

HOUSE BILL 378

C1

9lr1898

By: **Delegate Feldman**

Introduced and read first time: February 2, 2009

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Corporations – Corporate Documents, Fractional Shares, and Redemption of**
3 **Stock**

4 FOR the purpose of repealing a certain requirement that the original or a certified
5 copy of the bylaws of a corporation, including amendments to them, be kept at
6 the corporation's principal office; authorizing a corporation to eliminate
7 fractional shares of stock by rounding up, but not down, to a full share of stock;
8 increasing the amount of the aggregate net asset value of shares that a
9 corporation may redeem from a stockholder under certain circumstances;
10 authorizing a certain statement of affairs of a corporation to be placed on file, in
11 a certain form, at the corporation's principal office or at any other office or
12 agency specified in the bylaws of the corporation; requiring a written request for
13 certain persons to inspect and copy certain documents of a corporation;
14 requiring a corporation, within a certain time period after a certain request for
15 a certain document is presented to an officer or the resident agent of the
16 corporation, to have the requested document available on file at the
17 corporation's principal office; making certain clarifying and conforming changes;
18 and generally relating to corporate documents, fractional shares, and
19 redemption of stock.

20 BY repealing and reenacting, with amendments,
21 Article – Corporations and Associations
22 Section 2–110, 2–214(a), 2–310.1, 2–313, and 2–512
23 Annotated Code of Maryland
24 (2007 Replacement Volume and 2008 Supplement)

25 BY repealing and reenacting, without amendments,
26 Article – Corporations and Associations
27 Section 2–510
28 Annotated Code of Maryland
29 (2007 Replacement Volume and 2008 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Corporations and Associations**

4 2–110.

5 (a) The bylaws may contain any provisions not inconsistent with law or the
6 charter of the corporation for the regulation and management of the affairs of the
7 corporation.

8 (b) The bylaws may divide the directors of the corporation into classes and
9 specify the term of office of each class.

10 (c) [The original or a certified copy of the bylaws, including any amendments
11 to them, shall be kept at the corporation’s principal office.

12 (d)] (1) In this subsection, “facts ascertainable outside the bylaws” include:

13 (i) An action or determination by any person, including the
14 corporation, its board of directors, an officer or agent of the corporation, and any other
15 person affiliated with the corporation;

16 (ii) Any agreement or other document; or

17 (iii) Any other event.

18 (2) Any provision of the bylaws permitted under subsection (a) of this
19 section may be made dependent upon facts ascertainable outside the bylaws.

20 2–214.

21 (a) A corporation may, but is not obliged to:

22 (1) Issue fractional shares of stock;

23 (2) Eliminate a fractional interest by rounding [off] UP to a full share
24 of stock;

25 (3) Arrange for the disposition of a fractional interest by the person
26 entitled to it;

27 (4) Pay cash for the fair value of a fractional share of stock determined
28 as of the time when the person entitled to receive it is determined; or

29 (5) Issue scrip or other evidence of ownership which:

1 (i) Entitles its holder to exchange scrip or other evidence of
2 ownership aggregating a full share for a certificate which represents the share; and

3 (ii) Unless otherwise provided, does not entitle its holder to
4 exercise voting rights, receive dividends, or participate in the assets of the corporation
5 in the event of liquidation.

6 2–310.1.

7 (a) This section applies only to a corporation registered as an open–end
8 company under the Investment Company Act of 1940.

9 (b) Subject to the provisions of § 2–311 of this subtitle, if authorized by its
10 board of directors, a corporation may redeem shares of its stock from any stockholder
11 if the corporation’s charter expressly provides for the redemption of shares of its stock
12 from any stockholder.

13 (c) Subject to the provisions of § 2–311 of this subtitle, unless prohibited by
14 its charter, in the case of a corporation whose charter does not expressly provide for
15 the redemption of shares of its stock, the corporation may redeem shares of its stock
16 from any stockholder if the following conditions are met:

17 (1) The aggregate net asset value of the shares to be redeemed from
18 the stockholder is, as of the date of the redemption, [~~\$500~~] **\$1,000** or less; and

19 (2) Written notice of the redemption is given to the stockholder of
20 record that:

21 (i) Is mailed first–class to the shareholder’s last known address
22 of record;

23 (ii) States that all of the shares will be redeemed; and

24 (iii) Establishes a date for the redemption which is at least 45
25 days from the date of the notice.

26 (3) The price to be paid for shares redeemed under this subsection
27 shall be the aggregate net asset value of the shares at the close of business on the date
28 of the redemption.

29 (4) If certificates representing the shares to be redeemed under this
30 subsection have been issued and are not surrendered for cancellation on the date of
31 redemption:

32 (i) The corporation may withhold payment for the redeemed
33 shares until the certificates are surrendered for cancellation; and

1 (ii) Except for the right to receive payment of the redemption
2 price, the stockholder shall cease to have any rights as a stockholder of the corporation
3 on the date of redemption.

4 (5) If the aggregate net asset value of the shares to be redeemed under
5 this subsection should increase to an amount greater than [\$500] **\$1,000** between the
6 date of the notice of redemption and the date of the redemption, then the notice of
7 redemption shall have no further force or effect.

8 2-313.

9 (a) The president or, if provided in the bylaws, some other executive officer of
10 each corporation shall prepare annually a full and correct statement of the affairs of
11 the corporation, to include a balance sheet and a financial statement of operations for
12 the preceding fiscal year.

13 (b) Except as provided in subsection (c) of this section, the statement of
14 affairs shall be submitted at the annual meeting of stockholders and, within 20 days
15 after the meeting, placed on file at the corporation's principal office **OR AT ANY**
16 **OTHER OFFICE OR AGENCY SPECIFIED IN THE BYLAWS OF THE CORPORATION,**
17 **IN WRITTEN FORM OR IN ANY OTHER FORM THAT MAY BE CONVERTED WITHIN A**
18 **REASONABLE TIME INTO WRITTEN FORM FOR VISUAL INSPECTION.**

19 (c) If a corporation is not required to hold an annual meeting of stockholders
20 under a charter or bylaw provision adopted in accordance with § 2-501 of this title, the
21 statement of affairs shall be placed on file at the corporation's principal office **OR AT**
22 **ANY OTHER OFFICE OR AGENCY SPECIFIED IN THE BYLAWS OF THE**
23 **CORPORATION,** within 120 days after the end of the fiscal year, **IN WRITTEN FORM**
24 **OR IN ANY OTHER FORM THAT MAY BE CONVERTED WITHIN A REASONABLE TIME**
25 **INTO WRITTEN FORM FOR VISUAL INSPECTION.**

26 2-510.

27 One or more stockholders of a corporation may confer the right to vote or
28 otherwise represent their stock to a trustee by:

29 (1) Entering into a written voting trust agreement which specifies the
30 terms and conditions of the voting trust;

31 (2) Depositing an executed copy of the agreement with the corporation
32 at its principal office; and

33 (3) Transferring their stock for purposes of the agreement to a trustee.

34 2-512.

1 (a) Any stockholder, holder of a voting trust certificate in a corporation, or
2 his agent, **ON WRITTEN REQUEST**, may inspect and copy during usual business hours
3 any of the following corporate documents:

4 (1) Bylaws;

5 (2) Minutes of the proceedings of the stockholders;

6 (3) Annual statements of affairs; and

7 (4) Voting trust agreements [on file] **DEPOSITED WITH THE**
8 **CORPORATION** at the corporation's principal office **IN ACCORDANCE WITH**
9 **§ 2-510(2) OF THIS SUBTITLE.**

10 **(B) WITHIN 7 DAYS AFTER A REQUEST FOR DOCUMENTS MADE UNDER**
11 **SUBSECTION (A) OF THIS SECTION IS PRESENTED TO AN OFFICER OR THE**
12 **RESIDENT AGENT OF A CORPORATION, THE CORPORATION SHALL HAVE THE**
13 **REQUESTED DOCUMENTS AVAILABLE ON FILE AT ITS PRINCIPAL OFFICE.**

14 **[(b)] (C)** (1) Any stockholder or holder of a voting trust certificate in a
15 corporation other than an open-ended investment company may present to any officer
16 or resident agent of the corporation a written request for a statement showing all stock
17 and securities issued by the corporation during a specified period of not more than 12
18 months before the date of the request.

19 (2) Within 20 days after a request is made under this subsection, the
20 corporation shall prepare and have available on file at its principal office a sworn
21 statement of its president or treasurer or one of its vice-presidents or assistant
22 treasurers which states:

23 (i) The number of shares or amounts of each class of stock or
24 other securities issued during the specified period;

25 (ii) The consideration received per share or unit, which may be
26 aggregated as to all issuances for the same consideration per share or unit; and

27 (iii) The value of any consideration other than money as set in a
28 resolution of the board of directors.

29 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
30 **October 1, 2009.**