

SENATE BILL 626

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9lr3010
CF HB 378

By: **Senators Forehand and Garagiola**

Introduced and read first time: February 6, 2009

Assigned to: Judicial Proceedings

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 17, 2009

CHAPTER _____

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)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY repealing and reenacting, without amendments,
2 Article – Corporations and Associations
3 Section 2–510
4 Annotated Code of Maryland
5 (2007 Replacement Volume and 2008 Supplement)

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

8 **Article – Corporations and Associations**

9 2–110.

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

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

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

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

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

21 (ii) Any agreement or other document; or

22 (iii) Any other event.

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

25 2–214.

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

27 (1) Issue fractional shares of stock;

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

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

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

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

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

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

9 2-310.1.

10 (a) This section applies only to a corporation registered as an open-end
11 company under the Investment Company Act of 1940.

12 (b) Subject to the provisions of § 2-311 of this subtitle, if authorized by its
13 board of directors, a corporation may redeem shares of its stock from any stockholder
14 if the corporation's charter expressly provides for the redemption of shares of its stock
15 from any stockholder.

16 (c) ~~(1)~~ **(1)** Subject to the provisions of § 2-311 of this subtitle, unless
17 prohibited by its charter, in the case of a corporation whose charter does not expressly
18 provide for the redemption of shares of its stock, the corporation may redeem shares of
19 its stock from any stockholder if ~~the following conditions are met:~~

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

22 ~~(ii)~~ **(II)** Written notice of the redemption ~~is given~~ to the stockholder of
23 record ~~that~~:

24 ~~(i)~~ **1.** Is mailed first-class to the ~~shareholder's~~ **STOCKHOLDER'S**
25 last known address of record;

26 ~~(ii)~~ **2.** States that all of the shares will be redeemed; and

27 ~~(iii)~~ **3.** Establishes a date for the redemption which is at least 45
28 days from the date of the notice.

29 ~~(3)~~ **(2)** The price to be paid for shares redeemed under this subsection
30 shall be the aggregate net asset value of the shares at the close of business on the date
31 of the redemption.

1 ~~(4)~~ **(3)** If certificates representing the shares to be redeemed under this
2 subsection have been issued and are not surrendered for cancellation on the date of
3 redemption:

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

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

9 ~~(5)~~ **(4)** If the aggregate net asset value of the shares to be redeemed under
10 this subsection should increase to an amount greater than [\$500] **\$1,000** between the
11 date of the notice of redemption and the date of the redemption, then the notice of
12 redemption shall have no further force or effect.

13 2-313.

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

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

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

31 2-510.

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

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

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

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

4 2–512.

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

8 (1) Bylaws;

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

10 (3) Annual statements of affairs; and

11 (4) Voting trust agreements [on file] **DEPOSITED WITH THE**
12 **CORPORATION** at the corporation’s principal office **IN ACCORDANCE WITH**
13 **§ 2–510(2) OF THIS SUBTITLE.**

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

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

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

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

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

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

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

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.