUTION FOR THE COOPERATIVE SHALL MAKE AND ATTACH TO THE ARTICLES
4 AN AFFIDAVIT STATING THAT THE STATEMENTS MADE IN THE ARTICLES ARE TRUE.

5 DRAFTER'S NOTE: This section is new language derived without substantive
6 change from former Ch. 179, § 21(b), Acts of 1976, as amended by Ch. 604, Acts of
7 2001.

8 In subsection (a) of this section, the reference to "doing" business is added for
9 clarity and consistency with language used elsewhere in this article.

10 Also in subsection (a) of this section, the phrase "as provided in this section" is
11 substituted for the former phrase "in the following manner" for consistency within
12 this subtitle and to conform to language used elsewhere in this article.

13 In subsection (b) of this section, the reference to a "proposed dissolution" is
14 substituted for the former reference to a "proposal that the cooperative be dissolved"
15 for brevity.

16 Also in subsection (b) of this section, the reference to "an annual or special"
17 meeting is substituted for the former reference to "any" meeting for clarity and
18 consistency with § 5-616 of this subtitle.

19 Also in subsection (b) of this section, the former reference to members voting on
20 the matter "at such meeting" is deleted as surplusage.

21 In subsection (c)(1) of this section, the introductory language "[o]n approval of
22 the proposed dissolution by the members of the cooperative as provided in subsection
23 (b) of this section" is substituted for the former introductory language "[u]pon such
24 approval" for clarity.

25 In subsection (c)(1)(i) and (3) of this section, the references to "sign[ing]" the
26 certificate of election to dissolve are substituted for the former references to
27 "execut[ing]" the certificate of election to dissolve to clarify that "signing" the
28 certificate is only one of the formalities required for the "execution" of the certificate.
29 Similarly, in subsections (e)(2) and (g) of this section, the references to "sign[ing]"
30 articles of dissolution are substituted for the former references to "execut[ing]" the
31 articles. These substitutions are consistent with the Maryland General Corporation
32 Law, § 1-301 of this article.

33 In subsection (c)(1)(i) of this section, the former parenthetical phrase
34 "(hereinafter designated the `certificate')" is deleted as unnecessary since the
35 meaning of the term "certificate" is clear from the context in which it is used in
36 subsection (c).

37 In subsection (c)(1)(ii) of this section, the requirement that "[t]he seal of the
38 cooperative ... be affixed to the certificate" is substituted for the former phrase "under
39 its seal" for clarity and consistency within this subtitle.

1 In subsection (c)(2)(ii) of this section, the requirement that the certificate state
2 that the members of the cooperative have "approved the dissolution in accordance
3 with subsection (b) of this section" is substituted for the former requirement that the
4 certificate state that the members of the cooperative have "duly voted that the
5 cooperative be dissolved" for clarity and consistency with language used in subsection
6 (b) of this section.

7 In subsection (c)(3) of this section, the requirement to make "and attach" a
8 certain affidavit to the certificate of election to dissolve is added for consistency
9 within this subtitle.

10 In subsection (c)(4) of this section, the requirement that the certificate and
11 affidavit be "filed for record with the Department" is substituted for the former
12 requirement that the certificate and affidavit be "submitted to the ... Department ...
13 for filing" for accuracy and consistency with similar provisions of the Maryland
14 General Corporation Law. *See, e.g.*, §§ 3-107 and 3-407(a) of this article.

15 In subsection (d)(1)(i) of this section, the introductory language "[o]n the
16 Department's acceptance for record of the certificate of election to dissolve and
17 affidavit" is substituted for the former introductory language "[u]pon the filing of the
18 certificate and affidavit by the ... Department" for accuracy and consistency with
19 similar provisions of the Maryland General Corporation Law. *See, e.g.*, §§ 3-113(a)(1),
20 3-208(a), 3-405(a), 3-408(a), and 3-510 of this article. Correspondingly, in
21 subsections (d)(1)(ii) and (f)(2) of this section, the references to certain documents
22 being "accepted for record by" the Department are substituted for the former
23 references to the documents being "filed by" the Department, and in subsection
24 (d)(4)(ii)1 of this section, the reference to the date "on which the certificate of election
25 to dissolve is accepted for record by" the Department is substituted for the former
26 reference to the date "of the filing of the certificate by" the Department.

27 Also in subsection (d)(1)(i) of this section, the requirement to cease "doing
28 business" is substituted for the former requirement to cease "carry[ing] on ...
29 business" for consistency with the language used in subsection (a) of this section and
30 in § 5-631(a) and (c)(2)(i) of this subtitle.

31 Also in subsection (d)(1)(i) of this section, the reference to winding up "its
32 business and affairs" is substituted for the former reference to winding up "thereof"
33 for clarity and consistency within this section.

34 In subsection (d)(2)(ii) of this section, the reference to a newspaper "published"
35 in the county in which the principal office of the cooperative is located is added for
36 clarity.

37 In subsections (d)(3) and (4)(i) and (f)(4) of this section, the former references to
38 "pay[ing]" debts, obligations, and liabilities is deleted as included in the references to
39 "discharg[ing]" debts, obligations, and liabilities.

40 In subsection (d)(3) and (4)(i) of this section, the references to "money" are
41 substituted for the former references to "sums" for clarity.

1 In subsection (d)(3) of this section, the former requirement to "settle" the
2 business and affairs of the cooperative is deleted as unnecessary in light of the
3 requirement to "wind up" the business and affairs of the cooperative.

4 Also in subsection (d)(3) of this section, the former reference to "property" is
5 deleted as included in the defined term "assets", which is defined, in part, to mean
6 "any tangible, intangible, real, or personal property".

7 In subsection (d)(4)(i) and the introductory language of (d)(4)(ii) of this section,
8 the references to "current" members are added for clarity.

9 In subsection (d)(4)(ii)2 of this section, the former reference to the period of its
10 existence "prior to such filing" is deleted as implicit.

11 In subsection (e)(1) of this section, the requirement to authorize the execution of
12 articles of dissolution "[a]fter winding up the business and affairs of the cooperative
13 as provided in subsection (d) of this section" is substituted for the former requirement
14 to authorize the execution of the articles "thereupon" for clarity.

15 In subsection (f)(3) of this section, the former reference to "suits" is deleted as
16 included in the reference to "actions".

17 In subsection (f)(6) of this section, the former requirement that the articles of
18 dissolution state that certain provisions have been "duly" complied with is deleted as
19 implicit in the word "complied".

20 Defined terms: "Assets" § 1-101

21 "Cooperative" § 5-601

22 "County" § 1-101

23 "Department" § 1-101

24 "Director" § 1-101

25 "Member" § 5-601

26 "Principal office" § 1-101

27 5-633. RESERVED.

28 5-634. RESERVED.

29

PART VI. MISCELLANEOUS PROVISIONS.

30 5-635. CHANGE OF PRINCIPAL OFFICE, RESIDENT AGENT, OR ADDRESS OF RESIDENT
31 AGENT.

32 (A) IN GENERAL.

1 ON AUTHORIZATION OF ITS BOARD OF DIRECTORS OR MEMBERS, A
2 COOPERATIVE MAY CHANGE ITS PRINCIPAL OFFICE, ITS RESIDENT AGENT, OR THE
3 ADDRESS OF ITS RESIDENT AGENT BY FILING FOR RECORD WITH THE DEPARTMENT
4 A CERTIFICATE THAT STATES THE CHANGE BEING MADE.

5 (B) EXECUTION OF CERTIFICATE.

6 THE CERTIFICATE SHALL BE SIGNED AND ACKNOWLEDGED BY THE CHAIRMAN
7 OR VICE-CHAIRMAN OF THE COOPERATIVE AND ATTESTED BY ITS SECRETARY, AND
8 THE SEAL OF THE COOPERATIVE SHALL BE AFFIXED TO THE CERTIFICATE.

9 DRAFTER'S NOTE: This section is new language derived without substantive
10 change from former Ch. 179, § 16, Acts of 1976, as amended by Ch. 604, Acts of 2001.

11 In subsection (a) of this section, the reference to filing a certificate "for record
12 with" the Department is substituted for the former reference to filing a certificate "in
13 the office of" the Department for accuracy and consistency with similar provisions of
14 the Maryland General Corporation Law. *See, e.g.*, § 2-108(b) of this article.

15 Also in subsection (a) of this section, the former reference to changing "the
16 location of" its principal office is deleted as surplusage.

17 In subsection (b) of this section, the requirement that the certificate be "signed"
18 is substituted for the former requirement that the certificate be "executed" to clarify
19 that "signing" the certificate is only one of the formalities required for the "execution"
20 of the certificate. This substitution is consistent with the Maryland General
21 Corporation Law, § 1-301 of this article.

22 Also in subsection (b) of this section, the requirement that "the seal of the
23 cooperative ... be affixed to the certificate" is substituted for the former phrase "under
24 its seal" for clarity and consistency within this subtitle.

25 Defined terms: "Cooperative" § 5-601

26 "Department" § 1-101

27 "Director" § 1-101

28 "Member" § 5-601

29 "Principal office" § 1-101

30 "Resident agent" § 1-101

31 5-636. FILING OF ARTICLES AND OTHER CORPORATE DOCUMENTS.

32 (A) IN GENERAL.

33 ARTICLES OF INCORPORATION, AMENDMENT, CONSOLIDATION, MERGER,
34 CONVERSION, OR DISSOLUTION, AND CERTIFICATES OF ELECTION TO DISSOLVE,

1 EXECUTED AND ACCOMPANIED BY ANY AFFIDAVITS REQUIRED UNDER THIS
2 SUBTITLE, SHALL BE FILED FOR RECORD WITH THE DEPARTMENT.

3 (B) ACCEPTANCE FOR RECORD BY DEPARTMENT.

4 ON PAYMENT OF THE FEES PROVIDED FOR IN § 5-637 OF THIS SUBTITLE, THE
5 DEPARTMENT SHALL ACCEPT FOR RECORD ANY ARTICLES OR CERTIFICATE FILED
6 WITH THE DEPARTMENT UNDER THIS SECTION IF THE DEPARTMENT FINDS THAT
7 THE ARTICLES OR CERTIFICATE CONFORM TO THE REQUIREMENTS OF THIS
8 SUBTITLE.

9 (C) TIME EFFECTIVE.

10 THE INCORPORATION, AMENDMENT, CONSOLIDATION, MERGER, CONVERSION,
11 OR DISSOLUTION PROVIDED FOR IN ARTICLES OF INCORPORATION, AMENDMENT,
12 CONSOLIDATION, MERGER, CONVERSION, OR DISSOLUTION IS EFFECTIVE AS OF THE
13 TIME THE DEPARTMENT ACCEPTS THE ARTICLES FOR RECORD.

14 DRAFTER'S NOTE: This section is new language derived without substantive
15 change from former Ch. 179, § 22, Acts of 1976, as amended by Ch. 604, Acts of 2001.

16 In subsection (a) of this section, the requirement that certain documents be
17 "filed for record with the Department" is substituted for the former requirement that
18 they be "presented to the ... Department ... for filing in the records of its office" for
19 accuracy and consistency with similar provisions of the Maryland General
20 Corporation Law. *See, e.g.*, §§ 3-107 and 3-407(a) of this article.

21 Also in subsection (a) of this section, the former reference to certain documents
22 that are "acknowledged" is deleted as included in the reference to certain documents
23 that are "executed".

24 Also in subsection (a) of this section, the former reference to "affidavits executed
25 in connection therewith pursuant to § 22(b) of this act" is deleted as unnecessary in
26 light of the reference to "any affidavits required under this subtitle".

27 In subsection (b) of this section, the references to articles "or certificate" are
28 added for consistency with subsection (a) of this section.

29 Also in subsection (b) of this section, the reference to the fees "provided for in §
30 5-637 of this subtitle" is substituted for the former reference to the fees "as in this act
31 provided" for clarity.

32 Also in subsection (b) of this section, the requirement that the Department
33 "accept for record" certain documents "filed" with the Department is substituted for
34 the former requirement that the Department "file" certain documents "presented" to
35 the Department "in the records of its office" for accuracy and consistency with
36 subsection (a) of this section and with similar provisions of the Maryland General
37 Corporation Law. *See, e.g.*, §§ 3-113(a)(1), 3-208(a), 3-405(a), 3-408(a), and 3-510 of
38 this article. Correspondingly, in subsection (c) of this section, the reference to certain

1 events being effective "as of the time the Department accepts the articles for record"
2 is substituted for the former reference to the events being effective "upon such filing".

3 Defined term: "Department" § 1-101

4 5-637. FEES; EXEMPTION FROM EXCISE AND INCOME TAXES.

5 (A) FILING AND RECORDING FEES.

6 THE DEPARTMENT SHALL COLLECT FEES FOR FILING AND RECORDING
7 CORPORATE DOCUMENTS AS PROVIDED IN § 1-203 OF THIS ARTICLE.

8 (B) ANNUAL FEES.

9 ON OR BEFORE JULY 1 OF EACH YEAR, EACH COOPERATIVE AND EACH FOREIGN
10 CORPORATION DOING BUSINESS IN THE STATE UNDER THIS SUBTITLE SHALL PAY A
11 FEE OF ~~\$10~~ \$100 TO THE DEPARTMENT.

12 (C) EXEMPTION FROM EXCISE AND INCOME TAXES.

13 EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, A COOPERATIVE OR
14 A FOREIGN CORPORATION DOING BUSINESS IN THE STATE UNDER THIS SUBTITLE IS
15 NOT SUBJECT TO ANY EXCISE OR INCOME TAX.

16 DRAFTER'S NOTE: This section is new language derived without substantive
17 change from former Ch. 179, §§ 28 and 29, Acts of 1976, as amended by Ch. 604, Acts
18 of 2001.

19 In subsection (a) of this section, the former requirement to "charge" certain fees
20 is deleted as implicit in the requirement to "collect" certain fees.

21 Defined terms: "Cooperative" § 5-601

22 "Department" § 1-101

23 "Foreign corporation" § 1-101

24 5-638. REVENUES OF COOPERATIVE.

25 (A) AUTHORIZED USES.

26 REVENUES OF A COOPERATIVE FOR A FISCAL YEAR MAY BE USED:

27 (1) TO PAY THE EXPENSES OF OPERATING AND MAINTAINING THE
28 FACILITIES OF THE COOPERATIVE DURING THE FISCAL YEAR;

29 (2) TO PAY INTEREST AND PRINCIPAL OBLIGATIONS OF THE
30 COOPERATIVE THAT ARE DUE IN THE FISCAL YEAR;

1 (3) TO THE EXTENT DETERMINED BY THE BOARD OF DIRECTORS, TO
2 FINANCE OR PROVIDE A RESERVE FOR THE FINANCING OF THE CONSTRUCTION OR
3 ACQUISITION BY THE COOPERATIVE OF ADDITIONAL FACILITIES;

4 (4) TO PROVIDE A REASONABLE RESERVE FOR WORKING CAPITAL;

5 (5) TO PROVIDE A RESERVE FOR THE PAYMENT OF THE INDEBTEDNESS
6 OF THE COOPERATIVE IN AN AMOUNT NOT LESS THAN THE TOTAL INTEREST AND
7 PRINCIPAL PAYMENTS THAT ARE DUE DURING THE NEXT FISCAL YEAR;

8 (6) TO PROVIDE FOR EDUCATION ABOUT COOPERATIVES; AND

9 (7) TO PROVIDE FOR THE DISSEMINATION OF INFORMATION ABOUT THE
10 EFFECTIVE USE OF ELECTRICITY AND SERVICES MADE AVAILABLE BY THE
11 COOPERATIVE.

12 (B) ALLOCATION OF EXCESS REVENUES TO MEMBERS AND OTHER PERSONS.

13 (1) UNLESS OTHERWISE DETERMINED BY A VOTE OF THE MEMBERS OF
14 THE COOPERATIVE, FOR EACH FISCAL YEAR, THE REVENUES OF A COOPERATIVE IN
15 EXCESS OF THE AMOUNT NECESSARY TO PROVIDE FOR THE ITEMS DESCRIBED IN
16 SUBSECTION (A) OF THIS SECTION SHALL BE ALLOCATED BY THE COOPERATIVE, IN
17 THE FORM OF PATRONAGE CREDITS, TO:

18 (I) ITS MEMBERS; AND

19 (II) OTHER PERSONS TO WHOM THE COOPERATIVE SUPPLIES
20 ELECTRICITY OR PROVIDES OTHER SERVICES.

21 (2) FOR EACH FISCAL YEAR, THE PATRONAGE CREDITS SHALL BE
22 ALLOCATED TO A MEMBER OR OTHER PERSON IN PROPORTION TO THE PATRONAGE
23 OF THE MEMBER OR OTHER PERSON DURING THE FISCAL YEAR.

24 (C) EFFECT OF SECTION.

25 THIS SECTION DOES NOT PROHIBIT THE PAYMENT BY A COOPERATIVE OF ALL
26 OR PART OF ITS INDEBTEDNESS BEFORE IT BECOMES DUE.

27 DRAFTER'S NOTE: This section is new language derived without substantive
28 change from former Ch. 179, § 23, Acts of 1976, as amended by Ch. 604, Acts of 2001.

29 In the introductory language of subsection (a) of this section, the reference to
30 revenues of a cooperative "for a fiscal year" is added for clarity and consistency with
31 subsection (b) of this section.

32 In subsection (a)(6) of this section, the reference to providing for education
33 "about cooperatives" is substituted for the former reference to providing for education
34 "in cooperation" for clarity.

1 In subsection (b)(1)(ii) of this section, the reference to persons to whom the
2 cooperative supplies electricity or "provides" other services is added for accuracy since
3 other services are not "supplied" by a cooperative.

4 In subsection (b)(2) of this section, the requirement that patronage credits be
5 "allocated ... in proportion to" certain patronage is substituted for the former
6 requirement that patronage credits be "prorated ... in accordance with" certain
7 patronage for clarity and consistency with subsection (b)(1) of this section.

8 Also in subsection (b)(2) of this section, the former reference to the patronage of
9 "the cooperative by" the member or other person "paid for" during the fiscal year is
10 deleted for consistency with the language used in § 5-632(d)(4)(ii) of this subtitle.

11 In subsection (c) of this section, the former reference to payment of indebtedness
12 before "the date when" it becomes due is deleted as surplusage.

13 Defined terms: "Cooperative" § 5-601

14 "Director" § 1-101

15 "Member" § 5-601

16 "Person" § 5-601

17 5-639. DISQUALIFICATION FROM TAKING ACKNOWLEDGMENTS PROHIBITED.

18 A PERSON WHO IS AUTHORIZED TO TAKE ACKNOWLEDGMENTS UNDER THE
19 LAWS OF THE STATE MAY NOT BE DISQUALIFIED FROM TAKING
20 ACKNOWLEDGMENTS OF INSTRUMENTS EXECUTED IN FAVOR OF A COOPERATIVE OR
21 TO WHICH A COOPERATIVE IS A PARTY BECAUSE THE PERSON IS AN OFFICER,
22 DIRECTOR, OR MEMBER OF THE COOPERATIVE.

23 DRAFTER'S NOTE: This section is new language derived without substantive
24 change from former Ch. 179, § 27, Acts of 1976, as amended by Ch. 604, Acts of 2001.

25 Defined terms: "Cooperative" § 5-601

26 "Director" § 1-101

27 "Member" § 5-601

28 "Person" § 5-601

29 5-640. DISPOSITION OF PROPERTY.

30 (A) ENCUMBRANCES ON PROPERTY.

31 (1) WITHOUT AUTHORIZATION BY THE MEMBERS AND ON THE
32 CONDITIONS THE BOARD OF DIRECTORS DETERMINES, THE BOARD OF DIRECTORS
33 OF A COOPERATIVE MAY AUTHORIZE THE EXECUTION AND DELIVERY OF A
34 MORTGAGE OR DEED OF TRUST OF, OR THE PLEDGING OR ENCUMBERING OF, ANY OR

1 ALL OF THE ASSETS OF THE COOPERATIVE, WHETHER ACQUIRED OR TO BE
 2 ACQUIRED, AND WHEREVER LOCATED, AND THE REVENUES AND INCOME FROM THE
 3 ASSETS, TO SECURE ANY INDEBTEDNESS OF THE COOPERATIVE TO:

4 (I) THE UNITED STATES OR AN AGENCY OR INSTRUMENTALITY OF
 5 THE UNITED STATES; OR

6 (II) 1. A NATIONAL FINANCING INSTITUTION THAT IS
 7 ORGANIZED ON A COOPERATIVE PLAN FOR THE PURPOSE OF FINANCING ITS
 8 MEMBERS' PROGRAMS, PROJECTS, AND UNDERTAKINGS, AND IN WHICH THE
 9 COOPERATIVE HOLDS MEMBERSHIP; OR

10 2. ANY OTHER FINANCING INSTITUTION.

11 (2) A LOAN DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION IS NOT
 12 SUBJECT TO § 4-106(B) OF THE REAL PROPERTY ARTICLE.

13 (B) SALE, LEASE, OR DISPOSITION OF PROPERTY.

14 (1) A COOPERATIVE MAY NOT SELL, LEASE, OR OTHERWISE DISPOSE OF
 15 ALL OR A SUBSTANTIAL PORTION OF ITS ASSETS UNLESS:

16 (I) THE SALE, LEASE, OR DISPOSITION IS AUTHORIZED AT A
 17 MEETING OF THE MEMBERS BY THE AFFIRMATIVE VOTE OF NOT LESS THAN A
 18 MAJORITY OF ALL THE MEMBERS OF THE COOPERATIVE; AND

19 (II) THE NOTICE OF THE MEETING CONTAINED NOTICE OF THE
 20 PROPOSED SALE, LEASE, OR DISPOSITION.

21 (2) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, ON THE
 22 AUTHORIZATION OF A MAJORITY OF THE MEMBERS OF THE COOPERATIVE PRESENT
 23 AT A MEETING OF THE MEMBERS, THE BOARD OF DIRECTORS MAY SELL, LEASE, OR
 24 OTHERWISE DISPOSE OF ALL OR A SUBSTANTIAL PORTION OF ITS ASSETS TO:

25 (I) ANOTHER COOPERATIVE OR A FOREIGN CORPORATION DOING
 26 BUSINESS IN THE STATE UNDER THIS SUBTITLE; OR

27 (II) THE HOLDER OF ANY NOTE, BOND, OR OTHER EVIDENCE OF
 28 INDEBTEDNESS OF THE COOPERATIVE ISSUED TO THE UNITED STATES OR AN
 29 AGENCY OR INSTRUMENTALITY OF THE UNITED STATES.

30 DRAFTER'S NOTE: This section is new language derived without substantive
 31 change from former Ch. 179, § 24, Acts of 1976, as amended by Ch. 604, Acts of 2001.

32 In subsection (a) of this section, the former references to "property, ... rights,
 33 privileges, licenses, franchises and permits" are deleted as included in the defined
 34 term "assets".

1 In subsection (b) of this section, the references to "assets" are substituted for the
2 former references to "property" for consistency with terminology used in subsection
3 (a) of this section.

4 In subsection (b)(2) of this section, the former reference to "any other provisions
5 of this act" is deleted as included in the reference to "any other provision of law".

6 Defined terms: "Assets" § 1-101

7 "Cooperative" § 5-601

8 "Director" § 1-101

9 "Foreign corporation" § 1-101

10 "Member" § 5-601

11 5-641. LIENS ON REAL AND PERSONAL PROPERTY.

12 A MORTGAGE, DEED OF TRUST, SECURITY AGREEMENT, OR OTHER SECURITY
13 INSTRUMENT AFFECTING REAL OR PERSONAL PROPERTY, OR BOTH, EXECUTED BY A
14 COOPERATIVE OR FOREIGN CORPORATION DOING BUSINESS IN THE STATE UNDER
15 THIS SUBTITLE IS GOVERNED BY THE REAL PROPERTY ARTICLE OR BY TITLE 9 OF
16 THE MARYLAND UNIFORM COMMERCIAL CODE, OR BOTH, AS APPLICABLE.

17 DRAFTER'S NOTE: This section is new language substituted for former Ch.
18 179, § 26, Acts of 1976, as amended by Ch. 604, Acts of 2001, for consistency with
19 recent revisions to Title 9 of the Maryland Uniform Commercial Code. For
20 transitional provisions relating to the status of liens established before October 1,
21 2002, *see* Ch. ____, § 4, (S.B. ____/H.B. ____) (2lr 571/572) Acts of 2002.

22 Defined terms: "Cooperative" § 5-601

23 "Foreign corporation" § 1-101

24 5-642. SHORT TITLE.

25 THIS SUBTITLE MAY BE CITED AS THE ELECTRIC COOPERATIVE ACT.

26 DRAFTER'S NOTE: This section is new language derived without substantive
27 change from former Ch. 179, § 1, Acts of 1976, as amended by Ch. 604, Acts of 2001.
28 11-601.

29 The following securities are exempted from §§ 11-205 and 11-501 of this title:

30 (15) (I) A NOTE, BOND, OR OTHER EVIDENCE OF INDEBTEDNESS
31 ISSUED TO THE UNITED STATES OR AN AGENCY OR INSTRUMENTALITY OF THE
32 UNITED STATES BY A COOPERATIVE, AS DEFINED IN § 5-601 OF THIS ARTICLE, OR BY
33 A FOREIGN CORPORATION DOING BUSINESS IN THE STATE UNDER TITLE 5, SUBTITLE
34 6 OF THIS ARTICLE;

1 (II) A MORTGAGE, DEED OF TRUST, OR OTHER INSTRUMENT
 2 EXECUTED TO SECURE A NOTE, BOND, OR OTHER EVIDENCE OF INDEBTEDNESS
 3 DESCRIBED IN ITEM (I) OF THIS ITEM; AND

4 (III) A MEMBERSHIP CERTIFICATE ISSUED BY A COOPERATIVE, AS
 5 DEFINED IN § 5-601 OF THIS ARTICLE, OR BY A FOREIGN CORPORATION DOING
 6 BUSINESS IN THE STATE UNDER TITLE 5, SUBTITLE 6 OF THIS ARTICLE; AND

7 DRAFTER'S NOTE: This item is new language derived without substantive
 8 change from former Ch. 179, § 30, Acts of 1976, as amended by Ch. 604, Acts of 2001.

9 This item is revised as an exemption, under § 11-601 of this article, from the
 10 registration requirements of § 11-501 of this article for consistency with the
 11 Maryland Securities Act (Title 11 of this article). Section 11-501 requires registration
 12 of a security, before it is offered or sold, unless the security is a federal covered
 13 security or "[t]he security or transaction is exempted under Subtitle 6 of this title".
 14 Since the securities described in this item are not "federal covered securities", they
 15 must be exempted under § 11-601 to effectuate the intent of the former law.

16 While the exemptions provided in § 11-601 from both § 11-501 and § 11-205 of
 17 this article appear broader than the former law's exemption from § 11-501, according
 18 to the Securities Commissioner of the Division of Securities, no substantive change is
 19 made since securities exempt from registration would not, as a practical matter, be
 20 subject to § 11-205.

21 Defined terms: "Cooperative" § 5-601

22 "Foreign corporation" § 1-101

23 **Article - Public Utility Companies**

24 7-104.

25 THE FORMATION, ORGANIZATION, AND GOVERNANCE OF ELECTRIC
 26 COOPERATIVES INCORPORATED IN MARYLAND ARE GOVERNED BY TITLE 5,
 27 SUBTITLE 6 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.

28 SECTION 4. AND BE IT FURTHER ENACTED, That:

29 (a) A mortgage, deed of trust, security agreement, or other security
 30 instrument entered into or created before October 1, 2002 that established a valid lien
 31 on personal property in accordance with Ch. 179, § 26, Acts of 1976, as amended by
 32 Ch. 604, Act of 2001, remains a valid lien under Title 9 of the Maryland Uniform
 33 Commercial Code subject to compliance with Title 9, Subtitle 7 of the Maryland
 34 Uniform Commercial Code as modified by subsection (b) of this section.

35 (b) If Title 9, Subtitle 7 of the Maryland Uniform Commercial Code
 36 requires action before July 1, 2002 to assure the continuing validity, perfection,
 37 priority, or similar status of a security interest, the status of the lien established by a

1 mortgage, deed of trust, security agreement, or other security instrument described in
2 this section will continue if the required action is taken before October 1, 2003.

3 SECTION 5. AND BE IT FURTHER ENACTED, That the Drafter's Notes and
4 catchlines contained in this Act are not law and may not be considered to have been
5 enacted as a part of this Act.

6 SECTION 6. AND BE IT FURTHER ENACTED, That the publisher of the
7 Annotated Code of Maryland, in consultation with and subject to the approval of the
8 Department of Legislative Services, shall correct, with no further action required by
9 the General Assembly, cross-references and terminology rendered incorrect by this
10 Act or by any Act of the General Assembly of 2002 that affects provisions enacted by
11 this Act. The publisher shall adequately describe any such correction in an editor's
12 note following the section affected.

13 SECTION 7. AND BE IT FURTHER ENACTED, That it is the intention of the
14 General Assembly that, except as specifically provided in this Act, this Act shall be
15 construed as a nonsubstantive revision, and may not otherwise be construed to render
16 any substantive change in the law of the State.

17 SECTION 8. AND BE IT FURTHER ENACTED, That this Act shall take effect
18 October 1, 2002.