Article - Corporations and Associations

§1–101.

(a) In this article, unless the context clearly requires otherwise, the following words have the meanings indicated.

(b) "Address" means the post office address, and includes street and number, if any, county or municipal area, and state and, if outside the United States, country.

(c) "Articles of transfer" means articles of sale, articles of lease, articles of asset exchange, or articles of transfer.

(d) "Assets" means any tangible, intangible, real, or personal property or other assets, including goodwill and franchises.

(e) "Business trust" means an unincorporated trust or association, including a common–law trust, a Massachusetts trust, a real estate investment trust as defined in § 8–101 of this article, a statutory trust as defined in § 12–101 of this article, and a foreign statutory trust as defined in § 12–101 of this article, that is engaged in business and in which property is acquired, held, managed, administered, controlled, invested, or disposed of by trustees or the trust for the benefit and profit of any person who may become a holder of a transferable unit of beneficial interest in the trust.

(f) (1) "Charter" includes:

(i) A charter granted by special act of the General Assembly;

(ii) Articles or certificate of incorporation;

(iii) Amended articles or certificate of incorporation;

(iv) Articles of restatement;

(v) Articles of amendment and restatement; and

(vi) Articles or agreements of consolidation.

(2) "Charter" includes the documents referred to in paragraph (1) of this subsection, either as:

(i) Originally passed or accepted for record; or

(ii) Amended, corrected, or supplemented by special act of the General Assembly, articles of amendment, articles of amendment and reduction, articles of extension, articles supplementary, articles or agreements of merger, articles of revival, a certificate of correction, or articles of validation.

(g) "Charter document" means any:

(1) Document enumerated in subsection (f) of this section; and

(2) Articles of reduction, articles of transfer, articles of merger, articles of share exchange, articles of conversion, articles of dissolution, and stock issuance statements.

(h) "Clerk of the court" means clerk of the circuit court for any county.

(i) "Convertible securities" includes:

(1) Shares of stock which by their terms are convertible into shares of stock of one or more classes; and

(2) Obligations which by their terms are convertible into shares of stock of one or more classes.

(j) "County" includes Baltimore City.

(k) "Department" means the State Department of Assessments and Taxation.

(l) "Director" means a member of the governing body of a corporation, whether designated as a director, trustee, or manager or by any other title.

(m) (1) "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that:

(i) May be retained, retrieved, and reviewed by a recipient of the communication; and

(ii) May be reproduced directly in paper form by a recipient through an automated process.

(2) "Electronic transmission" includes:

(i) Electronic mail;

(ii) Facsimile transmission;

(iii) Internet transmission; and

(iv) The use of or participation in one or more electronic networks or databases, including one or more distributed electronic networks or databases.

(n) "Entire board of directors" means the number of individuals who are directors of the corporation.

(o) "Foreign corporation" means a corporation, association, or joint–stock company organized under the laws of the United States, another state of the United States, a territory, possession, or district of the United States, or a foreign country.

(p) "Governing document" means:

(1) The charter and the bylaws of a Maryland corporation or a foreign corporation;

(2) The articles of organization or certificate of formation and the operating agreement or limited liability company agreement of a domestic limited liability company or a foreign limited liability company;

(3) The partnership agreement of an other entity that is a partnership or limited partnership, any statement of partnership authority of a partnership, the certificate of limited partnership of a limited partnership, and the certificate of limited liability partnership of a limited liability partnership;

(4) The declaration of trust or governing instrument of a business trust or a real estate investment trust; or

(5) A similar governing document or instrument of any other type of entity.

(q) "Internal corporate claim" means a claim, including a claim brought by or in the right of a corporation:

(1) Based on an alleged breach by a director, an officer, or a stockholder of a duty owed to the corporation or the stockholders of the corporation or a standard of conduct applicable to directors;

(2) Arising under this article; or

(3) Arising under the charter or bylaws of the corporation.

(r) "Mail" means to deposit in the United States mails postage prepaid.

(s) "Maryland corporation" means a corporation organized and existing under the laws of this State.

(t) "Municipal area" means any incorporated or unincorporated city, town, or village.

(u) "Person" includes an individual and a domestic or foreign corporation, business trust, statutory trust, estate, trust, partnership, limited partnership, limited liability company, association, two or more persons having a joint or common interest, or any other legal or commercial entity.

(v) "Preclearance" means review of the sufficiency of a document or a draft of a document listed in § 1–203(b)(1) or (4) of this title by an authorized agent of the Department before the document is filed with the Department.

(w) "Principal office" means:

(1) The place in this State filed or recorded with the Department as the principal office of a Maryland corporation, limited liability company, limited liability partnership, or limited partnership; or

(2) If there is no principal office designated, the main office of the Maryland corporation, limited liability company, limited liability partnership, or limited partnership in this State for the transaction of business.

(x) "Resident agent" means an individual residing in this State or a Maryland corporation, limited liability company, or limited partnership whose name, address, and designation as a resident agent are filed or recorded with the Department in accordance with the provisions of this article.

(y) "Share exchange" means a transaction:

(1) In which a corporation acquires all the issued or all the outstanding shares of stock of one or more classes of another corporation by a stockholder vote under this article; and

(2) Which does not affect the corporate existence of either corporation.

(z) (1) "Sign" means:

(i) To execute or otherwise adopt a name, symbol, word, mark, or process; and

(ii) With the present intent to authenticate or adopt a record or identify oneself.

(2) "Sign" includes:

(i) A manual signature;

(ii) A facsimile signature;

(iii) A conformed signature; and

(iv) An electronic signature.

(aa) "Stated capital" means the amount of stated capital determined in accordance with Title 2, Subtitle 3 of this article.

(bb) "Stockholder" means a person who is a record holder of shares of stock in a corporation and includes a member of a corporation organized without stock.

(cc) "Stockholder rights plan" means an agreement or other instrument under which a corporation issues rights to its stockholders that:

(1) May be exercised under specified circumstances to purchase stock or other securities of a corporation or any other person; and

(2) May become void if owned by a designated person or classes of persons under specified circumstances.

(dd) "Successor" means:

(1) A new corporation formed by consolidation;

(2) A corporation or other entity surviving a merger;

(3) A corporation acquiring stock in a share exchange; or

(4) A vendee, lessee, or other transferee in a transfer of assets.

(ee) "Transfer assets", "transfer its assets", and "transfer of assets" mean to sell, lease, exchange, or otherwise transfer all or substantially all of the assets of a corporation.

§1–102.

(a) Except as otherwise expressly provided by statute, the provisions of this article apply to every Maryland corporation and to all their corporate acts.

(b) (1) To the extent that rights conferred by a special act of the General Assembly are inconsistent with provisions of this article, the rights conferred by the special act govern.

(2) Unless the special act provides otherwise, the provisions of this article which are of general applicability may be used as an alternative to any of these inconsistent provisions.

(c) The requirements of this article are in addition to and not in substitution of any other requirements of law relating to any particular corporation or class of corporation.

(d) (1) To the extent that any provision of the Code which relates to a specific class of corporations conflicts with a general provision of this article, the specific provision governs.

(2) Any Maryland corporation that conducts its operations entirely outside the State may be formed and managed under the general provisions of this article without regard to the provisions relating to particular classes of corporations.

(e) The charter of every corporation formed before June 1, 1951, which is subject to repeal or modification, and the charter of every corporation formed under this article is subject to repeal or modification by public general law of the General Assembly.

§1–103.

Titles 1 through 3 of this article may be cited as the Maryland General Corporation Law.

§1–201.

(a) The Department may not accept for record any charter document of a Maryland corporation which does not conform with law. However, any document

which purports to be acknowledged may be treated by the Department as properly acknowledged.

(b) The Department may not accept for record or filing any charter document, qualification, registration, change of resident agent or principal office, report, service of process or notice, or other document until all required recording, filing, organization and capitalization, and other special fees have been paid to the Department.

(c) (1) The Department may accept documents that are filed for record by electronic transmission.

(2) Documents filed for record by electronic transmission are subject to the regular filing fees and expedited processing fees provided in § 1–203 of this subtitle.

(d) (1) On payment of the regular processing fee and, if applicable, expedited processing fee provided in § 1–203 of this subtitle, the Department may accept for preclearance any document or draft of any document listed in § 1–203(b)(1) or (4) of this subtitle.

(2) The Department may adopt regulations to administer the preclearance process.

§1–201.1.

(a) A person may not cause to be recorded under this subtitle a governing document or charter document of an entity that the person knows:

(1) Is not authorized by at least one individual whose name is included in the entity name; or

(2) Does not otherwise conform to State law.

(b) (1) A person who believes that a governing document or charter document was recorded in violation of subsection (a) of this section may submit to the Department an affidavit stating the factual basis for the person's belief.

(2) If the Department receives an affidavit from a person under paragraph (1) of this subsection, the Department shall send to the resident agent of the entity for which the governing document or charter document was filed for recordation a notice that:

(i) Includes a copy of the governing document or charter document;

(ii) Indicates the Department identification number associated with the entity;

(iii) States the prohibition under subsection (a) of this section;

(iv) States that the Department has reason to believe that the governing document or charter document has been filed for recordation in violation of subsection (a) of this section and describes the factual basis for that belief; and

(v) Advises that the governing document or charter document may be voided by the Department unless, within 45 days after the notice is sent by the Department, the resident agent or other authorized person submits to the Department an affidavit that:

1. States the resident agent's or other authorized person's belief that the governing document or charter document does not violate subsection (a) of this section; and

2. Provides the factual basis for that belief.

(3) The notice required under this subsection shall be sent by certified mail, return receipt requested, and by first–class mail, to the entity's resident agent at the address provided for the resident agent in the governing document or charter document.

(c) (1) The Department shall adopt by regulation and make available forms of the affidavits that must be used for the purposes described in subsection (b)(1) and (b)(2)(v) of this section.

(2) The forms shall require that the affidavits be sworn under the penalties of perjury.

(d) (1) The Department may void a governing document or charter document after the expiration of the 45–day period specified in the notice required under subsection (b)(2)(v) of this section if the Department does not receive from the entity's resident agent or other authorized person an affidavit that:

(i) States the resident agent's or other authorized person's belief that the governing document or charter document does not violate subsection (a) of this section; and

(ii) Provides the factual basis for that belief.

(2) If the Department voids a governing document or charter document under this subsection, the Department promptly shall send notice of the voiding to all persons who submitted affidavits in accordance with subsection (b)(1) of this section.

(e) (1) If the Department receives an affidavit in response to the notice sent by the Department under subsection (b)(2) of this section, the Department shall send a notice stating that the Department will take no further action unless a court of competent jurisdiction orders the Department to take further action.

(2) The notice required under paragraph (1) of this subsection shall be sent in the same manner required for the notice sent under subsection (b)(2)(v) of this section to:

(i) The person who filed the affidavit described in subsection (b)(1) of this section; and

(ii) The entity's resident agent.

(f) (1) A person who disagrees with a determination made by the Department under subsection (e)(1) of this section may file a petition in the circuit court for the county in which the person resides or in which the resident agent is located, seeking a determination of the validity of the governing document or charter document.

(2) The Department may not be joined as a party to a proceeding under this subsection.

(3) If the court determines that the governing document or charter document was recorded in violation of subsection (a) of this section:

(i) The court shall order that the recorded governing document or charter document be voided; and

(ii) The prevailing party shall provide a copy of the order to the Department.

(4) On receipt of a court order requiring voiding of a recorded governing document or charter document, the Department shall:

(i) Void the governing document or charter document; and

(ii) File a record indicating that the governing document or charter document was voided in accordance with a court order.

(5) The court may award to the prevailing party in a proceeding under this subsection:

(i) Damages sustained by the prevailing party; and

(ii) Reasonable attorney's fees and costs.

(g) The Department may not:

(1) Charge a fee to carry out its obligations under this section, including for the sending of any notices required under this section; or

(2) Refund any fee paid for recording a governing document or charter document voided under this section.

(h) The Department may adopt regulations to carry out this section.

§1–201.2.

(a) (1) In this section the following words have the meanings indicated.

(2) "Address" means an address appearing on a governing document, charter, or other document filed for inclusion in the Department's records.

(3) "Owner" means any person listed as an owner of real property in the Department's records.

(b) A person may not use or maintain an improper or outdated:

(1) Principal office address;

(2) Resident agent address; or

(3) Mailing address.

(c) (1) An owner who believes that the owner's address is being used or maintained in violation of subsection (b) of this section may submit to the Department an affidavit stating the factual basis for that belief.

(2) On receipt of an affidavit under paragraph (1) of this subsection, the Department shall send to the person using or maintaining the disputed address a notice that:

(i) Includes any address in question;

(ii) Indicates any Department identification number associated with the person;

(iii) States the prohibition under subsection (b) of this section;

(iv) States that the Department has reason to believe that the address is being used improperly or in an outdated manner and describes the factual basis for that belief; and

(v) Advises that the address may be stricken from the Department's records unless, within 45 days after the notice was sent by the Department, the person submits to the Department an affidavit that:

1. States the person's belief that the address does not violate subsection (b) of this section; and

2. Provides the factual basis for that belief.

(3) (i) An affidavit submitted under this subsection shall be sworn under penalty of perjury and made on a form adopted by the Department.

(ii) The notice required under this subsection shall be sent by certified mail, return receipt requested, to the person at:

1. Any address in the Department's records other than the disputed address; or

2. In the absence of any other address, the disputed address.

(d) The Department may void an address and place an entity in not–in–good–standing status if the Department does not receive from the entity's resident agent or other authorized person an affidavit described under subsection (c)(2)(v) of this section within the stated 45–day period.

(e) (1) If the Department receives a completed affidavit that disputes the alleged fraud in response to the notice sent by the Department in accordance with subsection (c)(2)(v) of this section, the Department shall send a notice stating that

the Department will take no further action unless ordered to do so by a court of competent jurisdiction.

(2) The notice required under paragraph (1) of this subsection shall be sent by certified mail, return receipt requested, to:

(i) The person who filed the affidavit described in subsection (c) of this section; and

(ii) The entity's resident agent.

(f) (1) A person who disagrees with a determination made by the Department under subsection (d) of this section may file a petition in the circuit court for the county in which the person resides or in which the resident agent is located seeking a determination of the validity of the governing document, charter, or other document.

(2) The Department may not be joined as a party to a proceeding under this subsection.

(3) If the court determines that the address is being used in violation of this section:

(i) The court shall order that the address be voided; and

(ii) The prevailing party shall provide a copy of the order to the Department.

(4) On receipt of a court order requiring the voiding of an address, the Department shall:

(i) Void the address; and

(ii) File a record indicating that the address was voided in accordance with a court order.

(5) The court may award to the prevailing party in a proceeding under this subsection:

(i) Damages sustained by the prevailing party; and

(ii) Reasonable attorney's fees and costs.

(g) The Department may not:

(1) Charge a fee to carry out its obligations under this section, including for the sending of any notices required under this section; or

(2) Refund any fee paid for recording a document or entity voided under this section.

§1–202.

When the Department accepts for record any charter document or any document designating or changing the name or address of a resident agent or principal office of a Maryland corporation, the Department shall:

(1) Endorse on the document its acceptance for record and the date and time of acceptance;

(2) Record promptly the document with its corporate records; and

(3) Send an acknowledgment to the corporation, its attorney, or its agent stating the date and time that the document was accepted for record.

§1–203.

(a) In addition to any organization and capitalization fee required under § 1–204 of this subtitle, subject to subsection (c) of this section, the Department shall collect the fees specified in subsection (b) of this section.

(b) (1) Except as provided in paragraph (10) of this subsection, for each of the following documents, the nonrefundable processing fee is $100:

Document
Articles of incorporation
Articles of amendment
Articles of extension
Articles of restatement of charter
Articles of amendment and restatement
Articles supplementary
Articles of share exchange
Articles of consolidation or merger
Articles of revival for stock corporation
Articles of revival for nonstock corporation
Articles of conversion
Articles of validation

(2) For each of the following documents, the nonrefundable processing fee is as indicated:

(i) Notice of change of address of principal office.....$25

(ii) Notice of change of name or address of resident agent.....$25, up to a maximum of $30,000 for a bulk filing

(iii) Certificate of correction.....$25

(iv) Except as provided in paragraph (14) of this subsection, any other documents.....$25

(3) (i) For each of the following documents which are filed but not recorded, the nonrefundable processing fee is as indicated:

Reservation of a corporate, limited partnership, limited liability partnership or limited liability company name.....$25

Original registration of name of a foreign corporation to end of calendar year.....$100

Renewal of registration of name of a foreign corporation for 1 calendar year.....$100

Documents in connection with the qualification of a foreign corporation to do intrastate business in this State.....$100

Application for registration of a foreign limited partnership, a foreign limited liability partnership, or a foreign limited liability company.....$100

Other documents.....$6

(ii) Except as provided in paragraph (13) of this subsection, for each of the following documents which are filed but not recorded, the filing fee is as indicated:

Annual report of a Maryland corporation, except a charitable or benevolent institution, nonstock corporation, savings and loan corporation, credit union, family farm, and banking institution.....$300

Annual report of a foreign corporation subject to the jurisdiction of this State, except a national banking association, savings and loan association, credit union, nonstock corporation, and charitable and benevolent institution……..$300

Annual report of a Maryland savings and loan association, banking institution, or credit union or of a foreign savings and loan association, national banking association, or credit union that is subject to the jurisdiction of this State……...$300

Annual report of a Maryland limited liability company, limited liability partnership, limited partnership, or of a foreign limited liability company, foreign limited liability partnership, or foreign limited partnership, except a family farm……..…$300

Annual report of a business trust……$300

Annual report of a real estate investment trust or foreign statutory trust doing business in this State……$300

Annual report of a family farm……..……$100

(4) For each of the following documents recorded or filed the nonrefundable processing fee is $100:

(i) Certificate of limited partnership, certificate of limited liability partnership, articles of organization of a limited liability company, certificate of trust of a business trust, including certificates of amendment, certificates of reinstatement, and articles of reinstatement; and

(ii) Any statement filed by a partnership under Title 9A of this article.

(5) For issuing each of the following certificates, the nonrefundable processing fee is as indicated:

Type of Instrument Special Fee

Certificate of status of a corporation, partnership, limited partnership, limited liability partnership, or limited liability company of this State or of a foreign corporation, foreign partnership, foreign limited partnership, foreign limited liability partnership, or foreign limited liability company…….....$20

Certified list of the charter papers of a corporation of this State or any certificates of a limited partnership, limited liability partnership, or a limited liability company of this State recorded or filed with the Department……..…$20

Certificate of compliance by a foreign corporation, foreign limited partnership, foreign limited liability partnership, or foreign limited liability company with requirements of law in respect of qualification or registration……....$20

Certificate of withdrawal of registration or qualification..……$20

Certificate of any paper recorded or filed in the Department's office……...$20

(6) For a duplicate of a certificate mentioned in paragraph (5) of this subsection which is issued at the same time as the original, the fee is $1, and for a nonelectronic copy of any other paper recorded or filed with the Department, the fee is $1 per page.

(7) (i) For acceptance of service of process or notice on the Department, the Department shall charge a fee of $50.

(ii) Each county and Baltimore City is exempt from the fee under subparagraph (i) of this paragraph.

(8) Subject to § 1–203.2(c) of this subtitle, for processing each of the following documents on an expedited basis, the additional fee is as indicated:

Recording any document, including financing statements, or submitting for preclearance any document listed in paragraph (1) or (4) of this subsection, if processing under § 1–203.2(b)(1) of this subtitle is requested.....$425

Recording any document, including financing statements, or submitting for preclearance any document listed in paragraph (1) or (4) of this subsection, if processing under § 1–203.2(b)(1) of this subtitle is not requested……....$50

Certificate of status of a corporation, partnership, limited partnership, limited liability partnership, or limited liability company, or a name reservation……....$20

Certified list of the charter documents of a Maryland corporation or any certificate of a Maryland limited partnership, limited liability partnership, or limited liability company recorded or filed with the Department.....$20

A copy of any document recorded or filed with the Department, or a corporate abstract……$20

Application for a ground rent redemption or a ground rent extinguishment, or payment of a redemption or extinguishment amount to the former owner of the ground rent……$50

(9) A nonrefundable processing fee for a request by paper document for an extension of the date for submitting an annual report under § 14–704 of the Tax – Property Article is $20.

(10) A nonrefundable processing fee for articles of incorporation of a nonstock corporation that is organized to operate as a nonprofit entity under § 501(c)(3), (4), or (6) of the Internal Revenue Code is $150.

(11) A fee for the nonpayment of a check or other negotiable instrument that was presented to the Department as payment for any of the other fees imposed under this section is $30.

(12) A nonrefundable processing fee for preclearance of a document or draft of a document listed in paragraph (1) or (4) of this subsection is $275.

(13) Beginning in fiscal year 2022, the Department shall waive the filing fee for a business entity described under paragraph (3)(ii) of this subsection for each year that the entity provides evidence to the Department that:

(i) The entity is required to comply with and is in compliance with Title 12 of the Labor and Employment Article; or

(ii) The entity otherwise provides an employer–offered savings arrangement, as defined in § 12–101(e) of the Labor and Employment Article, that is in compliance with federal law.

(14) There is no processing fee for documents filed to dissolve, cancel, or terminate an entity under this subsection.

(c) For each fee identified under subsection (b) of this section as nonrefundable, the Department shall adopt regulations to specify the conditions under which the fee shall be nonrefundable and the conditions under which the fee may be applied to a resubmission of a document for filing, recording, or processing.

(d) The fees collected under subsection (b)(8) and (12) of this section shall be credited to the fund established under § 1–203.3 of this subtitle.

(e) Of the $150 collected under subsection (b)(10) of this section, $50 shall be credited to the Maryland Nonprofit Development Center Program Fund established under § 5–1204 of the Economic Development Article.

§1–203.1.

(a) With the exception of the recording fee to be paid when the Department accepts articles of incorporation for record, a volunteer fire company or volunteer rescue squad incorporated in this State is not subject to any of the recording, filing, or special fees enumerated in § 1–203 of this subtitle.

(b) A qualified business entity that is a new business entity in a Tier I area, as defined under the More Jobs for Marylanders Program established under Title 6, Subtitle 8 of the Economic Development Article, is not subject to the fees enumerated in § 1–203 of this subtitle if the qualified business entity received a certificate under § 6–805 of the Economic Development Article before June 1, 2022.

§1–203.2.

(a) On payment of the fee provided in § 1–203(b)(8) of this subtitle, the Department shall process documents on an expedited basis as provided in subsection (b) of this section.

(b) Subject to subsection (c) of this section, the Department shall:

(1) Process documents filed with the Department at least 2 hours before the Department's close of business within 2 hours after the documents are received; and

(2) To the extent practicable, process all other documents on the same day that the documents are received.

(c) (1) The Department shall adopt regulations governing the manner of filing and processing of documents on an expedited basis, including reasonable limitations on filing documents of unusual volume or length.

(2) The Department may:

(i) Adopt regulations establishing:

1. Expedited document processing tiers; or

2. Additional methods of expedited document processing; and

(ii) Charge reasonable fees for services provided in accordance with this paragraph.

§1–203.3.

(a) There is a continuing, nonlapsing fund that is not subject to § 7–302 of the State Finance and Procurement Article.

(b) (1) Subject to the appropriation process in the State budget, the Department shall use the fund:

(i) For the costs of reviewing, processing, and auditing documents filed or requested under this article or other articles of the Code;

(ii) To pay redemption or extinguishment amounts to former owners of ground rents redeemed or extinguished in accordance with § 8–804 of the Real Property Article; and

(iii) Subject to paragraph (2) of this subsection, for other costs incurred by the Department to administer the provisions of this article.

(2) For fiscal year 2015 and each fiscal year thereafter, the Department may not use the fund to pay more than 15% of the administrative expenses of the Office of the Director of the Department.

(c) The State Treasurer shall hold and the State Comptroller shall account for the fund.

(d) The fund shall be invested and reinvested in the same manner as other State funds.

(e) Investment earnings shall accrue to the benefit of the fund.

§1–204.

(a) (1) In this section the following words have the meanings indicated.

(2) "Aggregate par value of capital stock" means the sum of the total par value of all classes of stock.

(3) "Corporation" includes a joint stock company.

(4) "Total par value of a class of capital stock" means:

(i) For a class of capital stock having par value, the par value per share of stock in the class times the number of authorized shares in the class; or

(ii) For a class of capital stock not having par value, $20 times the number of authorized shares in the class.

(b) There is an organization and capitalization fee imposed on:

(1) The aggregate par value of capital stock of a Maryland corporation that incorporates;

(2) An increase of the aggregate par value of capital stock of a Maryland corporation;

(3) A consolidation of corporations that results in a Maryland successor corporation that has an aggregate par value of capital stock that exceeds the aggregate par value of the consolidating corporations;

(4) A merger of corporations if the successor corporation has an aggregate par value that exceeds the aggregate par value of capital stock of the merging corporations; or

(5) The incorporation of:

(i) A Maryland corporation that does not have any capital stock;

(ii) A savings and loan association; or

(iii) A credit union.

(c) (1) Except as otherwise provided in this section, the organization and capitalization fee is as provided in the following schedule:

Aggregate Par Value of Capital Stock	Fee
Not over $100,000	$20
Over $100,00 but not over $1,000,000	$20, plus $1 for each $5,000 or fractional part of $5,000 that exceeds $100,000
Over $1,000,000 but not over $2,000,000	$200, plus $10 for each $100,000 or fractional part of $100,000 that exceeds $1,000,000
Over $2,000,000 but not over $5,000,000	$300, plus $15 for each $500,000 or fractional part of $500,000 that exceeds $2,000,000

Over $5,000,000	$390, plus $20 for each $1,000,0000 or fractional part of $1,000,000 that exceeds $5,000,000

(2) The organization and capitalization fee is $20 for the incorporation of:

(i) A Maryland corporation that does not have any capital stock;

(ii) A savings and loan association; or

(iii) A credit union.

(d) (1) Except as otherwise provided in this subsection, the organization and capitalization fee for an increase in aggregate par value of capital stock is the fee computed on the aggregate par value including the proposed increase less the fee computed on the aggregate par value excluding the proposed increase.

(2) Except as provided in paragraph (3) of this subsection, the organization and capitalization fee on an increase in aggregate par value of capital stock of a railroad corporation that is incorporated under the laws of this State and any other state is computed by multiplying the fee computed under paragraph (1) of this subsection by the proportion of the total track mileage of the railroad corporation in this State to the total track mileage of the railroad corporation.

(3) The minimum organization and capitalization fee on an increase in aggregate par value is $20.

(e) (1) Except as otherwise provided in this subsection, the organization and capitalization fee for the consolidation of existing corporations to form a Maryland successor corporation is the fee computed on the aggregate par value of capital stock of the successor corporation less the fee computed on the combined aggregate par value of capital stock of the consolidating corporations.

(2) If there is an increase in the aggregate par value as computed under paragraph (1) of this subsection, the minimum organization and capitalization fee due on a consolidation is $20.

(f) (1) Except as otherwise provided in this subsection, the organization and capitalization fee for the merger of existing corporations is the fee computed on the aggregate par value of capital stock of the successor corporation less the fee

computed on the combined aggregate par value of capital stock of the merging corporations.

(2) If there is an increase in the aggregate par value as computed under paragraph (1) of this subsection, the minimum organization and capitalization fee due on a merger is $20.

(g) The organization and capitalization fee required by this section shall be paid to the Department before the Department may accept for record any charter document that requires an organization and capitalization fee.

(h) The Department shall give the Comptroller a monthly account of the organization and capitalization fees that the Department receives.

(i) The Department shall pay any organization and capitalization fees collected under this title into the General Fund of this State.

§1–205.

The Department may refuse to accept for record or filing any charter document of a Maryland corporation, unless the original or a certified copy of all prior charter documents not previously recorded or filed are delivered to the Department for record, together with any affidavit or certificate of completeness required by the Department.

§1–206.

(a) Unless otherwise provided in this article, all charter documents are effective when accepted for recording or filing by the Department.

(b) Except in a proceeding by the State for the forfeiture of a charter or in a proceeding by the State or any of its political subdivisions for the enforcement of any other right or remedy, the acceptance for record or filing of any charter document by the Department is conclusive evidence of the payment of all recording, filing, and special fees and of all bonus and other taxes payable by law.

(c) A certified copy of the articles of incorporation, certificate of incorporation, or other instrument by which a corporation was formed, from the records of the Department or the Secretary of State, is evidence of the existence of the corporation and of its right to exercise the powers mentioned in the document. A certified copy of any other charter document from these records is evidence of the facts and corporate action required to be stated in the document.

§1–207.

(a) If any charter document or other corporate document filed with the Department under Titles 1 through 5 or Title 8 of this article contains any typographical error, error of transcription, or other error or has been defectively executed, the document may be corrected by the filing of a certificate of correction.

(b) A certificate of correction shall set forth:

(1) The title of the document being corrected;

(2) The name of each party to the document being corrected;

(3) The date that the document being corrected was filed; and

(4) The provision in the document as previously filed and as corrected and, if execution of the document was defective, the manner in which it was defective.

(c) A certificate of correction may not:

(1) Alter the wording of any resolution which was adopted by the board of directors, the board of trustees, the stockholders, or the shareholders of a party to the document being corrected; or

(2) Make any other change or amendment which would not have complied in all respects with the requirements of this article at the time the document being corrected was filed.

(d) (1) Except as provided in paragraph (2) of this subsection, a certificate of correction shall be executed in the same manner in which the document being corrected is required to be executed at the time of the filing of the certificate of correction.

(2) A certificate of correction to articles of incorporation shall be executed by the incorporator or in the manner provided in § 1-301 of this title.

(e) A certificate of correction may not:

(1) Change the effective date of the document being corrected; or

(2) Affect any right or liability accrued or incurred before its filing, except that any right or liability accrued or incurred by reason of the error or defect being corrected shall be extinguished by the filing if the person having the right has not detrimentally relied on the original document.

§1–207.1.

(a) A corporation may file a certificate of notice for record with the Department.

(b) A certificate of notice may describe:

(1) An action by the corporation, its board of directors, or its stockholders;

(2) The occurrence of or change to facts ascertainable outside of the charter, as defined in § 2-105(b) of this article;

(3) The expiration of the period of existence of the corporation in accordance with § 3-519 of this article; or

(4) Any other information that the corporation determines should be disclosed.

(c) A certificate of notice may not:

(1) Amend, supplement, or correct the charter of the corporation in any manner; or

(2) Affect any rights or liabilities of stockholders, whether or not accrued or incurred before the certificate of notice is filed.

(d) A certificate of notice is not a part of the charter of a corporation.

(e) A director of a corporation is not required to authorize or direct the filing of a certificate of notice.

(f) A corporation is not required to file a certificate of notice for any purpose, including to indicate that there has been a change to the facts or information contained in a previously filed certificate of notice.

(g) A certificate of notice shall be executed in the manner required for charter documents by § 1-301 of this title.

§1–208.

(a) Notwithstanding any other provision of this title, an entity that is required to have a resident agent may not designate a person as a resident agent without first obtaining the person's written consent.

(b) (1) (i) Unless waived by the Department, an entity shall file a resident agent's written consent with the Department.

(ii) The consent shall be effective on acceptance by the Department.

(2) (i) If the filing of a resident agent's written consent is waived by the Department, an entity shall:

1. Certify to the Department that the written consent of the resident agent has been obtained;

2. Maintain a copy of the written consent in its records; and

3. Provide a copy of the written consent to the Department on request.

(ii) The consent shall be effective on certification to the Department that the consent has been obtained.

(c) Subsections (a) and (b) of this section do not apply to resident agents designated before October 1, 1998.

(d) A person designated a resident agent may resign without paying the fee under § 1–203(b)(2) of this subtitle.

§1–209.

(a) In this section, "family farm" means an entity that:

(1) Is a domestic entity;

(2) (i) 1. Owns, or within 1 year after filing articles of incorporation, articles of organization, or a certificate of partnership, will own or take control of property that qualifies for agricultural use assessment under § 8-209 of the Tax - Property Article; and

2. Owns only agriculturally or residentially assessed real property and personal property that is used for agricultural purposes; or

(ii) Owns only personal property that is used for agricultural or agricultural marketing purposes;

(3) Is controlled, managed, and operated by:

(i) One individual who has an equity interest in the entity; or

(ii) Two or more individuals who have an equity interest in the entity and who share its assets and earnings;

(4) Is declared in a charter provision to be a family farm; and

(5) Has no assets other than those described in item (2) of this subsection.

(b) Within 1 year after selling all of the property described in subsection (a)(2) of this section, an individual shall file a charter amendment stating that the entity is no longer a family farm.

§1–301.

(a) Articles supplementary and articles of amendment, restatement, amendment and restatement, consolidation, merger, share exchange, conversion, extension, and validation and, except as provided in § 3–406(b) of this article, articles of dissolution shall be executed as follows:

(1) They shall be signed and acknowledged for each corporation, statutory trust, or real estate investment trust party to the articles, by its chairman or vice chairman of the board of directors or board of trustees, by its chief executive officer, chief operating officer, chief financial officer, president, or one of its vice presidents, or, if authorized by the bylaws or resolution of the board of directors or board of trustees, by any other officer or agent of the corporation, statutory trust, or real estate investment trust;

(2) They shall be witnessed or attested by the secretary, treasurer, chief financial officer, assistant treasurer, or assistant secretary of each corporation, statutory trust, or real estate investment trust party to the articles, or, if authorized by the bylaws or resolution of the board of directors or board of trustees, by any other officer or agent of the corporation, statutory trust, or real estate investment trust;

(3) They shall be signed and acknowledged for each other entity party to the articles by a person authorized to act for the entity by law or by the governing document; and

(4) The matters and facts set forth in the articles with respect to authorization and approval shall be verified under oath as follows:

(i) With respect to any Maryland corporation, statutory trust, or real estate investment trust party to the articles, by the chairman or the secretary of the meeting at which the articles or transaction were approved, by the chairman or vice chairman of the board of directors or board of trustees, by the chief executive officer, chief operating officer, chief financial officer, president, vice president, secretary, or assistant secretary of the corporation, statutory trust, or real estate investment trust, or, if authorized in accordance with item (1) of this subsection, by any other officer or agent of the corporation, statutory trust, or real estate investment trust;

(ii) With respect to any foreign corporation party to articles of consolidation, merger, or share exchange, by the chief executive officer, chief operating officer, chief financial officer, president, vice president, secretary, or assistant secretary of the corporation; and

(iii) With respect to any other Maryland or foreign entity party to the articles, by a person authorized by law or by the governing document to act for the entity.

(b) All other instruments required to be filed with the Department may be signed:

(1) By the chairman or vice chairman of the board of directors, the chief executive officer, chief operating officer, president, or any vice president and witnessed or attested by the secretary or any assistant secretary, or by any other officer or agent of the corporation who is authorized by the bylaws or resolution of the board of directors to perform the duties usually performed by the secretary;

(2) If it appears from the instrument that there are no such officers, by a majority of the directors or by such directors as may be designated by the board and the instrument so states; or

(3) If it appears from the instrument that there are no officers or directors, by the holders of a majority of outstanding stock.

§1–302.

(a) Any requirement in this article that a document be acknowledged or verified under oath is satisfied if the document or a signed certificate attached to and made a part of it contains a statement to the effect:

(1) Either:

(i) That the individual signing the document acknowledges it to be his act; or

(ii) If signed for a corporation or other entity, that the individual signing the document acknowledges it to be the act of that entity;

(2) In the case of articles of incorporation, that the incorporator acknowledges the articles to be his act; and

(3) As to all other matters or facts required to be verified under oath, that, to the best of the knowledge, information, and belief of the individual signing the document, these matters and facts are true in all material respects, and that the statement is made under the penalties for perjury.

(b) If the procedures provided in this section are used:

(1) The statement of acknowledgment has the same legal effect as an acknowledgment made before a person authorized to take acknowledgments; and

(2) The person making a statement required to be verified under oath is subject to the penalties for perjury to the same extent as if the statement had been verified under oath.

§1–303.

(a) A corporation may acknowledge by its appointed attorney any document required by law to be acknowledged, and the appointment may be in the document.

(b) The document may be acknowledged by the president or a vice president of the corporation without any appointment.

§1–304.

(a) If any corporation is required to place its corporate seal to a document, it is sufficient to meet the requirements of any law of this State relating to a corporate seal to place the word "(seal)" adjacent to the signature of the person authorized to sign the document on behalf of the corporation.

(b) If a Maryland corporation is required to place its corporate seal to a document, it is sufficient to meet the requirements of any law, rule, or regulation relating to a corporate seal to place the word "(seal)" adjacent to the signature of the person authorized to sign the document on behalf of the corporation.

§1–401.

(a) Service of process on the resident agent of a corporation, partnership, limited partnership, limited liability partnership, limited liability company, or real estate investment trust, or any other person constitutes effective service of process under the Maryland Rules on the corporation, partnership, limited partnership, limited liability partnership, limited liability company, or real estate investment trust, or other person in any action, suit, or proceeding which is pending, filed, or instituted against it under the provisions of this article.

(b) (1) Any notice required by law to be served by personal service on a resident agent or other agent or officer of any Maryland or foreign corporation, partnership, limited partnership, limited liability partnership, limited liability company, or real estate investment trust required by statute to have a resident agent in this State may be served on the corporation, partnership, limited partnership, limited liability partnership, limited liability company, or real estate investment trust in the manner provided by the Maryland Rules relating to the service of process on corporations.

(2) Service under the Maryland Rules is equivalent to personal service on a resident agent or other agent or officer of a corporation, partnership, limited partnership, limited liability partnership, limited liability company, or real estate investment trust mentioned in paragraph (1) of this subsection.

§1–402.

A determination required or permitted to be made under any provision of this article relating to stated capital, surplus, capital surplus, earned surplus, or any other account or matter relating to the financial position or results of operations of a Maryland corporation is prima facie proper and in accordance with this article if:

(1) Specific provisions of this article do not require otherwise; and

(2) It is made in good faith in accordance with generally accepted accounting practices and principles.

§1–403.

(a) Unless a lack of power or capacity is asserted in a proceeding described in this section, an act of a corporation or a transfer of real or personal property by or to the corporation is not invalid or unenforceable solely because the corporation lacked the power or capacity to take the action.

(b) (1) Lack of corporate power or capacity may be asserted by a stockholder in a proceeding to enjoin the corporation from doing an act or from transferring or acquiring real or personal property.

(2) If the act or transfer sought to be enjoined is based on a contract to which the corporation is a party and if all parties to the contract are parties to the proceeding, the court may set the contract aside and enjoin its performance.

(3) The court may award compensatory damages to any party to the contract who suffers a loss because of the action of the court. However, the court may not award compensatory damages for loss of anticipated profits to be derived from performance of the contract.

(c) Lack of corporate power or capacity may be asserted by the corporation in a suit brought in its name by the corporation or its receiver, trustee, other legal representative, or in a representative suit brought by a stockholder against its present or former officers or directors.

(d) Lack of corporate power or capacity may be asserted by the Attorney General in a proceeding for the forfeiture of the charter of the corporation or to enjoin it from transacting unauthorized business.

§1–404.

(a) Any person who owns, operates, or directs an unincorporated organization, firm, association, or other entity which includes in its name the word "corporation", "incorporated", or, except as provided in subsection (b) of this section, "limited" or an abbreviation of any of these words or which holds itself out to the public as a corporation is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $500.

(b) This section does not prohibit:

(1) A limited partnership from using the term "limited partnership" in its name;

(2) A limited liability company from using the terms "limited liability company" or "L.L.C." in its name; or

(3) A limited liability partnership from using the terms "limited liability partnership" or "L.L.P." in its name.

§1–405.

(a) In this section, "organized crime" means any combination or conspiracy:

(1) To engage in criminal activity as a significant source of income or livelihood; or

(2) To violate, aid, or abet the violation of criminal laws relating to prostitution, gambling, loan sharking, drug abuse, illegal drug distribution, counterfeiting, extortion, or corruption of law-enforcement officers or other public officers or employees.

(b) The Attorney General may institute a civil proceeding in the courts to forfeit the charter of any Maryland corporation and to revoke the authority of any foreign corporation to do business in this State, if:

(1) (i) A corporate officer or any person controlling the management or operation of the corporation, with the knowledge of the president and a majority of the board of directors or under circumstances where the president and a majority of the directors should have knowledge, is a person engaged in organized crime or connected directly or indirectly with an organization or criminal society engaged in organized crime; or

(ii) A director, officer, employee, agent, or stockholder acting for, through, or on behalf of a corporation in conducting its affairs purposely engages in a persistent course of organized crime or other criminal conduct with the knowledge of the president and a majority of the board of directors or under circumstances where the president and a majority of the directors should have knowledge, with the intent to compel or induce any person to deal with the corporation or to engage in organized crime; and

(2) For the prevention of future illegal conduct of the same character, the public interest requires the charter of the corporation to be forfeited and the corporation to be dissolved or the authorization to be revoked.

(c) The Attorney General may institute a civil proceeding in the courts to enjoin the operation of any business other than a corporation, including a partnership, limited partnership, unincorporated association, joint venture, or sole proprietorship, if:

(1) Any person in control of the business, who may be a partner in a partnership, a participant in a joint venture, the owner of a sole proprietorship, an employee or agent of any of these businesses, or a person who, in fact, exercises control over the operations of the business in conducting its business affairs, purposely engages in a persistent course of organized crime or other illegal conduct

with the intent to compel or induce any person to deal with the business or engage in organized crime; and

(2) For the prevention of future illegal conduct of the same character, the public interest requires the operation of the business to be enjoined.

(d) (1) The proceeding authorized by subsection (b) of this section may be instituted against a corporation in any county in which it is doing business. The proceeding shall be in addition to any other proceeding authorized by law for the purpose of forfeiting the charter of a corporation or revoking the authorization of a foreign corporation to do business in this State.

(2) The proceeding authorized by subsection (c) of this section may be instituted in any county in which the noncorporate entity is doing business.

§1–406.

(a) Any person engaged in any mercantile, trading, or manufacturing business as an agent or doing business or trading under any designation, title, or name other than the person's own name, prior to commencing operation of the business, shall file with the Department a certificate:

(1) In writing;

(2) Affirmed or acknowledged under oath; and

(3) Disclosing:

(i) The true and correct names and addresses of the principal or owner of the business;

(ii) The character and location of the business;

(iii) The name, title, or designation under which the business is conducted; and

(iv) The identification number assigned by the Department for the associated business.

(b) The name, title, or designation under which a business is conducted shall be recorded with the Department as provided in Subtitle 5 of this title.

(c) The information required in subsection (a) of this section shall be filed in the manner that the Department requires by regulation.

(d) (1) The Department of Assessments and Taxation shall maintain a public record, to be known as the "agency record".

(2) The agency record shall record all certificates filed in accordance with this section, and the certificates shall be properly indexed.

(e) The Department of Assessments and Taxation shall charge and receive a fee of:

(1) $25 for recording the certificates under this section; and

(2) $25 for each amendment, cancellation, or renewal of a certificate.

(f) (1) A certificate filed under this section is effective for a period of 5 years from the date the certificate is filed.

(2) Every 5 years following the year in which a certificate is filed or renewed, a person who has filed or renewed a certificate under this section may renew the certificate by filing, within 6 months before the end of the 5-year period, an application for renewal in the manner that the Department requires by regulation.

(3) A renewal application extends the certificate for 5 years from the end of the previous 5-year period.

(g) This section does not apply to any person who has filed a certificate similar to the certificate required under this section with the Department of Assessments and Taxation before July 1, 1991.

(h) A person that willfully and knowingly executes and files a false certificate under subsection (a) of this section is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $1,000 or imprisonment not exceeding 1 year or both.

§1–501.

In this subtitle, "entity" includes:

(1) A corporation;

(2) A limited liability company;

(3) A limited liability partnership;

(4) A limited partnership;

(5) A limited liability limited partnership;

(6) A professional corporation;

(7) A trade name filer; and

(8) A business trust.

§1–502.

(a) (1) The name of a corporation must include one of the following words or an abbreviation of one of the following words:

(i) "Company", if it is not preceded by the word "and" or a symbol for the word "and";

(ii) "Corporation";

(iii) "Incorporated"; or

(iv) "Limited".

(2) If a corporation is a benefit corporation, the name of the benefit corporation must include:

(i) The words "benefit corporation";

(ii) "Benefit Corp.";

(iii) The words "benefit company", if not preceded by the word "and" or a symbol for the word "and"; or

(iv) "Benefit Co.", if not preceded by the word "and" or a symbol for the word "and".

(b) (1) The name of a limited liability company must include:

(i) The words "limited liability company";

(ii) "L.L.C.";

(iii) "LLC";

(iv) "L.C."; or

(v) "LC".

(2) If a limited liability company is a benefit limited liability company, the name of the benefit limited liability company must include:

(i) The words "benefit limited liability company";

(ii) "Benefit L.L.C.";

(iii) "Benefit LLC";

(iv) "Benefit L.C."; or

(v) "Benefit LC".

(c) The name of a limited liability partnership must include:

(1) The words "limited liability partnership";

(2) "L.L.P."; or

(3) "LLP".

(d) The name of a limited partnership must include:

(1) The words "limited partnership";

(2) "L.P."; or

(3) "LP".

(e) The name of a limited liability limited partnership must include:

(1) The words "limited liability limited partnership";

(2) "L.L.L.P."; or

(3) "LLLP".

(f) (1) The corporate name of a professional corporation must include:

(i) The word "chartered";

(ii) The abbreviation "chtd.";

(iii) The words "professional association";

(iv) The abbreviation "P.A.";

(v) The words "professional corporation"; or

(vi) The abbreviation "P.C.".

(2) A professional corporation need not use any word specified under paragraph (1) of this subsection if:

(i) The corporation has registered the name to be used in the manner provided in § 1–406 of this title; and

(ii) The name is the same as its corporate name except for the allowable omissions.

§1–503.

(a) An entity name may not contain language stating or implying that the entity is organized for a purpose other than that allowed by the entity's:

(1) Articles of incorporation, if the entity is a corporation;

(2) Articles of organization, if the entity is a limited liability company;

(3) Certificate of limited liability partnership, if the entity is a limited liability partnership;

(4) Certificate of limited partnership, if the entity is a limited partnership; or

(5) Articles of incorporation, if the entity is a professional corporation.

(b) The name of a limited partnership may not contain the name of a limited partner unless:

(1) It is also the name of a general partner; or

(2) The business of the limited partnership had been carried on under the name before the admission of that limited partner.

(c) Except for words specified in § 1-502(f) of this subtitle, the name of a professional corporation may not use any other word, abbreviation, affix, or prefix that indicates it is a corporation.

§1–504.

An entity name must be distinguishable upon the records of the Department from:

(1) The entity name of an entity organized or authorized to transact business in the State;

(2) An entity name reserved or registered under this subtitle; and

(3) The disclosed assumed name adopted by a foreign entity authorized to transact business in this State.

§1–505.

(a) (1) A person may reserve the exclusive use of an entity name, including a disclosed assumed name for a foreign entity whose entity name is not available, by delivering an application to the Department for filing.

(2) The application must set forth the name and address of the applicant and the entity name proposed to be reserved.

(3) If the Department finds that the entity name applied for is available, the Department shall reserve the name for the applicant's exclusive use for a 30-day period.

(b) (1) The owner of a reserved entity name may transfer the reservation to another person by delivering to the Department a signed notice of the transfer that states the name and address of the transferee.

(2) The transferee under this subsection:

(i) Has the exclusive use of the reserved entity name for a 30-day period starting from the date of the owner's signed notice of the transfer provided under paragraph (1) of this subsection; and

(ii) May not transfer the reserved entity name to another person.

§1–506.

(a) A foreign entity may register its entity name or its entity name with any changes required by § 1-502 or § 1-503 of this subtitle, if the name is distinguishable upon the records of the Department as provided in § 1-504 of this subtitle.

(b) A foreign entity shall register its entity name by delivering to the Department for filing an application setting forth its entity name, or its entity name with any changes required by § 1-502 or § 1-503 of this subtitle, the state or country and date of its organization, and a brief description of the nature of the business in which it is engaged.

(c) The name is registered for the applicant's exclusive use upon the effective date of the application.

(d) (1) A foreign corporation whose registration is effective may renew it for successive years by delivering to the Department for filing a renewal application, which complies with the requirements of subsection (b) of this section, between October 1 and December 31 of the preceding year.

(2) The renewal application when filed renews the registration for the following calendar year.

§1–507.

An entity name that was recorded, registered, or reserved prior to October 1, 1998, may continue to be used even if the name does not comply with the requirements of this subtitle.

§1–508.

The Department may adopt regulations necessary to implement this subtitle.

§2–101.

(a) Except as otherwise expressly provided by law, a corporation may be formed under this title for any lawful purposes.

(b) If the purpose for which a corporation is organized or its form makes it subject to a special provision of law, the corporation also shall comply with that provision.

§2–102.

(a) Except as provided elsewhere in this section, in order to form a corporation, one or more adult individuals acting as incorporators shall:

(1) Sign and acknowledge articles of incorporation; and

(2) File them for record with the Department.

(b) (1) A proposed corporation becomes a body corporate under the name and subject to the purposes, conditions, and provisions stated in the articles of incorporation, effective as of the later of:

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

(ii) The time established under the articles, not later than 30 days after the Department accepts the articles for record.

(2) Except in a proceeding by the State for forfeiture of a corporation's charter, acceptance of the articles for record by the Department is conclusive evidence of the formation of the corporation.

(3) (i) The Department may not accept articles of incorporation from a fire or rescue organization to be located in Frederick County for the purpose of providing fire or rescue service in Frederick County unless the articles are accompanied by a written resolution of the governing body of Frederick County indicating approval of the proposed incorporation.

(ii) Incorporated municipalities in Frederick County with primary responsibility for governmental funding for fire service shall within their jurisdiction hold those powers assigned to the governing body of Frederick County in this paragraph.

§2–103.

Unless otherwise provided by law or its charter, a Maryland corporation has the general powers, whether or not they are set forth in its charter, to:

(1) Have perpetual existence;

(2) Sue, be sued, complain, and defend in all courts;

(3) Have, use, alter, or abandon a corporate seal;

(4) Transact its business, carry on its operations, and exercise the powers granted by this article in any state, territory, district, and possession of the United States and in any foreign country;

(5) Make contracts and guarantees, incur liabilities, and borrow money;

(6) Sell, lease, exchange, transfer, convey, mortgage, pledge, and otherwise dispose of any or all of its assets;

(7) Issue bonds, notes, and other obligations and secure them by mortgage or deed of trust of any or all of its assets;

(8) Acquire by purchase or in any other manner, and take, receive, own, hold, use, employ, improve, and otherwise deal with any interest in real or personal property, wherever located;

(9) Purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge, or otherwise dispose of and otherwise use and deal in and with stock and other interests in and obligations of other Maryland and foreign corporations, associations, partnerships, and individuals;

(10) Subject to the limitations provided in this article, acquire any of its own stock, bonds, notes, and other obligations and securities;

(11) Invest its surplus funds, lend money from time to time in any manner which may be appropriate to enable it to carry on the operations or fulfill the purposes specified in its charter, and take and hold real and personal property as security for the payment of funds so invested or loaned;

(12) Be a promoter, partner, member, associate, or manager of any partnership, joint venture, trust, or other enterprise;

(13) Make gifts or contributions in cash, other property, or stock or other securities of the corporation to or for the use of:

(i) The United States, this State, another state of the United States, a territory, possession, or district of the United States, or any institution, agency, or political subdivision of any of them; and

(ii) Any governmental or other organization, whether inside or outside the United States, for religious, charitable, scientific, civic, public welfare, literary, or educational purposes;

(14) Elect its officers and appoint its agents, define their duties, determine their compensation, and adopt and carry into effect employee and officer benefit plans;

(15) Renounce, in its charter or by resolution of its board of directors, any interest or expectancy of the corporation in, or in being offered an opportunity to participate in, business opportunities or classes or categories of business opportunities that are:

(i) Presented to the corporation; or

(ii) Developed by or presented to one or more of its directors or officers;

(16) Adopt, alter, and repeal bylaws not inconsistent with law or its charter for the regulation and management of its affairs;

(17) Exercise generally the powers set forth in its charter and those granted by law; and

(18) Do every other act not inconsistent with law which is appropriate to promote and attain the purposes set forth in its charter.

§2–104.

(a) The articles of incorporation shall include:

(1) The name and address of each incorporator and a statement that each incorporator is:

(i) 18 years old or older; and

(ii) Forming a corporation under the general laws of the State of Maryland;

(2) The name of the corporation;

(3) The purposes for which the corporation is formed or a statement that the corporation may engage in any lawful business or other activity;

(4) The address of the principal office of the corporation;

(5) The name and address of the resident agent of the corporation;

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

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

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

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

(7) If the stock is divided into classes as permitted by § 2-105 of this subtitle, a description of each class including any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption; and

(8) The number of directors and the names of those individuals who will serve as directors until their successors are elected and qualify.

(b) The articles of incorporation may include:

(1) Any provision not inconsistent with law that defines, limits, or regulates the powers of the corporation, its directors and stockholders, any class of its stockholders, or the holders of any bonds, notes, or other securities that it may issue;

(2) Any restriction not inconsistent with law on the transferability of stock of any class;

(3) Any provision authorized by this article to be included in the bylaws;

(4) Any provision that requires for any purpose the concurrence of a greater proportion of the votes of all classes or series or of any class or series of stock than the proportion required by this article for that purpose;

(5) A provision that requires for any purpose a lesser proportion of the votes of all classes or series or of any class or series of stock than the proportion required by this article for that purpose, but this proportion may not be less than a majority of all the votes entitled to be cast on the matter;

(6) A provision that divides its directors into classes or series and specifies the term of office of each class or series;

(7) A provision for minority representation through cumulative voting in the election of directors and the terms on which cumulative voting rights may be exercised;

(8) A provision that varies in accordance with § 2–405.2 of this title the standards for liability of the directors and officers of a corporation for money damages;

(9) A provision that allows the board of directors, in considering a potential acquisition of control of the corporation, to consider the effect of the potential acquisition of control on:

(i) Stockholders, employees, suppliers, customers, and creditors of the corporation; and

(ii) Communities in which offices or other establishments of the corporation are located;

(10) A provision that contains a future effective date for the articles of incorporation that is not later than 30 days after the articles are accepted by the Department for record; and

(11) If adopted after May 31, 1908, a provision stating that:

(i) The existence of the corporation is limited to a specific period; or

(ii) The existence of the corporation shall be limited to a specific period that shall be continued, extended, or terminated on the occurrence of an event, an action, or a determination set forth in the charter.

(c) The inclusion or omission of a provision in the charter that allows the board of directors to consider the effect of a potential acquisition of control on persons specified in subsection (b)(9) of this section does not create an inference concerning factors that may be considered by the board of directors regarding a potential acquisition of control.

§2–105.

(a) A corporation may provide by its charter:

(1) For one or more classes or series of stock, the voting rights of each class or series, and any restriction on or denial of these rights;

(2) That the holders of one or more classes or series of stock have exclusive voting rights on a charter amendment that would alter only the contract rights, as expressly set forth in the charter, of the specified class or series of stock;

(3) As to each class or series of stock, either the par value of the shares or that the shares are without par value;

(4) (i) That the corporation shall set apart dividends for or pay dividends to the holders of a specified class or series of stock before any dividends are set apart for or paid to the holders of another class or series of stock;

(ii) The rate, amount, and time of payment of the dividends; and

(iii) Whether the dividends are cumulative, cumulative to a limited extent, or noncumulative;

(5) That any specified class or series of stock is preferred over another class or series as to its distributive share of the assets on voluntary or involuntary liquidation of the corporation and the amount of the preference;

(6) That any specified class or series of stock may be redeemed at the option of the corporation or of the holders of the stock and the terms and conditions of redemption, including the time and price of redemption;

(7) That any specified class or series of stock is convertible into shares of stock of one or more other classes or series and the terms and conditions of conversion;

(8) That the holders of any specified securities issued or to be issued by the corporation have any voting or other rights which, by law, are or may be conferred on stockholders;

(9) For any other preferences, rights, restrictions, including restrictions on transferability, and qualifications not inconsistent with law;

(10) That the board of directors may classify or reclassify any unissued stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the stock;

(11) (i) For any grant to the holders of the stock of the corporation, including a specified class or series of stock, of the preemptive right to subscribe to:

1. Any or all additional issues of the stock; or

2. Any securities of the corporation convertible into additional issues of stock; or

(ii) For any definition or limitation of the preemptive rights of stockholders to acquire additional stock or securities in the corporation;

(12) For restrictions on transferability or ownership for any purpose, including restrictions designed to permit a corporation to qualify as:

(i) A real estate investment trust under the Internal Revenue Code or regulations adopted under the Internal Revenue Code; or

(ii) An investment company under the Investment Company Act of 1940 or regulations adopted under the Investment Company Act of 1940; and

(13) That the board of directors, with the approval of a majority of the entire board, and without action by the stockholders, may amend the charter to increase or decrease the aggregate number of shares of stock of the corporation or the number of shares of stock of any class or series that the corporation has authority to issue.

(b) (1) In this subsection, "facts ascertainable outside the charter" includes:

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

(ii) The contents of any agreement to which the corporation is a party or any other document; and

(iii) Any other event.

(2) Any of the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of any class or series of stock may be made dependent upon facts ascertainable outside the charter and may vary among holders thereof, provided that the manner in which such facts or variations shall operate upon the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such class or series of stock is clearly and expressly set forth in the charter.

(c) Notwithstanding subsection (a)(13) of this section, the board of directors of a corporation that is registered or intends to register as an open–end company under the Investment Company Act of 1940, after the registration as an open–end company takes effect, may increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class that the corporation has authority to issue, unless a provision has been included in the charter of the corporation after July 1, 1987 prohibiting an action by the board of directors to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class that the corporation has authority to issue.

§2–106.

(a) A corporation shall record its name with the Department as provided in Title 1, Subtitle 5 of this article.

(b) The Department may permit a foreign corporation that has a name prohibited by Title 1, Subtitle 5 of this article to register or qualify to do business in this State, if the foreign corporation agrees:

(1) To transact business in this State only under a disclosed assumed name that meets the requirements of Title 1, Subtitle 5 of this article; and

(2) To use the assumed name in all of its dealings with the Department and the conduct of its affairs in this State.

§2–108.

(a) Each Maryland corporation shall have:

(1) A principal office in this State; and

(2) A resident agent.

(b) (1) A corporation may designate or change its resident agent or principal office by filing for record with the Department a certified copy of a resolution of its board of directors which authorizes the designation or change.

(2) A corporation may change the address of its resident agent by filing for record with the Department a statement of the change signed by its president or one of its vice-presidents.

(3) A designation or change of a corporation's principal office or its resident agent or his address under this subsection is effective when the Department accepts the resolution or statement for record.

(c) (1) A resident agent who changes his address in the State may notify the Department of the change by filing for record with the Department a statement of the change signed by him or on his behalf.

(2) The statement shall include:

(i) The names of the corporations for which the change is effective;

(ii) His old and new addresses; and

(iii) The date on which the change is effective.

(3) If the old and new addresses of the resident agent are the same as the old and new addresses of the principal office of the corporation, the statement may include a change of address for the principal office if:

(i) The resident agent notifies the corporation in writing that the statement will be filed; and

(ii) The statement recites that he has done so.

(4) The change of address of the resident agent or principal office is effective when the Department accepts the statement for record.

(d) (1) A resident agent may resign by filing with the Department a counterpart or photocopy of his signed resignation.

(2) Unless a later time is specified in the resignation, it is effective:

(i) At the time it is filed with the Department, if the corporation has appointed a successor resident agent; or

(ii) Ten days after it is filed with the Department, if the corporation has not appointed a successor resident agent.

§2–109.

(a) (1) After the Department accepts the articles of incorporation for record, at the call of a majority of the directors named in the articles, the directors

shall hold an organization meeting of the board of directors, to adopt bylaws, elect officers, and transact any other business which may come before the meeting.

(2) The directors who call the meeting shall notify each director in writing of the time and place of the meeting at least three days before it is held.

(b) After the organization meeting of the board of directors, the power to adopt, alter, and repeal the bylaws of the corporation is vested in the stockholders except to the extent that the charter or bylaws vest it in the board of directors.

§2–110.

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

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

(c) (1) In this subsection, "facts ascertainable outside the bylaws" include:

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

(ii) Any agreement or other document; or

(iii) Any other event.

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

§2–111.

(a) Each corporation shall maintain, or cause to be maintained on its behalf, correct and complete:

(1) Books and records of its accounts and transactions; and

(2) Minutes of the proceedings of its stockholders and board of directors and of any executive or other committee when exercising any of the powers of the board of directors.

(b) (1) The books and records of a corporation may be in written form or in any other form that complies with § 2–114 of this subtitle.

(2) Minutes shall be recorded in written form but may be maintained in the form of a reproduction or in any other form that complies with § 2–114 of this subtitle.

§2–112.

(a) (1) In this section the following words have the meanings indicated.

(2) "Closed-end investment company" means a corporation registered as a closed-end investment company under the Investment Company Act of 1940.

(3) "Open-end investment company" means a corporation registered as an open-end investment company under the Investment Company Act of 1940.

(b) Notwithstanding any requirement of § 2-604(b) or § 2-607(a)(1) of this title or § 3-403(b) of this article, the charter of a closed-end investment company or any prospectus filed by the closed-end investment company pursuant to the federal Investment Company Act of 1940 may require the company to submit to its stockholders, at an annual or special meeting of the stockholders, a proposal to amend its charter to convert to an open-end investment company, to dissolve, to require the closed-end investment company to make one or more tender offers for its shares, or to take other action intended to eliminate any trading discount to net asset value of the closed-end investment company's shares, even if the board of directors fails to recommend the proposal or declare the proposal advisable or recommends that the stockholders reject it.

§2–113.

(a) The charter or bylaws of a corporation with capital stock may not impose liability on a stockholder who is a party to an internal corporate claim for the attorney's fees or expenses of the corporation or any other party in connection with an internal corporate claim.

(b) (1) Except as provided in paragraph (2) of this subsection, the charter or bylaws of a corporation may require, consistent with applicable jurisdictional requirements, that any internal corporate claim be brought only in:

(i) Specified circuit courts of the State or a federal court sitting in the State; or

(ii) 1. Courts sitting in one or more specified jurisdictions outside the State; and

2. Specified circuit courts of the State or a federal court sitting in the State.

(2) (i) This paragraph does not apply to a provision contained in the charter or bylaws of a corporation on October 1, 2017, unless and until the provision is altered or repealed by an amendment to the charter or bylaws of the corporation, as applicable.

(ii) The charter or bylaws of a corporation may not prohibit bringing an internal corporate claim in the courts of this State or a federal court sitting in this State.

§2–114.

(a) This section applies to any books or records maintained by or on behalf of a corporation, including:

(1) Bylaws;

(2) Minutes of the proceedings of the stockholders;

(3) Annual statements of affairs;

(4) Stock ledgers;

(5) Records of issuances, transfers, and cancellations of shares of stock; and

(6) Voting trust agreements.

(b) The records of a corporation may be maintained by means of any information storage device, method, or electronic network or database, including a distributed electronic network or database, if:

(1) The records can be converted within a reasonable time into clearly legible written form for visual inspection; and

(2) With respect to records maintained on an electronic ledger or distributed electronic ledger, the records can be used for the purpose of:

(i) Making a proper determination with respect to stockholders under § 2–511(a) of this title; and

(ii) Preparing a list of stockholders in accordance with § 2–513(b)(2) of this title.

(c) A corporation shall convert a record maintained in accordance with subsection (b) of this section into a clearly legible written form on request of any person who is entitled to inspect the record under this title.

(d) (1) This subsection applies to records of a corporation that are maintained in accordance with subsection (b) of this section.

(2) If a written form accurately portrays a record, a clearly legible written form prepared from or by means of the information storage device, method, or electronic network or database used to maintain the record shall be admissible as evidence and accepted for all other purposes to the same extent that an original written record of the same information would have been.

§2–115.

(a) This section applies to the electronic transmission, by means of an electronic network or database, including a distributed electronic network or database, of any communication, consent, or request under this title, including:

(1) A statement of the information, in accordance with § 2–210(c) of this title;

(2) An annual statement of the affairs of a corporation, in accordance with § 2–313(b) of this title;

(3) Corporate documents, in accordance with § 2–512 of this title; and

(4) Any notice to a stockholder.

(b) An electronic transmission described under subsection (a) of this section is not effective until the later of:

(1) The posting of the information to the electronic network or database; or

(2) The giving of a separate notice to the intended recipient of the information that the information has been posted to the electronic network or database.

§2–116.

(a) In this section, "emergency" means a situation in which a quorum of the board of directors cannot readily be assembled because of some catastrophic event.

(b) (1) Unless the charter provides otherwise, the bylaws may contain provisions to be effective only during an emergency.

(2) The emergency provisions may be adopted only in advance of an emergency.

(3) The emergency provisions may make all provisions necessary for managing the corporation during an emergency, including:

(i) Procedures for calling a meeting of the board of directors;

(ii) Quorum requirements for a meeting; and

(iii) Designation of additional or substitute directors.

(c) All provisions of the bylaws not inconsistent with the emergency provisions remain effective during an emergency.

(d) Any corporate act taken in good faith and in accordance with the emergency provisions:

(1) Binds the corporation; and

(2) May not be used to impose liability on a director, an officer, an employee, or an agent of the corporation.

(e) The emergency provisions may state that the standard of conduct required by § 2–405.1 of this title shall apply to the conduct of a director acting pursuant to the emergency provisions.

§2–117.

(a) In this section, "emergency" has the meaning stated in § 2–116 of this subtitle.

(b) During an emergency, unless the bylaws contain emergency provisions providing otherwise, notice of a meeting of the board of directors may be given:

(1) Only to those directors whom it is practicable to reach in the circumstances;

(2) In any practicable manner given the circumstances; and

(3) With shorter notice as is reasonable in the circumstances.

(c) Any corporate act taken in good faith under this section during an emergency:

(1) Binds the corporation; and

(2) May not be used to impose liability on a director, an officer, an employee, or an agent of the corporation.

§2–118.

(a) In this section, "emergency" means a situation in which it is impracticable to convene a meeting of stockholders in accordance with the Maryland General Corporation Law or the bylaws or as specified in a notice for the meeting previously given, because of some catastrophic event.

(b) During an emergency, unless the bylaws contain emergency provisions providing otherwise, the board of directors may:

(1) Postpone a meeting of stockholders for which notice has been given; or

(2) Authorize stockholders to participate in a meeting by any means of remote communication authorized by § 2–503(c)(2) of this title.

(c) The corporation shall give notice to stockholders of any action taken under this section, including any new date, time, or place of a meeting:

(1) In any practicable manner given the circumstances; and

(2) With shorter notice as is reasonable in the circumstances.

(d) Any corporate act taken in good faith under this section during an emergency:

(1) Binds the corporation; and

(2) May not be used to impose liability on a director, an officer, an employee, or an agent of the corporation.

§2–201.

(a) Subject to the provisions of this subtitle, a corporation from time to time may issue:

(1) Stock of any class authorized by its charter; and

(2) Securities convertible into stock of any class authorized by its charter.

(b) The authorization of stock convertible into other stock or securities convertible into stock constitutes an authorization of the stock into which the stock or securities are convertible, without further specific authorization in the charter.

(c) (1) The board of directors of a corporation may, in its sole discretion:

(i) Set the terms and conditions of rights, options, or warrants under a stockholder rights plan; and

(ii) Issue rights, options, or warrants under a stockholder rights plan to designated persons or classes of persons.

(2) The rights, options, or warrants under paragraph (1) of this subsection may, in the sole discretion of the board of directors, include any limitation, restriction, or condition that:

(i) Precludes, limits, invalidates, or voids the exercise, transfer, or receipt of the rights, options, or warrants by designated persons or classes of persons in specified circumstances; or

(ii) Limits for a period not to exceed 180 days the power of a future director, as defined in the stockholder rights plan, to vote for the redemption, modification, or termination of the rights, options, or warrants.

§2–202.

(a) A subscription for stock of a corporation which is not yet formed is irrevocable for a period of 3 months, unless:

(1) The subscription agreement provides otherwise; or

(2) Every subscriber consents to the revocation of the subscription.

(b) Unless the subscription agreement provides otherwise, a subscription is not void or unenforceable solely because less than all of the authorized stock is subscribed for.

(c) Unless the subscription agreement provides otherwise, a subscription for stock, whether made before or after the corporation is formed, shall be paid in full or in installments at the times set by the board of directors.

(d) Unless the subscription agreement provides otherwise, a subscriber has no voting or other rights with respect to the stock subscribed for until the stock is issued and fully paid.

§2–203.

(a) Before the issuance of stock or convertible securities, the board of directors shall adopt a resolution that:

(1) Authorizes the issuance;

(2) Sets the minimum consideration for the stock or convertible securities or a formula for its determination; and

(3) Fairly describes any consideration other than money.

(b) In the absence of actual fraud in the transaction, the minimum consideration stated in the charter or determined by the board of directors in its resolution is conclusive for all purposes.

(c) For purposes of this section, the consideration for stock issued as a stock dividend is the resulting capitalization of surplus.

(d) This section does not apply to the issuance of stock or convertible securities as part of:

(1) A reclassification of stock effected by amendment of the charter; or

(2) A consolidation, merger, share exchange, or conversion, including a consolidation, merger, share exchange, or conversion to which a wholly owned subsidiary of the corporation is a party.

(e) If its issuance is authorized in accordance with this subtitle, stock with par value and securities convertible into stock with par value may be issued as full paid and nonassessable even if the price or value of the consideration received is less than the par value of the stock issued or the stock into which the securities are convertible.

(f) Notwithstanding any other provision of this section or § 2–204 or § 2–206 of this subtitle, a corporation may issue stock or other securities of the corporation pursuant to § 2–103(13) of this title without consideration of any kind.

§2–204.

(a) A corporation may not issue stock or convertible securities in violation of a limitation or restriction contained in its charter or bylaws.

(b) If stock of the corporation is outstanding and entitled to be voted at the time the board of directors adopts a resolution authorizing the issuance of additional stock or convertible securities, the corporation may not issue the stock or the convertible securities unless:

(1) The charter permits the board of directors to authorize the issuance;

(2) The charter does not require stockholder approval of the issuance, and the actual value of the consideration to be received by the corporation, as determined by the board of directors or as set forth in the charter, is at least equal to:

(i) The par value of the stock to be issued;

(ii) In the case of stock without par value, the stated capital per share of the shares of the same class then outstanding; or

(iii) In the case of convertible securities, the par value or the stated capital per share, as the case may be, of the stock into which the convertible securities are convertible, if greater than the par value, stated capital per share, or principal amount of the convertible securities; or

(3) (i) The issuance as authorized by the board of directors was submitted for approval at either an annual or a special meeting of the stockholders;

(ii) Notice stating that a purpose of the meeting will be to act on the proposed issuance was given in the manner required by Subtitle 5 of this title to each stockholder entitled to vote on the matter; and

(iii) The issuance was approved by the stockholders.

(c) Unless the charter or bylaws provide otherwise, approval of the stockholders is not required under this section for the issuance of stock as a stock dividend.

(d) If the issuance of stock convertible into other stock or of securities convertible into stock, or the issuance of warrants or options exercisable for stock or convertible securities, is authorized in the manner required by this subtitle for the issuance of the stock into which the stock or securities are convertible or for which the warrants or options are exercisable, the authorization constitutes an authorization of the issuance of the stock into which the stock or securities are convertible or for which the warrants or options are exercisable, without further specific authorization under this subtitle.

(e) This section does not apply to any issuance described in § 2-203(d) of this subtitle.

§2–205.

(a) For a corporation incorporated on or after October 1, 1995, unless the charter expressly grants such rights to the stockholder, a stockholder does not have any preemptive right to subscribe to:

(1) Any additional issue of stock; or

(2) Any security convertible into an additional issue of stock.

(b) For a corporation incorporated before October 1, 1995, a stockholder shall have preemptive rights as and to the extent in existence before October 1, 1995, unless and until expressly changed or terminated by charter amendment.

(c) (1) A stockholder to whom a preemptive right has been granted may waive the preemptive right.

(2) A written waiver of a preemptive right is irrevocable even though it is not supported by consideration.

§2–206.

(a) The consideration for the issuance of stock, convertible securities, warrants, or options may consist in whole or in part of:

(1) Money;

(2) Tangible or intangible property;

(3) Labor or services actually performed for the corporation;

(4) A promissory note or other obligation for future payment in money; or

(5) Contracts for labor or services to be performed.

(b) The corporation may place in escrow shares issued for a contract for future labor or services or a promissory note or other obligation for future payment in money, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the labor or services are performed or the note or other obligation for future payment in money is paid. If the labor or services are not performed or the note or other obligation for future payment in money is not paid, the shares escrowed or restricted and the distributions credited may be canceled in whole or in part.

(c) When the corporation receives the consideration for which stock or convertible securities are to be issued, the stock or convertible securities are fully paid and nonassessable.

(d) Notwithstanding any other provision of the Maryland General Corporation Law, a corporation may issue shares of its stock without consideration for the purpose of qualifying the corporation as a real estate investment trust under the Internal Revenue Code.

§2–208.

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

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

(b) Articles supplementary shall include:

(1) A description of the stock, including the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends,

qualifications, and terms and conditions of redemption, as set or changed by the board of directors; and

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

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

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

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

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

(e) Notwithstanding subsection (a)(2) of this section:

(1) The stock issued by a corporation prior to the time the articles supplementary with respect to the stock are effective shall cease to be voidable as a result of the failure to file the articles supplementary at the time the articles supplementary become effective; and

(2) A right or liability accrued by reason of the issuance of stock by a corporation prior to the time the articles supplementary with respect to the stock are effective shall be extinguished at the time the articles supplementary become effective, except to the extent that the person having the right or liability has acted detrimentally in reliance on the right or liability solely by reason of issuance of the stock.

§2–208.1.

(a) (1) If the board of directors of a corporation registered as an open–end company under the Investment Company Act of 1940 increases or decreases the aggregate number of shares of stock or the number of shares of stock of any class that the corporation has authority to issue in accordance with § 2–105(c) of this title, the board shall file articles supplementary for record with the Department.

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

(b) Articles supplementary shall include:

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

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

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

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

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

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

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

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

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

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

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

(e) Notwithstanding subsection (a)(2) of this section:

(1) The stock issued by a corporation prior to the time the articles supplementary with respect to the stock are effective shall cease to be voidable as a result of the failure to file the articles supplementary at the time the articles supplementary become effective; and

(2) A right or liability accrued by reason of the issuance of stock by a corporation prior to the time the articles supplementary with respect to the stock are effective shall be extinguished at the time the articles supplementary become effective, except to the extent that the person having the right or liability has acted detrimentally in reliance on the right or liability solely by reason of issuance of the stock.

§2–208.2.

If the charter of a corporation registered as an investment company under the Investment Company Act of 1940 creates one or more classes or series of stock, and if separate and distinct records are maintained for the class or series and the assets associated with the class or series are held and accounted for separately from the other assets of the corporation, or assets associated with any other class or series:

(1) The debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to a particular class or series are enforceable against the assets associated with that class or series only, and not against the assets of the corporation generally or any other class or series of stock; and

(2) The debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to the corporation generally or associated with any other class or series are not enforceable against the assets associated with that class or series.

§2–209.

(a) Each corporation shall maintain, or cause to be maintained on its behalf, a stock ledger which contains:

(1) The name and address of each stockholder; and

(2) The number of shares of stock of each class or series that the stockholder holds.

(b) The stock ledger may be in written form or in any other form that complies with § 2–114 of this title.

(c) The original or a duplicate of the stock ledger shall be maintained:

(1) By the corporation at the principal office of the corporation or at any other office or agency specified in the bylaws; or

(2) By or on behalf of the corporation in any form that complies with § 2–114 of this title.

§2–210.

(a) Except as provided in subsections (b) and (c) of this section, each stockholder is entitled to stock certificates that represent and certify the shares of stock the stockholder holds in the corporation.

(b) A stock certificate may not be issued until the stock represented by it is fully paid.

(c) (1) Unless the charter or bylaws provide otherwise, the board of directors of a corporation may authorize the issue of some or all of the shares of any or all of its classes or series without certificates.

(2) The authorization under paragraph (1) of this subsection does not affect shares already represented by certificates until they are surrendered to the corporation.

(3) For shares issued without certificates, on request by a stockholder, the corporation shall send the stockholder, without charge, a statement in writing or by electronic transmission of the information required on certificates by § 2–211 of this subtitle.

(d) A corporation may not issue a stock certificate in bearer form.

§2–211.

(a) Each stock certificate shall include on its face:

(1) The name of the corporation that issues it;

(2) The name of the stockholder or other person to whom it is issued; and

(3) The class of stock and number of shares it represents.

(b) If the corporation has authority to issue stock of more than one class, the stock certificate shall contain on its face or back a full statement or summary of:

(1) The designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the stock of each class which the corporation is authorized to issue; and

(2) If the corporation is authorized to issue any preferred or special class in series:

(i) The differences in the relative rights and preferences between the shares of each series to the extent they have been set; and

(ii) The authority of the board of directors to set the relative rights and preferences of subsequent series.

(c) Instead of a full statement or summary of the information required by subsection (b) of this section, the certificate may state that the corporation will furnish a full statement of the required information to any stockholder on request and without charge.

(d) Without affecting § 8-204 of the Commercial Law Article, if the corporation which issues the stock imposes a restriction on its transferability, the stock certificate shall:

(1) Contain a full statement of the restriction; or

(2) State that the corporation will furnish information about the restriction to the stockholder on request and without charge.

(e) Except as otherwise provided by § 8-204 of the Commercial Law Article, the fact that a stock certificate does not contain or refer to a restriction on transferability that is adopted after the date of issuance of the stock certificate does not mean that the restriction is invalid or unenforceable.

§2–212.

(a) Each stock certificate shall be signed by the president, a vice president, the chief executive officer, the chief operating officer, the chief financial officer, the chairman of the board, or the vice chairman of the board and countersigned by the secretary, an assistant secretary, the treasurer, an assistant treasurer, or any other officer.

(b) Each certificate which represents any stock, bond, note, guaranty, obligation, or other corporate security:

(1) May be sealed with the actual corporate seal or a facsimile of it or in any other form; and

(2) The signatures may be either manual or facsimile signatures.

(c) A certificate described in this section is valid and may be issued whether or not an officer who signed it is still an officer when it is issued.

§2–213.

(a) Unless the bylaws provide otherwise, the board of directors of a corporation may determine the conditions for issuing a new stock certificate in place of one which is alleged to have been lost, stolen, or destroyed.

(b) In its discretion, the board may require the owner of the certificate to give bond, with sufficient surety, to indemnify the corporation against any loss or claim arising as a result of the issuance of a new certificate.

(c) The issuance of a new certificate under this section does not constitute an overissue of the shares it represents.

§2–214.

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

(1) Issue fractional shares of stock;

(2) Eliminate a fractional interest by rounding up to a full share of stock;

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

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

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

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

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

(b) The board of directors may impose any reasonable condition on the issuance of the scrip or other evidence of ownership, including a condition that:

(1) It becomes void if not exchanged for a certificate representing a full share of stock before a specified date;

(2) The corporation may sell the stock for which the scrip or other evidence of ownership is exchangeable and distribute the proceeds to the holders; or

(3) The proceeds of a sale under paragraph (2) of this subsection are forfeited to the corporation if not claimed within a specified period not less than three years from the date the scrip or other evidence of ownership was originally issued.

(c) A corporation may not issue a certificate representing scrip in bearer form.

(d) For scrip issued without a certificate, on request by a scripholder, the corporation shall deliver to the scripholder, without charge, a statement in writing or by electronic transmission of the information required to be on a certificate under § 2–211 of this subtitle.

§2–215.

(a) A stockholder or subscriber for stock of a corporation is not obligated to the corporation or its creditors with respect to the stock, except to the extent that:

(1) The subscription price or other agreed consideration for the stock has not been paid; or

(2) Liability is imposed under any other provision of this article.

(b) The following persons are not personally liable to the corporation or its creditors for the unpaid portion of the consideration due for stock:

(1) A transferee or assignee who acquires stock or a subscription for stock in good faith and without knowledge or notice of the nonpayment;

(2) A person who holds the stock as a fiduciary, although the estate in his hands is liable; and

(3) A pledgee or other person who holds stock as security.

(c) The liability imposed by this section may be enforced only by:

(1) The corporation; or

(2) Its receiver or other person winding up its affairs.

§2–216.

(a) A director or officer of a corporation may not knowingly and willfully:

(1) Authorize or consent to the issuance of unauthorized stock or convertible securities of the corporation;

(2) Authorize or consent to the issuance of stock or convertible securities of the corporation except in conformity with the provisions of law which relate to the issuance; or

(3) Falsely make or consent to the making of any required entry in the books of the corporation with respect to the issuance of stock or convertible securities of the corporation.

(b) In the absence of actual fraud in the transaction, a determination by the board of directors or a statement in the charter as to the actual value of consideration other than money for which stock or convertible securities are to be issued or as to the propriety of accepting that consideration for issuing the stock or convertible securities is conclusive for all purposes.

(c) An officer or director who violates any provision of this section is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $5,000 or imprisonment not exceeding two years or both.

§2–301.

(a) (1) In this subtitle, "distribution" means:

(i) A direct or indirect transfer of money or other property of the corporation in respect of any of its shares; or

(ii) An incurrence or forgiveness of indebtedness by a corporation to or for the benefit of the corporation's stockholders in respect of any of its shares.

(2) "Distribution" does not include a stock dividend or stock split authorized in accordance with § 2-309(c) of this subtitle.

(b) A distribution may be in the form of:

(1) A declaration or payment of a dividend;

(2) A purchase, redemption, whether or not at the option of the corporation or the stockholders, or other acquisition of shares; or

(3) An issuance of evidence of indebtedness.

§2–302.

(a) Each corporation shall keep its books in a manner which shows:

(1) The amount and nature of the money or other consideration it receives for the stock which it issues, including:

(i) The number of shares of stock of each class issued for the consideration; and

(ii) The stated capital attributable to the issued shares of stock of each class; and

(2) The amount and nature of the money or other consideration it receives for the convertible securities which it issues.

(b) If stock with par value and stock without par value are issued together for a particular consideration, the amount by which the consideration exceeds the aggregate par value of the stock with par value constitutes the consideration received for the stock without par value.

§2–303.

(a) (1) The entire consideration received by a corporation for issuing stock with par value constitutes stated capital to the extent of the aggregate par value of the stock.

(2) Any consideration received in excess of the aggregate par value constitutes capital surplus.

(b) (1) Except as permitted by paragraph (2) of this subsection, the entire consideration received by a corporation for issuing stock without par value constitutes stated capital.

(2) Before issuing stock without par value, the board of directors may allocate any portion of the consideration to capital surplus. However, if the stock has a preference in the assets of the corporation in the event of involuntary liquidation, the board may allocate to capital surplus only a portion which does not exceed the amount by which the consideration exceeds the aggregate amount of the preference.

(c) Subsections (a)(2) and (b) of this section do not affect a good faith allocation of amounts to retained earnings, earned surplus, or a similar account if:

(1) Stock is issued in a consolidation, merger, or acquisition of all or substantially all of the stock or assets of another corporation; and

(2) Immediately after the transaction, the aggregate retained earnings, earned surplus, or similar account of the corporation which issued the stock does not exceed the aggregate of the corresponding accounts of the corporations parties to the transaction as they existed immediately before the transaction.

§2–304.

(a) By resolution of its board of directors, a corporation may apply any part of its capital surplus for:

(1) The reduction or elimination of a corporate deficit arising from a loss, however incurred, or from diminution in the value of its assets, but only after earned surplus is exhausted; or

(2) Any other proper corporate purpose.

(b) An application of capital surplus under subsection (a) of this section shall be disclosed to the stockholders of the corporation in its next annual report.

§2–305.

The corporation may pay or allow out of the consideration received by it for its stock, the reasonable charges and expenses of its organization or reorganization and the reasonable compensation for the sale or underwriting of its stock, without rendering the stock not full paid and nonassessable and without impairing the stated capital.

§2–306.

(a) Unless the charter provides otherwise, if stated capital is reduced by retiring stock held by the corporation, the board of directors may approve the reduction without stockholder action.

(b) (1) Except as provided in subsection (a) of this section or in § 2-605 of this title, a reduction of stated capital of a corporation, whether to be effected with or without a charter amendment, shall be approved in the manner provided in this subsection.

(2) The board of directors shall:

(i) Adopt a resolution which declares that the charter amendment, if any, and the proposed reduction is advisable; and

(ii) Direct that the proposed reduction and any charter amendment be submitted for consideration at either an annual or special meeting of the stockholders.

(3) A notice which states that a purpose of the meeting will be to act on the proposed reduction and any charter amendment shall be given in the manner required by Subtitle 5 of this title to each stockholder entitled to vote on the matter.

(4) The proposed reduction and any charter amendment shall be approved by the stockholders of the corporation by the affirmative vote of two thirds of all the votes entitled to be cast on the matter.

§2–308.

(a) Subject to the limitations of subsection (b) of this section, any surplus which arises from a reduction of stated capital becomes capital surplus and may be made the basis of:

(1) A distribution or payment to stockholders; and

(2) A reduction of the liability of stockholders whose shares of stock are not fully paid.

(b) Except as provided in § 2–311(a)(2) of this subtitle, the net assets of the corporation which remain after a distribution, payment, or reduction of liability shall be at least equal to the aggregate preferential amount payable in the event of voluntary liquidation to the holders of all stock having rights preferred to the rights of holders who received the distribution, payment, or whose liability was reduced.

§2–309.

(a) In this section, "reverse stock split" means a combination of outstanding shares of stock of a corporation into a lesser number of shares of stock of the same class without any change in the aggregate amount of stated capital of the corporation, except for a change resulting from the elimination of fractional shares in accordance with § 2–214 of this title.

(b) If authorized by its board of directors, a corporation may make distributions to its stockholders, subject to any restriction in its charter and the limitations in § 2–311 of this subtitle.

(c) (1) A division of issued shares into a greater number of shares of the same class without any change in the aggregate amount of stated capital is a stock split, and a division with a change in the aggregate amount of stated capital is a stock dividend within the meaning of this subsection.

(2) If authorized by its board of directors and unless the charter provides otherwise, shares may be issued by a corporation, without consideration to the holders of one or more classes or series of stock, as a stock split or a stock dividend.

(3) If a stock dividend is payable in a corporation's own stock with par value, the shares shall be issued at par value and, at the time the stock dividend is paid, the corporation shall transfer from surplus to stated capital an amount at least equal to the aggregate par value of the shares to be issued.

(4) If a stock dividend is payable in a corporation's own stock without par value, the board of directors shall adopt at the time the stock dividend is declared a resolution which sets the aggregate amount to be attributed to stated capital with respect to the shares that constitute the stock dividend and, at the time the stock dividend is paid, the corporation shall transfer at least that amount from surplus to stated capital.

(d) If the board of directors of a corporation has given general authorization for a distribution and provides for or establishes a method or procedure for determining the maximum amount of the distribution, the board may delegate to an officer of the corporation the power, in accordance with the general authorization, to fix the amount and other terms of the distribution.

(e) (1) This subsection applies to a corporation with a class of equity securities registered under the Securities Exchange Act of 1934.

(2) Unless prohibited by the charter of a corporation by reference to this subsection or the subject matter of this subsection, the board of directors of the corporation may amend the charter, with the approval of a majority of the board of directors and without stockholder action, to effect a reverse stock split that results in a combination of shares of stock at a ratio of not more than 10 shares of stock into one share of stock in any 12–month period.

(3) Within 20 days after the effective date of the reverse stock split, the corporation shall give written notice of the reverse stock split to each holder of record of the combined shares of stock as of the effective date.

§2–310.

(a) (1) Subject to the provisions of its charter and § 2–311 of this subtitle, if authorized by its board of directors, a corporation may acquire the corporation's own shares.

(2) Shares acquired under paragraph (1) of this subsection constitute authorized but unissued shares.

(3) Shares of a corporation's own stock acquired by the corporation between the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders and the time of the meeting may be voted at the meeting by the holder of record as of the record date and shall be counted in determining the total number of outstanding shares entitled to be voted at the meeting.

(4) (i) Except as provided in subparagraph (ii) of this paragraph, and unless the charter provides otherwise, stock shall cease to be outstanding on the date of redemption or repurchase if a corporation has:

1. Given a notice of redemption of stock or repurchase of stock pursuant to a right of redemption set forth in the charter or a duly adopted repurchase plan binding on the stockholder; and

2. Paid or set aside sufficient funds for the benefit of the holder of the stock called for redemption or repurchase.

(ii) This paragraph does not affect the right of a stockholder to receive payment of the redemption or repurchase price.

(b) If the charter prohibits the issuance of acquired shares, the number of authorized shares is reduced by the number of shares acquired, effective upon the filing with the Department of articles supplementary which shall set forth:

(1) The name of the corporation;

(2) The number of outstanding shares of stock of the corporation that have been acquired by the corporation and that by their terms may not be reissued, and the class and series of the shares;

(3) The number of authorized shares of the corporation remaining after the acquisition of outstanding shares, itemized by class and series; and

(4) The fact that no amendment to the charter is effected by the articles supplementary, their sole purpose being to record the reduction of authorized shares resulting from the acquisition of shares that by the terms of the existing charter may not be reissued.

§2–310.1.

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

(b) Subject to the provisions of § 2–311 of this subtitle, a corporation may redeem shares of its stock from any stockholder if:

(1) The corporation's charter expressly provides for the redemption of shares of its stock from any stockholder and the board of directors authorizes the redemption; or

(2) (i) The corporation's charter does not expressly prohibit the redemption of shares of its stock;

(ii) The aggregate net asset value of the shares to be redeemed from the stockholder is, as of the date of the redemption, $2,000 or less; and

(iii) Written notice of the redemption to the stockholder of record:

1. Is mailed first–class to the stockholder's last known address of record;

2. States that all of the shares will be redeemed; and

3. Establishes a date for the redemption which is at least 45 days from the date of the notice.

(c) The price to be paid for shares redeemed under subsection (b)(2) of this section shall be the aggregate net asset value of the shares at the close of business on the date of the redemption.

(d) If certificates representing the shares to be redeemed under subsection (b)(2) of this section have been issued and are not surrendered for cancellation on the date of redemption:

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

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

(e) If the aggregate net asset value of the shares to be redeemed under subsection (b)(2) of this section should increase to an amount greater than $2,000 between the date of the notice of redemption and the date of the redemption, then the notice of redemption shall have no further force or effect.

§2–310.2.

(a) In this section, "investment company" means a corporation registered under the Investment Company Act of 1940.

(b) Unless otherwise provided in the charter of an investment company, if authorized by its board of directors, shares of any class or series of its stock acquired by an investment company using assets allocated to any other class or series of stock of the investment company may be held by the investment company in a fiduciary capacity for the benefit of the holders of shares of the other class or series of stock, and the investment company may exercise voting rights, receive distributions, and be allocated other rights to the extent determined by its board of directors.

§2–311.

(a) (1) No distribution may be made if, after giving effect to the distribution:

(i) The corporation would not be able to pay indebtedness of the corporation as the indebtedness becomes due in the usual course of business; or

(ii) Except as provided in paragraph (2) of this subsection, the corporation's total assets would be less than the sum of the corporation's total liabilities plus, unless the charter permits otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution.

(2) A corporation may make a distribution from:

(i) The net earnings of the corporation for the fiscal year in which the distribution is made;

(ii) The net earnings of the corporation for the preceding fiscal year; or

(iii) The sum of the net earnings of the corporation for the preceding eight fiscal quarters.

(b) The board of directors may base a determination that a distribution is not prohibited under subsection (a) of this section either on:

(1) Financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances; or

(2) A fair valuation or other method that is reasonable in the circumstances.

(c) Except as provided in subsection (e) of this section, the effect of a distribution under subsection (a) of this section is measured:

(1) In the case of distribution by purchase, redemption, or other acquisition of the corporation's shares, as of the earlier of:

(i) The date money or other property is transferred or the indebtedness is incurred by the corporation; or

(ii) The date the stockholder ceases to be a stockholder with respect to the acquired shares;

(2) In the case of any other distribution of indebtedness, as of the date the indebtedness is distributed; and

(3) In all other cases, as of:

(i) The date the distribution is authorized if the payment occurs within 120 days after the date of authorization; or

(ii) The date the payment is made if it occurs more than 120 days after the date of authorization.

(d) A corporation's indebtedness to a stockholder, incurred by reason of a distribution made in accordance with this section, is at parity with the corporation's indebtedness to the corporation's general, unsecured creditors, except to the extent subordinated by agreement.

(e) (1) If terms of the indebtedness provide that payment of principal and interest is to be made only if and to the extent that payment of a distribution to stockholders could then be made under this section, indebtedness of a corporation, including indebtedness issued as a distribution, is not a liability for purposes of determinations made under subsection (a) of this section.

(2) If the indebtedness referred to in paragraph (1) of this subsection is issued as a distribution, each payment of principal or interest on the indebtedness is treated as a distribution, the effect of which is measured on the date the payment is actually made.

§2–312.

(a) If it is established that the director's duties were not performed in compliance with § 2-405.1 of this title, a director who votes for or assents to a distribution made in violation of the charter or § 2-311 of this subtitle is personally liable to the corporation for the amount of the distribution that exceeds what could have been made without violating the charter or § 2-311 of this subtitle.

(b) A director held liable under subsection (a) of this section for an unlawful distribution is entitled to contribution:

(1) From every other director who could be held liable under subsection (a) of this section for the unlawful distribution; and

(2) From each stockholder for the amount the stockholder accepted knowing the distribution was made in violation of the charter or § 2-311 of this subtitle.

(c) (1) A proceeding to enforce the liability of a director under subsection (a) of this section may not begin more than 3 years after the date on which the effect of the distribution was measured under § 2-311(c) or (e) of this subtitle.

(2) A proceeding to enforce contribution under subsection (b) of this section may not begin more than 1 year after the liability of the director claiming contribution has been finally adjudicated under subsection (a) of this section.

(d) The liabilities imposed by this section are in addition to any other liability imposed by law on the directors of a corporation.

§2–313.

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

(b) Except as provided in subsection (c) of this section, the statement of affairs shall be submitted at the annual meeting of stockholders and, within 20 days after the meeting:

(1) Placed on file at the corporation's principal office or at any other office or agency specified in the bylaws of the corporation, in written form; or

(2) Otherwise maintained by or on behalf of the corporation in any other form that complies with § 2–114 of this title.

(c) If a corporation is not required to hold an annual meeting of stockholders under a charter or bylaw provision adopted in accordance with § 2–501 of this title, within 120 days after the end of the fiscal year, the statement of affairs shall be:

(1) Placed on file at the corporation's principal office or at any other office or agency specified in the bylaws of the corporation in written form; or

(2) Otherwise maintained by or on behalf of the corporation in any other form that complies with § 2–114 of this title.

§2–401.

(a) All business and affairs of a corporation, whether or not in the ordinary course, shall be managed by or under the direction of a board of directors.

(b) All powers of the corporation may be exercised by or under authority of the board of directors except as conferred on or reserved to the stockholders by law or by the charter or bylaws of the corporation.

§2–402.

(a) Each corporation shall have at least one director.

(b) Subject to the provisions of subsection (a) of this section and except for a corporation that has elected to be subject to § 3-804(b) of this article, a Maryland corporation shall have the number of directors provided in its charter until changed by the bylaws.

(c) Subject to the provisions of subsection (a) of this section and except for a corporation that has elected to be subject to § 3-804(b) of this article, the bylaws may:

(1) Alter the number of directors set by the charter; and

(2) Authorize a majority of the entire board of directors to alter within specified limits the number of directors set by the charter or the bylaws, but the action may not affect the tenure of office of any director.

§2–403.

(a) Each director and each nominee for director of a corporation shall have the qualifications required by the charter or bylaws of the corporation.

(b) Unless required by its charter or bylaws, a director need not be a stockholder in the corporation.

§2–404.

(a) Until successors are elected and qualify, the board of directors consists of the individuals named as directors in the charter.

(b) (1) Except as provided in paragraph (2) of this subsection, at each annual meeting of stockholders, the stockholders shall elect directors to hold office until the earlier of:

(i) The next annual meeting of stockholders and until their successors are elected and qualify;

(ii) The time provided in the terms of any class or series of stock pursuant to which such directors are elected; or

(iii) The time a director ceases to have the qualifications that were required by the charter or bylaws of the corporation at the time the director was elected, if the charter or bylaws at the time the director was elected required the director's term to end on a failure to have those qualifications.

(2) Except for a corporation that has elected to be subject to § 3–803 of this article, if the directors are divided into classes, the term of office may be provided in the bylaws, except that:

(i) The term of office of a director may not be longer than 5 years or, except in the case of an initial or substitute director, shorter than the period between annual meetings; and

(ii) The term of office of at least one class shall expire each year.

(c) Each share of stock may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted.

(d) Unless the charter or bylaws of a corporation provide otherwise, a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director.

§2–405.

(a) (1) Except as provided in paragraph (2) of this subsection, in case of failure to elect directors at the designated time, the directors holding over shall continue to serve as directors of the corporation until their successors are elected and qualify.

(2) If the number of directors to be elected at the designated time, together with the number of directors who otherwise would hold over, exceeds the number of directors who were to be elected, then the directors who will hold over and continue to serve as directors of the corporation until their successors are elected and qualify shall be determined:

(i) By a majority vote of the directors elected at the designated time and, if the board is classified, any directors whose terms did not expire at the designated time, whether or not sufficient to constitute a quorum; or

(ii) As otherwise provided in the charter or bylaws of the corporation.

(b) A director not elected annually in accordance with § 2–501(b) of this title shall be deemed to be continuing in office and shall not be deemed to be holding over under subsection (a) of this section until after the time at which an annual meeting is required to be held under § 2–501(b) of this title or the charter or bylaws of the corporation.

§2–405.1.

(a) In this section, "act" includes, as the context requires:

(1) An act, an omission, a failure to act, or a determination made not to act; or

(2) To act, omit to act, fail to act, or make a determination not to act.

(b) This section applies to acts of an individual who:

(1) Is or was a director of a corporation; and

(2) Is acting or was acting in the individual's official capacity as a director of a corporation.

(c) A director of a corporation shall act:

(1) In good faith;

(2) In a manner the director reasonably believes to be in the best interests of the corporation; and

(3) With the care that an ordinarily prudent person in a like position would use under similar circumstances.

(d) (1) A director is entitled to rely on any information, opinion, report, or statement, including any financial statement or other financial data, prepared or presented by:

(i) An officer or employee of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;

(ii) A lawyer, certified public accountant, or other person, as to a matter which the director reasonably believes to be within the person's professional or expert competence; or

(iii) A committee of the board on which the director does not serve, as to a matter within its designated authority, if the director reasonably believes the committee to merit confidence.

(2) A director is not acting in good faith if the director has any knowledge concerning the matter in question which would cause the reliance to be unwarranted.

(e) A director who acts in accordance with the standard of conduct provided in this section shall have the immunity from liability described under § 5–417 of the Courts Article.

(f) The standard of conduct provided in this section does not require a director of a corporation to:

(1) Act to accept, recommend, or respond on behalf of the corporation to a proposal by an acquiring person as defined in § 3–801 of this article;

(2) Act to authorize the corporation to redeem any rights under, modify, or render inapplicable, a stockholder rights plan;

(3) Act to elect on behalf of the corporation to be subject to or refrain from electing on behalf of the corporation to be subject to any or all of the provisions of Title 3, Subtitle 8 of this article;

(4) Act to make a determination under the provisions of Title 3, Subtitle 6 or Subtitle 7 of this article; or

(5) Act solely because of:

(i) The effect the act may have on an acquisition or potential acquisition of control of the corporation; or

(ii) The amount or type of consideration that may be offered or paid to stockholders of the corporation in an acquisition or a potential acquisition of control of the corporation.

(g) An act of a director of a corporation is presumed to be in accordance with subsection (c) of this section.

(h) An act of a director of a corporation relating to or affecting an acquisition or a potential acquisition of control of the corporation or any other transaction or potential transaction involving the corporation may not be subject to a higher duty or greater scrutiny than is applied to any other act of a director.

(i) This section:

(1) Is the sole source of duties of a director to the corporation or the stockholders of the corporation, whether or not a decision has been made to enter into an acquisition or a potential acquisition of control of the corporation or enter into any other transaction involving the corporation; and

(2) Applies to any act of a director, including an act as a member of a committee of the board of directors.

§2–405.2.

The charter of the corporation may include any provision expanding or limiting the liability of its directors and officers to the corporation or its stockholders as described under § 5-418 of the Courts and Judicial Proceedings Article.

§2–405.3.

(a) This section applies to a corporation that is an investment company, as defined by the Investment Company Act of 1940.

(b) A director of a corporation who with respect to the corporation is not an interested person, as defined by the Investment Company Act of 1940, shall be deemed to be independent and disinterested when making any determination or taking any action as a director.

§2–406.

(a) The stockholders of a corporation may remove any director, with or without cause, by the affirmative vote of a majority of all the votes entitled to be cast generally for the election of directors, except:

(1) As provided in subsection (b) of this section;

(2) As otherwise provided in the charter of the corporation; or

(3) For a corporation that has elected to be subject to § 3–804(a) of this article.

(b) Unless the charter of the corporation provides otherwise:

(1) If the stockholders of any class or series are entitled separately to elect one or more directors, a director elected by stockholders of that class or series may not be removed without cause except by the affirmative vote of a majority of all the votes of that class or series;

(2) If a corporation has cumulative voting for the election of directors and fewer than all directors are to be removed, a director may not be removed without cause if the votes cast against the director's removal would be sufficient to elect the director if then cumulatively voted at an election of the entire board of directors, or, if there is more than one class of directors, at an election of the class of directors of which the director is a member; and

(3) If the directors have been divided into classes, a director may not be removed without cause.

(c) A resignation of a director given in writing or by electronic transmission may provide that:

(1) The resignation will be effective at a later time or on the occurrence of an event;

(2) The resignation is irrevocable on the occurrence of the event; and

(3) If the resignation will be effective on the failure of the director to receive a specified vote for reelection, the resignation is irrevocable.

§2–407.

(a) (1) Except as provided in paragraph (2) of this subsection and except for a corporation that has elected to become subject to § 3-804(c) of this article, the stockholders may elect a successor to fill a vacancy on the board of directors which results from the removal of a director.

(2) If the stockholders of any class or series are entitled separately to elect one or more directors, the stockholders of that class or series may elect a successor to fill a vacancy on the board of directors which results from the removal of a director elected by that class or series.

(b) (1) Except as provided in paragraph (2) of this subsection or unless the charter or the bylaws of the corporation provide otherwise:

(i) A majority of the remaining directors, whether or not sufficient to constitute a quorum, may fill a vacancy on the board of directors which results from any cause except an increase in the number of directors; and

(ii) A majority of the entire board of directors may fill a vacancy which results from an increase in the number of directors.

(2) If the stockholders of any class or series are entitled separately to elect one or more directors, a majority of the remaining directors elected by that class or series or the sole remaining director elected by that class or series may fill any vacancy among the number of directors elected by that class or series.

(c) (1) Unless the corporation has elected to be subject to § 3–804(c)(3) of this article, a director elected by the board of directors to fill a vacancy serves until the next annual meeting of stockholders and until his successor is elected and qualifies.

(2) A director elected by the stockholders to fill a vacancy which results from the removal of a director serves for the balance of the term of the removed director.

§2–408.

(a) Unless the charter or bylaws of the corporation require a greater proportion or this article requires a different proportion, the action of a majority of the directors present at a meeting at which a quorum is present is the action of the board of directors.

(b) (1) Unless the bylaws of the corporation provide otherwise, a majority of the entire board of directors constitutes a quorum for the transaction of business.

(2) The bylaws may provide that less than a majority, but not less than one–third of the entire board of directors, may constitute a quorum unless:

(i) There are only two or three directors, in which case not less than two may constitute a quorum; or

(ii) There is only one director, in which case that one will constitute a quorum.

(c) Any action required or permitted to be taken at a meeting of the board of directors or of a committee of the board may be taken without a meeting if a unanimous consent which sets forth the action is:

(1) Given in writing or by electronic transmission by each member of the board or committee entitled to vote on the matter; and

(2) Filed in paper or electronic form with the minutes of proceedings of the board or committee.

(d) (1) An individual, whether or not then a director, may assent to an action by a consent that will be effective at a future time that is no later than 60 days after the consent is delivered to the corporation or its agent.

(2) The effective time of a consent under this subsection may include a time determined on the happening of an event that occurs no later than 60 days after the consent is delivered to the corporation or its agent.

(3) A consent under this subsection shall be deemed to have been given at the effective time if the individual:

(i) Is a director at the effective time; and

(ii) Did not revoke the consent before the effective time.

(4) Unless otherwise provided in the consent, a consent under this subsection is revocable before the effective time.

(e) (1) The charter may provide that one or more directors or a class of directors shall have more or less than one vote per director on any matter.

(2) If the charter provides that one or more directors shall have more or less than one vote per director on any matter, every reference in this article to a majority or other proportion of directors shall refer to a majority or other proportion of votes entitled to be cast by the directors.

§2–409.

(a) Unless the bylaws of the corporation provide otherwise, a regular or special meeting of the board of directors may be held at any place in or out of the State or by means of remote communication.

(b) (1) Notice of each meeting of the board of directors shall be given as provided in the bylaws.

(2) Unless the bylaws provide otherwise, the notice:

(i) Shall be in writing or delivered by electronic transmission; and

(ii) Need not state the business to be transacted at or the purpose of any regular or special meeting of the board of directors.

(c) Whenever this article or the charter or bylaws of a corporation require notice of the time, place, or purpose of a meeting of the board of directors or a committee of the board, a person who is entitled to the notice waives notice if the person:

(1) Before or after the meeting delivers a written waiver or a waiver by electronic transmission which is filed with the records of the meeting; or

(2) Is present at the meeting.

(d) (1) Unless restricted by the charter or bylaws of the corporation, members of the board of directors or a committee of the board may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time.

(2) Participation in a meeting by these means constitutes presence in person at the meeting.

§2–410.

(a) A director of a corporation who is present at a meeting of its board of directors at which action on any corporate matter is taken is presumed to have assented to the action unless:

(1) The director announces the director's dissent at the meeting; and

(2) (i) The dissent is entered in the minutes of the meeting;

(ii) The director files the dissent to the action in writing with or by electronic transmission to the secretary of the meeting before the meeting is adjourned; or

(iii) The director forwards the dissent within 24 hours after the meeting is adjourned to the secretary of the meeting or the secretary of the corporation by:

1. Certified mail, return receipt requested, bearing a postmark from the United States Postal Service; or

2. Electronic transmission.

(b) The right to dissent does not apply to a director who:

(1) Voted in favor of the action; or

(2) Failed to make the director's dissent known at the meeting.

§2–411.

(a) The board of directors of a corporation may:

(1) Appoint from among its members an executive committee and other committees composed of one or more directors; and

(2) Delegate to these committees any of the powers of the board of directors, except the power to:

(i) Authorize the issuance of stock other than as provided in subsection (b) of this section;

(ii) Recommend to the stockholders any action which requires stockholder approval, other than the election of directors;

(iii) Amend the bylaws; or

(iv) Approve any merger or share exchange which does not require stockholder approval.

(b) If the board of directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number or the maximum aggregate offering price of shares to be issued, a committee of the board, in accordance with that general authorization or any stock option or other plan or program adopted by the board, may authorize or fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued, including all terms and conditions required or permitted to be established or authorized by the board of directors under §§ 2–203 and 2–208 of this title.

(c) The bylaws may authorize the members of a committee present at any meeting, whether or not they constitute a quorum, to appoint a director to act in the place of an absent member.

(d) The appointment of any committee, the delegation of authority to it, or action by it under that authority does not constitute, of itself, compliance by any director, not a member of the committee, with the standard provided in § 2-405.1 of this subtitle for the performance of duties of directors.

(e) Notwithstanding subsection (a) of this section or § 2-408(d) of this subtitle, the charter or bylaws of a corporation, or any agreement to which the corporation is a party and which has been approved by the board of directors, may provide for:

(1) The establishment of one or more standing committees or for the creation of one or more committees upon the occurrence of certain events; and

(2) The composition of the membership, and the qualifications and the voting and other rights of members of any such committee, subject to the continued service of members of the committee as directors.

§2–412.

(a) Each Maryland corporation shall have the following officers:

(1) A president;

(2) A secretary; and

(3) A treasurer.

(b) In addition to the required officers, a Maryland corporation may have any other officer provided for in the bylaws.

§2–413.

(a) Unless the bylaws provide otherwise, the board of directors shall elect the officers.

(b) Unless the bylaws provide otherwise, an officer serves for one year and until his successor is elected and qualifies.

(c) (1) The board of directors may remove any officer or agent of the corporation.

(2) The removal of an officer or agent does not prejudice any of his contract rights.

(d) Unless the bylaws provide otherwise, the board of directors may fill a vacancy which occurs in any office.

§2–414.

(a) As between himself and the corporation, an officer or agent of the corporation has the authority and shall perform the duties in the management of the assets and affairs of the corporation as:

(1) Provided in the bylaws; and

(2) Determined from time to time by resolution of the board of directors not inconsistent with the bylaws.

(b) The rights of any third party are not affected or impaired by any bylaw or resolution referred to in subsection (a) of this section unless the third party has knowledge of the bylaw or resolution.

§2–415.

(a) If permitted by the bylaws, a person may hold more than one office in a corporation but may not serve concurrently as both president and vice president of the same corporation.

(b) A person who holds more than one office in a corporation may not act in more than one capacity to execute, acknowledge, or verify an instrument required by law to be executed, acknowledged, or verified by more than one officer.

§2–416.

(a) A corporation may lend money to, guarantee an obligation of, or otherwise assist an officer or other employee of the corporation or of its direct or indirect subsidiary, including an officer or employee who is a director of the corporation or the subsidiary, if the loan, guarantee, or assistance:

(1) In the judgment of the directors, reasonably may be expected to benefit the corporation; or

(2) Is an advance made against indemnification in accordance with § 2-418(f) of this subtitle.

(b) The loan, guarantee, or other assistance may be:

(1) With or without interest;

(2) Unsecured; or

(3) Secured in any manner that the board of directors approves, including a pledge of the stock of the corporation.

§2–418.

(a) (1) In this section the following words have the meanings indicated.

(2) "Corporation" includes any domestic or foreign predecessor entity of a corporation in a merger, consolidation, or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(3) "Director" means any person who is or was a director of a corporation and any person who, while a director of a corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, limited liability company, other enterprise, or employee benefit plan.

(4) "Expenses" include attorney's fees.

(5) (i) "Official capacity" means:

1. When used with respect to a director, the office of director in the corporation; and

2. When used with respect to a person other than a director as contemplated in subsection (j) of this section, the elective or appointive office in the corporation held by the officer, or the employment or agency relationship undertaken by the employee or agent in behalf of the corporation.

(ii) "Official capacity" does not include service for any other foreign or domestic corporation or any partnership, joint venture, trust, other enterprise, or employee benefit plan.

(6) "Party" includes a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

(7) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative.

(b) (1) A corporation may indemnify any director made a party to any proceeding by reason of service in that capacity unless it is established that:

(i) The act or omission of the director was material to the matter giving rise to the proceeding; and

1. Was committed in bad faith; or

2. Was the result of active and deliberate dishonesty; or

(ii) The director actually received an improper personal benefit in money, property, or services; or

(iii) In the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful.

(2) (i) Indemnification may be against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by the director in connection with the proceeding.

(ii) However, if the proceeding was one by or in the right of the corporation, indemnification may not be made in respect of any proceeding in which the director shall have been adjudged to be liable to the corporation.

(3) (i) The termination of any proceeding by judgment, order, or settlement does not create a presumption that the director did not meet the requisite standard of conduct set forth in this subsection.

(ii) The termination of any proceeding by conviction, or a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the director did not meet that standard of conduct.

(4) A corporation may not indemnify a director or advance expenses under this section for a proceeding brought by that director against the corporation, except:

(i) For a proceeding brought to enforce indemnification under this section; or

(ii) If the charter or bylaws of the corporation, a resolution of the board of directors of the corporation, or an agreement approved by the board of directors of the corporation to which the corporation is a party expressly provide otherwise.

(c) A director may not be indemnified under subsection (b) of this section in respect of any proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged to be liable on the basis that personal benefit was improperly received.

(d) Unless limited by the charter:

(1) A director who has been successful, on the merits or otherwise, in the defense of any proceeding referred to in subsection (b) of this section, or in the defense of any claim, issue, or matter in the proceeding, shall be indemnified against reasonable expenses incurred by the director in connection with the proceeding, claim, issue, or matter in which the director has been successful.

(2) A court of appropriate jurisdiction, upon application of a director and such notice as the court shall require, may order indemnification in the following circumstances:

(i) If it determines a director is entitled to reimbursement under paragraph (1) of this subsection, the court shall order indemnification, in which

case the director shall be entitled to recover the expenses of securing such reimbursement; or

(ii) If it determines that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director has met the standards of conduct set forth in subsection (b) of this section or has been adjudged liable under the circumstances described in subsection (c) of this section, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any proceeding by or in the right of the corporation or in which liability shall have been adjudged in the circumstances described in subsection (c) of this section shall be limited to expenses.

(3) A court of appropriate jurisdiction may be the same court in which the proceeding involving the director's liability took place.

(e) (1) Indemnification under subsection (b) of this section may not be made by the corporation unless authorized for a specific proceeding after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in subsection (b) of this section.

(2) Such determination shall be made:

(i) By the board of directors by a majority vote of a quorum consisting of directors not, at the time, parties to the proceeding, or by a majority vote of a committee of the board consisting solely of one or more directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the directors who are not parties to the proceeding;

(ii) By special legal counsel selected by the board of directors or a committee of the board by vote as set forth in item (i) of this paragraph, or, if the requisite quorum of the full board cannot be obtained therefor and the committee cannot be established, by a majority vote of the full board in which directors who are parties may participate; or

(iii) By the stockholders.

(3) Authorization of indemnification and determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible. However, if the determination that indemnification is permissible is made by special legal counsel, authorization of indemnification and determination as to reasonableness of expenses shall be made in the manner specified in paragraph (2)(ii) of this subsection for selection of such counsel.

(4) Shares held by directors who are parties to the proceeding may not be voted on the subject matter under this subsection.

(f) (1) Reasonable expenses incurred by a director who is a party to a proceeding may be paid or reimbursed by the corporation in advance of the final disposition of the proceeding upon receipt by the corporation of:

(i) A written affirmation by the director of the director's good faith belief that the standard of conduct necessary for indemnification by the corporation as authorized in this section has been met; and

(ii) A written undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

(2) The undertaking required by paragraph (1)(ii) of this subsection shall be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make the repayment.

(3) Payments under this subsection shall be made as provided by the charter, bylaws, or contract or as specified in subsection (e)(2) of this section.

(g) The indemnification and advancement of expenses provided or authorized by this section may not be deemed exclusive of any other rights, by indemnification or otherwise, to which a director may be entitled under the charter, the bylaws, a resolution of stockholders or directors, an agreement or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(h) This section does not limit the corporation's power to pay or reimburse expenses incurred by a director in connection with an appearance as a witness in a proceeding at a time when the director has not been made a named defendant or respondent in the proceeding.

(i) For purposes of this section:

(1) The corporation shall be deemed to have requested a director to serve an employee benefit plan where the performance of the director's duties to the corporation also imposes duties on, or otherwise involves services by, the director to the plan or participants or beneficiaries of the plan;

(2) Excise taxes assessed on a director with respect to an employee benefit plan pursuant to applicable law shall be deemed fines; and

(3) Action taken or omitted by the director with respect to an employee benefit plan in the performance of the director's duties for a purpose reasonably believed by the director to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

(j) Unless limited by the charter:

(1) An officer of the corporation shall be indemnified as and to the extent provided in subsection (d) of this section for a director and shall be entitled, to the same extent as a director, to seek indemnification pursuant to the provisions of subsection (d) of this section;

(2) A corporation may indemnify and advance expenses to an officer, employee, or agent of the corporation to the same extent that it may indemnify directors under this section; and

(3) A corporation, in addition, may indemnify and advance expenses to an officer, employee, or agent who is not a director to such further extent, consistent with law, as may be provided by its charter, bylaws, general or specific action of its board of directors, or contract.

(k) (1) A corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or who, while a director, officer, employee, or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, limited liability company, other enterprise, or employee benefit plan against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the corporation would have the power to indemnify against liability under the provisions of this section.

(2) A corporation may provide similar protection, including a trust fund, letter of credit, or surety bond, not inconsistent with this section.

(3) The insurance or similar protection may be provided by a subsidiary or an affiliate of the corporation.

(l) Any indemnification of, or advance of expenses to, a director in accordance with this section, if arising out of a proceeding by or in the right of the corporation, shall be reported in writing to the stockholders with the notice of the next stockholders' meeting or prior to the meeting.

§2–419.

(a) If subsection (b) of this section is complied with, a contract or other transaction between a corporation and any of its directors or between a corporation and any other corporation, firm, or other entity in which any of its directors is a director or has a material financial interest is not void or voidable solely because of any one or more of the following:

(1) The common directorship or interest;

(2) The presence of the director at the meeting of the board or a committee of the board which authorizes, approves, or ratifies the contract or transaction; or

(3) The counting of the vote of the director for the authorization, approval, or ratification of the contract or transaction.

(b) Subsection (a) of this section applies if:

(1) The fact of the common directorship or interest is disclosed or known to:

(i) The board of directors or the committee, and the board or committee authorizes, approves, or ratifies the contract or transaction by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum; or

(ii) The stockholders entitled to vote, and the contract or transaction is authorized, approved, or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm, or other entity; or

(2) The contract or transaction is fair and reasonable to the corporation.

(c) Common or interested directors or the stock owned by them or by an interested corporation, firm, or other entity may be counted in determining the presence of a quorum at a meeting of the board of directors or a committee of the board or at a meeting of the stockholders, as the case may be, at which the contract or transaction is authorized, approved, or ratified.

(d) (1) If a contract or transaction is not authorized, approved, or ratified in one of the ways provided for in subsection (b)(1) of this section, the person asserting the validity of the contract or transaction bears the burden of proving that the

contract or transaction was fair and reasonable to the corporation at the time it was authorized, approved, or ratified.

(2) This subsection does not apply to the fixing by the board of directors of reasonable compensation for a director, whether as a director or in any other capacity.

(e) Any procedures authorized by § 2–418 of this subtitle shall be deemed to satisfy subsection (b)(1) of this section. Any charter, bylaw, contract, or transaction requiring or permitting indemnification, including advances of expenses, in accordance with § 2–418 of this subtitle is fair and reasonable to the corporation.

§2–501.

(a) Each corporation shall hold an annual meeting of its stockholders to elect directors and transact any other business within its powers.

(b) (1) If the charter or bylaws of a corporation that is an investment company as defined in the Investment Company Act of 1940 so provides, the corporation is not required to hold an annual meeting in any year in which the election of directors is not required to be acted upon under the Investment Company Act of 1940.

(2) If a corporation is required under paragraph (1) of this subsection to hold a meeting of stockholders to elect directors, the meeting shall be designated as the annual meeting of stockholders for that year.

(c) (1) Except as provided in paragraph (2) of this subsection, the meeting shall be held at the time or in the manner provided in the bylaws.

(2) If a corporation is required under subsection (b)(1) of this section to hold a meeting of stockholders to elect directors, the meeting shall be held no later than 120 days after the occurrence of the event requiring the meeting.

(d) Except as this article provides otherwise, any business may be considered at an annual meeting without the purpose of the meeting having been specified in the notice.

(e) The failure to hold an annual meeting does not invalidate the corporation's existence or affect any otherwise valid corporate act.

§2–502.

(a) A special meeting of the stockholders of a corporation may be called by:

(1) The president;

(2) The board of directors; or

(3) Any other person specified in the charter or the bylaws.

(b) (1) Except as provided in subsections (c) and (d) of this section, and except for a corporation that has elected to be subject to § 3-805 of this article, the secretary of a corporation shall call a special meeting of the stockholders on the written request of stockholders entitled to cast at least 25 percent of all the votes entitled to be cast at the meeting.

(2) A request for a special meeting shall state the purpose of the meeting and the matters proposed to be acted on at the meeting.

(3) The secretary shall:

(i) Inform the stockholders who make the request of the reasonably estimated cost of preparing and mailing a notice of the meeting; and

(ii) On payment of these costs to the corporation, notify each stockholder entitled to notice of the meeting.

(c) Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of the stockholders held during the preceding 12 months.

(d) (1) Subject to paragraph (2) of this subsection, a corporation may include in its charter or bylaws a provision that requires the written request of stockholders entitled to cast a greater or lesser percentage of all votes entitled to be cast at the meeting than that required by subsection (b)(1) of this section in order to call a special meeting of the stockholders.

(2) The percentage provided for in the charter or bylaws may not be greater than a majority of all the votes entitled to be cast at the meeting.

(e) Unless the charter or bylaws expressly provide otherwise, the board of directors has the sole power to fix:

(1) The record date for determining stockholders entitled to request a special meeting of the stockholders and the record date for determining stockholders entitled to notice of and to vote at the special meeting; and

(2) The date, time, and place, if any, and the means of remote communication, if any, by which stockholders and proxy holders may be considered present in person and may vote at the special meeting.

§2–503.

(a) Unless the charter provides otherwise, meetings of stockholders shall be held as is:

(1) Provided in the charter or bylaws; or

(2) Set by the board of directors under the provisions of the charter or bylaws.

(b) If the board of directors is authorized to determine the place of a meeting of the stockholders, the board of directors may determine that the meeting not be held at any place, but instead may be held partially or solely by remote communication, as authorized by subsection (c) of this section.

(c) If authorized by the board of directors and subject to any guidelines and procedures that the board adopts, stockholders and proxy holders not physically present at the meeting of the stockholders may, by remote communication:

(1) Participate in the meeting of the stockholders; and

(2) Be considered present in person and may vote at the meeting of the stockholders, whether the meeting is held at a designated place or partially or solely by remote communication, if:

(i) The corporation implements reasonable measures to verify that each person considered present and authorized to vote at the meeting by remote communication is a stockholder or proxy holder;

(ii) The corporation implements reasonable measures to provide the stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings; and

(iii) In the event any stockholder or proxy holder votes or takes other action at the meeting by remote communication, a record of the vote or other action is maintained by the corporation.

§2–504.

(a) Not less than 10 nor more than 90 days before each stockholders' meeting, the secretary of the corporation shall give, or cause to be given, notice in writing or by electronic transmission of the meeting to:

(1) Each stockholder entitled to vote at the meeting; and

(2) Each other stockholder entitled to notice of the meeting.

(b) The notice shall state:

(1) The time of the meeting, the place of the meeting, if any, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and may vote at the meeting; and

(2) The purpose of the meeting, if:

(i) The meeting is a special meeting; or

(ii) Notice of the purpose is required by any other provision of this article.

(c) (1) For purposes of this section, notice is given to a stockholder when it is:

(i) Personally provided to the stockholder;

(ii) Left at the stockholder's residence or usual place of business;

(iii) Mailed to the stockholder at the stockholder's address as it appears on the records of the corporation; or

(iv) Transmitted to the stockholder by an electronic transmission to any address or number of the stockholder at which the stockholder receives electronic transmissions.

(2) Unless the charter or bylaws provide otherwise, if a corporation has received a request from a stockholder that notice not be sent by electronic transmission, the corporation may not provide notice to the stockholder by electronic transmission.

(d) (1) An affidavit of the secretary, an assistant secretary, the transfer agent, or other agent of the corporation that notice has been given by a form of electronic transmission, in the absence of actual fraud, shall be prima facie evidence of the facts stated in the affidavit.

(2) Notice given by electronic transmission shall be considered ineffective if:

(i) The corporation is unable to deliver two consecutive notices; and

(ii) The inability to deliver the notices becomes known to the secretary, an assistant secretary, the transfer agent, or other person responsible for the giving of notice.

(3) The inadvertent failure to deliver notice under paragraph (2) of this subsection does not invalidate any meeting or other action.

(e) Whenever this article or the charter or bylaws of a corporation require notice of a meeting of the stockholders, each person who is entitled to the notice waives notice if the person:

(1) Before or after the meeting delivers a written waiver or a waiver by electronic transmission which is filed with the records of stockholders meetings; or

(2) Is present at the meeting in person or by proxy.

(f) The charter or bylaws may require any stockholder proposing a nominee for election as a director or any other matter for consideration at a meeting of the stockholders to provide advance notice of the nomination or proposal to the corporation before a date or within a period of time specified in the charter or bylaws.

§2–504.1.

(a) Subject to § 2–504(d) of this subtitle, any notice given by a corporation to a stockholder under this article or the charter or bylaws of the corporation is effective if given by a single notice, in writing or by electronic transmission, to all stockholders who share an address unless the corporation has received a request from a stockholder in writing or by electronic transmission that a single notice not be given.

(b) This section does not limit the manner in which a corporation otherwise may give notice to stockholders.

§2–505.

(a) Except as provided in subsection (b) of this section, any action required or permitted to be taken at a meeting of the stockholders may be taken without a meeting if a unanimous consent which sets forth the action is:

(1) Provided in writing or by electronic transmission by each stockholder entitled to vote on the matter; and

(2) Filed in paper or electronic form with the records of stockholders meetings.

(b) (1) Unless the charter requires otherwise, the holders of any class or series of stock, other than shares of common stock entitled to vote generally in the election of directors, may take action or consent to any action by providing a consent in writing or by electronic transmission of the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a stockholders meeting at which all stockholders entitled to vote on the action were present and voted if the corporation gives notice of the action to each holder of the class or series of stock not later than 10 days after the effective time of the action.

(2) If authorized by the charter of a corporation, the holders of shares of common stock entitled to vote generally in the election of directors may take action or consent to any action by providing a consent in writing or by electronic transmission of the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a stockholders meeting at which all stockholders entitled to vote on the action were present and voted if the corporation gives notice of the action not later than 10 days after the effective date of the action to each holder of shares of the class or series of common stock and to each stockholder who, if the action had been taken at a meeting, would have been entitled to notice of the meeting.

(c) Any consent authorized by this section shall be provided to the corporation by delivery to its principal office in the State, its resident agent, or the officer or agent of the corporation that maintains, or causes to be maintained on behalf of the corporation, the records in which proceedings of minutes of stockholders meetings are recorded.

(d) A stockholder may provide the consent authorized by this section:

(1) By electronic transmission; or

(2) In paper form, by hand, or by certified or registered mail, return receipt requested.

(e) The board of directors may adopt reasonable procedures for providing consents instead of holding a meeting under this section.

(f) (1) A consent under this section is not effective unless consents authorized by a sufficient number of stockholders to take action are provided to the corporation in writing or by electronic transmission within 60 days after the date of the earliest consent in accordance with procedures adopted under subsection (e) of this section.

(2) (i) A person, whether or not then a stockholder, may assent to an action by a consent that will be effective at a future time that is no later than 60 days after the consent is provided to the corporation or its agent.

(ii) The effective time of a consent under this paragraph may include a time determined on the happening of an event that occurs no later than 60 days after the consent is provided to the corporation or its agent.

(iii) A consent under this paragraph shall be deemed to have been given at the effective time if the person:

1. Is a stockholder at the effective time; and

2. Did not revoke the consent before the effective time.

(3) Unless otherwise provided in the consent, a consent under this subsection is revocable before the effective time.

(g) Any charter documents filed with the Department in accordance with an action taken under this section may provide that the action was approved by the stockholders in the manner provided by this section.

§2–506.

(a) Unless this article or the charter of a corporation provides otherwise, at a meeting of stockholders:

(1) The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting constitutes a quorum; and

(2) A majority of all the votes cast at a meeting at which a quorum is present is sufficient to approve any matter which properly comes before the meeting.

(b) Subject to other provisions of this article, unless the charter of a corporation provides otherwise, if two or more classes or series of stock are entitled to vote separately on any matter for which this article requires approval by two–thirds of all the votes entitled to be cast, the matter shall be approved by two–thirds of all the votes of each class or series entitled to vote on the matter.

(c) (1) This subsection applies to a corporation that:

(i) Has a class of equity securities registered under the Securities Exchange Act of 1934 and at least three directors who are not officers or employees of the corporation; or

(ii) Is registered as an open–end investment company under the Investment Company Act of 1940.

(2) Unless the charter or bylaws of a corporation provide otherwise, at a meeting of stockholders the presence, in person or by proxy, of a majority of all votes entitled to be cast at the meeting constitutes a quorum.

(3) For purposes of this subsection, a quorum provision in the bylaws of a corporation may not be less than one–third of the votes entitled to be cast at the meeting.

§2–507.

(a) Unless the charter provides for a greater or lesser number of votes per share or limits or denies voting rights, each outstanding share of stock, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of stockholders. However, a share is not entitled to be voted if any installment payable on it is overdue and unpaid.

(b) (1) A stockholder may vote the stock the stockholder owns of record either:

(i) In person; or

(ii) By proxy as provided in subsection (c) of this section.

(2) Unless a proxy provides otherwise, it is not valid more than 11 months after its date.

(3) Unless otherwise agreed in writing, the holder of record of stock which actually belongs to another shall issue a proxy to vote the stock to the actual owner on the owner's demand.

(c) (1) A stockholder may authorize another person to act as proxy for the stockholder as provided in this subsection.

(2) (i) A stockholder may sign a writing authorizing another person to act as proxy.

(ii) Signing may be accomplished by the stockholder or the stockholder's authorized agent signing the writing or causing the stockholder's signature to be affixed to the writing by any reasonable means, including facsimile signature.

(3) (i) Subject to subparagraph (ii) of this paragraph, a stockholder may authorize another person to act as proxy by transmitting, or authorizing the transmission of, an authorization for the person to act as proxy to:

1. The person authorized to act as proxy; or

2. Any other person authorized to receive the proxy authorization on behalf of the person authorized to act as the proxy, including a proxy solicitation firm or proxy support service organization.

(ii) The authorization may be transmitted by a telegram, cablegram, datagram, electronic mail, or any other electronic or telephonic means.

(4) A copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission authorized under paragraphs (2) and (3) of this subsection may be substituted for the original writing or transmission for any purpose for which the original writing or transmission could be used.

(d) (1) A proxy is revocable by a stockholder at any time without condition or qualification unless:

(i) The proxy states that it is irrevocable; and

(ii) The proxy is coupled with an interest.

(2) A proxy may be made irrevocable for as long as it is coupled with an interest.

(3) The interest with which a proxy may be coupled includes an interest in the stock to be voted under the proxy, an interest as a party to a voting agreement created in accordance with § 2–510.1 of this subtitle, or another general interest in the corporation or its assets or liabilities.

§2–508.

(a) (1) A fiduciary may vote, either in person or by proxy, stock registered in his name as fiduciary.

(2) A fiduciary may vote, either in person or by proxy, stock registered in the name of another person on proof of the fact that legal title to the stock has devolved on him in a fiduciary capacity and that he is qualified to act in that capacity.

(b) A stockholder of record who pledges his shares may vote them, but, as between the pledgor and pledgee, this subsection does not affect the validity of any agreement between them as to the giving of proxies or the exercise of voting rights.

(c) (1) If stock is registered in the names of two or more persons, whether as fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two or more persons have the same fiduciary relationship with respect to the same stock, unless the secretary of the corporation is given written notice to the contrary and is furnished with a copy of the instrument or order which so provides, their acts with respect to voting have the effects provided in this subsection.

(2) If only one votes, his vote binds all, and if more than one vote, the vote of the majority binds all.

(3) If more than one vote and the vote is evenly split on any particular matter:

(i) Each faction may vote the stock in question proportionally; or

(ii) Any person voting the stock or any beneficiary may apply to a court of competent jurisdiction to appoint an additional person to act with the persons voting the stock and the stock shall then be voted as determined by a majority of those persons and the person appointed by the court.

(4) If the instrument or order given to the secretary of the corporation shows that the interests are unequal, a majority or even split for the purpose of this subsection is a majority or even split in interest.

§2–509.

(a) Stock registered in the name of a corporation, if entitled to be voted, may be voted by the president, a vice president, or a proxy appointed by either of them, unless another person appointed to vote the stock under a bylaw or a resolution of the board of directors presents a certified copy of the bylaw or resolution, in which case he may vote the stock.

(b) (1) Shares of a corporation's own stock owned directly or indirectly by it may not be voted at any meeting and may not be counted in determining the total number of outstanding shares entitled to be voted at any given time unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

(2) Shares of its own stock are considered owned indirectly by the corporation if owned by another corporation or entity in which the corporation owns shares or interests entitled to cast a majority of all the votes entitled to be cast by holders of all shares or interests outstanding and entitled to vote.

§2–510.

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

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

(2) Providing an executed copy of the voting trust agreement to the corporation at its principal office or by electronic transmission; and

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

§2–510.1.

Two or more stockholders of a corporation may enter into a written agreement that specifies that, in exercising any voting rights, the stock held by the parties to the agreement shall be voted:

(1) As provided in the agreement;

(2) As the parties may agree; or

(3) Based on a procedure set forth in the agreement.

§2–511.

(a) Unless the bylaws provide otherwise, the board of directors may set a record date or direct that the stock transfer books be closed for a stated period for the purpose of making any proper determination with respect to stockholders, including which stockholders are entitled to:

(1) Notice of a meeting;

(2) Vote at a meeting;

(3) Receive a dividend; or

(4) Be allotted other rights.

(b) As set by the bylaws or the board of directors:

(1) The record date may not be prior to the close of business on the day the record date is fixed. Except as otherwise provided in this section, the record date shall be not more than 90 days before the date on which the action requiring the determination will be taken;

(2) The transfer books may not be closed for a period longer than 20 days; and

(3) In the case of a meeting of stockholders, the record date or the closing of the transfer books shall be at least ten days before the date of the meeting.

(c) If a record date is not set and the stock transfer books are not closed:

(1) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders is the later of:

(i) The close of business on the day on which notice of the meeting is mailed; or

(ii) The thirtieth day before the meeting; and

(2) The record date for determining stockholders entitled to receive payment of a dividend or an allotment of any rights is the close of business on the day on which the resolution of the board of directors declaring the dividend or allotment

of rights is adopted, but the payment or allotment may not be made more than 60 days after the date on which the resolution is adopted.

(d) (1) A meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice to a date not more than 120 days after the original record date.

(2) Prior to being convened, a meeting of stockholders may be postponed from time to time to a date not more than 120 days after the original record date.

§2–512.

(a) Any stockholder, holder of a voting trust certificate in a corporation, or his agent, on request provided in writing or by electronic transmission, may inspect and copy during usual business hours any of the following corporate documents:

(1) Bylaws;

(2) Minutes of the proceedings of the stockholders;

(3) Annual statements of affairs; and

(4) Voting trust agreements provided to the corporation in accordance with § 2–510(2) of this subtitle.

(b) Within 7 days after a request for documents made under subsection (a) of this section is provided to an officer of a corporation, the resident agent of a corporation, or an agent designated by a corporation to maintain corporate documents on the corporation's behalf, the corporation shall:

(1) Have the requested documents available on file at its principal office; or

(2) Make the requested documents available by electronic transmission.

(c) (1) Any stockholder or holder of a voting trust certificate in a corporation other than an open–ended investment company may provide to any officer of the corporation, the resident agent of the corporation, or any agent designated by the corporation to maintain corporate documents on the corporation's behalf, a request in writing or by electronic transmission for a statement showing all stock and securities issued by the corporation during a specified period of not more than 12 months before the date of the request.

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

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

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

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

§2–513.

(a) Unless the charter of a corporation provides otherwise by reference to this section or the subject matter of this section, this section does not apply, in whole or in part, to holders of any shares of any class or series of stock, other than common stock, that is classified or reclassified by articles of supplementary, or created by articles of incorporation or an amendment to the charter, accepted for record by the Department on or after October 1, 2020.

(b) One or more persons who together are and for at least 6 months have been stockholders of record or holders of voting trust certificates of at least 5% of the outstanding shares of any class or series of stock of a corporation may:

(1) In person or by agent, on request in writing or by electronic transmission, inspect and copy during usual business hours the corporation's books of account and its stock ledger;

(2) Provide to any officer of the corporation, the resident agent of the corporation, or any agent designated by the corporation to maintain corporate documents on the corporation's behalf, a request in writing or by electronic transmission for a statement of its affairs; and

(3) In the case of any corporation which does not maintain the original or a duplicate stock ledger at its principal office, provide to any officer of the corporation, the resident agent of the corporation, or any agent designated by the corporation to maintain corporate documents on the corporation's behalf, a request in writing or by electronic transmission for a list of its stockholders.

(c) Within 20 days after a request for information is made under subsection (b) of this section, the corporation shall prepare and have available on file at its principal office or make available by electronic transmission:

(1) In the case of a request for a statement of affairs, a statement verified under oath by its president or treasurer or one of its vice–presidents or assistant treasurers which sets forth in reasonable detail the corporation's assets and liabilities as of a reasonably current date; and

(2) In the case of a request for a list of stockholders, a list verified under oath by one of its officers or its stock transfer agent or registrar which sets forth the name and address of each stockholder and the number of shares of each class or series of stock which the stockholder holds.

§2–514.

(a) The charter or bylaws of a corporation may provide and, unless the charter or bylaws provide otherwise, the board of directors may adopt by resolution a procedure by which a stockholder of the corporation may certify in writing to the corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder.

(b) The resolution shall set forth:

(1) The class of stockholders who may certify;

(2) The purpose for which the certification may be made;

(3) The form of certification and the information to be contained in it;

(4) If the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the corporation; and

(5) Any other provisions with respect to the procedure which the board considers necessary or desirable.

(c) On receipt of a certification which complies with the procedure adopted by the board in accordance with this section, the person specified in the certification is, for the purpose set forth in the certification, the holder of record of the specified stock in place of the stockholder who makes the certification.

§2–601.

(a) A corporation having capital stock may amend or restate its charter as provided in this subtitle.

(b) Compliance with the provisions of this subtitle is not required in the case of a charter amendment adopted under articles of merger.

§2–602.

(a) A corporation may amend its charter from time to time in any respect, provided that:

(1) The amendment may contain only provisions which lawfully could be contained in articles of incorporation at the time of the amendment;

(2) If the amendment effects a change in stock or in the rights of stockholders or effects an exchange, reclassification, or cancellation of stock, the amendment shall contain the provisions necessary to effect the change, exchange, reclassification, or cancellation; and

(3) If the amendment alters the contract rights, as expressly set forth in the charter, of any outstanding stock, and the charter does not reserve the right to make the amendment, any objecting stockholder whose rights are substantially adversely affected has the right to receive the fair value of his stock as an objecting stockholder under Title 3, Subtitle 2 of this article.

(b) In addition to the general power to amend granted in subsection (a) of this section, a corporation from time to time may amend its charter to:

(1) Change its corporate name;

(2) Change, enlarge, or diminish its purposes or the duration of its existence;

(3) Exchange, classify, reclassify, or cancel any of its issued or unissued stock;

(4) Change the designation of any of its issued or unissued stock;

(5) Increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class which it may issue;

(6) Increase or decrease the par value of issued or unissued authorized stock of any class with par value;

(7) Change issued or unissued shares of stock with par value into the same or a different number of shares without par value and change issued or unissued shares of stock without par value into the same or a different number of shares with par value;

(8) Change issued or unissued shares of stock of any class, whether with or without par value, into a different number of shares of the same class or into the same or a different number of shares of another class, either with or without par value;

(9) Change the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of any of its issued or unissued stock; and

(10) Cancel or otherwise affect the right of the stockholders of any class to receive dividends which have accrued but have not been declared.

§2–603.

(a) If there is no stock outstanding or subscribed for entitled to be voted on the charter amendment, it shall be approved as provided in this section.

(b) (1) If the amendment is made before the organization meeting of the board of directors, every incorporator shall execute and file amended articles of incorporation in the same form required by Subtitle 1 of this title for original articles of incorporation.

(2) When the Department accepts amended articles of incorporation for record, they take the place of the original articles.

(c) If the amendment is made at or after the organization meeting of the board of directors, it shall be approved by a majority of the entire board of directors.

§2–604.

(a) This section does not apply to a charter amendment by the board of directors in accordance with § 2–105(a)(13) or § 2–309(e) of this title.

(b) A charter amendment by a Maryland corporation registered as an open–end investment company under the Investment Company Act of 1940 shall be approved by a majority of the entire board of directors and in the manner and by the vote required under the Investment Company Act of 1940.

(c) If there is any stock outstanding or subscribed for and entitled to be voted on the charter amendment, it shall be approved as provided in this section.

(d) Except as provided in § 2–112 of this title and subsection (b) of this section, the board of directors of a corporation proposing a charter amendment shall:

(1) Adopt a resolution which sets forth the proposed amendment and declares that it is advisable; and

(2) Direct that the proposed amendment be submitted for consideration at either an annual or a special meeting of the stockholders.

(e) (1) Notice which states that a purpose of the meeting will be to act on the proposed amendment shall be given by the corporation in the manner required by Subtitle 5 of this title to:

(i) Each stockholder entitled to vote on the proposed amendment; and

(ii) Each stockholder not entitled to vote on the proposed amendment if the contract rights of his stock, as expressly set forth in the charter, would be altered by the amendment.

(2) The notice shall:

(i) Include a copy of the amendment or a summary of the changes it will effect; or

(ii) 1. Identify a website at which the amendment or a summary of the changes it will effect may be accessed; and

2. Include a telephone number or an address where the stockholder may request a paper copy of the amendment or summary without charge.

(f) Except as provided in subsection (b) of this section, the proposed amendment shall be approved by the stockholders of the corporation by the affirmative vote of two–thirds of all the votes entitled to be cast on the matter.

§2–605.

(a) Notwithstanding the provisions of § 2–604 of this subtitle, unless prohibited in the charter by reference to this section or the subject matter of this section, a majority of the entire board of directors, without action by the stockholders, may amend the charter of a corporation to:

(1) Change the name of the corporation; or

(2) Change the name or other designation or the par value of any class or series of stock of the corporation and the aggregate par value of the stock of the corporation.

(b) A change in the name or other designation of a class or series of stock under subsection (a)(2) of this section may not change the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the class or series of stock.

§2–606.

Any number of amendments may be considered at a single meeting of the stockholders or directors.

§2–606.1.

(a) A corporation may not issue any of the stock that is classified, reclassified, or newly authorized by an amendment before the time the amendment is effective, as provided in § 2–610.1 of this subtitle.

(b) Notwithstanding subsection (a) of this section:

(1) The stock issued by a corporation before the time the amendment with respect to the stock is effective shall cease to be voidable as a result of the failure to file articles of amendment or articles of amendment and restatement at the time the amendment becomes effective; and

(2) A right or liability accrued by reason of the issuance of the stock by a corporation before the time the amendment becomes effective shall be extinguished at the time the amendment becomes effective, except to the extent that the person having the right or liability has acted detrimentally in reliance on the right or liability solely by reason of the issuance of the stock.

§2–607.

(a) Articles of amendment shall set forth the amendment and state:

(1) That the amendment was advised by the board of directors and approved by the stockholders; or

(2) That the amendment was approved by a majority of the entire board of directors and that:

(i) No stock entitled to be voted on the matter was outstanding or subscribed for at the time of approval; or

(ii) The amendment is limited to a change expressly authorized by § 2–105(a)(13) of this title or § 2–604(b) or § 2–605 of this subtitle to be made without action by the stockholders.

(b) If the amendment increases the authorized stock of the corporation, the articles of amendment also shall include:

(1) Both as of immediately before the amendment and as amended:

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

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

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

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

(2) If the shares are divided into classes:

(i) A description, as amended, of each class, including the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption; or

(ii) A statement that the information required by item (i) of this item was not changed by the amendment.

§2–608.

(a) If authorized by a majority of the entire board of directors, a corporation may restate its charter as provided in this section.

(b) Articles of restatement shall include every charter provision currently in effect, omitting only provisions which this section specifically permits to be omitted, and shall state:

(1) That the corporation desires to restate its charter as currently in effect;

(2) That the provisions set forth in the articles of restatement are all the provisions of the charter currently in effect;

(3) That the restatement of the charter has been approved by a majority of the entire board of directors;

(4) That the charter is not amended by the articles of restatement;

(5) The current address of the principal office of the corporation;

(6) The name and address of the corporation's current resident agent; and

(7) The number of directors of the corporation and the names of those currently in office.

(c) Articles of restatement may omit all provisions which relate solely to a class of stock if, at the time:

(1) There are no shares of the class outstanding; and

(2) The corporation has no authority to issue any shares of the class.

(d) Articles of restatement may not contain:

(1) Any provisions of the charter which have been eliminated from it by amendment;

(2) The original charter provisions which contained the information required by subsection (b) (5), (6), and (7) of this section, if they are no longer current; or

(3) Any amendment to the charter of the corporation.

§2–609.

(a) A complete restatement of the charter may be submitted for approval in the manner required for a charter amendment to a meeting of the corporation's stockholders or directors, as the case may be.

(b) If the restatement is submitted for approval in the manner required for a charter amendment, any amendments to the charter approved at the meeting may be included in the restatement.

(c) Articles of amendment and restatement shall include the provisions required to be included in both articles of amendment and articles of restatement.

§2–610.

Articles of amendment, articles of restatement, and articles of amendment and restatement shall be executed for the corporation in the manner required by Title 1 of this article and shall be filed for record with the Department.

§2–610.1.

Articles of amendment and articles of amendment and restatement are effective as of the later of:

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

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

§2–611.

(a) When articles of amendment become effective, the amendment becomes part of the charter of the corporation.

(b) When the Department accepts articles of restatement for record:

(1) If they were not approved in the manner required for a charter amendment, they become evidence of the charter; and

(2) If the articles were approved in the manner required for a charter amendment, they become the charter of the corporation and supersede all prior charter documents.

(c) When articles of amendment and restatement become effective, they become the charter of the corporation and supersede all prior charter documents.

§2–612.

(a) A proposed amendment to the charter of a corporation may be abandoned before the effective date of the articles by majority vote of the entire board of directors of the corporation.

(b) If the articles have been filed with the Department, notice of abandonment shall be given promptly to the Department.

(c) If the proposed amendment to the charter is abandoned as provided in this section, the articles and the amendment have no effect.

§2–701.

(a) In this subtitle the following words have the meanings indicated.

(b) "Date of the defective corporate act" means:

(1) The date and the time a defective corporate act was purportedly taken; or

(2) If the exact time is unknown, the date and approximate time a defective corporate act was purportedly taken.

(c) "Defective corporate act" means:

(1) Any corporate act purportedly taken that, at the date of the defective corporate act, would have been within the power of the corporation but is void or voidable due to a failure of authorization; or

(2) An overissue.

(d) "Failure of authorization" means the failure of a corporation to authorize, approve, or otherwise effect a corporate act in compliance with the Maryland General Corporation Law, its charter or bylaws, any action taken by its board of directors, a committee of its board of directors, or its stockholders, or any plan or agreement to which the corporation is a party, if and to the extent that the failure would render the corporate act void or voidable.

(e) "Overissue" means the purported issuance by a corporation of stock of:

(1) A class or series in excess of the number of shares of the class or series that the corporation has the power to issue under § 2–201(a) of this title or the corporation's charter at the time of the purported issuance; or

(2) Any class or series that is not authorized for issuance by the corporation's charter at the time of the purported issuance.

(f) "Putative stock" means:

(1) Stock, including stock purportedly issued upon exercise of rights, options, warrants, or other securities convertible into or exercisable for stock, purportedly created or issued as a result of a defective corporate act, that but for the failure of authorization would constitute valid stock;

(2) Stock purportedly issued in an overissue; and

(3) Stock that cannot be determined by the board of directors to be valid stock.

(g) "Valid stock" means stock that has been duly authorized and validly issued in accordance with the provisions of this title.

§2–702.

(a) The board of directors of a corporation may ratify a defective corporate act under this subtitle by adopting a resolution stating:

(1) (i) The defective corporate act to be ratified; and

(ii) If the defective corporate act involved the issuance of putative stock, the number of shares and the class or series of putative stock;

(2) The date of the defective corporate act;

(3) The nature of the failure of authorization of the defective corporate act; and

(4) (i) If stockholder action is not required under subsection (b) of this section, that the board of directors ratifies the defective corporate act; or

(ii) If stockholder action is required under subsection (b) of this section, that the board of directors approves the ratification of the defective corporate act and directs that the ratification be submitted for consideration at a meeting of the stockholders.

(b) (1) Ratification of a defective corporate act approved in a resolution adopted under subsection (a) of this section shall be submitted for consideration at a

meeting of the stockholders if stockholder approval is required or would have been required on the date of the defective corporate act by any provision of:

(i) The Maryland General Corporation Law;

(ii) The charter or bylaws of the corporation;

(iii) Any action taken by the board of directors, a committee of the board of directors, or the stockholders; or

(iv) Any plan or agreement to which the corporation is a party in effect at the time a resolution was adopted under subsection (a) of this section.

(2) To ratify a defective corporate act under this subsection, the stockholders shall adopt a resolution stating:

(i) The defective corporate act to be ratified;

(ii) If the defective corporate act involved the issuance of putative stock, the number of shares and the class or series of putative stock;

(iii) The date of the defective corporate act; and

(iv) That the stockholders ratify the defective corporate act.

(c) (1) The quorum and voting requirements applicable to action by the board of directors or the stockholders to ratify a defective corporate act under this section shall be the approval standard requiring the larger number or portion of votes under:

(i) The requirements that would be applicable to the defective corporate act proposed to be ratified at the time of ratification; or

(ii) The requirements that would have been applicable to the defective corporate act on the date of the defective corporate act.

(2) (i) Except as provided in subparagraph (ii) of this paragraph, approval by stockholders of the ratification of the election of a director shall require a majority of the votes cast at a meeting at which a quorum is present.

(ii) If the charter or bylaws of the corporation in effect at the time of the ratification of the defective corporate act or in effect at the time of the defective corporate act requires or required a larger number or portion of votes cast by stockholders, by holders of any class or series of stock, or by any specified

stockholders to elect the director, then the affirmative vote of the larger number or portion of votes cast shall be required to ratify election of the director.

(3) The presence or approval of holders of stock of any class or series of which no stock is outstanding at the time of ratification or of any person that is no longer a stockholder may not be required.

(4) Holders of putative stock on the record date for determining which stockholders are entitled to vote on a ratification submitted to stockholders under this section shall not be entitled to vote or be counted for quorum purposes in any vote to consider ratification.

(d) Ratification of a defective corporate act under this section shall make the ratified defective corporate act binding on the corporation in accordance with § 2–703 of this subtitle.

§2–703.

(a) (1) Except as provided in paragraph (2) of this subsection, ratification of a defective corporate act becomes effective on the date that the board of directors adopts a resolution under § 2–702(a) of this subtitle or, if required by this subtitle, the date that stockholders adopt a resolution under § 2–702(b) of this subtitle.

(2) If the defective corporate act would have required a filing with the Department, ratification of the defective corporate act becomes effective on the later of:

(i) The time that articles of validation filed in accordance with § 2–705 of this subtitle are accepted for record by the Department; or

(ii) The time established in the articles of validation, not to exceed 30 days after the articles are accepted for record.

(b) Beginning at the time ratification is effective and without regard to the 120–day period during which a claim may be brought under § 2–706(b) of this subtitle:

(1) A defective corporate act ratified in accordance with this subtitle is not void or voidable as a result of the failure of authorization identified in a board action under § 2–702(a) of this subtitle and shall be deemed a valid corporate act effective as of the date of the defective corporate act;

(2) Putative stock purportedly issued pursuant to a defective corporate act identified in a board action under § 2–702(a) of this subtitle is not void

or voidable and shall be deemed valid stock as of the time it was purportedly issued; and

(3) Any corporate act taken after a defective corporate act ratified in accordance with this subtitle in reliance on the defective corporate act having been validly effected, and any subsequent defective corporate act resulting from the original defective corporate act, shall be valid as of the time the act was taken.

§2–704.

(a) If ratification of a defective corporate act requires approval by stockholders under § 2–702(b) of this subtitle, the secretary of the corporation shall give notice of the proposed ratification to all stockholders entitled to notice of the meeting in accordance with § 2–504 of this title, stockholders as of the date of the defective corporate act, and holders of putative stock.

(b) (1) If a defective corporate act is ratified by the board of directors in accordance with § 2–702(a) of this subtitle without action by stockholders, and notice is not required under subsection (a) of this section, notice of the ratification may be given to stockholders as of the ratification and as of the date of the defective corporate act and holders of putative stock.

(2) In the case of a corporation with a class of equity securities registered under the Securities Exchange Act of 1934, notice of a ratification that does not require approval of stockholders shall be deemed to be given when the ratification has been publicly disclosed in a document furnished to or filed with the Securities and Exchange Commission.

(c) (1) Except as provided in paragraph (2) of this subsection, notice given to holders of putative stock in accordance with this section shall be given to:

(i) Holders of putative stock as of the date of the defective corporate act;

(ii) Where notice is required under subsection (a) of this section, holders of putative stock as of the record date of the meeting; and

(iii) Where notice is given under subsection (b) of this section, holders of putative stock as of the date on which the board of directors adopted a resolution ratifying the defective corporate act.

(2) Notice is not required to be given to holders of putative stock whose identities or addresses cannot be reasonably determined from the records of the corporation.

§2–705.

(a) (1) If a defective corporate act ratified under this subtitle would have required the filing of a charter document with the Department under any provision of this article, the corporation shall file articles of validation in accordance with this section.

(2) If a charter document that was required to be filed with respect to the defective corporate act was not filed, the articles of validation required by this section shall be filed in lieu of the charter document that was not filed.

(b) Articles of validation required by this section shall include:

(1) The title and date of filing of any charter document previously filed with respect to the defective corporate act and any charter document that amended, supplemented, or corrected that charter document;

(2) A statement describing the defective corporate act;

(3) The date of the defective corporate act;

(4) A statement that the defective corporate act was ratified in accordance with this subtitle and a description of the manner of ratification; and

(5) (i) If a charter document was previously filed with respect to the defective corporate act and no change to the charter document is required to ratify the defective corporate act under § 2–702 of this subtitle, a statement that no change is made to the charter document;

(ii) If a charter document was previously filed with respect to the defective corporate act and a change to the charter document is required to ratify the defective corporate act under § 2–702 of this subtitle, a statement describing the change and all information required to be included under this title; or

(iii) If a charter document was not previously filed with respect to the defective corporate act and the defective corporate act ratified under § 2–702 of this subtitle would have required a charter document to be filed under this title, a statement of the section of this title under which the charter document was required to be filed and any information required to be included in the charter document under that section.

§2–706.

(a) Upon application by the corporation, any successor entity to the corporation, any director of the corporation, any record or beneficial holder of valid stock or putative stock, any record or beneficial holder of putative stock as of the date of the defective corporate act, any holder of a voting trust certificate, any holder of a voting trust certificate as of the date of the defective corporate act, or any other person claiming to be substantially and adversely affected by a ratification under this subtitle, a court of the State or a federal court sitting in the State may:

(1) Determine the validity of any ratification under this subtitle; and

(2) Modify or waive any of the procedures required by this subtitle to ratify a defective corporate act.

(b) An action under this section shall be brought within 120 days after:

(1) If the ratification was approved by stockholders, and the notice required by § 2–704(a) of this subtitle was given prior to the stockholder action, the date on which ratification became effective; or

(2) If notice was given or deemed given within 60 days after the ratification, the date on which notice was given or deemed given to stockholders and any holders of putative stock in accordance with § 2–704(b) of this subtitle.

§2–707.

(a) Nothing in this subtitle may be construed to require that ratification of a defective corporate act under this subtitle be the exclusive means of ratifying or validating a defective corporate act or to limit the right of a corporation to file certificates or charter documents in accordance with any other provision of this article.

(b) The absence or failure of ratification in accordance with this subtitle shall not, of itself, affect the validity or effectiveness of any corporate act otherwise lawfully ratified, nor may it create a presumption that any corporate act is or was a defective corporate act or void or voidable.

§3–101.

(a) In this subtitle the following words have the meanings indicated.

(b) "Domestic business trust" or "business trust" means a business trust formed under the laws of the State.

(c) "Domestic limited liability company" or "limited liability company" means a limited liability company formed under the laws of the State.

(d) "Domestic limited partnership" or "limited partnership" means a partnership formed by 2 or more persons under the laws of the State and having one or more general partners and one or more limited partners.

(e) "Domestic partnership" or "partnership" means a partnership formed under the laws of the State.

(f) "Foreign business trust" means a business trust organized under the laws of the United States, another state of the United States, or a territory, possession, or district of the United States, or under the laws of a foreign country.

(g) "Foreign limited liability company" means a limited liability company formed under the laws of any state, other than the State of Maryland, or under the laws of a foreign country.

(h) "Foreign limited partnership" means a partnership formed under the laws of any state other than the State of Maryland or under the laws of a foreign country and having as partners one or more general partners and one or more limited partners.

(i) "Foreign partnership" means a partnership formed under the laws of any state, other than this State, or under the laws of a foreign country.

(j) "Interest in land" means any interest in real property, the title to which could be affected by recording an instrument in the land records.

§3–102.

(a) A Maryland corporation having capital stock may:

(1) Consolidate with one or more other Maryland or foreign corporations having capital stock to form a new consolidated corporation;

(2) Merge into another Maryland or foreign corporation having capital stock, or have one or more such corporations merged into it;

(3) Merge into a domestic or foreign business trust having transferable units of beneficial interest, or have one or more such business trusts merge into it;

(4) Merge into a domestic or foreign limited partnership, or have one or more domestic or foreign limited partnerships merged into it;

(5) Merge into a domestic or foreign limited liability company, or have one or more domestic or foreign limited liability companies merged into it;

(6) Merge into a domestic or foreign partnership, or have one or more domestic or foreign partnerships merged into it;

(7) Participate in a share exchange either:

(i) As the successor; or

(ii) As the corporation the stock of which is to be acquired; or

(8) Transfer its assets.

(b) The provisions of this subtitle do not repeal, modify, or affect in any way a restriction or limitation:

(1) Imposed on a corporation by State or other applicable law or by a charter provision which applies to a consolidation, merger share exchange, or transfer of assets; or

(2) Contained in a franchise granted by the State or any of its political subdivisions which applies to a transfer or assignment of the franchise.

§3–103.

In a consolidation, merger, or share exchange, stock in a corporation may be exchanged for or converted into and, in a transfer of assets, assets may be transferred in consideration of any one or more of the following:

(1) Stock, evidence of indebtedness, partnership or limited liability company interests, or other securities of the successor or any other corporation or entity, whether or not a party to the transaction;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

§3–104.

(a) Notwithstanding any other provision of this subtitle, unless the charter or bylaws of a corporation provide otherwise by reference to this section or the subject matter of this section, the approval of the stockholders is not required for any:

(1) Transfer of assets by a corporation in the ordinary course of business actually conducted by it or as a distribution as defined in § 2–301 of this article;

(2) Mortgage, pledge, or creation of any other security interest in any or all of the assets of a corporation, whether or not in the ordinary course of its business;

(3) Transfer of assets by a corporation to one or more persons if all of the equity interests of the person or persons are owned, directly or indirectly, by the corporation;

(4) Transfer of assets by a corporation registered as an open–end investment company under the Investment Company Act of 1940, including a transfer between or among classes or series of stock of a corporation; or

(5) Transfer of assets by a corporation that is dissolved.

(b) Notwithstanding any other provisions of this subtitle, unless the charter or bylaws of a corporation provide otherwise by reference to this section or the subject matter of this section, the approval of the stockholders and articles of share exchange are not required for an exchange of shares of stock through voluntary action or under an agreement with the stockholders participating in the exchange.

(c) A transaction described in subsection (a) or (b) of this section also may be effected as otherwise provided in this subtitle.

§3–105.

(a) A consolidation, merger, share exchange, or transfer of assets shall be approved in the manner provided by this section, except that:

(1) A merger of a 90% or more owned subsidiary with or into its parent need be approved only in accordance with the provisions of § 3–106 of this subtitle;

(2) A merger of a Maryland corporation in accordance with § 3–106.1 of this subtitle need be approved only in the manner provided in § 3–106.1 of this subtitle;

(3) A merger of a Maryland corporation in accordance with § 3–106.2 of this subtitle need only be approved in the manner provided in § 3–106.2 of this subtitle;

(4) A share exchange need be approved by a Maryland successor only by its board of directors and by any other action required by its charter;

(5) A transfer of assets need be approved by a Maryland transferee corporation only by its board of directors and by any other action required by its charter;

(6) A foreign corporation party to the transaction shall have the transaction advised, authorized, and approved in the manner and by the vote required by its charter and the laws of the place where it is organized;

(7) A merger need be approved by a Maryland successor corporation only by a majority of its entire board of directors if:

(i) The merger does not reclassify or change the terms of any class or series of its stock that is outstanding immediately before the merger becomes effective or otherwise amend its charter and the number of its shares of stock of such class or series outstanding immediately after the effective time of the merger does not increase by more than 20% of the number of its shares of the class or series of stock that is outstanding immediately before the merger becomes effective; or

(ii) There is no stock outstanding or subscribed for and entitled to be voted on the merger;

(8) A business trust party to a merger shall have the merger advised, authorized, and approved in the manner and by the vote required by its declaration of trust and the laws of the place where it is organized; and

(9) A consolidation, merger, or share exchange shall be approved by a Maryland corporation registered as an open–end investment company under the Investment Company Act of 1940 only by a majority of the entire board of directors and in the manner and by the vote required under the Investment Company Act of 1940.

(b) The board of directors of each corporation proposing to consolidate, merge, transfer its assets, or have its stock acquired in a share exchange shall:

(1) Adopt a resolution which declares that the proposed transaction is advisable on substantially the terms and conditions set forth or referred to in the resolution; and

(2) Direct that the proposed transaction be submitted for consideration at either an annual or a special meeting of the stockholders.

(c) Notice which states that a purpose of the meeting will be to act on the proposed consolidation, merger, share exchange, or transfer of assets shall be given by each corporation in the manner required by Title 2 of this article to:

(1) Each of its stockholders entitled to vote on the proposed transaction; and

(2) Each of its stockholders not entitled to vote on the proposed transaction, except the stockholders of a successor in a merger if the merger does not alter the contract rights of their stock as expressly set forth in the charter.

(d) An agreement of consolidation, merger, share exchange, or transfer of assets may require that the proposed transaction shall be submitted to the stockholders, even if the board of directors determines at any time after having declared the advisability of the proposed transaction that the proposed transaction is no longer advisable and either makes no recommendation to the stockholders or recommends that the stockholders reject the proposed transaction.

(e) The proposed consolidation, merger, share exchange, or transfer shall be approved by the stockholders of each corporation by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter.

§3–106.

(a) Notwithstanding the provisions of § 3-105 of this subtitle, the merger of a 90 percent or more owned subsidiary corporation with or into its parent corporation may be effected as provided in this section if:

(1) The charter of the successor is not amended in the merger other than to change its name, the name or other designation or the par value of any class or series of its stock, or the aggregate par value of its stock; and

(2) The contract rights of any stock of the successor issued in the merger in exchange for stock of the other corporation participating in the merger are identical to the contract rights of the stock for which the stock of the successor was exchanged.

(b) For the purposes of this section, a subsidiary is considered to be 90 percent or more owned if the parent corporation owns shares entitled to cast 90 percent or more of all the votes entitled to be cast of each group or class of shares entitled to vote as a group or class on the merger.

(c) (1) The board of directors of each Maryland corporation proposing to become a party to the merger shall adopt a resolution which approves the proposed merger on substantially the terms and conditions set forth or referred to in the resolution. The approval shall be by a majority vote of the entire board of directors. A meeting of the stockholders is not necessary.

(2) If a foreign corporation is a party to the articles, the transaction shall be advised, authorized, and approved by the corporation in the manner and by the vote required by its charter and the laws of the place where it is organized.

(d) (1) Unless waived by all stockholders who, except for the application of this section, would be entitled to vote on the merger, at least 20 business days before the articles are filed with the Department a parent corporation which owns less than all of the outstanding stock of the subsidiary as of immediately before the effective time of the merger must have given notice of the transaction to each of the subsidiary's stockholders of record who, except for the application of this section, would be entitled to vote on the merger on the date of giving of the notice or on a record date fixed for that purpose which is not more than 10 days before the date of giving notice.

(2) A minority stockholder of the subsidiary has the right to demand and receive payment of the fair value of the minority stockholder's stock as, and to the extent, provided in Subtitle 2 of this title relating to objecting stockholders.

§3–106.1.

(a) (1) In this section the following words have the meanings indicated.

(2) "Acquiring entity" means the Maryland corporation or other entity, as defined in § 3–901 of this title, consummating a tender or exchange offer under this section.

(3) "Consummate" means to irrevocably accept, for purchase or exchange, stock tendered in accordance with a tender or exchange offer.

(4) "Depository" means an agent appointed to consummate an offer described in this section.

(5) "Received" means:

(i) For certificated shares, physical receipt of a stock certificate and transfer of the stock certificate into the depository's account; and

(ii) For uncertificated shares, receipt by the depository of confirmation of the transfer of the shares into the depository's account.

(6) "Stockholder" includes a shareholder of a real estate investment trust.

(7) (i) "Subject corporation" means the Maryland corporation that is the subject of a tender or exchange offer under this section.

(ii) "Subject corporation" includes a Maryland real estate investment trust as defined in Title 8 of this article.

(b) This section applies only to an agreement to merge that provides for the consummation of the merger on or after October 1, 2014.

(c) (1) Notwithstanding § 3–105 of this subtitle, unless the charter of a corporation or declaration of trust of a real estate investment trust provides otherwise, a merger of a subject corporation with or into an acquiring entity is effected under this section if:

(i) The shares of the subject corporation are registered under the Securities Exchange Act of 1934 immediately prior to the execution of the agreement to merge by the subject corporation;

(ii) The agreement to merge expressly allows or requires the merger to be effected under this section and provides that the merger shall be effected following the consummation of the offer described in item (iii) of this paragraph;

(iii) Subject to paragraph (2) of this subsection, an acquiring entity consummates a tender or exchange offer for any and all of the outstanding shares of the subject corporation that would, except for the application of this section, entitle the holder of the outstanding shares to vote on the merger on the terms provided in the agreement to merge;

(iv) Following the consummation of the offer, the stock irrevocably accepted for purchase or exchange in accordance with the offer and received by the depository before the expiration of the offer, together with the stock otherwise owned by the acquiring entity, a person that owns, directly or indirectly, all of the outstanding equity interest in the acquiring entity, and a direct or indirect wholly owned subsidiary of the acquiring entity or a person that owns, directly or

indirectly, all of the outstanding equity interest in the acquiring entity, equals at least that percentage of the shares, and of each class or series of the shares, of the subject corporation that would, except for the application of this section, be required to approve the merger under this article and the charter of the subject corporation;

(v) The acquiring entity merges with or into the subject corporation; and

(vi) Each outstanding share of each class or series of shares of the subject corporation that is the subject of and not irrevocably accepted for purchase or exchange in the offer is converted in the merger into, or into the right to receive, the same amount and kind of cash, property, rights, or securities paid for shares of the class or series of shares of the subject corporation irrevocably accepted for purchase or exchange in the offer.

(2) A tender or an exchange offer under paragraph (1)(iii) of this subsection may exclude stock of the subject corporation that is owned at the commencement of the offer by:

(i) The acquiring entity;

(ii) A person that owns, directly or indirectly, all of the outstanding equity interest in the acquiring entity; or

(iii) A direct or indirect wholly owned subsidiary of a person described in item (i) or (ii) of this paragraph.

(d) (1) (i) The board of directors of each Maryland corporation proposing to become a party to the merger shall adopt a resolution that approves the proposed merger on substantially the terms and conditions set forth or referred to in the resolution.

(ii) The approval shall be by a majority vote of the entire board of directors.

(iii) A meeting of the stockholders is not necessary.

(2) If an other entity, as defined in § 3–901 of this title, is a party to the merger, the transaction shall be advised, authorized, and approved by the other entity in the manner and by the vote required by its governing documents and the laws of the place where the other entity is organized.

(e) (1) Unless waived by all stockholders who, except for the application of this section, would be entitled to vote on the merger, at least 20 business days

before the articles are filed with the Department an acquiring entity that owns less than all of the outstanding shares of the subject corporation as of immediately before the effective time of the merger must have given notice of the transaction to each of the subject corporation's stockholders of record who, except for the application of this section, would be entitled to vote on the merger on the date that notice is given or on a record date fixed for that purpose that is not more than 10 days before the date that notice is given.

(2) A minority stockholder of the subject corporation has the right to demand and receive payment of the fair value of the minority stockholder's shares as, and to the extent, provided in Subtitle 2 of this title relating to objecting stockholders.

§3–106.2.

(a) In this section, "holding company" means a Maryland corporation:

(1) That, from its formation until consummation of a merger governed by this section, has been at all times a direct or indirect wholly owned subsidiary corporation; and

(2) All of the shares of stock of which are issued in the merger.

(b) Notwithstanding § 3–105 of this subtitle, unless the charter of a parent corporation expressly provides otherwise, a vote of the stockholders of the parent corporation is not necessary to authorize a merger with or into a single direct or indirect wholly owned subsidiary corporation of the parent corporation if:

(1) The parent corporation and the direct or indirect wholly owned subsidiary corporation are the only parties to the merger;

(2) Each share or fraction of a share of the stock of the parent corporation outstanding immediately prior to the effective time of the merger is converted in the merger into a share or equal fraction of a share of the stock of a holding company having the same contract rights as the share of stock of the parent corporation being converted in the merger;

(3) The holding company, the parent corporation, and the direct or indirect wholly owned subsidiary corporation that is the other party to the merger are Maryland corporations;

(4) The charter and bylaws of the holding company immediately following the effective time of the merger are identical to the charter and bylaws of the parent corporation in effect immediately prior to the effective time of the merger, other than:

(i) Provisions, if any, regarding the incorporator or incorporators, the principal office, the resident agent, and the initial board of directors;

(ii) Provisions authorized under § 2–605 of this article; and

(iii) Any amendment to the charter that was necessary to effect a change, exchange, reclassification, subdivision, combination, or cancellation of stock, if the change, exchange, reclassification, subdivision, combination, or cancellation of stock has become effective;

(5) As a result of the merger, the parent corporation or its successor becomes a direct or indirect wholly owned subsidiary corporation of the holding company;

(6) The directors of the parent corporation become or remain the directors of the holding company at the effective time of the merger;

(7) The stockholders of the parent corporation do not recognize gain or loss for federal income tax purposes, as determined by the board of directors of the parent corporation; and

(8) A majority of the entire board of directors of the parent corporation approves the merger.

(c) From and after the effective time of a merger under subsection (b) of this section:

(1) If the parent corporation was formed before October 1, 1995, and its charter did not expressly terminate preemptive rights, and the holding company was formed on or after October 1, 1995, the charter of the holding company shall provide that stockholders of the holding company have preemptive rights, to the extent provided in the charter of the parent corporation immediately prior to the effective time of the merger and subject to § 2–205 of this article, to subscribe to any additional shares of stock or any security convertible into an additional issue of stock;

(2) To the extent a voting trust agreement authorized by § 2–510 of this article, a written agreement authorized by § 2–510.1 of this article, a proxy authorized by § 2–507 of this article, or any other similar agreement or instrument applied to the parent corporation, its stock, or its stockholders immediately prior to the effective time of the merger, the voting trust agreement, written agreement, proxy, or other similar agreement or instrument shall apply to the holding company, its stock, and its stockholders;

(3) To the extent that the restrictions under § 3–602 of this title applied to the parent corporation and the stockholders of the parent corporation immediately prior to the effective time of the merger:

(i) The restrictions shall apply to the holding company and the stockholders of the holding company immediately after the effective time of the merger as though the holding company was the parent company;

(ii) For purposes of § 3–602 of this title, all shares of stock of the holding company acquired in the merger shall be deemed to have been acquired at the time that the shares of stock of the parent corporation converted in the merger were acquired; and

(iii) 1. Any stockholder that immediately prior to the effective time of the merger was not an interested stockholder, as defined in § 3–601 of this title, does not, solely by reason of the merger, become an interested stockholder of the holding company; and

2. Any stockholder that immediately prior to the effective time of the merger was an interested stockholder, as defined in § 3–601 of this title, remains an interested stockholder of the holding company;

(4) To the extent that, immediately prior to the effective time of the merger, any approval by the stockholders of the parent corporation under § 3–702(a) of this title applied to the parent corporation and any control shares of the parent corporation, the approval shall apply to the holding company and any control shares of the holding company immediately after the effective time of the merger as if the holding company were the parent corporation;

(5) To the extent that, immediately prior to the effective time of the merger, the board of directors of the parent corporation had elected by resolution to be subject to or not to be subject to, wholly or partly, any or all provisions of Subtitle 8 of this title, the election shall apply to the holding company immediately after the effective time of the merger as if the holding company were the parent corporation;

(6) Unless the board of directors of the holding company has authorized shares of stock of the holding company to be issued without certificates, or until certificates with the name of the holding company have been issued, the shares of stock of the holding company into which the shares of stock of the parent corporation are converted in the merger may continue to be represented by the stock certificates that previously represented shares of stock of the parent corporation; and

(7) To the extent that a stockholder of the parent corporation immediately prior to the effective time of the merger had standing to institute or maintain derivative litigation on behalf of the parent corporation, the stockholder shall have standing to institute or maintain derivative litigation on behalf of the holding company.

§3–107.

Articles of consolidation, merger, or share exchange shall be filed for record with the Department.

§3–108.

(a) A proposed consolidation, merger, or share exchange may be abandoned before the effective date of the articles:

(1) If the articles so provide, by majority vote of the entire board of directors of any one corporation party to the articles, the entire board of trustees of any one business trust party to the articles, or the governing body of any other entity party to the articles; or

(2) Unless the articles provide otherwise, by majority vote of the entire board of directors of each Maryland corporation party to the articles, the entire board of trustees of each Maryland business trust party to the articles, and the governing body of each other Maryland entity party to the articles.

(b) If the articles have been filed with the Department, notice of the abandonment shall be given promptly to the Department by:

(1) If abandoned pursuant to subsection (a)(1) of this section, any one party to the articles; or

(2) If abandoned pursuant to subsection (a)(2) of this section, each party to the articles.

(c) (1) If the proposed consolidation, merger, or share exchange is abandoned as provided in this section, no legal liability arises under the articles.

(2) An abandonment does not prejudice the rights of any person under any other contract made by a corporation party to the proposed articles in connection with the proposed consolidation, merger, or share exchange.

§3–109.

(a) In this section, "facts ascertainable outside the articles" includes:

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

(2) The contents of any agreement to which the corporation is a party or any other document; and

(3) Any other event.

(b) Articles of consolidation, merger, or share exchange shall contain the terms and conditions of the transaction and the manner of carrying it into effect, including:

(1) A statement that each party to the articles agrees to merge, to consolidate to form a new corporation, or to acquire stock or have its stock acquired in a share exchange, as the case may be;

(2) The name and place of incorporation or organization of:

(i) Each party to the articles; and

(ii) The successor corporation in a consolidation, merger, or share exchange or the successor domestic partnership, limited partnership or limited liability company in a merger;

(3) As to each foreign corporation:

(i) The date of its incorporation;

(ii) A statement whether it is incorporated under general law or by special act and, if incorporated by special act, the chapter number and year of passage; and

(iii) If the corporation is registered or qualified to do business in this State, the date of its registration or qualification;

(4) As to each foreign business trust:

(i) The date of its organization; and

(ii) If the business trust is registered or qualified to do business in this State, the date of its registration or qualification;

(5) As to each foreign partnership, limited partnership or limited liability company:

(i) The date of its formation; and

(ii) If the foreign partnership, limited partnership or limited liability company is registered or qualified to do business in this State, the date of its registration or qualification;

(6) Each county in this State where:

(i) Each corporation, partnership, limited partnership, limited liability company, and business trust party to the articles has its principal office; and

(ii) Any of the parties in a consolidation or merger, other than the successor, owns an interest in land;

(7) If the successor is a foreign corporation, foreign partnership, limited partnership, limited liability company, or a foreign business trust:

(i) The location of its principal office in the place where it is organized; and

(ii) The name and address of its resident agent in the place where it is organized;

(8) A statement that the terms and conditions of the transaction set forth in the articles were advised, authorized, and approved by each corporation, partnership, limited partnership, limited liability company, or business trust party to the articles in the manner and by the vote required by its charter, declaration of trust, or other governing document and the laws of the place where it is organized, and a statement of the manner of approval; and

(9) Every other provision necessary to effect the consolidation, merger, or share exchange.

(c) In addition to the requirements of subsection (b) of this section, articles of consolidation shall include:

(1) Every matter and fact required to be stated in articles of incorporation except the provisions about incorporators;

(2) As to each corporation party to the articles:

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

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

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

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

(3) The manner and basis of converting or exchanging issued stock of the consolidating corporations into different stock or other consideration, and the treatment of any issued stock of the consolidating corporations not to be converted or exchanged, any or all of which may be made dependent on facts ascertainable outside the articles of consolidation.

(d) In addition to the requirements of subsection (b) of this section, articles of merger shall include:

(1) (i) Any amendment to the charter, certificate of limited partnership, articles of organization, or declaration of trust of the successor to be effected as part of the merger; and

(ii) The restatement, if a restatement of the charter, the certificate of limited partnership, articles of organization, or declaration of trust of the successor is to be effected as a part of the merger;

(2) As to each corporation party to the articles:

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

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

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

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

(3) As to each business trust party to the articles:

(i) The total number of shares of beneficial interest of all classes and series which the business trust has authority to issue; and

(ii) The number of shares of beneficial interest of each class and series;

(4) As to each limited partnership party to the articles:

(i) The percentages of partnership interest of each class or series of partnership interest of the limited partnership; and

(ii) The class of partners and the respective percentage of partnership interests in each class or series of partnership interest;

(5) As to each limited liability company party to the articles:

(i) The percentages of membership interest of each class or series of membership interest of the limited liability company; and

(ii) The class of members and the respective percentage of membership interests in each class or series of membership interest;

(6) As to each partnership party to the articles:

(i) The percentages of partnership interest of each class or series of partnership interest of the partnership; and

(ii) The class of partners and the respective percentage of partnership interests in each class or series of partnership interest;

(7) If the charter, certificate of limited partnership, articles of organization, or declaration of trust of the successor is amended in a manner which changes any of the information required by items (2) through (5) of this subsection, that information as it was both immediately before and as changed by the merger; and

(8) The manner and basis of converting or exchanging issued shares of stock of the merging corporations, outstanding partnership interest of the merging partnership or limited partnership, or shares of beneficial interest of the merging business trusts into different stock of a corporation, partnership interest of a partnership or limited partnership, outstanding membership interest of a limited liability company, shares of beneficial interest of a business trust, or other consideration, and the treatment of any issued shares of stock of the merging

corporations, partnership interest of the merging partnership or limited partnerships, membership interest of the merging limited liability company, or shares of beneficial interest of the merging business trusts not to be converted or exchanged, any or all of which may be made dependent on facts ascertainable outside the articles of merger.

(e) In addition to the requirements of subsection (b) of this section, articles of share exchange shall include:

(1) As to the corporation the shares of which are to be acquired in the exchange:

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

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

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

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

(2) The manner and basis of exchanging the stock to be acquired for stock or other consideration to be issued or delivered by or on behalf of the successor, any or all of which may be made dependent on facts ascertainable outside the articles of share exchange.

(f) Articles of consolidation, merger, or share exchange may provide:

(1) The number and names of the directors or trustees of the successor, or of persons acting in similar positions, who will hold those positions as of the effective time of the consolidation, merger, or share exchange, if the persons serving in those positions will be changed in the consolidation, merger, or share exchange; and

(2) The titles and names of one or more officers of the successor, or of persons acting in similar positions, who will hold those positions as of the effective time of the consolidation, merger, or share exchange, if the persons serving in those positions will be changed in the consolidation, merger, or share exchange.

§3–110.

Articles of consolidation, merger, or share exchange shall be executed for each party to the articles in the manner required by Title 1 of this article.

§3–111.

(a) The Department shall prepare certificates of consolidation, merger, or share exchange, as the case may be, that specify:

(1) The name of each party to the articles;

(2) The name of the successor and the location of its principal office in this State or, if it has none, its principal place of business; and

(3) The time the articles are accepted for record by the Department.

(b) In addition to any other provision of law with respect to recording, the Department shall send one certificate each to the clerk of the circuit court for each county where the articles show that a merging corporation, partnership, limited partnership, limited liability company, or business trust other than the successor or a consolidating corporation owns an interest in land.

(c) On receipt of a certificate, a clerk promptly shall record it with the land records.

§3–112.

(a) In order to keep the land assessment records current in each county, the Department shall require a corporation, limited partnership, limited liability company, or business trust to submit with the articles a property certificate for each county where a merging corporation, partnership, limited partnership, limited liability company, or business trust other than the successor or a consolidating corporation owns an interest in land.

(b) A property certificate is not required with respect to any property in which the only interest owned by the merging corporation, partnership, limited partnership, limited liability company, or business trust or by the consolidating corporation is a security interest.

(c) The property certificate shall be in the form and number of copies which the Department requires and may include the certificate of the Department required by § 3-111 of this subtitle.

(d) (1) The property certificate shall:

(i) Provide a deed reference or other description sufficient to identify the property; and

(ii) State the actual consideration paid or to be paid for the property.

(2) The Department shall indicate on the certificate the time the articles are accepted for record and send a copy of it to the chief assessor of the county where the property is located.

(e) A transfer, vesting, or devolution of title to the property is not invalidated or otherwise affected by any error or defect in the property certificate, failure to file it, or failure of the Department to act on it.

§3–113.

(a) If the successor in a consolidation or merger or the corporation the stock of which is to be acquired in a share exchange is a Maryland corporation, a consolidation, merger, or share exchange is effective as of the later of:

(1) The time the Department accepts the articles of consolidation, merger, or share exchange for record; or

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

(b) (1) If the successor in a consolidation or merger is a foreign corporation, a foreign business trust, a foreign limited partnership, a foreign limited liability company, or a foreign partnership, the consolidation or merger is effective as of the later of:

(i) The time specified by the law of the place where the successor is organized; or

(ii) The time the Department accepts the articles of consolidation or merger for record.

(2) A successor in a consolidation or merger shall file for record with the Department a certificate from the place where it is organized which certifies the date the articles of consolidation or merger were filed. However, the failure to file this certificate does not invalidate the consolidation or merger.

§3–114.

(a) Consummation of a consolidation or merger has the effects provided in this section.

(b) The separate existence of each corporation, partnership, limited partnership, limited liability company, or business trust party to the articles, except the successor, ceases.

(c) The shares of stock of each corporation party to the articles which are to be converted or exchanged under the terms of the articles cease to exist, subject to the rights of an objecting stockholder under Subtitle 2 of this title.

(d) In addition to any other purposes and powers set forth in the articles, if the articles provide, the successor has the purposes and powers of each corporation party to the articles.

(e) (1) The assets of each corporation, partnership, limited partnership, limited liability company, and business trust party to the articles, including any legacies which it would have been capable of taking, transfer to, vest in, and devolve on the successor without further act or deed.

(2) Confirmatory deeds, assignments, or similar instruments to evidence the transfer may be executed and delivered at any time in the name of the transferring corporation, partnership, limited partnership, limited liability company, and business trust:

(i) By its last acting officers, general partners, authorized persons, or trustees; or

(ii) By the appropriate officers, general partners, authorized persons, or trustees of the successor.

(f) (1) The successor is liable for all the debts and obligations of each nonsurviving corporation, partnership, limited partnership, limited liability company, and business trust. An existing claim, action, or proceeding pending by or against any nonsurviving corporation, partnership, limited partnership, limited liability company, or business trust may be prosecuted to judgment as if the consolidation or merger had not taken place, or, on motion of the successor or any party, the successor may be substituted as a party and the judgment against the nonsurviving corporation, partnership, limited partnership, limited liability company, or business trust constitutes a lien on the property of the successor.

(2) A consolidation or merger does not impair the rights of creditors or any liens on the property of any corporation, partnership, limited partnership, limited liability company, or business trust party to the articles.

(g) Unless the articles provide otherwise, until the first meeting of stockholders, the board of directors of a Maryland corporation formed by consolidation has full power to make, alter, and repeal bylaws which have the same status as bylaws adopted by the stockholders.

§3–114.1.

On consummation of a share exchange, the stockholders of the corporation the stock of which is to be acquired are deemed to have exchanged their stock as provided by the articles, without further act, subject to the rights of an objecting stockholder under Subtitle 2 of this title.

§3–115.

(a) Consummation of a transfer of assets has the effects provided in this section.

(b) (1) The assets of the transferor, including any legacies which it would have been capable of taking, transfer to, vest in, and devolve on the successor to the extent provided in an agreement between the transferor and the successor.

(2) Deeds, assignments, or similar instruments to evidence the transfer may be executed and delivered at any time in the name of the transferor:

(i) By its current officers; or

(ii) If the corporation no longer exists, by its last acting officers.

(c) (1) The successor is liable for all the debts and obligations of the transferor to the extent provided in an agreement between the transferor and the successor.

(2) A transfer of assets does not impair the rights of a creditor, including rights under the Commercial Law Article.

(d) A transfer of assets by a corporation occurring before October 1, 2018, is not invalid solely because of a failure to file articles of transfer with the Department.

§3–116.

A Maryland corporation which consolidates, merges, or transfers its assets waives all claim to any exemption from:

(1) Taxation granted by its charter; and

(2) Repeal or modification of its charter.

§3–117.

(a) In this section, "foreign corporation" means a foreign corporation as defined in § 1–101 of this article.

(b) If a foreign corporation which owns property, rights, privileges, franchises, or other assets located in this State is a party to a consolidation or merger in which another foreign corporation is the successor, the transfer to, vesting in, or devolution on the successor of the property, rights, privileges, franchises, or other assets of the nonsurviving foreign corporation is effective as provided by the laws of the places which govern the consolidation or merger.

(c) The successor shall file with the Department:

(1) A property certificate under § 3–112 of this subtitle; and

(2) A certificate of its president, vice president, secretary, or assistant secretary which specifies:

(i) Each county in this State where a foreign corporation party to the consolidation or merger, except the successor, owned an interest in land;

(ii) The name of each corporation party to the consolidation or merger;

(iii) The place under the laws of which each party was organized; and

(iv) The name of the successor.

(d) If a copy of the document effecting the consolidation or merger has not been filed with the Department as provided in Title 7 of this article, the successor shall file with the Department an officially certified copy of that document.

(e) When the Department receives the articles and any certificate of the successor, it shall prepare and file certificates of consolidation or merger in the manner provided for Maryland corporations. However, the certificate of consolidation or merger need not state the principal office in this State of any corporation which

does not have a principal office, and the certificate shall include the other information specified in the certificate filed by the successor.

§3–201.

(a) In this subtitle the following words have the meanings indicated.

(b) "Affiliate" has the meaning stated in § 3–601 of this title.

(c) "Associate" has the meaning stated in § 3–601 of this title.

(d) "Beneficial owner", when used with respect to any voting stock, means a person that:

(1) Individually or with any of its affiliates or associates, beneficially owns voting stock, directly or indirectly;

(2) Individually or with any of its affiliates or associates, has:

(i) The right to acquire voting stock (whether the right is exercisable immediately or within 60 days after the date on which beneficial ownership is determined), in accordance with any agreement, arrangement, or understanding, on the exercise of conversion rights, exchange rights, warrants, or options, or otherwise; or

(ii) Except solely by virtue of a revocable proxy, the right to vote voting stock in accordance with any agreement, arrangement, or understanding; or

(3) Except solely by virtue of a revocable proxy, has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of voting stock with any other person that beneficially owns, or the affiliates or associates of which beneficially own, directly or indirectly, the voting stock.

(e) "Executive officer" means a corporation's president, any vice president in charge of a principal business unit, division, or function, such as sales, administration, or finance, any other person who performs a policy making function for the corporation, or any executive officer of a subsidiary of the corporation who performs a policy making function for the corporation.

(f) (1) "Successor", except when used with respect to a share exchange, includes a corporation which amends its charter in a way which alters the contract rights, as expressly set forth in the charter, of any outstanding stock, unless the right to do so is reserved by the charter of the corporation.

(2) "Successor", when used with respect to a share exchange, means the corporation the stock of which was acquired in the share exchange.

(g) "Voting stock" has the meaning stated in § 3–601 of this title.

§3–202.

(a) Except as provided in subsection (c) of this section, a stockholder of a Maryland corporation has the right to demand and receive payment of the fair value of the stockholder's stock from the successor if:

(1) The corporation consolidates or merges with another corporation;

(2) The stockholder's stock is to be acquired in a share exchange;

(3) The corporation transfers its assets in a manner requiring action under § 3–105(e) of this title;

(4) The corporation amends its charter in a way which alters the contract rights, as expressly set forth in the charter, of any outstanding stock and substantially adversely affects the stockholder's rights, unless the right to do so is reserved by the charter of the corporation;

(5) The transaction is governed by § 3–602 of this title or exempted by § 3–603(b) of this title; or

(6) The corporation is converted in accordance with § 3–901 of this title.

(b) (1) Fair value is determined as of the close of business:

(i) With respect to a merger under § 3–106 or § 3–106.1 of this title, on the day notice is given or waived under § 3–106 or § 3–106.1 of this title; or

(ii) With respect to any other transaction, on the day the stockholders voted on the transaction objected to.

(2) Except as provided in paragraph (3) of this subsection, fair value may not include any appreciation or depreciation which directly or indirectly results from the transaction objected to or from its proposal.

(3) In any transaction governed by § 3–602 of this title or exempted by § 3–603(b) of this title, fair value shall be value determined in accordance with the requirements of § 3–603(b) of this title.

(c) Unless the transaction is governed by § 3–602 of this title or is exempted by § 3–603(b) of this title, a stockholder may not demand the fair value of the stockholder's stock and is bound by the terms of the transaction if:

(1) Except as provided in subsection (d) of this section, any shares of the class or series of the stock are listed on a national securities exchange:

(i) With respect to a merger under § 3–106 or § 3–106.1 of this title, on the date notice is given or waived under § 3–106 or § 3–106.1 of this title; or

(ii) With respect to any other transaction, on the record date for determining stockholders entitled to vote on the transaction objected to;

(2) The stock is that of the successor in a merger, unless:

(i) The merger alters the contract rights of the stock as expressly set forth in the charter, and the charter does not reserve the right to do so; or

(ii) The stock is to be changed or converted in whole or in part in the merger into something other than either stock in the successor or cash, scrip, or other rights or interests arising out of provisions for the treatment of fractional shares of stock in the successor;

(3) The stock is not entitled, other than solely because of § 3–106 or § 3–106.1 of this title, to be voted on the transaction or the stockholder did not own the shares of stock on the record date for determining stockholders entitled to vote on the transaction;

(4) The charter provides that the holders of the stock are not entitled to exercise the rights of an objecting stockholder under this subtitle; or

(5) The stock is that of an open–end investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and the value placed on the stock in the transaction is its net asset value.

(d) With respect to a merger, consolidation, or share exchange, a stockholder of a Maryland corporation who otherwise would be bound by the terms of the transaction under subsection (c)(1) of this section may demand the fair value of the stockholder's stock if:

(1) In the transaction, stock of the corporation is required to be converted into or exchanged for anything of value except:

(i) Stock of the corporation surviving or resulting from the merger, consolidation, or share exchange, stock of any other corporation, or depositary receipts for any stock described in this item;

(ii) Cash in lieu of fractional shares of stock or fractional depositary receipts described in item (i) of this item; or

(iii) Any combination of the stock, depositary receipts, and cash in lieu of fractional shares or fractional depositary receipts described in items (i) and (ii) of this item;

(2) The directors and executive officers of the corporation were the beneficial owners, in the aggregate, of 5 percent or more of the outstanding voting stock of the corporation at any time within the 1–year period ending on:

(i) The day the stockholders voted on the transaction objected to; or

(ii) With respect to a merger under § 3–106 or § 3–106.1 of this title, the effective date of the merger; and

(3) Unless the stock is held in accordance with a compensatory plan or arrangement approved by the board of directors of the corporation and the treatment of the stock in the transaction is approved by the board of directors of the corporation, any stock held by persons described in item (2) of this subsection, as part of or in connection with the transaction and within the 1–year period described in item (2) of this subsection, will be or was converted into or exchanged for stock of a person, or an affiliate of a person, who is a party to the transaction on terms that are not available to all holders of stock of the same class or series.

(e) If directors or executive officers of the corporation are beneficial owners of stock in accordance with § 3–201(d)(2)(i) of this subtitle, the stock is considered outstanding for purposes of determining beneficial ownership by a person under subsection (d)(2) of this section.

§3–203.

(a) A stockholder of a corporation who desires to receive payment of the fair value of the stockholder's stock under this subtitle:

(1) Shall file with the corporation a written objection to the proposed transaction:

(i) With respect to a merger under § 3–106 or § 3–106.1 of this title, within 30 days after notice is given or waived under § 3–106 or § 3–106.1 of this title; or

(ii) With respect to any other transaction, at or before the stockholders' meeting at which the transaction will be considered or, in the case of action taken under § 2–505(b) of this article, within 10 days after the corporation gives the notice required by § 2–505(b) of this article;

(2) May not vote in favor of the transaction; and

(3) Shall make a written demand on the successor for payment for the stockholder's stock, stating the number and class of shares for which the stockholder demands payment:

(i) Within 20 days after the Department accepts the articles for record; or

(ii) Within 20 days after consummation of the transfer or transaction with respect to:

1. A transfer of assets in a manner requiring stockholder approval under § 3–105 of this title; or

2. A transaction that is governed by § 3–603(b) of this title or exempted by § 3–603(b) of this title, for which no articles are required to be filed with the Department.

(b) A stockholder who fails to comply with this section is bound by the terms of the consolidation, merger, share exchange, transfer of assets, or charter amendment.

§3–204.

A stockholder who demands payment for his stock under this subtitle:

(1) Has no right to receive any dividends or distributions payable to holders of record of that stock on a record date after the close of business on the day as at which fair value is to be determined under § 3-202 of this subtitle; and

(2) Ceases to have any rights of a stockholder with respect to that stock, except the right to receive payment of its fair value.

§3–205.

A demand for payment may be withdrawn only with the consent of the successor.

§3–206.

(a) The rights of a stockholder who demands payment are restored in full, if:

(1) The demand for payment is withdrawn;

(2) A petition for an appraisal is not filed within the time required by this subtitle;

(3) A court determines that the stockholder is not entitled to relief; or

(4) The transaction objected to is abandoned or rescinded.

(b) The restoration of a stockholder's rights entitles him to receive the dividends, distributions, and other rights he would have received if he had not demanded payment for his stock. However, the restoration does not prejudice any corporate proceedings taken before the restoration.

§3–207.

(a) (1) The successor promptly shall notify each objecting stockholder in writing of the date the articles are accepted for record by the Department.

(2) The successor also may send a written offer to pay the objecting stockholder what it considers to be the fair value of his stock. Each offer shall be accompanied by the following information relating to the corporation which issued the stock:

(i) A balance sheet as of a date not more than six months before the date of the offer;

(ii) A profit and loss statement for the 12 months ending on the date of the balance sheet; and

(iii) Any other information the successor considers pertinent.

(b) The successor shall deliver the notice and offer to each objecting stockholder personally or mail them to him by certified mail, return receipt requested, bearing a postmark from the United States Postal Service, at the address he gives the successor in writing, or, if none, at his address as it appears on the records of the corporation which issued the stock.

§3–208.

(a) Within 50 days after the Department accepts the articles for record, the successor or an objecting stockholder who has not received payment for his stock may petition a court of equity in the county where the principal office of the successor is located or, if it does not have a principal office in this State, where the resident agent of the successor is located, for an appraisal to determine the fair value of the stock.

(b) (1) If more than one appraisal proceeding is instituted, the court shall direct the consolidation of all the proceedings on terms and conditions it considers proper.

(2) Two or more objecting stockholders may join or be joined in an appraisal proceeding.

§3–209.

(a) At any time after a petition for appraisal is filed, the court may require the objecting stockholders parties to the proceeding to submit their stock certificates to the clerk of the court for notation on them that the appraisal proceeding is pending. If a stockholder fails to comply with the order, the court may dismiss the proceeding as to him or grant other appropriate relief.

(b) If any stock represented by a certificate which bears a notation is subsequently transferred, the new certificate issued for the stock shall bear a similar notation and the name of the original objecting stockholder. The transferee of this stock does not acquire rights of any character with respect to the stock other than the rights of the original objecting stockholder.

§3–210.

(a) If the court finds that the objecting stockholder is entitled to an appraisal of his stock, it shall appoint three disinterested appraisers to determine the fair value of the stock on terms and conditions the court considers proper. Each appraiser shall take an oath to discharge his duties honestly and faithfully.

(b) Within 60 days after their appointment, unless the court sets a longer time, the appraisers shall determine the fair value of the stock as of the appropriate date and file a report stating the conclusion of the majority as to the fair value of the stock.

(c) The report shall state the reasons for the conclusion and shall include a transcript of all testimony and exhibits offered.

(d) (1) On the same day that the report is filed, the appraisers shall mail a copy of it to each party to the proceedings.

(2) Within 15 days after the report is filed, any party may object to it and request a hearing.

§3–211.

(a) The court shall consider the report and, on motion of any party to the proceeding, enter an order which:

(1) Confirms, modifies, or rejects it; and

(2) If appropriate, sets the time for payment to the stockholder.

(b) (1) If the appraisers' report is confirmed or modified by the order, judgment shall be entered against the successor and in favor of each objecting stockholder party to the proceeding for the appraised fair value of his stock.

(2) If the appraisers' report is rejected, the court may:

(i) Determine the fair value of the stock and enter judgment for the stockholder; or

(ii) Remit the proceedings to the same or other appraisers on terms and conditions it considers proper.

(c) (1) Except as provided in paragraph (2) of this subsection, a judgment for the stockholder shall award the value of the stock and interest from the date as at which fair value is to be determined under § 3-202 of this subtitle.

(2) The court may not allow interest if it finds that the failure of the stockholder to accept an offer for the stock made under § 3-207 of this subtitle was arbitrary and vexatious or not in good faith. In making this finding, the court shall consider:

(i) The price which the successor offered for the stock;

(ii) The financial statements and other information furnished to the stockholder; and

(iii) Any other circumstances it considers relevant.

(d) (1) The costs of the proceedings, including reasonable compensation and expenses of the appraisers, shall be set by the court and assessed against the successor. However, the court may direct the costs to be apportioned and assessed against any objecting stockholder if the court finds that the failure of the stockholder to accept an offer for the stock made under § 3-207 of this subtitle was arbitrary and vexatious or not in good faith. In making this finding, the court shall consider:

(i) The price which the successor offered for the stock;

(ii) The financial statements and other information furnished to the stockholder; and

(iii) Any other circumstances it considers relevant.

(2) Costs may not include attorney's fees or expenses. The reasonable fees and expenses of experts may be included only if:

(i) The successor did not make an offer for the stock under § 3-207 of this subtitle; or

(ii) The value of the stock determined in the proceeding materially exceeds the amount offered by the successor.

(e) The judgment is final and conclusive on all parties and has the same force and effect as other decrees in equity. The judgment constitutes a lien on the assets of the successor with priority over any mortgage or other lien attaching on or after the effective date of the consolidation, merger, transfer, or charter amendment.

§3–212.

The successor is not required to pay for the stock of an objecting stockholder or to pay a judgment rendered against it in a proceeding for an appraisal unless, simultaneously with payment:

(1) The certificates representing the stock are surrendered to it, indorsed in blank, and in proper form for transfer; or

(2) Satisfactory evidence of the loss or destruction of the certificates and sufficient indemnity bond are furnished.

§3–213.

(a) A successor which acquires the stock of an objecting stockholder is entitled to any dividends or distributions payable to holders of record of that stock on a record date after the close of business on the day as at which fair value is to be determined under § 3-202 of this subtitle.

(b) After acquiring the stock of an objecting stockholder, a successor in a transfer of assets may exercise all the rights of an owner of the stock.

(c) Unless the articles provide otherwise, stock in the successor of a consolidation, merger, or share exchange otherwise deliverable in exchange for the stock of an objecting stockholder has the status of authorized but unissued stock of the successor. However, a proceeding for reduction of the capital of the successor is not necessary to retire the stock or to reduce the capital of the successor represented by the stock.

§3–301.

(a) If the final order of a court makes a plan of reorganization binding on the stockholders of a corporation, the board of directors, trustee, or receiver, as the case may be, may take any action necessary to carry out the plan without any other corporate approval.

(b) If a charter document is required to be filed with the Department to carry out a transaction under subsection (a) of this section, it shall state:

(1) That the transaction was carried out under a plan of reorganization pursuant to a final order of a court having jurisdiction;

(2) The name of the court and the caption and docket number of the proceedings; and

(3) That the transaction was approved by the board of directors, trustee, or receiver, as the case may be.

(c) If the action is taken by a trustee or receiver, he may sign and acknowledge the charter document for the corporation, and no other execution, acknowledgment, or affidavit on behalf of the corporation is required.

§3–302.

(a) If the property and franchises of a Maryland corporation are sold under a court order or under a mortgage or deed of trust, a Maryland corporation organized for the purpose of continuing the operations of the original corporation may acquire the property or franchises.

(b) With respect to this property, the purchasing corporation has the same rights, privileges, and franchises and is subject to the same limitations, restrictions, and liabilities with respect to the exercise of these rights, privileges, or franchises as the original corporation.

§3–401.

A corporation having capital stock may be dissolved as provided in this subtitle.

§3–402.

(a) If there is no stock entitled to be voted on the dissolution either outstanding or subscribed for, the dissolution shall be approved as provided in this section.

(b) If the action is taken before the organization meeting of the board of directors, the dissolution shall be approved by resolution of a majority of the incorporators.

(c) If the action is taken after the organization meeting of the board of directors, the dissolution shall be approved by resolution of a majority of the entire board of directors.

§3–403.

(a) If there is any stock entitled to be voted on the dissolution either outstanding or subscribed for, the dissolution shall be approved as provided in this section.

(b) A dissolution of a Maryland corporation registered as an open–end investment company under the Investment Company Act of 1940 shall be approved by a majority of the entire board of directors and in the manner and by the vote required under the Investment Company Act of 1940.

(c) Except as provided in § 2–112 of this article and subsection (b) of this section, a majority of the entire board of directors of a corporation proposing to dissolve shall:

(1) Adopt a resolution which declares that dissolution of the corporation is advisable; and

(2) Direct that the proposed dissolution be submitted for consideration at either an annual or a special meeting of the stockholders.

(d) Notice which states that a purpose of the meeting will be to act on the proposed dissolution shall be given by the corporation in the manner required by Title 2 of this article to each stockholder entitled to vote on the proposed dissolution.

(e) Except as provided in subsection (b) of this section, the proposed dissolution shall be approved by the stockholders of the corporation by the affirmative vote of two–thirds of all the votes entitled to be cast on the matter.

§3–404.

Not less than 20 days prior to the filing of articles of dissolution with the Department, the corporation shall mail notice that dissolution of the corporation has been approved to all its known creditors at their addresses as shown on the records of the corporation and to its employees, either at their home addresses as shown on the records of the corporation, or at their business addresses.

§3–405.

(a) At any time before articles of dissolution are accepted for record by the Department, the corporation may abandon or rescind the dissolution by following the same procedure required for its approval.

(b) Within 30 days after the date of the abandonment or rescission, the corporation shall mail notice of it to every creditor to whom notice of approval of the dissolution was mailed.

§3–406.

(a) In the case of voluntary dissolution, the articles of dissolution shall include:

(1) The name of the corporation and the address of its principal office;

(2) The name and address of a resident agent of the corporation who shall serve for one year after dissolution and until the affairs of the corporation are wound up;

(3) The name and address of each director of the corporation;

(4) The name, title, and address of each officer of the corporation;

(5) A statement that dissolution of the corporation was approved in the manner and by the vote required by law and by the charter of the corporation, and a statement of the manner of approval;

(6) A statement that notice of the approved dissolution was mailed to all known creditors of the corporation and the date of the mailing, or a statement that the corporation has no known creditors;

(7) All other provisions which the corporation considers necessary to dissolve; and

(8) A statement that the corporation is dissolved.

(b) (1) If the dissolution is authorized under § 3-402 of this subtitle, a majority of the incorporators or a majority of the entire board of directors, as the case may be, shall execute articles of dissolution for the corporation in the manner required by Title 1 of this article.

(2) In all other cases, articles of dissolution shall be executed by the persons and in the manner required by Title 1 of this article.

§3–407.

(a) The corporation shall file articles of dissolution for record with the Department:

(1) If there are any known creditors of the corporation, after the 19th day following the mailing of notice to them; or

(2) If there are no known creditors, at any time.

(b) On written request of the corporation, the Department shall furnish without charge a list of all collectors of taxes of counties and municipalities to which the Department has certified an assessment of personal property taxable to the corporation within the preceding four years.

§3–408.

(a) Except as provided in subsection (b) of this section, the corporation is dissolved on the later of:

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

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

(b) The corporation continues to exist for the purpose of paying, satisfying, and discharging any existing debts or obligations, collecting and distributing its assets, and doing all other acts required to liquidate and wind up its business and affairs.

§3–410.

(a) When a Maryland corporation is voluntarily dissolved, until a court appoints a receiver, the business and affairs of the corporation shall be managed under the direction of the board of directors solely for the purpose set forth in § 3-408(b) of this subtitle.

(b) On behalf of the corporation, the directors shall:

(1) Collect and distribute the assets, applying them to the payment, satisfaction, and discharge of existing debts and obligations of the corporation, including necessary expenses of liquidation; and

(2) Distribute the remaining assets among the stockholders.

(c) The directors may:

(1) Carry out the contracts of the corporation;

(2) Sell all or any part of the assets of the corporation at public or private sale;

(3) Sue or be sued in the name of the corporation; and

(4) Do all other acts consistent with law and the charter of the corporation necessary or proper to liquidate the corporation and wind up its affairs.

(d) Dissolution of a corporation does not subject the directors of a corporation to a standard of conduct other than the standards of conduct for directors set forth in § 2-405.1 of this article.

§3–411.

(a) A director, stockholder, or creditor of a Maryland corporation which is dissolving voluntarily may petition a court of equity to take jurisdiction of the liquidation of the corporation.

(b) After notice and hearing, the court for good cause shown may order the corporation liquidated under court supervision either by the directors or by one or more receivers appointed by the court.

(c) The authority of the directors terminates when a court appoints a receiver.

§3–412.

(a) If a Maryland corporation is voluntarily dissolved and assets are available for distribution to stockholders, the directors or receiver may notify the stockholders to prove their interests within a specified time at least 60 days after the date of the notice. The notice shall be mailed to each stockholder at his address as it appears on the records of the corporation and published at least once a week for three successive weeks in a newspaper of general circulation published in the county in which the principal office of the corporation is located. The date of the notice is the later of the date of mailing or the date of first publication.

(b) After the expiration of the time specified in the notice, the directors or receiver may distribute to each stockholder who has proved his interest his proportionate share of the assets, reserving the shares of those who have not proved their interests. Thereafter, the directors or receiver may incur reasonable expenses in locating the remaining stockholders and securing proof of interests from them and may charge the expenses against the funds undistributed at the time the expenses are incurred. From time to time the directors or receiver may distribute a proportionate share to any stockholder who has proved his interest since the prior distribution.

(c) No earlier than three years from the date of the original notice, the directors or receiver may distribute all surplus assets remaining under his control to those stockholders who have proved their interests and are entitled to distribution. After final distribution, the interest of any stockholder who has not proved his interest is forever barred and foreclosed.

(d) (1) Any assets remaining unclaimed 60 days after the final distribution, whether through failure or inability of the postal authorities to deliver the distribution checks or for any other reason is presumed abandoned and shall be reported to the abandoned property unit of the State Comptroller's office in

accordance with Title 17 of the Commercial Law Article, the Maryland Uniform Disposition of Abandoned Property Act.

(2) The directors or receiver are released and discharged from all further liability in the matter on payment or delivery of all unclaimed assets to the abandoned property unit of the State Comptroller's office.

§3–413.

(a) Except as provided in subsection (d) of this section, stockholders entitled to cast at least 25 percent of all the votes entitled to be cast in the election of directors of a corporation may petition a court of equity to dissolve the corporation on grounds that:

(1) The directors are so divided respecting the management of the corporation's affairs that the votes required for action by the board cannot be obtained; or

(2) The stockholders are so divided that directors cannot be elected.

(b) Except as provided in subsection (d) of this section, any stockholder entitled to vote in the election of directors of a corporation may petition a court of equity to dissolve the corporation on grounds that:

(1) The stockholders are so divided that they have failed, for a period which includes at least two consecutive annual meeting dates, to elect successors to directors whose terms would have expired on the election and qualification of their successors; or

(2) The acts of the directors or those in control of the corporation are illegal, oppressive, or fraudulent.

(c) Any stockholder or creditor of a corporation other than a railroad corporation may petition a court of equity to dissolve the corporation on grounds that it is unable to meet its debts as they mature in the ordinary course of its business.

(d) Subsections (a)(2) and (b)(1) of this section do not apply to any corporation that has a class of equity securities registered under the federal Securities Exchange Act of 1934.

§3–414.

(a) This section applies to any proceeding for involuntary dissolution of a corporation, except one brought under § 3-413(c) of this subtitle on grounds of insolvency.

(b) In a proceeding for the involuntary dissolution of a corporation, after notice and hearing, the court:

(1) May appoint one or more temporary receivers or trustees to take charge of the assets and operate the business of the corporation, if necessary or proper to preserve them, pending a final determination as to dissolution; and

(2) Shall determine whether the corporation should be dissolved.

(c) If it appears that the corporation should be dissolved, the court shall enter a final order dissolving the corporation, and direct that it be liquidated under court supervision by one or more receivers appointed by it.

(d) A receiver, temporary receiver, or trustee has all the powers of a receiver provided in this subtitle and any other powers provided in the order of the court, including the power to continue the corporate business.

(e) If it orders dissolution, the court may provide by order:

(1) For the distribution in kind of the assets of the corporation to the stockholders; or

(2) For some stockholders to receive assets of a different nature than other stockholders having the same type of interest.

§3–415.

(a) In a proceeding for involuntary dissolution brought under § 3-413(c) of this subtitle on grounds of insolvency, the court may declare the corporation dissolved if the corporation is proved or has been determined by judicial proceedings to be unable to meet its debts as they mature in the usual course of its business.

(b) If the court orders the corporation dissolved, the court shall direct that the corporation be liquidated under court supervision by one or more receivers appointed by it.

§3–416.

Except as provided in § 24–203 of the Commercial Law Article, the court may appoint any person as receiver, including an officer, director, or stockholder of the corporation.

§3–417.

(a) If a court declares a corporation dissolved, the order shall direct the clerk of the court to certify promptly to the Department that the order has been entered. If the order is later annulled, the order of annulment shall contain a similar direction.

(b) On notice from the counsel of record of a party seeking dissolution that the entry of an order of dissolution will be requested, the Department shall furnish to the counsel, without charge, a list of all collectors of taxes of counties and municipalities to which the Department has certified an assessment of personal property taxable to the corporation within the preceding four years.

(c) (1) The court may not enter an order dissolving a corporation unless the counsel of record certifies that at least 20 days before the order is entered he notified, by certified mail, return receipt requested, the Comptroller, the Department, the Secretary of Labor, and the collector of taxes in each county or municipality on the list supplied by the Department, that entry of the order would be requested.

(2) The list shall accompany the certificate of counsel and shall be dated not more than 90 days before entry of the order.

§3–418.

(a) The receiver of a Maryland corporation being voluntarily or involuntarily dissolved is vested with full title to all the assets of the corporation and has full power to enforce obligations or liabilities in its favor. He shall liquidate the assets of the corporation and wind up its affairs under the supervision of the court and has all powers necessary for that purpose.

(b) (1) Any preference, payment, or transfer made by the corporation which would be void, voidable, or fraudulent under State law or the federal Bankruptcy Code if made by an insolvent or bankrupt is to the same extent void, voidable, or fraudulent, respectively, as to the corporation, and the receiver has the powers of a trustee in bankruptcy with respect to setting them aside.

(2) For the purpose of this subsection, the date of filing a petition for appointment of a receiver has the same effect as the date of filing a petition in bankruptcy.

(c) If assets of a corporation are sold to foreclose a mortgage, deed of trust, security interest, or similar instrument:

(1) The receiver may sell only the corporation's equity of redemption in the assets, unless the other parties in interest agree otherwise in writing; and

(2) If the other parties do not agree otherwise in writing, the sale may take place as if the proceedings for dissolution had not been instituted.

§3–419.

(a) The voluntary or involuntary dissolution of a corporation does not relieve its stockholders, directors, or officers from any obligation or liability imposed on them by law.

(b) At any time before final ratification of the auditor's account distributing the assets of the corporation among its creditors and stockholders, any stockholder of a corporation dissolved by the order of a court may plead on behalf of the corporation all defenses, including limitations or laches, in the same manner as could the corporation or its receiver.

§3–501.

(a) If the period of existence of a corporation has expired under the terms of its charter and if the corporation has been in continuous operation since before the date of expiration, the corporation, at any time within three years after the date of expiration, may reinstate its charter and extend its existence for an additional period or in perpetuity, by filing articles of extension as provided in this section.

(b) The board of directors of a corporation proposing to reinstate its charter and extend its existence shall:

(1) Adopt a resolution which declares that the reinstatement and extension are advisable; and

(2) Direct that the proposed reinstatement and extension be submitted for consideration at either an annual or a special meeting of the stockholders.

(c) Notice which states that a purpose of the meeting will be to act on the proposed reinstatement and extension shall be given by the corporation in the manner required by Title 2 of this article to:

(1) Each stockholder entitled to vote on the proposed reinstatement and extension; and

(2) Each stockholder not entitled to vote if the contract rights of his stock, as expressly set forth in the charter, would be altered by the reinstatement and extension.

(d) The proposed reinstatement and extension shall be approved by the stockholders of the corporation by the affirmative vote of two thirds of all the votes entitled to be cast on the matter.

(e) Articles of extension shall be filed for record with the Department.

§3–502.

(a) Articles of extension shall include:

(1) The date the existence of the corporation expired under the terms of its charter;

(2) The date to which the existence of the corporation is to be extended, or a statement that the existence of the corporation is to be perpetual;

(3) A statement that the reinstatement and extension have been approved in the manner and by the vote required by this article and the corporation's charter, and a statement of the manner of approval; and

(4) A statement that the corporation has been in continuous operation since before the date of expiration.

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

§3–503.

(a) (1) Except with respect to a tax collectable locally, immediately after September 30 of each year, the State Comptroller shall certify to the Department a list of every Maryland corporation which has not paid a tax due before October 1 of the year after the tax became due.

(2) When the Comptroller certifies the list to the Department, the Comptroller shall mail to each listed corporation, at its address as it appears on the Comptroller's records, a notice that its charter will be repealed, annulled, and forfeited unless all taxes, interest, and penalties due by it are paid.

(3) The mailing of the notice is sufficient, and the failure of any corporation to receive the notice mailed to it does not affect the repeal, annulment, and forfeiture of its charter.

(b) (1) Immediately after September 30 of each year, the Secretary of Labor shall certify to the Department a list of every Maryland corporation that has not paid an unemployment insurance contribution or made a reimbursement payment due before October 1 of the year after the contribution or payment became due.

(2) When the Secretary certifies the list to the Department, the Secretary shall mail to each listed corporation, at its address as it appears on the Secretary's records, a notice that the charter of the corporation will be repealed, annulled, and forfeited unless all contributions, reimbursement payments, interest, and penalties due by the corporation are paid.

(3) The mailing of the notice is sufficient, and the failure of any corporation to receive the notice mailed to it does not affect the repeal, annulment, and forfeiture of the charter of the corporation.

(c) Immediately after September 30 of each year, the Department shall certify a list of every Maryland corporation which has not filed an annual report with the Department for the prior year as required by law or has not paid a tax before October 1 of the year after the report was required to be filed or the taxes were due.

(d) After the lists are certified, the Department shall issue a proclamation declaring that the charters of the corporations are repealed, annulled, and forfeited, and the powers conferred by law on the corporations are inoperative, null, and void as of the date of the proclamation, without proceedings of any kind either at law or in equity.

§3–504.

(a) Within ten days after the issuance of the proclamation, the Department shall mail notice of the proclamation to each corporation named in it. The notice shall be addressed to the corporation at its mailing address on file with the Department or, if none, at any other address appearing on the records of the Department.

(b) A corporation which pays all taxes, unemployment insurance contributions, reimbursement payments, interest, and penalties due, files the annual report due, or both, as the case may be, within 60 days after the issuance of the proclamation shall have its charter reinstated as of the date of forfeiture.

§3–505.

(a) If the Department is satisfied that a corporation named in the proclamation has not failed to pay the tax, unemployment insurance contributions, or reimbursement payments, or file the report within the period specified in § 3–503 of this subtitle, or that it has been mistakenly reported to the Department by the State Comptroller or the Secretary of Labor, the Department may correct the mistake by filing its proclamation to that effect in its records.

(b) The effect of a proclamation correcting a mistake is to restore the charter of the corporation as if the charter had at all times remained in full force and effect.

§3–506.

This subtitle does not repeal, supersede, or in any manner affect any remedy or provision of law:

(1) For the collection of taxes, unemployment insurance contributions, or reimbursement payments and the interest and penalties due on them; or

(2) To compel the filing of annual reports.

§3–507.

(a) The charter of any corporation which is forfeited for nonpayment of taxes, unemployment insurance contributions, or reimbursement payments or failure to file an annual report may be revived in the manner provided in this section.

(b) (1) Any two of the last acting officers of the corporation shall sign and acknowledge articles of revival and file them for record with the Department.

(2) If the officers authorized to sign and acknowledge the articles of revival are unable or unwilling to do so, the lesser of a majority or 3 of the last acting directors of the corporation may sign and acknowledge them.

(3) If there are less than the required number of directors of the corporation able and willing to sign and acknowledge the articles:

(i) Any director or stockholder may call a meeting of the stockholders by giving notice in the manner required by Title 2 of this article, stating the purpose of the meeting; and

(ii) The stockholders or their successors in interest present at the meeting in person or by proxy, whether or not sufficient to constitute a quorum, may elect a board consisting of the lesser of the number of directors required by the charter and bylaws of the corporation, or 3 directors, who may sign and acknowledge the articles and do all acts necessary and proper to revive the charter of the corporation.

§3–508.

Articles of revival shall include:

(1) The name of the corporation at the time the charter was forfeited;

(2) The name which the corporation will use after revival, which shall comply with the provisions of this article with respect to corporate names;

(3) The address of the principal office of the corporation in this State if different from its principal office in this State at the time the charter was forfeited;

(4) The name and address of the resident agent of the corporation; and

(5) A statement that the articles of revival are for the purpose of reviving the charter of the corporation.

§3–509.

(a) The Department may not accept articles of revival for record unless:

(1) Except as provided in subsection (b) of this section, all annual reports required to be filed by the corporation or which would have been required if the charter had not been forfeited are filed; and

(2) Unemployment insurance contributions, or reimbursement payments, all State and local taxes, except taxes on real estate, and all interest and penalties due by the corporation or which would have become due if the charter had not been forfeited are paid, whether or not barred by limitations.

(b) Notwithstanding subsection (a)(1) of this section, a nonstock corporation or religious corporation that files articles of revival and past–due annual reports online is required to file only the seven most recently due annual reports required to be filed by the corporation or which would have been required if the charter had not been forfeited.

§3–510.

Except in a proceeding by the State or any of its political subdivisions, the acceptance of articles of revival for record by the Department is conclusive evidence of:

(1) The payment of all fees, taxes, unemployment insurance contributions, and reimbursement payments required to be paid;

(2) The filing of all reports required to be filed; and

(3) The revival of the charter of the corporation.

§3–512.

The reinstatement and extension of a corporation's existence under § 3-501 of this subtitle or the revival of a corporation's charter under § 3-507 of this subtitle has the following effects:

(1) If otherwise done within the scope of its charter, all contracts or other acts done in the name of the corporation while the charter was void are validated, and the corporation is liable for them; and

(2) All the assets and rights of the corporation, except those sold or those of which it was otherwise divested while the charter was void, are restored to the corporation to the same extent that they were held by the corporation before the expiration or forfeiture of the charter.

§3–513.

(a) At any time, the Department may authorize the Attorney General to institute proceedings against a corporation to determine whether the corporation has abused, misused, or failed to use its powers and franchises in a manner which, in the public interest, would make proper the forfeiture of its charter.

(b) If authorized by the Department, the Attorney General may petition a court of equity for forfeiture of the charter and dissolution of the corporation. The petition shall state the facts on which the forfeiture and dissolution of the corporation is sought.

(c) In its order, the court shall:

(1) Find that no legal cause for forfeiture exists, and dismiss the petition;

(2) Direct the corporation to remedy one or more grievances, on penalty of forfeiture of the charter if they are not remedied within the time set by the order; or

(3) (i) Find that legal cause for forfeiture has been shown and that the public interest requires a forfeiture;

(ii) Declare the charter forfeited and the corporation dissolved; and

(iii) Appoint a receiver of the assets of the corporation.

§3–514.

(a) Any person who transacts business in the name or for the account of a corporation knowing that its charter has been forfeited and has not been revived is guilty of a misdemeanor and on conviction is subject to a fine of not more than $500.

(b) For the purpose of this section, unless there is clear evidence to the contrary, a person who was an officer or director of a corporation at the time its charter was forfeited is presumed to know of the forfeiture.

(c) A prosecution for violation of the provisions of this section may not be instituted after the date articles of revival of the corporation are filed.

§3–515.

(a) When the charter of a Maryland corporation has been forfeited, until a court appoints a receiver, the directors of the corporation shall manage its assets for purposes of liquidation.

(b) Unless and until articles of revival are filed, the directors shall:

(1) Collect and distribute the assets, applying them to the payment, satisfaction, and discharge of existing debts and obligations of the corporation, including necessary expenses of liquidation; and

(2) Distribute the remaining assets among the stockholders.

(c) The directors may:

(1) Carry out the contracts of the corporation;

(2) Sell all or any part of the assets of the corporation at public or private sale;

(3) Sue or be sued in the name of the corporation; and

(4) Do all other acts consistent with law and the charter of the corporation necessary or proper to liquidate the corporation and wind up its affairs.

(d) Forfeiture of the charter of a corporation does not subject a director of the corporation to a standard of conduct other than the standard of conduct set forth in § 2–405.1 of this article.

§3–516.

(a) A director, stockholder, or creditor of a Maryland corporation which has had its charter forfeited may petition a court of equity to take jurisdiction of the liquidation of the corporation.

(b) After notice and hearing, the court for good cause shown may order the corporation liquidated under court supervision either by the directors as trustees or by one or more receivers appointed by the court.

(c) The authority of the director-trustees terminates when a court appoints a receiver.

§3–517.

(a) When the charter of a Maryland corporation has been forfeited, if assets are available for distribution to stockholders and the total number of outstanding shares of stock is known or determinable from the records of the corporation, the director-trustees or receiver may notify the stockholders to prove their interests within a specified time at least 60 days after the date of the notice. The notice shall be mailed to each stockholder at his address as it appears on the records of the corporation and published at least once a week for three successive weeks in a newspaper of general circulation published in the county in which the principal office of the corporation is located. The date of the notice is the later of the date of mailing or the date of first publication.

(b) After the expiration of the time specified in the notice, the director-trustees or receiver may distribute to each stockholder who has proved his interest his proportionate share of the assets, reserving the shares of those who have not proved their interests. Thereafter, the director-trustees or receiver may incur reasonable expenses in locating the remaining stockholders and securing proof of interests from them and may charge the expenses against the funds undistributed at

the time the expenses are incurred. From time to time the director-trustees or receiver may distribute a proportionate share to any stockholder who has proved his interest since the prior distribution.

(c) No earlier than three years from the date of the original notice, the director-trustees or receiver may distribute all surplus assets remaining under his control to those stockholders who have proved their interests and are entitled to distribution. After final distribution, the interest of any stockholder who has not proved his interest is forever barred and foreclosed.

(d) (1) Any assets remaining unclaimed 60 days after the final distribution, whether through failure or inability of the postal authorities to deliver the distribution checks or for any other reason, is presumed abandoned and shall be reported to the abandoned property unit of the State Comptroller's office in accordance with Title 17 of the Commercial Law Article, the Maryland Uniform Disposition of Abandoned Property Act.

(2) The director-trustees or receiver are released and discharged from all further liability in the matter on payment or delivery of all unclaimed assets to the abandoned property unit of the State Comptroller's office.

§3–518.

(a) When the charter of a Maryland corporation has been forfeited, if assets are available for distribution to stockholders, but the total number of outstanding shares of stock is unknown and indeterminable from the records of the corporation, the director-trustees or receiver shall notify the stockholders to prove their interests within a specified time at least six months after the date of the notice. The notice shall specify the address at which proof of interest is to be given and shall be mailed to each known stockholder at his address as it appears on the records of the corporation and published at least once a week for three successive weeks in a newspaper of general circulation published in the county in which the principal office of the corporation is located. The date of the notice is the later of the date of mailing or the date of first publication.

(b) (1) Proof of the interest of a stockholder shall be evidenced by valid stock certificates and shall be given at the address specified in the notice.

(2) On expiration of the time specified in the notice, it shall be conclusively presumed that, for the purpose of the distribution of assets, the total number of shares of stock entitled to distribution is that number for which interests have been proven within the time specified.

(c) Within 90 days after the expiration of the time specified in the notice, after deducting the reasonable expenses, including reasonable trustees' or receiver's fees, incurred by them in winding up the affairs of the corporation, the director-trustees or receiver shall distribute to each stockholder who has proved his interest his proportionate share of the assets.

(d) The director-trustees or receiver are released and discharged from all further liability in the matter on distribution of all assets as provided in this section.

§3–519.

(a) If the period of existence of a corporation is limited by its charter, the corporation shall comply with the following conditions before the period of its existence expires:

(1) All taxes not barred by limitations and payable by the corporation to the Department, including taxes billed at the current rate under § 10–206 of the Tax – Property Article, shall be paid or provided for in a manner satisfactory to the Department;

(2) The corporation shall submit to the Department certificates of the Comptroller and of each collector of taxes on the list supplied by the Department, as provided in subsection (c) of this section, stating that all taxes not barred by limitations which are imposed on assessments made by the Department and billed by and payable to them by the corporation, including taxes billed for the year in which expiration of existence is to occur, shall be paid or provided for in a manner satisfactory to them; and

(3) The corporation shall submit to the Department a certificate of the Secretary of Labor stating that all unemployment insurance contributions and reimbursement payments not barred by limitations that are due and payable to the Secretary, including contributions and reimbursement payments for the year in which expiration of existence is to occur, shall be paid or provided for in a manner satisfactory to the Secretary.

(b) A collector of taxes may not certify the payment of taxes until he has received from the Department certified assessments of personal property after the preceding date of finality and the taxes have been billed at the current year's rate. However, a certificate based on a satisfactory provision for payment may be made before then.

(c) On written request of the corporation, the Department shall furnish it without charge a list of all collectors of taxes of counties and municipalities to which

the Department has certified an assessment of personal property taxable to the corporation within the preceding four years.

(d) Notwithstanding any provision of its charter, any corporation with a limited period of existence ceases to exist only as of the later of:

(1) The date or expiration of the period specified in its charter; or

(2) The date on which the conditions of subsection (a) of this section are fulfilled.

§3–601.

(a) In this subtitle the following words have the meanings indicated.

(b) "Affiliate", including the term "affiliated person", means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified person.

(c) "Associate", when used to indicate a relationship with any person, means:

(1) Any corporation or organization (other than the corporation or a subsidiary of the corporation) of which such person is an officer, director, or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities;

(2) Any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and

(3) Any relative or spouse of such person, or any relative of such spouse, who has the same home as such person or who is a director or officer of the corporation or any of its affiliates.

(d) "Beneficial owner", when used with respect to any voting stock, means a person that:

(1) Individually or with any of its affiliates or associates, beneficially owns voting stock, directly or indirectly;

(2) Individually or with any of its affiliates or associates, has:

(i) The right to acquire voting stock (whether the right is exercisable immediately or only after the passage of time), in accordance with any agreement, arrangement, or understanding, on the exercise of conversion rights, exchange rights, warrants, or options, or otherwise; or

(ii) Except solely by virtue of a revocable proxy, the right to vote voting stock in accordance with any agreement, arrangement, or understanding; or

(3) Except solely by virtue of a revocable proxy, has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of voting stock with any other person that beneficially owns, or the affiliates or associates of which beneficially own, directly or indirectly, the voting stock.

(e) "Business combination" means:

(1) Unless the merger, consolidation, or share exchange does not alter the contract rights of the stock as expressly set forth in the charter or change or convert in whole or in part the outstanding shares of stock of the corporation, any merger, consolidation, or share exchange of the corporation or any subsidiary with (i) any interested stockholder or (ii) any other corporation (whether or not itself an interested stockholder) which is, or after the merger, consolidation, or share exchange would be, an affiliate of an interested stockholder that was an interested stockholder prior to the transaction;

(2) Any sale, lease, transfer, or other disposition, other than in the ordinary course of business or pursuant to a dividend or any other method affording substantially proportionate treatment to the holders of voting stock, in one transaction or a series of transactions in any 12–month period, to any interested stockholder or any affiliate of any interested stockholder (other than the corporation or any of its subsidiaries) of any assets of the corporation or any subsidiary having, measured at the time the transaction or transactions are approved by the board of directors of the corporation, an aggregate book value as of the end of the corporation's most recently ended fiscal quarter of 10 percent or more of the total market value of the outstanding stock of the corporation or of its net worth as of the end of its most recently ended fiscal quarter;

(3) The issuance or transfer by the corporation, or any subsidiary, in one transaction or a series of transactions, of any equity securities of the corporation or any subsidiary which have an aggregate market value of 5 percent or more of the total market value of the outstanding stock of the corporation to any interested stockholder or any affiliate of any interested stockholder (other than the corporation or any of its subsidiaries) except pursuant to the exercise of warrants or rights to purchase securities offered pro rata to all holders of the corporation's voting stock or

any other method affording substantially proportionate treatment to the holders of voting stock;

(4) The adoption of any plan or proposal for the liquidation or dissolution of the corporation in which anything other than cash will be received by an interested stockholder or any affiliate of any interested stockholder;

(5) Any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger, consolidation, or share exchange of the corporation with any of its subsidiaries which has the effect, directly or indirectly, in one transaction or a series of transactions, of increasing by 5 percent or more of the total number of outstanding shares, the proportionate amount of the outstanding shares of any class of equity securities of the corporation or any subsidiary which is directly or indirectly owned by any interested stockholder or any affiliate of any interested stockholder; or

(6) The receipt by any interested stockholder or any affiliate of any interested stockholder (other than the corporation or any of its subsidiaries) of the benefit, directly or indirectly (except proportionately as a stockholder), of any loan, advance, guarantee, pledge, or other financial assistance or any tax credit or other tax advantage provided by the corporation or any of its subsidiaries.

(f) "Common stock" means any stock other than preferred or preference stock.

(g) "Control", including the terms "controlling", "controlled by" and "under common control with", means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise, and the beneficial ownership of 10 percent or more of the votes entitled to be cast by a corporation's voting stock creates a presumption of control.

(h) "Corporation" includes a real estate investment trust as defined in Title 8 of this article.

(i) "Equity security" means:

(1) Any stock or similar security, certificate of interest, or participation in any profit sharing agreement, voting trust certificate, or certificate of deposit for an equity security;

(2) Any security convertible, with or without consideration, into an equity security, or any warrant or other security carrying any right to subscribe to or purchase an equity security; or

(3) Any put, call, straddle, or other option or privilege of buying an equity security from or selling an equity security to another without being bound to do so.

(j) "Interested stockholder" means any person (other than the corporation or any subsidiary) that:

(1) (i) Is the beneficial owner, directly or indirectly, of 10 percent or more of the voting power of the outstanding voting stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock; or

(ii) Is an affiliate or associate of the corporation and was the beneficial owner, directly or indirectly, of 10 percent or more of the voting power of the then outstanding stock of the corporation:

1. At any time within the 2–year period immediately prior to the date in question; and

2. After the date on which the corporation had 100 or more beneficial owners of its stock.

(2) For the purpose of determining whether a person is an interested stockholder, the number of shares of voting stock deemed to be outstanding shall include shares deemed owned by the person through application of subsection (d) of this section but may not include any other shares of voting stock which may be issuable pursuant to any agreement, arrangement, or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(3) A person is not an interested stockholder if, prior to the most recent time at which the person would otherwise have become an interested stockholder, the board of directors of the corporation approved the transaction which otherwise would have resulted in the person becoming an interested stockholder.

(4) In approving a transaction in accordance with paragraph (3) of this subsection, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

(k) "Market value" means:

(1) In the case of stock, the highest closing sale price during the 30–day period immediately preceding the date in question of a share of such stock on the composite tape for New York Stock Exchange–listed stocks, or, if such stock is not

quoted on the composite tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30–day period preceding the date in question on the National Association of Securities Dealers, Inc. automated quotations system or any system then in use, or, if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the board of directors of the corporation in good faith; and

(2) In the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the board of directors of the corporation in good faith.

(l) "Original articles of incorporation" means:

(1) Articles of incorporation as originally filed or as amended in accordance with § 2–603 of this article; and

(2) Articles of incorporation as amended or restated by a corporation meeting the requirements of § 3–603(e)(1)(i), (ii), or (iv) of this subtitle, without regard to the voting requirements of § 3–603(e)(1)(iii) of this subtitle.

(m) "Subsidiary" means any corporation of which voting stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by the corporation.

(n) "Voting stock" means shares of capital stock of a corporation entitled to vote generally in the election of directors.

§3–602.

(a) Unless an exemption under § 3-603(c), (d), or (e) of this subtitle applies, a corporation may not engage in any business combination with any interested stockholder or any affiliate of the interested stockholder for a period of 5 years following the most recent date on which the interested stockholder became an interested stockholder.

(b) Unless an exemption under § 3-603 of this subtitle applies, in addition to any vote otherwise required by law or the charter of the corporation, a business combination that is not prohibited by subsection (a) of this section shall be recommended by the board of directors and approved by the affirmative vote of at least:

(1) 80 percent of the votes entitled to be cast by outstanding shares of voting stock of the corporation, voting together as a single voting group; and

(2) Two-thirds of the votes entitled to be cast by holders of voting stock other than voting stock held by the interested stockholder who will (or whose affiliate will) be a party to the business combination or by an affiliate or associate of the interested stockholder, voting together as a single voting group.

§3–603.

(a) For purposes of this section:

(1) "Announcement date" means the first general public announcement of the proposal or intention to make a proposal of the business combination or its first communication generally to stockholders of the corporation, whichever is earlier;

(2) "Determination date" means the most recent date on which the interested stockholder became an interested stockholder; and

(3) "Valuation date" means:

(i) For a business combination voted upon by stockholders, the latter of the day prior to the date of the stockholders' vote or the day 20 days prior to the consummation of the business combination; and

(ii) For a business combination not voted upon by stockholders, the date of the consummation of the business combination.

(b) The vote required by § 3–602(b) of this subtitle does not apply to a business combination as defined in § 3–601(e)(1) of this subtitle if each of the following conditions is met:

(1) The aggregate amount of the cash and the market value as of the valuation date of consideration other than cash to be received per share by holders of common stock in such business combination is at least equal to the highest of the following:

(i) The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of common stock of the same class or series acquired by it within the 5–year period immediately prior to the announcement date of the proposal of the business combination, plus an amount equal to interest compounded annually from the earliest date on which the highest per share acquisition price was paid

through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash, per share of common stock from the earliest date through the valuation date, up to the amount of the interest; or

(ii) The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of common stock of the same class or series acquired by it on, or within the 5–year period immediately before, the determination date, plus an amount equal to interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash, per share of common stock from the earliest date through the valuation date, up to the amount of the interest; or

(iii) The market value per share of common stock of the same class or series on the announcement date, plus an amount equal to interest compounded annually from that date through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash, per share of common stock from that date through the valuation date, up to the amount of the interest; or

(iv) The market value per share of common stock of the same class or series on the determination date, plus an amount equal to interest compounded annually from that date through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash, per share of common stock from that date through the valuation date, up to the amount of the interest; or

(v) The price per share equal to the market value per share of common stock of the same class or series on the announcement date or on the determination date, whichever is higher, multiplied by the fraction of:

1. The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of common stock of the same class or series acquired by it within the 5–year period immediately prior to the announcement date, over

2. The market value per share of common stock of the same class or series on the first day in such 5–year period on which the interested stockholder acquired any shares of common stock.

(2) The aggregate amount of the cash and the market value as of the valuation date of consideration other than cash to be received per share by holders of shares of any class or series of outstanding stock other than common stock in the business combination is at least equal to the highest of the following (whether or not the interested stockholder has previously acquired any shares of the particular class or series of stock):

(i) The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of such class or series of stock acquired by it within the 5–year period immediately prior to the announcement date of the proposal of the business combination, plus an amount equal to interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash, per share of the class or series of stock from the earliest date through the valuation date, up to the amount of the interest; or

(ii) The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of such class or series of stock acquired by it on, or within the 5–year period immediately prior to, the determination date, plus an amount equal to interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash, per share of the class or series of stock from the earliest date through the valuation date, up to the amount of the interest; or

(iii) The highest preferential amount per share to which the holders of shares of such class or series of stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation; or

(iv) The market value per share of such class or series of stock on the announcement date, plus an amount equal to interest compounded annually from that date through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash,

per share of the class or series of stock from that date through the valuation date, up to the amount of the interest; or

(v) The market value per share of such class or series of stock on the determination date, plus an amount equal to interest compounded annually from that date through the valuation date at the rate for 1–year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the market value of any dividends paid in other than cash, per share of the class or series of stock from that date through the valuation date, up to the amount of the interest; or

(vi) The price per share equal to the market value per share of such class or series of stock on the announcement date or on the determination date, whichever is higher, multiplied by the fraction of:

1. The highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the interested stockholder for any shares of any class of voting stock acquired by it within the 5–year period immediately prior to the announcement date, over

2. The market value per share of the same class of voting stock on the first day in such 5–year period on which the interested stockholder acquired any shares of the same class of voting stock.

(3) The consideration to be received by holders of any class or series of outstanding stock is to be in cash or in the same form as the interested stockholder has previously paid for shares of the same class or series of stock. If the interested stockholder has paid for shares of any class or series of stock with varying forms of consideration, the form of consideration for such class or series of stock shall be either cash or the form used to acquire the largest number of shares of such class or series of stock previously acquired by it.

(4) (i) After the determination date and prior to the consummation of such business combination:

1. There shall have been no failure to declare and pay at the regular date therefor any full periodic dividends (whether or not cumulative) on any outstanding preferred stock of the corporation;

2. There shall have been:

A. No reduction in the annual rate of dividends paid on any class or series of stock of the corporation that is not preferred stock (except as necessary to reflect any subdivision of the stock); and

B. An increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the stock; and

3. The interested stockholder did not become the beneficial owner of any additional shares of stock of the corporation except as part of the transaction which resulted in such interested stockholder becoming an interested stockholder or by virtue of proportionate stock splits or stock dividends.

(ii) The provisions of subparagraph (i)1 and 2 of this paragraph do not apply if no interested stockholder or an affiliate or associate of the interested stockholder voted as a director of the corporation in a manner inconsistent with subparagraph (i)1 and 2 of this paragraph and the interested stockholder, within 10 days after any act or failure to act inconsistent with subparagraph (i)1 and 2 of this paragraph, notifies the board of directors of the corporation in writing that the interested stockholder disapproves thereof and requests in good faith that the board of directors rectify such act or failure to act.

(c) (1) Whether or not such business combinations are authorized or consummated in whole or in part after July 1, 1983 or after the determination date, the provisions of § 3–602 of this subtitle do not apply to business combinations that specifically, generally, or generally by types, as to specifically identified or unidentified existing or future interested stockholders or their affiliates, have been approved or exempted therefrom, in whole or in part, by resolution of the board of directors of the corporation:

(i) Prior to September 1, 1983 or such earlier date as may be irrevocably established by resolution of the board of directors; or

(ii) If involving transactions with a particular interested stockholder or its existing or future affiliates, at any time prior to the most recent time that the interested stockholder became an interested stockholder.

(2) Unless by its terms a resolution adopted under this subsection is made irrevocable, it may be altered or repealed by the board of directors, but this shall not affect any business combinations that have been consummated, or are the subject of an existing agreement entered into, prior to the alteration or repeal.

(d) (1) Unless the charter or bylaws of the corporation specifically provides otherwise, the provisions of § 3–602 of this subtitle do not apply to business combinations of a corporation that, on July 1, 1983, had an existing interested stockholder, whether a business combination is with the existing stockholder or with

any other person that becomes an interested stockholder after July 1, 1983, or their present or future affiliates, unless, at any time after July 1, 1983, the board of directors of the corporation elects by resolution to be subject, in whole or in part, specifically, generally, or generally by types, as to specifically identified or unidentified interested stockholders, to the provisions of § 3–602 of this subtitle.

(2) The charter or bylaws of the corporation may provide that if the board of directors adopts a resolution under paragraph (1) of this subsection the resolution shall be subject to approval of the stockholders in the manner and by the vote specified in the charter or the bylaws.

(3) An election under this subsection may be added to but may not be altered or repealed except by a charter amendment adopted by a vote of stockholders meeting the requirements of subsection (e)(1)(iii) of this section.

(4) If a corporation elects under this subsection to be included within the provisions of this subtitle generally, without qualification or limitation, it shall file with the Department articles supplementary including a copy of the resolution making the election and a statement describing the manner in which the resolution was adopted. The articles supplementary shall be executed in the manner required by Title 1 of this article. The articles supplementary constitute articles supplementary under § 1–101(f)(2) of this article, but do not constitute an amendment to the charter.

(e) (1) Unless the charter of the corporation provides otherwise, the provisions of § 3–602 of this subtitle do not apply to any business combination of:

(i) A close corporation as defined in § 4–101(b) of this article;

(ii) A corporation having fewer than 100 beneficial owners of its stock;

(iii) A corporation whose original articles of incorporation have a provision, or whose stockholders adopt a charter amendment after June 30, 1983 by a vote of at least 80 percent of the votes entitled to be cast by outstanding shares of voting stock of the corporation, voting together as a single voting group, and two–thirds of the votes entitled to be cast by persons (if any) who are not interested stockholders of the corporation or affiliates or associates of interested stockholders, voting together as a single voting group, expressly electing not to be governed by the provisions of § 3–602 of this subtitle in whole or in part, or in either case as to business combinations, specifically, generally, or generally by types, or as to identified or unidentified existing or future interested stockholders or their affiliates, provided that, other than in the case of the original articles of incorporation, an amendment may not be effective until 18 months after the vote of stockholders and may not apply

to any business combination of the corporation with an interested stockholder (or any affiliate of the interested stockholder) who became an interested stockholder on or before the date of the vote;

(iv) A corporation registered under the Investment Company Act of 1940 as an open end investment company;

(v) A corporation registered under the Investment Company Act of 1940 as a closed end investment company unless its board of directors adopts a resolution to be subject to § 3–602 of this subtitle on or after June 1, 2000, provided that the resolution shall not be effective with respect to a business combination with any person who has become an interested stockholder before the time that the resolution is adopted; or

(vi) A corporation with an interested stockholder that became an interested stockholder inadvertently, if the interested stockholder:

1. As soon as practicable (but not more than 10 days after the interested stockholder knew or should have known it had become an interested stockholder) divests itself of a sufficient amount of the voting stock of the corporation so that it no longer is the beneficial owner, directly or indirectly, of 10 percent or more of the outstanding voting stock of the corporation; and

2. Would not at any time within the 5–year period preceding the announcement date with respect to the business combination have been an interested stockholder except by inadvertence.

(2) For purposes of paragraph (1)(ii) of this subsection, all stockholders of a corporation that have executed an agreement to which the corporation is an executing party governing the purchase and sale of stock of the corporation or a voting trust agreement governing stock of the corporation shall be considered a single beneficial owner of the stock covered by the agreement.

(f) A business combination of a corporation that has a charter provision permitted by § 2–104(b)(5) of this article is subject to the voting requirements of § 3–602 of this subtitle unless one of the requirements or exemptions of subsection (b), (c), (d), or (e) of this section have been met.

§3–604.

This subtitle shall only apply to a Maryland corporation.

§3–605.

This subtitle may be cited as the Maryland Business Combination Act.

§3–701.

(a) In this subtitle the following words have the meanings indicated.

(b) "Acquiring person" means a person who makes or proposes to make a control share acquisition.

(c) "Associate", when used to indicate a relationship with any person, means:

(1) An "associate" as defined in § 3–601(c) of this title; or

(2) A person that:

(i) Directly or indirectly controls, or is controlled by, or is under common control with, the person specified; or

(ii) Is acting or intends to act jointly or in concert with the person specified.

(d) (1) "Control share acquisition" means the acquisition, directly or indirectly, by any person, of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares.

(2) "Control share acquisition" does not include the acquisition of shares:

(i) Before November 4, 1988;

(ii) Under a contract made before November 4, 1988;

(iii) Under the laws of descent and distribution;

(iv) Under the satisfaction of a pledge or other security interest created in good faith and not for the purpose of circumventing this subtitle;

(v) Under a merger, consolidation, or share exchange effected under Subtitle 1 of this title if the corporation is a party to the merger, consolidation, or share exchange;

(vi) Within one–tenth or more but less than one–fifth of all voting power of outstanding shares of stock of the corporation before June 1, 2000;

(vii) At a time when the corporation is not subject to this subtitle; or

(viii) In accordance with a contract entered into at a time when the corporation is not subject to this subtitle.

(3) Unless the acquisition entitles any person, directly or indirectly, to exercise or direct the exercise of voting power in the election of directors in excess of the range of voting power previously authorized or attained under an acquisition that is exempt under paragraph (2) of this subsection, "control share acquisition" does not include the acquisition of shares of a corporation in good faith and not for the purpose of circumventing this subtitle by or from:

(i) Any person whose voting rights have previously been authorized by stockholders in compliance with this subtitle; or

(ii) Any person whose previous acquisition of shares of stock of the corporation would have constituted a control share acquisition but for paragraph (2) of this subsection.

(e) (1) "Control shares" means shares of stock that, except for this subtitle, would, if aggregated with all other shares of stock of the corporation (including shares the acquisition of which is excluded from "control share acquisition" in subsection (d)(2) of this section) owned by a person or in respect of which that person is entitled to exercise or direct the exercise of voting power, except solely by virtue of a revocable proxy, entitle that person, directly or indirectly, to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors within any of the following ranges of voting power:

(i) One–tenth or more, but less than one–third of all voting power;

(ii) One–third or more, but less than a majority of all voting power; or

(iii) A majority or more of all voting power.

(2) "Control shares" includes:

(i) Shares of stock of a corporation only to the extent that the acquiring person, following the acquisition of the shares, is entitled, directly or indirectly, to exercise or direct the exercise of voting power within any level of voting

power set forth in this section for which approval has not been obtained previously under § 3–702 of this subtitle; and

(ii) Shares of stock acquired within any range of voting power described in paragraph (1) of this subsection, even if the initial shares acquired within the applicable range of voting power are excluded from a control share acquisition.

(f) "Corporation" includes a real estate investment trust, as defined in Title 8 of this article.

(g) "Interested shares" means shares of a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors:

(1) An acquiring person;

(2) An officer of the corporation; or

(3) An employee of the corporation who is also a director of the corporation.

(h) "Person" includes an associate of the person.

§3–702.

(a) (1) Holders of control shares of the corporation acquired in a control share acquisition have no voting rights with respect to the control shares except to the extent approved by the stockholders at a meeting held under § 3–704 of this subtitle by the affirmative vote of two–thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

(2) A charter provision permitted by § 2–104(b)(5) of this article may not apply to the proportion of votes required by paragraph (1) of this subsection.

(b) This subtitle does not apply to the voting rights of shares of stock if the acquisition of the shares specifically, generally, or generally by types, as to specifically identified or unidentified existing or future stockholders or their affiliates or associates, has been approved or exempted by a provision contained in the charter or bylaws and adopted at any time before the acquisition of control shares.

(c) This subtitle does not apply to:

(1) A close corporation as defined in § 4–101(b) of this article;

(2) A corporation having fewer than 100 beneficial owners of its stock;

(3) A corporation registered under the Investment Company Act of 1940 as an open end investment company; or

(4) A corporation registered under the Investment Company Act of 1940 as a closed end investment company unless its board of directors adopts a resolution to be subject to this subtitle on or after June 1, 2000.

(d) For the purposes of subsection (c)(2) of this section, all stockholders of a corporation that have executed an agreement to which the corporation is an executing party governing the purchase and sale of stock of the corporation or a voting trust agreement governing stock of the corporation shall be considered a single beneficial owner of the stock covered by the agreement.

(e) For the purposes of § 3-701 of this subtitle:

(1) Shares acquired within 90 days or shares acquired under a plan to make a control share acquisition are considered to have been acquired in the same acquisition; and

(2) A person may not be deemed to be entitled to exercise or direct the exercise of voting power with respect to shares held for the benefit of others if the person:

(i) Is acting in the ordinary course of business, in good faith and not for the purpose of circumventing the provisions of this section; and

(ii) Is not entitled to exercise or to direct the exercise of the voting power of the shares unless the person first seeks to obtain the instruction of another person.

§3–703.

Any person who proposes to make or who has made a control share acquisition may deliver an acquiring person statement to the corporation at the corporation's principal office. The acquiring person statement shall set forth all of the following:

(1) The identity of the acquiring person and each other member of any group of which the person is a part for purposes of determining control shares;

(2) A statement that the acquiring person statement is given under this subtitle;

(3) The number of shares of the corporation owned (directly or indirectly) by the acquiring person and each other member of any group;

(4) The applicable range of voting power as set forth in § 3–701(e) of this subtitle; and

(5) If the control share acquisition has not occurred:

(i) A description in reasonable detail of the terms of the proposed control share acquisition; and

(ii) Representations of the acquiring person, together with a statement in reasonable detail of the facts on which they are based, that:

1. The proposed control share acquisition, if consummated, will not be contrary to law; and

2. The acquiring person has the financial capacity, through financing to be provided by the acquiring person and any additional specified sources of financing required under § 3–705 of this subtitle, to make the proposed control share acquisition.

§3–704.

(a) Except as provided in § 3-705 of this subtitle, if the acquiring person requests, at the time of delivery of an acquiring person statement, and gives a written undertaking to pay the corporation's expenses of a special meeting, except the expenses of opposing approval of the voting rights, within 10 days after the day on which the corporation receives both the request and undertaking, the directors of the corporation shall call a special meeting of stockholders of the corporation for the purpose of considering the voting rights to be accorded the shares acquired or to be acquired in the control share acquisition.

(b) The directors may require the acquiring person to give bond, with sufficient surety, to reasonably assure the corporation that this undertaking will be satisfied.

(c) Unless the acquiring person agrees in writing to another date, the special meeting of stockholders shall be held within 50 days after the day on which the corporation has received both the request and the undertaking.

(d) If the acquiring person makes a request in writing at the time of delivery of the acquiring person statement, the special meeting may not be held sooner than

30 days after the day on which the corporation receives the acquiring person statement.

(e) (1) If no request is made under subsection (a) of this section, the issue of the voting rights to be accorded the shares acquired in the control share acquisition may, at the option of the corporation, be presented for consideration at any meeting of stockholders.

(2) If no request is made under subsection (a) of this section and the corporation proposes to present the issue of the voting rights to be accorded the shares acquired in a control share acquisition for consideration at any meeting of stockholders, the corporation shall provide the acquiring person with written notice of the proposal not less than 20 days before the date on which notice of the meeting is given.

§3–705.

A call of a special meeting of stockholders of the corporation is not required to be made under § 3-704(a) of this subtitle unless, at the time of delivery of an acquiring person statement under § 3-703 of this subtitle, the acquiring person has:

(1) Entered into a definitive financing agreement or agreements with one or more responsible financial institutions or other entities that have the necessary financial capacity, providing for any amount of financing of the control share acquisition not to be provided by the acquiring person; and

(2) Delivered a copy of the agreements to the corporation.

§3–706.

(a) If a special meeting of stockholders is requested, notice of the special meeting shall be given as promptly as reasonably practicable by the corporation to all stockholders of record as of the record date set for the meeting, whether or not the stockholder is entitled to vote at the meeting.

(b) Notice of the special or annual meeting of stockholders at which the voting rights are to be considered shall include or be accompanied by the following:

(1) A copy of the acquiring person statement delivered to the corporation under § 3-703 of this subtitle; and

(2) A statement by the board of directors of the corporation setting forth the position or recommendation of the board, or stating that the board is taking

no position or making no recommendation, with respect to the issue of voting rights to be accorded the control shares.

§3–707.

(a) Unless the charter or bylaws provide otherwise, if an acquiring person statement has been delivered on or before the 10th day after the control share acquisition, the corporation may, at its option, redeem any or all control shares, except control shares for which voting rights have been previously approved under § 3-702 of this subtitle, at any time during a 60-day period commencing on the day of a meeting at which voting rights are considered under § 3-704 of this subtitle and are not approved.

(b) In addition to the redemption rights authorized under subsection (a) of this section, unless the charter or bylaws provide otherwise, if an acquiring person statement has not been delivered on or before the 10th day after the control share acquisition, the corporation may, at its option, redeem any or all control shares, except control shares for which voting rights have been previously approved under § 3-702 of this subtitle, at any time during a period commencing on the 11th day after the control share acquisition and ending 60 days after a statement has been delivered.

(c) Any redemption of control shares under this section shall be at the fair value of the shares. For purposes of this section, "fair value" shall be determined:

(1) As of the date of the last acquisition of control shares by the acquiring person in a control share acquisition or, if a meeting is held under § 3-704 of this subtitle, as of the date of the meeting; and

(2) Without regard to the absence of voting rights for the control shares.

§3–708.

(a) Unless the charter or bylaws provide otherwise, before a control share acquisition has occurred, if voting rights for control shares are approved at a meeting held under § 3-704 of this subtitle and the acquiring person is entitled to exercise or direct the exercise of a majority or more of all voting power, all stockholders of the corporation (other than the acquiring person) have the rights of objecting stockholders as provided in Subtitle 2 of this title.

(b) For purposes of applying the provisions of Subtitle 2 of this title to stockholders under this section, the corporation shall be deemed to be a successor in a merger and the date of the most recent approval of voting rights referred to in

subsection (a) of this section shall be deemed to be the date of filing of articles of merger for record with the Department.

(c) The notice required by § 3-207 of this title shall also state that stockholders (other than the acquiring person) are entitled to the rights of objecting stockholders under Subtitle 2 of this title and shall include a copy of this section and Subtitle 2 of this title.

(d) For purposes of applying the provisions of Subtitle 2 of this title to this section:

(1) "Fair value" may not be less than the highest price per share paid by the acquiring person in the control share acquisition; and

(2) §§ 3-202(c) and 3-203(a)(1) and (2) of this title do not apply.

§3–709.

This subtitle shall only apply to a Maryland corporation.

§3–710.

This subtitle may be cited as the Maryland Control Share Acquisition Act.

§3–801.

(a) In this subtitle the following words have the meanings indicated.

(b) "Acquiring person" means a person who is seeking to acquire control of a corporation.

(c) "Act" includes an omission or failure to act.

(d) "Affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, a specified person.

(e) "Associate", when used to indicate a relationship with any person, means:

(1) Any corporation or organization (other than the corporation or a subsidiary of the corporation) of which such person is an officer, director, or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities;

(2) Any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and

(3) Any relative or spouse of such person, or any relative of such spouse, who has the same principal residence as such person or who is a director or officer of the corporation or any of its affiliates.

(f) "Beneficial owner", when used with respect to any stock, means a person:

(1) That, individually or with any of its affiliates or associates, beneficially owns stock, directly or indirectly; or

(2) That, individually or with any of its affiliates or associates, has:

(i) The right to acquire stock (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; or

(ii) The right to vote stock pursuant to any agreement, arrangement, or understanding; or

(3) That has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such shares of stock.

(g) "Charter" includes the declaration of trust of a real estate investment trust.

(h) "Control", including the terms "controlling", "controlled by", and "under common control with", means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise, and the beneficial ownership of 10 percent or more of the votes entitled to be cast by a corporation's stock creates a presumption of control.

(i) "Corporation" includes a real estate investment trust as defined in Title 8 of this article.

(j) "Director" includes a trustee of a real estate investment trust.

(k) "Equity security" means:

(1) Any stock or similar security, certificate of interest, or participation in any profit sharing agreement, voting trust certificate, or certificate of deposit for an equity security;

(2) Any security convertible, with or without consideration, into an equity security, or any warrant or other security carrying any right to subscribe to or purchase an equity security; or

(3) Any put, call, straddle, or other option or privilege of buying an equity security from or selling an equity security to another without being bound to do so.

(l) "Real estate investment trust" has the meaning stated in Title 8 of this article.

(m) "Stockholder" includes a shareholder of a real estate investment trust.

(n) "Subsidiary" means any corporation of which stock having a majority of the votes entitled to be cast is owned, directly or indirectly, by the corporation.

§3–802.

(a) Notwithstanding any other provision in this article except subsection (b) of this section, this subtitle applies to each corporation that:

(1) Has a class of equity securities registered under the Securities Exchange Act of 1934; and

(2) Elects to be subject to any or all provisions, in whole or in part, of this subtitle by provision in:

(i) Its charter or bylaws; or

(ii) A resolution of its board of directors.

(b) (1) This subtitle applies only to a corporation that has at least three directors who, at the time of any election to become subject to the provisions of this subtitle:

(i) Are not officers or employees of the corporation;

(ii) Are not acquiring persons;

(iii) Are not directors, officers, affiliates, or associates of an acquiring person; and

(iv) Were not nominated or designated as directors by an acquiring person.

(2) A director does not fail to satisfy paragraph (1) of this subsection because the director:

(i) Owns securities issued by the corporation;

(ii) Is entitled to compensation, retirement, severance, or other benefits as a director of the corporation; or

(iii) Might continue to serve as a director of the corporation or become a director of an acquiring person.

(3) This subtitle does not apply to a corporation to the extent that the corporation elects not to be subject to any provision of this subtitle to which it has previously elected to be subject, if the corporation elects not to be subject to the provision in the same manner in which it elected to become subject to the provision, including the satisfaction of subsection (d)(1) of this section, if applicable.

(c) The charter of a corporation may contain a provision or the board of directors may adopt a resolution that prohibits the corporation from electing to be subject to any or all provisions of this subtitle.

(d) (1) A corporation shall file articles supplementary with the Department if:

(i) The corporation elects to be subject to any or all provisions of this subtitle by resolution of the board of directors or bylaw amendment; or

(ii) The board of directors adopts a resolution in accordance with subsection (c) of this section that prohibits the corporation from electing to be subject to any or all provisions of this subtitle.

(2) The articles supplementary shall describe any provision of this subtitle to which the corporation:

(i) Has elected to become subject; or

(ii) May not elect to become subject in accordance with the resolution of the board.

(3) Stockholder approval is not required for the filing of articles supplementary in accordance with paragraph (1) of this subsection.

§3–803.

(a) (1) Except as provided in subsection (f) of this section, notwithstanding any provision in the charter or the bylaws of a corporation, before the first annual meeting of stockholders after a corporation elects to be subject to this subtitle, the board of directors shall designate by resolution, from among its members, directors to serve as class I directors, class II directors, and class III directors.

(2) To the extent possible, the classes shall have the same number of directors.

(b) The term of office of the class I directors shall continue until the first annual meeting of stockholders after the date on which the corporation becomes subject to this subtitle and until their successors are elected and qualify.

(c) The term of office of the class II directors shall continue until the second annual meeting of stockholders after the date on which the corporation becomes subject to this subtitle and until their successors are elected and qualify.

(d) The term of office of the class III directors shall continue until the third annual meeting of stockholders following the date on which the corporation becomes subject to this subtitle and until their successors are elected and qualify.

(e) At each annual meeting of the stockholders of a corporation, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term continuing until:

(1) The annual meeting of stockholders held in the third year following the year of their election; and

(2) Their successors are elected and qualify.

(f) This subtitle does not limit the power of a corporation by provision in its charter to:

(1) Confer on the holders of any class or series of preference or preferred stock the right to elect one or more directors; and

(2) Designate the terms and voting powers of the directors, which may vary among the directors.

§3–804.

(a) Notwithstanding any other lesser proportion of votes required by a provision in the charter or the bylaws, but subject to § 2-406(b)(3) or § 8-205(b)(3) of this article the stockholders of a corporation may remove any director by the affirmative vote of at least two-thirds of all the votes entitled to be cast by the stockholders generally in the election of directors.

(b) Subject to § 2-402(a) of this article but notwithstanding any provision in the charter or bylaws, the number of directors of a corporation shall be fixed only by vote of the board of directors.

(c) (1) Notwithstanding any provision in the charter or bylaws, this subsection applies to a vacancy that results from:

(i) An increase in the size of the board of directors; or

(ii) The death, resignation, or removal of a director.

(2) Each vacancy on the board of directors of a corporation may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum.

(3) Any director elected to fill a vacancy shall hold office:

(i) For the remainder of the full term of the class of directors in which the vacancy occurred; and

(ii) Until a successor is elected and qualifies.

§3–805.

Notwithstanding any provision in the charter or bylaws, the secretary of a corporation may call a special meeting of stockholders only:

(1) On the written request of the stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting; and

(2) In accordance with the procedures set forth under § 2-502(b)(2) and (3) and (e) of this article.

§3–901.

(a) In this subtitle, "other entity" means:

(1) A foreign corporation, as defined in § 1–101 of this article;

(2) A domestic limited liability company, as defined in § 4A–101 of this article;

(3) A foreign limited liability company, as defined in § 4A–101 of this article;

(4) A partnership, as defined in § 9A–101 of this article;

(5) A limited partnership, as defined in § 10–101 of this article, including a limited partnership registered as a limited liability limited partnership under § 10–805 of this article;

(6) A foreign limited partnership, as defined in § 10–101 of this article;

(7) A business trust, as defined in § 1–101 of this article; or

(8) Another form of unincorporated business formed under the laws of this State or the laws of the United States, another state of the United States, a territory, possession, or district of the United States, or a foreign country.

(b) Unless the charter provides otherwise, a Maryland corporation may convert to an other entity by:

(1) Approving the conversion in accordance with § 3–902 of this subtitle; and

(2) Filing for record with the Department articles of conversion executed in the manner required by Title 1 of this article.

(c) An other entity may convert to a Maryland corporation having capital stock by complying with § 3–902 of this subtitle and filing for record with the Department:

(1) Articles of conversion executed in the manner required by Title 1 of this article; and

(2) Articles of incorporation, which shall include the name of the converting other entity, executed in the manner required by Title 2 of this article and otherwise complying with the Maryland General Corporation Law.

§3–902.

(a) A conversion of a Maryland corporation to an other entity shall be approved in the manner provided by this section and in accordance with any additional requirements set forth in the Maryland corporation's charter.

(b) A conversion of a Maryland corporation need be approved only by a majority of its board of directors if there is no stock outstanding or subscribed for.

(c) The board of directors of a Maryland corporation that proposes to convert to an other entity shall:

(1) Adopt a resolution declaring that the proposed conversion is advisable on substantially the terms and conditions set forth or referred to in the resolution; and

(2) Direct that the proposed conversion be submitted for consideration at an annual or a special meeting of the stockholders.

(d) Notice stating that a purpose of the meeting will be to act on the proposed conversion shall be given by the corporation in the manner required by Title 2 of this article to:

(1) Each of its stockholders entitled to vote on the proposed transaction; and

(2) Each of its stockholders not entitled to vote on the proposed transaction.

(e) The proposed conversion shall be approved by the stockholders of the Maryland corporation by the affirmative vote of two–thirds of all the votes entitled to be cast on the matter.

(f) A conversion of an other entity to a Maryland corporation shall be approved in the manner and by the vote required by its governing document and the laws of the place in which it is incorporated or organized.

§3–903.

(a) In this section, "facts ascertainable outside the articles of conversion" includes:

(1) An action or a determination by any person, including:

(i) The corporation or other entity, as applicable;

(ii) The directors, partners, members, trustees, officers, or other agents of the corporation or other entity; and

(iii) Any other person affiliated with the corporation or other entity; and

(2) Any other event.

(b) Articles of conversion shall be filed for record with the Department.

(c) In a conversion of a Maryland corporation to an other entity, the articles of conversion shall set forth:

(1) The name of the Maryland corporation and the date of filing of its original articles of incorporation with the Department;

(2) The name of the other entity to which the Maryland corporation will be converted and the place of incorporation or organization of the other entity;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging outstanding shares of stock of the corporation into shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity, or other consideration, and the treatment of any issued shares of stock not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion;

(5) If the other entity is not organized under the laws of this State:

(i) The location of the principal office in the place where it is organized; and

(ii) The name and address of the resident agent in this State; and

(6) Any other provision necessary to effect the conversion.

(d) In a conversion of an other entity to a Maryland corporation, the articles of conversion shall set forth:

(1) The name of the other entity, the date on which the other entity was first created, and the place of incorporation or organization of the other entity;

(2) The name of the Maryland corporation to which the other entity will be converted;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity into shares of stock of the Maryland corporation or other consideration, and the treatment of any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion; and

(5) Any other provision necessary to effect the conversion.

(e) The articles of conversion may contain a future effective time for the articles of conversion that is not later than 30 days after the articles of conversion are accepted for record.

§3–904.

(a) A conversion has the effects provided in this section.

(b) (1) This subsection applies on the completion of the conversion of a Maryland corporation to an other entity.

(2) The Maryland corporation shall cease to exist as a Maryland corporation and shall continue to exist as the other entity into which the Maryland corporation has converted, and the other entity, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting Maryland corporation.

(3) (i) All the assets of the Maryland corporation, including any legacies that it would have been capable of taking, shall vest in and devolve on the other entity without further act or deed and shall be the property of the other entity, and the title to any real property vested by deed or otherwise in the Maryland

corporation shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the Maryland corporation to an other entity does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the Maryland corporation before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the Maryland corporation by its last acting officers or by the appropriate authorized persons, partners, trustees, or members of the other entity.

(4) (i) The other entity shall be liable for all the debts and obligations of the Maryland corporation.

(ii) An existing claim, action, or proceeding pending by or against the Maryland corporation may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the other entity may be substituted as a party and a judgment against the Maryland corporation constitutes a lien on the property of the other entity.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the Maryland corporation.

(5) Subject to the treatment of the ownership interests of the stockholders of the Maryland corporation under the articles of conversion and to the rights of an objecting stockholder under § 3–202 of this title, the ownership interests of the stockholders of the Maryland corporation cease to exist as stock in the converted Maryland corporation and continue to exist as ownership interests in the other entity.

(6) The conversion of the Maryland corporation to an other entity in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the Maryland corporation or the personal liability of any person incurred before the conversion.

(7) Unless otherwise provided in the articles of conversion, the converting Maryland corporation is not required to wind up its affairs or pay its liabilities and distribute its assets, and the conversion does not constitute dissolution or a transfer of assets or liabilities of the Maryland corporation.

(8) A person becomes liable for any obligation incurred by the Maryland corporation before the completion of the conversion only to the extent provided for by the laws applicable to the other entity.

(c) (1) This subsection applies on the conversion of an other entity to a Maryland corporation.

(2) The Maryland corporation, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting other entity.

(3) (i) All the assets of the other entity, including any legacies that it would have been capable of taking, vest in and devolve on the Maryland corporation without further act or deed and shall be the property of the Maryland corporation, and the title to any real property vested by deed or otherwise in the other entity shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the other entity to a Maryland corporation does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the other entity before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the other entity by the appropriate authorized persons, partners, officers, trustees, or members of the other entity or by the officers of the Maryland corporation.

(4) (i) The Maryland corporation shall be liable for all the debts and obligations of the other entity.

(ii) An existing claim, action, or proceeding pending by or against the other entity may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the Maryland corporation may be substituted as a party and a judgment against the other entity constitutes a lien on the property of the Maryland corporation.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the other entity.

(5) The conversion of an other entity to a Maryland corporation in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the other entity or the personal liability of any person incurred before the completion of the conversion.

(6) A person remains liable for any obligation incurred by the other entity before the completion of the conversion only to the extent that the person would have been liable if the conversion had not occurred.

(7) Subject to the treatment of the ownership interests of the owners of the other entity under the articles of conversion, the ownership interests of the owners of the other entity cease to exist as ownership interests in the converted other entity and continue to exist as shares of stock in the Maryland corporation.

§3–905.

(a) In a conversion of an other entity to a Maryland corporation, the stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity may be exchanged for or converted into any one or more of the following:

(1) Stock of the Maryland corporation or stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of any other corporation or other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

(b) In a conversion of a Maryland corporation to an other entity, stock of the Maryland corporation may be exchanged for or converted into any one or more of the following:

(1) Stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity to which the Maryland corporation is converted or of any other corporation or other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

§3–906.

(a) The conversion of an other entity to a Maryland corporation shall be completed on the later of:

(1) The incorporation of the Maryland corporation in accordance with Title 2 of this article; or

(2) The effectiveness of articles of conversion filed for record with the Department.

(b) The conversion of a Maryland corporation to an other entity shall be completed on the effectiveness of articles of conversion filed for record with the Department.

(c) Articles of conversion are effective on the later of:

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

(2) The future effective time of the articles of conversion as set forth in articles of conversion that have been accepted by the Department for record.

(d) (1) (i) Except as provided in subparagraph (ii) of this paragraph, at the time the conversion of an other entity to a Maryland corporation is completed:

1. The other entity shall be converted to a Maryland corporation;

2. The conversion shall have the effects set forth in § 3–904 of this subtitle; and

3. The corporation shall be subject to all of the provisions of the Maryland General Corporation Law.

(ii) Notwithstanding § 2–102 of this article, the existence of the Maryland corporation shall be deemed to have commenced on the date the other entity commenced its existence in the place in which the other entity was first incorporated, created, formed, or otherwise came into being.

(2) At the time the conversion of a Maryland corporation to an other entity is completed, the conversion shall have the effects set forth in § 3–904 of this subtitle.

§3–907.

(a) Unless the charter of the Maryland corporation or articles of conversion provide otherwise, a proposed conversion of a Maryland corporation to an other entity

may be abandoned before the effective date of the articles of conversion by majority vote of the entire board of directors of the Maryland corporation.

(b) Unless the articles of conversion provide otherwise, a proposed conversion of an other entity to a Maryland corporation may be abandoned in the manner and by the vote required by the governing document of the other entity and the laws of the place in which it is incorporated or organized or, if no manner and vote is specified, in the manner and by the vote required to approve the conversion under § 3–902 of this subtitle.

(c) If the articles of conversion have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(d) (1) If the proposed conversion is abandoned as provided in this section, no legal liability arises under the articles of conversion.

(2) Abandonment of a conversion under this section does not prejudice the rights of any person under any other contract made by a Maryland corporation in connection with the proposed conversion.

§4–101.

(a) In this title the following words have the meanings indicated.

(b) "Close corporation" means a corporation which elects to be a close corporation in accordance with § 4-201 of this title.

(c) "Unanimous stockholders' agreement" means an agreement to which every stockholder of a close corporation actually has assented and which is contained in its charter or bylaws or in a written instrument signed by all the stockholders.

§4–102.

Notwithstanding any contrary provision of law, an individual who holds more than one office in a close corporation may act in more than one capacity to execute, acknowledge, or verify any instrument required to be executed, acknowledged, or verified by more than one officer.

§4–201.

(a) A corporation may elect to be a close corporation under this title by including in its charter a statement that it is a close corporation.

(b) The statement that a corporation is a close corporation shall be:

(1) Contained in the articles of incorporation originally filed with the Department; or

(2) Added to the charter by an amendment which is approved:

(i) Under the provisions of § 2-603 of this article, if at the time of the adoption of the amendment no stock of the corporation is either outstanding or subscribed for; or

(ii) By the affirmative vote of every stockholder and every subscriber for stock of the corporation.

§4–202.

(a) Clear reference to the fact that the corporation is a close corporation shall appear prominently:

(1) At the head of the charter document in which the election to be a close corporation is made;

(2) In each subsequent charter document of the corporation; and

(3) On each certificate representing outstanding stock of the corporation.

(b) The status of a corporation as a close corporation is not affected by the failure of any charter document or stock certificate to contain the reference required by this section.

§4–203.

The charter of a close corporation may be amended to remove the statement of election to be a close corporation, but only by the affirmative vote of every stockholder and every subscriber for stock of the corporation.

§4–301.

A close corporation shall have at least one director until an election by the corporation in its charter to have no board of directors becomes effective.

§4–302.

(a) An election to have no board of directors becomes effective at the later of:

(1) The time that the organization meeting of directors and the issuance of at least one share of stock of the corporation are completed;

(2) The time the charter document in which the election is made becomes effective; or

(3) The time specified in the charter document in which the election is made.

(b) A director automatically ceases to be a director when an election to have no board of directors becomes effective.

§4–303.

If there is an election to have no board of directors:

(1) The stockholders may exercise all powers of directors, and the business and affairs of the corporation shall be managed under their direction;

(2) The stockholders of the corporation are responsible for taking any action required by law to be taken by the board of directors;

(3) Action by stockholders shall be taken by the voting of shares of stock as provided in this article;

(4) The stockholders may take any action for which this article otherwise would require both a resolution of directors and a vote of stockholders;

(5) By the affirmative vote of a majority of all the votes entitled to be cast, the stockholders may take any action for which this article otherwise would require a vote of a majority of the entire board of directors;

(6) A statement that the corporation is a close corporation which has no board of directors satisfies any requirement that an instrument filed with the Department contain a statement that a specified action was taken by the board of directors;

(7) The special liabilities imposed on directors by § 2-312(a) of this article and the provisions of §§ 2-312(b) and 2-410 of this article apply to the stockholders of the corporation and, for this purpose, "present" in § 2-410 of this article means present in person or by proxy; and

(8) A stockholder is not liable for any action taken as a result of a vote of the stockholders, unless he was entitled to vote on the action.

§4–401.

(a) Under a unanimous stockholders' agreement, the stockholders of a close corporation may regulate any aspect of the affairs of the corporation or the relations of the stockholders, including:

(1) The management of the business and affairs of the corporation;

(2) Restrictions on the transfer of stock;

(3) The right of one or more stockholders to dissolve the corporation at will or on the occurrence of a specified event or contingency;

(4) The exercise or division of voting power;

(5) The terms and conditions of employment of an officer or employee of the corporation, without regard to the period of his employment;

(6) The individuals who are to be directors and officers of the corporation; and

(7) The payment of dividends or the division of profits.

(b) A unanimous stockholders' agreement may be amended, but only by the unanimous written consent of the stockholders then parties to the agreement.

(c) A stockholder who acquires his stock after a unanimous stockholders' agreement becomes effective is considered to have actually assented to the agreement and is a party to it:

(1) Whether or not he has actual knowledge of the existence of the agreement at the time he acquires the stock, if acquired by gift or bequest from a person who was a party to the agreement; and

(2) If he has actual knowledge of the existence of the agreement at the time he acquires the stock, if acquired in any other manner.

(d) (1) A court of equity may enforce a unanimous stockholders' agreement by injunction or by any other relief which the court in its discretion determines to be fair and appropriate in the circumstances.

(2) As an alternative to the granting of an injunction or other equitable relief, on motion of a party to the proceeding, the court may order dissolution of the corporation under the provisions of Subtitle 6 of this title.

(e) This section does not affect any otherwise valid agreement among stockholders of a close corporation or of any other corporation.

§4–402.

(a) The bylaws of a close corporation shall provide for an annual meeting of stockholders in accordance with Title 2 of this article, but the meeting need not be held unless requested by a stockholder.

(b) A request for an annual meeting shall be in writing and delivered to the president or secretary of the corporation:

(1) At least 30 days before the date specified in the bylaws for the meeting; or

(2) If the bylaws specify a period during which the date for the meeting may be set, at least 30 days before the beginning of that period.

§4–403.

A stockholder of a close corporation or his agent may inspect and copy during usual business hours any records or documents of the corporation relevant to its business and affairs, including any:

(1) Bylaws;

(2) Minutes of the proceedings of the stockholders and directors;

(3) Annual statement of affairs;

(4) Stock ledger; and

(5) Books of account.

§4–404.

(a) Once during each calendar year, each stockholder of a close corporation may present to any officer of the corporation a written request for a statement of its affairs.

(b) Within 20 days after a request is made for a statement of a close corporation's affairs, the corporation shall prepare and have available on file at its principal office a statement verified under oath by its president or treasurer or one of its vice-presidents or assistant treasurers which sets forth in reasonable detail the corporation's assets and liabilities as of a reasonably current date.

§4–501.

If there is any stock of a close corporation outstanding, the corporation may not issue or sell any of its stock, including treasury stock, unless the issuance or sale is:

(1) Approved by the affirmative vote of the holders of all outstanding stock; or

(2) Permitted by a unanimous stockholders' agreement.

§4–502.

A close corporation may not have outstanding any:

(1) Securities which are convertible into its stock;

(2) Voting securities other than stock; or

(3) Options, warrants, or other rights to subscribe for or purchase any of its stock, unless they are nontransferable.

§4–503.

(a) (1) In this section, "transfer" means the transfer of any interest in the stock of a close corporation, except:

(i) A transfer by operation of law to a personal representative, trustee in bankruptcy, receiver, guardian, or similar legal representative;

(ii) The acquisition of a lien or power of sale by an attachment, levy, or similar procedure; or

(iii) The creation or assignment of a security interest.

(2) A foreclosure sale or other transfer by a person who acquired his interest or power in a transaction described in paragraph (1) of this subsection is a

transfer subject to all the provisions of this section. For purposes of the transfer, the person effecting the foreclosure sale or other transfer shall be treated as and have the rights of a holder of the stock under this section and § 4-602(b) of this title.

(b) A transfer of the stock of a close corporation is invalid unless:

(1) Every stockholder of the corporation consents to the transfer in writing within the 90 days before the date of the transfer; or

(2) The transfer is made under a provision of a unanimous stockholders' agreement permitting the transfer to the corporation or to or in trust for the principal benefit of:

(i) One or more of the stockholders or security holders of the corporation or their wives, children, or grandchildren; or

(ii) One or more persons named in the agreement.

§4–504.

(a) A close corporation may deny or restrict the voting rights of any of its stock as provided in this article. Notwithstanding any denial or restriction, all stock has voting rights on any matter required by this title to be authorized by the affirmative vote of every stockholder or every subscriber for stock of a close corporation.

(b) Notwithstanding the provisions of § 2-104(b)(5) of this article, the charter of a close corporation may not lower the proportion of votes required to approve any action for which this title requires the affirmative vote or assent of every stockholder or every subscriber for stock of the corporation.

§4–601.

(a) Subject to subsection (b) of this section, a consolidation, merger, share exchange, transfer of assets, or conversion of a close corporation shall be made in accordance with the provisions of Title 3 of this article.

(b) Approval of a proposed consolidation or merger, a transfer of assets, a conversion, or an acquisition of stock in a share exchange requires the affirmative vote of every stockholder of the close corporation.

§4–602.

(a) Any stockholder of a close corporation may petition a court of equity for dissolution of the corporation on the grounds set forth in § 3-413 of this article or on the ground that there is such internal dissension among the stockholders of the corporation that the business and affairs of the corporation can no longer be conducted to the advantage of the stockholders generally.

(b) (1) Unless a unanimous stockholders' agreement provides otherwise, a stockholder of a close corporation has the right to require dissolution of the corporation if:

(i) The stockholder made a written request for consent to a proposed bona fide transfer of his stock in accordance with the provisions of § 4-503(b)(1) of this title, specifying the proposed transferee and the consideration, and the consent was not received by him within 30 days after the date of the request; or

(ii) Another party to a unanimous stockholders' agreement defaulted in an obligation, set forth in or arising under the agreement, to purchase or cause to be purchased stock of the stockholder, and the default was not remedied within 30 days after the date for performance of the obligation.

(2) A petition for dissolution under this subsection shall be filed within 60 days after the date of the request or the default, as the case may be.

(c) A proceeding for dissolution authorized by this section shall be in accordance with the provisions of § 3-414 of this article.

§4–603.

(a) Any one or more stockholders who desire to continue the business of a close corporation may avoid the dissolution of the corporation or the appointment of a receiver by electing to purchase the stock owned by the petitioner at a price equal to its fair value.

(b) (1) If a stockholder who makes the election is unable to reach an agreement with the petitioner as to the fair value of the stock, then, if the electing stockholder gives bond or other security sufficient to assure payment to the petitioner of the fair value of the stock, the court shall stay the proceeding and determine the fair value of the stock.

(2) Fair value shall be determined in accordance with the procedure set forth in Title 3, Subtitle 2 of this article, as of the close of business on the day on which the petition for dissolution was filed.

(c) After the fair value of the stock is determined, the order of the court directing the purchase shall set the purchase price and the time within which payment shall be made. The court may order other appropriate terms and conditions of sale, including:

(1) Payment of the purchase price in installments; and

(2) The allocation of shares of stock among electing stockholders.

(d) The petitioner:

(1) Is entitled to interest on the purchase price of his stock from the date the petition is filed; and

(2) Ceases to have any other rights with respect to the stock, except the right to receive payment of its fair value.

(e) The costs of the proceeding, as determined by the court, shall be divided between the petitioner and the purchasing stockholder. The costs shall include the reasonable compensation and expenses of appraisers, but may not include fees and expenses of counsel or of other experts retained by a party.

(f) The petitioner shall transfer his shares of stock to the purchasing stockholder:

(1) At a time set by the court; or

(2) If the court sets no time, at the time the purchase price is paid in full.

§4A–101.

(a) In this title the following terms have the meanings indicated.

(b) "Articles of organization" means the articles of organization filed with the Department as specified in § 4A–204 of this title and includes all amendments and restatements of them.

(c) "Authorized person" means any person, whether or not a member, who is authorized by the articles of organization, by an operating agreement, or by unanimous consent of the members and any other person whose consent is required by the operating agreement, to execute or file a document required or permitted to be executed or filed on behalf of a limited liability company or foreign limited liability

company under this title, or to otherwise act as an agent of the limited liability company.

(d) "Bankrupt" means a debtor under the federal Bankruptcy Code as amended or a debtor under any state insolvency act.

(e) "Capital contribution" means anything of value that a person contributes as capital to the limited liability company in that person's capacity as a member, including cash, property, services rendered or a promissory note or other binding obligation to contribute cash or property or to perform services.

(f) "Capital contribution value" means the fair market value, as of the date contributed, of a member's capital contribution, whether or not returned to the member.

(g) "Corporation" means a Maryland corporation or a foreign corporation.

(h) "Court" includes every court having jurisdiction in the case.

(i) "Economic interest" means a member's share of the profits and losses of a limited liability company and the right to receive distributions from a limited liability company.

(j) "Foreign limited liability company" means a limited liability company formed under the laws of a state other than this State.

(k) "Guardian" has the meaning stated in § 3–201 of the Courts Article.

(l) "Limited liability company" or "domestic limited liability company" means a permitted form of unincorporated business organization which is organized and existing under this title.

(m) "Limited partnership" means a Maryland limited partnership or foreign limited partnership as defined in § 10–101 of this article.

(n) "Member" means a person who has been admitted as a member of a limited liability company under § 4A–601 of this title or as a member of a foreign limited liability company, and who has not ceased to be a member.

(o) "Membership interest" means a member's economic interest and noneconomic interest in a limited liability company.

(p) "Noneconomic interest" means all of the rights of a member in a limited liability company other than the member's economic interest, including, unless otherwise agreed, the member's right to:

(1) Inspect the books and records of the limited liability company;

(2) Participate in the management of and vote on matters coming before the limited liability company; and

(3) Act as an agent of the limited liability company.

(q) "Operating agreement" means the agreement of the members and any amendments thereto concerning the matters described in § 4A–402(a) of this title.

(r) "Partnership" means a partnership formed under the laws of this State, any other state, or under the laws of a foreign country.

(s) "Personal representative" has the meaning stated in § 1–102 of the General Provisions Article.

(t) (1) "Professional service" has the meaning stated in § 5–101 of this article.

(2) "Professional service" includes a service provided by:

(i) An architect;

(ii) An attorney;

(iii) A certified public accountant;

(iv) A chiropractor;

(v) A dentist;

(vi) An osteopath;

(vii) A physician;

(viii) A podiatrist;

(ix) A professional engineer;

(x) A psychologist;

(xi) A licensed real estate broker, licensed associate real estate broker, or licensed real estate salesperson; or

(xii) A veterinarian.

(u) "Series company" means a foreign limited liability company that has been established and continues to operate under a series statute.

(v) "Series statute" means the statutory provisions of a foreign jurisdiction that:

(1) Allow the establishment of designated series, each of which is liable only for the debts, liabilities, obligations, and expenses of that series and is not liable for the debts, liabilities, obligations, and expenses of the foreign limited liability company generally or of any other series of the foreign limited liability company; or

(2) Provide that the debts, liabilities, obligations, and expenses incurred or contracted for with respect to the foreign limited liability company generally or any other series of the foreign limited liability company are enforceable only against the assets of the foreign limited liability company generally or the other series of the foreign limited liability company.

(w) "State" means a state, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico.

(x) "Unless otherwise agreed" means unless otherwise stated:

(1) In the articles of organization;

(2) In the operating agreement; or

(3) By unanimous consent of the members and any other person whose consent is required by the operating agreement.

§4A–102.

(a) Unless otherwise provided in this title, the policy of this title is to give the maximum effect to the principles of freedom of contract and to the enforceability of operating agreements.

(b) A provision of this title that may be changed by the terms of an operating agreement also may be changed by the terms of the articles of organization.

§4A–201.

A limited liability company may be organized under this title and may conduct activities in any state related to any lawful business, purpose, investment, or activity, whether or not for profit, except the business of acting as an insurer.

§4A–202.

(a) Any person may form a limited liability company by causing articles of organization to be executed and filed for record with the Department.

(b) A limited liability company is formed at the time when the Department accepts the articles of organization for record or at a later time specified in the articles, if in either case there has been substantial compliance with this title.

§4A–203.

Unless otherwise provided by law or unless otherwise agreed, a limited liability company has the general powers, whether or not set forth in its articles of organization or operating agreement, to:

(1) Have perpetual existence, although existence may be limited to a specified period of time if the limitation is set forth in its articles of organization;

(2) Sue, be sued, complain, and defend in all courts;

(3) Transact its business, carry on its operations, and have and exercise the powers granted by this article in any state and in any foreign country;

(4) Make contracts and guarantees, incur liabilities, and borrow money;

(5) Sell, lease, exchange, transfer, convey, mortgage, pledge, and otherwise dispose of any of its assets;

(6) Acquire by purchase or in any other manner, take, receive, own, hold, improve, and otherwise deal with any interest in real or personal property, wherever located;

(7) Issue notes, bonds, and other obligations and secure any of them by mortgage or deed of trust or security interest of any or all of its assets;

(8) Purchase, take, receive, subscribe for or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge, or otherwise dispose of and

otherwise use and deal in and with stock or other interests in and obligations of other corporations, associations, general or limited partnerships, limited liability companies, foreign limited liability companies, business trusts, and individuals;

(9) Invest its surplus funds, lend money in any manner which may be appropriate to enable it to carry on the operations or fulfill the purposes of the limited liability company, and take and hold real property and personal property as security for the payment of funds so loaned or invested;

(10) Render professional services within or without this State;

(11) Elect or appoint agents and define their duties and fix their compensation;

(12) Sell, convey, mortgage, pledge, lease, exchange, transfer, and otherwise dispose of all or any part of its property and assets;

(13) Be a promoter, stockholder, partner, member, associate, or agent of any corporation, partnership, limited liability company, foreign limited liability company, joint venture, trust, or other enterprise;

(14) Indemnify and hold harmless any member, agent, or employee from and against any and all claims and demands, except in the case of action or failure to act by the member, agent, or employee which constitutes willful misconduct or recklessness, and subject to the standards and restrictions, if any, set forth in the articles of organization or operating agreement;

(15) Make and alter operating agreements as provided in § 4A–402(a) of this title;

(16) Cease its activities and dissolve; and

(17) Do every other act not inconsistent with law which is appropriate to promote and attain the purposes of the limited liability company.

§4A–203.1.

Nothing in this title is intended to restrict or limit in any manner the authority and duty of a regulatory body that licenses professionals within this State to license persons who render professional services or to regulate the practice of any profession that is within the jurisdiction of the regulatory body, notwithstanding that the person is a member, employee, or agent of a limited liability company and is rendering the professional services or engaging in the practice of the profession through the limited liability company.

§4A–204.

(a) The articles of organization shall set forth:

(1) The name of the limited liability company;

(2) The address of its principal office in this State and the name and address of its resident agent; and

(3) Any other provision, not inconsistent with law, which the members elect to set out in the articles, including, but not limited to, a statement that the authority of members to act for the limited liability company solely by virtue of their being members is limited.

(b) It is not necessary to set out in the articles of organization any of the powers enumerated in this title.

(c) An amendment to the articles of organization shall be:

(1) In writing;

(2) Unless otherwise agreed, approved by unanimous consent of the members;

(3) Executed under the provisions of § 4A–206 of this subtitle; and

(4) Filed for record with the Department.

§4A–205.

(a) If any document filed with the Department under this title contains any typographical error, error of transcription, or other technical error or has been defectively executed, the document may be corrected by the filing of a certificate of correction.

(b) A certificate of correction shall set forth:

(1) The title of the document being corrected;

(2) The name of each party to the document being corrected;

(3) The date that the document being corrected was filed; and

(4) The provision in the document as previously filed and as corrected and, if execution of the document was defective, the manner in which it was defective.

(c) A certificate of correction may not make any other change or amendment that would not have complied in all respects with the requirements of this article at the time the document being corrected was filed.

(d) A certificate of correction shall be executed in the same manner in which the document being corrected was required to be executed.

(e) A certificate of correction may not:

(1) Change the effective date of the document being corrected; or

(2) Affect any right or liability accrued or incurred before its filing, except that any right or liability incurred by reason of the error or defect being corrected shall be extinguished by the filing if the person having the right has not detrimentally relied on the original document.

§4A–206.

(a) Articles and certificates required by this title to be filed with the Department shall be executed in the following manner:

(1) Articles of organization shall be executed by any individual authorized to do so by the persons forming the limited liability company; and

(2) Articles of amendment, articles of merger, certificates of correction, articles of dissolution, articles of continuation, articles of conversion, articles of cancellation, and articles of reinstatement shall be executed by an authorized person.

(b) (1) An authorized person may sign any articles or certificates by an attorney in fact.

(2) Powers of attorney relating to the signing of articles or certificates by an attorney in fact need not be sworn to, verified, or acknowledged, and need not be filed with the Department.

(c) Any document required to be certified, acknowledged, or verified under this title shall be so acknowledged, verified, or certified in accordance with the procedure set forth in Title 1, Subtitle 3 of this article.

§4A–207.

(a) (1) The Department may not accept for record or filing any document of a limited liability company that does not conform with law.

(2) Any document which purports to be acknowledged may be treated by the Department as properly acknowledged.

(b) The Department may not accept for record or filing any articles, certificate, qualification, registration, change of resident agent or principal office, report, service of process or notice, or other document until all required recording, filing, and other fees have been paid to the Department.

(c) When the Department accepts for record any articles, certificate, or other document, the Department shall:

(1) Endorse on the document its acceptance for record and the date and time of acceptance;

(2) Record promptly the document; and

(3) Send an acknowledgment to the limited liability company, its attorney, or its agent stating the date and time that the document was accepted for record.

§4A–208.

The name of each limited liability company as set forth in its articles of organization shall comply with the requirements of Title 1, Subtitle 5 of this article.

§4A–209.

(a) The exclusive right to use a specified name for a domestic or foreign limited liability company may be reserved by:

(1) A person who intends to organize a domestic limited liability company;

(2) A domestic limited liability company that proposes to change its name;

(3) A foreign limited liability company that intends to register to do business in this State; or

(4) A foreign limited liability company registered to do business in this State that proposes to change its name.

(b) (1) A person may reserve a specified name by filing a signed application with the Department.

(2) If the Department finds that the name is available for use by a limited liability company, the Department shall reserve the name for 30 days for the exclusive use of the applicant.

(c) The exclusive right to use a reserved name may be transferred to another person by filing with the Department a notice of the transfer which specifies the name and address of the transferee and is signed by the applicant for whom the name was reserved.

§4A–210.

(a) Each limited liability company shall have:

(1) A principal office in this State; and

(2) A resident agent.

(b) (1) A limited liability company may designate or change its resident agent or principal office by filing for record with the Department a statement signed by an authorized person which authorizes the designation or change.

(2) A limited liability company may change the address of its resident agent by filing for record with the Department a statement of the change signed by an authorized person.

(3) A designation or change of a principal office or resident agent or address of the resident agent for a limited liability company under this subsection is effective when the Department accepts the statement for record.

(c) (1) A resident agent who changes addresses in this State may notify the Department of the change by filing for record with the Department a statement of the change signed by or on behalf of the resident agent.

(2) The statement shall include:

(i) The name of the limited liability company for which the change is effective;

(ii) The old and new addresses of the resident agent; and

(iii) The date on which the change is effective.

(3) If the old and new addresses of the resident agent are the same as the old and new addresses of the principal office of the limited liability company, the statement may include a change of address of the principal office if:

(i) The resident agent notifies the limited liability company in writing; and

(ii) The statement recites that notice has been sent.

(4) The change of address of the resident agent or principal office is effective when the Department accepts the statement for record.

(d) (1) A resident agent may resign by filing with the Department a counterpart or photocopy of the signed resignation.

(2) Unless a later time is specified in the resignation, it is effective:

(i) At the time it is filed with the Department, if the limited liability company has appointed a successor resident agent; or

(ii) 10 days after it is filed with the Department, if the limited liability company has not appointed a successor resident agent.

§4A–212.

(a) An individual conducting a business as a proprietorship may convert the proprietorship to a limited liability company by filing articles of organization that meet the requirements of § 4A-204 of this subtitle and include the following:

(1) The name of the individual who conducts the proprietorship; and

(2) A description of the property comprising the business to be conducted by the limited liability company.

(b) (1) An individual who becomes a member of a limited liability company as a result of the conversion remains liable for any obligation or liability of the individual incurred or arising before the conversion takes effect, to the extent that the individual would have been obligated or liable if the conversion had not occurred.

(2) The individual's liability for all obligations and liabilities of the limited liability company incurred or arising after the conversion takes effect is that of a member of a limited liability company, as provided in this title.

§4A–213.

(a) A general or limited partnership that has been converted to a limited liability company pursuant to § 4A-211 of this subtitle shall be deemed for all purposes the same entity that existed before the conversion.

(b) When a conversion takes effect:

(1) All property owned by the converting general or limited partnership or the converting proprietorship remains vested in the converted entity;

(2) All obligations and liabilities of the converting general or limited partnership or the converting proprietorship remain vested in the converted entity; and

(3) An action or proceeding pending against the converting general or limited partnership or the converting proprietorship may be continued as if the conversion had not occurred.

(c) In the case of a limited partnership that has been converted pursuant to § 4A-211 of this subtitle, the articles of organization filed pursuant to § 4A-211(a) of this subtitle shall serve as a certificate of cancellation of the converting limited partnership.

§4A–301.

Except as otherwise provided by this title, no member shall be personally liable for the obligations of the limited liability company, whether arising in contract, tort or otherwise, solely by reason of being a member of the limited liability company.

§4A–301.1.

(a) (1) An individual who renders a professional service in this State as an employee of a domestic or foreign limited liability company is liable for a negligent or wrongful act or omission in which the individual personally participated to the same extent as if the individual rendered the service as a sole practitioner.

(2) An individual who renders a professional service in this State as an employee of a domestic or foreign limited liability company is not liable for a negligent or wrongful act or omission of another employee or member of the limited

liability company unless the employee is negligent in appointing, supervising, or cooperating with the other employee or member.

(b) A domestic or foreign limited liability company whose employees perform professional services within the scope of their employment or within the scope of the employees' apparent authority to act for the limited liability company is liable to the same extent as its employees.

(c) The personal liability of a member of a domestic or foreign limited liability company that provides professional services is no greater in any respect than the liability of a member of a limited liability company which is not engaged in rendering professional services.

§4A–302.

A member of a limited liability company is not a proper party to a proceeding by or against a limited liability company, solely by reason of being a member of the limited liability company, except:

(1) Where the object of the proceeding is to enforce a member's right against or liability to the limited liability company; or

(2) As provided in Subtitle 8 of this title.

§4A–303.

(a) Real and personal property owned or purchased by a limited liability company may be acquired in the name of the limited liability company.

(b) An instrument or document for the acquisition, mortgage, or disposition of property of the limited liability company shall be valid and binding upon the limited liability company if executed by 1 or more authorized persons.

§4A–401.

(a) (1) Except as provided in paragraph (3) of this subsection or in the operating agreement, each member is an agent of the limited liability company for the purpose of its business.

(2) Except as provided in paragraph (3) of this subsection, the act of each member, including the execution in the name of the limited liability company of any instrument, for apparently carrying on in the usual way the business of the limited liability company of which the person is a member, binds the limited liability company, unless:

(i) The member so acting has in fact no authority to act for the limited liability company in the particular matter; and

(ii) The person with whom the member is dealing has actual knowledge of the fact that the member has no such authority.

(3) If the articles of organization contain a statement that the authority of members to act for the limited liability company solely by virtue of their being members is limited:

(i) No member of the limited liability company is an agent of the limited liability company solely by virtue of being a member, and no member has authority to act for the limited liability company solely by virtue of being a member; and

(ii) Each person dealing with a member is presumed to have knowledge that the member has no authority to act for the limited liability company solely by virtue of being a member.

(b) Notwithstanding a statement in the articles of organization or the operating agreement that the authority of a member to act for the limited liability company solely by virtue of being a member is limited, a person dealing with a member may establish:

(1) That the member is an agent of the limited liability company; or

(2) That the limited liability company should be estopped from denying that the member was its agent.

(c) Unless the act of a member is authorized by the limited liability company, the act of a member that is not apparently for the carrying on of the business of the limited liability company in the usual way does not bind the limited liability company.

§4A–402.

(a) Except for the requirement set forth in § 4A–404 of this subtitle that certain consents be in writing, members may enter into an operating agreement not inconsistent with the articles of organization to regulate or establish any aspect of the affairs of the limited liability company, the conduct of its business, or the relations of its members, including provisions establishing:

(1) The manner in which the business and affairs of the limited liability company shall be managed, controlled, and operated, which may include the granting of exclusive authority to manage, control, and operate the limited liability company to persons who are not members;

(2) The manner in which the members will share the assets and earnings of the limited liability company;

(3) The rights of the members to assign all or a portion of their membership interest;

(4) The circumstances in which a person may be admitted as a member of the limited liability company;

(5) (i) The right to have and a procedure for having a member's membership interest evidenced by a certificate issued by the limited liability company, which may not be issued in bearer form;

(ii) The procedure for assignment, pledge, or transfer of any membership interest represented by the certificate; and

(iii) Any other provisions dealing with the certificate;

(6) The method by which the operating agreement may from time to time be amended, which may include a requirement that an amendment be approved:

(i) By a person who is not a party to the operating agreement or who is not a member of the limited liability company; or

(ii) On the satisfaction of other conditions specified in the operating agreement;

(7) The rights of any person, including a person who is not a party to the operating agreement or who is not a member of the limited liability company, to the extent set forth in the operating agreement;

(8) Procedures relating to:

(i) Notice of the time, place, or purpose of any meeting at which any matter is to be voted on by members;

(ii) Waiver of notice of meetings;

(iii) Action by consent without a meeting;

(iv) The establishment of a record date;

(v) Quorum requirements;

(vi) Voting in person or by proxy;

(vii) Voting rights of various classes of members; or

(viii) Any other matter with respect to the exercise of voting rights by members; or

(9) That a membership interest, an economic interest, or a noneconomic interest may or shall be transferred or assigned in whole or in part to one or more persons, including on the occurrence of any of the events described in § 4A–606 of this title, regardless of whether the persons to whom the interest is transferred or assigned are members.

(b) (1) The initial operating agreement shall be agreed to by all persons who are then members.

(2) Unless the articles of organization specifically require otherwise, the operating agreement need not be in writing.

(c) (1) If the operating agreement does not provide for the method by which the operating agreement may be amended, then all of the members must agree to any amendment of the operating agreement.

(2) To the extent that an operating agreement provides for the manner in which the operating agreement may be amended, the operating agreement may be amended only in that manner, provided that the approval of a person may be waived by the person and that conditions may be waived by a person for whose benefit the conditions were intended.

(3) (i) Except as provided in subparagraph (ii) of this paragraph, or unless otherwise agreed, an amendment to an operating agreement is not required to be in writing.

(ii) An amendment to an operating agreement must be evidenced by a writing signed by an authorized person of the limited liability company if:

1. The amendment was adopted without the unanimous consent of the members; or

2. An economic interest in the limited liability company has been assigned to a person who has not been admitted as a member.

(4) A copy of any written amendment to the operating agreement shall be delivered to each member who did not consent to the amendment and to each assignee who has not been admitted as a member.

(d) (1) A court may enforce an operating agreement by injunction or by granting such other relief which the court in its discretion determines to be fair and appropriate in the circumstances.

(2) As an alternative to injunctive or other equitable relief, when the provisions of § 4A–903 of this title are applicable, the court may order dissolution of the limited liability company.

(3) An operating agreement of a limited liability company with one member is not unenforceable on the grounds that there is only one person who is party to the operating agreement.

(4) A limited liability company:

(i) Is not required to execute its operating agreement; and

(ii) Is bound by its operating agreement, regardless of whether the limited liability company has executed the operating agreement.

(5) An operating agreement that is duly adopted or amended is binding on each person who is or becomes a member of the limited liability company and each person who is or becomes an assignee of a member of the limited liability company, regardless of whether the person has executed the operating agreement or amendment.

§4A–403.

(a) The provisions of this section apply unless otherwise provided in this title or unless otherwise agreed.

(b) (1) Members shall vote in proportion to their respective interests in profits of the limited liability company, as determined under § 4A–503 of this title.

(2) Decisions concerning the affairs of the limited liability company shall require the consent of members holding at least a majority of the interests in profits of the limited liability company as determined under § 4A–503 of this title.

(c) (1) A meeting of the members may be called by the written request of members holding at least 25% of the interests in profits of the limited liability company as determined under § 4A–503 of this title.

(2) (i) Members of a limited liability company may participate in a meeting by means of conference telephone or other communications equipment or by means of remote communication, if all persons participating in the meeting:

1. Can either hear or read the proceedings of the meeting substantially concurrent with the proceedings; and

2. Have the opportunity to participate in the meeting and vote on matters submitted to the members.

(ii) Participation in a meeting by the means authorized by subparagraph (i) of this paragraph constitutes presence in person at the meeting.

(d) (1) A member may not take any of the following actions without the consent of members holding at least two–thirds of the interest in profits of the limited liability company as determined under § 4A–503 of this title:

(i) Dispose of all or substantially all of the business or property of the limited liability company;

(ii) Approve a merger as provided in § 4A–702 of this title; or

(iii) Approve a conversion as provided in § 4A–1102 of this title.

(2) A member may not take any of the following actions without the unanimous consent of the members:

(i) Institute a voluntary proceeding under the federal bankruptcy code;

(ii) Assign the property of the limited liability company in trust for creditors or on the assignee's promise to pay the debts of the limited liability company;

(iii) Alter the allocation of profit or loss to members of the limited liability company;

(iv) Alter the allocation of or the manner of computing distributions payable to members of the limited liability company; or

(v) Do any other act that would make it impossible to carry on the ordinary business of the limited liability company.

§4A–403.1.

Any notice, consent, or other communication required or authorized by this title may be delivered by electronic transmission.

§4A–403.2.

(a) (1) A member may authorize another person to act as proxy for the member as provided in this section.

(2) (i) A member may sign a writing authorizing another person to act as proxy.

(ii) Signing may be accomplished by the member or the member's authorized agent signing the writing or causing the member's signature to be affixed to the writing by any reasonable means, including facsimile signature.

(3) (i) Subject to subparagraph (ii) of this paragraph, a member may authorize another person to act as proxy by transmitting, or authorizing the transmission of, an authorization for the person to act as proxy to:

1. The person authorized to act as proxy; or

2. Any other person authorized to receive the proxy authorization on behalf of the person authorized to act as the proxy, including a proxy solicitation firm or proxy support service organization.

(ii) The authorization may be transmitted by a telegram, cablegram, datagram, electronic mail, or any other electronic or telephonic means.

(4) A copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission authorized under paragraphs (2) and (3) of this subsection may be substituted for the original writing or transmission for any purpose for which the original writing or transmission could be used.

(b) (1) A proxy is revocable by a member at any time without condition or qualification unless:

(i) The proxy states that it is irrevocable; and

(ii) The proxy is coupled with an interest.

(2) A proxy may be made irrevocable for as long as it is coupled with an interest.

(3) An interest with which a proxy may be coupled includes an interest in the membership interest to be voted under the proxy or another general interest in the limited liability company or its assets or liabilities.

§4A–404.

Wherever this title requires the unanimous consent of the members to allow the limited liability company to act:

(1) The consent shall be in writing; and

(2) The operating agreement may provide that:

(i) 1. The action may be taken on consent of less than all of the members;

2. The consent of certain members or classes of members is not required to take the action; or

3. No consent of a member or members is required to take the action; and

(ii) The action may be taken only with the consent of one or more persons who is or are not a member or members of the limited liability company, in which case the consent of that person or those persons shall be required in order for the limited liability company to take the action.

§4A–405.

Unless otherwise agreed, a member may lend money to and transact other business with the limited liability company and has the same rights and obligations with respect to the transaction as a person who is not a member.

§4A–406.

(a) A member may inspect and copy, in person or by agent, from time to time on reasonable written demand, for any purpose reasonably related to the member's membership interest:

(1) True and full information regarding the state of the business and financial condition of the limited liability company;

(2) A copy of the articles of organization and operating agreement and all amendments to the articles of organization and operating agreement;

(3) A current list of the names and last known business, residence, or mailing addresses of all members; and

(4) Other information regarding the affairs of the limited liability company as is just and reasonable for any purpose reasonably related to the member's membership interest.

(b) Any member may inspect and copy, in person or by agent, a copy of the limited liability company's federal, state, or local income tax returns.

(c) The rights to inspect and copy records of a limited liability company may be subject to reasonable standards that may be set forth in the articles of organization or the operating agreement, including standards governing what information and documents are to be furnished, at what time and location, and at whose expense.

(d) Unless a member seeking information executes a confidentiality or nondisclosure agreement reasonably acceptable to the limited liability company restricting the use and disclosure of the information, a limited liability company shall have the right to keep confidential from members, for a reasonable period of time:

(1) Any information that the limited liability company reasonably believes to be in the nature of trade secrets;

(2) Information the disclosure of which the limited liability company in good faith believes:

(i) Is not in the best interest of the limited liability company; or

(ii) Could damage the limited liability company or its business; or

(3) Information the limited liability company is required by law or by agreement with a third party to keep confidential.

(e) Any demand by a member under this section shall be in writing and shall state the purpose of the demand.

§4A–501.

The capital contribution of a member to a limited liability company may be in cash, property, services rendered, or a promissory note or other binding obligation to contribute cash or property or to perform services.

§4A–502.

(a) (1) Unless otherwise agreed, a member is obligated to the limited liability company to perform any promises set forth in the articles of organization or operating agreement to contribute cash or property or to perform services, even if the member is unable to perform because of death, disability, or other reason.

(2) If a member does not make the required contribution of property or services, the member is obligated, at the option of the limited liability company, to contribute cash equal to the value of that portion of the capital contribution that has not been made.

(b) (1) The obligation of a member to make a capital contribution or return money or other property paid or distributed in violation of this title may be compromised only:

(i) In compliance with the operating agreement; or

(ii) If the operating agreement does not so provide, with the unanimous consent of the members.

(2) Any compromise does not affect the rights, if any, of any creditor of a limited liability company to enforce the obligation or to require the obligation to be enforced.

(c) (1) An operating agreement may provide that a member who fails to make any capital contribution or other payment that the member is required to make shall be subject to specified remedies for, or specified consequences of, the failure.

(2) The remedy or consequence may take the form of:

(i) Reduction of the defaulting member's membership interest in the limited liability company;

(ii) Subordination of the defaulting member's membership interest in the limited liability company to that of the nondefaulting members;

(iii) A forced sale of the defaulting member's membership interest in the limited liability company;

(iv) Forfeiture of the defaulting member's membership interest in the limited liability company;

(v) A loan by the nondefaulting members of the amount necessary to meet the commitment;

(vi) A determination of the value of the member's membership interest in the limited liability company by appraisal or by formula and redemption and sale of the defaulting member's membership interest in the limited liability company at that value; or

(vii) Any other remedy or consequences.

§4A–503.

Unless otherwise agreed:

(1) The profits and losses of a limited liability company shall be allocated among the members in proportion to their respective capital contribution values; and

(2) Distributions by the limited liability company shall be made to the members in proportion to their right to share in the profits of the limited liability company.

§4A–504.

Unless otherwise agreed, a member, regardless of the nature of the member's contribution, has no right to demand and receive any distribution from a limited liability company in a form other than cash.

§4A–505.

Unless otherwise agreed, a member of a limited liability company who becomes entitled to receive a distribution has the status of, and is entitled to all remedies available to, a creditor of the limited liability company with respect to the distribution.

§4A–601.

(a) A person becomes a member of a limited liability company at:

(1) The time the limited liability company is formed;

(2) A later time specified in the operating agreement; or

(3) The time specified in § 4A–902(b) of this title relating to continuation of the limited liability company after there are no remaining members.

(b) After the formation of a limited liability company, a person may be admitted as a member:

(1) In the case of a person acquiring a membership interest directly from the limited liability company, upon compliance with the operating agreement or, if the operating agreement does not so provide, upon the unanimous consent of the members;

(2) In the case of an assignee of the economic interest of a member, only as provided in § 4A–604 of this subtitle; or

(3) In the case of a successor to the last remaining member who is not an assignee of the last remaining member, as provided in § 4A–902(b) of this title.

(c) Unless otherwise agreed, a person may be admitted as a member of a limited liability company and may be the sole member of a limited liability company without:

(1) Making a capital contribution to the limited liability company;

(2) Being obligated to make a capital contribution to the limited liability company; or

(3) Acquiring an economic interest in the limited liability company.

§4A–602.

A membership interest in a limited liability company is personal property.

§4A–603.

(a) Unless otherwise agreed:

(1) Only an economic interest in a limited liability company may be assigned; and

(2) An economic interest is wholly or partly assignable.

(b) An assignment of an economic interest in a limited liability company does not:

(1) Dissolve the limited liability company; or

(2) Entitle the assignee to:

(i) Become a member; or

(ii) Exercise any rights of a member, including the noneconomic interest of the assignor.

(c) If an assignee of an economic interest in a limited liability company becomes a member of the limited liability company, the assignor is not released from the assignor's liability under § 4A–502 of this title to the limited liability company.

(d) Unless otherwise agreed, on assignment of all of a member's economic interest in a limited liability company, the member ceases to be a member of the limited liability company and forfeits the member's noneconomic interest in the limited liability company.

(e) The pledge or grant of a security interest, lien, or other encumbrance in or against all or a part of the economic interest of a member does not cause the member to cease to be a member or affect the member's noneconomic interest in the limited liability company.

§4A–604.

(a) An assignee of an economic interest in a limited liability company may become a member of the limited liability company under any of the following circumstances:

(1) In accordance with the terms of the operating agreement providing for the admission of a member;

(2) By the unanimous consent of the members; or

(3) If there are no remaining members of the limited liability company at the time the assignee obtains the economic interest, on terms that the assignee may determine in accordance with § 4A–902(b)(1)(i) of this title.

(b) An assignee who becomes a member:

(1) Has, to the extent assigned, the rights and powers, and is subject to the restrictions and liabilities, of a member under the operating agreement and this title; and

(2) Is liable for any obligations of his assignor to make capital contributions.

§4A–605.

(a) Unless otherwise agreed, a member may withdraw from a limited liability company prior to the dissolution and winding up of the limited liability company by giving not less than 6 months' prior written notice to the other members at their respective addresses as shown on the books and records of the limited liability company.

(b) The operating agreement may provide that a member may not withdraw or otherwise place limits on the ability of a member to withdraw.

§4A–606.

Unless otherwise agreed, a person ceases to be a member of a limited liability company upon the occurrence of any of the following events:

(1) The person withdraws from the limited liability company as authorized by § 4A–605 of this subtitle;

(2) The person is removed as a member in accordance with the operating agreement;

(3) The person:

(i) Makes an assignment for the benefit of creditors;

(ii) Institutes a voluntary proceeding with respect to the person under the federal bankruptcy code;

(iii) Is adjudged bankrupt or insolvent or has entered against the person an order for relief in any bankruptcy or insolvency proceeding;

(iv) Files a petition or answer seeking for that person any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation;

(v) Seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of the member or of all or any substantial part of the person's properties; or

(vi) Files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the person in any proceeding described in this item;

(4) The continuation of any proceeding against the person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation, for 120 days after the commencement thereof, or the appointment of a trustee, receiver, or liquidator for the members or all or any substantial part of the person's properties without the person's agreement or acquiescence, which appointment is not vacated or stayed for 120 days or, if the appointment is stayed, for 120 days after the expiration of the stay during which period the appointment is not vacated;

(5) In the case of a member who is an individual, the individual's:

(i) Death; or

(ii) Adjudication by a court of competent jurisdiction as incompetent to manage the individual's person or property;

(6) In the case of a member who is acting as a member by virtue of being a trustee of a trust, the termination of the trust;

(7) In the case of a member that is a partnership or another limited liability company, the dissolution and commencement of winding up of the partnership or limited liability company;

(8) In the case of a member that is a corporation, the dissolution of the corporation or the revocation of its charter;

(9) In the case of a member that is an estate, the distribution by the fiduciary of the estate's entire economic interest in the limited liability company; or

(10) On assignment of all of a person's economic interest in the limited liability company as provided in § 4A–603(d) of this subtitle.

§4A–606.1.

(a) Unless otherwise agreed, if a person ceases to be a member of a limited liability company under § 4A–606 of this subtitle, and the limited liability company

is not dissolved as a result, then, within a reasonable time after the person ceased to be a member, the limited liability company may elect to pay the person or the person's successor in interest, in complete liquidation of the person's membership interest, the fair value of the person's economic interest in the limited liability company as of the date the person ceased to be a member, based upon the person's right to share in distributions from the limited liability company.

(b) If a person ceases to be a member of a limited liability company under § 4A–606 of this subtitle and the limited liability company elects not to completely liquidate the person's membership interest under subsection (a) of this section, that person will be deemed to be an assignee of the unredeemed economic interest under §§ 4A–603 and 4A–604 of this subtitle.

§4A–607.

(a) (1) In this section the following words have the meanings indicated.

(2) "Creditor" means a person for whom a court may issue an attachment under Title 3, Subtitle 3 of the Courts Article.

(3) "Debtor" means a person whose property or credits are subject to attachment under Title 3, Subtitle 3 of the Courts Article.

(b) (1) On application by a creditor of a debtor holding an economic interest in a limited liability company, a court having jurisdiction may charge the economic interest of the debtor in the limited liability company for the unsatisfied amount of the debt.

(2) The court may appoint a receiver for the distributions due or to become due to the debtor with respect to the limited liability company and make all other orders, directions, accounts, and inquiries that the debtor would have been entitled to make or that the circumstances of the case may require.

(c) (1) A charging order constitutes a lien on the economic interest of the debtor in the limited liability company and requires the limited liability company to pay over to the creditor only any distributions that would otherwise be payable to the debtor whose economic interest is charged.

(2) Subject to paragraph (3) of this subsection, the noneconomic interest of a debtor whose economic interest is subject to a charging order is unaffected and is retained by the debtor.

(3) (i) Unless otherwise agreed, on a showing that the distributions under a charging order will not pay the amount owed to the creditor

within a reasonable time, the court may order foreclosure of the economic interest subject to the charging order and order the sale of the economic interest of the debtor.

(ii) The purchaser of the economic interest of the debtor at the foreclosure sale is an assignee as provided in §§ 4A–603 and 4A–604 of this subtitle.

(d) Before a foreclosure under this section, an economic interest charged may be redeemed with property:

(1) Other than property of the limited liability company, by the debtor;

(2) Other than property of the limited liability company, by one or more of the members other than the debtor; or

(3) Of the limited liability company, with the consent of the members as provided in the operating agreement or, if the operating agreement does not so provide, with the consent of all of the members whose economic interests are not so charged.

(e) This title does not deprive a debtor of a right under exemption laws with respect to the economic interest of the debtor in the limited liability company.

(f) This section provides the exclusive remedy by which a creditor of a member may attach the membership interest of the member or otherwise satisfy the outstanding debt of the member out of the membership interest of the member.

§4A–701.

(a) Unless otherwise agreed, a domestic limited liability company may merge into one or more:

(1) Domestic limited liability companies;

(2) Foreign limited liability companies;

(3) Partnerships;

(4) Limited partnerships;

(5) Corporations having capital stock; or

(6) Business trusts having transferable units of beneficial interest.

(b) One or more domestic limited liability companies, foreign limited liability companies, partnerships, limited partnerships, corporations having capital stock, or business trusts having transferable units of beneficial interest may merge into a domestic limited liability company.

§4A–702.

(a) The proposed merger shall be approved in the manner provided by this section.

(b) A corporation shall approve the merger under the provisions of § 3–105 of this article.

(c) A business trust shall approve the merger under the provisions of § 8–501.1 or § 12–602 of this article.

(d) A partnership shall approve the merger under the provisions of § 9A–902 of this article.

(e) A limited partnership shall approve the merger under the provisions of § 10–208 of this article.

(f) Unless otherwise agreed, a domestic limited liability company shall approve the merger by the consent of the members holding at least two–thirds of the interest in profits of the limited liability company as determined under § 4A–503 of this title.

(g) A foreign limited liability company party to the merger shall have the merger advised, authorized, and approved in the manner and by the vote required by the laws of the place where it is organized.

§4A–703.

Articles of merger shall:

(1) Contain the provisions required by § 3-109 of this article and other provisions permitted by that section;

(2) Be executed:

(i) In the case of a limited liability company, in the manner required by § 4A-206 of this title;

(ii) In the case of a corporation or business trust, in the manner required by Title 1 of this article;

(iii) In the case of a limited partnership, in the manner required by Title 10 of this article; and

(iv) In the case of a partnership, in the manner required by Title 9A of this article; and

(3) Be filed for record with the Department.

§4A–704.

(a) Unless the articles of merger preclude the right to abandon the merger, a proposed merger may be abandoned before the effective date of the articles by:

(1) Consent of the members of a limited liability company party to the article required to approve the merger under § 4A–702 of this subtitle, or a lesser vote as may be provided for in the operating agreement of the limited liability company;

(2) A majority of the partners of a partnership;

(3) A majority vote of the general partners and a majority in interest of the limited partners, as defined in § 10–208 of this article, of any limited partnership party to the articles;

(4) A majority vote of the entire board of directors of a corporation party to the articles; and

(5) A majority vote of the entire board of trustees of a business trust party to the articles.

(b) If the articles of merger have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(c) (1) If the proposed merger is abandoned as provided in this section, no legal liability arises under the articles of merger.

(2) An abandonment does not prejudice the rights of any person under any other contract made by a limited liability company, partnership, limited partnership, and corporation or business trust party to the proposed articles of merger in connection with the proposed merger.

§4A–705.

(a) Unless otherwise agreed, a member of a limited liability company objecting to a merger of the limited liability company has the same rights with respect to the member's membership interest in the limited liability company as a stockholder of a Maryland corporation who objects to a merger of the corporation has with respect to the stockholder's stock under Title 3, Subtitle 2 of this article.

(b) The procedures under Title 3, Subtitle 2 of this article shall be applicable to the extent practicable.

§4A–706.

(a) The Department shall prepare certificates of merger that specify:

(1) The name of each party to the articles of merger;

(2) The name of the successor and the location of its principal office in this State or, if it has none, its principal place of business; and

(3) The time the articles of merger are accepted for record by the Department.

(b) In addition to any other provision of law with respect to recording, the Department shall send one certificate each to the clerk of the circuit court for each county where the articles of merger show that a merging limited liability company, partnership, limited partnership, corporation, or business trust other than the successor owns an interest in land.

(c) On receipt of the certificate of merger, the clerk promptly shall record it with the land records.

§4A–707.

(a) The Department shall require a limited liability company, limited partnership, partnership, corporation, or business trust to submit with the articles of merger a property certificate for each county where a merging limited liability company, partnership, limited partnership, corporation, or business trust other than the successor owns an interest in land.

(b) The property certificate is not required with respect to any property in which the only interest owned by the merging limited liability company, partnership, limited partnership, corporation, or business trust is a security interest.

(c) The property certificate:

(1) Shall be in the form and number of copies that the Department requires; and

(2) May include the certificate of the Department required by § 4A-706 of this subtitle.

(d) (1) The property certificate shall provide a deed reference or other description sufficient to identify the property.

(2) The Department shall:

(i) Indicate on the property certificate the time the articles of merger are accepted for record; and

(ii) Send a copy of the property certificate to the chief assessor of the county where the property is located.

(e) A transfer, vesting, or devolution of title to the property is not invalidated or otherwise affected by any error or defect in the property certificate, failure to file the property certificate, or failure by the Department to act on the property certificate.

§4A–708.

A merger is effective as of the later of:

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

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

§4A–709.

(a) A consummation of a merger has the effects provided in this section.

(b) The separate existence of each limited liability company, limited partnership, partnership, corporation, or business trust party to the articles, except the successor, ceases.

(c) The membership interest of each member of a limited liability company party to the articles of merger that are to be converted or exchanged under the terms

of the articles of merger cease to exist, subject to the rights of an objecting member under § 4A–705 of this subtitle.

(d) In addition to any other purposes and powers set forth in the articles of merger, if the articles provide, the successor has the purpose and powers of each party to the articles.

(e) (1) The assets of each party to the articles of merger, including any legacies that it would have been capable of taking, transfer to, vest in, and devolve upon the successor without further act or deed.

(2) Confirmatory deeds, assignments, or similar instruments to evidence the transfer may be executed and delivered at any time in the name of the nonsurviving party to the articles of merger by its last acting authorized persons, general partners, officers, trustees, or by the appropriate authorized persons, general partners, officers, trustees, or members of the successor.

(f) (1) (i) The successor is liable for all the debts and obligations of each nonsurviving party to the articles of merger.

(ii) An existing claim, action, or proceeding pending by or against any nonsurviving party to the articles of merger:

1. May be prosecuted to judgment as if the merger had not taken place; or

2. On motion of the successor or any party, the successor may be substituted as a party, and the judgment against the nonsurviving party to the articles of merger shall constitute a judgment against the successor.

(2) A merger does not impair the rights of creditors or a lien on the property of any limited liability company, partnership, limited partnership, corporation, or business trust party to the articles of merger.

§4A–710.

Following a merger involving 1 or more domestic limited liability companies, if the successor limited liability company is not a domestic limited liability company, there shall be included in the articles of merger filed under § 4A-703 of this subtitle for each domestic limited liability company a statement that:

(1) The successor limited liability company agrees that it may be served with process in this State in any action, suit, or proceeding for the enforcement

of any obligation of the nonsurviving domestic limited liability company that arose before the merger;

(2) Irrevocably appoints the Department as its agent to accept service of process in any such action, suit, or proceeding described under item (1) of this section; and

(3) Specifies the address to which a copy of the process shall be mailed to it by the Department.

§4A–801.

(a) A person described in § 4A–802 of this subtitle may bring a derivative action to enforce a right of a limited liability company to recover a judgment in its favor to the same extent that a stockholder may bring an action for a derivative suit under the corporation law of Maryland.

(b) An action under this subtitle may be brought if members with authority to bring the action have refused to bring the action or if an effort to cause those members to bring the action is not likely to succeed.

(c) If it appears that the plaintiff does not fairly and adequately represent the interests of the members in enforcing the right of the limited liability company, the derivative action may not be maintained.

§4A–802.

The plaintiff in a derivative action shall:

(1) Be a member at the time the action is brought; and

(2) (i) Have been a member at the time of the transaction of which the plaintiff complains; or

(ii) Had membership status devolve upon the plaintiff by operation of law from a person who was a member at the time of the transaction.

§4A–803.

In a derivative action, the complaint shall set forth with particularity the attempts, if any, of the plaintiff to secure initiation of the action the plaintiff desires by the limited liability company or the reasons for not making the effort.

§4A–804.

If a derivative action is successful, in whole or in part, or if anything is received by the plaintiff as a result of a judgment, compromise, or settlement of an action or claim, the court:

(1) May award the plaintiff reasonable expenses, including reasonable attorney's fees; and

(2) Shall direct the plaintiff to remit to the limited liability company the remainder of those proceeds.

§4A–901.

(a) The dissolution of a limited liability company is a change in the relationship between the members, not the winding up or the termination of the limited liability company.

(b) On dissolution, the limited liability company is not terminated but continues until terminated in accordance with § 4A-908 of this subtitle.

§4A–902.

(a) A limited liability company is dissolved and shall commence the winding up of its affairs on the first to occur of the following:

(1) At the time or on the happening of the events specified in the articles of organization or the operating agreement;

(2) At the time specified by the unanimous consent of the members;

(3) At the time of the entry of a decree of judicial dissolution under § 4A–903 of this subtitle; or

(4) Unless otherwise agreed or as provided in subsection (b) of this section, at the time the limited liability company has had no members for a period of 90 consecutive days.

(b) (1) A limited liability company may not be dissolved or required to wind up its affairs if within 90 days after there are no remaining members of the limited liability company or within the period of time provided in the operating agreement:

(i) The last remaining member's successor or assignee agrees in writing to continue the limited liability company and to be admitted as a member

or to appoint a designee as a member to be effective as of the time the last remaining member ceased to be a member; or

(ii) A member is admitted to the limited liability company in the manner set forth in the operating agreement to be effective as of the time the last remaining member ceased to be a member under a provision in the operating agreement that provides for the admission of a member after there are no remaining members.

(2) If a new member is not admitted to the limited liability company in accordance with paragraph (1) of this subsection, and the last remaining member ceased to be a member under § 4A–606(5) of this title, the last remaining member's personal representative or guardian shall automatically be admitted as a new member of the limited liability company, effective immediately on the happening of the event described in § 4A–606(5) of this title, unless within 90 days after the personal representative or guardian first has knowledge of the event, the personal representative or guardian:

(i) Renounces that admission in writing; or

(ii) Designates a person to become a new member, and the designee accepts the designee's admission in writing or by electronic communication to the personal representative or guardian.

(c) An operating agreement may provide that the last remaining member's personal representative, guardian, successor, or assignee shall be obligated to agree in writing to continue the limited liability company and to be admitted as a member or to appoint a designee as a member to be effective as of the time the last remaining member ceased to be a member.

(d) Unless otherwise agreed and subject to the provisions of subsections (a)(4) and (b) of this section, the termination of a person's membership may not cause a limited liability company to be dissolved or to wind up its affairs and the limited liability company shall continue in existence following the termination of a person's membership.

§4A–903.

On application by or on behalf of a member, the circuit court of the county in which the principal office of the limited liability company is located may decree the dissolution of the limited liability company whenever it is not reasonably practicable to carry on the business in conformity with the articles of organization or the operating agreement.

§4A–904.

(a) Unless otherwise agreed, the remaining members of a limited liability company or, if the company has no remaining members, the personal representative, guardian, or other successor to the last remaining member of the company may wind up the affairs of the limited liability company.

(b) Notwithstanding the provisions of subsection (a) of this section, the circuit court of the county in which the principal office of the limited liability company is located, on cause shown after dissolution, may wind up the limited liability company's affairs on application of any member or, if the limited liability company has no remaining members, on application of the personal representative, guardian, or other successor to the last remaining member of the limited liability company.

§4A–905.

Following dissolution, a member of a limited liability company can bind the limited liability company:

(1) By any act appropriate for winding up the affairs of the limited liability company or completing transactions unfinished at the time of dissolution, unless the member purporting to act on behalf of the limited liability company does not have the authority to do so and the person with whom the member is dealing has actual knowledge or actual notice of the absence of authority; and

(2) In any transaction which would have been binding on the limited liability company had it not been dissolved; provided, that the person with whom the member is dealing does not have actual knowledge or actual notice of the dissolution.

§4A–906.

On the winding up and termination of a limited liability company, the assets shall be distributed as follows:

(1) To creditors, including members who are creditors, to the extent permitted by law, in satisfaction of the liabilities of the limited liability company; and

(2) Unless otherwise agreed, to the members in proportion to their respective capital contribution values, after the capital contribution values are adjusted by:

(i) Adding to the members' capital contribution values their respective shares of the profits of the limited liability company; and

(ii) Deducting from the members' capital contribution values their respective shares of the losses of the limited liability company and all distributions previously received by the members.

§4A–907.

(a) (1) The remaining members of a limited liability company may cause articles of dissolution to be filed with the Department at any time after dissolution and before termination.

(2) Articles of dissolution shall contain:

(i) The name of the limited liability company;

(ii) The date of filing of the articles of organization and each amendment thereto;

(iii) The date of the dissolution; and

(iv) Any other information the members determine.

(b) (1) If, at any time after the articles of dissolution have been filed but before the limited liability company has been terminated, the members unanimously agree to continue the limited liability company, the members shall cause articles of continuation to be filed with the Department.

(2) Articles of continuation shall contain:

(i) The name of the limited liability company;

(ii) The date of filing of the articles of dissolution;

(iii) The date of dissolution set forth in the articles of dissolution;

(iv) The date the members agreed to continue the limited liability company; and

(v) Any other information the members determine.

§4A–908.

(a) The limited liability company is terminated on the later of:

(1) The date on which the Department accepts for record the articles of cancellation filed pursuant to § 4A-909 of this subtitle; or

(2) The effective date of the articles of cancellation.

(b) Notwithstanding the filing of articles of cancellation, the limited liability company continues to exist for the purpose of paying, satisfying, and discharging any existing debts or obligations, collecting and distributing its assets, and doing all other acts required to liquidate and wind up its business and affairs.

§4A–909.

Articles of cancellation shall set forth:

(1) The name of the limited liability company and the address of its principal office;

(2) The name and address of a resident agent of the limited liability company who shall serve for one year after termination;

(3) The name and address of each member who was designated to wind up the affairs of the limited liability company or if no member was so designated, the names and addresses of all members;

(4) A statement that the limited liability company is terminated effective upon the filing of the certificate of cancellation or on a date specified therein which is no later than 30 days after the filing of the certificate;

(5) A statement that notice of the termination was sent by registered mail, postage prepaid, return receipt requested to all known creditors of the limited liability company and the date of the mailing, or a statement that the limited liability company has no known creditors; and

(6) Any other provisions that the limited liability company considers necessary.

§4A–910.

A limited liability company shall file articles of cancellation for record with the Department:

(1) If there are known creditors of the limited liability company, after 19 days following the sending of notice under § 4A-909(5) of this subtitle; or

(2) If there are no known creditors, at any time.

§4A–911.

(a) (1) Except with respect to a tax collectable locally, immediately after September 30 of each year, the State Comptroller shall certify to the Department a list of every Maryland limited liability company that has not paid a tax due before October 1 of the year after the tax became due.

(2) When the Comptroller certifies the list to the Department, the Comptroller shall mail to each listed limited liability company, at its address as it appears on the Comptroller's records, a notice that its right to do business in Maryland and the right to the use of its name will be forfeited unless all taxes, interest, and penalties due by it are paid.

(3) The mailing of the notice is sufficient, and the failure of any limited liability company to receive the notice mailed to it does not affect the forfeiture of its right to do business in Maryland and the right to the use of its name.

(b) (1) Immediately after September 30 of each year, the Secretary of Labor shall certify to the Department a list of every Maryland limited liability company that has not paid an unemployment insurance contribution or made a reimbursement payment due before October 1 of the year after the contribution or payment became due.

(2) When the Secretary certifies the list to the Department, the Secretary shall mail to each listed limited liability company, at its address as it appears on the Secretary's records, a notice that its right to do business in Maryland and the right to the use of its name will be forfeited unless all contributions, reimbursement payments, interest, and penalties due by the limited liability company are paid.

(3) The mailing of the notice is sufficient, and the failure of any limited liability company to receive the notice mailed to it does not affect the forfeiture of its right to do business in Maryland and the right to the use of its name.

(c) Immediately after September 30 of each year, the Department shall certify a list of every Maryland limited liability company that has not filed an annual report with the Department for the prior year as required by law or has not paid a tax before October 1 of the year after the report was required to be filed or the taxes were due.

(d) After the lists are certified, the Department shall issue a proclamation declaring that, subject to § 4A–920 of this subtitle, the right to do business in

Maryland and the right to the use of the name for each limited liability company is forfeited as of the date of the proclamation, without proceedings of any kind either at law or in equity.

§4A–912.

(a) Within ten days after the issuance of the proclamation, the Department shall mail notice of the proclamation to each limited liability company named in it. The notice shall be addressed to the limited liability company at its mailing address on file with the Department or, if none, at any other address appearing on the records of the Department.

(b) A limited liability company that pays all taxes, unemployment insurance contributions, reimbursement payments, interest, and penalties due, files the annual report due, or both, as the case may be, within 60 days after the issuance of the proclamation shall have its right to do business in Maryland and the right to the use of its name reinstated as of the date of forfeiture.

§4A–913.

(a) If the Department is satisfied that a limited liability company named in the proclamation has not failed to pay the tax, unemployment insurance contributions, or reimbursement payments, or file the report within the period specified in § 4A–911 of this subtitle, or that it has been mistakenly reported to the Department by the State Comptroller or the Secretary of Labor, the Department may correct the mistake by filing its proclamation to that effect in its records.

(b) The effect of a proclamation correcting a mistake is to restore the right to do business in Maryland and the right to the use of the name of the limited liability company as if the right to do business in Maryland and the right to the use of the name had at all times remained in full force and effect.

§4A–914.

This subtitle does not repeal, supersede, or in any manner affect any remedy or provision of law:

(1) For the collection of taxes, unemployment insurance contributions, or reimbursement payments and the interest and penalties due on them; or

(2) To compel the filing of annual reports.

§4A–915.

The authority to do business in Maryland of any limited liability company that is forfeited for nonpayment of taxes, unemployment insurance contributions, or reimbursement payments or failure to file an annual report may be reinstated by filing articles of reinstatement with the Department.

§4A–916.

Articles of reinstatement shall include:

(1) The name of the limited liability company at the time its right to do business in Maryland was forfeited;

(2) The name that the limited liability company will use after reinstatement, which shall comply with the provisions of this article with respect to limited liability company names;

(3) The address of the principal office of the limited liability company in this State if different from its principal office in this State at the time the right to do business in Maryland was forfeited; and

(4) The name and address of the resident agent of the limited liability company.

§4A–917.

The Department may not accept articles of reinstatement for record unless:

(1) All annual reports required to be filed by the limited liability company or which would have been required if the right to do business in Maryland had not been forfeited are filed; and

(2) Unemployment insurance contributions or reimbursement payments, all State and local taxes, except taxes on real estate, and all interest and penalties due by the limited liability company or which would have become due if the right to do business had not been forfeited are paid, whether or not barred by limitations.

§4A–918.

Except in a proceeding by this State or any of its political subdivisions, the acceptance of articles of reinstatement for record by the Department is conclusive evidence of:

(1) The payment of all fees, taxes, unemployment insurance contributions, and reimbursement payments required to be paid;

(2) The filing of all reports required to be filed; and

(3) The reinstatement of the right to do business in Maryland of the limited liability company.

§4A–919.

(a) Any person that transacts business in the name or for the account of a limited liability company knowing that its right to do business in Maryland has been forfeited and has not been reinstated is guilty of a misdemeanor and on conviction is subject to a fine of not more than $500.

(b) A prosecution for violation of the provisions of this section may not be instituted after the date articles of reinstatement of the limited liability company are filed.

§4A–920.

The forfeiture of the right to do business in Maryland and the right to the use of the name of the limited liability company under this title does not impair the validity of a contract or act of the limited liability company entered into or done either before or after the forfeiture, or prevent the limited liability company from defending any action, suit, or proceeding in a court of this State.

§4A–1001.

(a) Subject to the Maryland Constitution:

(1) The laws of the state under which a foreign limited liability company is organized govern its organization, internal affairs, and the liability of its members; and

(2) A foreign limited liability company may not be denied registration by reason of any difference between those laws and the laws of this State.

(b) A foreign limited liability company may not do any kind of intrastate, interstate, or foreign business in this State which the laws of this State prohibit a domestic limited liability company from doing.

§4A–1002.

(a) Before doing any interstate, intrastate, or foreign business in this State, a foreign limited liability company shall register with the Department.

(b) In order to register, a foreign limited liability company shall submit to the Department an application for registration as a foreign limited liability company executed by an authorized person and setting forth:

(1) The name of the foreign limited liability company and, if different, the name under which it proposes to register and do business in this State;

(2) The state under whose laws it was formed and the date of its formation;

(3) The general character of the business it proposes to transact in this State;

(4) The name and address of its resident agent in this State;

(5) A statement that the Department is appointed as the resident agent of the foreign limited liability company if no resident agent has been appointed under item (4) of this subsection or, if appointed, the resident agent's authority has been revoked or if the agent cannot be found or served with the exercise of reasonable diligence;

(6) The address of the office required to be maintained in the state of its organization by the laws of that state or, if not so required, of the principal office of the foreign limited liability company;

(7) Proof acceptable to the Department of good standing in the jurisdiction where it currently is organized; and

(8) If the foreign limited liability company is a series company, a statement that the company is a series company.

§4A–1003.

If the Department finds that an application for registration meets the requirements of this title and all required fees have been paid, it shall:

(1) Endorse on the application the date and time of its acceptance for record;

(2) Record promptly the document; and

(3) Send an acknowledgment to the person who filed the application or a representative of the person who filed the application stating the date and time that the document was accepted for record.

§4A–1004.

A foreign limited liability company may register with the Department under any name, whether or not it is the name under which it is registered in its state of organization, as provided under Title 1, Subtitle 5 of this article.

§4A–1005.

If any statement in the application for registration of a foreign limited liability company is false when made or any arrangements or other facts described have changed making the application inaccurate in any respect, the foreign limited liability company shall promptly file with the Department a certificate, executed by an authorized person, correcting the statement.

§4A–1006.

(a) A foreign limited liability company may cancel its registration by filing with the Department a certificate of cancellation executed by an authorized person.

(b) The filing of a certificate of cancellation does not terminate the authority of the Department to accept service of process on the foreign limited liability company with respect to causes of action arising out of doing business in this State.

§4A–1007.

(a) If a foreign limited liability company is doing or has done any intrastate, interstate, or foreign business in this State without complying with the requirements of this subtitle, the foreign limited liability company and any person claiming under it may not maintain suit in any court of this State, unless the limited liability company shows to the satisfaction of the court that:

(1) The foreign limited liability company or the person claiming under it has paid the penalty specified in subsection (d)(1) of this section; and

(2) (i) The foreign limited liability company or a successor to it has complied with the requirements of this title; or

(ii) The foreign limited liability company and any foreign limited liability company successor to it are no longer doing intrastate, interstate, or foreign business in this State.

(b) The failure of a foreign limited liability company to register in this State does not impair the validity of a contract or act of the foreign limited liability company or prevent the foreign limited liability company from defending any action, suit, or proceeding in a court of this State.

(c) A foreign limited liability company, by doing business in this State without registration, appoints the Department as its agent for service of process with respect to causes of action arising out of doing business in this State.

(d) (1) (i) If a foreign limited liability company does any intrastate, interstate, or foreign business in this State without registering, the Department shall impose a penalty of $200 on the limited liability company.

(ii) The penalty under this subsection shall be collected and may be reduced or abated under § 14-704 of the Tax - Property Article.

(2) Each member of a foreign limited liability company that does intrastate, interstate, or foreign business in this State without registering, and each agent of the foreign limited liability company who transacts intrastate, interstate, or foreign business in this State for it is guilty of a misdemeanor and on conviction is subject to a fine of not more than $1,000.

§4A–1008.

The Attorney General may bring an action to restrain a foreign limited liability company from doing business in this State in violation of this title.

§4A–1009.

(a) In addition to any other activities which may not constitute doing business in this State, for the purposes of this title, the following activities of a foreign limited liability company do not constitute doing business in this State:

(1) Maintaining, defending, or settling an action, suit, claim, dispute, or administrative or arbitration proceeding;

(2) Holding meetings of its members or agents or carrying on other activities that concern its internal affairs;

(3) Maintaining bank accounts;

(4) Conducting an isolated transaction not in the course of a number of similar transactions;

(5) Foreclosing mortgages and deeds of trust on property in this State;

(6) As a result of default under a mortgage or deed of trust, acquiring title to property in this State by foreclosure, deed in lieu of foreclosure, or otherwise;

(7) Holding, protecting, renting, maintaining, and operating property in this State so acquired; or

(8) Selling or transferring title to property in this State so acquired to any person, including the Federal Housing Administration or the U.S. Department of Veterans Affairs.

(b) In addition to any other activities which may constitute doing business in this State, for the purposes of this title any foreign limited liability company which owns income producing real or tangible personal property in this State, other than property exempted by subsection (a) of this section, shall be considered to be doing business in this State.

§4A–1010.

By doing intrastate, interstate, or foreign business in this State, a foreign limited liability company assents to the laws of this State.

§4A–1011.

With respect to a cause of action on which a foreign limited liability company would not otherwise be subject to suit in this State, compliance with this title:

(1) Does not of itself render a foreign limited liability company subject to suit in this State; and

(2) Is not considered as consent by it to be sued in this State.

§4A–1012.

(a) If a foreign limited liability company that owns property rights, privileges, franchises, or other assets located in this State is a party to a merger in which a foreign corporation, foreign limited partnership, or a foreign limited liability company is the successor, the transfer to, vesting in, or devolution on the successor of the property, rights, privileges, franchises, or other assets of the nonsurviving foreign limited liability company is effective as provided by the laws of the place that governs the merger.

(b) The successor shall file with the Department a certificate executed by an authorized person that specifies:

(1) Each county in the State where a foreign limited liability company party to the merger, except the successor, owned an interest in land;

(2) The name of each party to the merger;

(3) The place under the laws of which each party was organized; and

(4) The name of the successor.

(c) If a copy of the document effecting the merger has not been filed with the Department as provided in § 4A-703 of this title, the successor shall file with the Department an officially certified copy of that document.

(d) (1) When the Department receives the articles and any certificate of the successor, the Department shall prepare and file certificates of merger in the manner provided for Maryland limited liability companies.

(2) However, the certificate of merger need not state the principal office in the State of any limited liability company that does not have a principal office, and the certificate shall include other information specified in the certificate filed by the successor.

§4A–1013.

(a) The Department may forfeit the right of any foreign limited liability company to do business in this State if the limited liability company fails to file with the Department any report or fails to pay any late filing penalties required by law:

(1) Within the time required by law; and

(2) Thereafter, within 30 days after the Department makes a written demand for the delinquent report or late filing penalties.

(b) Unless the Department excuses a reasonable delay for good cause shown, the forfeiture is effective 15 days after written notice of forfeiture from the Department, without proceedings of any kind either at law or in equity.

(c) The demand for a delinquent report or late filing penalties and the notice of forfeiture shall be addressed to the limited liability company:

(1) At its address on file with the Department; or

(2) If it has no address on file with the Department, in care of the Secretary of State, or corresponding official of the place where it was organized or is existing, if known to the Department.

(d) On forfeiture of its right to do business in this State, the foreign limited liability company is subject to the same rules, legal provisions, and sanctions as if it had never qualified or been licensed to do business in this State.

§4A–1101.

(a) In this subtitle, "other entity" means:

(1) A Maryland corporation incorporated under Title 2 of this article;

(2) A foreign corporation, as defined in § 1–101 of this article;

(3) A partnership, as defined in § 9A–101 of this article;

(4) A limited partnership, including a limited partnership registered or denominated as a limited liability limited partnership under § 10–805 of this article or under the laws of a state other than this State;

(5) A business trust, as defined in § 1–101 of this article;

(6) Another form of unincorporated business formed under the laws of this State or the laws of the United States, another state of the United States, a territory, possession, or district of the United States, or a foreign country; or

(7) A foreign limited liability company.

(b) Unless otherwise agreed, a limited liability company may convert to an other entity by:

(1) Approving the conversion in accordance with § 4A–1102 of this subtitle; and

(2) Filing for record with the Department articles of conversion executed in the manner required by Title 1 of this article.

(c) An other entity may convert to a limited liability company by complying with the requirements of § 4A–1102 of this subtitle and filing for record with the Department:

(1) Articles of conversion executed in the manner required by § 4A–206 of this title; and

(2) Articles of organization, which shall include the name of the converting other entity, executed in the manner required by § 4A–206 and otherwise complying with this title.

§4A–1102.

(a) Unless otherwise agreed, a limited liability company shall approve the conversion of the limited liability company to an other entity by the vote required under § 4A–403(d)(1) of this title.

(b) An other entity seeking to convert to a limited liability company shall approve the conversion of the other entity to a limited liability company in the manner and by the vote required by its governing document and the laws of the place where it is incorporated or organized.

(c) (1) A member of a limited liability company objecting to a conversion of the limited liability company has the same rights with respect to the member's interest in the limited liability company as a stockholder of a Maryland corporation who objects has with respect to the stockholder's stock under Title 3, Subtitle 2 of this article.

(2) The procedures under Title 3, Subtitle 2 of this article shall be applicable to the extent practicable.

§4A–1103.

(a) In this section, "facts ascertainable outside the articles of conversion" includes:

(1) An action or a determination by any person, including:

(i) The limited liability company or other entity, as applicable;

(ii) The members, partners, directors, trustees, officers, or other agents of the limited liability company or other entity; and

(iii) Any other person affiliated with the limited liability company or other entity; and

(2) Any other event.

(b) Articles of conversion shall be filed for record with the Department.

(c) In a conversion of a limited liability company to an other entity, the articles of conversion shall set forth:

(1) The name of the limited liability company and the date of filing of the original articles of organization with the Department;

(2) The name of the other entity to which the limited liability company will be converted and the place of incorporation or organization of the other entity;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging membership interests in the limited liability company into shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity, or other consideration, and the treatment of any membership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion;

(5) If the other entity is not organized under the laws of this State:

(i) The location of the principal office in the place where it is organized; and

(ii) The name and address of the resident agent in this State; and

(6) Any other provision necessary to effect the conversion.

(d) In a conversion of an other entity to a limited liability company, the articles of conversion shall set forth:

(1) The name of the other entity, the date on which the other entity was first created, and the place of incorporation or organization of the other entity;

(2) The name of the limited liability company to which the other entity will be converted;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity into membership interests in the limited liability company or other consideration, and the treatment of any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion; and

(5) Any other provision necessary to effect the conversion.

(e) The articles of conversion may contain a future effective time for the articles of conversion that is not later than 30 days after the articles of conversion are accepted for record.

§4A–1104.

(a) A conversion has the effects provided in this section.

(b) (1) This subsection applies on the completion of the conversion of a limited liability company to an other entity.

(2) The limited liability company shall cease to exist as a limited liability company and shall continue to exist as the other entity into which the limited liability company has converted, and the other entity shall, for all purposes of the laws of this State, be deemed to be the same entity as the converting limited liability company.

(3) (i) All the assets of the limited liability company, including any legacies that it would have been capable of taking, shall vest in and devolve on the other entity without further act or deed and shall be the property of the other entity, and the title to any real property vested by deed or otherwise in the limited liability company shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the limited liability company to an other entity does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the limited liability company before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the limited liability company by its last acting authorized persons or by the appropriate authorized persons, partners, officers, trustees, or members of the other entity.

(4) (i) The other entity shall be liable for all the debts and obligations of the limited liability company.

(ii) An existing claim, action, or proceeding pending by or against the limited liability company may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the other entity may be substituted as a party, and a judgment against the limited liability company constitutes a lien on the property of the other entity.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the limited liability company.

(5) Subject to the treatment of the ownership interests of the members of the limited liability company under the articles of conversion and to the rights of an objecting member under this subtitle, the ownership interests of the members of the limited liability company cease to exist as membership interests in the converted limited liability company and continue to exist as ownership interests in the other entity.

(6) The conversion of the limited liability company to an other entity in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the limited liability company or the personal liability of any person incurred before the completion of the conversion.

(7) Unless otherwise provided in the articles of conversion, the converting limited liability company is not required to wind up its affairs or pay its liabilities and distribute its assets, and the conversion does not constitute dissolution or a transfer of assets or liabilities of the limited liability company.

(8) A person becomes liable for any obligation incurred by the limited liability company before the completion of the conversion only to the extent provided for by the laws applicable to the other entity.

(c) (1) This subsection applies on the conversion of an other entity to a limited liability company.

(2) The limited liability company, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting other entity.

(3) (i) All the assets of the other entity, including any legacies that it would have been capable of taking, vest in and devolve on the limited liability company without further act or deed and shall be the property of the limited liability company, and the title to any real property vested by deed or otherwise in the other

entity shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the other entity to a limited liability company does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the other entity before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the other entity by the appropriate authorized persons, partners, officers, trustees, or members of the other entity or by an authorized person of the limited liability company.

(4) (i) The limited liability company shall be liable for all the debts and obligations of the other entity.

(ii) An existing claim, action, or proceeding pending by or against the other entity may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the limited liability company or any party, the limited liability company may be substituted as a party, and a judgment against the other entity constitutes a lien on the property of the limited liability company.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the other entity.

(5) The conversion of an other entity to a limited liability company in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the other entity or the personal liability of any person incurred before the completion of the conversion.

(6) A person remains liable for any obligation incurred by the other entity before the completion of the conversion only to the extent that the person would have been liable if the conversion had not occurred.

(7) Subject to the treatment of the ownership interests of the owners of the other entity under the articles of conversion, the ownership interests of the owners of the other entity cease to exist as ownership interests in the converted other entity and continue to exist as membership interests in the limited liability company.

§4A–1105.

(a) In a conversion of an other entity to a limited liability company, the stock, membership interests, partnership interests, beneficial interests, or other

ownership interests of the other entity may be exchanged for or converted into any one or more of the following:

(1) Membership interests in the limited liability company or stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of an other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

(b) In a conversion of a limited liability company to an other entity, membership interests in the limited liability company may be exchanged for or converted into any one or more of the following:

(1) Stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests or other ownership interests of the other entity to which the limited liability company is converted or of an other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

§4A–1106.

(a) The conversion of an other entity to a limited liability company shall be completed on the later of:

(1) The formation of the limited liability company in accordance with this title; or

(2) The effectiveness of articles of conversion filed for record with the Department.

(b) The conversion of a limited liability company to an other entity shall be completed on the effectiveness of articles of conversion filed for record with the Department.

(c) Articles of conversion are effective on the later of:

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

(2) The future effective time of the articles of conversion set forth in articles of conversion that have been accepted by the Department for record.

(d) (1) (i) Except as provided in subparagraph (ii) of this paragraph, at the time the conversion of an other entity to a limited liability company is completed:

1. The other entity shall be converted to a limited liability company;

2. The conversion shall have the effects set forth in § 4A–1104 of this subtitle; and

3. The limited liability company shall be subject to all of the provisions of this title.

(ii) Notwithstanding § 4A–202 of this title, the existence of the limited liability company as a domestic limited liability company shall be deemed to have commenced on the date the other entity commenced its existence in the place in which the other entity was first incorporated, created, formed, or otherwise came into being.

(2) At the time the conversion of a limited liability company to an other entity is completed, the conversion shall have the effects set forth in § 4A–1104 of this subtitle.

§4A–1107.

(a) Unless otherwise agreed or the articles of conversion provide otherwise, a proposed conversion of a limited liability company to an other entity may be abandoned before the effective time of the articles of conversion by the vote required under § 4A–403(d)(1) of this title to approve the conversion.

(b) Unless the articles of conversion provide otherwise, a proposed conversion of an other entity to a limited liability company may be abandoned before the effective time of the articles of conversion in the manner and by the vote required by the governing document of the other entity and the laws of the place in which it is incorporated or organized or, if no manner and vote is specified, in the manner and by the vote required to approve the conversion under § 4A–1102 of this subtitle.

(c) If the articles of conversion have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(d) (1) If the proposed conversion is abandoned as provided in this section, no legal liability arises under the articles of conversion.

(2) Abandonment of a conversion under this section does not prejudice the rights of any person under any other contract made by a party to the proposed conversion in connection with the proposed conversion.

§4A–1201.

(a) In this subtitle the following words have the meanings indicated.

(b) "Benefit limited liability company" means a Maryland limited liability company that elects to be a benefit limited liability company in accordance with § 4A–1203 of this subtitle and has not ceased to be a benefit limited liability company through the operation of § 4A–1205 of this subtitle.

(c) "General public benefit" means a material, positive impact on society and the environment, as measured by a third–party standard, through activities that promote a combination of specific public benefits.

(d) "Specific public benefit" includes:

(1) Providing individuals or communities with beneficial products or services;

(2) Promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business;

(3) Preserving the environment;

(4) Improving human health;

(5) Promoting the arts, sciences, or advancement of knowledge;

(6) Increasing the flow of capital to entities with a public benefit purpose; or

(7) The accomplishment of any other particular benefit for society or the environment.

(e) "Third–party standard" means a standard for defining, reporting, and assessing best practices in social and environmental performance that:

(1) Is developed by a person or entity that is independent of the benefit limited liability company; and

(2) Is transparent because the following information about the standard is publicly available or accessible:

(i) The factors considered when measuring the performance of a business;

(ii) The relative weightings of those factors; and

(iii) The identity of the persons who developed and control changes to the standard and the process by which those changes were made.

§4A–1202.

(a) The provisions of this title apply to benefit limited liability companies except to the extent that:

(1) The context of a provision clearly requires otherwise; or

(2) A specific provision of this title provides otherwise.

(b) This subtitle applies only to a benefit limited liability company.

(c) (1) The existence of a provision of this subtitle does not of itself create any implication that a contrary or different rule of law is or would be applicable to a limited liability company that is not a benefit limited liability company.

(2) This subtitle does not affect any statute or rule of law as it applies to a limited liability company that is not a benefit limited liability company.

(d) A provision of the articles of organization or operating agreement of a benefit limited liability company may not be inconsistent with any provision of this subtitle.

§4A–1203.

(a) A limited liability company may elect to be a benefit limited liability company under this subtitle by including in its articles of organization a statement that the limited liability company is a benefit limited liability company.

(b) The name of a domestic benefit limited liability company or a foreign benefit limited liability company authorized to transact business in this State must comply with Title 1, Subtitle 5 of this article.

§4A–1204.

Clear reference to the fact that a limited liability company is a benefit limited liability company shall appear prominently:

(1) At the head of the articles of organization or an amendment to the articles of organization in which the election to be a benefit limited liability company is made;

(2) At the head of each subsequent articles of organization of the benefit limited liability company; and

(3) On each certificate representing outstanding membership interests in the benefit limited liability company.

§4A–1205.

A benefit limited liability company may terminate its status as a benefit limited liability company and cease to be subject to this subtitle by amending its articles of organization to delete the statement required under § 4A–1203 of this subtitle that it is a benefit limited liability company.

§4A–1206.

(a) (1) Each benefit limited liability company shall have the purpose of creating a general public benefit.

(2) The purpose described in paragraph (1) of this subsection is in addition to, and may be a limitation on, the purposes of the benefit limited liability company under § 4A–201 of this title.

(b) (1) In addition to its purposes under § 4A–201 of this title and subsection (a) of this section, the articles of organization or operating agreement of a benefit limited liability company may identify as one of the purposes of the benefit limited liability company the creation of one or more specific public benefits.

(2) The identification in its articles of organization or operating agreement of a specific public benefit purpose under paragraph (1) of this subsection

does not limit the obligation of a benefit limited liability company to create a general public benefit.

§4A–1207.

(a) A person managing the business and affairs of a benefit limited liability company:

(1) Shall consider the effects of any action or decision not to act on:

(i) The members of the benefit limited liability company;

(ii) The employees and workforce of the benefit limited liability company and the subsidiaries and suppliers of the benefit limited liability company;

(iii) The interests of customers as beneficiaries of the general or specific public benefit purposes of the benefit limited liability company;

(iv) Community and societal considerations, including those of any community in which offices or facilities of the benefit limited liability company or the subsidiaries or suppliers of the benefit limited liability company are located; and

(v) The local and global environment; and

(2) May consider any other pertinent factors or the interests of any other group that the person determines are appropriate to consider.

(b) A person managing the business and affairs of a benefit limited liability company does not have any duty on account of the factors or interests set forth in this section to:

(1) A person that is a beneficiary of the public benefit purposes of the benefit limited liability company; or

(2) A member of the benefit limited liability company.

§4A–1208.

(a) A benefit limited liability company shall deliver to each member an annual benefit report including:

(1) A description of:

(i) The ways in which the benefit limited liability company pursued a general public benefit during the year and the extent to which the general public benefit was created;

(ii) The ways in which the benefit limited liability company pursued any specific public benefit that its articles of organization or operating agreement states is the purpose of the benefit limited liability company to create and the extent to which that specific public benefit was created; and

(iii) Any circumstances that have hindered the creation by the benefit limited liability company of the public benefit; and

(2) An assessment of the societal and environmental performance of the benefit limited liability company prepared in accordance with a third–party standard applied consistently with the prior year's benefit report or accompanied by an explanation of the reasons for any inconsistent application.

(b) The benefit report shall be delivered to each member within 120 days following the end of each fiscal year of the benefit limited liability company.

(c) (1) A benefit limited liability company shall post its most recent benefit report on the public portion of its Web site, if any.

(2) If a benefit limited liability company does not have a public Web site, the benefit limited liability company shall provide a copy of its most recent benefit report on demand and without charge to any person who requests a copy.

§4A–1301.

The provisions of this title shall apply to commerce with foreign nations and among the several states only as permitted by law.

§4A–1302.

If any provision of this title or its application to any person or circumstance is held invalid, the invalidity does not affect any other provision or application of the title which can be given effect without the invalid provision or application, and to this end the provisions of this title are severable.

§4A–1303.

This title shall be known and may be cited as the "Maryland Limited Liability Company Act".

§5–101.

(a) In this subtitle the following words have the meanings indicated.

(b) "Disqualified person" means an individual or entity that for any reason is or becomes ineligible under this subtitle to be issued stock by a professional corporation.

(c) "Foreign professional corporation" means a professional corporation organized under the laws of another state or a territory, possession, or district of the United States.

(d) "License" means any license, certification, certificate, registration, or other legal authorization required by statute as a condition precedent to the performance of a professional service in the State.

(e) "Licensing unit" means the board, agency, court, or other entity that licenses or otherwise legally authorizes the rendition of a professional service.

(f) "Professional corporation" means a corporation organized under this subtitle for the purpose of rendering professional services.

(g) (1) "Professional service" means a service that may lawfully be rendered only by a person licensed or otherwise authorized by a licensing unit in the State to render the service and that may not lawfully be rendered by a corporation under the Maryland General Corporation Law.

(2) "Professional service" includes, but is not limited to, a service provided by:

(i) An architect;

(ii) An attorney;

(iii) A certified public accountant;

(iv) A chiropractor;

(v) A dentist;

(vi) An osteopath;

(vii) A podiatrist;

(viii) A physician;

(ix) A professional engineer;

(x) A licensed real estate broker, licensed real estate salesperson, and licensed associate real estate broker;

(xi) A veterinarian;

(xii) A psychologist; and

(xiii) A physical therapist.

(h) "Qualified person" means an individual, professional corporation, or general partnership that is eligible under this Act to be issued stock by a professional corporation.

§5–102.

(a) (1) Except as permitted under subsection (b) of this section, a corporation may be a professional corporation under § 5–112 of this subtitle solely for the purpose of rendering professional services within a single profession.

(2) Except as provided in paragraph (3) of this subsection, a corporation that is eligible to be a professional corporation under this subtitle may not organize under any other corporate form permitted by this article.

(3) Paragraph (2) of this subsection does not apply to professional services rendered by:

(i) An architect;

(ii) A professional engineer;

(iii) A licensed real estate broker, licensed real estate salesperson, or licensed associate real estate broker; or

(iv) A veterinarian.

(b) A corporation may be a professional corporation under § 5–112 of this subtitle for the purpose of rendering the same, similar, or related professional services within 2 or more professions.

§5–103.

(a) Except as otherwise provided in this subtitle, a professional corporation has the powers enumerated in § 2-103 of this article.

(b) A professional corporation may be a promoter, general partner, member, associate, or manager of a partnership, joint venture, trust, or other entity if the entity is engaged solely in rendering professional services.

§5–104.

(a) A professional corporation may not render a professional service or engage in an activity other than the professional service authorized by its articles of incorporation.

(b) Except as provided in subsection (c) of this section, subsection (a) of this section does not prohibit a professional corporation from investing its funds in real estate, mortgages, securities, or any other type of investment.

(c) A professional corporation may not, through any investment, subsidiary, or other means, engage or participate in the active management of any entity, association, or venture whose business purpose is not reasonably related to the rendering of a professional service authorized by its articles of incorporation.

§5–105.

(a) A domestic or foreign corporation may render professional services in the State only through individuals licensed or otherwise authorized in the State to render the professional services.

(b) Subsection (a) of this section does not:

(1) Require an individual employed by a professional corporation to be licensed to perform services for the corporation if a license is not otherwise required;

(2) Prohibit a licensed individual from rendering professional services in his individual capacity although he is a stockholder, director, officer, employee, or agent of a domestic or foreign professional corporation; or

(3) Prohibit an individual licensed in another state from rendering professional services for a domestic or foreign professional corporation in the State if not prohibited by the licensing unit in the State with jurisdiction over the professional service.

§5–106.

The name of a domestic professional corporation or of a foreign professional corporation authorized to transact business in the State must comply with Title 1, Subtitle 5 of this article.

§5–107.

(a) (1) Except as provided in paragraph (2) of this subsection, this section does not apply to a professional corporation in which a majority of stockholders are individuals who are licensed, certified, or otherwise authorized to practice a health occupation under the Health Occupations Article.

(2) This section applies to a professional corporation that provides dental services.

(b) The name of a domestic professional corporation or a foreign professional corporation authorized to transact business in the State shall contain the surname of one or more stockholders of the corporation unless:

(1) Except as provided in § 5–108(f) of this subtitle, the name of the corporation is approved by the appropriate licensing unit;

(2) A certificate of authorization for use of the corporate name is issued to the corporation or to its incorporator by the appropriate licensing unit; and

(3) The certificate of authorization for use of the corporate name issued by the licensing unit is attached to the articles of incorporation document in which the name is adopted.

§5–108.

(a) If required under § 5–107 of this subtitle to obtain a certificate of authorization for use of a corporate name, the professional corporation or its incorporator shall file an application with the appropriate licensing unit, using a form provided by the licensing unit that contains:

(1) The name to be adopted by the corporation;

(2) The reasons for adopting the name; and

(3) Any other information required by the licensing unit.

(b) The application shall be accompanied by the fee, if any, set by the licensing unit.

(c) (1) Upon receipt of the application and fee under subsections (a) and (b) of this section, the licensing unit shall consult with and obtain the approval of the professional organization, if one exists, to which a majority of individuals in the State rendering the professional service belong.

(2) In determining the appropriateness of the proposed corporate name, the professional organization shall consider the established ethical standards, rules, and regulations of the profession.

(d) If the licensing unit and, if required, the professional organization approve of the proposed corporate name, the licensing unit shall issue a certificate of authorization for use of a corporate name to the corporation or its incorporator.

(e) Any licensing unit with jurisdiction over the professional service mentioned in the corporation's articles of incorporation may approve the adoption and use of a corporate name under the provisions of §§ 5–106 through 5–108 of this subtitle.

(f) (1) The State Board of Physicians is not required to approve the name of a professional entity whose members are licensed physicians, as defined under § 14–101 of the Health Occupations Article.

(2) After the Department receives the application of a professional entity that is not exempt under § 5–107(a)(1) of this subtitle and whose members are licensed physicians, as defined under § 14–101 of the Health Occupations Article, the Department shall notify MedChi, the Maryland State Medical Society.

(3) On receipt of an application from an entity described under paragraph (2) of this subsection, MedChi, the Maryland State Medical Society may:

(i) Take no further action; or

(ii) If there is reason to believe that the name of the professional entity is deceptive or misleading, refer the application to the Maryland Department of Health.

§5–109.

(a) A professional corporation may issue stock, rights, and options to purchase stock to:

(1) An individual who is authorized by law in this or another state to render a professional service named in the corporation's articles of incorporation;

(2) A general partnership in which all the partners are qualified persons with respect to the professional corporation and in which at least one partner is authorized by law in this State to render a professional service named in the corporation's articles of incorporation; and

(3) A professional corporation, domestic or foreign, provided that the professional corporation receiving the stock is organized to perform the same professional service as the professional corporation issuing the stock.

(b) (1) If a licensing unit with jurisdiction over a profession considers it necessary to prevent a violation of the ethical standards of the profession, the unit may, by regulation, restrict or condition, or revoke in part, the authority of a professional corporation to issue stock subject to its jurisdiction.

(2) A regulation adopted under this subsection does not, of itself, make a stockholder of a professional corporation a disqualified person at the time the regulation becomes effective.

(c) Stock issued in violation of this section or of a regulation adopted under this section is void from the date issued.

§5–110.

The following statement must appear in conspicuous type on each stock certificate issued by a professional corporation:

"The transfer of stock of a professional corporation is restricted by the Maryland Professional Service Corporation Act and is subject to further restriction imposed from time to time by the licensing unit. Stock of a professional corporation is also subject to a statutory compulsory repurchase obligation."

§5–111.

(a) A stockholder of a professional corporation may transfer or pledge stock, fractional stock, and rights or options to purchase stock of the corporation only to a qualified person.

(b) A transfer of stock made in violation of subsection (a) of this section, except a transfer made by operation of law or by court judgment, is void.

§5–112.

(a) A corporation may elect to be a professional corporation under this subtitle by including in the articles of incorporation a statement that:

(1) The corporation is a professional corporation; and

(2) The corporation's purpose is to render the professional services specified.

(b) A corporation incorporated in the State may elect professional corporation status by amending its articles of incorporation to comply with subsection (a) of this section and §§ 5-106 through 5-108 of this subtitle.

(c) A corporation that, prior to the effective date of this subtitle, was a duly organized professional corporation in the State shall be deemed a duly organized professional corporation under this subtitle.

§5–113.

(a) A professional corporation shall acquire, or cause to be acquired by a qualified person, the stock of a stockholder, at a price that represents the fair value of the stock as of the date of death or disqualification of the stockholder or transfer of the stock if:

(1) The stockholder dies;

(2) Except as provided in subsection (c) of this section, the stockholder becomes a disqualified person; or

(3) Except as provided in subsection (c) of this section, the stock is transferred by operation of law or court judgment to a disqualified person.

(b) (1) If the price for stock is determinable in accordance with the articles of incorporation or bylaws of the corporation, or by private agreement, that price controls.

(2) If the price is not determinable, under paragraph (1) of this subsection, the corporation shall acquire the stock in accordance with the provisions of § 5-114 of this subtitle.

(3) If the disqualified person rejects the corporation's purchase offer, either the disqualified stockholder, personal representative, transferee, or the corporation may commence a proceeding under § 5-115 of this subtitle to determine the fair value of the stock.

(c) This section does not require the acquisition of stock in the event of disqualification if the disqualification lasts less than 5 months from the date the disqualification or transfer occurs.

(d) This section and § 5-114 of this subtitle do not prevent or relieve a professional corporation from paying pension benefits or other deferred compensation to a former stockholder if otherwise permitted by law, including amounts payable pursuant to an agreement between a judge and his former law firm as provided in § 1-203 of the Courts Article.

(e) A provision for the acquisition of stock contained in a professional corporation's articles of incorporation or bylaws, or in a private agreement, is specifically enforceable.

§5–114.

(a) For purposes of this section the term "disqualified stockholder" shall include the personal representative of the estate of a deceased stockholder or a transferee as described in § 5-113 of this subtitle.

(b) (1) If an acquisition of stock is required under § 5-113 of this subtitle, the professional corporation shall send, by certified mail, postage prepaid, return receipt requested, a written notice to the disqualified stockholder, offering to purchase the stock at a price which the corporation represents to be the fair value of the stock as of the date of death, disqualification, or transfer.

(2) The offer notice under paragraph (1) of this subsection must be accompanied by:

(i) The corporation's balance sheet for the fiscal year ending not more than 16 months before the effective date of the offer notice;

(ii) An income statement for that year;

(iii) A statement of changes in stockholders' equity for that year; and

(iv) The latest available interim financial statements, if any.

(c) The disqualified stockholder may send, by certified mail, postage prepaid, return receipt requested, a written notice to the corporation demanding that the corporation commence a proceeding to determine the fair value of the stock if:

(1) The disqualified stockholder does not receive a written offer notice under subsection (b) of this section within 60 days after the date of disqualification, transfer, or appointment of the personal representative; or

(2) The disqualified stockholder rejects the corporation's offer within 30 days of receipt of the offer by the disqualified stockholder.

(d) If the corporation fails to commence a proceeding under subsection (c) of this section to determine the fair value of stock within 60 days of written notice of demand by a disqualified stockholder, the disqualified stockholder may commence a proceeding against the corporation to determine the fair value of the stock.

(e) (1) If the disqualified stockholder accepts the corporation's offer under subsection (b) of this section, the corporation shall make payment when the stockholder surrenders the stockholder's stock.

(2) Unless a later time is agreed on, payment by the corporation and surrender of the stock by the stockholder shall occur within 60 days from the effective date of the offer notice.

(3) If the disqualified stockholder fails to respond to the corporation's offer under subsection (b) of this section within 30 days after delivery of the notice, the stockholder shall be deemed to have accepted the offer.

(4) Paragraph (3) of this subsection does not apply to the personal representative of a deceased stockholder if the offer under subsection (b) of this section was made before the appointment of the personal representative; provided, however, that an offer under this paragraph shall be deemed accepted if the personal representative does not respond to the offer within 30 days after the personal representative is appointed.

(f) The corporation shall cancel on the books of the corporation the stock of a disqualified stockholder and the disqualified stockholder shall have no further interest as a stockholder in the corporation other than the right of payment of the fair value of the stock under § 5-113 of this subtitle if the corporation has not delivered an offer notice under subsection (b) of this section and the disqualified stockholder has not demanded that the corporation commence a proceeding to determine the fair value of the stock within 120 days of:

(1) Appointment of a personal representative of a deceased stockholder; or

(2) The date an acquisition of stock becomes required under § 5-113(c) of this subtitle.

§5–115.

(a) (1) A proceeding under § 5-114(c) or (d) of this subtitle to determine the fair value of stock shall be filed in the circuit court for the county where the corporation's principal office or registered office is located.

(2) The corporation shall make the disqualified stockholder a party to the proceeding as in an action against the stockholder's stock.

(3) The jurisdiction of the court in which the proceeding is filed is plenary and exclusive.

(b) (1) The court may appoint one or more persons as appraisers to receive evidence and make recommendations on the question of fair value.

(2) The appraisers under paragraph (1) of this subsection have the powers described in the order appointing them.

(c) The disqualified stockholder is entitled to judgment for the fair value of his stock determined by the court as of the date of death, disqualification, or transfer, together with interest from that date at a rate found by the court to be fair and equitable.

(d) The court may order the judgment to be paid in installments.

§5–116.

(a) (1) In an appraisal proceeding commenced under § 5-115 of this subtitle, the court shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court, and shall assess the costs against the professional corporation.

(2) The court may assess costs against the disqualified stockholder, in an amount the court finds equitable, if the court finds that the stockholder acted arbitrarily or in bad faith in refusing to accept the corporation's offer.

(b) The court may assess the fees and expenses of counsel and experts for the disqualified stockholder against the corporation and in favor of the disqualified stockholder if the court finds that the fair value of the stock substantially exceeded the amount offered by the corporation or that the corporation did not make an offer.

§5–117.

(a) A majority of the directors and all of the officers of a professional corporation, except the secretary and treasurer, must be qualified persons with respect to the corporation.

(b) Whether or not organized as a close corporation under Title 4 of this article:

(1) The number of directors in a professional corporation may be less than 3;

(2) The officers of a professional corporation may be limited to president, treasurer, and secretary and an individual may hold more than one office; and

(3) Notwithstanding any other provision of law, an individual who holds more than one office in a professional corporation may act in more than one capacity to execute, acknowledge, or verify any instrument required to be executed, acknowledged, or verified by more than one officer.

§5–118.

(a) Only a qualified person may be appointed a proxy to vote stock of a professional corporation.

(b) A voting trust with respect to stock of a professional corporation is not valid unless all of the trustees of the trust are stockholders of the professional corporation.

(c) Stock in a professional corporation may not be transferred into a trust, unless:

(1) All settlors of the trust remain stockholders of the professional corporation for the duration of the trust; and

(2) All trustees of the trust are individuals licensed in the State to render the professional service named in the professional corporation's articles of incorporation.

(d) (1) If a settlor of stock in a professional corporation in a trust ceases to be a stockholder in the corporation, the settlor shall be a disqualified stockholder and the corporation shall acquire the stock held by the trust.

(2) An acquisition of stock under paragraph (1) of this subsection shall be made under §§ 5–113 through 5–115 of this subtitle.

§5–119.

(a) The relationship between an individual rendering professional services as an employee of a domestic or foreign professional corporation and the client or patient of the individual is the same as if the individual were rendering the services as a sole practitioner.

(b) The relationship between a domestic or foreign professional corporation and the client or patient for whom an employee of the corporation is rendering professional services is the same as that between the client or patient and the employee.

§5–120.

(a) A privilege applicable to communications between an individual rendering professional services and the person receiving the services recognized under the law of this State is not affected by this subtitle.

(b) The privilege under this section applies to a domestic or foreign professional corporation and to its employees in all situations in which it applies to communications between an individual rendering professional services on behalf of the corporation and the person receiving the services.

§5–121.

(a) (1) An individual who renders a professional service in this State as an employee of a domestic or foreign professional corporation is liable for a negligent or wrongful act or omission in which the individual personally participated to the same extent as if the individual rendered the service as a sole practitioner.

(2) An employee of a domestic or foreign professional corporation is not liable for a negligent or wrongful act or omission of another employee of the corporation unless the employee is negligent in appointing, supervising, or cooperating with the other employee.

(b) A domestic or foreign professional corporation whose employees perform professional services within the scope of their employment or within the scope of the employees' apparent authority to act for the corporation is liable to the same extent as its employees.

(c) The personal liability of a stockholder of a domestic or foreign professional corporation is no greater in any respect than the liability of a stockholder of a corporation incorporated under the Maryland General Corporation Law.

§5–122.

(a) If all the stockholders of merging corporations are qualified to be stockholders of the surviving corporation, a professional corporation may merge with another domestic or foreign professional corporation or with a domestic or foreign business corporation.

(b) If the surviving corporation is to render professional services in this State, it must comply with the provisions of this subtitle.

§5–123.

(a) If a professional corporation ceases to render professional services, it shall amend its articles of incorporation to:

(1) Delete references to rendering professional services; and

(2) Conform the name of the corporation to the requirements of Title 1, Subtitle 5 of this article.

(b) After the amendment under subsection (a) of this section becomes effective, the corporation may continue in existence as a business corporation under Title 2 of this article and is no longer subject to this subtitle.

(c) An amendment under subsection (a) of this section does not affect the liability of the professional corporation, its employees, or stockholders for a transaction, occurrence, or act that occurred while the corporation was subject to this subtitle.

§5–124.

The Attorney General may commence a proceeding under § 3-513 of this article to dissolve a professional corporation if:

(1) The Department or a licensing unit with jurisdiction over a professional service described in the corporation's articles of incorporation serves written notice on the corporation that it has violated or is violating a provision of this subtitle;

(2) The corporation does not, within 60 days after service of the notice, correct the alleged violation or demonstrate to the Department or licensing authority that the violation has not occurred; and

(3) The Department or licensing unit certifies to the Attorney General:

(i) A description of the violation;

(ii) That it notified the corporation of the violation; and

(iii) That within 60 days after service of notice, the corporation did not correct the violation or demonstrate that it did not occur.

§5–125.

(a) Except as provided in subsection (c) of this section, a foreign professional corporation may not transact business in the State until it obtains a certificate of authority from the Department.

(b) A foreign professional corporation may obtain a certificate of authority if:

(1) Unless the licensing unit approves the use of a different name, the name of the corporation satisfies the requirements of §§ 5-106 through 5-108 of this subtitle and the name is the same as the corporate name contained in the articles of incorporation;

(2) The corporation is incorporated for one or more of the purposes described in § 5-103 of this subtitle; and

(3) All of the stockholders, a majority of the directors, and all of the officers of the corporation, other than the secretary and treasurer, are licensed in one or more states to render a professional service described in the articles of incorporation.

(c) (1) A foreign professional corporation is not required to obtain a certificate of authority to transact business in the State unless the corporation would be required to qualify under § 7-203 of this article if it were a business corporation.

(2) In the event that a certificate of authority is not required under paragraph (1) of this subsection, a foreign professional corporation must register with the Department under § 7-202 of this article.

§5–126.

An application of a foreign professional corporation for a certificate of authority to render professional services in the State shall contain the information required

under Title 1, Subtitle 5 of this article and, in addition, shall include a statement that all of the stockholders, a majority of the directors, and all of the officers of the corporation, other than the secretary and treasurer, are licensed in one or more states to render a professional service described in the corporation's articles of incorporation.

§5–127.

The Department may revoke the certificate of authority of a foreign professional corporation authorized to transact business in the State if a licensing unit with jurisdiction over a professional service described in the corporation's articles of incorporation certifies to the Department that the corporation has violated or is violating a provision of this subtitle and describes the violation.

§5–128.

A licensing unit may adopt regulations to administer this subtitle.

§5–129.

This subtitle does not restrict the jurisdiction of a licensing unit over individuals rendering a professional service within the jurisdiction of the licensing unit and does not affect the interpretation or application of any law pertaining to standards of professional conduct.

§5–130.

(a) Except as provided in subsection (b) of this section, the repeal of a statute by enactment of this subtitle does not affect:

(1) The operation of the statute or any action taken under it before the statute's repeal;

(2) A ratification, right, remedy, privilege, obligation, or liability acquired, accrued, or incurred after the statute's repeal;

(3) Any violation of the statute, or any penalty, forfeiture, or punishment incurred because of the violation, before its repeal; or

(4) Any proceeding, reorganization, or dissolution commenced under the statute before its repeal.

(b) If a penalty or punishment imposed for a violation of a statute repealed by this subtitle is reduced by this subtitle, the penalty or punishment, if not already imposed, shall be imposed in accordance with this subtitle.

§5–131.

If any provision of this subtitle or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity does not affect other provisions or applications of this subtitle that can be given effect without the invalid provision or application, and to this end, the provisions of this subtitle are severable.

§5–132.

A licensing unit may direct the Department to suspend or revoke the articles of incorporation of a professional corporation if:

(1) All stockholders of the professional corporation have at any one time become disqualified persons;

(2) The professional corporation knowingly employs or retains in its employment a licensed person who, for any reason, becomes legally disqualified to render the professional service that the professional corporation was organized to render;

(3) The professional corporation violates any applicable rule or regulation adopted by the licensing unit regulating a profession named in the professional corporation's articles of incorporation; or

(4) The professional corporation violates any statute applicable to a professional corporation.

§5–133.

This subtitle may be cited as the Maryland Professional Service Corporation Act.

§5–134.

The provisions of the Maryland General Corporation Law apply to professional corporations unless:

(1) The context of the provisions clearly requires otherwise; or

(2) Specific provisions of this subtitle or other subtitles governing specific classes of corporations provide otherwise.

§5–201.

The provisions of the Maryland General Corporation Law apply to nonstock corporations unless:

(1) The context of the provisions clearly requires otherwise; or

(2) Specific provisions of this subtitle or other subtitles governing specific classes of corporations provide otherwise.

§5–202.

(a) The charter of each nonstock corporation formed after June 1, 1951, shall provide that the corporation has no authority to issue capital stock.

(b) Notwithstanding any other provision of this article, the charter or bylaws of a nonstock corporation may:

(1) Divide the directors or members of the corporation into classes;

(2) Prescribe the tenure and conditions of service of its directors, but no class of directors may be elected to serve for a period shorter than the interval between annual meetings unless:

(i) All or a class of directors must be members; and

(ii) Qualifications for membership have the effect of shortening their tenure of service;

(3) Provide that an individual may serve as a director by reason of serving in a specified office or position within or outside the corporation and prescribe that the individual shall serve as a director during the individual's service in the specified office or position;

(4) Prescribe the rights, privileges, and qualifications of its members;

(5) Prescribe the manner of giving notice of any meeting of its members;

(6) Provide for the number or proportion of voting members whose presence in person or by proxy constitutes a quorum at any meeting of its members;

(7) Provide that any action may be taken or authorized by any number or proportion of the votes of all its members or all its directors entitled to vote;

(8) Deny or limit the right of its members to vote by proxy;

(9) Provide for the right of members to vote by mail or by electronic transmission on a stated proposal or for the election of directors or any officers who are elected by members;

(10) Regulate the management of the business and affairs of the corporation; and

(11) Regulate the exercise or allocation of voting power between or among the directors and members.

§5–203.

Notwithstanding the provisions of Title 2 of this article, the organization meeting of the board of directors named in the charter of a nonstock corporation may be called by either:

(1) A majority of the incorporators; or

(2) Not less than one third of the directors named in the charter.

§5–204.

(a) For purposes of any law or rule relating to members of a nonstock corporation, the directors of a nonstock corporation, under either of the circumstances described in subsection (b) of this section:

(1) Also constitute the members of the corporation; and

(2) When meeting as directors, may exercise the rights and powers of members.

(b) This section applies if:

(1) Neither the charter nor the bylaws of the corporation provide for members; or

(2) The nonstock corporation in fact has no members.

§5–205.

(a) A nonstock corporation is not required to dissolve merely because the death or resignation of a member reduces the actual number of members to less than required by its charter or bylaws.

(b) As long as there is a remaining member, he may fill vacancies and continue the corporate existence.

§5–206.

(a) If the number of members present at a properly called meeting of the members of a nonstock corporation is insufficient to approve a proposed action, another meeting of the members may be called for the same purpose if:

(1) The notice of the meeting stated that the procedure authorized by this section might be invoked; and

(2) By majority vote, the members present in person or by proxy call for the additional meeting.

(b) Fifteen days' notice of the time, place, and purpose of the additional meeting shall be given by advertisement in a newspaper published in the county where the principal office of the corporation is located. The notice shall contain the quorum and voting provisions of subsection (c) of this section.

(c) At the additional meeting, the members present in person or by proxy constitute a quorum. A majority of the members present in person or by proxy may approve or authorize the proposed action at the additional meeting and may take any other action which could have been taken at the original meeting if a sufficient number of members had been present.

§5–207.

(a) (1) A nonstock corporation may consolidate or merge only with another nonstock corporation.

(2) A Maryland nonstock corporation may convert only into a foreign corporation that does not have the authority to issue stock.

(3) A foreign corporation that does not have the authority to issue stock:

(i) May convert into a Maryland nonstock corporation; and

(ii) May not convert into a Maryland corporation that has the authority to issue stock.

(b) A consolidation, merger, transfer of assets, or conversion of a nonstock corporation shall be effected as provided in Title 3 of this article.

(c) Notwithstanding § 3–105(e) of this article, a proposed consolidation, merger, transfer of assets, or conversion of a nonstock corporation organized to hold title to property for a labor organization, and for related purposes, shall be approved by the same affirmative vote of the members of the corporation that the constitution or bylaws of the labor organization requires for the same action.

§5–208.

(a) Except as otherwise provided in this section, the dissolution or forfeiture of the charter of a nonstock corporation shall be effected as provided in Title 3 of this article. In dissolution or on forfeiture of the charter of the corporation, the directors have the powers and duties of directors of a stock corporation under this article.

(b) If a Maryland nonstock corporation dissolves or its charter is forfeited:

(1) Every liability and obligation of the corporation shall be paid and discharged or adequate provision for payment and discharge shall be made;

(2) Assets held by the corporation subject to legally valid requirements for their return, transfer, or conveyance on dissolution or forfeiture shall be disposed of in accordance with these requirements;

(3) Assets held by the corporation subject to limitations permitting their use only for charitable, religious, eleemosynary, benevolent, educational, or similar purposes, but not held subject to legally valid requirements for their return, transfer, or conveyance by reason of dissolution or forfeiture, shall be transferred or conveyed under a plan of distribution, adopted in the manner and by the vote required for authorization of dissolution of the corporation, to one or more Maryland or foreign corporations or associations having a similar or analogous character or purpose, or associated or connected with the corporation;

(4) Other assets shall be distributed as provided in the charter or the bylaws to the extent that the charter or bylaws determine the distributive rights of members or any class or classes of members, or provide for distribution to others; and

(5) Any remaining assets may be distributed to any person, society, organization, or Maryland or foreign corporation specified in a plan of distribution, adopted in the manner and by the vote required for authorization of dissolution of the corporation.

(c) Unless the decree of a court of competent jurisdiction provides otherwise, the provisions of § 3–412 of this article relating to distributions in dissolution of stock corporations or §§ 3–517 and 3–518 of this article relating to distributions on forfeiture of the charters of stock corporations, as the case may be, apply to the distribution of assets to any member or other person entitled or otherwise designated to receive a distribution in liquidation of a nonstock corporation. For purposes of this section, the term "stockholders" in §§ 3–412, 3–517, and 3–518 of this article includes every person so entitled or designated to receive a distribution in liquidation.

§5–209.

(a) If a charitable or religious corporation is or is about to be dissolved, or for any reason it is impracticable or inexpedient to continue the corporation's activities, a circuit court may order the disposition of corporate property that:

(1) Is not needed to pay the corporation's debts; and

(2) (i) Is not subject to valid requirements for its return to the donor or the donor's successor in interest by reason of the cessation of corporate activities; or

(ii) Is not claimed by the donor or the donor's successor in interest after receiving the notice provided for in subsection (b) of this section.

(b) Notice of the substance and purpose of the complaint or petition shall be given to the donor of the property or the donor's successor in interest by personal service or by publication in the manner the court directs.

(c) To the extent possible, the court shall direct or provide for the transfer of the corporation's property to another corporation or association having a similar or analogous character or purpose, or associated or connected with the corporation.

(d) The intent of this section is that the circuit court may exercise the judicial power of cy-pres to fulfill, despite a change in circumstances, the general intention of the donor of the property for the use of the gift.

§5–301.

(a) In this part the following words have the meanings indicated.

(b) "Church" means any church, religious society, or congregation of any sect, order, or denomination.

(c) "Plan" includes any plan, agreement, or regulation adopted under § 5-302 of this subtitle.

(d) "Record book" means the book in which the proceedings of the religious corporation are recorded.

(e) "Trustees" means:

(1) As to a religious corporation subject to Part II of this subtitle, the corporators appointed or elected as provided in that part; and

(2) As to a religious corporation subject to Part V, Part VI, or Part VII of this subtitle, the members of the vestry.

§5–301.1.

Except as otherwise provided in this subtitle or in any other provision of law, this part applies to every religious corporation formed in this State by any church.

§5–302.

(a) The adult members of a church may form a religious corporation as provided in this part.

(b) The members shall:

(1) Elect at least four individuals to act as trustees in the name of and on behalf of the church; and

(2) Prepare a plan of the church.

(c) The plan shall include:

(1) The purposes for which the religious corporation is formed;

(2) The name of the religious corporation and the church;

(3) The time and manner for election and succession of trustees; and

(4) The exact qualifications of individuals eligible:

(i) To vote at elections; and

(ii) To be elected to office.

§5–303.

The plan shall be:

(1) Entered in the record book required by § 5-307 of this subtitle; and

(2) Acknowledged by a majority of the trustees.

§5–304.

(a) The trustees shall file articles of incorporation for record with the Department.

(b) The articles of incorporation shall contain:

(1) The plan of the church;

(2) The address of the principal place of worship of the church; and

(3) The name and address of the resident agent of the church.

(c) When the Department accepts the articles of incorporation for record, the trustees become a body corporate under the name stated in the articles.

§5–305.

If a church forms a religious corporation, any assets held in trust for the church by any person shall be conveyed immediately to the religious corporation.

§5–306.

(a) The trustees have the power to:

(1) Have perpetual existence under the name of the religious corporation;

(2) Purchase, take, or acquire by gift, bequest, or in any other manner and hold any interest in any assets in the State;

(3) Use, lease, mortgage, sell, or convey the assets in the manner that the trustees consider most conducive to the interest of the religious corporation;

(4) Generally manage any assets of the religious corporation; and

(5) Adopt rules and ordinances for conducting their affairs as necessary and convenient to accomplish the purpose of the religious corporation, including:

(i) Appointing the time and place of a meeting of its members; and

(ii) Determining the number of members necessary to constitute a quorum.

(b) The provisions of this section do not authorize any sale, mortgage, or other disposition of any asset of the religious corporation which is held under an instrument prohibiting that sale, mortgage, or other disposition.

(c) By resolution, the trustees may authorize one or more of their members to:

(1) Execute any instrument required to be executed by the trustees, including any deed, mortgage, or other conveyance of assets which are to be sold, transferred, or encumbered; and

(2) Attest and affix to the instrument the corporate seal, if any.

§5–307.

(a) The trustees shall:

(1) Keep an accurate record book;

(2) Allow inspection of the record book by members of the religious corporation; and

(3) Allow the proceedings recorded in the record book to be presented before a public meeting, if required by five or more members of the religious corporation.

(b) Unless the plan provides otherwise, the trustees shall be elected and their successors continued at the time and place ordinarily used for public meetings of the church, by the individuals who, according to the custom and usage of the church, have a voice in the management and direction of congregational or temporal affairs.

(c) Unless the plan permits otherwise, the minister of the church or, if there is more than one minister, the senior minister shall be a trustee of the religious corporation, in addition to the trustees required by § 5-302(b)(1) of this subtitle.

§5–308.

(a) A religious corporation may amend its plan or charter as provided in this section.

(b) A majority of the trustees of a religious corporation proposing to amend its plan or charter shall:

(1) Adopt a resolution which declares that the amendment is advisable; and

(2) Call a meeting of the adult members of the religious corporation to vote on the amendment.

(c) Ten days written notice of the time, place, and purpose of the meeting shall be given to each adult member of the religious corporation by:

(1) Delivering it to him in person;

(2) Leaving it at his residence or usual place of business; or

(3) Mailing it to him at his address as it appears in the record book.

(d) The proposed amendment shall be approved by the affirmative vote of a majority of the adult members present at the meeting.

§5–309.

(a) If an amendment is adopted under § 5-308 of this subtitle, the religious corporation shall adopt articles of amendment which shall set forth the amendment and state that the amendment was advised by the trustees and approved by the members of the religious corporation.

(b) The articles of amendment shall:

(1) Be signed and acknowledged for the religious corporation by the trustees who declared the resolution advisable; and

(2) Have the matters and facts contained in the articles verified under oath by the chairman or secretary of the meeting of members.

(c) The trustees shall file the articles of amendment for record with the Department.

§5–310.

(a) If any contest arises over the voting rights or the fair conduct of an election:

(1) Each contending party shall appoint one individual from among the members of a neighboring church of the same religious persuasion or, if there is no such church, from among the members of any other church; and

(2) The two appointed individuals shall select a third, similarly qualified, individual.

(b) The arbitrators shall meet at the place where the contest arose and hear and determine the matter.

(c) The judgment or award of a majority of the arbitrators, signed and acknowledged by them, is final.

§5–311.

(a) Members of a church may separate from the church, form a house of worship, and employ a minister if:

(1) They are of sufficient number to form a house of worship and maintain a minister; and

(2) All debts and contracts incurred by them as members of the original church are discharged.

(b) When incorporated, the new church is entitled to the benefits of this subtitle relating to religious corporations.

§5–312.

(a) If any church organized since 1800 as a religious corporation under any law of the State did not file its plan or articles of incorporation for record in the proper office within the time required by law, but subsequently files its plan or articles of incorporation in the proper office:

(1) The church is a lawful religious corporation;

(2) The date of incorporation is the date of the plan or articles of incorporation; and

(3) If otherwise lawful, every action of the church from the date of incorporation is valid.

(b) There is a conclusive presumption in every court of the State that a plan or articles of incorporation of a religious corporation were properly filed for record in the appropriate office and that these records were lost or destroyed, if:

(1) It appears from the record book of the religious corporation or from any other source that the church adopted a valid plan or articles of incorporation; and

(2) There is no book or record in the appropriate office for recording the plan or the articles of incorporation of religious corporations.

(c) Any plan or articles of incorporation entitled to the presumption under subsection (b) of this section, shall be filed with the Department and, if the original cannot be found, the Department may record the plan or articles of incorporation from the record book of the religious corporation.

§5–313.

A bill may not be introduced at the General Assembly to amend the charter of any religious corporation, whether or not previously incorporated by special act.

§5–314.

This part applies to every religious corporation formed in this State by a congregation of the denomination of Christians known as the Roman Catholic Church.

§5–315.

The corporators of a religious corporation subject to this part shall be the following individuals, appointed or elected according to the discipline and government of the Roman Catholic Church:

(1) The ordinary of the archdiocese;

(2) The vicar-general of the archdiocese;

(3) The pastor of the congregation; and

(4) Any other individual appointed by the ordinary.

§5–316.

(a) (1) The corporators shall sign articles of incorporation for the religious corporation. These articles shall contain the information required by Part I of this subtitle.

(2) At least three of the corporators shall acknowledge the articles.

(b) The corporators shall file the articles with the Department in the same manner and with the same effect as provided in Part I of this subtitle.

§5–317.

In addition to the requirements of § 5-305 of this subtitle, if a congregation forms a religious corporation under this part, any gift, devise, or bequest made to and intended to enure to the benefit of the congregation enures to the benefit of the religious corporation, whether or not the religious corporation was designated or described accurately in the gift, devise, or bequest.

§5–318.

Subject to the discipline and government of the Roman Catholic Church, a religious corporation formed under this part has:

(1) To the extent that they are consistent with the general character of the religious corporation, the general powers set forth in § 2-103 of this article; and

(2) The powers set forth in § 5-306 of this subtitle.

§5–319.

The corporators of a religious corporation formed under this part continue to constitute the religious corporation until, according to the discipline and government of the Roman Catholic Church, their respective successors are appointed or elected to act as corporators.

§5–320.

(a) The corporators may amend the charter of a religious corporation formed under this part at any time they consider appropriate.

(b) (1) If an amendment is adopted under this section, the corporators shall adopt and sign articles of amendment for the religious corporation. These articles shall set forth the amendment and state that the amendment was approved by the corporators.

(2) At least three of the corporators shall acknowledge the articles and verify under oath the matters and facts contained in the articles.

(3) The corporators shall file the articles of amendment for record with the Department.

§5–321.

This part applies to every religious corporation formed in this State by a Methodist Church that is subject to the jurisdiction of the United Methodist Church.

§5–322.

A religious corporation subject to this part may be incorporated only in conformity with the discipline of the United Methodist Church, as authorized and declared by the general conference of that church.

§5–323.

The members of a religious corporation formed by a church under this part are the members of the charge conference of that church.

§5–324.

(a) The trustees of a Methodist Church, whether or not it is incorporated, shall be elected by its charge conference in accordance with the discipline of the United Methodist Church, as authorized and declared by the general conference of that church.

(b) As to a religious corporation subject to this part, the trustees of the church shall be the directors of the religious corporation.

§5–325.

The bylaws of a religious corporation subject to this part:

(1) Shall include, by reference or otherwise, the discipline of the United Methodist Church as from time to time authorized and declared by the general conference of that church; and

(2) May not be inconsistent with that discipline.

§5–326.

All assets owned by any Methodist Church, including any former Methodist Episcopal Church, Methodist Protestant Church, Methodist Episcopal Church, South, the Washington Methodist Conference, or Evangelical United Brethren Church, whether incorporated, unincorporated, or abandoned:

(1) Shall be held by the trustees of the church in trust for the United Methodist Church; and

(2) Are subject to the discipline, usage, and ministerial appointments of the United Methodist Church, as from time to time authorized and declared by the general conference of that church.

§5–327.

The absence of a trust clause in any deed or other conveyance executed before June 1, 1953, does not relieve or exclude a local church in any way from its Methodist connectional responsibilities or from the provisions of this part and does not absolve a local congregation or board of trustees of its responsibility to the United Methodist Church, if such an intent of the founders or the later congregations and boards of trustees is indicated by:

(1) The conveyance of the assets to the trustees of the local church or any of its predecessors;

(2) The use of the name, customs, and polity of the United Methodist Church in such a way as to be known to the community as part of this denomination; or

(3) The acceptance of the pastorate of ministers appointed by a bishop of the United Methodist Church or employed by the superintendent of the district in which the local church is located.

§5–328.

As to any local church in Garrett County that was affiliated formerly with the Evangelical United Brethren Church and that withdraws from the West Virginia United Methodist Conference, this part does not prevent the local church from retaining title to any assets controlled by it.

§5–329.

(a) Except as provided in subsection (b) of this section, this part applies to every religious corporation formed in this State by a Presbyterian Church that is subject to the jurisdiction of the United Presbyterian Church in the United States of America.

(b) This part does not apply to any Presbyterian Church incorporated by special act of the General Assembly.

§5–330.

A religious corporation subject to this part may be incorporated only in conformity with the constitution of the United Presbyterian Church in the United States of America and its successors.

§5–331.

(a) To the extent not prohibited by the Constitution of the United States or of this State, the charter of each religious corporation subject to this part and incorporated before June 1, 1957, is deemed to be amended to conform to the constitution of the United Presbyterian Church in the United States of America and its successors, as from time to time in effect.

(b) The charter of a religious corporation subject to this part may not be amended in any way that conflicts with the constitution of the United Presbyterian Church in the United States of America and its successors, as from time to time in effect.

§5–332.

(a) The trustees of a religious corporation subject to this part shall be elected by the congregation of the religious corporation in accordance with its charter.

(b) If a vacancy exists in the office of trustee and the charter of the religious corporation does not provide for filling the vacancy, the congregation of the religious corporation may fill the vacancy.

§5–333.

(a) This part applies to every religious corporation formed in this State by a parish or separate congregation that is in union with or intending to apply for union with the convention of the Protestant Episcopal Church in the Diocese of Maryland, as created by Chapter 67, Acts of 1840.

(b) (1) Except as provided in paragraph (2) of this subsection or otherwise in this part:

(i) Part I of this subtitle applies to and regulates the corporate and temporal affairs of every religious corporation described in subsection (a) of this section, including those incorporated under Chapter 24, Acts of 1798, or by special act of the General Assembly; and

(ii) To the extent not prohibited by the Constitution of the United States or of this State, the charter of each of them is deemed to be amended to conform to this subtitle until the charter otherwise is amended by the parish or separate congregation as provided in Part I of this subtitle.

(2) As to any parish or separate congregation that was incorporated before the effective date of the State Constitution of 1851 and, therefore, has an irrepealable charter, unless that parish or separate congregation accepts, uses, enjoys, or in any way avails itself of any right, privilege, or advantage granted or conferred by any statute enacted after November 3, 1891:

(i) Part I of this subtitle does not apply to the parish or separate congregation; and

(ii) The parish or separate congregation continues to be governed by the statute under which it was incorporated.

§5–334.

(a) (1) Each religious corporation subject to this part may adopt bylaws to govern its corporate and temporal affairs, including the qualifications of voters at congregational meetings and the establishment of a minimum voting age of not less than 16.

(2) Bylaws may be adopted if approved by a majority of the qualified voters voting at a regular or special congregational meeting called for that purpose.

(b) Each religious corporation subject to this part is subject at all times to:

(1) The organization, government, and discipline of the Protestant Episcopal Church in the United States of America; and

(2) The constitution and canons of that church and of the convention of the Protestant Episcopal Church in the Diocese of Maryland.

§5–335.

(a) This part does not affect the geographical boundaries of any parish, as distinguished from a separate congregation without prescribed geographical boundaries, in the Diocese of Maryland on July 1, 1973.

(b) A parish may not be subdivided into a new parish or added in whole or in part to any existing parish unless approved by a majority vote of the vestry of each parish affected by the subdivision or addition.

§5–336.

This part does not diminish or impair in any way the corporate existence or the rights, powers, and privileges of any religious corporation that was incorporated before July 1, 1973, under Chapter 24, Acts of 1798, or by special act of the General Assembly.

§5–337.

(a) This part applies to every religious corporation formed in this State by a parish or separate congregation that is in union with or intending to apply for union with the convention of the Protestant Episcopal Church in the Diocese of Easton, as created by Chapter 23, Acts of 1870.

(b) (1) Except as provided in paragraph (2) of this subsection or otherwise in this part:

(i) Part I of this subtitle applies to and regulates the corporate and temporal affairs of every religious corporation described in subsection (a) of this section, including those incorporated under Chapter 24, Acts of 1798, or by special act of the General Assembly; and

(ii) To the extent not prohibited by the Constitution of the United States or of this State, the charter of each of them is deemed to be amended to conform to this subtitle until the charter otherwise is amended by the parish or separate congregation as provided in Part I of this subtitle.

(2) As to any parish or separate congregation that was incorporated before the effective date of the Maryland Constitution of 1851 and, therefore, has an irrepealable charter, unless that parish or separate congregation accepts, uses, enjoys, or in any way avails itself of any right, privilege, or advantage granted or conferred by any statute enacted after November 3, 1891:

(i) Part I of this subtitle does not apply to the parish or separate congregation; and

(ii) The parish or separate congregation continues to be governed by the statute under which it was incorporated.

§5–338.

(a) (1) Each religious corporation subject to this part shall adopt bylaws to govern its corporate and temporal affairs.

(2) Bylaws may be adopted by a majority of the qualified voters voting at a regular or special congregational meeting called for that purpose.

(b) Each religious corporation subject to this part is subject at all times to the constitution and canons of the convention of the Protestant Episcopal Church in the Diocese of Easton and of the Protestant Episcopal Church in the United States of America.

§5–341.

(a) This part applies to every religious corporation formed in this State by a parish or separate congregation that is in union with or intending to apply for union with the convention of the Protestant Episcopal Church in the Diocese of Washington, as created by the Act of Congress approved March 16, 1896 (29 Stat. 58).

(b) (1) Except as provided in paragraph (2) of this subsection or otherwise in this part:

(i) Part I of this subtitle applies to and regulates the corporate and temporal affairs of every religious corporation described in subsection (a) of this section, including those incorporated under Chapter 24 of the Acts of the General

Assembly of 1798, under Chapter 96 of the Acts of the General Assembly of 1976, or by special Act of the General Assembly; and

(ii) To the extent not prohibited by the Constitution of the United States or of this State, the charter of each of them is deemed to be amended to conform to this subtitle until the charter otherwise is amended by the parish or separate congregation as provided in Part I of this subtitle.

(2) As to any parish or separate congregation that was incorporated before the effective date of the Maryland Constitution of 1851 and therefore has an irrepealable charter, unless that parish or separate congregation accepts, uses, enjoys, or in any way avails itself of any right, privilege, or advantage granted or conferred by any statute enacted after November 3, 1891:

(i) Part I of this subtitle does not apply to the parish or separate congregation; and

(ii) The parish or separate congregation continues to be governed by the statute under which it was incorporated.

§5–342.

(a) (1) Each religious corporation subject to this part shall adopt bylaws to govern its corporate and temporal affairs.

(2) Bylaws may be adopted by a majority of the qualified voters voting at a regular or special congregational meeting called for that purpose.

(b) Each religious corporation subject to this part is subject at all times to the constitution and canons of the convention of the Protestant Episcopal Church in the Diocese of Washington and of the Protestant Episcopal Church in the United States of America.

§5–401.

In this subtitle, "private foundation" means a Maryland corporation which is a private foundation as defined in § 509(a) of the Internal Revenue Code.

§5–402.

A private foundation may not:

(1) Engage in any act of "self-dealing", as defined in § 4941(d) of the Internal Revenue Code, which would cause any tax liability under § 4941(a) of the Internal Revenue Code;

(2) Retain any "excess business holdings", as defined in § 4943(c) of the Internal Revenue Code, which would cause any tax liability under § 4943 (a) of the Internal Revenue Code;

(3) Make any investment which would jeopardize the carrying out of any of its exempt purposes under § 4944 of the Internal Revenue Code and cause any tax liability under § 4944(a) of the Internal Revenue Code; or

(4) Make any "taxable expenditures", as defined in § 4945(d) of the Internal Revenue Code, which would cause any tax liability under § 4945(a) of the Internal Revenue Code.

§5–403.

For each taxable year, a private foundation shall distribute for the purposes specified in its charter amounts sufficient to avoid tax liability under § 4942(a) of the Internal Revenue Code.

§5–404.

The provisions of §§ 5-402 and 5-403 of this subtitle do not apply to any private foundation to the extent that a court of competent jurisdiction, under a judicial proceeding begun by the private foundation before January 1, 1972, determines that:

(1) The application of these sections is contrary to the terms of the charter or other instrument governing the private foundation or the administration of charitable funds held by it; and

(2) The charter or other governing instrument may not properly be changed to conform to these sections.

§5–405.

This subtitle does not impair the rights and powers of the courts of this State or the Attorney General of this State with respect to any corporation.

§5–501.

(a) In this subtitle the following words have the meanings indicated.

(b) "Agricultural cooperative" means a corporation organized or converted under this subtitle, which operates for the mutual benefit of its members and conforms to the following requirements:

(1) A member of the cooperative is not allowed more than one vote, regardless of the amount of stock or membership capital he may own;

(2) The cooperative does not pay dividends on stock or membership capital in excess of 12 percent per annum;

(3) The cooperative does not deal in products of nonmembers in an amount greater in value than that in which it deals for members; and

(4) After payment of every necessary expense and authorized deduction, the proceeds from the business of the cooperative are distributed to the members in proportion to the volume of business transacted by them with the cooperative.

(c) "Member" means a person who:

(1) Owns stock in a cooperative having capital stock; or

(2) Holds a certificate of membership in a cooperative not having capital stock.

§5–502.

A cooperative may be incorporated for any combination of the following purposes:

(1) Collectively to produce, process, prepare for market, handle, store, and market the products of persons engaged in the production of agricultural or fishery products;

(2) To act as a selling or buying agent for its members; and

(3) To purchase or otherwise acquire goods or services for its members.

§5–503.

(a) A cooperative may be organized by:

(1) Five or more adult individuals acting as incorporators, at least two of whom are residents of the State and each of whom is engaged in:

(i) The production of agricultural products as a farmer, planter, rancher, dairyman, bee keeper, or nut or fruit grower; or

(ii) The catching, taking, harvesting, cultivating, farming, propagating, processing, marketing, or distributing of fishery products, including fish, shellfish, crustacea, seaweed, and other aquatic forms of animal and vegetable life or their products or by-products; or

(2) Two or more cooperatives acting as incorporators.

(b) The cooperative may be organized with or without capital stock for any of the purposes enumerated in this subtitle.

§5–504.

A cooperative has the power to:

(1) Engage in or finance any activity in connection with:

(i) Producing, marketing, selling, preserving, drying, catching, taking, harvesting, cultivating, propagating, processing, canning, packing, handling, storing, purchasing, or using any agricultural or fishery products of its members or nonmember patrons or goods incidentally and customarily purchased or marketed in conjunction with these products;

(ii) Manufacturing or marketing the by-products of these products; or

(iii) The purchase, hire, or use by its members or nonmember patrons of supplies, machinery, equipment, or services;

(2) Transport the products of its members or nonmember patrons, even if in competition with licensed common carriers;

(3) Borrow money, give its notes, bonds, or other obligations for the debt, and secure payment of the debt;

(4) Make advances to its members or nonmember patrons on their products held by the cooperative;

(5) Act as an agent for or representative of any member or nonmember patron in any activity listed in items (1) through (4) of this section;

(6) Deposit or invest surplus funds in:

(i) Direct and indirect obligations of the United States, any other government, state, territory, government district, and municipality, and any instrumentality of them;

(ii) Any Maryland banking institution, or any national bank located in a state in which the cooperative has members; and

(iii) Shares or certificates of deposit of any insured savings and loan association permitted to do business in the State;

(7) Buy or otherwise acquire, hold, own, and exercise all rights of ownership in and sell, transfer, or pledge shares of the capital stock or bonds of any cooperative or any corporation or association engaged in any related activity, including the financing of the activities of cooperatives;

(8) Establish and accumulate reserves and surplus to capital and any other funds authorized by its charter or bylaws;

(9) Buy, hold, and exercise every privilege of ownership over any real or personal property necessary or convenient for or incidental to the conduct and operation of the business of the cooperative;

(10) Sue, be sued, complain, and defend in all courts;

(11) Issue stock of any class authorized by its charter;

(12) Issue certificates of indebtedness;

(13) Provide by contract with its members or nonmember patrons that any money due from the cooperative to them may be retained as necessary:

(i) To pay dividends on preferred stock or interest on certificates of indebtedness; and

(ii) To be used to retire the stock or certificates of indebtedness;

(14) Issue to each nonmember patron a certificate or other evidence of his equity in any fund, capital investment, or other assets of the cooperative, which

certificate or other evidence of equity may be transferred only to the cooperative or to another purchaser approved by the board of directors, on the terms and conditions provided in its bylaws and printed on the certificate or other evidence of equity;

(15) Do anything necessary, suitable, or proper to accomplish the purposes mentioned in this section and exercise each power, right, and privilege necessary or incidental to the purposes for which the cooperative is organized or to the activities in which it is engaged; and

(16) Exercise any other right, power, and privilege granted by the laws of the State to corporations in general, if not inconsistent with the provisions of this subtitle.

§5–505.

(a) The incorporators of a cooperative shall sign, acknowledge, and file with the Department, articles of incorporation. The articles of incorporation shall include:

(1) The name of the cooperative;

(2) The name, address, and state of residence of each incorporator;

(3) A statement of the purposes of the cooperative;

(4) The municipal area of its principal office in the State; and

(5) The name and address of its resident agent in the State.

(b) (1) If the cooperative is organized with capital stock, the articles of incorporation shall state:

(i) The number of shares of stock;

(ii) The par value of each share of stock; and

(iii) The aggregate par value of all shares of stock.

(2) A cooperative may not issue stock without par value.

(c) If the cooperative is organized without capital stock, the articles of incorporation shall state whether the property rights of its members are equal or unequal and, if unequal, the rule by which the property rights of members, including members admitted after the original organization, are to be determined.

§5–506.

The charter of a cooperative may be amended as provided in Title 2 of this article, except that:

(1) An amendment which alters the contract or property rights of any outstanding stock or of any member is not valid unless approved in person or by mail by the affirmative vote of:

(i) Two thirds of all the members; or

(ii) Two thirds of each class of members whose rights would be altered;

(2) Notwithstanding any other provision of this article, the requirement of item (1) of this section for a two-thirds vote may not be lowered by the charter of the cooperative; and

(3) Any objecting member whose contract or property rights are substantially adversely affected by the amendment, on compliance with the provisions of Title 3, Subtitle 2 of this article, has the same rights with respect to his contract and property rights as an objecting stockholder has with respect to his stock.

§5–507.

(a) Any Maryland corporation organized under the Maryland General Corporation Law which does or intends to do business on a cooperative basis may convert itself into a cooperative by amending and restating its charter in accordance with Title 2, Subtitle 6 of this article.

(b) The articles of amendment and restatement shall:

(1) State that the corporation elects to become a cooperative under this subtitle;

(2) Make every change in the charter necessary to become a cooperative; and

(3) Contain a complete restatement of the charter as amended.

§5–508.

(a) A cooperative may:

(1) Limit the sale of its common stock or membership to persons designated or described in the bylaws;

(2) Provide that a stockholder or member who ceases to belong to the class of persons designated or described in the bylaws loses his right to vote;

(3) Limit the number of shares of stock which a person may hold; and

(4) Reserve to the board of directors:

(i) The option to purchase for the cooperative the stock offered by any stockholder; and

(ii) The right to redeem the stock of any stockholder.

(b) If a cooperative exercises an option to purchase or a right to redeem, it shall pay for the stock the greater of its book value or its par value.

(c) A restriction on the ownership, transfer, or voting of stock authorized by this section is not valid unless the restriction is:

(1) Set forth in the charter; and

(2) Printed on any stock subscription document and the stock certificate.

§5–509.

A stock certificate may not be issued to any subscriber until the stock is full paid. In a cooperative organized without capital stock, a certificate of membership may not be issued to any person until the membership fee is paid in full.

§5–510.

(a) Except for an electric or transportation cooperative, a person may not use the term "cooperative" as part of his corporate or business name unless he has complied with the provisions of this subtitle.

(b) A foreign corporation organized under and complying with the cooperative law of the place where it was organized may use the term "cooperative" in this State if it:

(1) Complies with the laws of this State applicable to foreign corporations; and

(2) Does business as a cooperative.

(c) Every cooperative shall use the term "cooperative" as part of or affixed to its corporate name.

§5–511.

(a) Within 30 days after the Department accepts for record the articles of incorporation of a cooperative or the articles of amendment and restatement of a corporation converting into a cooperative, the cooperative shall adopt bylaws not inconsistent with law or its charter for the regulation and management of its affairs.

(b) The bylaws of a cooperative may be adopted, altered, amended, or repealed only by the affirmative vote of two thirds of the members voting in person or by mail.

(c) The original or a certified copy of the bylaws and all amendments shall be kept at the principal office of the cooperative.

§5–512.

(a) The business and affairs of a cooperative shall be managed under the direction of a board of directors.

(b) Every cooperative shall have at least five directors, at least two of whom are residents of the State and each of whom is a member of the cooperative or of a member cooperative.

§5–513.

(a) Until the first annual meeting of members and until successors are elected and qualify, the board of directors consists of:

(1) The individuals named as directors in the charter; or

(2) If no directors are named, the incorporators.

(b) (1) The directors shall be elected by the members.

(2) Unless the bylaws provide otherwise, the directors shall be elected at the first annual meeting of members and at each subsequent annual meeting and shall hold office until the next annual meeting and until their successors are elected and qualify.

§5–514.

(a) Subject to the provisions of this section, the bylaws may provide for:

(1) The division into districts of the territory in which the cooperative has members; and

(2) The election of directors according to these districts by the members residing in them.

(b) If there is a provision for election by districts, the bylaws shall specify:

(1) The number of directors to be elected from each district; and

(2) The manner and method of apportioning or reapportioning the directors and of districting or redistricting the territory.

(c) If there is a provision for election by districts, the bylaws shall require that:

(1) Primary elections be held in each district;

(2) The number of candidates in each district be greater than the number of directors to be elected in the district; and

(3) The result of the primary elections in each district be ratified at the next regular meeting of the cooperative by majority vote of the members voting in person or by mail.

§5–515.

(a) If a vacancy on the board of directors occurs other than by expiration of term, the remaining members of the board shall fill the vacancy by majority vote.

(b) If the bylaws provide for an election of directors by districts, a replacement director shall represent the district for which the vacancy has occurred.

§5–516.

(a) A cooperative may provide a fair remuneration for the time its officers and directors spend in its service.

(b) During his term of office, a director may not be a party to a contract for profit with the cooperative if the contract differs in any way from the business relations with the cooperative accorded its other members.

§5–517.

(a) Each cooperative shall have the following officers:

(1) A president;

(2) A vice president;

(3) A secretary; and

(4) A treasurer.

(b) In addition to the required officers, a cooperative may have any other officer provided for in the bylaws.

(c) The president and vice president shall be elected from among the directors.

§5–518.

(a) (1) Any member of a cooperative may bring charges of misconduct or incompetency against a director by filing with the secretary of the cooperative a written petition signed by 10 percent of the members or 25 members, whichever is less, specifying the charges and requesting removal of the director.

(2) The question of removal shall be voted on at the next regular or special meeting of the cooperative.

(3) Before the meeting is held, the director against whom charges are brought shall be informed in writing of the charges, and both the director and the member bringing the charges shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses.

(4) The removal of a director shall be by the affirmative vote of a majority of the members voting in person or by mail.

(b) (1) If the board of directors in its judgment finds that the best interests of the cooperative will be served, it may remove any officer of the cooperative.

(2) The removal of an officer does not prejudice any of his contract rights.

§5–519.

(a) (1) Every cooperative shall hold an annual meeting of its members to elect directors and to transact any other business within its powers.

(2) The meeting shall be held:

(i) At the time provided in the bylaws; or

(ii) If the bylaws specify a period not exceeding 31 days during which the meeting may be held, at a time within that period set by the board of directors.

(b) The bylaws may provide for additional regular meetings.

(c) (1) The board of directors may call a special meeting at any time.

(2) Ten percent of the members may demand a special meeting at any time by filing a petition which states the specific business to be brought before the meeting, and the board of directors then shall call the meeting.

(d) Notice of each meeting shall be mailed to each member at least ten days before the meeting and, if a special meeting is called, the notice shall state the purpose of the meeting.

§5–520.

(a) The bylaws of a cooperative shall state the number or percentage of the members necessary to constitute a quorum at a meeting.

(b) A member who votes by mail may not be counted in computing a quorum.

§5–521.

(a) A member of a cooperative organized without capital stock and a holder of stock, whether common or preferred, is entitled to only one vote.

(b) Voting by proxy is prohibited in any cooperative. Voting by mail is not voting by proxy.

(c) At any meeting of members, a signed written vote received by mail from any absent member may be read at the meeting and is equivalent to a vote of the member if:

(1) The member was notified in writing of the exact motion or resolution on which the vote is taken; and

(2) A copy of the motion or resolution is attached to the vote mailed by him.

§5–522.

(a) If otherwise lawful, a member may contract with his cooperative to sell his products to or through or buy goods from or through the cooperative or its facilities.

(b) The contract may be made self-renewing for periods up to five years, subject to notice to be given by either party at least 60 days before the contract expires if he desires not to renew.

(c) The contract may provide for liquidated damages to be paid by the member for breach of contract.

(d) In the event of a breach or threatened breach of the contract by a member, the cooperative may obtain an injunction to prevent the breach and a decree for specific performance of the contract.

§5–523.

A cooperative may be a member of any other cooperative.

§5–524.

(a) The board of directors of a cooperative by resolution may authorize the cooperative to enter into agreements for conducting its business with any other Maryland or foreign cooperative, association, or corporation formed on a cooperative basis.

(b) These cooperatives, associations, and corporations may agree to unite in using or may separately use the same methods, means, and agencies for conducting their respective business.

(c) These cooperatives, associations, and corporations may use common marketing agencies and their members may make any necessary agreements to effect these purposes.

§5–525.

(a) At the time and in the manner which its bylaws provide, each cooperative shall apportion and distribute its net proceeds or savings to the persons entitled to receive them on the basis of their patronage.

(b) The bylaws may provide:

(1) That the apportionment and distribution of the net proceeds or savings may be restricted to members or be made at the same or different rates for members and nonmember patrons;

(2) For any reasonable apportionment and charging of net losses;

(3) That any distribution to a nonmember eligible for membership may be credited to him until the amount credited equals the value of a membership certificate or a share of the common stock of the cooperatives; and

(4) The minimum amount of any single patronage transaction which will be considered for the purpose of participation in an allocation or distribution of net proceeds, savings, or losses under this section.

(c) An apportionment and distribution of net proceeds or savings may be in cash, credits, capital stock, certificates of interest, certificates of equity, revolving fund certificates, letters of advice, or other securities or certificates issued by the cooperative or by any affiliated Maryland or foreign cooperative.

(d) Apportionment and distribution of net proceeds, savings, or losses may be separately determined and based on:

(1) The patronage of single or multiple pools or particular departments of the cooperative;

(2) The patronage as to particular commodities, supplies, or services; or

(3) The classification of patronage according to its type.

(e) For purposes of this section, net proceeds, savings, or losses shall be computed in accordance with generally accepted accounting principles applicable to

cooperatives, after deducting from gross proceeds or savings all costs and expenses of operation and any dividends paid on capital stock and interest paid on certificates or other evidence of equity in any fund, capital investment, or other assets of the cooperative.

§5–526.

(a) (1) A cooperative may operate as an agent to sell the products of its members or nonmember patrons on a nonprofit basis by contracting to pay the members or nonmember patrons the resale price for products sold by them to or through the cooperative, less a uniform charge to cover the expenses involved in the handling of these products.

(2) The resale price shall be:

(i) The actual resale price; or

(ii) A price based on the average price during any period for products of the same type and quality.

(3) The uniform charge for expenses shall be:

(i) Specified in the contract;

(ii) Made otherwise ascertainable; or

(iii) Left for determination by the directors.

(b) A cooperative desiring to purchase goods or obtain or perform services under this subtitle may operate on a nonprofit basis in a manner similar to that described in this section.

§5–527.

(a) A cooperative may consolidate, merge, participate in a share exchange, transfer assets, or dissolve in the manner provided in Title 3 of this article for stock corporations in general.

(b) For purposes of this section, an objecting member has the same rights with respect to his contract and property rights as an objecting stockholder has with respect to his stock under Title 3, Subtitle 2 of this article.

§5–528.

(a) If a cooperative purchases the business of another person, it may pay for the purchase in whole or in part by issuing to the seller certificates of indebtedness or shares of its capital stock in an amount which at par value would equal the fair market value of the business purchased.

(b) A transfer to the cooperative of the business at this valuation is equivalent to payment in cash for the stock issued.

(c) The directors of the purchasing cooperative may hold the stock in trust for the seller and dispose of it in a manner mutually satisfactory to the parties in interest. The directors also may pay the proceeds from the stock to the seller as they are received.

§5–529.

(a) If raw agricultural products are delivered by members to a cooperative association under marketing contracts which entitle the members to net proceeds from the sale of the products in their raw or processed state and subject the members to assessments in the event of an operating loss, the financial statements for associations engaged in handling raw agricultural products shall be audited by the association's independent certified public accountant. The audit shall be made in accordance with generally accepted auditing standards. Copies of the financial statements together with the independent certified public accountant's report on the examination of the association's financial statements shall be furnished to each member or stockholder of the association and the Maryland Secretary of Agriculture on an annual basis. An independent certified public accountant and legal counsel shall be appointed by the association's board of directors. The certified public accountant shall explain the report orally to the board of directors and shall also certify to the Secretary of Agriculture that the audit has been made in accordance with generally accepted auditing standards.

(b) The requirements of this section shall be met also by all foreign cooperative associations engaged in handling raw agricultural products that have one or more Maryland residents as members or stockholders.

§5–530.

(a) A cooperative is not a combination in restraint of trade, an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

(b) A marketing agreement authorized by this subtitle is not illegal or in restraint of trade.

§5–531.

The Maryland General Corporation Law applies to every cooperative except to the extent that the Maryland General Corporation Law:

(1) Expressly exempts cooperatives; or

(2) Is contrary to or inconsistent with the provisions of this subtitle.

§5–532.

(a) (1) Any person who violates the provisions of § 5-510 (a) or (b) of this subtitle which restrict the use of the term "cooperative" is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $500 or imprisonment not exceeding six months or both.

(2) Any corporation which violates the provisions of § 5-510 (a) or (b) of this subtitle shall have its right to do business in the State revoked in a proceeding brought in the circuit court of the county where its office is located.

(b) Any cooperative which violates any provision of this subtitle or of the Maryland General Corporation Law applicable to cooperatives shall have its right to do business in this State revoked in a proceeding brought in the circuit court of the county where its office is located.

§5–5A–01.

This subtitle does not apply to any cooperative existing or organized under Subtitle 5 (Agricultural Cooperatives) of this title.

§5–5A–02.

(a) In this subtitle the following words have the meanings indicated.

(b) (1) "Consumer cooperative" or "cooperative" means a corporation converted or organized under this subtitle, which operates or intends to operate on a cooperative basis for the mutual benefit of its members, subscribers, and patrons and conforms to this subtitle.

(2) "Consumer cooperative" does not include credit unions.

(c) "Cooperative basis" as applied to any entity or corporation referred to in this subtitle means:

(1) Except as otherwise provided in the case of a federated cooperative in § 5–5A–20 of this subtitle, that each member has only 1 vote and that proxy voting is prohibited;

(2) That the annual return on stock or membership capital does not exceed the allowable amount specified in the articles of incorporation or bylaws of the cooperative;

(3) That the net savings of the entity must be distributed in accordance with § 5–5A–22 of this subtitle;

(4) That membership in the entity must be available on a voluntary basis and be open to all persons who can make use of its services and are willing to accept the responsibilities of membership; and

(5) That the entity is engaged in providing goods or services for the primary and mutual benefit of the membership.

(d) "Delegate" means a representative of the members elected either from the membership at large or from specific geographic districts or groups of members as defined in the bylaws.

(e) "Federated cooperative" means a cooperative which is primarily owned and controlled by, and provides goods or services to entities operating on a cooperative basis.

(f) "Foreign cooperative" means an entity operating on a cooperative basis which is organized or incorporated under the laws of a state other than Maryland.

(g) "Member" means a person or household who has been qualified and accepted for membership in a cooperative according to its bylaws.

(h) "Membership capital" means a member's capital contribution to the cooperative to secure the benefits of membership in the cooperative.

(i) "Net savings" means a cooperative's total income minus the cost of operation, including reserves.

(j) "Person" means a natural person or any incorporated or unincorporated entity.

(k) "Savings return" means any payment or allocation made by the cooperative out of net savings which is computed on the basis of the patron's business with the cooperative and refunded in accordance with § 5–5A–22 of this subtitle.

(l) "Subscriber" means any person or entity eligible for membership and legally obligated to purchase a share or shares of, or membership in, the cooperative in accordance with its bylaws.

§5–5A–03.

A consumer cooperative or a federated cooperative may be incorporated under this subtitle and engage in any lawful business to acquire, produce, manufacture, furnish, or distribute any goods or services on a cooperative basis for the mutual benefit of its members and patrons or the members and patrons of any member cooperative, or both.

§5–5A–04.

Any 5 or more adult individuals, or 2 or more entities operating on a cooperative basis, may incorporate under this subtitle.

§5–5A–05.

(a) A cooperative may be formed as a stock corporation or as a nonstock corporation.

(b) Membership interests may be evidenced by certificates of stock, certificates of membership, or notification of credit to a member's capital or ownership account.

§5–5A–06.

Except for powers inconsistent with this subtitle, each cooperative may exercise all powers granted to ordinary business corporations under the general corporation laws of Maryland and all powers which may be necessary, convenient, or expedient for the accomplishment of its purposes.

§5–5A–07.

(a) Within the limitations of this subtitle, the articles of incorporation or bylaws of a consumer cooperative shall contain:

(1) The name of the cooperative, which shall include the word "cooperative" or the abbreviation "co–op";

(2) The name, address, and state of residence of each incorporator;

(3) A statement of the purposes of the cooperative;

(4) The address of its principal office in the State; and

(5) The name and address of its resident agent in the State.

(b) (1) If the cooperative is organized with capital stock, the articles of incorporation shall state:

(i) The number of authorized shares of stock;

(ii) The par value of each share of stock; and

(iii) The aggregate par value of all authorized shares of stock.

(2) A cooperative may not issue stock without par value.

(c) If the cooperative is organized without capital stock, the articles of incorporation shall state whether the property rights of its members are equal or unequal, and, if unequal, the rule by which the property rights of members, including members admitted after the original organization, are to be determined.

(d) The articles shall state the method by which any surplus existing upon dissolution of the cooperative may be distributed as a gift to another cooperative or to a nonprofit, tax–exempt enterprise.

(e) The articles may also contain any other provisions not inconsistent with the law of this State or with this subtitle for the conduct of the cooperative's affairs.

§5–5A–08.

(a) A cooperative may limit in its articles of incorporation the number of shares of stock that a person may hold.

(b) If a member desires to withdraw from a consumer cooperative or dispose of any or all of the member's interest in the cooperative, the directors of the cooperative have the option to purchase that interest by paying the par value or book value, whichever is less, of any or all of the interest offered.

(c) If the cooperative fails, within 60 days of the original offer, to purchase all or any part of the interest offered, the member may sell the unpurchased interest to a purchaser who is eligible for membership in the cooperative.

(d) A consumer cooperative may provide in its articles of incorporation for a class of nonvoting capital stock or a class of nonstock voting membership.

(e) A consumer cooperative organized with voting stock may amend its articles of incorporation to provide for conversion of its voting stock at par value, to nonstock voting memberships. When that conversion occurs, voting stock shall convert to nonvoting capital stock of par value or, at the holder's election, to a nonstock voting membership.

(f) A nonstock voting membership shall be continuing unless terminated by:

(1) A written request from the member; or

(2) The member's failure to comply with the articles of incorporation or bylaws of the cooperative after receiving notice as required in the bylaws.

§5–5A–09.

If a corporation chartered under the general corporation law of this State converts into a consumer cooperative and conducts itself according to the principles outlined in this subtitle, the board of directors of the corporation may by a majority vote adopt a name that includes the word "cooperative" or any variation or abbreviation thereof.

§5–5A–10.

The following cooperatives are entitled to use the word "cooperative", or any abbreviation or derivation thereof, as part of their business names, or to represent themselves in their advertising or otherwise as conducting business on a cooperative basis:

(1) Cooperatives organized under this subtitle or Subtitle 5, Agricultural Cooperatives;

(2) Entities organized under any other law of this State that are operated on a cooperative basis;

(3) Foreign corporations operating on a cooperative basis and authorized to do business in this State; or

(4) Housing cooperatives.

§5–5A–11.

(a) Within 30 days after incorporation as a cooperative or within 30 days after the filing of articles of amendment and restatement of a corporation converting to a cooperative, the cooperative shall adopt bylaws not inconsistent with this subtitle for the regulation and management of its affairs.

(b) (1) The initial bylaws of a cooperative may be adopted by the temporary board of directors.

(2) (i) Thereafter, bylaws may be adopted and amended only by the members, unless the members adopt a bylaw which permits the board of directors or delegates of the membership to adopt and amend specific bylaws.

(ii) Any bylaw adopted or amended by the board of directors or by delegates shall be reported at the next regular membership meeting.

§5–5A–12.

(a) The business and affairs of a cooperative shall be managed under the direction of a board of directors. Every cooperative shall have at least 5 directors.

(b) Except in the case of foreign cooperatives, at least 2 of the directors shall be residents of this State.

(c) Each director shall be a member of the cooperative or of a member cooperative.

§5–5A–13.

(a) Until the first annual meeting of members and until successors are elected and qualified, the board of directors shall consist of:

(1) Individuals named as directors in the articles; or

(2) If no directors are named, the incorporators.

(b) (1) The directors shall be elected by the members or by delegates of the members.

(2) Unless the bylaws provide otherwise, the directors shall be elected at the first annual membership meeting and at each subsequent annual membership meeting, and shall hold office until the next annual membership meeting and until their successors are elected and qualified.

(3) The bylaws may provide for staggered terms of directors and delegates.

§5–5A–14.

(a) The bylaws may provide for election of directors and delegates of members by district or by interest groups.

(b) The bylaws shall specify the number and manner of apportioning directors and delegates of members.

§5–5A–15.

(a) Each cooperative shall have the following officers:

(1) President or chairman;

(2) Vice president or vice chairman;

(3) Secretary; and

(4) Treasurer.

(b) The offices of secretary and treasurer may be combined.

(c) In addition to the required officers, a cooperative may have any other officers provided for in the bylaws.

(d) The president or chairman and vice president or vice chairman shall be elected by and from among the directors.

§5–5A–16.

The bylaws of a cooperative shall provide for the process of removal of directors, officers, and delegates.

§5–5A–17.

The bylaws of a cooperative may provide for remuneration of its officers and directors.

§5–5A–18.

A person shall be eligible for membership in a cooperative if the qualifications for membership as stated in the bylaws have been met.

§5–5A–19.

(a) (1) Every cooperative shall hold at least an annual meeting of its members, or the delegates of its members, to elect directors and to transact any other business within its powers.

(2) The annual meeting shall be held at the time provided in the bylaws at the principal office or any other place as determined by the board of directors.

(b) (1) The board of directors may call a special meeting at any time.

(2) Ten percent of the members or a lesser number as provided in the bylaws may request a special meeting at any time by filing a petition which states the specific business to be brought before the meeting, and the board of directors shall then call the meeting.

(3) Two-thirds of the delegate body of the membership may call a special meeting of the membership at any time.

(c) Notice of each membership meeting shall be mailed to each member at least 15 but not more than 90 days before the meeting, and, if a special meeting is called, the notice shall state the purpose of the meeting.

(d) Unless the bylaws provide otherwise, a quorum is present:

(1) At a membership meeting if 5 percent of the members are present in person or present by mail ballot; and

(2) At a meeting of the delegates of the membership if 50 percent of the delegates are present in person.

§5–5A–20.

(a) Only members shall be entitled to vote in a cooperative.

(b) Except as to federated cooperatives, the bylaws of a cooperative shall provide for voting on a 1 vote per member basis.

(c) In a federated cooperative, the voting rights of members may be prescribed in the articles of incorporation or bylaws. Voting may not be based solely

on the amount of investment by a member or on membership capital attributable to a member.

(d) Voting by mail may be permitted as provided in the articles of incorporation or bylaws of a cooperative.

(e) (1) Subject to the provisions of this subtitle, the bylaws of a cooperative may provide for the nomination and election of delegates to represent the membership.

(2) Where election of delegates has been provided for in the bylaws, unless otherwise stated in the bylaws, a reference in the bylaws to members will be considered to be a reference to delegates.

§5–5A–21.

(a) (1) Amendments to the articles of incorporation may be proposed by a two-thirds vote of the board of directors, by one-third of the delegates present and voting, or by petition of 10 percent of the cooperative's members.

(2) Notice of the meeting to consider amendments shall be sent by the secretary at least 30 days before the meeting to each member at the member's last known address, accompanied by the full text of the proposal and by that part of the articles to be amended.

(3) Two-thirds of the members voting may adopt that amendment. The power to amend the articles of incorporation is reserved to the members.

(b) Bylaws shall be adopted, amended or repealed by at least a majority vote of the members voting. If the cooperative has adopted a delegate system, the bylaws may be amended by two-thirds of those delegates present and voting.

§5–5A–22.

(a) At least annually the directors of the cooperative, as the articles of incorporation or bylaws may provide, shall apportion the net savings of the cooperative in the following order:

(1) An adequate portion of the net savings may be placed in a reserve fund, as specified in the bylaws.

(2) A return on stock and membership capital may be paid, not to exceed the allowable annual return as specified in the articles of incorporation or bylaws.

(3) The remainder may be:

(i) Allocated as savings return to members, patrons, or subscribers, in proportion to their individual patronage;

(ii) Allocated to individual members' equity accounts;

(iii) Accumulated in the cooperative's general fund as unallocated member equity; or

(iv) Distributed in some proportion of subparagraphs (i), (ii), and (iii) of this paragraph.

(b) The following provisions shall prevail when any of the net savings are allocated as savings returns:

(1) In the case of a subscriber patron, the proportionate amount of net savings may, as the articles of incorporation or bylaws of the cooperative provide:

(i) Be distributed to the subscriber patron;

(ii) Be set aside in the general funds of the cooperative; or

(iii) Be credited to the subscriber patron's account until the minimum amount of capital necessary for membership is accumulated. When a sum equal to the minimum capital has accumulated subject to paragraph (2) of this subsection, the subscriber patron will become a member if the subscriber patron agrees and requests; or

(2) (i) If within a period of time specified in the bylaws, a subscriber patron has not accumulated and paid the amount of capital subscribed for, or necessary for membership, as specified in its articles of incorporation or bylaws, or if a nonmember has accumulated in the nonmember's account the sum necessary for membership, or has accumulated the sum but, within 30 days of being notified of the accumulation, neither requests nor agrees to become a member, or fails to comply with the provisions of this subtitle or the bylaws for admission to membership, then the amount so accumulated or paid may, if the articles of incorporation or bylaws provide, be added to the general funds of the cooperative.

(ii) Thereafter no subscriber patron or nonmember may have any further rights in that paid-in capital or accumulated credits.

(c) This subtitle does not prevent a cooperative engaged in providing goods, facilities, or services from using the net savings in a manner calculated to lower the fees charged for goods, facilities, or services or otherwise to further the common benefit of the members.

(d) This subtitle does not prevent a cooperative from adopting a system by which the payment of net savings, which would otherwise be distributed, is deferred for a fixed period of time, nor from adopting a system by which the net savings distributed are partly in cash, stock, membership capital, debt instruments, goods, or services.

§5–5A–23.

(a) (1) Each cooperative shall have an audit committee as specified in its bylaws.

(2) At least annually, the audit committee shall audit, or cause to have audited, the affairs of the cooperative and make a full report on the audit to the board of directors, the meeting of delegates, and the annual membership meeting.

(3) A report for the previous fiscal year shall be read or presented in written form at the annual meeting of members of the cooperative and kept with the records of the cooperative.

(b) Every cooperative shall prepare within 120 days of the close of its operations for each fiscal year, as specified in its articles of incorporation or bylaws, a report of its conditions which shall be available for inspection by the members of the cooperative. The report shall state, at a minimum:

(1) The names, addresses, occupations, and date of expiration of the terms of the directors and officers;

(2) The amount and nature of the cooperative's authorized, subscribed, and paid-in capital, the par value of its stock, and the rate at which any return upon capital has been paid. For nonstock cooperatives, the annual report shall state the total number of members and the amount of membership equity received or allocated;

(3) The annual receipts, annual expenditures, assets, and liabilities of the cooperative; and

(4) The audit committee report or the report of the auditors.

(c) A copy of this annual report shall be kept on file at the principal office of the cooperative and be made available to the members during regular business hours.

§5–5A–24.

(a) (1) Except as provided in paragraph (2) of this subsection, a cooperative may consolidate, merge, transfer assets, dissolve, or divide in the manner provided in Title 3 of this article.

(2) (i) In the case of a cooperative with more than 10,000 voting members, wherever Title 3 of this article requires the affirmative vote of the members or stockholders, the members and stockholders entitled to vote shall approve the consolidation, merger, transfer of assets, dissolution, or division in the manner provided for in § 5–5A–21(a)(3) of this subtitle for amendments to the articles of incorporation.

(ii) This provision is reserved for the members and may not be the prerogative of the delegates.

(b) (1) A cooperative may, with proper notice, at any regular or special meeting of its members, be dissolved by a vote of two–thirds of the membership voting in person or by mail ballot. This right of dissolution is a right reserved for the membership and not the right of the delegates.

(2) On affirmative vote to dissolve the cooperative, 3 members shall be elected as trustees by a majority vote of the members voting at that regular or special meeting.

(3) The trustees, on behalf of the cooperative and within a time fixed in their designation or within any extension thereof, shall liquidate the assets of the cooperative and distribute the assets in the manner set forth in this section.

(c) A suit for involuntary dissolution of the cooperative organized under this subtitle may be instituted for the causes and prosecuted in the manner set forth in the general corporate law of Maryland. Assets shall be distributed in a manner set forth in this subtitle.

(d) When a cooperative is dissolved, its assets shall be distributed in the following manner and order:

(1) By paying its debts and expenses;

(2) By returning to the members the lesser of par value or book value of their shares, their membership capital, or allocated equity;

(3) By returning to the subscribers the lesser of par value or book value of amounts paid on their subscriptions;

(4) By returning to eligible patrons the lesser of par value or book value of the amount of net savings credited to their accounts toward the purchase of shares or membership; and

(5) By distributing any surplus as a gift to another cooperative or to a nonprofit, tax–exempt enterprise.

§5–5A–25.

(a) (1) A cooperative may divide itself into 2 or more cooperatives under this subtitle.

(2) A written plan of division shall be prepared by the board or by a committee selected by the board for that purpose.

(3) The plan shall set forth all the terms of the division and its proposed effect on all members and stockholders of the cooperative.

(4) The plan shall contain the articles of incorporation of each new cooperative being formed and any amendments to the articles of incorporation of the remaining cooperative.

(b) The members and stockholders entitled to vote shall approve the plan in the manner provided for amendments to the articles of incorporation. This provision is reserved for the members and may not be the prerogative of the delegates.

(c) (1) Articles of division shall set forth the approved plan and shall be filed and recorded as an amendment to the articles of incorporation.

(2) Each part of the plan that contains the articles of incorporation of a new cooperative shall be filed separately and recorded as articles of incorporation for the new cooperative.

§5–5A–26.

(a) (1) Any entity operating on a cooperative basis as of the effective date of this subtitle may elect to secure the benefits of and be bound by this subtitle.

(2) If the entity elects to secure the benefits of this subtitle, it shall amend its articles and bylaws to conform with this subtitle.

(3) Consumer cooperatives organized before July 1, 1985, shall be considered to be in compliance, except that any subsequent amendments to their articles of incorporation or bylaws shall conform to this subtitle.

(b) All consumer cooperatives organized on or after July 1, 1985, shall conform to this subtitle.

§5–5A–27.

The fact that economic activity of a cooperative or of a cooperative's subsidiaries or related entities is organized under this subtitle may not in itself cause the activity to be considered a conspiracy, a combination in restraint of trade, an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

§5–5A–28.

Cooperative stock, membership interest, or other evidence of membership capital is not a security under the Maryland Securities Act or any law related to that Act.

§5–5A–29.

The Maryland General Corporation Laws are applicable to cooperatives, except to the extent that the Maryland General Corporation Law expressly exempts cooperatives or is contrary to or inconsistent with this subtitle.

§5–5A–30.

This subtitle may be cited as the "Maryland Consumer Cooperative Act".

§5–601.

(a) In this subtitle the following words have the meanings indicated.

(b) "Commission" means the Public Service Commission.

(c) "Cooperative" means a corporation that:

(1) Is organized under this subtitle; or

(2) Becomes subject to this subtitle in the manner provided in this subtitle.

(d) "Electric plant" means the material, equipment, and property owned by a cooperative and used or to be used for or in connection with electric service.

(e) "Member" means a person or household that has been qualified and accepted for membership in a cooperative in accordance with its bylaws.

(f) "Member–regulated cooperative" means a cooperative:

(1) That provides retail electric service to its members on the Eastern Shore of Maryland; and

(2) Whose board of directors has passed a binding resolution to operate as a member–regulated cooperative.

(g) (1) "Person" has the meaning stated in § 1–101 of this article.

(2) "Person" includes:

(i) The State;

(ii) A county, municipal corporation, or other political subdivision of the State; and

(iii) A unit of federal, State, or local government.

§5–602.

(a) This subtitle shall be construed liberally.

(b) The listing of one thing may not be construed to exclude similar things.

§5–605.

A cooperative, nonprofit, membership corporation may be organized under this subtitle for the purpose of supplying, promoting, and extending the use of electricity.

§5–606.

Five or more individuals or one or more cooperatives may organize a cooperative in the manner provided in this subtitle.

§5–607.

(a) A cooperative has the power to:

(1) Sue and be sued in its corporate name;

(2) Have perpetual existence;

(3) Adopt and alter a corporate seal;

(4) Generate, manufacture, purchase, acquire, accumulate, and transmit electricity;

(5) Distribute, sell, supply, and dispose of electricity to:

(i) Its members;

(ii) Governmental agencies and political subdivisions; and

(iii) Other persons not exceeding 10% of the number of its members;

(6) Assist persons to whom the cooperative supplies or will supply electricity in wiring their premises by:

(i) Providing financing or other assistance; or

(ii) Wiring or causing the premises to be wired;

(7) Assist persons to whom the cooperative supplies or will supply electricity in acquiring and installing electrical and plumbing appliances, equipment, fixtures, and apparatus by:

(i) Providing financing or other assistance;

(ii) Wiring or causing the premises to be wired; or

(iii) Purchasing, acquiring, leasing as lessor or lessee, selling, distributing, installing, and repairing electrical and plumbing appliances, equipment, fixtures, and apparatus;

(8) Assist persons to whom the cooperative supplies or will supply electricity in constructing, equipping, maintaining, and operating electric cold storage or processing plants, by providing financing or other assistance;

(9) Construct, purchase, lease as lessee, or otherwise acquire electric transmission and distribution lines or systems, electric generating plants, electric cold storage or processing plants, electric plants, and any other assets considered necessary, convenient, or appropriate to accomplish the purpose for which the cooperative is organized;

(10) Equip, maintain, and operate electric transmission and distribution lines or systems, electric generating plants, electric cold storage or processing plants, electric plants, and any other assets considered necessary, convenient, or appropriate to accomplish the purpose for which the cooperative is organized;

(11) Sell, assign, convey, lease as lessor, mortgage, pledge, or otherwise dispose of or encumber electric transmission and distribution lines or systems, electric generating plants, electric cold storage or processing plants, electric plants, and any other assets considered necessary, convenient, or appropriate to accomplish the purpose for which the cooperative is organized;

(12) Construct, maintain, or operate or allow others to construct, maintain, or operate conducting or communications facilities that furnish telecommunications, broadband Internet access, or related services, along, on, under, or across:

(i) Real property, personal property, rights–of–way, and easements owned, held, or otherwise used by the cooperative; and

(ii) Publicly owned lands, roadways, and public ways, with the prior consent of the governing body of the municipal corporation or county in which the facilities are proposed to be constructed and under any reasonable regulations and conditions imposed by the governing body of the municipal corporation or county;

(13) Purchase, lease as lessee, or otherwise acquire, use and exercise, and sell, assign, convey, mortgage, pledge, or otherwise dispose of or encumber, franchises, rights, privileges, licenses, and easements;

(14) Borrow money and otherwise contract indebtedness, issue notes, bonds, and other evidences of indebtedness, and secure the payment of those instruments by mortgage, pledge, or deed of trust, or any other encumbrance on any of its assets, revenues, or income;

(15) Construct, maintain, and operate electric transmission and distribution lines along, on, under, and across publicly owned lands, roadways, and public ways, with the prior consent of the governing body of the municipal corporation

or county in which the lines are proposed to be constructed and under any reasonable regulations and conditions required in the consent;

(16) Exercise the power of condemnation in the manner provided by the law of this State for the exercise of that power by other corporations that construct or operate electric transmission and distribution lines or systems;

(17) Become a member of or own stock in other cooperatives or corporations;

(18) Conduct its business and exercise its powers in any state, territory, district, and possession of the United States and in any foreign country;

(19) Adopt, amend, and repeal bylaws; and

(20) Do any other act and exercise any other power that may be necessary, convenient, or appropriate to accomplish the purpose for which the cooperative is organized.

(b) A cooperative that furnishes electric cold storage or processing plant service is not considered to be distributing, selling, supplying, or disposing of electricity under subsection (a)(5)(iii) of this section solely on that account.

(c) To ensure that electric customers do not subsidize the cost of broadband services, an electric cooperative shall allocate properly all costs incurred under subsection (a)(12) of this section between electricity–related services and broadband services.

§5–608.

(a) The articles of incorporation of a cooperative shall contain:

(1) The name of the cooperative;

(2) The address of the principal office of the cooperative;

(3) The name and address of the resident agent of the cooperative;

(4) The name and address of each incorporator;

(5) The name and address of each director; and

(6) A statement that the articles are executed in accordance with this subtitle.

(b) The articles of incorporation of a cooperative may contain any provision that:

(1) Is consistent with this subtitle; and

(2) Is considered necessary or advisable for the conduct of the business of the cooperative.

(c) The articles of incorporation need not state the purpose for which the cooperative is organized or any of its corporate powers.

(d) The articles of incorporation shall be signed by each incorporator and acknowledged by at least two of the incorporators, or on their behalf, if they are cooperatives.

§5–609.

(a) A cooperative may amend its articles of incorporation as provided in this section.

(b) (1) A proposed amendment shall be submitted for consideration at an annual or special meeting of the members of the cooperative.

(2) The proposed amendment shall be included in or attached to the notice of the meeting.

(3) The proposed amendment and any change to the proposed amendment shall be approved by the affirmative vote of not less than two-thirds of the members voting on the matter.

(c) If the proposed amendment and any change to the proposed amendment are approved by the members as provided in subsection (b) of this section:

(1) Articles of amendment shall be signed and acknowledged for the cooperative by its chairman or vice-chairman and attested by its secretary; and

(2) The seal of the cooperative shall be affixed to the articles.

(d) The articles of amendment shall contain:

(1) The name of the cooperative;

(2) The address of the principal office of the cooperative;

(3) The amendment to the articles of incorporation; and

(4) A statement that the articles are executed in accordance with this subtitle.

(e) The chairman or vice-chairman who signs the articles of amendment for the cooperative shall make and attach to the articles an affidavit stating that the cooperative has complied with the provisions of this section that relate to the articles.

§5–610.

(a) (1) Except as provided in paragraph (2) of this subsection, the name of a cooperative or foreign corporation doing business in the State under this subtitle shall include:

(i) The words "Electric" and "Cooperative"; and

(ii) The abbreviation "Inc.".

(2) A cooperative need not use any word specified under paragraph (1) of this subsection if:

(i) The cooperative wishes to do business in another state and is or would be precluded from doing business in that state because of the inclusion of the word in its name; and

(ii) An affidavit stating the cooperative's reason for not using the word is:

1. Made and filed with the Department by the cooperative's chairman or vice–chairman; or

2. Made by a person who signs articles of incorporation, consolidation, merger, or conversion for the cooperative and filed, together with the articles, with the Department.

(b) The name of a cooperative shall be distinguishable on the records of the Department as provided under § 1–504 of this article.

§5–611.

(a) The board of directors shall adopt the initial bylaws of a cooperative after an incorporation, conversion, merger, or consolidation.

(b) After adoption of the initial bylaws, the members shall adopt, amend, or repeal the bylaws by the affirmative vote of a majority of the members voting on the matter at a meeting of the members.

(c) The bylaws:

(1) Shall state the rights and duties of members and directors; and

(2) May contain other provisions for the regulation and management of the affairs of the cooperative that are consistent with this subtitle and the articles of incorporation.

§5–612.

(a) The bylaws may provide for the division of the territory served or to be served by a cooperative into two or more districts for any purpose, including the nomination and election of directors.

(b) If the bylaws provide for districts, the bylaws shall establish:

(1) The boundaries of the districts or the manner of establishing the boundaries;

(2) The manner of changing the boundaries; and

(3) The manner in which the districts shall function.

(c) A member may not vote by proxy or by mail at a district meeting.

§5–615.

(a) (1) Each incorporator of a cooperative shall be a member of the cooperative.

(2) A person other than an incorporator may become a member of the cooperative if the person agrees to use electricity or other services supplied by the cooperative when the electricity or services are made available through the cooperative's facilities.

(b) The bylaws may provide additional qualifications for and limitations on membership.

(c) The membership of a member of a cooperative who agrees to use electricity shall terminate if:

(1) The member does not use electricity supplied by the cooperative within 6 months after it is made available to the member; or

(2) The cooperative does not make electricity available to the member within 2 years after the person becomes a member or within any shorter period provided by the bylaws of the cooperative.

(d) A husband and wife may hold a joint membership in a cooperative.

(e) Unless the bylaws provide otherwise, membership in a cooperative is not transferable.

(f) (1) A member of a cooperative is not liable for the debts of the cooperative.

(2) The property of a member of a cooperative is not subject to execution for the debts of the cooperative.

§5–616.

(a) (1) An annual meeting of the members of a cooperative shall be held at the time and place provided in the bylaws.

(2) An annual meeting may be held:

(i) In person;

(ii) Virtually; or

(iii) With a combination of in–person and virtual attendance.

(b) A special meeting of the members of a cooperative may be:

(1) Called by:

(i) The chairman;

(ii) A majority of the board of directors; or

(iii) Not less than 10% of the members; and

(2) Held:

(i) In person;

(ii) Virtually; or

(iii) With a combination of in–person and virtual attendance.

(c) The members of the cooperative, by a majority vote, shall determine in the cooperative's bylaws how meetings may be held.

§5–617.

(a) (1) Except as otherwise provided in this subtitle, notice of each meeting of the members shall be mailed or provided by electronic transmission to each member not less than 10 days or more than 90 days before the date of the meeting.

(2) The notice shall state:

(i) For a meeting that will be held in person or with a combination of in–person and virtual attendance, the time and place of the meeting;

(ii) For a meeting that will be held virtually or with a combination of in–person and virtual attendance, the time of and instructions for attending the meeting; and

(iii) For a special meeting, the purpose of the meeting.

(b) (1) A person entitled to notice of a meeting may waive notice in writing or by electronic transmission either before or after the meeting.

(2) If a person entitled to notice of a meeting attends the meeting, the person's presence shall constitute a waiver of notice of the meeting, unless the person participates in the meeting solely to object to the transaction of any business because the meeting has not been legally called or convened.

§5–618.

(a) Unless the bylaws require the presence of a greater percentage or number of the members for a quorum, a quorum for the transaction of business at all meetings of the members of a cooperative shall be:

(1) For a cooperative that has not more than 1,000 members, 5% of all members attending the meeting; and

(2) For a cooperative that has more than 1,000 members, 50 members attending the meeting.

(b) If less than a quorum is present at any meeting, a majority of those in attendance may adjourn the meeting from time to time without further notice.

§5–619.

(a) Each member of a cooperative is entitled to one vote on each matter submitted to a vote at a meeting of the members.

(b) (1) Voting may be:

(i) In person;

(ii) By proxy;

(iii) By mail;

(iv) By electronic transmission; or

(v) By any other method provided in the bylaws.

(2) Subject to subsection (c) of this section, if the bylaws provide for voting by a method other than in person, they also shall establish the conditions under which voting is allowed.

(c) A person may not vote by proxy for more than three members at any meeting of the members.

§5–622.

(a) (1) The business of a cooperative shall be managed by a board of directors.

(2) Each cooperative shall have at least five directors.

(b) Each director shall be a member of the cooperative or of a member cooperative.

(c) (1) The bylaws shall establish:

(i) The number of directors;

(ii) The qualifications of directors other than the qualifications required under this subtitle;

(iii) The manner of holding meetings of the board of directors; and

(iv) The manner of electing successors to directors who resign, die, or are otherwise incapable of acting.

(2) The bylaws may provide for the removal of directors from office and for the election of their successors.

(d) If a husband and wife hold a joint membership in a cooperative, either one, but not both, may be elected a director.

(e) A majority of the board of directors is a quorum.

(f) (1) A director may not receive a salary for serving as a director.

(2) Except in emergencies, a director may not be employed by the cooperative in any capacity involving compensation without the approval of the members.

(3) The bylaws may authorize a fixed fee and expenses to be paid to each director for attending a meeting of the board of directors.

(g) The board of directors may exercise all of the powers of a cooperative not conferred on the members by this subtitle or the cooperative's articles of incorporation or bylaws.

§5–623.

(a) The directors of a cooperative named in any articles of incorporation, consolidation, merger, or conversion shall hold office until the next annual meeting of the members and until their successors are elected and qualified.

(b) Except as otherwise provided in this subtitle, at each annual meeting or, if the cooperative fails to hold an annual meeting as specified in the bylaws, at a special meeting called for that purpose, the members shall elect directors to hold office until the next annual meeting of the members.

(c) Each director shall hold office for the term for which the director is elected and until a successor is elected and qualifies.

(d) (1) (i) Instead of electing all the directors annually, the bylaws may require that the directors be divided into three classes.

(ii) Each class shall be as nearly equal in number as possible.

(2) (i) If the bylaws require that the directors be divided into three classes, the terms of the directors shall be staggered in accordance with subparagraph (ii) of this paragraph.

(ii) 1. The initial term of office of the directors of the first class shall expire at the next succeeding annual meeting.

2. The initial term of the second class shall expire at the second succeeding annual meeting.

3. The initial term of the third class shall expire at the third succeeding annual meeting.

(3) At each annual meeting after the initial classification of the directors, a number of directors equal to the number of the class whose term expires at that meeting shall be elected to hold office for 3 years or until the third succeeding annual meeting.

(e) If a vacancy occurs on the board of directors, the remaining directors shall elect a director to fill the vacancy for the remainder of the term for which the vacating director was elected.

§5–624.

(a) The directors shall elect annually from among the directors a chairman and one or more vice-chairmen.

(b) (1) The directors shall elect a secretary and a treasurer.

(2) The secretary and treasurer need not be directors or members.

(3) The directors may combine the offices of secretary and treasurer and designate the combined office as secretary-treasurer.

(c) (1) The board of directors may elect or appoint any other officers, agents, or employees it considers necessary or advisable.

(2) The board shall establish the powers and duties of each officer, agent, or employee it elects or appoints.

(d) An officer may be removed from office and a successor elected in the manner provided in the bylaws.

§5–627.

(a) A cooperative may consolidate with one or more other cooperatives to form a new consolidated cooperative as provided in this section.

(b) (1) A proposed consolidation and proposed articles of consolidation that effect the consolidation shall be submitted for consideration at an annual or special meeting of the members of each consolidating cooperative.

(2) A copy of the proposed articles of consolidation shall be attached to the notice of the meeting.

(3) The proposed consolidation, proposed articles of consolidation, and any amendments to the proposed articles of consolidation shall be approved by the affirmative vote of not less than two-thirds of the members of each consolidating cooperative voting on the matter.

(c) If the proposed consolidation, proposed articles of consolidation, and any amendments to the proposed articles of consolidation are approved by the members of each consolidating cooperative as provided in subsection (b) of this section:

(1) Articles of consolidation in the form approved shall be signed and acknowledged for each cooperative by its chairman or vice-chairman and attested by its secretary; and

(2) The seal of each cooperative shall be affixed to the articles.

(d) (1) The articles of consolidation shall contain:

(i) The name of each consolidating cooperative and the address of its principal office;

(ii) The name of the successor, the address of its principal office, and the name and address of its resident agent;

(iii) A statement that each consolidating cooperative agrees to the consolidation;

(iv) The name and address of each director of the successor;

(v) The terms and conditions of the consolidation and the manner of carrying it into effect, including the manner in which members of the consolidating cooperatives may or shall become members of the successor; and

(vi) A statement that the articles are executed in accordance with this subtitle.

(2) The articles of consolidation may contain any provision that:

(i) Is consistent with this subtitle; and

(ii) Is considered necessary or advisable for the conduct of the business of the successor.

(e) The chairman or vice-chairman who signs the articles of consolidation for each consolidating cooperative shall make and attach to the articles an affidavit stating that the cooperative has complied with the provisions of this section that relate to the articles.

§5–628.

(a) A cooperative may merge into another cooperative, or have one or more cooperatives merged into it, as provided in this section.

(b) (1) A proposed merger and proposed articles of merger that effect the merger shall be submitted for consideration at an annual or special meeting of the members of each merging cooperative and of the successor.

(2) A copy of the proposed articles of merger shall be attached to the notice of the meeting.

(3) The proposed merger, proposed articles of merger, and any amendments to the proposed articles of merger shall be approved by the affirmative vote of not less than two-thirds of the members of each merging cooperative and of the successor voting on the matter.

(c) If the proposed merger, proposed articles of merger, and any amendments to the proposed articles of merger are approved by the members of each merging cooperative and of the successor as provided in subsection (b) of this section:

(1) Articles of merger in the form approved shall be signed and acknowledged for each cooperative by its chairman or vice-chairman and attested by its secretary; and

(2) The seal of each cooperative shall be affixed to the articles.

(d) (1) The articles of merger shall contain:

(i) The name of each merging cooperative and the address of its principal office;

(ii) The name of the successor, the address of its principal office, and the name and address of its resident agent;

(iii) A statement that each merging cooperative and the successor agree to the merger;

(iv) The name and address of each director of the successor;

(v) The terms and conditions of the merger and the manner of carrying it into effect, including the manner in which members of the merging cooperatives may or shall become members of the successor; and

(vi) A statement that the articles are executed in accordance with this subtitle.

(2) The articles of merger may contain any provision that:

(i) Is consistent with this subtitle; and

(ii) Is considered necessary or advisable for the conduct of the business of the successor.

(e) The chairman or vice-chairman who signs the articles of merger for each cooperative shall make and attach to the articles an affidavit stating that the cooperative has complied with the provisions of this section that relate to the articles.

§5–629.

(a) Consummation of a consolidation or merger has the effects provided in this section.

(b) The separate existence of each cooperative party to the articles of consolidation or merger, except the successor, ceases.

(c) (1) In a consolidation, the articles of consolidation shall be deemed to be the articles of incorporation of the successor.

(2) In a merger, the articles of incorporation of the successor shall be deemed to be amended to the extent that changes to the articles of incorporation are provided for in the articles of merger.

(d) The rights, privileges, immunities, and assets, including applications for membership, of each of the consolidating or merging cooperatives transfer to and vest in the successor without further act or deed.

(e) (1) The successor is liable for all the debts, obligations, and liabilities of each consolidating or merging cooperative.

(2) An existing claim, action, or proceeding pending by or against a consolidating or merging cooperative may be prosecuted to judgment as if the consolidation or merger had not taken place, or, on motion of the successor or any party, the successor may be substituted as a party and a judgment against the consolidating or merging cooperative constitutes a lien on the property of the successor.

(f) A consolidation or merger does not impair the rights of creditors or any lien on the property of a cooperative party to the articles of consolidation or merger.

§5–630.

(a) A Maryland corporation that supplies or is authorized to supply electricity may convert to a cooperative as provided in this section.

(b) On conversion of a corporation to a cooperative, the corporation is subject to this subtitle as if it had been organized under this subtitle.

(c) (1) A proposed conversion and proposed articles of conversion that effect the conversion shall be submitted for consideration at an annual or special meeting of the members or stockholders of the corporation.

(2) A copy of the proposed articles of conversion shall be attached to the notice of the meeting.

(3) The proposed conversion, proposed articles of conversion, and any amendments to the proposed articles of conversion shall be approved:

(i) If the converting corporation is a nonstock corporation, by the affirmative vote of not less than two-thirds of the members of the corporation voting on the matter; or

(ii) If the converting corporation is a stock corporation, by the affirmative vote of the holders of not less than two-thirds of the shares of the capital stock of the corporation represented at the meeting and voting on the matter.

(d) If the proposed conversion, proposed articles of conversion, and any amendments to the proposed articles of conversion are approved by the members or stockholders of the corporation as provided in subsection (c) of this section:

(1) Articles of conversion in the form approved shall be signed and acknowledged for the corporation by its chairman or vice-chairman and attested by its secretary; and

(2) The seal of the corporation shall be affixed to the articles.

(e) (1) The articles of conversion shall contain:

(i) The name of the corporation and the address of its principal office before its conversion to a cooperative;

(ii) The statute under which the corporation was organized;

(iii) A statement that the corporation elects to become a cooperative, nonprofit, membership corporation subject to this subtitle;

(iv) The name of the corporation after its conversion to a cooperative;

(v) The address of the principal office of the cooperative and the name and address of its resident agent;

(vi) The name and address of each director of the cooperative;

(vii) The manner in which members or stockholders of the corporation may or shall become members of the cooperative; and

(viii) A statement that the articles are executed in accordance with this subtitle.

(2) The articles of conversion may contain any provision that:

(i) Is consistent with this subtitle; and

(ii) Is considered necessary or advisable for the conduct of the business of the cooperative.

(f) The chairman or vice-chairman who signs the articles of conversion for the corporation shall make and attach to the articles an affidavit stating that the provisions of this section that relate to the articles have been complied with.

(g) The articles of conversion shall be deemed to be the articles of incorporation of the cooperative.

§5–631.

(a) A cooperative that has not begun doing business may be dissolved by filing articles of dissolution for record with the Department.

(b) The articles of dissolution shall be signed and acknowledged for the cooperative by a majority of the incorporators of the cooperative.

(c) The articles of dissolution shall contain:

(1) The name of the cooperative and the address of its principal office; and

(2) A statement that:

(i) The cooperative has not begun doing business;

(ii) Any money received by the cooperative, less any disbursements for expenses of the cooperative, has been returned or paid to the persons entitled to the money;

(iii) All debts of the cooperative have been paid; and

(iv) A majority of the incorporators of the cooperative elect that the cooperative be dissolved.

§5–632.

(a) A cooperative that has begun doing business may be dissolved as provided in this section.

(b) (1) Except as provided in paragraph (2) of this subsection, a proposed dissolution shall be approved by the affirmative vote of not less than two–thirds of the members voting on the matter at an annual or special meeting of the members.

(2) A proposed dissolution of a member–regulated cooperative shall be approved by the affirmative vote of a majority of the members voting at a meeting at which at least 15% of the members vote.

(c) (1) On approval of the proposed dissolution by the members of the cooperative as provided in subsection (b) of this section:

(i) A certificate of election to dissolve shall be signed and acknowledged for the cooperative by its chairman or vice-chairman and attested by its secretary; and

(ii) The seal of the cooperative shall be affixed to the certificate.

(2) The certificate shall state:

(i) The name of the cooperative and the address of its principal office; and

(ii) That the members of the cooperative have approved the dissolution in accordance with subsection (b) of this section.

(3) The chairman or vice-chairman who signs the certificate for the cooperative shall make and attach to the certificate an affidavit stating that the statements made in the certificate are true.

(4) The certificate and affidavit shall be filed for record with the Department.

(d) (1) (i) On the Department's acceptance for record of the certificate of election to dissolve and affidavit, the cooperative shall cease doing business except to the extent necessary to wind up its business and affairs.

(ii) The corporate existence of the cooperative shall continue until articles of dissolution have been accepted for record by the Department.

(2) The board of directors immediately shall cause notice of the dissolution proceedings to be:

(i) Mailed to each known creditor of and claimant against the cooperative; and

(ii) Published once a week for 2 successive weeks in a newspaper of general circulation published in the county in which the principal office of the cooperative is located.

(3) The board shall collect money owing to the cooperative, liquidate its assets, discharge its debts, obligations, and liabilities, and do all other acts required to wind up the business and affairs of the cooperative.

(4) (i) After discharging, or adequately providing for the discharge of, all of the debts, obligations, and liabilities of the cooperative, the board shall distribute any remaining money among the current and former members of the cooperative.

(ii) The money shall be distributed in proportion to the patronage of each current or former member:

1. During the 7-year period immediately preceding the date on which the certificate of election to dissolve is accepted for record by the Department; or

2. If the cooperative has been in existence for less than 7 years, during the period of its existence.

(e) (1) After winding up the business and affairs of the cooperative as provided in subsection (d) of this section, the board of directors shall authorize the execution of articles of dissolution.

(2) The articles of dissolution shall be signed and acknowledged for the cooperative by its chairman or vice-chairman and attested by its secretary, and the seal of the cooperative shall be affixed to the articles.

(f) The articles of dissolution shall state:

(1) The name of the cooperative and the address of its principal office;

(2) The date on which the certificate of election to dissolve was accepted for record by the Department;

(3) That there are no actions pending against the cooperative;

(4) That all debts, obligations, and liabilities of the cooperative have been discharged, or that adequate provision has been made for their discharge;

(5) That the articles are executed in accordance with this subtitle; and

(6) That the provisions of this section have been complied with.

(g) The chairman or vice-chairman who signs the articles of dissolution for the cooperative shall make and attach to the articles an affidavit stating that the statements made in the articles are true.

§5–635.

(a) (1) To operate as a member–regulated cooperative, a cooperative shall:

(i) Submit a request for a waiver from the application of affiliate regulations in accordance with COMAR 20.40.01.04; or

(ii) Conduct a vote of the cooperative's members in accordance with this section.

(2) The Commission shall expedite the review of a waiver requested under paragraph (1)(i) of this subsection.

(b) A vote under this section:

(1) May be called by a cooperative's board of directors; or

(2) Shall be called within 100 days after receipt by the board of directors of a petition signed by at least 1,000 cooperative members.

(c) (1) A cooperative's board of directors shall hold a meeting with the cooperative's members on whether to operate as a member–regulated cooperative.

(2) (i) The cooperative's board of directors shall provide notice of the meeting to the members of the cooperative.

(ii) The notice shall:

1. Include:

A. The purpose of the meeting, including information on member–regulated cooperatives;

B. Directions for voting on whether to operate as a member–regulated cooperative;

C. A form or written ballot for the vote;

D. The time, date, and place of the meeting; and

E. The time, date, and place of the forums required under subsection (d) of this section; and

2. Be provided in writing to the cooperative's members and the Commission by mail or by hand delivery at least 40 days but not more than 90 days before the date of the meeting.

(d) (1) A cooperative's board of directors shall hold at least two open forums to allow the cooperative's members to discuss or make inquiries concerning operating as a member–regulated cooperative.

(2) Forums shall be held:

(i) On separate dates at different locations within the cooperative's service territory;

(ii) At times that are convenient for the cooperative's members to attend; and

(iii) At least 10 days after delivery of the notice required under subsection (c)(2) of this section but not later than 20 days before the date of the meeting required under subsection (c)(1) of this section.

(3) A cooperative's members shall have:

(i) The opportunity at each forum to make inquiries about operating as a member–regulated cooperative; and

(ii) A reasonable, equal opportunity to present the members' views concerning operating as a member–regulated cooperative, including presenting views in opposition to operating as a member–regulated cooperative.

(e) (1) If a cooperative's board of directors mails information to its members regarding operating as a member–regulated cooperative that is in addition

to the information provided in the notice, the cooperative's board of directors shall include in the mailing any materials provided in opposition to operating as a member–regulated cooperative if the materials are accompanied by a petition signed by at least 100 of the cooperative's members.

(2) A cooperative shall pay for mailing the materials in an amount equal to the cost of mailing the cooperative's notice under subsection (c) of this section.

(3) If the cost of mailing the materials is greater than the cost of mailing the cooperative's notice, the difference shall be paid:

(i) Pro rata by the cooperative's members submitting materials in opposition; and

(ii) By an advance deposit in an amount estimated to cover the excess costs.

(f) (1) A cooperative's board of directors shall select an independent auditor to control and supervise the procedures for voting.

(2) Each of a cooperative's members is entitled to one vote on whether to operate as a member–regulated cooperative, regardless of the method used to cast a vote.

(3) A cooperative's member may vote at the meeting under subsection (a) of this section by:

(i) Written ballot;

(ii) Use of a voting machine; or

(iii) If authorized by the cooperative's charter or bylaws, by electronic ballot.

(4) If a cooperative uses written ballots under paragraph (3) of this subsection, the written ballots shall be:

(i) Included with the notice required under subsection (c) of this section; and

(ii) Cast and counted if received by the cooperative's board of directors before the end of the meeting under subsection (a) of this section.

(5) (i) Any procedures adopted for the use and transmission of electronic ballots shall ensure that each electronic ballot was sent by a cooperative member who is entitled to vote.

(ii) An electronic ballot shall be cast and counted if submitted electronically before the end of the meeting under subsection (a) of this section.

(g) To operate as a member–regulated cooperative shall require the affirmative vote of a majority of the cooperative's members voting at a meeting at which at least 15% of the members vote.

(h) The independent auditor selected by the cooperative's board of directors under subsection (f) of this section shall certify to the Commission, in writing, the results of a vote under this section within 5 business days after the date of the vote.

§5–636.

(a) Subject to subsection (b) of this section, within 180 days after providing a certification to the Commission under § 5–635(h) of this subtitle, the cooperative's board of directors, by a supermajority vote, shall:

(1) Adopt bylaws for the member–regulated cooperative; and

(2) Amend the cooperative's articles of incorporation to reflect the cooperative's conversion to being a member–regulated cooperative.

(b) The bylaws and amended articles of incorporation shall:

(1) Authorize the member–regulated cooperative to provide broadband Internet service;

(2) Establish a plan for making broadband Internet service available to members in a manner that maximizes deployment with available financial resources;

(3) Include an allocation method in accordance with § 5–607(c) of this subtitle to ensure that electric customers do not subsidize the cost of broadband Internet service; and

(4) Except as provided in § 5–637(a)(2) of this subtitle, be consistent with this subtitle.

§5–637.

(a) (1) Except as provided in paragraph (2) of this subsection, this subtitle applies to the provision of broadband Internet service by a member–regulated cooperative.

(2) A member–regulated cooperative may not, for the sole purpose of providing broadband Internet service, exercise the power of condemnation under § 5–607(a)(16) of this subtitle.

(b) A member–regulated cooperative is subject to the following provisions of the Public Utilities Article:

(1) § 5–103;

(2) § 5–201;

(3) § 5–202;

(4) § 5–303;

(5) § 5–304;

(6) § 5–306;

(7) § 7–103;

(8) § 7–104;

(9) § 7–203;

(10) § 7–207;

(11) Title 7, Subtitle 2, Part II;

(12) § 7–302;

(13) Title 7, Subtitle 5, Part I and Part II;

(14) Title 7, Subtitle 7; and

(15) § 13–101.

§5–638.

(a) A member–regulated cooperative shall make available to its members:

(1) Rate schedules, tariffs, and terms and conditions of service;

(2) Financial and statistical information regarding:

(i) Operating revenues;

(ii) Revenues per rate class;

(iii) Number of members per rate class; and

(iv) Number of meters per rate class;

(3) Data and information concerning load management, energy conservation, and other similar programs;

(4) Information concerning ongoing consumer education programs; and

(5) Information concerning the member–regulated cooperative's performance, including income statements, balance sheets, and reliability data.

(b) A member–regulated cooperative may not adopt a new rate or increase or decrease its rates or charges for the services it provides unless the member–regulated cooperative provides to its members:

(1) Notice of the proposed rates;

(2) The opportunity to comment on the proposed rates; and

(3) The opportunity to observe the portion of the meeting in which the board of directors votes on the proposed rates.

§5–639.

A member–regulated cooperative shall:

(1) Implement a net metering program that is consistent with § 7–306 of the Public Utilities Article; and

(2) Use the process established under § 5–640 of this subtitle to resolve complaints related to net metering.

§5–640.

(a) A member–regulated cooperative shall adopt procedures to hear, decide, and resolve, in a prompt and fair manner, complaints from its members, including complaints regarding net metering.

(b) (1) The procedures adopted under subsection (a) of this section shall provide for a formal and an informal complaint process.

(2) A formal complaint proceeding shall include, at a minimum:

(i) The right to present a complaint in writing;

(ii) The right to have a complaint heard by the chief executive officer of the member–regulated cooperative, or the chief executive officer's designee;

(iii) The right to a written response that states the reasons for the member–regulated cooperative's decision; and

(iv) The right to have the complaint and response reviewed by the board of directors.

(c) (1) A member–regulated cooperative may not require a member to use the formal or informal complaint process.

(2) If a member uses the formal or informal complaint process, the member may:

(i) Accept the decision resulting from the process; or

(ii) Reject the decision resulting from the process and pursue any other remedy authorized by law.

(d) A decision made under a formal or informal complaint process is binding on the member–regulated cooperative.

§5–641.

(a) A member–regulated cooperative shall establish policies regarding termination of service, including termination of service:

(1) To low–income members;

(2) To a member in cold weather; and

(3) To a member in hot weather.

(b) The board of directors may, as necessary, amend the policies regarding termination of service.

§5–642.

(a) On or before December 1 each year, a member–regulated cooperative shall report to the Senate Finance Committee and the House Economic Matters Committee, in accordance with § 2–1257 of the State Government Article, on the status of the deployment of broadband Internet service to the member–regulated cooperative's members.

(b) (1) Except as provided under paragraph (2) of this subsection, a member–regulated cooperative may not prohibit a telecommunications or cable service provider from accessing a pole, duct, conduit, right–of–way, or similar facility owned or controlled, in whole or in part, by the member–regulated cooperative.

(2) A member–regulated cooperative may deny access to a facility specified under paragraph (1) of this subsection:

(i) On a nondiscriminatory basis; and

(ii) If the member–regulated cooperative determines that:

1. The facility does not have sufficient capacity to allow access; or

2. Allowing access would create safety, reliability, or engineering concerns.

(c) (1) Subject to paragraph (2) of this subsection, a member–regulated cooperative shall charge a reasonable rate for access to a facility specified under subsection (b)(1) of this section.

(2) A member–regulated cooperative may not charge a rate for access to a facility specified under subsection (b)(1) of this section that is more than the rates charged for access by a local exchange carrier, electric company, water company, or other utility operating in the member–regulated cooperative's service area.

§5–643.

(a) (1) A member–regulated cooperative shall hold an election to revert to a cooperative on:

(i) A majority vote of the board of directors; or

(ii) Receipt by the board of directors of a petition signed by at least 1,000 members.

(2) A member–regulated cooperative may hold an election to revert to a cooperative only once every 12 months.

(b) (1) A vote to revert to a cooperative shall be held in accordance with § 5–635 of this subtitle.

(2) Within 5 days after an affirmative vote to revert to a cooperative, the member–regulated cooperative shall file a declaration with the Commission stating that it has reverted to a cooperative.

(c) (1) The Commission shall have jurisdiction over a member–regulated cooperative that has elected to revert to a cooperative on issuance of an order by the Commission.

(2) The Commission shall issue the order under paragraph (1) of this subsection within 180 days after the filing of a declaration under subsection (b)(2) of this section.

§5–644.

If there is a conflict between the provisions of this part and other provisions of law, the provisions of this part shall prevail.

§5–647.

(a) On authorization of its board of directors or members, a cooperative may change its principal office, its resident agent, or the address of its resident agent by filing for record with the Department a certificate that states the change being made.

(b) The certificate shall be signed and acknowledged by the chairman or vice–chairman of the cooperative and attested by its secretary, and the seal of the cooperative shall be affixed to the certificate.

§5–648.

(a) Articles of incorporation, amendment, consolidation, merger, conversion, or dissolution, and certificates of election to dissolve, executed and

accompanied by any affidavits required under this subtitle, shall be filed for record with the Department.

(b) On payment of the fees provided for in § 5–639 of this subtitle, the Department shall accept for record any articles or certificate filed with the Department under this section if the Department finds that the articles or certificate conform to the requirements of this subtitle.

(c) The incorporation, amendment, consolidation, merger, conversion, or dissolution provided for in articles of incorporation, amendment, consolidation, merger, conversion, or dissolution is effective as of the time the Department accepts the articles for record.

§5–649.

(a) The Department shall collect fees for filing and recording corporate documents as provided in § 1–203 of this article.

(b) On or before July 1 of each year, each cooperative and each foreign corporation doing business in the State under this subtitle shall pay a fee of $100 to the Department.

(c) Except as provided in subsection (b) of this section, a cooperative or a foreign corporation doing business in the State under this subtitle is not subject to any excise or income tax.

§5–650.

(a) Revenues of a cooperative for a fiscal year may be used:

(1) To pay the expenses of operating and maintaining the facilities of the cooperative during the fiscal year;

(2) To pay interest and principal obligations of the cooperative that are due in the fiscal year;

(3) To the extent determined by the board of directors, to finance or provide a reserve for the financing of the construction or acquisition by the cooperative of additional facilities;

(4) To provide a reasonable reserve for working capital;

(5) To provide a reserve for the payment of the indebtedness of the cooperative in an amount not less than the total interest and principal payments that are due during the next fiscal year;

(6) To provide for education about cooperatives; and

(7) To provide for the dissemination of information about the effective use of electricity and services made available by the cooperative.

(b) (1) Unless otherwise determined by a vote of the members of the cooperative, for each fiscal year, the revenues of a cooperative in excess of the amount necessary to provide for the items described in subsection (a) of this section shall be allocated by the cooperative, in the form of patronage credits, to:

(i) Its members; and

(ii) Other persons to whom the cooperative supplies electricity or provides other services.

(2) For each fiscal year, the patronage credits shall be allocated to a member or other person in proportion to the patronage of the member or other person during the fiscal year.

(c) This section does not prohibit the payment by a cooperative of all or part of its indebtedness before it becomes due.

§5–651.

A person who is authorized to take acknowledgments under the laws of the State may not be disqualified from taking acknowledgments of instruments executed in favor of a cooperative or to which a cooperative is a party because the person is an officer, director, or member of the cooperative.

§5–652.

(a) (1) Without authorization by the members and on the conditions the board of directors determines, the board of directors of a cooperative may authorize the execution and delivery of a mortgage or deed of trust of, or the pledging or encumbering of, any or all of the assets of the cooperative, whether acquired or to be acquired, and wherever located, and the revenues and income from the assets, to secure any indebtedness of the cooperative to:

(i) The United States or an agency or instrumentality of the United States; or

(ii) 1. A national financing institution that is organized on a cooperative plan for the purpose of financing its members' programs, projects, and undertakings, and in which the cooperative holds membership; or

2. Any other financing institution.

(2) A loan described in paragraph (1) of this subsection is not subject to § 4–106(b) of the Real Property Article.

(b) (1) A cooperative may not sell, lease, or otherwise dispose of all or a substantial portion of its assets unless:

(i) The sale, lease, or disposition is authorized at a meeting of the members by the affirmative vote of not less than a majority of all the members of the cooperative; and

(ii) The notice of the meeting contained notice of the proposed sale, lease, or disposition.

(2) Notwithstanding any other provision of law, on the authorization of a majority of the members of the cooperative present at a meeting of the members, the board of directors may sell, lease, or otherwise dispose of all or a substantial portion of its assets to:

(i) Another cooperative or a foreign corporation doing business in the State under this subtitle; or

(ii) The holder of any note, bond, or other evidence of indebtedness of the cooperative issued to the United States or an agency or instrumentality of the United States.

§5–653.

A mortgage, deed of trust, security agreement, or other security instrument affecting real or personal property, or both, executed by a cooperative or foreign corporation doing business in the State under this subtitle is governed by the Real Property Article or by Title 9 of the Maryland Uniform Commercial Code, or both, as applicable.

§5–654.

(a) In this section, "electric easement" means an easement held by a cooperative for the siting of electric facilities, regardless of whether the easement is for the exclusive benefit of the cooperative or for use by other utility companies.

(b) This section applies only to a cooperative in the exercise of its authority under § 5–607(a)(12) of this subtitle to construct, maintain, or operate conducting or communications facilities within an electric easement that does not expressly provide for the construction, maintenance, or operation of conducting or communications facilities within the easement.

(c) (1) Except as provided in paragraph (3) of this subsection, a cooperative shall give notice to each owner of property subject to an electric easement at least 60 days before the cooperative:

(i) Constructs conducting or communications facilities within the easement; or

(ii) Makes capacity available for telecommunications, broadband Internet access, or related services within the electric easement.

(2) The cooperative shall give the notice required under this subsection by:

(i) Posting notice on the cooperative's website; and

(ii) Including the notice with billing information such as a bill insert or bill message.

(3) The cooperative shall give the notice required under this section at the next following annual member meeting of the cooperative after the notice has been given under paragraph (2) of this subsection.

(4) The notice shall contain:

(i) A statement indicating the cooperative's intent to use the electric easement by:

1. Constructing new conducting or communications facilities; or

2. Making capacity available for telecommunications, broadband Internet access, or related services through existing facilities; and

(ii) A written plan for making broadband Internet service available within the cooperative's service territory.

§5–655.

This subtitle may be cited as the Electric Cooperative Act.

§5–6A–01.

(a) Cooperative, nonprofit, membership corporations may be organized to supply, promote, and extend the use of transportation services.

(b) Each cooperative organized under this section shall be organized and governed by the provisions of Subtitle 2, "Nonstock Corporations", of this title.

(c) A cooperative organized under this section may use the term "cooperative" as part of its corporate name.

§5–6B–01.

(a) In this subtitle the following terms have the meanings indicated.

(b) "Articles of incorporation" means the charter by which a cooperative housing corporation becomes incorporated under this article.

(c) "Assessment" means any share of common costs or other expense charged to a member by a cooperative housing corporation.

(d) "Blanket encumbrance" means any contract binding on a cooperative housing corporation and creating a lien or security interest or other encumbrance or imposing restrictions on any real or personal property owned by the cooperative housing corporation.

(e) "Bylaws" means the document which details and governs the internal organization and operation of the cooperative housing corporation.

(f) "Conversion" means the creation of a cooperative housing corporation from a property which was immediately previously a residential rental facility.

(g) "Cooperative housing corporation" means a domestic or foreign corporation qualified in this State, either stock or nonstock, having only one class of stock or membership, in which each stockholder or member, by virtue of such ownership or membership, has a cooperative interest in the corporation.

(h) "Cooperative interest" means the ownership interest in a cooperative housing corporation which is coupled with a possessory interest in real or personal property or both and evidenced by a membership certificate.

(i) "Cooperative project" means all the real and personal property in this State owned or leased by the cooperative housing corporation for the primary purpose of residential use.

(j) (1) "Developer" means a person who:

(i) Owns an equitable interest, including a cooperative interest, in a unit prior to its initial sale to a member of the public;

(ii) Exercises control over cooperative interests before they are transferred to initial purchasers, excluding management agents and sales agents acting in their capacities as such; or

(iii) Receives a material portion of the sales proceeds, not including customary brokerage commissions or payment for indebtedness to an institutional banker, from the initial sale of a cooperative interest to a member of the public.

(2) "Developer" does not include a cooperative housing corporation.

(k) "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that:

(1) May be retained, retrieved, and reviewed by a recipient of the communication; and

(2) May be reproduced directly in paper form by a recipient through an automated process.

(l) "Governing body" means the board of directors or other entity established to govern the cooperative housing corporation.

(m) "Initial purchaser" means a member of the public, not an affiliate of or a successor to the developer, who, for value, acquires a cooperative interest as part of the initial sale of a cooperative interest which is used for residential purposes.

(n) "Initial sale" means the first transfer of a cooperative interest to an initial purchaser.

(o) "Member" means a person who owns a cooperative interest.

(p) "Membership certificate" means:

(1) A document, including a stock certificate issued by a cooperative housing corporation, evidencing ownership of a cooperative interest; or

(2) If there is no other document which satisfies item (1) of this subsection, a proprietary lease.

(q) "Moving expenses" means costs incurred to:

(1) Hire contractors, labor, trucks, or equipment for the transportation of personal property;

(2) Pack and unpack personal property;

(3) Disconnect and install personal property;

(4) Insure personal property to be moved; and

(5) Disconnect and reconnect utilities such as telephone service, gas, water, and electricity.

(r) "No–impact home–based business" means a business that:

(1) Is consistent with the residential character of the dwelling unit;

(2) Is subordinate to the use of the dwelling unit for residential purposes and requires no external modifications that detract from the residential appearance of the dwelling unit;

(3) Uses no equipment or process that creates noise, vibration, glare, fumes, odors, or electrical or electronic interference detectable by neighbors; and

(4) Does not involve use, storage, or disposal of any grouping or classification of materials that the United States Secretary of Transportation or the State or any local governing body designates as a hazardous material.

(s) (1) "Proprietary lease" means an agreement with the cooperative housing corporation under which a member has an exclusive possessory interest in a unit and a possessory interest in common with other members in that portion of a cooperative project not constituting units and which creates a legal relationship of landlord and tenant between the cooperative housing corporation and the member, respectively.

(2) "Proprietary lease" includes, if there is no other document that satisfies paragraph (1) of this subsection, a membership certificate.

(t) "Residential rental facility" means property containing at least 10 dwelling units leased for residential purposes.

(u) "Unit" means a portion of the cooperative project leased for exclusive occupancy by a member under a proprietary lease.

§5–6B–02.

(a) A contract for the initial sale of a cooperative interest to a member of the public for residential use is not enforceable against the initial purchaser unless:

(1) The initial purchaser is given at or before the time a contract is entered into between the developer and the initial purchaser, a public offering statement containing all of the information required by this section; and

(2) The contract contains, in conspicuous type, a notice of the initial purchaser's right to receive a public offering statement and the rescission rights provided under this title.

(b) The public offering statement shall contain at least the following:

(1) The name and address of the developer;

(2) The following statements:

(i) A boundary survey or metes-and-bounds description of the cooperative project together with a location survey of all improvements, including recreational facilities, streets, and roads, and a drawing of any proposed improvements not yet constructed within the cooperative project;

(ii) A statement of the form of ownership of all real and personal property which is intended by the developer to be owned or leased by the cooperative housing corporation;

(iii) A statement as to whether streets abutting the cooperative project are to be dedicated to public use or maintained by the cooperative housing corporation;

(iv) A statement of the projected completion dates for proposed improvements and, in the case of a contract for the initial sale of a cooperative interest

in a cooperative housing corporation which has not yet been formed, a statement of the projected date of formation;

(v) A statement whether and under what conditions units may be sublet or cooperative interests sold by members;

(vi) A description of the voting and other rights in the cooperative housing corporation which attach to a cooperative interest as such rights are described in § 2-105 of this article;

(vii) An opinion, based on stated factual assumptions, as to whether the members under current laws will be entitled to a pass-through of deductions from federal and State income taxes for payments made by the cooperative housing corporation for real estate taxes and interest on the property of the cooperative housing corporation;

(viii) A statement of the rights and responsibilities of members regarding the blanket encumbrance and a statement as to the nature and extent of any protection to the initial purchaser if the developer or cooperative housing corporation defaults on such a blanket encumbrance after transfer or a statement that there is no such protection;

(ix) A statement that a deposit made in connection with the purchase of a cooperative interest will be held in an escrow account in the same manner as provided in § 10-301 of the Real Property Article in the case of sales of new, uncompleted single family units;

(x) A statement of any fees required by the cooperative housing corporation in connection with the transfer of membership or issuance of a proprietary lease;

(xi) A statement of the common charges, known or anticipated, however denominated, which may be levied against a member;

(xii) A statement of the cooperative interest associated with each unit and the underlying debt responsibility associated with each unit on a pro rata basis, if applicable;

(xiii) A statement as to whether the cooperative housing corporation has or will obtain insurance coverage for casualty, property damage, and public liability and if so, in what amounts;

(xiv) In the case of a cooperative housing corporation containing buildings substantially completed more than 5 years prior to the date of the notice

required under § 5-6B-05 of this subtitle, a statement of the physical condition and state of repair of the major structural, mechanical, electrical, and plumbing components of the improvements, to the extent reasonably ascertainable, the estimated costs of repairs for which a present need is disclosed in the statement, and a statement of repairs which the developer intends to make. The developer is entitled to rely on the reports of architects or engineers authorized to practice their profession in this State; and

(xv) A statement of all warranties and disclaimers being made to the initial purchaser and to the cooperative housing corporation by the developer;

(3) Copies of the proposed or final:

(i) Contract of sale;

(ii) Membership certificate;

(iii) Proprietary lease;

(iv) Articles of incorporation;

(v) Bylaws;

(vi) Rules, if any;

(vii) Floor plans;

(viii) Blanket encumbrances;

(ix) Member loan documents and any contract, note, mortgage given to the developer, or other instrument to be entered into with the developer as part of the initial sale;

(x) Any lease other than the proprietary lease to a third party of real or personal property to which the cooperative housing corporation is a party; and

(xi) Any management contract, employment contract, or other contract excluding contracts of insurance affecting the use, maintenance or access to all or part of the real or personal property of the cooperative housing corporation;

(4) A copy of the projected annual operating budget for the cooperative housing corporation including, where applicable:

(i) Insurance;

(ii) Administration;

(iii) Maintenance;

(iv) Utilities;

(v) General expenses;

(vi) Reserves;

(vii) Capital items;

(viii) Debt service; and

(ix) Taxes; and

(5) If applicable, a copy of the notice and materials required by § 5-6B-05 of this subtitle, and a copy of the financial standards required to be established under § 5-6B-06(a)(2)(i) of this subtitle.

(c) Statements required in this section may be summarized or produced in a collection of documents which effectively conveys the required information to the initial purchaser.

(d) The requirements of this section do not apply to the sale of any cooperative interest in a unit which is to be used and occupied for nonresidential purposes.

§5–6B–03.

(a) Within 15 days after a contract is signed or a public offering statement is received, whichever occurs later, the initial purchaser may rescind, in writing, the contract without any liability on the initial purchaser's part, and shall thereupon be entitled to the prompt return of the deposit made on account of the contract.

(b) (1) After a contract is signed and before the issuance of a membership certificate, the developer must deliver to the initial purchaser a copy of any amendments, supplements, or modifications to the public offering statement.

(2) The initial purchaser may rescind, in writing, the contract within 5 days after receiving any of the aforesaid items which are material in nature, without

any liability on the initial purchaser's part, and shall be entitled to the return of any deposit made on account of the contract.

(c) If the developer fails to comply with the requirements of this section, the initial purchaser before the issuance of a membership certificate may rescind, in writing, the contract, without liability on the initial purchaser's part and shall thereupon be entitled to the prompt return of any deposits made on account of the contract.

(c–1) If any deposits are held in trust by a licensed real estate broker, the return of the deposits to an initial purchaser under subsection (a), (b), or (c) of this section shall comply with the procedures set forth in § 17–505 of the Business Occupations and Professions Article.

(d) (1) Any developer who, in disclosing the information required under § 5–6B–02(a) and (b) of this subtitle, makes an untrue statement of a material fact, or omits to state a material fact necessary in order to make the statements made not misleading in the light of circumstances under which they were made, shall be liable to a person purchasing a cooperative interest from the developer.

(2) However, an action may not be maintained to enforce any liability created under this section unless brought within 1 year after the facts constituting the cause of action are or should have been discovered.

(3) A developer may not be liable under paragraph (1) of this subsection if the developer, after reasonable investigation, had reasonable grounds to believe, and did believe, at the time the information required to be disclosed under § 5–6B–02 of this subtitle was provided to the purchaser, that:

(i) The statements were true; and

(ii) There was no omission to state a material fact necessary to make the statements not misleading.

(e) The rights of initial purchasers under this section may not be waived and an attempted waiver is void. If a membership certificate is issued and delivered, the initial purchaser's rights to rescind under this section are terminated.

(f) The requirements of this section do not apply to the sale of any unit which is to be used and occupied for nonresidential purposes.

§5–6B–04.

(a) (1) There is an implied warranty from the developer to the cooperative housing corporation on the roof, foundation, and other structural elements, ceilings, floors, walls, mechanical, electrical, and plumbing systems.

(2) The warranty shall provide that the developer is responsible for correcting defects in materials or workmanship, and that the building elements specified in this description are within acceptable industry standards in effect when the building or buildings were constructed.

(3) The warranty begins with the first transfer of a cooperative interest in the cooperative housing corporation to an initial purchaser. The warranty on a portion of the cooperative project not completed at the time of the transfer begins with the completion of that building element or with its availability for use by members, whichever occurs later. The warranty extends for a period of 3 years from the commencement date of the warranty.

(4) A suit for enforcement of the warranty on a portion of the cooperative project shall be brought by the cooperative housing corporation or by a member.

(b) Notice of a defect shall be given to the developer within the warranty period and suit for enforcement of the warranty shall be brought within 1 year after expiration of the warranty period.

(c) Warranties do not apply to any damage caused through abuse or failure to perform maintenance by a member or the cooperative housing corporation.

§5–6B–05.

(a) (1) At least 180 days before a tenant is required to vacate a portion of a residential rental facility used as a residence that is acquired or is to be acquired by a cooperative housing corporation or that is owned by or is to be owned by a corporation that may become a cooperative housing corporation, the owner and the landlord of each tenant in possession of a portion of the residential rental facility shall give the tenant a notice in substantially the form specified in subsection (f) of this section.

(2) For effective notice, the owner and the landlord, at least 15 days before giving the notice required by this section, shall file with the Secretary of State a copy of the notice, a list of the tenants to whom the owner and the landlord anticipate giving notice, and an affidavit in substantially the following form:

"I hereby affirm under the penalty of perjury that the notice requirements of § 5–6B–05 of the Corporations and Associations Article, if applicable, have been

fulfilled.

Developer

By .....

(3) If a tenant first leases a portion of the premises as a residence after the notice required by this subsection has been given, the owner and the landlord, if other than the owner, shall inform the tenant in writing that the notice has been given. The tenant shall be so informed on or before signing the lease or taking possession, whichever occurs first.

(b) The notice shall be considered to have been given to each tenant if delivered by hand or mailed, postage prepaid, to the tenant's last known address.

(c) A tenant leasing a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given to the tenant may not be required to vacate the premises prior to the expiration of 180 days from the giving of the notice except for:

(1) Breach of a covenant in the lease occurring before or after the notice is given;

(2) Nonpayment of rent occurring before or after the notice is given; or

(3) Failure of the tenant to vacate the premises at the time that is indicated by the tenant in a notice given to the landlord under subsection (e) of this section.

(d) (1) If the lease term of a tenant who leases a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given would ordinarily terminate during the 180–day period, the lease term shall be extended, at the option of the tenant, until the expiration of the 180–day period.

(2) The extended term shall be at the same rent and on the same terms and conditions as were applicable on the last day of the lease term.

(e) A tenant who leases a portion of a residential rental facility as a residence at the time the notice referred to in subsection (a) of this section is given may terminate the lease, without penalty for termination, upon at least 30 days' written notice to the landlord.

(f) The notice referred to in subsection (a) of this section shall be sufficient for the purposes of this section if it is in substantially the following form. As to rental

facilities containing fewer than 10 units, "Section 2" of the notice is not required to be given.

"NOTICE OF INTENTION TO CREATE A COOPERATIVE HOUSING CORPORATION

..... (date)

This is to inform you that the residential rental facility known as ..... has been or may be acquired by a cooperative housing corporation or that the current owner of the residential rental facility has or may become a cooperative housing corporation in accordance with the Maryland Cooperative Housing Corporation Act. You may be required to move out of your residence after 180 days have passed from the date of this notice, or in other words, after ..... (date).

Section 1
Rights that Apply to All Tenants

If you are a tenant in this residential rental facility and you have not already given notice that you intend to move, you have the following rights, provided you have previously paid your rent and continue to pay your rent and abide by the other terms and conditions of your lease.

(1) You may remain in your residence on the same rent, terms, and conditions of your existing lease until either the end of your lease term or until ..... (date) (the end of the 180–day period), whichever is later. If your lease term ends during the 180–day period, it will be extended on the same rent, terms, and conditions until ..... (date) (the end of the 180–day period). In addition, certain households may be entitled to extend their leases beyond the 180 days as described in Section 2.

(2) You have the right to purchase your residence before it can be sold publicly. A purchase offer describing your right to purchase is included with this notice.

(3) If you do not choose to purchase your residence, and the annual income for all present members of your household did not exceed ..... (the income eligibility figure for the appropriate area which equals approximately 80 percent of the median income for your county or standard metropolitan area) for 20__, you are entitled to receive $375 when you move out of your residence. You are also entitled to be reimbursed for moving expenses, as defined in the Maryland Cooperative Housing Corporation Act, over $375 up to $750 which are actually and reasonably incurred. If the annual income for all present members of your household did exceed .....

(the income eligibility figure for the appropriate area which equals approximately 80 percent of the median income for your county or standard metropolitan area) for 20__, you are entitled to be reimbursed up to $750 for moving expenses, as defined in the Maryland Cooperative Housing Corporation Act, actually and reasonably incurred. To receive reimbursement for moving expenses, you must make a written request, accompanied by reasonable evidence of your expenses, within 30 days after you move. You are entitled to be reimbursed within 30 days after your request has been received.

(4) If you want to move out of your residence before the end of the 180–day period or the end of your lease, you may cancel your lease without penalty by giving at least 30 days' prior written notice. However, once you give notice of when you intend to move, you will not have the right to remain in your residence beyond that date.

Section 2
Right to 3–Year Lease Extension or 3–Month Rent Payment for Certain Handicapped Citizens and Senior Citizens

The developer who converts this residential rental facility to a cooperative housing corporation must offer extended leases to qualified households for up to 20 percent of the units in the residential rental facility. Households which receive extended leases will have the right to continue renting their residences for at least 3 years from the date of this notice. A household may cancel an extended lease by giving 3 months' written notice if more than 1 year remains on the lease, and 1 month's written notice if 1 year or less remains on the lease.

Rents under these extended leases may be increased only once each year and are limited by increases in the cost of living index. Read the enclosed lease to learn the additional rights and responsibilities of tenants under extended leases.

In determining whether your household qualifies for an extended lease, the following definitions apply:

(1) "Handicapped citizen" means a person with a measurable limitation of mobility due to congenital defect, disease, or trauma.

(2) "Senior citizen" means a person who is at least 62 years old on the date of this notice.

(3) "Annual income" means the total income from all sources for all present members of your household for the income tax year immediately preceding the year in which this notice is issued, whether or not included in the definition of gross income for federal or State tax purposes. For purposes of this section, the inclusions to and exclusions from annual income are the same as for "gross income" as that term is

defined in § 9–104(a)(8) of the Tax – Property Article for the property tax credits for homeowners by reason of income and age, reduced by unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease. Total income means the same as "gross income" as defined in § 9–104(a)(8) of the Tax – Property Article.

To qualify for an extended lease you must meet all of the following criteria:

(1) A member of the household must be a handicapped citizen or a senior citizen and must be living in your unit as of the date of this notice and must have been a member of your household for at least the 12 months immediately preceding the date of this notice;

(2) Annual income for all present members of your household must not have exceeded ..... (80 percent of applicable median income) for 20__; and

(3) You must be current in your rental payment and otherwise be in good standing under your existing lease.

If you meet all of these qualifications and you desire an extended lease, then you must complete the enclosed form and execute the enclosed lease and return the completed form and executed lease to the office listed below within 60 days after the date of this notice, or in other words, by ..... (date). If your completed form and executed lease are not received within that time, you will not be entitled to an extended lease.

If the number of qualified households requesting extended leases exceeds the 20 percent limitation, the extended leases shall be allocated as determined by the local governing body. If the local governing body fails to provide for allocation, units shall be allocated by the developer based on seniority by continuous length of residence.

Due to the 20 percent limitation your application for an extended lease must be processed before your lease becomes effective. Your lease will become effective if it is determined that your household is qualified and falls within the 20 percent limitation.

If you return the enclosed form and lease by .....(date), you will be notified within 75 days after the date of this notice, or in other words, by .....(date), whether you are qualified and whether your household falls within the 20 percent limitation.

You may apply for an extended lease and, at the same time, choose to purchase a cooperative interest. If you apply for and receive an extended lease, your contract will be void. If you do not receive an extended lease, your contract will be effective and you will be obligated to purchase a cooperative interest.

If you qualify for an extended lease, but due to the 20 percent limitation, your lease is not effective, the developer must pay you an amount equal to 3 months' rent within 15 days after you move. You are also entitled to up to $750 reimbursement for your moving expenses, as described in Section 1.

If you qualify for an extended lease, but do not want one, you are also entitled to both the moving expense reimbursement previously described and the payment equal to 3 months' rent. In order to receive the 3 months' rent payment, you must complete and return the enclosed form within 60 days after the date of this notice or by ..... (date), but you should not execute the enclosed lease.

All applications, forms, executed leases, and moving expense requests should be addressed or delivered to:

.....

.....

.....

(g) The failure of a landlord or owner to give notice as required by this section is a defense to an action for possession.

(h) This section does not apply to a tenant whose lease term expires during the 180–day period and who has given written notice of intent not to renew the lease before the notice required by subsection (a) of this section is given.

(i) A tenant may not waive the rights under this section except as otherwise provided under this subtitle.

(j) At the expiration of the 180–day period a tenant shall become a tenant from month–to–month subject to the same rent, terms, and conditions as those existing at the giving of the notice required by subsection (a) of this section, if the tenant's initial lease has expired and the tenant has not:

(1) Entered into a new lease;

(2) Vacated under subsection (e) of this section; or

(3) Been notified in accordance with applicable law prior to the expiration of the 180–day period that the tenant must vacate at the end of that period.

§5–6B–06.

(a) (1) An owner required to give notice under § 5–6B–05 of this subtitle shall offer in writing to each tenant entitled to receive that notice the right to purchase the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility occupied by the tenant as the tenant's residence. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility to any other person during the 180–day period following the giving of the notice required by § 5–6B–05 of this subtitle. Settlement cannot be required any earlier than 120 days after the offer is accepted by the tenant.

(2) (i) The cooperative housing corporation shall adopt uniform objective standards concerning financial responsibility which shall apply to all tenants and initial purchasers.

(ii) The tenant's acceptance of the owner's offer is conditioned on the tenant meeting the financial standards established by the cooperative housing corporation under subparagraph (i) of this paragraph.

(3) The offer to each tenant shall be made concurrently with the giving of the notice required by § 5–6B–05 of this subtitle, shall be a part of that notice, and shall state that:

(i) The offer will terminate upon the earlier to occur of termination of the lease by the tenant or 60 days after delivery;

(ii) Acceptance of the offer by a tenant who meets the criteria for an extended lease under § 5–6B–07(b) of this subtitle is contingent upon the tenant not receiving an extended lease;

(iii) Settlement cannot be required earlier than 120 days after acceptance by the tenant; and

(iv) The household is entitled to reimbursement for moving expenses as provided in subsection (h) of this section.

(4) Delivery of a notice in the form specified in § 5–6B–05(f) of this subtitle meets the requirements of subsection (a) of this section.

(b) (1) Notwithstanding the provisions of subsection (a) of this section, an owner may make alterations or additions to the size, location, configuration, and physical condition of the residential rental facility. The developer is not required to make the boundaries of a portion of the residential rental facility occupied by a tenant as the tenant's residence coincide with the boundaries of a proposed unit.

(2) If the boundaries of a portion of the residential rental facility occupied by a tenant as the tenant's residence do not coincide with the boundaries of a proposed unit, then, to the extent reasonable and practicable, the owner shall offer in writing to that tenant the right to purchase a substantially equivalent cooperative interest. The offer shall be at a price and on terms and conditions at least as favorable as the price, terms, and conditions offered for the cooperative interest which is coupled with the proprietary lease for that portion of the residential rental facility to any other person and shall contain the statements required by paragraph (2) of subsection (a) of this section.

(c) Unless written acceptance of an offer made under subsection (a) or (b) of this section is first delivered to the owner by the tenant, the offer shall terminate, without further act, upon the earlier to occur of:

(1) Termination of the lease by the tenant; or

(2) 60 days after the offer is delivered to the tenant.

(d) Acceptance of an offer by a tenant who meets the criteria for an extended lease under § 5–6B–07 of this subtitle shall be contingent upon the tenant not receiving an extended lease.

(e) (1) Except as provided in paragraph (2) of this subsection, if the offer terminates, the owner may not offer to sell that cooperative interest at a price or on terms and conditions more favorable to the offeree than the price, terms, and conditions offered to the tenant during the 180–day period following the giving of the notice required by § 5–6B–05 of this subtitle.

(2) The owner may reoffer to sell that cooperative interest to the tenant on terms and conditions more favorable to the offeree, and if the owner does so, the offer shall supersede the first offer.

(f) Within 75 days after the giving of the notice required by § 5–6B–05 of this subtitle, the developer shall provide to any county, incorporated municipality, or housing agency which has a right to purchase cooperative interests in the residential rental facility under § 5–6B–09 of this subtitle a list of the names and units of all tenants who have validly accepted offers made under this section within 60 days of

the giving of the notice required by § 5–6B–05 of this subtitle, except those offers which have terminated because of the granting of an extended lease under § 5–6B–07 of this subtitle.

(g) If a membership certificate for a unit contains an affidavit by the issuer or transferor that the provisions of this section have been fulfilled, then the holder or transferee takes title to the cooperative interest free and clear of all claims and rights of a person arising under this section.

(h) (1) If the household does not accept the purchase offer made under this section, the owner shall:

(i) If the household qualifies as to income under § 5–6B–07 of this subtitle, pay the household $375 when the household vacates the unit and reimburse the household for moving expenses in excess of $375 up to $750 which are actually and reasonably incurred; or

(ii) If the household does not qualify as to income under § 5–6B–07 of this subtitle, reimburse the household for moving expenses up to $750 which are actually and reasonably incurred.

(2) The household shall make a written request for moving expense reimbursement to the developer, accompanied by reasonable evidence of the costs incurred, within 30 days after moving. The developer shall reimburse the household within 30 days following receipt of the request.

§5–6B–07.

(a) (1) In this section the following words have the meanings indicated.

(2) "Annual income" means the total income, from all sources, of a designated household, for the income tax year immediately preceding the year in which the notice is given under § 5-6B-05 of this subtitle, whether or not included in the definition of gross income for federal or State tax purposes. For purposes of this section, the inclusions and exclusions from annual income are the same as those listed in § 9-104(a)(8) of the Tax - Property Article for "gross income" as that term is defined for the property tax credits for homeowners by reason of income and age, reduced by unreimbursed medical expenses if the tenant provides reasonable evidence of the unreimbursed medical expenses or consents in writing to authorize disclosure of relevant information regarding medical expense reimbursement at the time of applying for an extended lease.

(3) "Designated household" means a household which includes a senior citizen or a handicapped citizen, provided that the senior citizen or the

handicapped citizen has been a member of the household for a period of at least 12 months immediately preceding the giving of the notice required by § 5-6B-05 of this subtitle.

(4) "Handicapped citizen" means a person with a measurable limitation of mobility due to congenital defect, disease, or trauma.

(5) "Household" means only those persons domiciled in the unit at the time the notice required by § 5-6B-05 of this subtitle is given.

(6) "Senior citizen" means a person who is at least 62 years old on the date that the notice required by § 5-6B-05 of this subtitle is given.

(b) A developer may not sell a cooperative interest with respect to a unit in a residential rental facility occupied by a member of a designated household entitled to receive the notice required by § 5-6B-05 of this subtitle without offering to the tenant of the unit a lease extension for a period of at least 3 years from the giving of the notice required by § 5-6B-05 of this subtitle, if the household meets the following criteria:

(1) Had an annual income which did not exceed the income eligibility figure applicable for the county or standard metropolitan statistical area in which the residential rental facility is located, as provided under subsection (n) of this section;

(2) Is current in its rent payment and has not violated any other material terms of the lease;

(3) Has provided the developer within 60 days after the giving of the notice required by § 5-6B-05 of this subtitle with an affidavit under penalty of perjury, with a statement:

(i) Asserting that the household is applying for an extended lease under this section;

(ii) Setting forth the household's annual income for the calendar year preceding the giving of the notice required by § 5-6B-05 of this subtitle, together with reasonable supporting documentation of the household income and, where applicable, of unreimbursed medical expenses or a written authorization for disclosure of relevant information regarding medical expense reimbursement by doctors, hospitals, clinics, insurance companies, or similar persons, entities, or organizations that provide medical treatment coverage to the household; and

(iii) Setting forth facts showing that a member of the household is either a handicapped citizen or a senior citizen who, in either event, has been a

member of the household for at least the 12 months immediately preceding the giving of the notice required by § 5-6B-05 of this subtitle; and

(4) Has executed an extended lease and returned it to the developer within 60 days after the giving of the notice required by § 5-6B-05 of this subtitle.

(c) The developer shall deliver to each tenant entitled to receive the notice required by § 5-6B-05 of this subtitle, simultaneously with the notice:

(1) An application on which may be included all of the information required by paragraph (3) of subsection (b) of this section;

(2) A lease containing the terms required by this section and clearly indicating that the lease will be effective, but only if:

(i) The tenant executes and returns the lease not later than 60 days after the giving of the notice required by § 5-6B-05 of this subtitle; and

(ii) The household is allocated one of the units required to be made available to qualified households based on its ranking under subsection (k) of this section and the number of tenants executing and returning leases;

(3) A copy of the public offering statement; and

(4) A notice setting forth the rights and obligations of the tenant under this section. Delivery of a notice in the form specified in § 5-6B-05(f) of this subtitle meets the requirements of this subsection.

(d) Within 75 days after giving the notice required by § 5-6B-05 of this subtitle, the developer shall notify each household which submits to the developer the documentation required by subsection (b)(3) of this section:

(1) Whether the household meets the criteria of subsection (b) of this section, and, if not, an explanation of which criteria have not been met; and

(2) Whether the extended lease has become effective.

(e) Within 75 days after the giving of the notice required by § 5-6B-05 of this subtitle, the developer shall provide to any county, incorporated municipality, or housing agency that has a right to purchase units in the residential rental facility under § 5-6B-09 of this subtitle:

(1) A notice indicating the number of units in the cooperative housing corporation being made available to qualified households under subsection (k)(1) of this section;

(2) A list of all households meeting the criteria of subsection (b) of this section, indicating the ranking of each in relation to that number;

(3) A list of all households returning the affidavit required by subsection (b) of this section that do not meet all the criteria of subsection (b) of this section and copies of the notifications sent to these households under subsection (d) of this section; and

(4) A list of all households as to whom a lease has become effective.

(f) (1) The extended lease shall provide for a term commencing on acceptance and terminating not less than 3 years from the giving of the notice required by § 5-6B-05 of this subtitle.

(2) Annually, on the commencement date of the extended lease, the rental fee for the unit may be increased. The increase shall not exceed an amount determined by multiplying the annual rent for the preceding year by the percentage increase for the rent component of the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI - W) (1967 = 100), as published by the U.S. Department of Labor, for the most recent 12-month period.

(3) Except as this section otherwise permits or requires, the extended lease shall contain the same terms and conditions as the lease in effect on the day preceding the giving of the notice required by § 5-6B-05 of this subtitle.

(g) A designated household which exercises its rights under this section may not be denied an opportunity to purchase a cooperative interest at a later date, if one is available.

(h) (1) Except as provided in paragraph (2) of this subsection, a designated household which executes an extended lease under this section which is later accepted may not terminate its extended lease under § 5-6B-05 of this subtitle.

(2) A designated household may terminate its extended lease at any time, with notice to the developer or any subsequent titleholder as follows:

(i) At least a 1-month prior notice in writing shall be given when less than 12 months remain on the lease; and

(ii) At least a 3-months' prior notice in writing shall be given when 12 months or more remain on the lease.

(3) A lease executed under this section shall set forth the provisions for terminating contained in this subsection.

(i) (1) The cooperative interests with respect to units subject to the provisions of this section may be transferred to a person who is not a member of the designated household, provided that:

(i) The provisions of this section continue to apply despite any transfer of a cooperative interest with respect to a unit occupied by a designated household as provided in this section;

(ii) The designated household is provided written notice of the change of ownership of the cooperative interest by the new owner of such interest; and

(iii) The seller of the cooperative interest provides the purchaser written disclosure that the unit is occupied by a designated household subject to the provisions of this section at the time of or prior to the execution of a contract.

(2) Notwithstanding any provisions in the articles of incorporation, bylaws, or proprietary lease that limit, prohibit, or restrict occupancy by persons other than the owner of the cooperative interest with respect to the unit, the designated household may occupy the unit under the extended lease provided for in this section.

(j) The extended tenancy provided for in this section shall cease upon the occurrence of one of the following:

(1) 90 days after the death of the last surviving senior citizen or handicapped citizen residing in the unit or 90 days after the last senior citizen or handicapped citizen has moved from the unit;

(2) Eviction for failure to pay rent due in a timely fashion or violation of any other material term of the lease; or

(3) Voluntary termination of the lease by the designated household under subsection (h) of this section.

(k) (1) A developer shall set aside a percentage of the total number of units within a cooperative project for designated households. A developer is not

required to grant extended leases covering more than 20 percent of the units within a cooperative project to designated households.

(2) If the number of units occupied by designated households that meet the criteria of subsection (b) of this section exceeds 20 percent of the total number of units, then the number of available units for tenancy under the provisions of this section shall be allocated as determined by the local governing body. If the local governing body fails to provide for allocation, units shall be allocated by the developer based on seniority by continuous length of residence.

(l) (1) If a conversion involves substantial rehabilitation or reconstruction of such a nature that the work involved does not permit the continued occupancy of a unit because of danger to the health and safety of the tenants, any designated household executing an extended lease under the provisions of this section shall be required to vacate the unit not earlier than the expiration of the 180-day period and to relocate at the expense of the developer in a comparable unit in the residential rental facility to permit the work to be performed.

(2) If there is no comparable unit available, then the designated household shall be required to vacate the residential rental facility. When the work is completed, the developer shall notify the household of its completion. The household shall have 30 days after the date of that notice to return to the original or a comparable rental unit. The term of the extended lease of that household shall begin upon the return to the rental unit.

(3) The developer shall give 180 days' notice prior to the date that units must be vacated. The notice shall explain the household's rights under this subsection and subsection (m) of this section.

(m) (1) The developer shall pay households that qualify as to income under subsection (b)(1) of this section $375 when the household vacates the unit and for moving expenses in excess of $375 up to $750 which are actually and reasonably incurred. The household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days after moving. The developer shall reimburse the household within 30 days following receipt of the request.

(2) If a household does not qualify as to income under subsection (b)(1) of this section, the developer shall reimburse moving expenses, up to $750, actually and reasonably incurred to the designated households eligible under this subsection. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days after moving. The developer shall reimburse the designated household within 30 days following receipt of the request.

(3) The developer shall also pay compensation equivalent to 3 months rent within 15 days of moving to the designated household eligible under this subsection.

(4) The following designated households which meet the applicable criteria of subsection (b) of this section are eligible under this subsection:

(i) A designated household which does not execute an extended lease;

(ii) A designated household which is precluded from having an extended tenancy by the limitations of subsection (k) of this section; or

(iii) A designated household which is required to vacate the rental unit under subsection (l)(2) of this section.

(5) A developer shall also reimburse moving expenses, up to $750, actually and reasonably incurred, to a designated household that returns to the rental unit under subsection (l)(2) of this section. The designated household shall make a written request for reimbursement accompanied by reasonable evidence of the costs incurred within 30 days following the designated household's return. The developer shall reimburse the designated household within 30 days following receipt of the request.

(n) (1) The Secretary of State shall prepare an income eligibility figure for each county and standard metropolitan statistical area of the State, which shall reasonably approximate 80 percent of the median income for each county and standard metropolitan statistical area.

(2) (i) A county or incorporated municipality which is in a standard metropolitan statistical area may by ordinance or resolution adopt the income eligibility figure applicable to the county or standard metropolitan statistical area.

(ii) If the county or incorporated municipality does not adopt an income eligibility figure, the county figure shall control.

§5–6B–08.

(a) (1) A county or an incorporated municipality may provide, by local law or ordinance, that a residential rental facility may not be granted to a purchaser for the purpose of conversion unless the county, incorporated municipality, or housing agency has first been offered in writing the right to purchase the rental facility on

substantially the same terms and conditions offered by the owner to the purchaser. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality, or housing agency shall be delivered.

(2) The offer shall contain a contingency entitling the county, incorporated municipality, or housing agency, to secure financing within 180 days from the date of the offer, provided that the county, incorporated municipality, or housing agency shall use its best efforts to secure financing as soon as possible.

(3) Unless written acceptance of the offer is first delivered to the owner by the county, incorporated municipality, or housing agency, the offer shall terminate, without further act, 60 days after it is delivered to the county, incorporated municipality, or housing agency. If the offer terminates, the owner may grant the residential rental facility to any person for any purpose on terms and conditions not more favorable to a buyer than those offered by the owner to the county, incorporated municipality, or housing agency.

(4) If the county, incorporated municipality, or housing agency purchases the residential rental facility, it shall retain or provide for the retention of the property as a residential rental facility for at least 3 years from the date of acquisition.

(b) A local law or ordinance adopted under subsection (a) of this section may provide that the owner of a residential rental facility is exempt from the provisions of this section if the purchaser of the rental facility enters into an agreement with the county, incorporated municipality, or housing agency to retain the property as a residential rental facility for a period not to exceed 3 years after the date of acquisition of the property.

(c) The provisions of any local law or ordinance adopted under this section shall not apply to the following transfers of a residential rental facility:

(1) A transfer as a result of a foreclosure made under the terms of a mortgage or deed of trust;

(2) A transfer to a mortgagee in lieu of foreclosure or a transfer under other proceedings, arrangement or deed in lieu of foreclosure;

(3) A transfer made under a judicial sale or other judicial proceeding brought to secure payment of a debt or for the purpose of securing the performance of an obligation;

(4) A transfer of the interest of one co-tenant to another co-tenant by operation of law or otherwise;

(5) A transfer made by will or descent or by intestate distribution;

(6) A transfer made to a municipal or county government, to the State government, or to an agency, instrumentality, or political subdivision of government;

(7) A transfer to a spouse, son, or daughter;

(8) A transfer made under the liquidation of a partnership or corporation; or

(9) A transfer into a partnership or corporation wholly owned by the person(s) so contributing.

(d) A county, incorporated municipality, or housing agency, by execution and delivery by the appropriate official to the grantor of an instrument in recordable form, may waive its right to purchase a particular residential rental facility under this section.

(e) Within 30 days after the enactment of a law or ordinance under this section, the county or incorporated municipality shall forward a copy of the law or ordinance to the Secretary of State.

(f) If a deed for a residential rental facility contains an affidavit by the grantor that the provisions of this section have been fulfilled, then the grantee in that deed takes title to the residential rental facility free and clear of all claims and rights of a county, incorporated municipality, or housing agency arising under this section.

§5–6B–09.

(a) (1) A county or an incorporated municipality may provide by local law or ordinance, that the cooperative interest with respect to a unit in a residential rental facility occupied by a tenant entitled to receive the notice required by § 5-6B-05 of this subtitle may not be transferred unless the county, incorporated municipality, or housing agency has first been offered in writing the right to purchase the cooperative interest at the same price and on the same terms and conditions initially offered to any other person. The local law or ordinance shall designate the title and mailing address of the person to whom the offer to the county, incorporated municipality, or housing agency is to be delivered and the title of the person who may accept the offer on behalf of the county, incorporated municipality, or housing agency.

(2) The local law or ordinance shall provide that the offer to the county, incorporated municipality, or housing agency shall be made at the same time an offer is made to a tenant of the unit under § 5-6B-06 of this subtitle. If a tenant accepts an offer of a unit made under § 5-6B-06 of this subtitle, then the rights of the county, incorporated municipality, or housing agency to such unit under an offer made under this section, whether or not accepted, shall terminate.

(3) Unless written acceptance of the offer is first delivered to the owner of the residential rental facility by the county, incorporated municipality, or housing agency, the offer shall terminate, without further act, 120 days after it is delivered to the county, incorporated municipality, or housing agency.

(b) A county, incorporated municipality, or housing agency may not accept an offer made under this section for a cooperative interest with respect to a unit if that unit together with the aggregate of other units previously accepted or not accepted, subject to an extended lease by a designated family under this subtitle, exceeds 20 percent of the total number of units in the cooperative project.

(c) If a membership certificate for a cooperative interest contains an affidavit by the grantor that the provisions of a law or ordinance enacted under this section have been fulfilled, then the grantee in that grant takes title to the cooperative interest free and clear of all claims and rights of any county, incorporated municipality, or housing agency under a local law or ordinance enacted under this section.

(d) Within 30 days of the enactment of a law or ordinance under this section, the county or incorporated municipality shall forward a copy of the law or ordinance to the Secretary of State.

§5–6B–10.

(a) The intent of the General Assembly of Maryland is to facilitate the orderly development of cooperative housing corporations in Maryland. The General Assembly recognizes, however, that the conversion of residential rental facilities to cooperative housing corporations or condominiums can have an adverse impact on the availability of rental units, resulting in the displacement of tenants.

(b) A county or incorporated municipality may, by legislative finding, recognize and declare that a rental housing emergency exists in all or a part of its jurisdiction and has been caused by the conversion of residential rental facilities. Any legislative finding shall exist for one year, subject to any extensions for periods of one year at a time. The jurisdiction shall consider and make findings as to:

(1) The nature and incidence of conversions of residential rental facilities;

(2) The resulting hardship to and displacement of tenants; and

(3) The scarcity of rental housing.

(c) Upon the finding and declaration of a rental housing emergency caused by the conversion of rental housing, a county or an incorporated municipality may by the enactment of laws, ordinances, and regulations, take the following actions to meet the emergency:

(1) Grant to a designated family as defined in § 5-6B-07 of this subtitle a right to an extended lease for a period in addition to that period provided for in § 5-6B-07 of this subtitle. The right to an extended lease may not, in any event, result in a requirement that a developer set aside for an extended lease more than 20 percent of the total number of units.

(2) Otherwise extend the provisions of § 5-6B-07 of this subtitle except that:

(i) More than 20 percent of the total number of units may not be required to be set aside; and

(ii) The term of an extended lease for a family made a designated family by a county or an incorporated municipality may not exceed 3 years.

(3) Require that the notice required to be given under § 5-6B-05 of this subtitle be altered to disclose the effects of any actions taken under this section.

(d) Within 10 days after the enactment of a law, ordinance, or regulation under this section, a county or incorporated municipality shall forward a copy of the law, ordinance, or regulation to the Secretary of State.

§5–6B–11.

Deposits taken in connection with the sale by a developer of cooperative interests with respect to units intended for residential use shall be deposited or held in an escrow account in the same manner as provided in § 10-301 of the Real Property Article in the case of sales of new, uncompleted single family units, unless a corporate surety bond is obtained and maintained as provided in § 10-301 of the Real Property Article.

§5–6B–12.

(a) This section is intended to provide minimum standards for the protection of consumers in the State.

(b) (1) For purposes of this section, "consumer" means an actual or prospective purchaser, lessee, assignee, or transferee of a cooperative interest with respect to a residential unit.

(2) "Consumer" includes a co–obligor or surety for a consumer.

(c) (1) To the extent that a violation of a provision of this subtitle affects a consumer, that violation shall be within the scope of the enforcement duties and powers of the Division of Consumer Protection of the Office of the Attorney General, as described in Title 13 of the Commercial Law Article.

(2) The provisions of this subtitle shall otherwise be enforced by each agency of the State within the scope of its authority.

(d) A county or incorporated municipality, or an agency of one of those jurisdictions, may adopt laws or ordinances for the protection of a consumer to the extent and in the manner provided for under § 13–103 of the Commercial Law Article.

(e) Within 30 days after the effective date of a law, ordinance, or regulation enacted under this section which is expressly applicable to cooperative housing corporations, the local jurisdiction shall forward a copy of the law, ordinance, or regulation to the Secretary of State.

§5–6B–13.

(a) A cooperative interest is not a security under the Maryland Securities Act.

(b) The provisions of Title 8 of the Commercial Law Article where consistent with this article shall apply to membership certificates in cooperative housing corporations.

§5–6B–14.

The fact that economic activity is organized under this subtitle may not cause the activity to be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

§5–6B–15.

To the extent not inconsistent with this subtitle, the provisions of this article applicable to stock and nonstock corporations shall apply to all cooperative housing corporations.

§5–6B–16.

(a) A cooperative interest is personal property and, after receipt by the cooperative housing corporation of any outstanding membership certificate and proprietary lease with respect to that cooperative interest, that cooperative interest shall be transferred by appropriate notation made on the books and records of the cooperative housing corporation and the execution and delivery to the transferee by the cooperative housing corporation of a membership certificate and proprietary lease, if any.

(b) The possessory interest evidenced by a proprietary lease is a part of and may not be severed from the cooperative interest evidenced by the membership certificate.

§5–6B–17.

(a) Except as provided in subsection (b) of this section, a security interest in a cooperative interest shall attach, be perfected, and be enforceable as provided in Title 9 of the Commercial Law Article.

(b) The security interest may be perfected by the secured party's taking possession of the membership certificate or by filing a financing statement as provided in Title 9 of the Commercial Law Article.

(c) On request of a secured party, the cooperative housing corporation shall note on its books and records the interest of the secured party in the cooperative interest.

§5–6B–18.

(a) Except as otherwise provided in the articles of incorporation or bylaws, the votes in a cooperative housing corporation shall be assigned so that each unit has one vote.

(b) Cooperative housing corporations shall not engage in mergers or consolidations if such action is undertaken for the purpose of circumventing §§ 5-6B-02 through 5-6B-12 of this subtitle.

§5–6B–19.

(a) This section applies to any meeting of a cooperative housing corporation, the governing body of a cooperative housing corporation, or a committee of a cooperative housing corporation, notwithstanding anything contained in the documents of the cooperative housing corporation.

(b) Subject to the provisions of subsection (e) of this section, all meetings of the cooperative housing corporation shall be open to the members of the cooperative housing corporation or their agents.

(c) All members shall be given reasonable notice of all regularly scheduled open meetings of the cooperative housing corporation.

(d) (1) This subsection does not apply to a meeting of a governing body that occurs at any time before the members, other than the developer, have a majority of votes in the cooperative housing corporation.

(2) Subject to paragraph (3) of this subsection and to reasonable rules adopted by a governing body, a governing body shall provide a designated period of time during a meeting to allow members an opportunity to comment on any matter relating to the cooperative housing corporation.

(3) During a meeting at which the agenda is limited to specific topics or at a special meeting, the comments of members may be limited to the topics listed on the meeting agenda.

(e) (1) A meeting of a cooperative housing corporation may be held in closed session only for the purpose of:

(i) Discussing matters pertaining to employees and personnel;

(ii) Protecting the privacy or reputation of individuals in matters not related to the business of the cooperative housing corporation;

(iii) Consulting with legal counsel on legal matters;

(iv) Consulting with staff personnel, consultants, attorneys, board members, or other persons in connection with pending or potential litigation or other legal matters;

(v) Conducting investigative proceedings concerning possible or actual criminal misconduct;

(vi) Considering the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interests of the cooperative housing corporation;

(vii) Complying with a specific constitutional, statutory, or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or

(viii) Discussing individual owner assessment accounts.

(2) If a meeting is held in closed session under paragraph (1) of this subsection:

(i) An action may not be taken and a matter may not be discussed if it is not permitted by paragraph (1) of this subsection; and

(ii) The minutes of the next meeting of the cooperative housing corporation shall include:

1. A statement of the time, place, and purpose of a closed meeting;

2. A record of the vote of each board or committee member by which the meeting was closed; and

3. A statement of the authority under this subsection for closing the meeting.

§5–6B–20.

(a) This section does not apply to the distribution of information or materials at any time before the members, other than the developer, have a majority of votes in the cooperative housing corporation.

(b) Subject to subsection (c) of this section, a cooperative housing corporation shall allow any member to distribute written information or materials regarding matters relating to the operation of the cooperative housing corporation in the same place and manner as the governing body distributes written information or materials other than:

(1) Information or materials reflecting assessments imposed on members that the governing body distributes door–to–door; or

(2) Meeting notices that the governing body distributes door–to–door.

(c) A cooperative housing corporation may place reasonable restrictions on the time of any distribution of written information or materials.

§5–6B–21.

(a) This section does not apply to any meetings of members occurring at any time before the members, other than the developer, have a majority of the votes in the cooperative housing corporation.

(b) Subject to reasonable rules adopted by the governing body, members may meet for the purpose of considering and discussing matters relating to the operation of the cooperative housing corporation in any area that is generally open to all members of the cooperative housing corporation.

§5–6B–22.

(a) The provisions of this section relating to no–impact home–based businesses do not apply to a cooperative housing corporation that has adopted, prior to July 1, 1999, procedures in accordance with its articles of incorporation or a proprietary lease or a provision of its bylaws for the prohibition or regulation of no–impact home–based businesses.

(b) (1) Subject to the provisions of subsection (c) of this section, a provision in the articles of incorporation or a proprietary lease or a provision of the bylaws of a cooperative housing corporation that prohibits or restricts commercial or business activity in general, but does not expressly apply to no–impact home–based businesses, may not be construed to prohibit or restrict the establishment and operation of no–impact home–based businesses.

(2) Subject to the provisions of subsection (c) of this section, the operation of a no–impact home–based business shall be:

(i) Considered a residential activity; and

(ii) A permitted activity.

(c) (1) (i) Subject to the provisions of paragraphs (2) and (3) of this subsection, a cooperative housing corporation may include in its articles of incorporation, bylaws, or proprietary leases a provision expressly prohibiting the use of a residential unit as a no–impact home–based business.

(ii) A provision described under subparagraph (i) of this paragraph expressly prohibiting the use of a residential unit as a no–impact home–based business shall apply to an existing no–impact home–based business in the cooperative project.

(2) A provision described under paragraph (1)(i) of this subsection expressly prohibiting the use of a residential unit as a no–impact home–based business may not be enforced unless it is approved by a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(3) If a cooperative housing corporation includes in its articles of incorporation, bylaws, or proprietary leases a provision prohibiting the use of a residential unit as a no–impact home–based business, it shall also include a provision stating that the prohibition may be eliminated and no–impact home–based businesses may be approved by a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(4) If a cooperative housing corporation includes in its articles of incorporation, bylaws, or proprietary leases a provision expressly prohibiting the use of a residential unit as a no–impact home–based business, the prohibition may be eliminated and no–impact home–based business activities may be permitted by the approval of a simple majority of the total eligible voters of the cooperative housing corporation under the voting procedures contained in the articles of incorporation or bylaws of the corporation.

(d) A cooperative housing corporation may:

(1) Restrict or prohibit a no–impact home–based business in any areas constituting those portions of a cooperative project possessed in common by the members; and

(2) Impose a fee for use of any areas constituting those portions of a cooperative project possessed in common by the members in a reasonable amount not to exceed $50 per year on each no–impact home–based business operating in the cooperative project.

§5–6B–23.

(a) In this section, "candidate sign" means a sign on behalf of a candidate for public office or a slate of candidates for public office.

(b) Except as provided in subsection (c) of this section, a recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a cooperative housing corporation may not prohibit or restrict the display of:

(1) A candidate sign; or

(2) A sign that advertises the support or defeat of any question submitted to the voters in accordance with the Election Law Article.

(c) A recorded covenant or restriction, a provision in a declaration, or a provision in the bylaws or rules of a cooperative housing corporation may restrict the display of a candidate sign or a sign that advertises the support or defeat of any proposition:

(1) In any areas constituting those portions of a cooperative project possessed in common by the members;

(2) In accordance with provisions of federal, State, and local law; or

(3) If a limitation to the time period during which signs may be displayed is not specified by a law governing the jurisdiction in which the cooperative housing corporation is located, to a time period not less than:

(i) 30 days before the primary election, general election, or vote on the proposition; and

(ii) 7 days after the primary election, general election, or vote on the proposition.

§5–6B–23.1.

(a) (1) In this section the following words have the meanings indicated.

(2) "Common element" means any area in a cooperative project in which members have a possessory interest in common.

(3) "Electric vehicle recharging equipment" means property in the State that is used for recharging vehicles propelled by electricity, including motor vehicles and electric bicycles.

(b) A recorded covenant or restriction, a provision in a declaration, a provision in a proprietary lease, or a provision in the bylaws or rules of a cooperative housing corporation is void and unenforceable if the covenant, restriction, or provision:

(1) Is in conflict with the provisions of this section; or

(2) Effectively prohibits or unreasonably restricts the installation or use of electric vehicle recharging equipment in a member's parking space or a parking space that is specifically designated for use by a particular member.

(c) (1) If approval is required for the installation or use of electric vehicle recharging equipment in a cooperative housing corporation, the governing body shall process and review an application for approval in the same manner as an application for approval of an architectural modification to the cooperative housing corporation.

(2) The governing body may not willfully avoid or delay processing and reviewing an application for approval.

(3) If an application is not denied in writing within 60 days after the governing body receives the application, the application shall be deemed approved, unless the delay is the result of a reasonable request for additional information.

(4) The approval or denial of an application shall be in writing.

(d) (1) The governing body shall approve the installation of electric vehicle recharging equipment in a parking space that is specifically designated for use by a particular member if:

(i) Installation:

1. Does not unreasonably impede the normal use of an area outside the member's parking space; and

2. Is reasonably possible; and

(ii) The member agrees in writing to:

1. Comply with:

A. All relevant building codes and safety standards to maintain the safety of all members with a possessory interest in common; and

B. The cooperative housing corporation's architectural standards for the installation of the electric vehicle recharging equipment;

2. Engage a licensed contractor to install the electric vehicle recharging equipment; and

3. Pay for the electricity usage associated with the separately metered electric vehicle recharging equipment.

(2) The owner and each successive owner of the electric vehicle recharging equipment shall be responsible for:

(i) Installation costs for the electric vehicle recharging equipment;

(ii) Costs for damage to the electric vehicle recharging equipment or common element resulting from the installation, maintenance, repair, removal, or replacement of the electric vehicle recharging equipment;

(iii) Costs for the maintenance, repair, and replacement of the electric vehicle recharging equipment up until the equipment is removed;

(iv) If the member decides to remove the electric vehicle recharging equipment, costs for the removal and for the restoration of the common element after removal; and

(v) The cost of electricity associated with the electric vehicle recharging equipment.

(e) A member shall obtain any permit or approval for electric vehicle recharging equipment that is required by the county or municipal corporation in which the cooperative housing corporation is located.

(f) A governing body may grant a license for up to 3 years, renewable at the discretion of the governing body, on any common element necessary for the installation of equipment or for the supply of electricity to any electric vehicle recharging equipment.

(g) (1) A member shall:

(i) Prior to installation of the electric vehicle recharging equipment, provide a certificate of insurance naming the cooperative housing corporation as an additional insured; or

(ii) Reimburse the cooperative housing corporation for the cost of an increased insurance premium attributable to the electric vehicle recharging equipment.

(2) Insurance coverage of the electric vehicle recharging equipment shall be maintained so long as the electric vehicle recharging equipment and all appurtenances to the electric vehicle recharging equipment are installed.

§5–6B–24.

(a) Notwithstanding language contained in the governing documents of a cooperative housing corporation, the cooperative housing corporation may provide notice of a meeting or deliver information to a member by electronic transmission if:

(1) The board of directors of the cooperative housing corporation gives the cooperative housing corporation the authority to provide notice of a meeting or deliver information by electronic transmission;

(2) The member gives the cooperative housing corporation prior written authorization to provide notice of a meeting or deliver information by electronic transmission; and

(3) An officer or agent of the cooperative housing corporation certifies in writing that the cooperative housing corporation has provided notice of a meeting or delivered information to the member.

(b) Notice or delivery by electronic transmission shall be considered ineffective if:

(1) The cooperative housing corporation is unable to deliver two consecutive notices; and

(2) The inability to deliver the electronic transmission becomes known to the person responsible for the sending of the electronic transmission.

(c) The inadvertent failure to deliver notice by electronic transmission does not invalidate any meeting or other action.

§5–6B–25.

(a) Notwithstanding language contained in the governing documents of a cooperative housing corporation, the board of directors of the cooperative housing corporation may authorize members to submit a vote or proxy by electronic transmission if the electronic transmission contains information that verifies that the vote or proxy is authorized by the member or the member's proxy.

(b) If the governing documents of the cooperative housing corporation require voting by secret ballot and the anonymity of voting by electronic transmission

cannot be guaranteed, voting by electronic transmission shall be permitted if members have the option of casting anonymous printed ballots.

§5–6B–25.1.

(a) (1) Notwithstanding language contained in the governing documents of the cooperative housing corporation, the board of directors may authorize any meetings of the cooperative housing corporation, the board of directors, or a committee of the cooperative housing corporation to be conducted or attended by telephone conference, video conference, or similar electronic means.

(2) If a meeting is conducted by telephone conference, video conference, or similar electronic means, the equipment or system used must permit any member, board member, or committee member in attendance to hear and be heard by all other members participating in the meeting.

(3) A link or instructions on how to access the meeting by telephone conference, video conference, or similar electronic means shall be included in the notice of the meeting.

(4) No specific authorization from members shall be required to hold a meeting electronically.

(b) Any member, board member, or committee member attending a meeting by telephone conference, video conference, or similar electronic means shall be deemed present for quorum and voting purposes.

(c) (1) (i) Any matter requiring a vote of the cooperative housing corporation may be set by the board of directors for a vote at the meeting, and a ballot may be delivered to members with notice of the meeting.

(ii) Only those members present during the telephone conference, video conference, or similar electronic meeting shall be authorized to vote a ballot in accordance with this subsection.

(iii) Members who are not present at the meeting may:

1. Vote by proxy in accordance with the requirements of the governing documents and this title; and

2. Be considered present for quorum purposes through their proxy.

(2) (i) The board of directors may set a reasonable deadline for return of a ballot to the cooperative housing corporation, including return by electronic transmission.

(ii) The deadline for return of the ballot shall be not later than 24 hours after the conclusion of the meeting.

(d) Notwithstanding language contained in the governing documents of the cooperative housing corporation, nominations from the floor at the meeting are not required if at least one candidate has been nominated to fill each open board position.

(e) The inability of a member to join a meeting due to technical difficulties with the member's telephone, computer, or other electronic device does not invalidate the meeting or any action taken at the meeting.

§5–6B–26.

(a) (1) (i) Except as provided in paragraph (2) of this subsection, all books and records kept by or on behalf of a cooperative housing corporation shall be made available for examination or copying, or both, by a member, a member's mortgagee, or their respective duly authorized agents or attorneys, during normal business hours, and after reasonable notice.

(ii) If a member requests in writing a copy of financial statements of the cooperative housing corporation or the minutes of a meeting of the board of directors or other governing body of the cooperative housing corporation to be delivered, the board of directors or other governing body of the cooperative housing corporation shall compile and send the requested information by mail, electronic transmission, or personal delivery:

1. Within 21 days after receipt of the written request, if the financial statements or minutes were prepared within the 3 years immediately preceding receipt of the request; or

2. Within 45 days after receipt of the written request, if the financial statements or minutes were prepared more than 3 years before receipt of the request.

(2) Books and records kept by or on behalf of a cooperative housing corporation may be withheld from public inspection, except for inspection by the person who is the subject of the record or the person's designee or guardian, to the extent that they concern:

(i) Personnel records, not including information on individual salaries, wages, bonuses, and other compensation paid to employees;

(ii) An individual's medical records;

(iii) An individual's personal financial records, including assets, income, liabilities, net worth, bank balances, financial history or activities, and creditworthiness;

(iv) Records relating to business transactions that are currently in negotiation;

(v) The written advice of legal counsel; or

(vi) Minutes of a closed meeting of the board of directors or other governing body of the cooperative housing corporation, unless a majority of a quorum of the board of directors or governing body that held the meeting approves unsealing the minutes or a recording of the minutes for public inspection.

(b) (1) Except for a reasonable charge imposed on a person desiring to review or copy the books and records or who requests delivery of information, the cooperative housing corporation may not impose any charges under this section.

(2) A charge imposed under paragraph (1) of this subsection for copying books and records may not exceed the limits authorized under Title 7, Subtitle 2 of the Courts Article.

§5–6B–26.1.

(a) In this section, "reserve study" means a study of the reserves required for future major repairs and replacement of the common elements of a cooperative housing corporation that:

(1) Identifies each structural, mechanical, electrical, and plumbing component of the common elements and any other components that are the responsibility of the cooperative housing corporation to repair and replace;

(2) States the normal useful life and the estimated remaining useful life of each identified component;

(3) States the estimated cost of repair or replacement of each identified component; and

(4) States the estimated annual reserve amount necessary to accomplish any identified future repair or replacement.

(b) (1) This subsection applies only to a cooperative housing corporation established in:

(i) Prince George's County on or after October 1, 2020;

(ii) Montgomery County on or after October 1, 2021; or

(iii) Any county other than Prince George's County or Montgomery County on or after October 1, 2022.

(2) The governing body of the cooperative housing corporation shall have an independent reserve study completed not less than 30 calendar days before the first meeting of the cooperative housing corporation at which the members other than the owner have a majority of votes in the cooperative housing corporation.

(3) The governing body shall have an updated reserve study completed within 5 years after the date of the initial reserve study conducted under paragraph (2) of this subsection, which shall be updated at least every 5 years thereafter.

(c) (1) (i) This paragraph applies only to a cooperative housing corporation established in Prince George's County before October 1, 2020.

(ii) If the governing body of a cooperative housing corporation has had a reserve study conducted on or after October 1, 2016, the governing body shall have an updated reserve study conducted within 5 years after the date of that reserve study and at least every 5 years thereafter.

(iii) If the governing body of a cooperative housing corporation has not had a reserve study conducted on or after October 1, 2016, the governing body shall have a reserve study conducted on or before October 1, 2021, and an updated reserve study at least every 5 years thereafter.

(2) (i) This paragraph applies only to a cooperative housing corporation established in Montgomery County before October 1, 2021.

(ii) If the governing body of a cooperative housing corporation has had a reserve study conducted on or after October 1, 2017, the governing body shall have an updated reserve study conducted within 5 years after the date of that reserve study and at least every 5 years thereafter.

(iii) If the governing body of a cooperative housing corporation has not had a reserve study conducted on or after October 1, 2017, the governing body shall have a reserve study conducted on or before October 1, 2022, and an updated reserve study at least every 5 years thereafter.

(3) (i) This paragraph applies to a cooperative housing corporation established in any county other than Prince George's County or Montgomery County before October 1, 2022.

(ii) If the governing body of a cooperative housing corporation has had a reserve study conducted on or after October 1, 2018, the governing body shall have an updated reserve study conducted within 5 years after the date of that reserve study and at least every 5 years thereafter.

(iii) If the governing body of a cooperative housing corporation has not had a reserve study conducted on or after October 1, 2018, the governing body shall have a reserve study conducted on or before October 1, 2023, and an updated reserve study at least every 5 years thereafter.

(d) Each reserve study required under this section shall:

(1) Be prepared by a person who:

(i) Has prepared at least 30 reserve studies within the prior 3 calendar years;

(ii) Has participated in the preparation of at least 30 reserve studies within the prior 3 calendar years while employed by a firm that prepares reserve studies;

(iii) Holds a current license from the State Board of Architects or the State Board for Professional Engineers; or

(iv) Is currently designated as a reserve specialist by the Community Association Institute or as a professional reserve analyst by the Association of Professional Reserve Analysts;

(2) Be available for inspection and copying by any unit owner;

(3) Be reviewed by the governing body of the cooperative housing corporation in connection with the preparation of the annual proposed budget; and

(4) Be summarized for submission with the annual proposed budget to the unit owners.

(e) To the extent that a reserve study conducted in accordance with this section indicates a need to budget for reserves, the budget shall include:

(1) For the capital components, the current estimated:

(i) Replacement cost;

(ii) Remaining life; and

(iii) Useful life;

(2) The amount of accumulated cash reserves set aside for the repair, replacement, or restoration of capital components as of the beginning of the fiscal year in which the reserve study is conducted and the amount of the expected contribution to the reserve fund for the fiscal year;

(3) A statement describing the procedures used for estimation and accumulation of cash reserves in accordance with this section; and

(4) A statement of the amount of reserves recommended in the study and the amount of current cash for replacement reserves.

(f) (1) (i) Subject to subparagraph (ii) of this paragraph, the governing body of a cooperative housing corporation shall provide funds to the reserve in accordance with the most recent reserve study and shall review the reserve study annually for accuracy.

(ii) If the most recent reserve study was an initial reserve study, the governing body shall, within 3 fiscal years following the fiscal year in which the initial reserve study was completed, attain the annual reserve funding level recommended in the initial reserve study.

(2) The governing body of a cooperative housing corporation has the authority to increase an assessment levied to cover the reserve funding amount required under this section, notwithstanding any provision of the articles of incorporation, bylaws, or proprietary lease restricting assessment increases or capping the assessment that may be levied in a fiscal year.

§5–6B–27.

(a) In this section, "fidelity insurance" includes a fidelity bond.

(b) This section does not apply to a cooperative housing corporation:

(1) That has four or fewer members; and

(2) For which 3 months' worth of gross common charges is less than $2,500.

(c) (1) The board of directors or other governing body of a cooperative housing corporation shall purchase fidelity insurance not later than the time of the first sale of a cooperative interest with respect to a unit to a person other than the developer and shall keep fidelity insurance in place for each year thereafter.

(2) The fidelity insurance required under paragraph (1) of this subsection shall provide for the indemnification of the cooperative housing corporation against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by:

(i) Any officer, director, managing agent, or other agent or employee charged with the operation or maintenance of the cooperative housing corporation who controls or disburses funds; and

(ii) Any management company employing a management agent or other employee charged with the operation or maintenance of the cooperative housing corporation who controls or disburses funds.

(d) A copy of the fidelity insurance policy or fidelity bond shall be included in the books and records kept and made available by or on behalf of the cooperative housing corporation under § 5–6B–26 of this subtitle.

(e) (1) The amount of the fidelity insurance required under subsection (c) of this section shall equal at least the lesser of:

(i) 3 months' worth of gross common charges and the total amount held in all investment accounts at the time the fidelity insurance is issued; or

(ii) $3,000,000.

(2) The total liability of the insurance to all insured persons under the fidelity insurance may not exceed the sum of the fidelity insurance.

(f) If a member believes that the board of directors or other governing body of a cooperative housing corporation has failed to comply with the requirements of this section, the aggrieved member may submit the dispute to the Division of

Consumer Protection of the Office of the Attorney General under § 5–6B–12 of this subtitle.

§5–6B–28.

(a) The governing body shall keep books and records in accordance with good accounting practices.

(b) (1) (i) Subject to subparagraph (ii) of this paragraph, on the request of the members of at least 5 percent of the units, the governing body shall cause an audit of the books and records to be made by an independent certified public accountant.

(ii) An audit may not be made more than once in any consecutive 12–month period.

(2) The cost of the audit shall be a common expense.

§5–6B–29.

(a) Subject to the requirements of this section, a proprietary lease or the bylaws of a cooperative housing corporation may provide for a late charge of no more than $15 or one–tenth of the total amount of any delinquent assessment or installment owed by a member, whichever is greater.

(b) A late charge may not be imposed more than once for the same delinquent assessment or installment.

(c) A late charge may only be imposed if the delinquency has continued for a period of 10 days or more.

§5–6B–30.

(a) The dispute settlement mechanism provided by this section applies to any complaint or demand formally arising on or after October 1, 2023, unless the bylaws of the cooperative housing corporation or the proprietary lease of the member who is a party to the dispute state otherwise.

(b) (1) Except as provided in this subsection, a governing body may not impose a fine, suspend voting, bring an action in court to evict, or infringe on any other rights of a member for a violation of:

(i) The rules of the cooperative housing corporation; or

(ii) The provisions of the member's proprietary lease.

(2) The governing body shall send to the member, via certified mail, return receipt requested, at the address of record for notice purposes with the cooperative housing corporation a written demand to cease and desist from the alleged violation specifying:

(i) The alleged violation;

(ii) The action required to abate the violation; and

(iii) 1. A time period of not less than 15 days during which the violation may be abated without further sanction if the violation is a continuing one; or

2. A statement that any further violation of the same rule may result in the imposition of sanction after notice and the opportunity for a hearing if the violation is not continuing.

(3) (i) If the violation continues past the period specified under paragraph (2)(iii)1 of this subsection, or if the same rule is violated subsequently, the governing body shall send to the member, via certified mail, return receipt requested, at the address of record for notice purposes with the cooperative housing corporation a written notice of the member's right to request a hearing to be held by the governing body in session.

(ii) The notice shall specify:

1. The nature of the alleged violation;

2. The proposed sanction to be imposed;

3. The procedure for requesting a hearing; and

4. The time frame for requesting a hearing, which may not be less than 10 days beginning on the date of the notice.

(4) (i) If the member requests a hearing within the time frame specified in the notice given under paragraph (3) of this subsection, the governing body shall hold a hearing on the alleged violation in executive session.

(ii) The governing body shall give the member at least 10 days' written notice of the time and place of the hearing.

(iii) At the hearing, the member shall have the right to present evidence and to present and cross–examine witnesses regarding the alleged violation.

(iv) Prior to imposing any sanction on the member, the governing body shall place in the minutes of the meeting proof of the notice provided to the member under paragraph (3) of this subsection, which shall include:

1. A copy of the notice, together with a statement of the date and manner of providing the notice; or

2. A statement that the member in fact appeared at the hearing.

(v) The governing body shall place in the minutes of the meeting the results of the hearing and the sanction, if any, imposed on the member.

(5) If the member does not request a hearing within the time frame specified in the notice given under paragraph (3) of this subsection, the governing body, at the next meeting, shall deliberate as to whether the violation occurred and decide whether a sanction is appropriate for the violation.

(c) A member may appeal a decision of a governing body made in accordance with the dispute settlement procedure described in this section to the courts of Maryland.

(d) (1) If a member fails to comply with this subtitle, the bylaws of a cooperative housing corporation, or a decision rendered by the governing body in accordance with this section, the governing body or any other member of the cooperative housing corporation may sue the member for any damages caused by the failure or for injunctive relief.

(2) The prevailing party in a proceeding authorized under this subsection is entitled to an award for reasonable attorney's fees as determined by court.

(e) The failure of a governing body to enforce a provision of this title, the proprietary lease of a member, or the bylaws of the cooperative housing corporation on any occasion is not a waiver of the right to enforce the provision on any other occasion.

§5–6B–31.

(a) This section applies only to a cooperative project that is no longer subject to a mortgage or deed of trust.

(b) Notwithstanding the articles of incorporation, bylaws, or regulations of a cooperative housing corporation or the proprietary lease of any member, a governing body may not bring an action in court to evict a member based solely on the failure of the member to pay assessments owed to the cooperative housing corporation unless:

(1) The member has been delinquent in paying assessments for a period of 3 months or more;

(2) The governing body has given the member notice and an opportunity to be heard regarding the delinquency, consistent with § 5–6B–30 of this subtitle;

(3) The governing body has given the member an opportunity to cure the delinquency; and

(4) The member has failed to cure the delinquency.

§5–6B–32.

(a) (1) Except as provided in §§ 5–6B–08 through 5–6B–10 and § 5–6B–12 of this subtitle, the provisions of this subtitle are statewide in their effect.

(2) Except as provided in this subtitle, a county, city, or other jurisdiction may not enact any law, ordinance, or regulation which would impose a burden or restriction on a cooperative housing corporation that is not imposed on all other property of similar character not a cooperative housing corporation. Any such law, ordinance, or regulation is preempted by the subject and material of this title and is void.

(b) The provisions of all laws, ordinances, and regulations concerning building codes or zoning shall have full force and effect to the extent that they apply to property which is a cooperative housing corporation and shall be construed and applied with reference to the overall nature and use of the property without regard to the form of ownership. A law, ordinance, or regulation concerning building codes or zoning may not establish any requirement or standard governing the use, location, placement, or construction of any land and improvements which comprise a cooperative project, unless the requirement or standard is uniformly applicable to all land and improvements of the same kind or character not comprising cooperative projects.

§5–6B–33.

(a) (1) Except as provided in paragraph (2) of this subsection, this subtitle is applicable to all cooperative housing corporations.

(2) The articles of incorporation, bylaws, membership certificates, or proprietary leases of a cooperative housing corporation established before July 1, 1986 need not be amended to comply with the requirements of this subtitle.

(b) Section 5–6B–02 of this subtitle shall apply to the initial sale of cooperative interests being offered for sale on or after July 1, 1986, if on that date, the developer has not sold any cooperative interests to initial purchasers.

(c) The provisions of §§ 5–6B–02 through 5–6B–04 of this subtitle and §§ 5–6B–06 through 5–6B–12 of this subtitle are not applicable to cooperative housing corporations in which cooperative interests have been sold to initial purchasers prior to July 1, 1986 if by January 1, 1987, the developer has sold 75 percent or more of the cooperative interests to initial purchasers.

(d) (1) Except as provided in paragraph (2) of this subsection, the notice required by § 5–6B–05 of this subtitle shall be given to any tenant in possession of any portion of a residential rental facility on or after January 1, 1987.

(2) The requirements of paragraph (1) of this subsection do not apply to nonresidential tenants.

(e) Any security interest in a cooperative interest which is perfected in any manner and has attached prior to July 1, 1986 shall continue to be perfected on and after that date.

(f) (1) A corporation, trust, unincorporated association, or other entity existing on July 1, 1986 that desires to confirm its status as a cooperative housing corporation under this subtitle, shall file a resolution with the board of directors or governing body of the entity electing to confirm the status.

(2) If the entity is unincorporated, the entity shall file original articles of incorporation reflecting its status with the Department of Assessments and Taxation.

§5–6C–01.

(a) In this subtitle the following words have the meanings indicated.

(b) "Benefit corporation" means a Maryland corporation that elects to be a benefit corporation in accordance with § 5–6C–03 of this subtitle and has not ceased to be a benefit corporation through the operation of § 5–6C–04 of this subtitle.

(c) "General public benefit" means a material, positive impact on society and the environment, as measured by a third–party standard, through activities that promote a combination of specific public benefits.

(d) "Specific public benefit" includes:

(1) Providing individuals or communities with beneficial products or services;

(2) Promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business;

(3) Preserving the environment;

(4) Improving human health;

(5) Promoting the arts, sciences, or advancement of knowledge;

(6) Increasing the flow of capital to entities with a public benefit purpose; or

(7) The accomplishment of any other particular benefit for society or the environment.

(e) "Third–party standard" means a standard for defining, reporting, and assessing best practices in corporate social and environmental performance that:

(1) Is developed by a person or entity that is independent of the benefit corporation; and

(2) Is transparent because the following information about the standard is publicly available or accessible:

(i) The factors considered when measuring the performance of a business;

(ii) The relative weightings of those factors; and

(iii) The identity of the persons who developed and control changes to the standard and the process by which those changes were made.

§5–6C–02.

(a) The provisions of the Maryland General Corporation Law apply to benefit corporations except to the extent that:

(1) The context of a provision clearly requires otherwise; or

(2) A specific provision of this subtitle or another provision of law governing specific classes of corporations provides otherwise.

(b) This subtitle applies only to benefit corporations.

(c) (1) The existence of a provision of this subtitle does not of itself create any implication that a contrary or different rule of law is or would be applicable to a corporation that is not a benefit corporation.

(2) This subtitle does not affect any statute or rule of law as it applies to a corporation that is not a benefit corporation.

(d) A provision of the charter or bylaws of a benefit corporation may not be inconsistent with any provision of this subtitle.

§5–6C–03.

(a) A corporation may elect to be a benefit corporation under this subtitle by amending or including in the charter of the corporation a statement that the corporation is a benefit corporation.

(b) An amendment described in subsection (a) of this section shall be approved in accordance with Title 2, Subtitle 6 of this article.

(c) The name of a domestic benefit corporation or a foreign benefit corporation authorized to transact business in the State must comply with Title 1, Subtitle 5 of this article.

§5–6C–04.

(a) A corporation may terminate status as a benefit corporation and cease to be subject to this subtitle by amending the charter of the corporation to delete the statement that the corporation is a benefit corporation.

(b) An amendment terminating a corporation's status as a benefit corporation shall be approved by the stockholders of the corporation in accordance with Title 2, Subtitle 6 of this article.

§5–6C–05.

Clear reference to the fact that a corporation is a benefit corporation shall appear prominently:

(1) At the head of the charter document in which the election to be a benefit corporation is made;

(2) At the head of each subsequent charter document of the benefit corporation; and

(3) On each certificate representing outstanding stock of the benefit corporation.

§5–6C–06.

(a) (1) Each benefit corporation shall have the purpose of creating a general public benefit.

(2) The purpose described in paragraph (1) of this subsection is in addition to, and may be a limitation on, the purposes of the corporation under § 2–101 of this article.

(b) (1) In addition to its purposes under § 2–101 of this article and subsection (a) of this section, the charter of a benefit corporation may identify as one of the purposes of the benefit corporation the creation of one or more specific public benefits.

(2) The identification in its charter of a specific public benefit purpose under paragraph (1) of this subsection does not limit the obligation of a benefit corporation to create a general public benefit.

(c) The creation of a general public benefit or specific public benefit as provided in subsections (a) and (b) of this section is in the best interests of the benefit corporation.

§5–6C–07.

(a) A director of a benefit corporation, in performing the duties of a director, including the director's duties as a member of a committee and in addition to the duties described in § 2–405.1 of this article:

(1) In determining what the director reasonably believes to be in the best interests of the benefit corporation, shall consider the effects of any action, or decision not to act, on:

(i) The stockholders of the benefit corporation;

(ii) The employees and workforce of the benefit corporation and the subsidiaries and suppliers of the benefit corporation;

(iii) The interests of customers as beneficiaries of the general or specific public benefit purposes of the benefit corporation;

(iv) Community and societal considerations, including those of any community in which offices or facilities of the benefit corporation or the subsidiaries or suppliers of the benefit corporation are located; and

(v) The local and global environment; and

(2) May consider any other pertinent factors or the interests of any other group that the director determines are appropriate to consider.

(b) A director of a benefit corporation, in the performance of duties in that capacity, does not have any duty to a person that is a beneficiary of the public benefit purposes of the benefit corporation.

(c) A director of a benefit corporation, in the reasonable performance of duties in accordance with the standard provided in this subtitle, shall have the immunity from liability described in § 5–417 of the Courts Article.

§5–6C–08.

(a) A benefit corporation shall deliver to each stockholder an annual benefit report including:

(1) A description of:

(i) The ways in which the benefit corporation pursued a general public benefit during the year and the extent to which the general public benefit was created;

(ii) The ways in which the benefit corporation pursued any specific public benefit that its charter states is the purpose of the benefit corporation to create and the extent to which that specific public benefit was created; and

(iii) Any circumstances that have hindered the creation by the benefit corporation of the public benefit; and

(2) An assessment of the societal and environmental performance of the benefit corporation prepared in accordance with a third–party standard applied consistently with the prior year's benefit report or accompanied by an explanation of the reasons for any inconsistent application.

(b) The benefit report shall be delivered to each stockholder within 120 days following the end of each fiscal year of the benefit corporation.

(c) (1) A benefit corporation shall post its most recent benefit report on the public portion of its Web site, if any.

(2) If a benefit corporation does not have a public Web site, the benefit corporation shall provide a copy of its most recent benefit report on demand and without charge to any person who requests a copy.

§5–701.

Any provision in the charter of a charitable or benevolent Maryland corporation existing on June 1, 1951, whether incorporated under any public general law or special act of the State, purporting to limit or restrict the tenure or enjoyment of property or income is ineffective to limit or restrict the right of the corporation to hold, enjoy, use, and deal with any property and income in any way.

§5–702.

(a) A charitable or religious Maryland nonstock corporation may petition a court of equity for a decree under § 5–209 of this title if:

(1) The dissolution of the corporation involves provisions for disposition of assets under § 5–208(b)(2) or (3) of this title; or

(2) A consolidation, merger, or transfer of assets of the corporation under § 5–207 of this title involves similar provisions for the successor corporation.

(b) The failure to petition a court of equity and obtain a decree does not affect the otherwise valid actions of the corporation in dissolution, consolidation, or merger, or in a transfer of assets.

§5–703.

(a) As used in this section, "aliens" means the following and their representatives:

(1) An alien;

(2) A foreign government;

(3) A corporation, joint-stock company, or association organized under the laws of a foreign country; and

(4) Any other corporation, joint-stock company, or association controlled directly or indirectly by one or more aliens.

(b) Any Maryland corporation which conducts business under a license or grant of authority issued pursuant to a statute or regulation of the United States government, this State, or any agency of either, which statute or regulation provides that the license or grant of authority may not be granted to or held by, or the business may not be conducted by, a corporation of which more than a specified percentage of the capital stock or voting interests is owned of record or controlled by aliens, or which license or grant of authority permits an agency to restrict, limit or revoke the license or grant of authority or the right to conduct the business in such circumstances, or any Maryland corporation controlling directly or indirectly any corporation, joint-stock company or association which conducts its business or any portion of its business under the license or grant of authority, may, by its bylaws, restrict or limit the transferability to, ownership by, or voting rights of shares of its stock, whether issued or to be issued in the hands of aliens to the extent appropriate to comply with the applicable statute or regulation. Any requirements of § 8-204 of the Commercial Law Article and of § 2-211 of this article with respect to limitations or restrictions need only be complied with as to certificates for such shares issued after the adoption of such bylaws.

§7–101.

Any foreign corporation may register its name in this State as provided under Title 1, Subtitle 5 of this article.

§7–102.

A foreign corporation may not do any kind of intrastate, interstate, or foreign business in this State which the laws of this State prohibit a Maryland corporation from doing.

§7–103.

In addition to any other activities which may not constitute doing intrastate business in this State, for the purposes of this article, the following activities of a foreign corporation do not constitute doing intrastate business in this State:

(1) Maintaining, defending, or settling an action, suit, claim, dispute, or administrative or arbitration proceeding;

(2) Holding meetings of its directors or stockholders or carrying on other activities which concern its internal affairs;

(3) Maintaining bank accounts;

(4) Maintaining offices or agencies for the transfer, exchange, and registration of its securities;

(5) Appointing and maintaining trustees or depositaries with respect to its securities;

(6) Transacting business exclusively in interstate or foreign commerce; and

(7) Conducting an isolated transaction not in the course of a number of similar transactions.

§7–104.

In addition to any other activities which may not constitute doing intrastate, interstate, or foreign business in this State, for the purposes of this article, the following activities of a foreign corporation do not constitute doing intrastate, interstate, or foreign business in this State:

(1) Foreclosing mortgages and deeds of trust on property in this State;

(2) As a result of default under a mortgage or deed of trust, acquiring title to property in this State by foreclosure, deed in lieu of foreclosure, or otherwise;

(3) Holding, protecting, renting, maintaining, and operating property in this State so acquired; and

(4) Selling or transferring the title to property in this State so acquired to any person, including the Federal Housing Administration or the Veterans Administration.

§7–105.

By doing intrastate, interstate, or foreign business in this State, a foreign corporation assents to the laws of this State.

§7–201.

This subtitle does not apply to:

(1) An insurance company subject to the provisions of the Insurance Article;

(2) A railroad operating in this State;

(3) A national bank that:

(i) Has its main office located in this State; or

(ii) Does not maintain a branch in this State;

(4) A federal credit union; or

(5) A foreign nonstock corporation whose only activity in this State is supplying police, fire, rescue, or emergency services personnel on a nonprofit basis to assist in an area covered by a state of emergency declared by the Governor under § 14-107 of the Public Safety Article.

§7–202.

(a) Unless it is qualified to do business under § 7–203 of this subtitle, before doing any interstate or foreign business in this State, a foreign corporation shall register with the Department.

(b) To register, the corporation shall:

(1) Certify to the Department:

(i) The address of the corporation; and

(ii) 1. The name and address of the corporation's resident agent in this State; or

2. That the corporation is appointing the Department as its resident agent; and

(2) Provide proof acceptable to the Department of good standing in the jurisdiction where it currently is organized.

(c) Unless terminated by the corporation, the registration is effective as long as the corporation has a resident agent in this State.

§7–202.1.

(a) This section does not apply to the property that a foreign corporation acquires by any means enumerated in § 7-104 of this title.

(b) Unless it is required to qualify to do business under § 7-203 of this subtitle, a foreign corporation that owns income-producing real or tangible personal property in this State shall register with the Department to do interstate business.

§7–203.

(a) Before doing any intrastate business in this State, a foreign corporation shall qualify with the Department.

(b) To qualify, the corporation shall:

(1) Certify to the Department:

(i) The address of the corporation; and

(ii) 1. The name and address of the corporation's resident agent in this State; or

2. That the corporation is appointing the Department as its resident agent; and

(2) Provide proof acceptable to the Department of good standing in the jurisdiction where it currently is organized.

(c) Unless terminated by the corporation, the qualification is effective as long as:

(1) The corporation has a resident agent in this State;

(2) The corporation does not forfeit its right to do intrastate business under the laws of this State; and

(3) If the corporation qualifies or changes its name after June 1, 1951, the name of the corporation complies with the requirements of Title 1, Subtitle 5 of this article.

§7–204.

A corporation which is registered or qualified under this subtitle may obtain a certificate of registration or qualification from the Department. The certificate shall show the address of any principal office in this State which is certified to the Department.

§7–205.

(a) As long as it is subject to suit in this State, a foreign corporation which has registered or qualified to do business in this State shall maintain:

(1) A resident agent in this State whose name and address is certified to the Department; and

(2) An address which is certified to the Department.

(b) The Department may act as a resident agent for a foreign corporation that does business in this State:

(1) Without a resident agent; or

(2) With a resident agent who cannot be found or served with the exercise of reasonable diligence.

(c) A foreign corporation registered or qualified to do business in this State:

(1) At any time may certify to the Department the address of a principal office in this State, which may be a business office of the corporation; and

(2) With respect to an address so certified, shall certify to the Department:

(i) Any subsequent change in the address of the principal office; and

(ii) The fact that it no longer has the principal office in this State.

(d) Except as provided in subsection (e) of this section, each certification by a foreign corporation which relates to its resident agent, address, or principal office shall be executed for the corporation by its president or one of its vice–presidents.

(e) A foreign corporation and its resident agent may change the resident agent, his address, or the address of a principal office of the corporation in the same manner as provided for a Maryland corporation under § 2–108 of this article.

(f) (1) A resident agent of a foreign corporation may resign by filing with the Department a counterpart or photocopy of his signed resignation.

(2) Unless a later time is specified in the resignation, it is effective:

(i) At the time it is filed with the Department, if the corporation has appointed a successor resident agent; or

(ii) Ten days after it is filed with the Department, if the corporation has not appointed a successor resident agent.

§7–206.

(a) A foreign corporation that is qualified or registered to do business in this State shall file an officially certified statement with the Department within 60 days after the corporation:

(1) Merges into another corporation;

(2) Consolidates with another corporation;

(3) Dissolves; or

(4) Amends or supplements the instrument under which it was organized to change the name of the corporation or terminate its existence.

(b) The officially certified statement shall:

(1) Be executed by the official of that place who has custody of the pertinent record; and

(2) Include the action taken and the date the action was taken.

(c) (1) A representative of the successor corporation shall file with the Department an affidavit indicating whether the corporation, partnership, limited partnership, or limited liability company merging out of existence or consolidating owns an interest in land in Maryland.

(2) The Department may not process a filing under this section until the information required by this subsection and § 3-117 of this article is provided.

§7–208.

(a) A foreign corporation registered or qualified under this subtitle may terminate its registration or qualification as provided in this section.

(b) To terminate, the corporation shall file with the Department an application for termination.

(c) The application for termination shall be executed for the corporation by its president or one of its vice–presidents. The application shall include:

(1) The name of the corporation, and the address of any principal office in this State;

(2) The name and address of its resident agent in this State;

(3) A statement that the corporation:

(i) In the case of termination of qualification, no longer transacts any intrastate business in this State; or

(ii) In the case of termination of registration, no longer transacts any interstate or foreign business in this State; and

(4) A statement that the corporation:

(i) Wishes to terminate its registration or qualification to do business in this State; and

(ii) Has filed all reports required by law and has paid all taxes due by it to the State and any of its political subdivisions as of the date of the application for termination.

§7–209.

The Department shall keep a public index of:

(1) The name and address of the resident agent and address of each foreign corporation registered or qualified with the Department; and

(2) The address of any principal office in this State which is certified to the Department by a foreign corporation.

§7–210.

With respect to any cause of action on which a foreign corporation would not otherwise be subject to suit in this State, compliance with this subtitle:

(1) Does not of itself render a foreign corporation subject to suit in this State; and

(2) Is not considered as consent by it to be sued in this State.

§7–301.

If a foreign corporation is doing or has done any intrastate, interstate, or foreign business in this State without complying with the requirements of Subtitle 2 of this title, neither the corporation nor any person claiming under it may maintain a suit in any court of this State unless it shows to the satisfaction of the court that:

(1) The foreign corporation or the person claiming under it has paid the penalty specified in § 7-302 of this subtitle; and

(2) Either:

(i) The foreign corporation or a foreign corporation successor to it has complied with the requirements of Subtitle 2 of this title; or

(ii) The foreign corporation and any foreign corporation successor to it are no longer doing intrastate, interstate, or foreign business in this State.

§7–302.

(a) (1) If a foreign corporation does any intrastate, interstate, or foreign business in this State without qualifying or registering as required by Subtitle 2 of this title, the Department shall impose a penalty of $200 on the corporation.

(2) This penalty may be reduced or abated under § 14-704 of the Tax - Property Article.

(b) Each officer of a foreign corporation which does intrastate, interstate, or foreign business in this State without qualifying or registering as required by Subtitle 2 of this title, and each agent of the foreign corporation who transacts intrastate, interstate, or foreign business in this State for it is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $1,000.

§7–303.

If a foreign corporation which is qualified to do business in this State fails to comply with the provisions of § 7-206 of this title, the Department shall impose a penalty of $5 on the corporation and an additional penalty of $1 for each ten days or a fractional part of ten days during which the failure to comply continues. These penalties may be reduced or abated under § 14-704 of the Tax - Property Article.

§7–304.

(a) The Department may forfeit the right of any foreign corporation to do intrastate business in this State if the corporation fails to file with the Department any report or fails to pay any late filing penalties required by law:

(1) Within the time required by law; and

(2) Thereafter, within 30 days after the Department makes a written demand for the delinquent report or late filing penalties.

(b) Unless the Department excuses a reasonable delay for good cause shown, the forfeiture is effective 15 days after written notice of forfeiture from the Department, without proceedings of any kind either at law or in equity.

(c) The demand for a delinquent report or late filing penalties and the notice of forfeiture shall be addressed to the corporation:

(1) At its address on file with the Department; or

(2) If it has no address on file with the Department, in care of the Secretary of State or corresponding official of the place where it was organized or is existing, if known to the Department.

(d) On forfeiture of its right to do intrastate business in this State, the foreign corporation is subject to the same rules, legal provisions, and sanctions as if it had never qualified or been licensed to do business in this State.

§7–305.

The failure of any foreign corporation to comply with any of the requirements of Subtitle 2 of this title does not affect the validity of any contract to which the corporation is a party.

§8–101.

(a) In this title the following words have the meanings indicated.

(b) "Declaration of trust" means the declaration of trust filed with the Department for the purpose of forming a real estate investment trust, as specified in § 8–202 of this title, either as originally accepted for record or as amended, corrected, or supplemented by articles of amendment, articles of amendment and restatement, articles supplementary, articles of merger, or a certificate of correction.

(c) "Real estate investment trust" means an unincorporated business trust or association formed under this title in which property is acquired, held, managed, administered, controlled, invested, or disposed of for the benefit and profit of any person who may become a shareholder.

(d) "Share" means a transferable unit of beneficial interest in a real estate investment trust.

(e) "Shareholder" means a person who is a record holder of shares.

§8–102.

A real estate investment trust:

(1) Is a permitted form of unincorporated business trust or association;

(2) Is a separate legal entity; and

(3) May conduct business in the State in accordance with this title.

§8–103.

(a) This title does not limit present law as it applies to the creation of or doing of business in the State by a "business trust" other than a Maryland real estate investment trust.

(b) To the extent any provision of this title is contrary to or inconsistent with §§ 856 through 858 of the Internal Revenue Code or the regulations adopted under those sections, the latter shall prevail as to any real estate investment trust qualifying under those sections and regulations.

§8–201.

A real estate investment trust:

(1) Is formed by filing a declaration of trust for record with the Department; and

(2) May not do business in the State until it complies with this title.

§8–202.

(a) A real estate investment trust shall file its declaration of trust for record with the Department.

(b) (1) The declaration of trust shall:

(i) Indicate clearly that the trust is a real estate investment trust;

(ii) State the name of the trust;

(iii) State the total number of shares which the real estate investment trust has authority to issue;

(iv) Provide for an annual meeting of shareholders at a convenient location and on proper notice;

(v) Provide for the election of trustees at least every third year at an annual meeting of shareholders;

(vi) State the number of trustees and the names of those persons who will serve as trustees until the first meeting of shareholders and until their successors are elected and qualify or such later time as may be specified in the declaration of trust;

(vii) State the name and address of a resident agent of the real estate investment trust in the State; and

(viii) If the shares are divided into classes as permitted by § 8–203 of this subtitle, provide a description of each class, including any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications, and terms and conditions of redemption.

(2) A declaration of trust may include a provision that allows the trustees, in considering a potential acquisition of control of the real estate investment trust, to consider the effect of the potential acquisition of control on:

(i) Shareholders, employees, suppliers, customers, and creditors of the trust; and

(ii) Communities in which offices or other establishments of the trust are located.

(3) The inclusion or omission of a provision in a declaration of trust that allows the board of trustees to consider the effect of a potential acquisition of control on persons specified in paragraph (2) of this subsection does not create an inference concerning factors that may be considered by the board of trustees regarding a potential acquisition of control.

(c) Notwithstanding any provision of this title which requires for any action the concurrence of a greater proportion of the votes than a majority of the votes entitled to be cast, a real estate investment trust may provide by its declaration of trust that the action may be taken or authorized on the concurrence of a greater or smaller proportion, but not less than a majority of the number of votes entitled to be cast on the matter.

(d) The declaration of trust shall be signed and acknowledged by each trustee.

(e) (1) In this subsection, "facts ascertainable outside the bylaws" include:

(i) An action or determination by any person, including the real estate investment trust, its board of trustees, an officer or agent of the real estate investment trust, and any other person affiliated with the real estate investment trust;

(ii) Any agreement or other document; or

(iii) Any other event.

(2) Any provision of the bylaws may be made dependent upon facts ascertainable outside the bylaws.

§8–203.

(a) A real estate investment trust may provide by its declaration of trust:

(1) That any specified class of shares is preferred over another class as to its distributive share of the assets on voluntary or involuntary liquidation of the real estate investment trust and the amount of the preference;

(2) That any specified class of shares may be redeemed at the option of the real estate investment trust or of the holders of the shares and the terms and conditions of redemption, including the time and price of redemption;

(3) That any specified class of shares is convertible into shares of one or more other classes and the terms and conditions of conversion;

(4) That the holders of any specified securities issued or to be issued by the real estate investment trust have any voting or other rights which, by law, are or may be conferred on shareholders;

(5) That the holders of one or more classes or series of shares have exclusive voting rights on an amendment to the declaration of trust that would alter only the contract rights, as expressly set forth in the declaration of trust, of the specified class or series of shares;

(6) For any other preferences, rights, restrictions, including restrictions on transferability or ownership designed to permit the real estate investment trust to qualify under the Internal Revenue Code or regulations adopted under the Code or for any other purpose, and qualifications not inconsistent with law;

(7) That the board of trustees may classify or reclassify any unissued shares from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications, or terms or conditions of redemption of the shares; and

(8) That the board of trustees may amend the declaration of trust to increase or decrease the aggregate number of shares or the number of shares of any class that the trust has authority to issue.

(b) If, under a power contained in the declaration of trust, the board of trustees classifies or reclassifies any unissued shares by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications, or terms or conditions of redemption, the board, before issuing any of the shares, shall file articles supplementary for record with the Department which shall include:

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

(2) A statement that the shares have been classified or reclassified by the board of trustees under the authority contained in the declaration of trust.

(c) Notwithstanding subsection (b) of this section:

(1) The shares issued by a real estate investment trust before the time the articles supplementary with respect to the shares is effective shall cease to be voidable as a result of the failure to file articles supplementary at the time the amendment becomes effective; and

(2) A right or liability accrued by reason of the issuance of the shares before the time the articles supplementary become effective shall be extinguished at the time the articles supplementary become effective, except to the extent that the person having the right or liability has acted detrimentally in reliance on the right or liability solely by reason of the issuance of the stock.

(d) (1) In this subsection, "facts ascertainable outside the declaration of trust" includes:

(i) An action or determination by any person, including the real estate investment trust, the board of trustees of the real estate investment trust, an officer or agent of the real estate investment trust, or any other person affiliated with the real estate investment trust;

(ii) The contents of any agreement to which the real estate investment trust is a party or any other document; and

(iii) Any other event.

(2) Any of the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications, or terms or conditions of redemption of any class or series of shares may be made dependent upon facts ascertainable outside the declaration of trust and may vary among holders of the shares, provided that the manner in which such facts or variations will operate upon the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications, or terms or conditions of redemption of such class or series of shares is clearly and expressly set forth in the declaration of trust.

(e) If the real estate investment trust has authority to issue shares of more than one class, the certificate evidencing the shares shall contain on its face or back a full statement or summary of:

(1) The designations and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications, and terms and conditions of redemption of the shares of each class which the real estate investment trust is authorized to issue; and

(2) If the real estate investment trust is authorized to issue any preferred or special class in series:

(i) The differences in the relative rights and preferences between the shares of each series to the extent they have been set; and

(ii) The authority of the board of trustees to set the relative rights and preferences of subsequent series.

(f) (1) A summary of the information required by subsection (e) of this section, as included in a registration statement permitted to become effective under the Federal Securities Act of 1933, is an acceptable summary for the purposes of this section.

(2) Instead of a full statement or summary, the certificate may state that the real estate investment trust will furnish a full statement of the information required by subsection (e) of this section to any holder of shares on request and without charge.

(g) Unless the declaration of trust provides otherwise, the trustees of a real estate investment trust may authorize the issue of some or all of the shares of any or all of its classes or series without certificates. The authorization does not affect shares already represented by certificates until they are surrendered to the real estate investment trust. For shares issued without certificates, on request of the shareholder, the real estate investment trust shall send without charge to the shareholder a written statement of the information required on certificates by subsection (e) or (f) of this section.

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

(i) Except as provided in § 8–204 of the Commercial Law Article, the fact that a certificate does not contain or refer to a restriction on transferability or ownership that is adopted after the date of issuance of the certificate does not mean that the restriction is invalid or unenforceable.

§8–204.

(a) A real estate investment trust shall post the security for taxes required under § 13-825 of the Tax - General Article.

(b) If the Comptroller waives the requirement of a security, the Comptroller shall notify the Department in writing of the waiver.

§8–205.

(a) The shareholders of a real estate investment trust may remove any trustee, with or without cause, by the affirmative vote of a majority of all the votes entitled to be cast generally for the election of trustees, except:

(1) As provided in subsection (b) of this section;

(2) As otherwise provided in the declaration of trust of the real estate investment trust; or

(3) For a real estate investment trust that has elected to be subject to § 3-804(a) of this article.

(b) Unless the declaration of trust of the real estate investment trust provides otherwise:

(1) If the shareholders of any class or series are entitled separately to elect one or more trustees, a trustee elected by shareholders of that class or series may not be removed without cause except by the affirmative vote of a majority of all the votes of that class or series;

(2) If a real estate investment trust has cumulative voting for the election of trustees and less than the entire board is to be removed, a trustee may not be removed without cause if the votes cast against the trustee's removal would be sufficient to elect the trustee if then cumulatively voted at an election of the entire board of trustees, or, if there is more than one class of trustees, at an election of the class of trustees of which the trustee is a member; and

(3) If the trustees have been divided into classes, a trustee may not be removed without cause.

§8–206.

(a) The board of trustees of a real estate investment trust may establish one or more committees of the board of trustees composed of one or more trustees and for the delegation to those committees of any of the powers of the board of trustees.

(b) Notwithstanding subsection (a) of this section, the declaration of trust or bylaws of a real estate investment trust, or any agreement to which the real estate investment trust is a party and which has been approved by the board of trustees, may provide for:

(1) The establishment of one or more standing committees or for the creation of one or more committees upon the occurrence of certain events; and

(2) The composition of the membership, and the qualifications and the voting and other rights of members of any such committee, subject to the continued service of members of the committee as trustees.

§8–207.

Notwithstanding any other provision of the Maryland REIT Law, a real estate investment trust may issue shares of beneficial interest without consideration for the purpose of qualifying the real estate investment trust as a real estate investment trust under the Internal Revenue Code.

§8–301.

A real estate investment trust has the power to:

(1) Unless the declaration of trust provides otherwise, have perpetual existence unaffected by any rule against perpetuities;

(2) Sue, be sued, complain, and defend in all courts;

(3) Transact its business, carry on its operations, and exercise the powers granted by this title in any state, territory, district, or possession of the United States and in any foreign country;

(4) Make contracts and guarantees, incur liabilities, and borrow money;

(5) Sell, mortgage, lease, pledge, exchange, convey, transfer, and otherwise dispose of all or any part of its assets;

(6) Issue bonds, notes, and other obligations and secure them by mortgage or deed of trust of all or any part of its assets;

(7) Acquire by purchase or in any other manner and take, receive, own, hold, use, employ, improve, encumber, and otherwise deal with any interest in real and personal property, wherever located;

(8) Purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge, or otherwise dispose of and deal in and with:

(i) Securities, shares, and other interests in any obligations of domestic and foreign corporations, other real estate investment trusts, associations, partnerships, and other persons; and

(ii) Direct and indirect obligations of the United States, any other government, state, territory, government district, and municipality, and any instrumentality of them;

(9) Elect or appoint trustees, officers, and agents of the trust for the period of time the declaration of trust or bylaws provide, define their duties, and determine their compensation;

(10) Adopt and implement employee and officer benefit plans;

(11) Make and alter bylaws not inconsistent with law or with its declaration of trust to regulate the government of the real estate investment trust and the administration of its affairs;

(12) Exercise these powers, including the power to take, hold, and dispose of the title to real and personal property in the name of the trust or in the name of its trustees, without the filing of any bond, except a bond required under § 8–204 of this title;

(13) Generally exercise the powers set forth in its declaration of trust which are not inconsistent with law and are appropriate to promote and attain the purposes set forth in its declaration of trust;

(14) Enter into a business combination subject to the provisions of Title 3, Subtitle 6 of this article;

(15) Indemnify or advance expenses to trustees, officers, employees, and agents of the trust to the same extent as is permitted for directors, officers, employees, and agents of a Maryland corporation under § 2–418 of this article; and

(16) Renounce, in its declaration of trust or by resolution of its board of trustees, any interest or expectancy of the real estate investment trust in, or in being offered an opportunity to participate in, business opportunities or classes or categories of business opportunities that are:

(i) Presented to the real estate investment trust; or

(ii) Developed by or presented to one or more of its trustees or officers.

§8–303.

One or more shareholders of a real estate investment trust may confer the right to vote or otherwise represent their shares to a trustee by:

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

(2) Depositing an executed copy of the agreement with the real estate investment trust at its principal office; and

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

§8–402.

(a) Each declaration of trust and annual report filed with the Department is a matter of public record.

(b) (1) The Department may inspect the records of a real estate investment trust at any reasonable time.

(2) A shareholder has the same right to inspect the records of the real estate investment trust as has a stockholder in a corporation under Title 2 of this article.

§8–403.

(a) A real estate investment trust shall pay the fees required under §§ 1-203 and 1-204 of this article.

(b) To compute fees under this section, a real estate investment trust shall treat certificates of beneficial interest as if they were shares of stock in a corporation.

§8–501.

(a) Except as provided in § 8–202(c) or § 8–203(a)(8) of this title, a declaration of trust may be amended only as provided in this section.

(b) The board of trustees of a real estate investment trust proposing an amendment to its declaration of trust shall:

(1) Adopt a resolution which sets forth the proposed amendment and declares that it is advisable; and

(2) Direct that the proposed amendment be submitted for consideration by the shareholders.

(c) (1) If the proposed amendment is to be considered at a meeting of the shareholders, notice which states that a purpose of the meeting will be to act upon the proposed amendment shall be given by the real estate investment trust in the manner required by its declaration of trust or bylaws to:

(i) Each shareholder entitled to vote on the proposed amendment; and

(ii) Each shareholder not entitled to vote on the proposed amendment if the contract rights of the shareholder's shares, as expressly set forth in the declaration of trust, would be altered by the amendment.

(2) The notice shall include a copy of the amendment or a summary of the changes it will affect.

(d) The proposed amendment shall be approved by the shareholders of the real estate investment trust by the affirmative vote or written consent of two thirds of all the votes entitled to be cast on the matter.

(e) (1) A declaration of trust may permit the board of trustees, with the approval of two thirds of its members, and without action by the shareholders, to amend the declaration of trust from time to time to qualify as a real estate investment trust under the Internal Revenue Code or under this title.

(2) Notwithstanding subsections (b) and (d) of this section, unless prohibited in the declaration of trust by reference to this subsection or to the subject matter of this subsection, a majority of the entire board of trustees, without action by the shareholders, may amend the declaration of trust in any respect in which the charter of a corporation may be amended in accordance with § 2–605 of this article.

(f) (1) In this subsection, "reverse share split" means a combination of outstanding shares of beneficial interest of a real estate investment trust into a lesser number of shares of beneficial interest of the same class without any change to the aggregate par value of the outstanding shares.

(2) This subsection applies to a real estate investment trust with a class of equity securities registered under the Securities Exchange Act of 1934.

(3) Unless prohibited in the declaration of trust by reference to this subsection or to the subject matter of this subsection, the board of trustees of a real estate investment trust may amend the declaration of trust, with the approval of a majority of the board of trustees and without shareholder action, to effect a reverse share split that results in a combination of shares of beneficial interest at a ratio of not more than 10 shares into 1 share in any 12–month period.

(4) Within 20 days after the effective date of a reverse share split authorized under this subsection, the real estate investment trust shall give written notice of the reverse share split to each holder of record of the combined shares of beneficial interest as of the effective date.

(g) Articles of amendment shall be executed for the real estate investment trust in the manner required by § 1–301 of this article and filed for record with the Department.

(h) (1) The real estate investment trust may not issue any of the shares that are classified, reclassified, or newly authorized by an amendment to the declaration of trust before the time the amendment is filed with the Department.

(2) Notwithstanding paragraph (1) of this subsection:

(i) The shares issued by a real estate investment trust before the time the amendment with respect to the shares is effective shall cease to be voidable as a result of the failure to file the amendment or the articles of amendment and restatement at the time the amendment or the articles are filed; and

(ii) A right or liability accrued by reason of the issuance of the shares before the time the amendment is filed shall be extinguished at the time the amendment or the articles of amendment and restatement are filed, except to the extent that the person having the right or liability has acted detrimentally in reliance on the right or liability solely by reason of the issuance of the shares.

§8–501.1.

(a) (1) In this section the following words have the meanings indicated.

(2) "Domestic limited liability company" means a limited liability company formed under the laws of the State.

(3) "Domestic limited partnership" means a partnership formed by 2 or more persons under the laws of the State and having one or more general partners and one or more limited partners.

(4) "Domestic partnership" or "partnership" means a partnership formed under the laws of the State.

(5) "Foreign business trust" means a business trust organized under the laws of the United States, another state of the United States, or a territory, possession, or district of the United States, or under the laws of a foreign country.

(6) "Foreign limited liability company" means a limited liability company formed under the laws of any state other than the State of Maryland or under the laws of a foreign country.

(7) "Foreign limited partnership" means a partnership formed under the laws of any state other than the State of Maryland or under the laws of a foreign country and having as partners one or more general partners and one or more limited partners.

(8) "Foreign partnership" means a partnership formed under the laws of any state, other than this State, or under the laws of a foreign country.

(9) "Maryland real estate investment trust" means a real estate investment trust in compliance with the provisions of this title.

(b) Unless the declaration of trust provides otherwise, a Maryland real estate investment trust may merge into a Maryland or foreign business trust, into a Maryland or foreign corporation having capital stock, into a domestic or foreign partnership, or into a domestic or foreign limited partnership or limited liability company; or one or more such business trusts, such corporations, domestic or foreign partnerships, domestic or foreign limited partnerships, or limited liability companies may merge into it.

(c) A merger shall be approved in the manner provided by this section, except that:

(1) A foreign business trust, a Maryland business trust, other than a Maryland real estate investment trust, a corporation, a domestic or foreign partnership, or a domestic or foreign limited partnership party to the merger shall have the merger advised, authorized, and approved in the manner and by the vote required by its declaration of trust, governing instrument, charter, or partnership agreement and the laws of the place where it is organized;

(2) (i) A foreign limited liability company party to the merger shall have the merger advised, authorized, and approved in the manner and by the vote required by the laws of the place where it is organized; and

(ii) A domestic limited liability company shall have the merger approved in the manner provided under § 4A–703 of this article;

(3) A merger need be approved by a Maryland real estate investment trust successor only by a majority of its entire board of trustees if the merger does not reclassify or change the terms of any class or series of its shares that are outstanding immediately before the merger becomes effective or otherwise amend its declaration of trust and the number of shares of such class or series outstanding immediately after the effective time of the merger does not increase by more than 20 percent of the number of its shares of the class or series of shares outstanding immediately before the merger becomes effective;

(4) A merger of a subsidiary with or into its parent need be approved only in the manner provided in § 3–106 of this article, provided the parent owns at least 90 percent of the subsidiary;

(5) A merger of a Maryland real estate investment trust in accordance with § 3–106.1 of this article need be approved only in the manner provided in § 3–106.1 of this article; and

(6) A merger of a parent real estate investment trust with or into a single direct or indirect wholly owned subsidiary real estate investment trust may be approved in the manner provided in § 3–106.2 of this article, provided the merger otherwise conforms to the requirements under § 3–106.2 of this article.

(d) The board of trustees of each Maryland real estate investment trust proposing to merge shall:

(1) Adopt a resolution that declares the proposed transaction is advisable on substantially the terms and conditions set forth or referred to in the resolution; and

(2) Direct that the proposed transaction be submitted for consideration at either an annual or special meeting of shareholders.

(e) Notice which states that a purpose of a meeting will be to act upon the proposed merger shall be given by each Maryland real estate investment trust in the manner provided for corporations by Title 2 of this article to:

(1) Each of its shareholders entitled to vote on the proposed transaction; and

(2) Each of its shareholders not entitled to vote on the proposed transaction, except the shareholders of a successor in a merger if the merger does not alter the contract rights of their shares as expressly set forth in the declaration of trust.

(f) An agreement of merger may require that the proposed transaction shall be submitted to the shareholders, even if the board of trustees determines at any time after having declared the advisability of the proposed transaction that the proposed transaction is no longer advisable and either makes no recommendation to the shareholders or recommends that the shareholders reject the proposed transaction.

(g) Except as provided in § 8–202(c) of this title, the proposed merger shall be approved by the shareholders of each Maryland real estate investment trust by the affirmative vote of two thirds of all the votes entitled to be cast on the matter.

(h) Articles of merger containing provisions required by § 3–109 of this article and such other provisions as may be permitted by that section shall be:

(1) Executed for each party to the articles in the manner required by Title 1 of this article; and

(2) Filed for the record with the Department.

(i) (1) A proposed merger may be abandoned before the effective date of the articles:

(i) If the articles so provide, by majority vote of the entire board of trustees of any one business trust party to the articles or of the entire board of directors of any one corporation party to the articles;

(ii) Unless the articles provide otherwise, by majority vote of the entire board of trustees of each Maryland real estate investment trust party to the articles; or

(iii) By unanimous consent of the members of a limited liability company party to the articles.

(2) If the articles have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(3) (i) If the proposed merger is abandoned as provided in this subsection, no legal liability arises under the articles.

(ii) An abandonment does not prejudice the rights of any person under any other contract made by a business trust, corporation, or limited liability company party to the proposed articles in connection with the proposed merger.

(j) Each shareholder of a Maryland real estate investment trust objecting to a merger of the Maryland real estate investment trust shall have the same rights as an objecting stockholder of a Maryland corporation under Title 3, Subtitle 2 of this article and under the same procedures.

(k) (1) The Department shall prepare certificates of merger that specify:

(i) The name of each party to the articles;

(ii) The name of the successor and the location of its principal office in this State or, if it has none, its principal place of business; and

(iii) The time the articles are accepted for record by the Department.

(2) In addition to any other provision of law with respect to recording, the Department shall send one certificate each to the clerk of the circuit court for each county where the articles show that a merging business trust, corporation, partnership, limited partnership, or limited liability company other than the successor owns an interest in land.

(3) On receipt of a certificate, a clerk promptly shall record it with the land records.

(l) (1) In order to keep the land assessment records current in each county, the Department shall require a business trust, corporation, partnership, limited partnership, or limited liability company to submit with the articles a property certificate for each county where a merging business trust, corporation, partnership, limited partnership, or limited liability company other than the successor owns an interest in land.

(2) A property certificate is not required with respect to any property in which the only interest owned by the merging business trust, corporation, partnership, limited partnership, or limited liability company is a security interest.

(3) The property certificate shall be in the form and number of copies which the Department requires and may include the certificate of the Department required by subsection (k) of this section.

(4) (i) The property certificate shall provide a deed reference or other description sufficient to identify the property.

(ii) The Department shall indicate on the certificate the time the articles are accepted for record and send a copy of it to the chief assessor of the county where the property is located.

(5) A transfer, vesting, or devolution of title to the property is not invalidated or otherwise affected by any error or defect in the property certificate, failure to file it, or failure by the Department to act on it.

(m) If the successor in a merger is a Maryland real estate investment trust, a merger is effective as of the later of:

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

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

(n) (1) If the successor in a merger is a foreign corporation, foreign partnership, foreign limited partnership, a foreign limited liability company, or a Maryland or foreign business trust, other than a Maryland real estate investment trust, the merger is effective as of the later of:

(i) The time specified by the law of the place where the successor is organized; or

(ii) The time the Department accepts the articles of merger for record.

(2) A foreign successor in a merger shall file for record with the Department a certificate from the place where it is organized which certifies the date the articles of merger were filed. However, the failure to file this certificate does not invalidate the merger.

(o) (1) Consummation of a merger has the effects provided in this subsection.

(2) The separate existence of each business trust, corporation, partnership, limited partnership, or limited liability company party to the articles, except the successor, ceases.

(3) The shares of each business trust party to the articles which are to be converted or exchanged under the terms of the articles cease to exist, subject to the rights of an objecting shareholder under subsection (j) of this section.

(4) In addition to any other purposes and powers set forth in the articles, if the articles provide, the successor has the purposes and powers of each party to the articles.

(5) (i) The assets of each party to the articles, including any legacies which it would have been capable of taking, transfer to, vest in, and devolve on the successor without further act or deed.

(ii) Confirmatory deeds, assignments, or similar instruments to evidence the transfer may be executed and delivered at any time in the name of the transferring party to the articles by its last acting officers or trustees or by the appropriate officers or trustees of the successor.

(6) (i) The successor is liable for all the debts and obligations of each nonsurviving party to the articles. An existing claim, action, or proceeding pending by or against any nonsurviving party to the articles may be prosecuted to judgment as if the merger had not taken place, or, on motion of the successor or any party, the successor may be substituted as a party and the judgment against the nonsurviving party to the articles constitutes a lien on the property of the successor.

(ii) A merger does not impair the rights of creditors or any liens on the property of any business trust, corporation, partnership, limited partnership, or limited liability company party to the articles.

§8–501.2.

(a) If authorized by a majority of the entire board of trustees, a real estate investment trust may restate its declaration of trust as provided in this section.

(b) Articles of restatement containing provisions required by § 2-608 of this article and such other provisions as may be permitted by that section shall be:

(1) Executed for each party to the articles in the manner required by Title 1 of this article; and

(2) Filed for record with the Department.

§8–501.3.

(a) A complete restatement of the declaration of trust may be submitted for approval in the manner required for an amendment of the declaration of trust to a meeting of the real estate investment trust's shareholders or trustees.

(b) If the restatement is submitted for approval in the manner required for an amendment to the declaration of trust, any amendments to the declaration of trust approved at the meeting may be included in the restatement.

(c) Articles of amendment and restatement shall include the provisions required to be included in both articles of amendment and articles of restatement.

(d) Articles of amendment and restatement containing provisions required by § 2-609 of this article and such other provisions as may be permitted by that section shall be:

(1) Executed for each party to the articles in the manner required by Title 1 of this article; and

(2) Filed for record with the Department.

§8–502.

(a) A real estate investment trust may terminate its existence by voluntary dissolution in accordance with subsection (b) of this section.

(b) (1) In order to terminate its existence, a real estate investment trust must file a notice of termination with the Department that includes:

(i) The name of the real estate investment trust;

(ii) 1. A statement that the termination of the real estate investment trust by voluntary dissolution was approved in the manner and by the vote required by law and by the declaration of trust of the real estate investment trust; and

2. A statement detailing the manner of approval;

(iii) All other provisions the board of the real estate investment trust considers necessary to dissolve and terminate the real estate investment trust; and

(iv) A statement that the real estate investment trust is dissolved and terminated.

(2) The notice of termination shall be executed by:

(i) The chairman or vice chairman of the board of trustees;

(ii) The chief executive officer;

(iii) The chief operating officer;

(iv) The chief financial officer;

(v) The president or a vice president; or

(vi) If authorized by the bylaws or a resolution of the board of trustees, any other officer or agent of the real estate investment trust.

(c) (1) Except as provided in paragraph (2) of this subsection, the real estate investment trust is dissolved and terminated on the later of:

(i) The time that the Department accepts the notice of termination for record; or

(ii) The time established by the notice of termination, not to exceed 30 days after the notice is accepted for record.

(2) The real estate investment trust continues to exist for the purpose of:

(i) Paying, satisfying, and discharging any existing debts or obligations;

(ii) Collecting and distributing assets; and

(iii) Taking all other actions required to liquidate and wind up its business and affairs.

(d) (1) The Attorney General may institute proceedings to dissolve a real estate investment trust that has abused, misused, or failed to use its powers.

(2) The proceedings shall be brought in the manner and on the grounds provided in Title 3, Subtitle 5 of this article with respect to dissolution of a corporation for misuse of its franchise.

(3) The venue of an action under this subsection is in a county where an officer or resident agent of the real estate investment trust is located.

§8–503.

(a) A real estate investment trust may file a certificate of notice for record with the Department.

(b) A certificate of notice may describe:

(1) An action by the real estate investment trust, its board of trustees, or its shareholders;

(2) The occurrence of or change to facts ascertainable outside of the declaration of trust, as defined in § 8–203(c) of this title; or

(3) Any other information that the real estate investment trust determines should be disclosed.

(c) A certificate of notice may not:

(1) Amend, supplement, or correct the declaration of trust of the real estate investment trust in any manner; or

(2) Affect any rights or liabilities of shareholders, whether or not accrued or incurred before the certificate of notice is filed.

(d) A certificate of notice is not a part of the declaration of trust of a real estate investment trust.

(e) A trustee of a real estate investment trust is not required to authorize or direct the filing of a certificate of notice.

(f) A real estate investment trust is not required to file a certificate of notice for any purpose, including to indicate that there has been a change to the facts or information contained in a previously filed certificate of notice.

(g) A certificate of notice shall be executed in the manner required for charter documents by § 1–301 of this article.

§8–601.

(a) The liability of a real estate investment trust extends to as much of the trust estate, including the whole, as necessary to discharge the liability.

(b) A shareholder or trustee of a real estate investment trust shall have the immunity from liability described under § 5-419 of the Courts and Judicial Proceedings Article.

§8–601.1.

Sections 2–113, 2–116 through 2–118, 2–201(c), 2–309(a) and (e), 2–313, 2–502(e), 2–503(b), 2–504(f), and 2–701 through 2–707 of this article and, except as otherwise provided in § 8–601 of this subtitle or in the declaration of trust, § 2–405.1 of this article shall apply to real estate investment trusts.

§8–602.

In an action against a real estate investment trust doing business in the State, process shall be served on any officer or resident agent of the real estate investment trust.

§8–701.

(a) In this subtitle, "other entity" means:

(1) A Maryland corporation incorporated under Title 2 of this article;

(2) A foreign corporation, as defined in § 1–101 of this article;

(3) A domestic limited liability company, as defined in § 4A–101 of this article;

(4) A foreign limited liability company, as defined in § 4A–101 of this article;

(5) A partnership, as defined in § 9A–101 of this article;

(6) A limited partnership, as defined in § 10–101 of this article, including a limited partnership registered as a limited liability limited partnership under § 10–805 of this article;

(7) A foreign limited partnership, as defined in § 10–101 of this article;

(8) A business trust, as defined in § 1–101 of this article, excluding a real estate investment trust; or

(9) Another form of unincorporated business formed under the laws of this State or the laws of the United States, another state of the United States, a territory, possession or district of the United States, or a foreign country.

(b) Unless the declaration of trust provides otherwise, a real estate investment trust may convert to an other entity by:

(1) Approving the conversion in accordance with § 8–702 of this subtitle; and

(2) Filing for record with the Department articles of conversion executed in the manner required by Title 1 of this article.

(c) An other entity may convert to a real estate investment trust by complying with § 8–702 of this subtitle and filing for record with the Department:

(1) Articles of conversion executed in the manner required by Title 1 of this article; and

(2) A declaration of trust, which shall include the name of the converting other entity, executed in the manner required by § 8–202 of this title and otherwise complying with this title.

§8–702.

(a) A conversion of a real estate investment trust to an other entity shall be approved in the manner provided by this section and in accordance with any additional requirements set forth in the real estate investment trust's declaration of trust.

(b) A conversion of a real estate investment trust need be approved only by a majority of the board of trustees if no shares of beneficial interest are outstanding or subscribed for.

(c) The board of trustees of a real estate investment trust that proposes to convert to an other entity shall:

(1) Adopt a resolution declaring that the proposed conversion is advisable on substantially the terms and conditions set forth or referred to in the resolution; and

(2) Direct that the proposed conversion be submitted for consideration at an annual or a special meeting of the shareholders.

(d) Notice stating that a purpose of the meeting will be to act on the proposed conversion shall be given by the real estate investment trust in the manner provided for corporations by Title 2 of this article to:

(1) Each of its shareholders entitled to vote on the proposed transaction; and

(2) Each of its shareholders not entitled to vote on the proposed transaction.

(e) The proposed conversion shall be approved by the shareholders of the real estate investment trust by the affirmative vote of two–thirds of all the votes entitled to be cast on the matter.

(f) A conversion of an other entity to a real estate investment trust shall be approved in the manner and by the vote required by its governing document and the laws of the place where it is incorporated or organized.

(g) Each shareholder of a real estate investment trust objecting to a conversion of the real estate investment trust shall have the same rights as an objecting stockholder of a Maryland corporation under Title 3, Subtitle 2 of this article and under the same procedures.

§8–703.

(a) In this section, "facts ascertainable outside the articles of conversion" includes:

(1) An action or a determination by any person, including:

(i) The real estate investment trust or other entity, as applicable;

(ii) The trustees, directors, partners, members, officers, or other agents of the real estate investment trust or other entity; and

(iii) Any other person affiliated with the real estate investment trust or other entity; and

(2) Any other event.

(b) Articles of conversion shall be filed for record with the Department.

(c) In a conversion of a real estate investment trust to an other entity, the articles of conversion shall set forth:

(1) The name of the real estate investment trust and the date of filing of the original declaration of trust with the Department;

(2) The name of the other entity to which the real estate investment trust will be converted and the place of incorporation or organization of the other entity;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging issued shares of beneficial interest of the real estate investment trust into shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity, or other consideration, and the treatment of any issued shares of beneficial interest not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion;

(5) If the other entity is not organized under the laws of this State:

(i) The location of the principal office in the place where it is organized; and

(ii) The name and address of the resident agent in this State; and

(6) Any other provision necessary to effect the conversion.

(d) In a conversion of an other entity to a real estate investment trust, the articles of conversion shall set forth:

(1) The name of the other entity, the date on which the other entity was first created, and the place of incorporation or organization of the other entity;

(2) The name of the real estate investment trust to which the other entity will be converted;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity into shares of beneficial interest of the real estate investment trust, or other consideration, and the treatment of any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion; and

(5) Any other provision necessary to effect the conversion.

(e) The articles of conversion may contain a future effective time of the articles of conversion that is not later than 30 days after the articles of conversion are accepted for record.

§8–704.

(a) A conversion has the effects provided in this section.

(b) (1) This subsection applies on the conversion of a real estate investment trust to an other entity.

(2) The real estate investment trust shall cease to exist as a real estate investment trust and shall continue to exist as the other entity into which the real estate investment trust has converted, and the other entity shall, for all purposes of the laws of this State, be deemed to be the same entity as the converting real estate investment trust.

(3) (i) All the assets of the real estate investment trust, including any legacies that it would have been capable of taking, shall vest in and devolve on the other entity without further act or deed and shall be the property of the other entity, and the title to any real property vested by deed or otherwise in the real estate investment trust shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the real estate investment trust to an other entity does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the real estate investment trust before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the real estate investment trust by its last acting officers, or by the appropriate authorized persons, partners, officers, trustees, or members of the other entity.

(4) (i) The other entity shall be liable for all the debts and obligations of the real estate investment trust.

(ii) An existing claim, action, or proceeding pending by or against the real estate investment trust may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the other entity may be substituted as a party and a judgment against the real estate investment trust constitutes a lien on the property of the other entity.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the real estate investment trust.

(5) Subject to the treatment of the ownership interests of the shareholders of the real estate investment trust under the articles of conversion and to the rights of an objecting shareholder under this subtitle, the ownership interests of the shareholders of the real estate investment trust shall cease to exist as shares of beneficial interest of the real estate investment trust and continue to exist as ownership interests in the other entity.

(6) The conversion of the real estate investment trust to an other entity in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the real estate investment trust or the personal liability of any person incurred before the conversion.

(7) Unless otherwise provided in the articles of conversion, the converting real estate investment trust is not required to wind up its affairs or pay its liabilities and distribute its assets, and the conversion does not constitute dissolution or a transfer of assets or liabilities of the real estate investment trust.

(8) A person becomes liable for any obligation incurred by the real estate investment trust before the completion of the conversion only to the extent provided for by the laws applicable to the other entity.

(c) (1) This subsection applies on the conversion of an other entity to a real estate investment trust.

(2) The real estate investment trust, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting other entity.

(3) (i) All the assets of the other entity, including any legacies that it would have been capable of taking, vest in and devolve on the real estate investment trust without further act or deed and shall be the property of the real estate investment trust, and the title to any real property vested by deed or otherwise

in the other entity shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the other entity to a real estate investment trust does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the other entity before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the other entity by the appropriate authorized persons, partners, officers, trustees, or members of the other entity or by the officers of the real estate investment trust.

(4) (i) The real estate investment trust shall be liable for all the debts and obligations of the other entity.

(ii) An existing claim, action, or proceeding pending by or against the other entity may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the real estate investment trust may be substituted as a party and a judgment against the other entity constitutes a lien on the property of the real estate investment trust.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the other entity.

(5) The conversion of an other entity to a real estate investment trust in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the other entity or the personal liability of any person incurred before the completion of the conversion.

(6) A person remains liable for any obligation incurred by the other entity before the completion of the conversion only to the extent that the person would have been liable if the conversion had not occurred.

(7) Subject to the treatment of the ownership interests of the owners of the other entity under the articles of conversion, the ownership interests of the owners of the other entity cease to exist as ownership interests in the converted other entity and continue to exist as shares of beneficial interest in the real estate investment trust.

§8–705.

(a) In a conversion of an other entity to a real estate investment trust, the stock, membership interests, partnership interests, beneficial interests, or other

ownership interests of the other entity may be exchanged for or converted into any one or more of the following:

(1) Shares of beneficial interest of the real estate investment trust or stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of any other real estate investment trust or other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

(b) In a conversion of a real estate investment trust to an other entity, shares of beneficial interest of the real estate investment trust may be exchanged for or converted into any one or more of the following:

(1) Stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity to which the real estate investment trust is converted or of any other real estate investment trust or other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

§8–706.

(a) The conversion of an other entity to a real estate investment trust shall be completed on the later of:

(1) The formation of the real estate investment trust in accordance with this title; or

(2) The effectiveness of articles of conversion filed for record with the Department.

(b) The conversion of a real estate investment trust to an other entity shall be completed on the effectiveness of articles of conversion filed for record with the Department.

(c) Articles of conversion are effective on the later of:

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

(2) The future effective time of the articles of conversion as set forth in articles of conversion that have been accepted by the Department for record.

(d) (1) (i) Except as provided in subparagraph (ii) of this paragraph, at the time the conversion of an other entity to a real estate investment trust is completed:

1. The other entity shall be converted to a real estate investment trust;

2. The conversion shall have the effects set forth in § 8–704 of this subtitle; and

3. The real estate investment trust shall be subject to all of the provisions of the Maryland REIT Law.

(ii) The existence of the real estate investment trust shall be deemed to have commenced on the date the other entity commenced its existence in the place in which the other entity was first incorporated, created, formed, or otherwise came into being.

(2) At the time the conversion of a real estate investment trust to an other entity is completed, the conversion shall have the effects set forth in § 8–704 of this subtitle.

§8–707.

(a) Unless the declaration of trust of the real estate investment trust or articles of conversion provide otherwise, the proposed conversion of a real estate investment trust to an other entity may be abandoned before the effective date of the articles of conversion by majority vote of the entire board of trustees of the real estate investment trust party to the articles of conversion.

(b) Unless the articles of conversion provide otherwise, the proposed conversion of an other entity to a real estate investment trust may be abandoned in the manner and by the vote required by the governing document of the other entity and the laws of the place in which it is incorporated or organized or, if no manner and vote is specified, in the manner and by the vote required to approve the conversion under § 8–702 of this subtitle.

(c) If the articles of conversion have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(d) (1) If the proposed conversion is abandoned as provided in this section, no legal liability arises under the articles of conversion.

(2) Abandonment of a conversion under this section does not prejudice the rights of any person under any other contract made by a real estate investment trust in connection with the proposed conversion.

§8–801.

The trustees of a real estate investment trust which does business in the State without filing its declaration of trust with the Department as required by § 8–202 of this title are each subject to a fine not exceeding $1,000, payable to the Department.

§8–901.

This title may be cited as the Maryland REIT Law.

§9A–101.

(a) In this title the following words have the meanings indicated.

(b) "Business" includes every trade, occupation, and profession.

(c) "Debtor in bankruptcy" means a person who is the subject of:

(1) An order for relief under Title 11 of the United States Code or a comparable order under a successor statute of general application; or

(2) A comparable order under federal, State, or foreign law governing insolvency.

(d) "Distribution" means a transfer of money or other property from a partnership to a partner in the partner's capacity as a partner or to the partner's transferee.

(e) "Foreign limited liability partnership" means a partnership that is formed in accordance with an agreement governed by the laws of a state other than this State and registered or denominated as a limited liability partnership or registered limited liability partnership under the laws of such other state, but does

not include a foreign limited partnership registered or denominated as a limited liability limited partnership under the laws of a state other than this State.

(f) "Foreign limited partnership" means a partnership, including a foreign limited partnership registered or denominated as a limited liability partnership under the laws of a state other than this State, formed under the laws of any state other than this State or under the laws of a foreign country and having as partners one or more general partners and one or more limited partners.

(g) "Limited liability partnership" means a partnership that:

(1) Is formed in accordance with the laws of this State; and

(2) Is registered under § 9A–1001 of this title.

(h) "Limited partnership" and "domestic limited partnership" means a limited partnership formed by two or more persons under the laws of this State and having one or more general partners and one or more limited partners.

(i) "Partnership" means an association of two or more persons to carry on as co–owners a business for profit formed under § 9A–202 of this title, predecessor law, or comparable law of another jurisdiction and includes, for all purposes of the laws of this State, a limited liability partnership and a foreign limited liability partnership.

(j) "Partnership agreement" means the agreement, whether written, oral, or implied, among the partners concerning the partnership, including amendments to the partnership agreement.

(k) "Partnership at will" means a partnership in which the partners have not agreed to remain partners until the expiration of a definite term or the completion of a particular undertaking.

(l) "Partnership interest" or "partner's interest in the partnership" means all of a partner's interests in the partnership, including the partner's transferable interest and all management and other rights.

(m) "Property" means all property, real, personal, or mixed, tangible or intangible, or any interest therein.

(n) "Real estate investment trust" means a Maryland real estate investment trust as defined in § 8–101 of this article.

(o) "State" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or insular possession subject to the jurisdiction of the United States.

(p) "Statement" means a statement of partnership authority under § 9A–303 of this title, a statement of denial under § 9A–304 of this title, a statement of dissociation under § 9A–704 of this title, a statement of dissolution under § 9A–805 of this title, or an amendment or cancellation of any of the foregoing.

(q) "Statutory trust" means a Maryland statutory trust as defined in § 12–101 of this article.

(r) "Transfer" includes an assignment, conveyance, lease, mortgage, deed, and encumbrance.

§9A–102.

(a) A person knows a fact if the person has actual knowledge of it.

(b) A person has notice of a fact if the person:

(1) Knows of it;

(2) Has received a notification of it; or

(3) Has reason to know it exists from all of the facts known to the person at the time in question.

(c) A person notifies or gives a notification to another by taking steps reasonably required to inform the other person in ordinary course, whether or not the other person learns of it.

(d) A person receives a notification when the notification:

(1) Comes to the person's attention; or

(2) Is duly delivered at the person's place of business or at any other place held out by the person as a place for receiving communications.

(e) Except as otherwise provided in subsection (f) of this section, a person other than an individual knows, has notice, or receives a notification of a fact for purposes of a particular transaction when the individual conducting the transaction knows, has notice, or receives a notification of the fact, or in any event when the fact would have been brought to the individual's attention if the person had exercised

reasonable diligence. The person exercises reasonable diligence if it maintains reasonable routines for communicating significant information to the individual conducting the transaction and there is reasonable compliance with the routines. Reasonable diligence does not require an individual acting for the person to communicate information unless the communication is part of the individual's regular duties or the individual has reason to know of the transaction and that the transaction would be materially affected by the information.

(f) A partner's knowledge, notice, or receipt of a notification of a fact relating to the partnership is effective immediately as knowledge by, notice to, or receipt of a notification by the partnership, except in the case of a fraud on the partnership committed by or with the consent of that partner.

§9A–103.

(a) Except as otherwise provided in subsection (b) of this section, relations among the partners and between the partners and the partnership are governed by the partnership agreement. To the extent the partnership agreement does not otherwise provide, this title governs relations among the partners and between the partners and the partnership.

(b) The partnership agreement may not:

(1) Vary the rights and duties under § 9A–105 of this subtitle except to eliminate the duty to provide copies of statements to all of the partners;

(2) Unreasonably restrict the right of access to books and records under § 9A–403(b) of this title;

(3) Eliminate the duty of loyalty under § 9A–404(b) or § 9A–603(b)(3) of this title, but:

(i) The partnership agreement may identify specific types or categories of activities that do not violate the duty of loyalty; however, the partnership agreement may not be amended to expand or add any specific types or categories of activities that do not violate the duty of loyalty without the consent of all partners after full disclosure of all material facts; or

(ii) All of the partners or a number or percentage of not less than a majority of disinterested partners specified in the partnership agreement may authorize or ratify, after full disclosure of all material facts, a specific act or transaction that otherwise would violate the duty of loyalty;

(4) Unreasonably reduce the duty of care under § 9A–404(c) or § 9A–603(b)(3) of this title;

(5) Eliminate the obligation of good faith and fair dealing under § 9A–404(d) of this title, but the partnership agreement may prescribe the standards by which the performance of the obligation is to be measured, if the standards are not manifestly unreasonable;

(6) Vary the power to dissociate as a partner under § 9A–602(a) of this title, except to require the notice under § 9A–601(1) of this title to be in writing;

(7) Vary the right of a court to expel a partner in the events specified in § 9A–601(5) of this title;

(8) Vary the requirement to wind up the partnership business in cases specified in § 9A–801(4), (5), or (6) of this title;

(9) Vary the law applicable to a limited liability partnership under § 9A–106 of this subtitle; or

(10) Restrict rights of third parties under this title.

§9A–104.

(a) Unless displaced by particular provisions of this title, the principles of law and equity supplement this title.

(b) If an obligation to pay interest arises under this title and the rate is not specified, the rate is that specified in § 11-107(a) of the Courts Article.

§9A–105.

(a) A statement may be filed with the Department. A certified copy of a statement that is filed in an office in another state, containing substantially the same information as required for a statement filed under this title, may be filed with the Department. Either filing has the effect provided in this title with respect to partnership property located in or transactions that occur in this State.

(b) A statement of partnership authority filed by a partnership must be executed by at least two partners. Other statements must be executed by a partner or other person authorized by this title. An individual who executes a statement shall personally declare under penalty of perjury that the contents of the statement are accurate.

(c) A person authorized by this title to file a statement may amend or cancel the statement by filing an amendment or cancellation that names the partnership, identifies the statement, and states the substance of the amendment or cancellation.

(d) A person who files a statement pursuant to this section shall promptly send a copy of the statement to every nonfiling partner and to any other person named as a partner in the statement. Failure to send a copy of a statement to a partner or other person does not limit the effectiveness of the statement as to a person not a partner.

(e) The Department may collect a fee for filing or providing a certified copy of a statement.

§9A–106.

(a) Except as provided in subsection (b) of this section, the law of the jurisdiction in which a partnership has its chief executive office governs relations among the partners and between the partners and the partnership.

(b) The law of the state under which a foreign limited liability partnership is formed and registered as a limited liability partnership governs relations among the partners and the foreign limited liability partnership and the liability of a partner for any debts, obligations, or liabilities of or chargeable to the foreign limited liability partnership or another partner.

(c) A partnership, including a limited liability partnership, may conduct its business, carry on its operations, and have and exercise the powers granted by this title in any state, territory, district, or possession of the United States or in any foreign country.

(d) It is the policy of this State that the internal affairs of partnerships, including limited liability partnerships, formed and existing under this title, including the liability of partners for debts, obligations, and liabilities of or chargeable to partnerships, shall be subject to and governed by the laws of this State.

(e) It is the intent of the legislature that the legal existence of limited liability partnerships formed and existing under this title or a predecessor statute be recognized outside the boundaries of this State and that the laws of this State governing such limited liability partnerships transacting business outside this State be granted the protection of full faith and credit under the Constitution of the United States.

(f) A foreign limited liability partnership may not be denied registration under Subtitle 11 of this title by reason of any difference between those laws and the laws of this State.

§9A–107.

A partnership governed by this title is subject to any amendment to or repeal of this title.

§9A–201.

A partnership is an entity distinct from its partners.

§9A–202.

(a) Except as otherwise provided in subsection (c) of this section, the unincorporated association of two or more persons to carry on as co–owners a business for profit forms a partnership, whether or not the persons intend to form a partnership and whether or not the association is called "partnership", "joint venture", or any other name.

(b) A partnership may be created under:

(1) This title;

(2) The Maryland Uniform Partnership Act and its subsequent amendments; or

(3) A statute of another jurisdiction comparable to this title or the Maryland Uniform Partnership Act and their respective subsequent amendments.

(c) An unincorporated association or entity created under a law other than the laws described in subsection (b) of this section is not a partnership.

(d) In determining whether a partnership is formed, the following rules apply:

(1) Joint tenancy, tenancy in common, tenancy by the entireties, joint property, common property, or part ownership does not by itself establish a partnership, even if the co–owners share profits made by the use of the property.

(2) The sharing of gross returns does not by itself establish a partnership, even if the persons sharing them have a joint or common right or interest in property from which the returns are derived.

(3) A person who receives a share of the profits of a business is presumed to be a partner in the business, unless the profits were received in payment:

(i) Of a debt by installments or otherwise;

(ii) For services as an independent contractor or of wages or other compensation to an employee;

(iii) Of rent;

(iv) Of an annuity or other retirement or health benefit to a beneficiary, representative, or designee of a deceased or retired partner;

(v) Of interest or other charge on a loan, even if the amount of payment varies with the profits of the business, including a direct or indirect present or future ownership of the collateral, or rights to income, proceeds, or increase in value derived from the collateral; or

(vi) For the sale of the goodwill of a business or other property by installments or otherwise.

§9A–203.

Partnership property is property of the partnership and not of the partners individually.

§9A–204.

(a) Property is partnership property if acquired in the name of:

(1) The partnership; or

(2) One or more partners with an indication in the instrument transferring title to the property of the person's capacity as a partner or of the existence of a partnership but without an indication of the name of the partnership.

(b) Property is acquired in the name of the partnership by a transfer to:

(1) The partnership in its name; or

(2) One or more partners in their capacity as partners in the partnership, if the name of the partnership is indicated in the instrument transferring title to the property.

(c) Property is presumed to be partnership property if purchased with partnership assets, even if not acquired in the name of the partnership or of one or more partners with an indication in the instrument transferring title to the property of the person's capacity as a partner or of the existence of a partnership.

(d) Property acquired in the name of one or more of the partners, without an indication in the instrument transferring title to the property of the person's capacity as a partner or of the existence of a partnership and without use of partnership assets, is presumed to be separate property, even if used for partnership purposes.

§9A–301.

Subject to the effect of a statement of partnership authority under § 9A-303 of this subtitle:

(1) Each partner is an agent of the partnership for the purpose of its business. An act of a partner, including the execution of an instrument in the partnership name, for apparently carrying on in the ordinary course the partnership business or business of the kind carried on by the partnership binds the partnership, unless the partner had no authority to act for the partnership in the particular matter and the person with whom the partner was dealing knew or had received a notification that the partner lacked authority.

(2) An act of a partner which is not apparently for carrying on in the ordinary course the partnership business or business of the kind carried on by the partnership binds the partnership only if the act was authorized by the other partners.

§9A–302.

(a) Partnership property may be transferred as follows:

(1) Subject to the effect of a statement of partnership authority under § 9A–303 of this subtitle, partnership property held in the name of the partnership may be transferred by an instrument of transfer executed by a partner in the partnership name.

(2) Partnership property held in the name of one or more partners with an indication in the instrument transferring the property to them of their capacity as partners or of the existence of a partnership, but without an indication of the name of the partnership, may be transferred by an instrument of transfer executed by the persons in whose name the property is held.

(3) Partnership property held in the name of one or more persons other than the partnership, without an indication in the instrument transferring the property to them of their capacity as partners or of the existence of a partnership, may be transferred by an instrument of transfer executed by the persons in whose name the property is held.

(b) A partnership may recover partnership property from a transferee only if it proves that execution of the instrument of initial transfer did not bind the partnership under § 9A–301 of this subtitle and:

(1) As to a subsequent transferee who gave value for property transferred under subsection (a)(1) or (2) of this section, proves that the subsequent transferee knew or had received a notification that the person who executed the instrument of initial transfer lacked authority to bind the partnership; or

(2) As to a transferee who gave value for property transferred under subsection (a)(3) of this section, proves that the transferee knew or had received a notification that the property was partnership property and that the person who executed the instrument of initial transfer lacked authority to bind the partnership.

(c) A partnership may not recover partnership property from a subsequent transferee if the partnership would not have been entitled to recover the property, under subsection (b) of this section, from any earlier transferee of the property, provided that the subsequent transferee claims by, through or under that earlier transferee.

(d) If a person holds all of the partners' interests in the partnership, all of the partnership property vests in that person. The person may execute a document in the name of the partnership to evidence vesting of the property in that person and may file or record the document.

§9A–303.

(a) A partnership may file a statement of partnership authority, which:

(1) Must include:

(i) The name of the partnership;

(ii) The street address of its chief executive office and, if there is one, of one office in this State; and

(iii) The names of the partners authorized to execute an instrument transferring real property held in the name of the partnership; and

(2) May state the authority, or limitations on the authority, of some or all of the partners to enter into other transactions on behalf of the partnership and any other matter.

(b) If a filed statement of partnership authority is executed pursuant to § 9A–105(c) of this title and states the name of the partnership but does not contain all of the other information required by subsection (a) of this section, the statement nevertheless operates with respect to a person not a partner as provided in subsections (c) and (d) of this section.

(c) Except as otherwise provided in subsection (f) of this section, a grant of authority contained in a filed statement of partnership authority is conclusive in favor of a person who gives value without knowledge to the contrary, so long as and to the extent that a limitation on that authority is not then contained in another filed statement. A filed cancellation of a limitation on authority revives the previous grant of authority.

(d) A person not a partner is deemed to know of a limitation on the authority of a partner to transfer real property held in the name of the partnership if a statement containing the limitation on authority has been filed.

(e) Except as otherwise provided in subsections (c) and (d) of this section and §§ 9A–704 and 9A–805 of this title, a person not a partner is not deemed to know of a limitation on the authority of a partner merely because the limitation is contained in a filed statement.

(f) Unless earlier canceled, a filed statement of partnership authority is canceled by operation of law 5 years after the date on which the statement, or the most recent amendment, was filed with the Department.

§9A–304.

A partner or other person named as a partner in a filed statement of partnership authority may file a statement of denial stating the name of the partnership and the fact that is being denied, which may include denial of a person's authority or status as a partner. A statement of denial is a limitation on authority as provided in § 9A-303(c) and (d) of this subtitle.

§9A–305.

(a) A partnership is liable for loss or injury caused to a person, or for a penalty incurred, as a result of a wrongful act or omission, or other actionable conduct, of a partner acting in the ordinary course of business of the partnership or with authority of the partnership.

(b) If, in the course of the partnership's business or while acting with authority of the partnership, a partner receives or causes the partnership to receive money or property of a person not a partner, and the money or property is misapplied by a partner, the partnership is liable for the loss.

§9A–306.

(a) Except as otherwise provided in subsections (b) and (c) of this section, all partners are liable jointly and severally for all obligations of the partnership unless otherwise agreed by the claimant or provided by law.

(b) A person admitted as a partner into an existing partnership shall have the immunity from liability described under § 5–420 of the Courts and Judicial Proceedings Article.

(c) Subject to the provisions of subsection (d) of this section, a partner of a limited liability partnership is not liable or accountable, directly or indirectly, including by way of indemnification, contribution, or otherwise, for any debts, obligations, or liabilities of or chargeable to the partnership or another partner, whether arising in tort, contract, or otherwise, which are incurred, created, or assumed by the partnership while the partnership is a limited liability partnership solely by reason of being a partner in the partnership or acting or omitting to act in such capacity or rendering professional services or otherwise participating, as an employee, consultant, contractor, or otherwise, in the conduct of the business or activities of the partnership.

(d) Subsection (c) of this section does not affect:

(1) The liability of a partner of a limited liability partnership for debts and obligations of the partnership that arise from any negligent or wrongful act or omission of the partner or of another partner, employee, or agent of the partnership if the partner is negligent in appointing, directly supervising, or cooperating with the other partner, employee, or agent;

(2) The liability of the partnership for all its debts and obligations or the availability of the entire assets of the partnership to satisfy its debts and obligations; or

(3) The liability of a partner for debts and obligations of the partnership, whether in contract or in tort, that arise from or relate to a contract made by the partnership prior to its registration as a limited liability partnership, unless the registration was consented to in writing by the party to the contract that is seeking to enforce the debt or obligation.

(e) Nothing in subsection (c) of this section is intended to restrict or limit in any manner the authority and duty of a regulatory body that licenses professionals within this State to license persons who render professional services or to regulate the practice of any profession that is within the jurisdiction of the regulatory body, notwithstanding that the person is a partner, employee, or agent of a limited liability partnership and is rendering the professional services or engaging in the practice of the profession through the limited liability partnership.

§9A–307.

(a) A partnership may sue and be sued in the name of the partnership.

(b) An action may be brought against the partnership and, except as provided in § 9A–306 of this subtitle and subsection (f) of this section, any or all of the partners in the same action or in separate actions.

(c) A judgment against a partnership is not by itself a judgment against a partner. A judgment against a partnership may not be satisfied from a partner's assets unless there is also a judgment against the partner.

(d) A judgment creditor of a partner may not levy execution against the assets of the partner to satisfy a judgment based on a claim against the partnership unless the claim is for a debt, obligation, or liability for which the partner is liable under § 9A–306 of this subtitle and either:

(1) A judgment based on the same claim has been obtained against the partnership and a writ of execution on the judgment has been returned unsatisfied in whole or in part;

(2) The partnership is a debtor in bankruptcy;

(3) The partner has agreed that the creditor need not exhaust partnership assets;

(4) A court grants permission to the judgment creditor to levy execution against the assets of a partner based on a finding that partnership assets subject to execution are clearly insufficient to satisfy the judgment, that exhaustion

of partnership assets is excessively burdensome, or that the grant of permission is an appropriate exercise of the court's equitable powers; or

(5) Liability is imposed on the partner by law or contract independent of the existence of the partnership.

(e) This section applies to any partnership liability or obligation resulting from a representation by a partner or purported partner under § 9A–308 of this subtitle.

(f) A partner of a limited liability partnership is not a proper party to a proceeding by or against a limited liability partnership solely by reason of being a partner of the limited liability partnership, except where the object of the proceeding is:

(1) To enforce a partner's right against or liability to the limited liability partnership; or

(2) To recover damages, or enforce partnership obligations, for which the partner is personally liable under § 9A–306 of this subtitle.

§9A–308.

(a) If a person, by words or conduct, purports to be a partner, or consents to being represented by another as a partner, in a partnership or with one or more persons not partners, the purported partner is liable to a person to whom the representation is made, if that person, relying on the representation, enters into a transaction with the actual or purported partnership. If the representation, either by the purported partner or by a person with the purported partner's consent, is made in a public manner, the purported partner is liable to a person who relies upon the purported partnership even if the purported partner is not aware of being held out as a partner to the claimant. If partnership liability results, the purported partner is liable with respect to that liability as if the purported partner were a partner. If no partnership liability results, the purported partner is liable with respect to that liability jointly and severally with any other person consenting to the representation.

(b) If a person is thus represented to be a partner in an existing partnership, or with one or more persons not partners, the purported partner is an agent of persons consenting to the representation to bind them to the same extent and in the same manner as if the purported partner were a partner, with respect to persons who enter into transactions in reliance upon the representation. If all of the partners of the existing partnership consent to the representation, a partnership act or obligation results. If fewer than all of the partners of the existing partnership consent to the

representation, the person acting and the partners consenting to the representation are jointly and severally liable.

(c) A person is not liable as a partner merely because the person is named by another in a statement of partnership authority or does not file a statement of authority.

(d) A person does not continue to be liable as a partner merely because of a failure to file a statement of dissociation or to amend a statement of partnership authority to indicate the partner's dissociation from the partnership.

(e) Except as otherwise provided in subsections (a) and (b) of this section, persons who are not partners as to each other are not liable as partners to other persons.

§9A–401.

(a) Each partner is deemed to have an account that is:

(1) Credited with an amount equal to the money plus the value of any other property, net of the amount of any liabilities, the partner contributes to the partnership and the partner's share of the partnership profits; and

(2) Charged with an amount equal to the money plus the value of any other property, net of the amount of any liabilities, distributed by the partnership to the partner and the partner's share of the partnership losses.

(b) Each partner is entitled to an equal share of the partnership profits and is chargeable with a share of the partnership losses in proportion to the partner's share of the profits.

(c) A partnership shall reimburse a partner for payments made and indemnify a partner for liabilities incurred by the partner in the ordinary course of the business of the partnership or for the preservation of its business or property.

(d) A partnership shall reimburse a partner for an advance to the partnership beyond the amount of capital the partner agreed to contribute.

(e) A payment or advance made by a partner which gives rise to a partnership obligation under subsection (c) or (d) of this section constitutes a loan to the partnership which accrues interest from the date of the payment or advance.

(f) Each partner has equal rights in the management and conduct of the partnership business.

(g) A partner may use or possess partnership property only on behalf of the partnership.

(h) A partner is not entitled to remuneration for services performed for the partnership, except for reasonable compensation for services rendered in winding up the business of the partnership.

(i) A person may become a partner only with the consent of all of the partners.

(j) A difference arising as to a matter in the ordinary course of business of a partnership may be decided by a majority of the partners. An act outside the ordinary course of business of a partnership and an amendment to the partnership agreement may be undertaken only with the consent of all of the partners.

(k) This section does not affect the obligations of a partnership to other persons under § 9A-301 of this title.

§9A–402.

A partner has no right to receive, and may not be required to accept, a distribution in kind.

§9A–403.

(a) A partnership shall keep its books and records, if any, at its chief executive office.

(b) A partnership shall provide partners and their agents and attorneys access to its books and records. It shall provide former partners and their agents and attorneys access to books and records pertaining to the period during which they were partners. The right of access provides the opportunity to inspect and copy books and records during ordinary business hours. A partnership may impose a reasonable charge, covering the costs of labor and material, for copies of documents furnished.

(c) Each partner and the partnership shall furnish to a partner, and to the legal representative of a deceased partner or partner under legal disability:

(1) Without demand, any information concerning the partnership's business and affairs reasonably required for the proper exercise of the partner's rights and duties under the partnership agreement or this title; and

(2) On demand, any other information concerning the partnership's business and affairs, except to the extent the demand or the information demanded is unreasonable or otherwise improper under the circumstances.

§9A–404.

(a) The only fiduciary duties a partner owes to the partnership and the other partners are the duty of loyalty and the duty of care set forth in subsections (b) and (c) of this section.

(b) A partner's duty of loyalty to the partnership and the other partners is limited to the following:

(1) To account to the partnership and hold as trustee for it any property, profit, or benefit derived by the partner in the conduct and winding up of the partnership business or derived from a use by the partner of partnership property, including the appropriation of a partnership opportunity;

(2) To refrain from dealing with the partnership in the conduct or winding up of the partnership business as or on behalf of a party having an interest adverse to the partnership; and

(3) To refrain from competing with the partnership in the conduct of the partnership business before the dissolution of the partnership.

(c) A partner's duty of care to the partnership and the other partners in the conduct and winding up of the partnership business is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

(d) A partner shall discharge the duties to the partnership and the other partners under this title or under the partnership agreement and exercise any rights consistently with the obligation of good faith and fair dealing.

(e) A partner does not violate a duty or obligation under this title or under the partnership agreement merely because the partner's conduct furthers the partner's own interest.

(f) A partner may lend money to and transact other business with the partnership, and as to each loan or transaction the rights and obligations of the partner are the same as those of a person who is not a partner, subject to other applicable law.

(g) This section applies to a person winding up the partnership business as the personal or legal representative of the last surviving partner as if the person were a partner.

§9A–405.

(a) A partnership may maintain an action against a partner for a breach of the partnership agreement, or for the violation of a duty to the partnership, causing harm to the partnership.

(b) A partner may maintain an action against the partnership or another partner for legal or equitable relief, with or without an accounting as to partnership business, to:

(1) Enforce the partner's rights under the partnership agreement;

(2) Enforce the partner's rights under this title, including:

(i) The partner's rights under § 9A-401, § 9A-403, or § 9A-404 of this subtitle;

(ii) The partner's right on dissociation to have the partner's interest in the partnership purchased pursuant to § 9A-701 of this title or enforce any other right under Subtitle 6 or Subtitle 7 of this title; or

(iii) The partner's right to compel a dissolution and winding up of the partnership business under § 9A-801 of this title or enforce any other right under Subtitle 8 of this title; or

(3) Enforce the rights and otherwise protect the interests of the partner, including rights and interests arising independently of the partnership relationship.

(c) The accrual of, and any time limitation on, a right of action for a remedy under this section is governed by other law. A right to an accounting upon a dissolution and winding up does not revive a claim barred by law.

§9A–406.

(a) If a partnership for a definite term or particular undertaking is continued, without an express agreement, after the expiration of the term or completion of the undertaking, the rights and duties of the partners remain the same as they were at the expiration or completion, so far as is consistent with a partnership at will.

(b) If the partners, or those of them who habitually acted in the business during the term or undertaking, continue the business without any settlement or liquidation of the partnership, they are presumed to have agreed that the partnership will continue.

§9A–501.

A partner is not a co-owner of partnership property and has no interest in partnership property which can be transferred, either voluntarily or involuntarily.

§9A–502.

The only transferable interest of a partner in the partnership is the partner's share of the profits and losses of the partnership and the partner's right to receive distributions. The transferable interest is personal property.

§9A–503.

(a) A transfer, in whole or in part, of a partner's transferable interest in the partnership:

(1) Is permissible;

(2) Does not by itself cause the partner's dissociation or a dissolution and winding up of the partnership business; and

(3) Does not, as against the other partners or the partnership, entitle the transferee, during the continuance of the partnership, to participate in the management or conduct of the partnership business, to require access to information concerning partnership transactions, or to inspect or copy the partnership books or records.

(b) A transferee of a partner's transferable interest in the partnership has a right:

(1) To receive, in accordance with the transfer, distributions to which the transferor would otherwise be entitled;

(2) To receive upon the dissolution and winding up of the partnership business, in accordance with the transfer, the net amount otherwise distributable to the transferor; and

(3) To seek under § 9A–801(6) of this title a judicial determination that it is equitable to wind up the partnership business.

(c) In a dissolution and winding up, a transferee is entitled to an account of partnership transactions only from the date of the latest account agreed to by all of the partners.

(d) Upon transfer, the transferor retains the rights and duties of a partner other than the interest in distributions transferred.

(e) A partnership need not give effect to a transferee's rights under this section until it has notice of the transfer.

(f) A transfer of a partner's transferable interest in the partnership in violation of a restriction on transfer contained in the partnership agreement is ineffective as to a person having notice of the restriction at the time of transfer.

(g) A partnership agreement may provide that a partner's transferable interest in the partnership may or shall be transferred or assigned in whole or in part to one or more persons, including on the occurrence of any of the events described in § 9A–601 of this title, regardless of whether the persons to whom the interest is transferred or assigned are partners.

§9A–504.

(a) On application by a judgment creditor of a partner or of a partner's transferee, a court having jurisdiction may charge the transferable interest of the judgment debtor to satisfy the judgment. The court may appoint a receiver of the share of the distributions due or to become due to the judgment debtor in respect of the partnership and make all other orders, directions, accounts, and inquiries the judgment debtor might have made or which the circumstances of the case may require.

(b) A charging order constitutes a lien on the judgment debtor's transferable interest in the partnership. The court may order a foreclosure of the interest subject to the charging order at any time. The purchaser at the foreclosure sale has the rights of a transferee.

(c) At any time before foreclosure, an interest charged may be redeemed:

(1) By the judgment debtor;

(2) With property other than partnership property, by one or more of the other partners; or

(3) With partnership property, by one or more of the other partners with the consent of all of the partners whose interests are not so charged.

(d) This title does not deprive a partner of a right under exemption laws with respect to the partner's interest in the partnership.

(e) This section provides the exclusive remedy by which a judgment creditor of a partner or partner's transferee may satisfy a judgment out of the judgment debtor's transferable interest in the partnership.

§9A–601.

A partner is dissociated from a partnership upon the occurrence of any of the following events:

(1) The partnership's having notice of the partner's express will to withdraw as a partner or on a later date specified by the partner;

(2) An event agreed to in the partnership agreement as causing the partner's dissociation;

(3) The partner's expulsion pursuant to the partnership agreement;

(4) The partner's expulsion by the unanimous vote of the other partners if:

(i) It is unlawful to carry on the partnership business with that partner;

(ii) There has been a transfer of all or substantially all of that partner's transferable interest in the partnership, other than a transfer for security purposes, or a court order charging the partner's interest, which has not been foreclosed;

(iii) Within 90 days after the partnership notifies a corporate partner that it will be expelled because it has filed articles of dissolution or the equivalent, its charter has been revoked, or its right to conduct business has been suspended by the jurisdiction of its incorporation, there is no revocation of the articles of dissolution or no reinstatement of its charter or its right to conduct business; or

(iv) A partnership that is a partner has been dissolved and its business is being wound up;

(5) On application by the partnership or another partner, the partner's expulsion by judicial determination because:

(i) The partner engaged in wrongful conduct that adversely and materially affected the partnership business;

(ii) The partner willfully or persistently committed a material breach of the partnership agreement or of a duty owed to the partnership or the other partners under § 9A-404 of this title; or

(iii) The partner engaged in conduct relating to the partnership business which makes it not reasonably practicable to carry on the business in partnership with the partner;

(6) The partner's:

(i) Becoming a debtor in bankruptcy;

(ii) Executing an assignment for the benefit of creditors;

(iii) Seeking, consenting to, or acquiescing in the appointment of a trustee, receiver, or liquidator of that partner or of all or substantially all of that partner's property; or

(iv) Failing, within 90 days after the appointment, to have vacated or stayed the appointment of a trustee, receiver, or liquidator of the partner or of all or substantially all of the partner's property obtained without the partner's consent or acquiescence, or failing within 90 days after the expiration of a stay to have the appointment vacated;

(7) In the case of a partner who is an individual:

(i) The partner's death;

(ii) The appointment of a guardian or general conservator for the partner; or

(iii) A judicial determination that the partner has otherwise become incapable of performing the partner's duties under the partnership agreement;

(8) In the case of a partner that is a trust or is acting as a partner by virtue of being a trustee of a trust, distribution of the trust's entire transferable

interest in the partnership, but not merely by reason of the substitution of a successor trustee;

(9) In the case of a partner that is an estate or is acting as a partner by virtue of being a personal representative of an estate, distribution of the estate's entire transferable interest in the partnership, but not merely by reason of the substitution of a successor personal representative; or

(10) Termination of a partner who is not an individual, partnership, corporation, trust, or estate.

§9A–602.

(a) A partner has the power to dissociate at any time, rightfully or wrongfully, by express will pursuant to § 9A-601(1) of this subtitle.

(b) A partner's dissociation is wrongful only if:

(1) It is in breach of an express provision of the partnership agreement; or

(2) In the case of a partnership for a definite term or particular undertaking, before the expiration of the term or the completion of the undertaking:

(i) The partner withdraws by express will, unless the withdrawal follows within 90 days after another partner's dissociation under § 9A-601(6) through (10) of this subtitle or wrongful dissociation under this subsection;

(ii) The partner is expelled by judicial determination under § 9A-601(5) of this subtitle;

(iii) The partner is dissociated by reason of an event under § 9A-601 of this subtitle; or

(iv) In the case of a partner who is not an individual, trust other than a business trust, or estate, the partner is expelled or otherwise dissociated because it willfully dissolved or terminated.

(c) A partner who wrongfully dissociates is liable to the partnership and to the other partners for damages caused by the dissociation. The liability is in addition to any other obligation of the partner to the partnership or to the other partners.

§9A–603.

(a) If a partner's dissociation results in a dissolution and winding up of the partnership business, Subtitle 8 of this title applies; otherwise, Subtitle 7 of this title applies.

(b) Upon a partner's dissociation:

(1) The partner's right to participate in the management and conduct of the partnership business terminates, except as otherwise provided in § 9A–803 of this title;

(2) The partner's duty of loyalty under § 9A–404(b)(3) of this title terminates; and

(3) The partner's duty of loyalty under § 9A–404(b)(1) and (2) of this title and duty of care under § 9A–404(c) of this title continue only with regard to matters arising and events occurring before the partner's dissociation, unless the partner participates in winding up the partnership's business pursuant to § 9A–803 of this title.

§9A–701.

(a) If a partner is dissociated from a partnership without resulting in a dissolution and winding up of the partnership business under § 9A-801 of this title, the partnership shall cause the dissociated partner's interest in the partnership to be purchased for a buyout price determined pursuant to subsection (b) of this section.

(b) The buyout price of a dissociated partner's interest is the amount that would have been distributable to the dissociating partner under § 9A-807(b) of this title if, on the date of dissociation, the assets of the partnership were sold at a price equal to the greater of the liquidation value or the value based on a sale of the entire business as a going concern without the dissociated partner and the partnership were wound up as of that date. Interest must be paid from the date of dissociation to the date of payment.

(c) Damages for wrongful dissociation under § 9A-602(b) of this title, and all other amounts owing, whether or not presently due, from the dissociated partner to the partnership, must be offset against the buyout price. Interest must be paid from the date the amount owed by the dissociated partner becomes due to the date of payment.

(d) A partnership shall indemnify a dissociated partner whose interest is being purchased against all partnership liabilities, whether incurred before or after the dissociation, except liabilities incurred by an act of the dissociated partner under § 9A-702 of this subtitle.

(e) If no agreement for the purchase of a dissociated partner's interest is reached within 120 days after a written demand for payment, the partnership shall pay, or cause to be paid, in cash to the dissociated partner the amount the partnership estimates to be the buyout price and accrued interest under subsection (b) of this section, reduced by any offsets and accrued interest under subsection (c) of this section.

(f) If a deferred payment is authorized under subsection (h) of this section, the partnership may tender a written offer stating the amount it estimates to be the buyout price and accrued interest under subsection (b) of this section, reduced by any offsets and accrued interest under subsection (c) of this section, stating the time of payment and the other terms and conditions of the obligation.

(g) The payment or tender of a written offer required by subsection (e) or (f) of this section must be accompanied by the following:

(1) A statement of partnership assets and liabilities as of the date of dissociation;

(2) The latest available partnership balance sheet and income statement, if any;

(3) An explanation of how the estimated amount of the payment was calculated; and

(4) Written notice that unless the dissociated partner commences an action to determine the buyout price, any offsets under subsection (c) of this section, or other terms of the obligation to purchase within 120 days after the written notice, the payment is in full satisfaction of the obligation to purchase.

(h) A partner who wrongfully dissociates before the expiration of a definite term or the completion of a particular undertaking is not entitled to payment of any portion of the buyout price until the expiration of the term or completion of the undertaking, unless the partner establishes to the satisfaction of the court that earlier payment will not cause undue hardship to the business of the partnership. A deferred payment shall bear interest.

(i) A dissociated partner may maintain an action against the partnership, pursuant to § 9A-405(b)(2)(ii) of this title, to determine the buyout price of that partner's interest, any offsets under subsection (c) of this section, or other terms of the obligation to purchase. The action must be commenced within 120 days after the partnership has tendered payment or a written offer or within 1 year after written demand for payment if no payment or written offer is tendered. The court shall

determine the buyout price of the dissociated partner's interest, any offset due under subsection (c) of this section, and accrued interest, and enter judgment for any additional payment or refund. If deferred payment is authorized under subsection (h) of this section, the court shall also determine the terms of the obligation to purchase. The court may assess reasonable attorney's fees and the fees and expenses of appraisers or other experts for a party to the action, in amounts the court finds equitable, against a party that the court finds acted arbitrarily, vexatiously, or not in good faith. The finding may be based on the partnership's failure to tender payment or a written offer or to comply with subsection (g) of this section.

§9A–702.

(a) For 2 years after a partner dissociates without resulting in a dissolution and winding up of the partnership business, the partnership, including a surviving partnership under Subtitle 9 of this title, is bound by an act of the dissociated partner which would have bound the partnership under § 9A-301 of this title before dissociation only if at the time of entering into the transaction the other party:

(1) Reasonably believed that the dissociated partner was then a partner;

(2) Did not have notice of the partner's dissociation; and

(3) Is not deemed to have had knowledge under § 9A-303(d) of this title or notice under § 9A-704(c) of this subtitle.

(b) A dissociated partner is liable to the partnership for any damage caused to the partnership arising from an obligation incurred by the dissociated partner after dissociation for which the partnership is liable under subsection (a) of this section.

§9A–703.

(a) A partner's dissociation does not of itself discharge the partner's liability for a partnership obligation incurred before dissociation. A dissociated partner is not liable for a partnership obligation incurred after dissociation, except as otherwise provided in subsection (b) of this section.

(b) A partner who dissociates without resulting in a dissolution and winding up of the partnership business is liable as a partner to the other party in a transaction entered into by the partnership, or a surviving partnership under Subtitle 9 of this title, within 2 years after the partner's dissociation, only if the obligation is one for which the partner is liable under § 9A-306 of this title and at the time of entering into the transaction the other party:

(1) Reasonably believed that the dissociated partner was then a partner;

(2) Did not have notice of the partner's dissociation; and

(3) Is not deemed to have had knowledge under § 9A-303(e) of this title or notice under § 9A-704(c) of this subtitle.

(c) By agreement with the partnership creditor and the partners continuing the business, a dissociated partner may be released from liability for a partnership obligation.

(d) A dissociated partner is released from liability for a partnership obligation if a partnership creditor, with notice of the partner's dissociation but without the partner's consent, agrees to a material alteration in the nature or time of payment of a partnership obligation.

§9A–704.

(a) A dissociated partner or the partnership may file a statement of dissociation stating the name of the partnership and that the partner is dissociated from the partnership.

(b) A statement of dissociation is a limitation on the authority of a dissociated partner for the purposes of § 9A-303(c) and (d) of this title.

(c) For the purposes of §§ 9A-702(a)(3) and 9A-703(b)(3) of this subtitle, a person not a partner is deemed to have notice of the dissociation 90 days after the statement of dissociation is filed.

§9A–705.

Continued use of a partnership name, or a dissociated partner's name as part thereof, by partners continuing the business does not of itself make the dissociated partner liable for an obligation of the partners or the partnership continuing the business.

§9A–801.

A partnership is dissolved, and its business must be wound up, only upon the occurrence of any of the following events:

(1) In a partnership at will, the partnership's having notice from a partner, other than a partner who is dissociated under § 9A-601(2) through (10) of

this title, of that partner's express will to withdraw as a partner, or on a later date specified by the partner;

(2) In a partnership for a definite term or particular undertaking:

(i) The expiration of 90 days after a partner's dissociation by death or otherwise under § 9A-601(6) through (10) of this title or wrongful dissociation under § 9A-602(b) of this title, unless before that time a majority in interest of the remaining partners, including partners who have rightfully dissociated pursuant to § 9A-602(b)(2)(i) of this title, agree to continue the partnership;

(ii) The express will of all of the partners to wind up the partnership business; or

(iii) The expiration of the term or the completion of the undertaking;

(3) An event agreed to in the partnership agreement resulting in the winding up of the partnership business;

(4) An event that makes it unlawful for all or substantially all of the business of the partnership to be continued, but a cure of illegality within 90 days after notice to the partnership of the event is effective retroactively to the date of the event for purposes of this section;

(5) On application by a partner, a judicial determination that:

(i) The economic purpose of the partnership is likely to be unreasonably frustrated;

(ii) Another partner has engaged in conduct relating to the partnership business which makes it not reasonably practicable to carry on the business in partnership with that partner; or

(iii) It is not otherwise reasonably practicable to carry on the partnership business in conformity with the partnership agreement; or

(6) On application by a transferee of a partner's transferable interest, a judicial determination that it is equitable to wind up the partnership business:

(i) After the expiration of the term or completion of the undertaking, if the partnership was for a definite term or particular undertaking at the time of the transfer or entry of the charging order that gave rise to the transfer; or

(ii) At any time, if the partnership was a partnership at will at the time of the transfer or entry of the charging order that gave rise to the transfer.

§9A–802.

(a) Subject to subsection (b) of this section, a partnership continues after dissolution only for the purpose of winding up its business. The partnership is terminated when the winding up of its business is completed.

(b) At any time after the dissolution of a partnership and before the winding up of its business is completed, all of the partners, including any dissociating partner other than a wrongfully dissociating partner, may waive the right to have the partnership's business wound up and the partnership terminated. In that event:

(1) The partnership resumes carrying on its business as if dissolution had never occurred, and any liability incurred by the partnership or a partner after the dissolution and before the waiver is determined as if dissolution had never occurred; and

(2) The rights of a third party accruing under § 9A-804(1) of this subtitle or arising out of conduct in reliance on the dissolution before the third party knew or received a notification of the waiver may not be adversely affected.

§9A–803.

(a) After dissolution, a partner who has not wrongfully dissociated may participate in winding up the partnership's business, but on application of any partner, partner's legal representative, or transferee, the circuit court for the county in which the principal office of the partnership is located, for good cause shown, may order judicial supervision of the winding up.

(b) The legal representative of the last surviving partner may wind up a partnership's business.

(c) A person winding up a partnership's business may preserve the partnership business or property as a going concern for a reasonable time, prosecute and defend actions and proceedings, whether civil, criminal, or administrative, settle and close the partnership's business, dispose of and transfer the partnership's property, discharge the partnership's liabilities, distribute the assets of the partnership pursuant to § 9A-807 of this subtitle, settle disputes by mediation or arbitration, and perform other necessary acts.

§9A–804.

Subject to § 9A-805 of this subtitle, a partnership is bound by a partner's act after dissolution that:

(1) Is appropriate for winding up the partnership business; or

(2) Would have bound the partnership under § 9A-301 of this title before dissolution, if the other party to the transaction did not have notice of the dissolution.

§9A–805.

(a) After dissolution, a partner who has not wrongfully dissociated may file a statement of dissolution stating the name of the partnership and that the partnership has dissolved and is winding up its business.

(b) A filed statement of dissolution cancels a filed statement of partnership authority for the purposes of § 9A–303(c) of this title and is a limitation on authority for the purposes of § 9A–303(d) of this title.

(c) For the purposes of §§ 9A–301 of this title and 9A–804 of this subtitle, a person not a partner is deemed to have notice of the dissolution and the limitation on the partners' authority as a result of the statement of dissolution 90 days after it is filed.

(d) After filing a statement of dissolution, a dissolved partnership may file a statement of partnership authority which will operate with respect to a person not a partner as provided in § 9A–303(c) and (d) of this title in any transaction, whether or not the transaction is appropriate for winding up the partnership business.

§9A–806.

(a) Except as otherwise provided in subsection (b) of this section and § 9A-306(c) of this title, after dissolution a partner is liable to the other partners for the partner's share of any partnership liability incurred under § 9A-804 of this subtitle.

(b) A partner who, with knowledge of the dissolution, incurs a partnership liability under § 9A-804(2) of this subtitle by an act that is not appropriate for winding up the partnership business is liable to the partnership for any damage caused to the partnership arising from the liability.

§9A–807.

(a) In winding up a partnership's business, the assets of the partnership, including the contributions of the partners required by this section, must be applied to discharge its obligations to creditors, including, to the extent permitted by law, partners who are creditors. Any surplus must be applied to pay in cash the net amount distributable to partners in accordance with their right to distributions under subsection (b) of this section.

(b) Each partner is entitled to a settlement of all partnership accounts upon winding up the partnership business. In settling accounts among the partners, the profits and losses that result from the liquidation of the partnership assets must be credited and charged to the partners' accounts. The partnership shall make a distribution to a partner in an amount equal to any excess of the credits over the charges in the partner's account. A partner shall contribute to the partnership an amount equal to any excess of the charges over the credits in the partner's account but excluding from the calculation charges attributable to an obligation for which the partner is not personally liable under § 9A-306(c) of this title.

(c) If a partner fails to contribute the full amount required under subsection (b) of this section, all of the other partners shall contribute, in the proportions in which those partners share partnership losses, the additional amount necessary to satisfy the partnership obligations for which they are personally liable under § 9A-306(c) of this title. A partner or partner's legal representative may recover from the other partners any contributions the partner makes to the extent the amount contributed exceeds that partner's share of the partnership obligations for which the partner is personally liable under § 9A-306(c) of this title.

(d) After the settlement of accounts, each partner shall contribute, in the proportion in which the partner shares partnership losses, the amount necessary to satisfy partnership obligations that were not known at the time of the settlement.

(e) The estate of a deceased partner is liable for the partner's obligation to contribute to the partnership.

(f) An assignee for the benefit of creditors of a partnership or a partner, or a person appointed by a court to represent creditors of a partnership or a partner, may enforce a partner's obligation to contribute to the partnership.

(g) Notwithstanding the foregoing provisions of this section, a partner of a limited liability partnership shall have no obligation to make a contribution to the partnership, whether directly or indirectly by way of a charge against the partner's account or otherwise, with respect to any partnership obligations for which the partner has no personal liability under § 9A-306 of this title.

§9A–901.

(a) Unless the partnership agreement provides otherwise, a partnership may be a party to a statutory merger pursuant to this subtitle and may merge into one or more:

(1) Partnerships;

(2) Limited liability companies;

(3) Limited partnerships;

(4) Corporations having capital stock; or

(5) Business trusts having transferable units of beneficial interest.

(b) One or more partnerships, limited liability companies, limited partnerships, corporations having capital stock, or business trusts having transferable units of beneficial interest may merge into a partnership.

(c) Before a partnership may be a party to a statutory merger pursuant to this subtitle, such partnership must have on file with the Department either (1) a statement of authority filed pursuant to § 9A-303 of this title or (2) a certificate of limited liability partnership filed pursuant to § 9A-1001 of this title.

(d) The statutory merger provisions of this subtitle do not preclude a partnership from being converted or merged by agreement or by operation of law.

§9A–902.

(a) The proposed merger shall be approved in the manner provided by this section.

(b) A corporation shall approve the merger under the provisions of § 3-105 of this article.

(c) A real estate investment trust shall approve the merger under the provisions of § 8–501.1 of this article.

(d) A limited partnership shall approve the merger under the provisions of § 10-208 of this article.

(e) A limited liability company shall approve the merger under the provisions of § 4A-702 of this article.

(f) A partnership shall approve the merger by all of its partners, or a lesser number or percentage specified for merger in its partnership agreement.

(g) A foreign partnership party to the merger shall have the merger approved in the manner and by the vote required by the laws of the place where it is organized.

(h) A statutory trust shall approve the merger under the provisions of § 12–602 of this article.

(i) A business trust, other than a Maryland real estate investment trust or statutory trust, shall have the merger approved in the manner and by the vote required by the laws of the place where it is formed.

§9A–903.

Articles of merger shall:

(1) Contain the provisions required by § 3-109 of this article and other provisions permitted by that section;

(2) Be executed:

(i) In the case of a partnership, by any partner authorized by the partnership to do so;

(ii) In the case of a limited liability company, in the manner required by § 4A-206 of this article;

(iii) In the case of a corporation or business trust, in the manner required by Title 1 of this article; and

(iv) In the case of a limited partnership, in the manner required by Title 10 of this article; and

(3) Be filed for record with the Department.

§9A–904.

(a) Unless the articles of merger preclude the right to abandon the merger or permit some other vote or manner of abandonment, a proposed merger may be abandoned before the effective date of the articles by:

(1) A majority vote of the partners of a partnership party to the articles;

(2) Unanimous consent of the members of a limited liability company party to the articles;

(3) A majority vote of the general partners and a majority in interest of the limited partners, as defined in § 10-208 of this article, of any limited partnership party to the articles;

(4) A majority vote of the entire board of directors of a corporation party to the articles; and

(5) A majority vote of the entire board of trustees of a business trust party to the articles.

(b) If the articles of merger have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(c) (1) If the proposed merger is abandoned as provided in this section, no legal liability arises under the articles of merger.

(2) An abandonment does not prejudice the rights of any person under any other contract made by a partnership, limited liability company, limited partnership, corporation or business trust party to the proposed articles of merger in connection with the proposed merger.

§9A–905.

(a) A member of a partnership objecting to a merger of the partnership has the same rights with respect to the partner's interest in the partnership as a stockholder of a Maryland corporation who objects has with respect to the stockholder's stock under Title 3, Subtitle 2 of this article.

(b) The procedures under Title 3, Subtitle 2 of this article shall be applicable to the extent practicable.

§9A–906.

(a) The Department shall prepare certificates of merger that specify:

(1) The name of each party to the articles of merger;

(2) The name of the successor and the location of its principal office in this State or, if it has none, its principal place of business; and

(3) The time the articles of merger are accepted for record by the Department.

(b) In addition to any other provision of law with respect to recording, the Department shall send one of the certificates of merger to the clerk of the circuit court of each county in the State where the articles of merger show that a merging partnership, limited liability company, limited partnership, corporation or business trust other than the successor owns an interest in land.

(c) On receipt of a certificate, a clerk promptly shall record it with the land records.

§9A–907.

(a) The Department shall require a partnership, limited liability company, limited partnership, corporation, or business trust to submit with the articles of merger a property certificate for each county where a merging partnership, limited liability company, limited partnership, corporation, or business trust other than the successor owns an interest in land.

(b) A property certificate is not required with respect to any property in which the only interest owned by the merging partnership, limited liability company, limited partnership, corporation, or business trust is a security interest.

(c) The property certificate:

(1) Shall be in the form and number of copies that the Department requires; and

(2) May include the certificate of the Department required by § 9A-906 of this subtitle.

(d) (1) The property certificate shall provide a deed reference or other description sufficient to identify the property.

(2) The Department shall:

(i) Indicate on the property certificate the time that articles of merger are accepted for record; and

(ii) Send a copy of the property certificate to the chief assessor of the county where the property is located.

(e) A transfer, vesting, or devolution of title to the property is not invalidated or otherwise affected by any error or defect in the property certificate, failure to file the property certificate, or failure by the Department to act on the property certificate.

§9A–908.

A merger is effective as of the later of:

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

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

§9A–909.

(a) Consummation of a merger has the effects provided in this section.

(b) The separate existence of each partnership, limited liability company, limited partnership, corporation, or business trust party to the articles, except the successor, ceases.

(c) The interest of each partner of a partnership party to the articles of merger that are to be converted or exchanged under the terms of the articles of merger cease to exist, subject to the rights of an objecting partner under § 9A-905 of this subtitle.

(d) In addition to any other purposes and powers set forth in the articles of merger, if the articles provide, the successor has the purpose and powers of each party to the articles.

(e) (1) The assets of each party to the articles of merger, including any legacies that it would have been capable of taking, transfer to, vest in, and devolve upon the successor without further act or deed.

(2) Confirmatory deeds, assignments, or similar instruments to evidence the transfer may be executed and delivered at any time in the name of the nonsurviving party to the articles of merger by its last acting authorized persons, general partners, officers, trustees, or by the appropriate authorized persons, general partners, officers, or trustees, or members of the successor.

(f) (1) (i) The successor is liable for all the debts and obligations of each nonsurviving party to the articles of merger.

(ii) An existing claim, action, or proceeding pending by or against any nonsurviving party to the articles of merger:

1. May be prosecuted to judgment as if the merger had not taken place; or

2. On motion of the successor or any party, the successor may be substituted as a party, and the judgment against the nonsurviving party to the articles of merger shall constitute a judgment against the successor.

(2) A merger does not impair the rights of creditors or a lien on the property of any partnership, limited liability company, limited partnership, corporation, or business trust party to the articles of merger.

(3) Subject to Subtitles 7 and 8 of this title, a partner of a nonsurviving partnership remains liable for all the debts and obligations of the nonsurviving partnership party to the articles of merger.

(g) A partner of the surviving partnership is liable for:

(1) All obligations of a party to the merger for which the partner was personally liable before the merger;

(2) All other obligations of the surviving partnership incurred before the merger by a party to the merger, but those obligations may be satisfied only out of property of the surviving partnership; and

(3) Except as provided in § 9A-306(c) of this title, all obligations of the surviving partnership incurred after the merger takes effect.

§9A–910.

Following a merger involving one or more partnerships, if the successor partnership is not a partnership organized under this subtitle, there shall be included in the articles of merger filed under § 9A-903 of this subtitle for each partnership organized under this subtitle a statement that:

(1) The successor partnership agrees that it may be served with process in this State in any action, suit, or proceeding for the enforcement of any obligation of the nonsurviving partnership that arose before the merger;

(2) Irrevocably appoints the Department as its agent to accept service of process in any such action, suit, or proceeding described under item (1) of this section; and

(3) Specifies the address to which a copy of the process shall be mailed by the Department.

§9A–1001.

(a) A partnership formed in accordance with an agreement governed by the laws of this State may register as a limited liability partnership by filing with the Department a certificate of limited liability partnership which sets forth:

(1) The name of the limited liability partnership;

(2) The purpose for which the limited liability partnership exists; and

(3) The address of its principal office in this State and the name and address of its resident agent.

(b) A partnership qualifies as a limited liability partnership at the time of the filing of the certificate with the Department or at any later time specified in the certificate.

(c) An amendment to the certificate of limited liability partnership shall be:

(1) In writing; and

(2) Filed for record with the Department.

(d) A certificate or amendment shall be executed by a person authorized by the limited liability partnership to execute such certificate and amendment.

(e) Registration of a partnership as a limited liability partnership may be voluntarily withdrawn at any time by filing with the Department a written withdrawal notice executed by one or more partners authorized by the limited liability partnership to execute the withdrawal.

(f) The status of a partnership as a limited liability partnership shall not be affected by the admission of one or more partners to the partnership or by the death, retirement, or withdrawal of any partner or any other event causing any partner to be dissociated from the partnership.

§9A–1002.

(a) The Department may not accept for record or filing any document of a limited liability partnership that does not conform with law.

(b) Any document which purports to be acknowledged may be treated by the Department as properly acknowledged.

(c) The Department may not accept for record or filing any certificates, qualification, registration, change of resident agent or principal office, report, service of process or notice, or other document until all required recording, filing, and other fees have been paid to the Department.

(d) When the Department accepts for record any certificate or other document, the Department shall:

(1) Endorse on the document its acceptance for record and the date and time of acceptance;

(2) Record promptly the document; and

(3) Send an acknowledgment to the limited liability partnership, its attorney, or its agent stating the date and time that the document was accepted for record.

§9A–1003.

The name of each limited liability partnership as set forth in the certificate of limited liability partnership shall comply with the provisions of Title 1, Subtitle 5 of this article.

§9A–1004.

The exclusive right to use a specified name for a domestic or foreign limited liability partnership may be reserved as provided in Title 1, Subtitle 5 of this article.

§9A–1005.

(a) Limited liability partnerships shall have:

(1) A principal office in the State; and

(2) A resident agent who shall be:

(i) A citizen of this State who resides in the State;

(ii) A Maryland corporation; or

(iii) A Maryland limited liability company.

(b) (1) A limited liability partnership may designate or change its resident agent or principal office by filing for record with the Department a statement signed by an authorized person which authorizes the designation or change.

(2) A limited liability partnership may change the address of its resident agent by filing for record with the Department a statement of the change signed by a person authorized by the limited liability partnership to execute such statements.

(3) A designation or change of a principal office or resident agent or address of the resident agent for a limited liability partnership under this subsection is effective when the Department accepts the statement for record.

(c) (1) A resident agent who changes addresses in this State may notify the Department of the change by filing for record with the Department a statement of the change signed by or on behalf of the resident agent.

(2) The statement shall include:

(i) The name of the limited liability partnership for which the change is effective;

(ii) The old and new addresses of the resident agent; and

(iii) The date on which the change is effective.

(3) If the old and new addresses of the resident agent are the same as the old and new addresses of the principal office of the limited liability partnership, the statement may include a change of address of the principal office if:

(i) The resident agent notifies the limited liability partnership in writing; and

(ii) The statement recites that notice has been sent.

(4) The change of address of the resident agent or principal office is effective when the Department accepts the statement for record.

(d) (1) A resident agent may resign by filing with the Department a counterpart or photocopy of the signed resignation.

(2) Unless a later time is specified in the resignation, it is effective:

(i) At the time it is filed with the Department, if the limited liability partnership has appointed a successor resident agent; or

(ii) 10 days after it is filed with the Department, if the limited liability partnership has not appointed a successor resident agent.

§9A–1006.

(a) A limited partnership may register as a limited liability partnership by complying with § 10-805 of this article.

(b) The provisions of this title applicable to limited liability partnerships shall apply to a limited partnership which registers as a limited liability partnership; provided, however, that in applying this title to such a limited partnership, all references to partners shall mean general partners.

(c) If a limited partnership is a registered limited liability partnership, § 9A-306 of this title applies to its general partners and to any of its limited partners who, under other provisions of this article, are liable for the debts or obligations of the limited partnership.

§9A–1007.

(a) (1) Except with respect to a tax collectible locally, immediately after September 30 of each year, the State Comptroller shall certify to the Department a list of every Maryland limited liability partnership that has not paid a tax due before October 1 of the year after the tax became due.

(2) When the Comptroller certifies the list to the Department, the Comptroller shall mail to each listed limited liability partnership, at its address as it appears on the Comptroller's records, a notice that its right to do business as a limited liability partnership in Maryland and the right to the use of its name will be forfeited unless all taxes, interest, and penalties due by it are paid.

(3) The mailing of the notice is sufficient, and the failure of any limited liability partnership to receive the notice mailed to it does not affect the forfeiture of its right to do business as a limited liability partnership in Maryland and the right to the use of its name.

(b) (1) Immediately after September 30 of each year, the Secretary of Commerce shall certify to the Department a list of every Maryland limited liability partnership that has not paid an unemployment insurance contribution or made a reimbursement payment due before October 1 of the year after the contribution or payment became due.

(2) When the Secretary certifies the list to the Department, the Secretary shall mail to each listed limited liability partnership, at its address as it appears on the Secretary's records, a notice that its right to do business as a limited liability partnership in Maryland and the right to the use of its name will be forfeited unless all contributions, reimbursement payments, interest, and penalties due by the limited liability partnership are paid.

(3) The mailing of the notice is sufficient, and the failure of any limited liability partnership to receive the notice mailed to it does not affect the forfeiture of its right to do business as a limited liability partnership in Maryland and the right to the use of its name.

(c) Immediately after September 30 of each year, the Department shall certify a list of every Maryland limited liability partnership that has not filed an annual report with the Department for the prior year as required by law or has not paid a tax before October 1 of the year after the report was required to be filed or the taxes were due.

(d) After the lists are certified, the Department shall issue a proclamation declaring that, subject to § 9A–1016 of this subtitle, the right to do business as a limited liability partnership in Maryland and the right to the use of the name for each limited liability partnership is forfeited as of the date of the proclamation, without proceedings of any kind either at law or in equity.

§9A–1008.

(a) Within 10 days after the issuance of the proclamation, the Department shall mail notice of the proclamation to each limited liability partnership named in it. The notice shall be addressed to the limited liability partnership at its mailing address on file with the Department or, if none, at any other address appearing on the records of the Department.

(b) A limited liability partnership that pays all taxes, unemployment insurance contributions, reimbursement payments, interest, and penalties due, files the annual report due, or both, as the case may be, within 60 days after the issuance of the proclamation shall have its right to do business in Maryland and the right to the use of its name reinstated as of the date of forfeiture.

§9A–1009.

(a) If the Department is satisfied that a limited liability partnership named in the proclamation has not failed to pay the tax, unemployment insurance contributions, or reimbursement payments, or file the report under § 9A–1007 of this subtitle, or that it has been mistakenly reported to the Department by the State Comptroller or the Secretary of Commerce, the Department may correct the mistake by filing its proclamation to that effect in its records.

(b) The effect of a proclamation correcting a mistake is to restore the right to do business as a limited liability partnership in Maryland and the right to the use of the name of the limited liability partnership as if the right to do business as a limited liability partnership in Maryland and the right to the use of the name had at all times remained in full force and effect.

§9A–1010.

This subtitle does not repeal, supersede, or in any manner affect any remedy or provision of law:

(1) For the collection of taxes, unemployment insurance contributions, or reimbursement payments and the interest and penalties due on them; or

(2) To compel the filing of annual reports.

§9A–1011.

The authority to do business in Maryland of any limited liability partnership that is forfeited for nonpayment of taxes, unemployment insurance contributions, or reimbursement payments or failure to file an annual report may be reinstated by filing a certificate of reinstatement with the Department.

§9A–1012.

(a) A certificate of reinstatement shall include:

(1) The name of the limited liability partnership at the time its right to do business in Maryland was forfeited;

(2) The name that the limited liability partnership will use after reinstatement, which shall comply with the provisions of this article with respect to limited liability partnership names;

(3) The address of the principal office of the limited liability partnership in this State if different from its principal office in this State at the time the right to do business in Maryland was forfeited; and

(4) The name and address of the resident agent of the limited liability partnership.

(b) A certificate of reinstatement shall be executed by a person authorized by the limited liability partnership to execute such a certificate.

§9A–1013.

The Department may not accept a certificate of reinstatement for record unless:

(1) All annual reports required to be filed by the limited liability partnership or which would have been required if the right to do business in Maryland had not been forfeited are filed; and

(2) Unemployment insurance contributions, reimbursement payments, all State and local taxes, except taxes on real estate, and all interest and penalties due by the limited liability partnership or which would have become due if the right to do business had not been forfeited are paid, whether or not barred by limitations.

§9A–1014.

Except in a proceeding by this State or any of its political subdivisions, the acceptance of a certificate of reinstatement for record by the Department is conclusive evidence of:

(1) The payment of all fees, taxes, unemployment insurance contributions, and reimbursement payments required to be paid;

(2) The filing of all reports required to be filed; and

(3) The reinstatement of the right to do business in Maryland of the limited liability partnership.

§9A–1015.

(a) Any person that transacts business in the name or for the account of a limited liability partnership knowing that its right to do business in Maryland has

been forfeited and has not been reinstated is guilty of a misdemeanor and on conviction is subject to a fine of not more than $500.

(b) A prosecution for violation of the provisions of this section may not be instituted after the date the certificate of reinstatement of the limited liability partnership is filed.

§9A–1016.

The forfeiture of the right to do business in Maryland and the right to the use of the name of the limited liability partnership under this title does not:

(1) Impair the validity of a contract or act of the limited liability partnership entered into or done either before or after the forfeiture, or prevent the limited liability partnership from defending any action, suit, or proceeding in a court of this State; and

(2) Cause a partner of a limited liability partnership to have personal liability for any debts, obligations, or liabilities of or chargeable to the partnership or another partner, except to the extent otherwise provided under § 9A-306 of this title.

§9A–1101.

(a) Before doing any interstate, intrastate, or foreign business in this State, a foreign limited liability partnership shall register with the Department.

(b) In order to register, a foreign limited liability partnership shall submit to the Department an application for registration as a foreign limited liability partnership executed by an authorized person and setting forth:

(1) The name of the foreign limited liability partnership and, if different, the name under which it proposes to register and do business in this State;

(2) The state under whose laws it was formed and the date of its formation;

(3) The general character of the business it proposes to transact in this State;

(4) The name and address of its resident agent in this State;

(5) A statement that the Department is appointed as the resident agent of the foreign limited liability partnership if no resident agent has been appointed under paragraph (4) of this subsection or, if appointed, the resident agent's

authority has been revoked or if the agent cannot be found or served with the exercise of reasonable diligence;

(6) The address of the office required to be maintained in the state of its organization by the laws of that state or, if not so required, of the principal office of the foreign limited liability partnership; and

(7) Proof acceptable to the Department of good standing in the jurisdiction where it currently is organized.

§9A–1102.

If the Department finds that an application for registration meets the requirements of this subtitle and all required fees have been paid, it shall:

(1) Endorse on the application the date and time of its acceptance for record;

(2) Record promptly the document; and

(3) Send an acknowledgment to the person who filed the application or a representative of the person who filed the application stating the date and time that the document was accepted for record.

§9A–1103.

A foreign limited liability partnership may register with the Department under any name, whether or not it is the name under which it is registered in its state of organization as provided in Title 1, Subtitle 5 of this article.

§9A–1104.

If any statement in the application for registration of a foreign limited liability partnership is false when made or any arrangements or other facts described have changed making the application inaccurate in any respect, the foreign limited liability partnership shall promptly file with the Department a certificate, executed by an authorized person, correcting the statement.

§9A–1105.

(a) A foreign limited liability partnership may cancel its registration by filing with the Department a certificate of cancellation executed by an authorized person.

(b) The filing of a certificate of cancellation does not terminate the authority of the Department to accept service of process on the foreign limited liability partnership with respect to causes of action arising out of doing business in this State.

§9A–1106.

(a) If a foreign limited liability partnership is doing or has done any intrastate, interstate, or foreign business in this State without complying with the requirements of this subtitle, the foreign limited liability partnership and any person claiming under it may not maintain suit in any court of this State, unless the foreign limited liability partnership shows to the satisfaction of the court that:

(1) The foreign limited liability partnership or the person claiming under it has paid the penalty specified in subsection (d)(1) of this section; and

(2) (i) The foreign limited liability partnership or a successor to it has complied with the requirements of this subtitle; or

(ii) The foreign limited liability partnership and any foreign limited liability partnership successor to it are no longer doing intrastate, interstate, or foreign business in this State.

(b) The failure of a foreign limited liability partnership to register in this State does not impair the validity of a contract or act of the foreign limited liability partnership or prevent the foreign limited liability partnership from defending any action, suit, or proceeding in a court of this State.

(c) A foreign limited liability partnership, by doing business in this State without registration, appoints the Department as its agent for service of process with respect to causes of action arising out of doing business in this State.

(d) (1) (i) If a foreign limited liability partnership does any intrastate, interstate, or foreign business in this State without registering, the Department shall impose a penalty of $200 on the foreign limited liability partnership.

(ii) The penalty under this subsection shall be collected and may be reduced or abated under § 14-704 of the Tax - Property Article.

(2) Each member of a foreign limited liability partnership that does intrastate, interstate, or foreign business in this State without registering, and each agent of the foreign limited liability partnership who transacts intrastate, interstate, or foreign business in this State for it is guilty of a misdemeanor and on conviction is subject to a fine of not more than $1,000.

§9A–1107.

The Attorney General may bring an action to restrain a foreign limited liability partnership from doing business in this State in violation of this subtitle.

§9A–1108.

(a) In addition to any other activities which may not constitute doing business in this State, for the purposes of this subtitle, the following activities of a foreign limited liability partnership do not constitute doing business in this State:

(1) Maintaining, defending, or settling an action, suit, claim, dispute, or administrative or arbitration proceeding;

(2) Holding meetings of its partners or agents or carrying on other activities that concern its internal affairs;

(3) Maintaining bank accounts;

(4) Conducting an isolated transaction not in the course of a number of similar transactions;

(5) Foreclosing mortgages and deeds of trust on property in this State;

(6) As a result of default under a mortgage or deed of trust, acquiring title to property in this State by foreclosure, deed in lieu of foreclosure, or otherwise;

(7) Holding, protecting, renting, maintaining, and operating property in this State so acquired; or

(8) Selling or transferring title to property in this State so acquired to any person, including the Federal Housing Administration or the Veterans Administration.

(b) In addition to any other activities which may constitute doing business in this State, for the purposes of this subtitle any foreign limited liability partnership which owns income producing real or tangible personal property in this State, other than property exempted by subsection (a) of this section, shall be considered to be doing business in this State.

§9A–1109.

By doing intrastate, interstate, or foreign business in this State, a foreign limited liability partnership assents to the laws of this State.

§9A–1110.

With respect to a cause of action on which a foreign limited liability partnership would not otherwise be subject to suit in this State, compliance with this subtitle:

(1) Does not of itself render a foreign limited liability partnership subject to suit in this State; and

(2) Is not considered as consent by it to be sued in this State.

§9A–1111.

(a) The Department may forfeit the right of any foreign limited liability partnership to do business as a foreign limited liability partnership in this State if the foreign limited liability partnership fails to file with the Department any report or fails to pay any late filing penalties required by law:

(1) Within the time required by law; and

(2) Thereafter, within 30 days after the Department makes a written demand for the delinquent report or late filing penalties.

(b) Unless the Department excuses a reasonable delay for good cause shown, the forfeiture is effective 15 days after written notice of forfeiture from the Department, without proceedings of any kind either at law or in equity.

(c) The demand for a delinquent report or late filing penalties and the notice of forfeiture shall be addressed to the foreign limited liability partnership:

(1) At its address on file with the Department; or

(2) If it has no address on file with the Department, in care of the Secretary of State, or corresponding official of the place where it was organized or is existing, if known to the Department.

(d) On forfeiture of its right to do business in this State, the foreign limited liability partnership is subject to the same rules, legal provisions, and sanctions as if it had never qualified or been licensed to do business in this State as a foreign limited liability partnership.

§9A–1201.

(a) In this subtitle, "other entity" means:

(1) A Maryland corporation incorporated under Title 2 of this article;

(2) A foreign corporation, as defined in § 1–101 of this article;

(3) A domestic limited liability company, as defined in § 4A–101 of this article;

(4) A foreign limited liability company, as defined in § 4A–101 of this article;

(5) A limited partnership, including a limited partnership registered as a limited liability limited partnership under § 10–805 of this article;

(6) A foreign limited partnership;

(7) A business trust, as defined in § 1–101 of this article; or

(8) Another form of unincorporated business formed under the laws of this State or the laws of the United States, another state of the United States, a territory, possession, or district of the United States, or a foreign country.

(b) Unless the partnership agreement provides otherwise, a partnership organized under the laws of this State may convert to an other entity by:

(1) Approving the conversion in accordance with § 9A–1202 of this subtitle; and

(2) Filing for record with the Department articles of conversion executed in the manner required by Title 1 of this article.

(c) Before a partnership organized under the laws of this State may convert to an other entity in accordance with this subtitle, the partnership shall file or have filed for record with the Department:

(1) A statement of authority in accordance with § 9A–303 of this title; or

(2) A certificate of limited liability partnership in accordance with § 9A–1001 of this title.

(d) An other entity may convert to a partnership organized under the laws of this State by complying with the requirements of § 9A–1202 of this subtitle and filing for record with the Department:

(1) Articles of conversion executed by at least two partners; and

(2) A statement of partnership authority that complies with § 9A–303 of this title executed in the manner required by § 9A–105(b) of this title or, in the case of the conversion of an other entity to a limited liability partnership, a certificate of limited liability partnership that complies with § 9A–1001 of this title.

(e) The statutory conversion provisions of this subtitle do not preclude a partnership from being converted or merged by agreement or by operation of law.

§9A–1202.

(a) A partnership organized under the laws of this State shall approve the conversion of the partnership to an other entity by the affirmative vote of all of its partners, or a lesser number or percentage specified for conversion in its partnership agreement.

(b) An other entity seeking to convert to a partnership organized under the laws of this State shall:

(1) Approve the conversion of the other entity to the partnership in the manner and by the vote required by its governing document and the laws of the place where it is incorporated or organized; and

(2) Comply with all other requirements for the formation of a partnership under the laws of this State.

(c) (1) A partner of a partnership objecting to a conversion of the partnership has the same rights with respect to the partner's interest in the partnership as a stockholder of a Maryland corporation who objects has with respect to the stockholder's stock under Title 3, Subtitle 2 of this article.

(2) The procedures under Title 3, Subtitle 2 of this article shall be applicable to the extent practicable.

§9A–1203.

(a) In this section, "facts ascertainable outside the articles of conversion" includes:

(1) An action or a determination by any person, including:

(i) The partnership or other entity, as applicable;

(ii) The partners, members, directors, trustees, officers, or other agents of the partnership or other entity; and

(iii) Any other person affiliated with the partnership or other entity; and

(2) Any other event.

(b) Articles of conversion shall be filed for record with the Department.

(c) In a conversion of a partnership organized under the laws of this State to an other entity, the articles of conversion shall set forth:

(1) The name of the partnership and the date of filing of its original statement of partnership authority or certificate of limited liability partnership with the Department;

(2) The name of the other entity to which the partnership will be converted and the place of incorporation or organization of the other entity;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging partnership interests in the partnership into shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity, or other consideration, and the treatment of any partnership interests not to be so converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion;

(5) If the other entity is not organized under the laws of this State:

(i) The location of the principal office in the place where it is organized; and

(ii) The name and address of the resident agent in this State; and

(6) Any other provision necessary to effect the conversion.

(d) In a conversion of an other entity to a partnership organized under the laws of this State, the articles of conversion shall set forth:

(1) The name of the other entity, the date on which the other entity was first created, and the place of incorporation or organization of the other entity;

(2) The name of the partnership to which the other entity will be converted;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity into partnership interests in the partnership or other consideration, and the treatment of any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion; and

(5) Any other provision necessary to effect the conversion.

(e) The articles of conversion may contain a future effective time for the articles of conversion that is not later than 30 days after the articles of conversion are accepted for record.

§9A–1204.

(a) A conversion has the effects provided in this section.

(b) (1) This subsection applies on the conversion of a partnership organized under the laws of this State to an other entity.

(2) The partnership shall cease to exist as a partnership under the laws of this State and shall continue to exist as the other entity into which the partnership has converted, and the other entity, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting partnership.

(3) (i) All the assets of the partnership, including any legacies that it would have been capable of taking, shall vest in and devolve on the other entity without further act or deed and shall be the property of the other entity, and the title to any real property vested by deed or otherwise in the partnership shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the partnership to an other entity does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the partnership before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the partnership by its last acting partners, or by the appropriate authorized persons, general partners, officers, trustees, or members of the other entity.

(4) (i) The other entity shall be liable for all the debts and obligations of the partnership.

(ii) An existing claim, action, or proceeding pending by or against the partnership may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the other entity may be substituted as a party, and a judgment against the partnership constitutes a lien on the property of the other entity.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the partnership.

(5) Subject to the treatment of the ownership interests of the partners of the partnership under the articles of conversion and to the rights of an objecting partner under this subtitle, the ownership interests of the partners of the partnership cease to exist as partnership interests in the converted partnership and continue to exist as ownership interests in the other entity.

(6) (i) The conversion of the partnership to an other entity in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the partnership or the personal liability of any person incurred before the completion of the conversion.

(ii) Subject to Subtitles 7 and 8 of this title, a partner of the partnership remains liable for all the debts and obligations of the partnership for which the partner was liable before the completion of the conversion.

(7) Unless otherwise provided in the articles of conversion, the converting partnership is not required to wind up its affairs or pay its liabilities and distribute its assets, and the conversion does not constitute dissolution or a transfer of assets or liabilities of the partnership.

(8) A person becomes liable for any obligation incurred by the partnership before the completion of the conversion only to the extent provided for by the laws applicable to the other entity.

(c) (1) This subsection applies on the conversion of an other entity to a partnership organized under the laws of this State.

(2) The partnership, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting other entity.

(3) (i) All the assets of the other entity, including any legacies that it would have been capable of taking, vest in and devolve on the partnership without further act or deed and shall be the property of the partnership, and the title to any real property vested by deed or otherwise in the other entity shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the other entity to a partnership does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the other entity before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the other entity by the appropriate authorized persons, general partners, officers, trustees, or members of the other entity, or by the partners of the partnership.

(4) (i) The partnership shall be liable for all the debts and obligations of the other entity.

(ii) An existing claim, action, or proceeding pending by or against the other entity may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the partnership or any party, the partnership may be substituted as a party, and a judgment against the other entity constitutes a lien on the property of the partnership.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the other entity.

(5) The conversion of an other entity to a partnership in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the other entity or the personal liability of any person incurred before the completion of the conversion.

(6) A partner of the partnership after the completion of the conversion is liable for:

(i) All obligations of the other entity for which the partner was personally liable before the completion of the conversion; and

(ii) Except as provided in § 9A–306(c) of this title, all obligations of the converted partnership incurred after the conversion is completed.

(7) Subject to the treatment of the ownership interests of the owners of the other entity under the articles of conversion, the ownership interests of the owners of the other entity cease to exist as ownership interests in the converted other entity and continue to exist as partnership interests in the partnership.

§9A–1205.

(a) In a conversion of an other entity to a partnership organized under the laws of this State, the stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity may be exchanged for or converted into any one or more of the following:

(1) Partnership interests in the partnership or stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of an other entity, whether or not a party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

(b) In a conversion of a partnership organized under the laws of this State to an other entity, partnership interests in the partnership may be exchanged for or converted into any one or more of the following:

(1) Stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity to which the partnership is converted or of an other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

§9A–1206.

(a) The conversion of an other entity to a partnership organized under the laws of this State shall be completed on the later of:

(1) The formation of the partnership in accordance with this title or, in the case of the conversion of an other entity to a limited liability partnership organized under the laws of this State, the filing of a certificate of limited liability partnership that complies with § 9A–1001 of this title; or

(2) The effectiveness of articles of conversion filed for record with the Department.

(b) The conversion of a partnership organized under the laws of this State to an other entity shall be completed on the effectiveness of articles of conversion filed for record with the Department.

(c) Articles of conversion shall be effective on the later of:

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

(2) The future effective time of the articles of conversion as set forth in articles of conversion that have been accepted by the Department for record.

(d) (1) (i) Except as provided in subparagraph (ii) of this paragraph, at the time the conversion of an other entity to a partnership formed under the laws of this State is completed:

1. The other entity shall be converted to a partnership organized under the laws of this State;

2. The conversion shall have the effects set forth in § 9A–1204 of this subtitle; and

3. The partnership shall be subject to all of the provisions of this title.

(ii) Notwithstanding § 9A–202 of this title, the existence of the partnership as a partnership organized under the laws of this State shall be deemed to have commenced on the date the other entity commenced its existence in the place in which the other entity was first incorporated, created, formed, or otherwise came into being.

(2) At the time the conversion of a partnership formed under the laws of this State to an other entity is completed, the conversion shall have the effects set forth in § 9A–1204 of this subtitle.

§9A–1207.

(a) Unless the partnership agreement or the articles of conversion provide otherwise, a proposed conversion of a partnership organized under the laws of this State to an other entity may be abandoned before the effective time of the articles of conversion by the affirmative vote of all of the partners of the partnership, or any lesser number or percentage specified for the approval of a conversion in its partnership agreement.

(b) Unless the articles of conversion provide otherwise, a proposed conversion of an other entity to a partnership organized under the laws of this State may be abandoned before the effective time of the articles of conversion in the manner and by the vote required by the governing document of the other entity and the laws of the place in which it is incorporated or organized or, if no manner and vote is specified, in the manner and by the vote required to approve the conversion under § 9A–1202 of this subtitle.

(c) If the articles of conversion have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(d) (1) If the proposed conversion is abandoned as provided in this section, no legal liability arises under the articles of conversion.

(2) Abandonment of a conversion under this subsection does not prejudice the rights of any person under any other contract made by a party to the proposed conversion in connection with the proposed conversion.

§9A–1301.

This title shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this title among states enacting it.

§9A–1302.

This title may be cited as the Maryland Revised Uniform Partnership Act.

§9A–1303.

If any provision of this title or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this title which can be given effect without the invalid provision or application, and to this end the provisions of this title are severable.

§9A–1304.

(a) Before January 1, 2003, this title governs only a partnership formed:

(1) On or after July 1, 1998, unless that partnership is continuing the business of a dissolved partnership under § 9A–601 of this title; or

(2) Before July 1, 1998, that elects, as provided by subsection (c) of this section, to be governed by this title.

(b) After December 31, 2002, this title governs all partnerships.

(c) Before January 1, 2003, a partnership voluntarily may elect, in the manner provided in its partnership agreement or by law for amending the partnership agreement, to be governed by this title. With respect to liabilities of the partnership arising after such election, the provisions of this title relating to the liability of the partnership's partners to third parties, other than those provisions dealing with registered limited liability partnerships, apply to limit those partners' liability to a third party who had done business with the partnership within 1 year prior to the partnership's election to be governed by this title, only if the third party knows or has received a notification of the partnership's election to be governed by this title before the liability is incurred.

§9A–1305.

This title does not affect an action or proceeding commenced or right accrued before this title takes effect.

§10–101.

(a) In this title, unless the context requires otherwise, the following words have the meanings indicated.

(b) "Certificate" means the certificate referred to in § 10–201 of this title, the certificate as amended, and the certificate of cancellation.

(c) "Consent" means a writing consenting to a specified act or event.

(d) "Contribution" means any cash, property, services rendered, or a promissory note or other binding obligation to contribute cash or property or to perform services, which a partner contributes as capital to a limited partnership in that individual's capacity as a partner.

(e) "Event of withdrawal of a general partner" means an event that causes a person to cease to be a general partner as provided in § 10–402 of this title.

(f) "Foreign limited partnership" means a partnership formed under the laws of any state other than the State of Maryland or under the laws of a foreign country and having as partners one or more general partners and one or more limited partners.

(g) "General partner" means a person who has been admitted to a limited partnership as a general partner in accordance with the partnership agreement and has been named as a general partner in the certificate or similar instrument of the state or foreign country under which the limited partnership is organized if so required.

(h) "Limited partner" means a person who has been admitted to a limited partnership as a limited partner in accordance with the partnership agreement and has been named as a limited partner in the certificate or similar instrument of the state or foreign country under which the limited partnership is organized if so required.

(i) "Limited partnership" and "domestic limited partnership" mean a partnership formed by two or more persons under the laws of the State and having one or more general partners and one or more limited partners.

(j) "Partner" means a limited or general partner.

(k) "Partnership" means a partnership formed under § 9A–202 of this article, or any predecessor law, but not including a domestic or foreign limited partnership.

(l) "Partnership agreement" means any valid agreement, written or oral, of the partners as to the affairs of a limited partnership and the conduct of its business.

(m) "Partnership interest" means a partner's share of the profits and losses of a limited partnership and the right to receive distributions of partnership assets.

(n) "Person" means a natural person, partnership, limited partnership (domestic or foreign), trust, estate, association, limited liability company (domestic or foreign), or corporation.

(o) "State" means a state, territory, possession, or district of the United States.

§10–102.

The name of each limited partnership as set forth in its certificate shall comply with the requirements of Title 1, Subtitle 5 of this article.

§10–103.

The exclusive right to use a specified name for a domestic or foreign limited partnership may be reserved as provided in Title 1, Subtitle 5 of this article.

§10–104.

(a) Each limited partnership shall have:

(1) A principal office in this State; and

(2) A resident agent.

(b) (1) A limited partnership may designate or change its resident agent or principal office by filing for record with the Department a statement signed by one of its general partners which authorizes the designation or change.

(2) A limited partnership may change the address of its resident agent by filing for record with the Department a statement of the change signed by one of its general partners.

(3) A designation or change of a principal office or resident agent or address of the resident agent for a limited partnership under this subsection is effective when the Department accepts the statement for record.

(c) (1) A resident agent who changes his address in the State may notify the Department of the change by filing for record with the Department a statement of the change signed by him or on his behalf.

(2) The statement shall include:

(i) The name of the limited partnership for which the change is effective;

(ii) The old and new addresses of the resident agent; and

(iii) The date on which the change is effective.

(3) If the old and new addresses of the resident agent are the same as the old and new addresses of the principal office of the limited partnership, the statement may include a change of address for the principal office if:

(i) The resident agent notifies the limited partnership in writing; and

(ii) The statement recites that he has done so.

(4) The change of address of the resident agent or principal office is effective when the Department accepts the statement for record.

(d) (1) A resident agent may resign by filing with the Department a counterpart or photocopy of his signed resignation.

(2) Unless a later time is specified in the resignation, it is effective:

(i) At the time it is filed with the Department, if the limited partnership has appointed a successor resident agent; or

(ii) 10 days after it is filed with the Department, if the limited partnership has not appointed a successor resident agent.

§10–106.

A limited partnership may carry on any business that a partnership may carry on, except the business of acting as an insurer.

§10–107.

(a) Except as provided in the partnership agreement, a partner may lend money to and transact other business with the limited partnership and subject to other applicable law has the same rights and obligations with respect thereto as a person who is not a partner.

(b) Except in the case of action or failure to act by a partner which constitutes willful misconduct or recklessness, and subject to the standards and restrictions, if any, set forth in its partnership agreement, a limited partnership has the power to indemnify and hold harmless any partner, employee, or agent of the limited partnership from and against any and all claims and demands whatsoever.

§10–108.

The provisions of Title 9A of this article with respect to partnerships shall apply to limited partnerships except to the extent that those provisions are inconsistent with or are modified by the provisions of this title.

§10–201.

(a) One or more general and limited partners may form a limited partnership. To do so all of the general partners must execute a certificate of limited partnership. The certificate of limited partnership shall be filed with the Department and set forth:

(1) The name of the limited partnership;

(2) The address of its principal office in this State and the name and address of its resident agent;

(3) The name and the business, residence, or mailing address of each general partner;

(4) The latest date upon which the limited partnership is to dissolve and if no dissolution date is stated in the partnership agreement, subject to the provisions of § 10-801 of this title, the limited partnership shall have a perpetual existence which shall be so stated in the certificate; and

(5) Any other matters the partners determine to include in the certificate of limited partnership.

(b) A limited partnership is formed at the time of the filing of the initial certificate with the Department or at any later time specified in the certificate if, in either case, there has been substantial compliance with the requirements of this section.

§10–202.

(a) A certificate is amended by filing a certificate of amendment with the Department. The certificate of amendment shall set forth:

(1) The name of the limited partnership; and

(2) The amendment to the certificate.

(b) (1) A general partner who becomes aware that any statement in a certificate was false when made or that any arrangements or other facts described have changed, making the certificate inaccurate in any material respect, shall promptly amend the certificate, but an amendment to show a change of address of a limited partner need be filed only once every 12 months.

(2) A certificate may be amended at any time for any other proper purpose.

(c) A certificate of amendment (or judicial decree of amendment) shall be effective when accepted for filing by the Department or at any later time specified in the certificate of amendment (or judicial decree of amendment).

§10–202.1.

(a) If any certificate filed with the Department under this article contains any typographical error, error of transcription, or other technical error or has been defectively executed, the document may be corrected by the filing of a certificate of correction.

(b) A certificate of correction shall set forth:

(1) The title of the document being corrected;

(2) The name of each party to the document being corrected;

(3) The date that the document being corrected was filed; and

(4) The provision in the document as previously filed and as corrected and, if execution of the document was defective, the manner in which it was defective.

(c) A certificate of correction may not make any other change or amendment which would not have complied in all respects with the requirements of this article at the time the document being corrected was filed.

(d) A certificate of correction shall be executed in the same manner in which the document being corrected was required to be executed.

(e) A certificate of correction may not:

(1) Change the effective date of the document being corrected; or

(2) Affect any right or liability accrued or incurred before its filing, except that any right or liability accrued or incurred by reason of the error or defect

being corrected shall be extinguished by the filing if the person having the right has not detrimentally relied on the original document.

§10–203.

(a) A certificate shall be canceled on the dissolution and the completion of winding up of the partnership, or at any other time that there are no limited partners. A certificate need not be canceled upon a merger as provided in § 10–208 of this subtitle. A certificate shall be canceled upon filing a certificate of cancellation with the Department which shall set forth:

(1) The name of the limited partnership;

(2) The date of filing of the initial certificate and each amendment thereto;

(3) The reason for filing the certificate of cancellation;

(4) The effective date (which shall be a date certain) of cancellation if it is not to be effective on the filing of the certificate of cancellation, and provided that any effective date other than the date of filing the certificate of cancellation must be a date subsequent to the filing; and

(5) Any other information the person filing the certificate of cancellation determines.

(b) Unless otherwise provided in this title or in the certificate, a certificate of cancellation (or a judicial decree of cancellation) is effective when accepted for filing by the Department.

§10–204.

(a) Each certificate or articles required by this subtitle to be filed with the Department shall be executed in the following manner:

(1) The certificate of limited partnership, articles of conversion to a limited partnership, and articles of conversion to an other entity must be signed by all general partners or, in the case of articles of conversion to a limited partnership, by any person authorized to execute the certificate on behalf of the other entity;

(2) A certificate of amendment under § 10–202 of this subtitle must be signed by at least one general partner and by each other general partner designated in the certificate of amendment as a new general partner or a withdrawing general partner;

(3) A certificate of cancellation under § 10–203 of this subtitle must be signed by all general partners, or, if there is no general partner, by a majority of the limited partners; and

(4) A certificate of reinstatement under § 10–214 of this subtitle must be signed by all general partners, or, if there is no general partner, by a majority of the limited partners.

(b) Any person may sign any certificate or partnership agreement or amendment to the certificate or agreement by an attorney in fact. Powers of attorney relating to the signing of a certificate, partnership agreement, or amendment by an attorney in fact need not be sworn to, verified or acknowledged, and need not be filed with the Department.

(c) The execution of a certificate by a general partner constitutes an affirmation under the penalties of perjury that the facts stated therein are true.

§10–205.

If a person required by § 10-204 of this subtitle to execute a certificate of amendment or cancellation fails or refuses to do so, any other partner, and any assignee of a partnership interest, who is adversely affected by the failure or refusal, may petition the circuit court for the jurisdiction where the principal office of the partnership is located to direct the amendment or cancellation. If the court finds that the amendment or cancellation is proper and that any person so designated has failed or refused to execute the certificate, the court shall order the Department to record an appropriate certificate of amendment or cancellation.

§10–206.

(a) An executed copy of each certificate required by this subtitle, or of any judicial decree of amendment or cancellation, shall be filed with the Department. However, the Department may not accept for record any certificate or decree that does not meet the requirements of this title. A person who executes a certificate as an agent or fiduciary need not exhibit evidence of that person's authority as a prerequisite to filing. The Department may not accept for record or filing any certificate, decree, qualification, registration, change of resident agent or principal office, report, service of process or notice, or other document until all required fees have been paid to the Department.

(b) When the Department accepts for record any certificate, the Department shall:

(1) Endorse on the document its acceptance for record and the date and time of acceptance;

(2) Record promptly the document; and

(3) Send an acknowledgment to the partnership, its attorney, or its agent stating the date and time that the document was accepted for record.

§10–207.

(a) If any certificate contains a false statement, one who suffers loss by reliance on the statement may recover damages for the loss from:

(1) Any person who executes the certificate, or causes another to execute it on that person's behalf, and knew, and any general partner who knew or should have known, the statement to be false at the time the certificate was executed; and

(2) Any general partner who thereafter knows or should have known that any arrangement or other fact described in the certificate has changed, making the statement inaccurate in any material respect, if that general partner had sufficient time to amend or cancel the certificate or to file a petition under § 10–205 of this subtitle before the statement was relied upon.

(b) A person is not liable for failing to cause the amendment or cancellation of a certificate or failing to file a petition under § 10–205 of this subtitle pursuant to subsection (a) of this section if the certificate of amendment, certificate of cancellation, or petition is filed within 30 days of when that person knew or should have known that the statement in the certificate was inaccurate in any material respect.

§10–208.

(a) (1) In this section the following words have the meanings indicated.

(2) "Corporation" means a Maryland corporation or a foreign corporation.

(3) "Foreign partnership" means a partnership formed under the laws of any state, other than this State, or under the laws of a foreign country.

(4) "Limited liability company" means a Maryland or a foreign limited liability company as defined by § 4A–101 of this article.

(5) "Majority in interest of the limited partners" means a majority in interest of each class of the limited partners (such majorities determined on the basis of the sharing of profits and losses by the limited partners).

(b) Unless the partnership agreement provides otherwise, a domestic limited partnership may merge into one or more domestic or foreign partnerships, limited partnerships or limited liability companies, corporations having capital stock, or business trusts having transferable units of beneficial interest; or one or more domestic or foreign partnerships, limited partnerships or limited liability companies, corporations having capital stock, or business trusts having transferable units of beneficial interest may merge into a domestic limited partnership.

(c) The proposed merger shall be approved in the manner provided by this subsection:

(1) A corporation or a business trust shall approve the merger in accordance with the provisions of § 3–105 of this article;

(2) Unless the partnership agreement provides otherwise, a partnership shall approve the proposed merger in accordance with the provisions of Title 9A of this article;

(3) Unless the partnership agreement provides otherwise, a limited partnership shall approve the proposed merger by the affirmative vote of all of the general partners and a majority in interest of the limited partners;

(4) A foreign limited partnership party to the merger shall have the merger advised, authorized, and approved in the manner and by the vote required by the laws of the place where it is organized;

(5) A limited liability company shall approve the merger in the manner provided under § 4A–703 of this article; and

(6) A foreign limited liability company shall have the merger advised, authorized, and approved in the manner and by the vote required by the laws of the place where it is organized.

(d) Articles of merger containing provisions required by § 3–109 of this article and other provisions permitted by that section shall be:

(1) Executed:

(i) In the case of a limited partnership, by a general partner;

(ii) In the case of a corporation or business trust, in the manner required by Title 1 of this article;

(iii) In the case of a partnership, in the manner required by Title 9A of this article; and

(iv) In the case of a limited liability company, in the manner required by Title 4A of this article; and

(2) Filed for record with the Department.

(e) (1) Unless the articles of merger provide otherwise, a proposed merger or consolidation may be abandoned before the effective date of the articles by:

(i) A vote of the majority of the general partners and a majority in interest of the limited partners of any limited partnership party to the articles;

(ii) A majority vote of the entire board of directors of any corporation party to the articles;

(iii) Majority vote of the entire board of trustees of any business trust party to the articles;

(iv) A vote of the members of a limited liability company party to the articles as provided under § 4A–704 of this article; or

(v) A vote of the partners of a partnership party to the articles as provided under Title 9A of this article.

(2) If the articles of merger have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(3) (i) If the proposed merger is abandoned as provided in this subsection, no legal liability arises under the articles of merger.

(ii) An abandonment does not prejudice the rights of any person under any other contract made by a partnership, limited partnership, corporation, limited liability company, or business trust party to the proposed articles of merger in connection with the proposed merger.

(f) Each limited partner of a limited partnership objecting to a merger of the limited partnership has the same rights with respect to its partnership interest as an objecting stockholder of a Maryland corporation has with respect to its stock

under Title 3, Subtitle 2 of this article. The procedures under that subtitle shall be applicable to the extent practicable.

(g) (1) The Department shall prepare certificates of merger that specify:

(i) The name of each party to the articles of merger;

(ii) The name of the successor and the location of its principal office in the State or, if it has none, its principal place of business; and

(iii) The time the articles of merger are accepted for record by the Department.

(2) In addition to any other provision of law with respect to recording, the Department shall send one certificate of merger each to the clerk of the circuit court for each county where the articles of merger show that a merging partnership, limited partnership, corporation, limited liability company, or business trust other than the successor owns an interest in land.

(3) On receipt of a certificate of merger, a clerk promptly shall record it with the land records.

(h) (1) In order to keep the land assessment records current in each county, the Department shall require a partnership, limited partnership, corporation, limited liability company, or business trust to submit with the articles of merger a property certificate for each county where a merging partnership, limited partnership, corporation, limited liability company, or business trust other than the successor owns an interest in land.

(2) A property certificate is not required with respect to any property in which the only interest owned by the merging partnership, limited partnership, corporation, limited liability company, or business trust is a security interest.

(3) The property certificate shall be in the form and number of copies that the Department requires and may include the certificate of the Department required by subsection (g) of this section.

(4) (i) The property certificate shall provide a deed reference or other description sufficient to identify the property.

(ii) The Department shall indicate on the property certificate the time the articles of merger are accepted for record and send a copy of the property certificate to the chief assessor of the county where the property is located.

(5) A transfer, vesting, or devolution of title to the property is not invalidated or otherwise affected by any error or defect in the property certificate, failure to file the property certificate, or failure by the Department to act on the property certificate.

(i) A merger is effective as of the later of:

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

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

(j) (1) Consummation of a merger has the effects provided in this subsection.

(2) The separate existence of each partnership, limited partnership, corporation, limited liability company, or business trust party to the articles, except the successor, ceases.

(3) The partnership interest of each partner of a limited partnership party to the articles of merger that are to be converted or exchanged under the terms of the articles of merger cease to exist, subject to the rights of an objecting limited partner under subsection (f) of this section.

(4) In addition to any other purposes and powers set forth in the articles of merger, if the articles provide, the successor has the purpose and powers of each party to the articles.

(5) (i) The assets of each party to the articles of merger, including any legacies that it would have been capable of taking, transfer to, vest in, and devolve on the successor without further act or deed.

(ii) Confirmatory deeds, assignments or similar instruments to evidence the transfer may be executed and delivered at any time in the name of the transferring party to the articles of merger by its last acting general partners, officers, authorized persons, or trustees or by the appropriate general partners, officers, authorized persons, or trustees of the successor.

(6) (i) The successor is liable for all the debts and obligations of each nonsurviving party to the articles of merger. An existing claim, action, or proceeding pending by or against any nonsurviving party to the articles of merger may be prosecuted to judgment as if the merger had not taken place, or, on motion of the successor or any party, the successor may be substituted as a party and the

judgment against the nonsurviving party to the articles of merger constitutes a lien on the property of the successor.

(ii) A merger does not impair the rights of creditors or any liens on the property of any partnership, limited partnership, corporation, limited liability company, or business trust party to the articles of merger.

(k) If, following a merger involving one or more domestic limited partnerships, the successor partnership or limited partnership is not a domestic partnership or limited partnership, there shall be included in the articles of merger filed pursuant to subsection (d)(1) of this section for each domestic limited partnership a statement that the successor partnership or limited partnership agrees that it may be served with process in the State of Maryland in any action, suit, or proceeding for the enforcement of any obligation of the domestic limited partnership that arose before the merger, irrevocably appointing the Department as its agent to accept service of process in any such action, suit, or proceeding and specifying the address to which a copy of the process shall be mailed to it by the Department.

§10–209.

(a) (1) Except with respect to a tax collectable locally, immediately after September 30 of each year, the State Comptroller shall certify to the Department a list of every Maryland limited partnership that has not paid a tax due before October 1 of the year after the tax became due.

(2) When the Comptroller certifies the list to the Department, the Comptroller shall mail to each listed limited partnership, at its address as it appears on the Comptroller's records, a notice that its right to do business in Maryland and the right to the use of its name will be forfeited unless all taxes, interest, and penalties due by it are paid.

(3) The mailing of the notice is sufficient, and the failure of any limited partnership to receive the notice mailed to it does not affect the forfeiture of its right to do business in Maryland and the right to the use of its name.

(b) (1) Immediately after September 30 of each year, the Secretary of Labor shall certify to the Department a list of every Maryland limited partnership that has not paid an unemployment insurance contribution or made a reimbursement payment due before October 1 of the year after the contribution or payment became due.

(2) When the Secretary certifies the list to the Department, the Secretary shall mail to each listed limited partnership, at its address as it appears on the Secretary's records, a notice that its right to do business in Maryland and the

right to the use of its name will be forfeited unless all contributions, reimbursement payments, interest, and penalties due by the limited partnership are paid.

(3) The mailing of the notice is sufficient, and the failure of any limited partnership to receive the notice mailed to it does not affect the forfeiture of its right to do business in Maryland and the right to the use of its name.

(c) Immediately after September 30 of each year, the Department shall certify a list of every Maryland limited partnership that has not filed an annual report with the Department for the prior year as required by law or has not paid a tax before October 1 of the year after the report was required to be filed or the taxes were due.

(d) After the lists are certified, the Department shall issue a proclamation declaring that, subject to § 10–218 of this subtitle, the right to do business in Maryland and the right to the use of the name for each limited partnership is forfeited as of the date of the proclamation, without proceedings of any kind either at law or in equity.

§10–210.

(a) Within ten days after the issuance of the proclamation, the Department shall mail notice of the proclamation to each limited partnership named in it. The notice shall be addressed to the limited partnership at its mailing address on file with the Department or, if none, at any other address appearing on the records of the Department.

(b) A limited partnership that pays all taxes, unemployment insurance contributions, reimbursement payments, interest, and penalties due, files the annual report due, or both, as the case may be, within 60 days after the issuance of the proclamation shall have its right to do business in Maryland and the right to the use of its name reinstated as of the date of forfeiture.

§10–211.

(a) If the Department is satisfied that a limited partnership named in the proclamation has not failed to pay the tax, unemployment insurance contributions, or reimbursement payments, or file the report within the period specified in § 10–209 of this subtitle, or that it has been mistakenly reported to the Department by the State Comptroller or the Secretary of Labor, the Department may correct the mistake by filing its proclamation to that effect in its records.

(b) The effect of a proclamation correcting a mistake is to restore the right to do business in Maryland and the right to the use of the name of the limited

partnership as if the right to do business in Maryland and the right to the use of the name had at all times remained in full force and effect.

§10–212.

This subtitle does not repeal, supersede, or in any manner affect any remedy or provision of law:

(1) For the collection of taxes, unemployment insurance contributions, or reimbursement payments and the interest and penalties due on them; or

(2) To compel the filing of annual reports.

§10–213.

The authority to do business in Maryland of any limited partnership that is forfeited for nonpayment of taxes, unemployment insurance contributions, or reimbursement payments or failure to file an annual report may be reinstated by filing a certificate of reinstatement with the Department.

§10–214.

A certificate of reinstatement shall include:

(1) The name of the limited partnership at the time its right to do business in Maryland was forfeited;

(2) The name that the limited partnership will use after reinstatement, which shall comply with the provisions of this article with respect to limited partnership names;

(3) The address of the principal office of the limited partnership in this State if different from its principal office in this State at the time the right to do business in Maryland was forfeited; and

(4) The name and address of the resident agent of the limited partnership.

§10–215.

The Department may not accept a certificate of reinstatement for record unless:

(1) All annual reports required to be filed by the limited partnership or which would have been required if the right to do business in Maryland had not been forfeited are filed; and

(2) Unemployment insurance contributions or reimbursement payments, all State and local taxes, except taxes on real estate, and all interest and penalties due by the limited partnership or which would have become due if the right to do business had not been forfeited are paid, whether or not barred by limitations.

§10–216.

Except in a proceeding by the State or any of its political subdivisions, the acceptance of a certificate of reinstatement for record by the Department is conclusive evidence of:

(1) The payment of all fees, taxes, unemployment insurance contributions, and reimbursement payments required to be paid;

(2) The filing of all reports required to be filed; and

(3) The reinstatement of the right to do business in Maryland of the limited partnership.

§10–217.

(a) Any person that transacts business in the name or for the account of a limited partnership knowing that its right to do business in Maryland has been forfeited and has not been reinstated is guilty of a misdemeanor and on conviction is subject to a fine of not more than $500.

(b) A prosecution for violation of the provisions of this section may not be instituted after the date the certificate of reinstatement of the limited partnership is filed.

§10–218.

The forfeiture of the right to do business in Maryland and the right to the use of the name of the limited partnership under this title does not impair the validity of a contract or act of the limited partnership entered into or done either before or after the forfeiture, or prevent the limited partnership from defending any action, suit, or proceeding in a court of this State.

§10–301.

(a) A person acquiring a partnership interest is admitted as a limited partner upon the later to occur of:

(1) The formation of a limited partnership; or

(2) The time provided in a partnership agreement, or if no time is provided in the agreement, then when the person's admission is reflected in the records of the limited partnership.

(b) After the filing of the initial certificate, a person may be admitted as an additional limited partner:

(1) In the case of a person acquiring a partnership interest directly from the limited partnership:

(i) On compliance with the partnership agreement; or

(ii) With the consent of all partners; and

(2) In the case of an assignee of a partnership interest of a partner who has the power, under § 10–703 of this title, to grant the assignee the right to become a limited partner, upon the exercise of that power and compliance with any conditions limiting the grant or exercise of the power.

§10–302.

(a) A partnership agreement may provide for classes or groups of limited partners having the relative rights, powers, and duties that the partnership agreement may provide, and may provide for the future creation, in the manner provided in the partnership agreement, of additional classes or groups of limited partners having the relative rights, powers, and duties senior to existing classes and groups of limited partners as the partnership agreement may provide.

(b) Subject to § 10-303 of this subtitle, the partnership agreement may grant to all or certain identified limited partners or a specified class or group of limited partners the right to vote (on a per capita or any other basis) separately or together with the general partners or with all or any other class or group of limited partners or on any matter.

(c) A partnership agreement that grants a right to vote may set forth provisions relating to notice of the time, place, or purpose of any meeting at which any matter is to be voted on by any limited partners, waiver of any notice, action by consent without a meeting, the establishment of a record date, quorum requirements,

voting in person or by proxy, or any other matter with respect to the exercise of any right to vote.

§10–303.

(a) Except as provided in § 10–207(a) of this title and subsection (c) of this section, a limited partner is not liable for the obligations of a limited partnership unless the limited partner is also a general partner or, in addition to the exercise of his rights and powers as a limited partner, he takes part in the control of the business. However, if the limited partner takes part in the control of the business and is not also a general partner, the limited partner is liable only to persons who transact business with the limited partnership and who reasonably believe, based upon the limited partner's conduct, that the limited partner is a general partner.

(b) (1) A limited partner does not take part in the control of the business within the meaning of subsection (a) of this section solely by doing one or more of the following:

(i) Being a contractor for or an agent or employee of the limited partnership or of a general partner or being an officer, director, or stockholder of a corporate general partner, or any combination of these roles, whether solely or jointly with other officers, directors, or stockholders, and irrespective of whether that corporate general partner is the sole general partner of the limited partnership or is a general partner of one or more limited partnerships;

(ii) Consulting with or advising a general partner with respect to the business of the limited partnership;

(iii) Acting as surety for the limited partnership;

(iv) Approving or disapproving an amendment to the partnership agreement; or

(v) Voting on one or more of the following matters:

1. The dissolution and winding up of the limited partnership;

2. The sale, exchange, lease, mortgage, pledge, or other transfer of a material portion of the assets of the limited partnership;

3. The incurrence of indebtedness by the limited partnership other than in the ordinary course of its business;

4. A change in the nature of its business;

5. The removal of a general partner;

6. The admission of a general or limited partner;

7. The merger of the limited partnership with or into any other entity; or

8. Any matter related to the business of the limited partnership not otherwise enumerated in this subsection which the partnership agreement states in writing may be subject to the approval or disapproval of limited partners.

(2) The enumeration in subsection (b)(1) of this subsection does not necessarily mean that the possession or exercise of any other powers by a limited partner constitutes participation by the limited partner in the business of the limited partnership.

(c) A limited partner who knowingly permits his name to be used in the name of the limited partnership, except under circumstances permitted by Title 1, Subtitle 5 of this article, is liable to creditors who extend credit to the limited partnership without actual knowledge that the limited partner is not a general partner.

§10–304.

(a) Except as provided in subsection (b) of this section, a person who makes a contribution to a partnership and erroneously but in good faith believes that he has become a limited partner in the partnership is not a general partner in the partnership and is not bound by its obligations by reason of making the contribution, receiving distributions from the partnership, or exercising any rights of a limited partner, if, within 30 days after he knew or should have known of the mistake:

(1) In the case of a person who wishes to be a limited partner, the person causes an appropriate certificate to be executed and filed; or

(2) In the case of a person who wishes to withdraw as a partner from the partnership, the partner takes the necessary action to withdraw.

(b) A person who makes a contribution under the circumstances described in subsection (a) of this section is liable as a general partner to any third party who transacts business with the partnership prior to the occurrence of either of the events referred to in subsection (a) of this section:

(1) If that person knew or reasonably should have known either that no certificate has been filed or that the certificate inaccurately refers to him as a general partner; and

(2) If the third party reasonably relied upon the fact that the person was a general partner at the time of the transaction.

§10–305.

(a) Each limited partner may inspect and copy, in person or by agent, on written request from time to time upon reasonable demand:

(1) True and full information regarding the state of the business and financial condition of the limited partnership;

(2) A copy of the partnership agreement and certificate of limited partnership and all amendments to the agreement or certificate; and

(3) Other information regarding the affairs of the limited partnership as is just and reasonable for any purpose reasonably related to the limited partner's interest as a limited partner.

(b) One or more persons who together are partners with at least a 5 percent interest in the partnership (determined on the basis of the sharing of profits and losses) may inspect and copy, in person or by agent, on written request from time to time upon reasonable demand:

(1) Promptly after becoming available, a copy of the limited partnership's federal, State, and local income tax returns for each year; and

(2) A current list of the name and last known business, residence, or mailing address of each partner.

(c) The rights to inspect and copy certain information may be subject to reasonable standards that may be set forth in the partnership agreement or otherwise established by the general partners.

§10–401.

Except as otherwise provided in the partnership agreement, after the filing of the initial certificate, additional general partners may be admitted with the consent of all general partners and a majority in interest of limited partners (determined on the basis of the sharing of profits and losses).

§10–402.

A person ceases to be a general partner of a limited partnership upon the happening of any of the following events:

(1) The person's withdrawal from the limited partnership as provided in § 10-602 of this title;

(2) The person's removal as a general partner in accordance with the partnership agreement;

(3) Unless otherwise provided in the partnership agreement or with the consent of all partners, the person's:

(i) Making an assignment for the benefit of creditors;

(ii) Filing a voluntary petition in bankruptcy;

(iii) Being adjudged bankrupt or insolvent or having entered against him an order of relief in any bankruptcy or insolvency proceeding;

(iv) Filing a petition or answer seeking for himself any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation;

(v) Filing an answer or other pleading admitting or failing to contest the material allegations of a petition filed against him in any proceeding of this nature; or

(vi) Seeking, consenting to, or acquiescing in, the appointment of a trustee, receiver, or liquidation of the general partner or of all or any substantial part of his properties;

(4) Unless otherwise provided in the partnership agreement or with the consent of all partners, the continuation of any proceeding against him seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation, for 120 days after the commencement thereof or the appointment of a trustee, receiver, or liquidator for the general partner or all or any substantial part of his properties without his agreement or acquiescence, which appointment is not vacated or stayed for 120 days or, if the appointment is stayed, for 120 days after the expiration of the stay during which period the appointment is not vacated;

(5) In the case of a general partner who is an individual, the individual's:

(i) Death; or

(ii) Adjudication by a court of competent jurisdiction as incompetent to manage his person or his property;

(6) In the case of a general partner who is acting as a general partner by virtue of being a trustee of a trust, the termination of the trust (but not merely the substitution of a new trustee);

(7) In the case of a general partner that is a separate partnership or limited partnership, the dissolution and commencement of winding up of the separate partnership or limited partnership;

(8) In the case of a general partner that is a corporation, the dissolution of the corporation or the revocation of its charter; or

(9) In the case of a general partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the partnership.

§10–403.

(a) Except as provided in this title or in the partnership agreement, a general partner of a limited partnership has the rights and powers and is subject to the restrictions and liabilities of a partner in a partnership.

(b) A general partner may not limit the general partner's liability in the partnership agreement to persons other than his partners or the limited partnership.

§10–404.

A general partner may make contributions to the limited partnership and share in the profits and losses of, and in distributions from, the limited partnership as a general partner. A general partner also may make contributions to and share in profits, losses, and distributions as a limited partner. A person who is both a general partner and a limited partner has the rights and powers, and is subject to the restrictions and liabilities, of a general partner and, except as provided in the partnership agreement, also has the powers, and is subject to the restrictions, of a limited partner to the extent of his participation in the limited partnership as a limited partner.

§10–405.

The partnership agreement may grant to all or certain identifiable general partners the right to vote (on a per capita or any other basis), separately or with all or any class of the limited partners, on any matter.

§10–501.

The contribution of a partner may be in cash, property, services rendered, or a promissory note or other binding obligation to contribute cash or property or to perform services.

§10–502.

(a) (1) Except as provided in the partnership agreement, a limited partner is obligated to the limited partnership to perform any promise set forth in the partnership agreement to contribute cash or property or to perform services, even if he is unable to perform because of death, disability, or any other reason.

(2) If a limited partner does not make the required contribution of property or services, he is obligated at the option of the limited partnership to contribute cash equal to that portion of the value (as stated in the partnership agreement) of the stated contribution that has not been made.

(b) (1) The obligation of a limited partner to make a contribution or return money or other property paid or distributed in violation of this title may be compromised only upon compliance with the partnership agreement or, if the partnership agreement does not so provide, with the consent of all partners.

(2) Any compromise does not affect the rights to enforce the original obligation of any creditor of a limited partnership who extends credit, or whose claim arises, after the effective date of the execution of the partnership agreement which reflects the obligation, but before the amendment of the partnership agreement which reflects the compromise.

(c) A partnership agreement may provide that the interest of any partner who fails to make any contribution or other payment that the partner is obligated to make shall be subject to specified remedies for, or specified consequences of, the failure. The remedy or consequence may take the form of reducing the defaulting partner's proportionate interest in the limited partnership, subordinating the partnership interest to that of the nondefaulting partners, a forced sale of the partnership interest, forfeiture of the partnership interest, the lending by the nondefaulting partners of the amount necessary to meet the commitment, a fixing of the value of the partner's partnership interest by appraisal or by formula and

redemption or sale of the partner's partnership interest at that value, or other remedy or consequence.

§10–503.

The profits and losses of a limited partnership shall be allocated among the partners, and among classes of partners, in the manner provided in the partnership agreement. If the partnership agreement does not so provide, profits and losses shall be allocated on the basis of the value of the contributions of each partner.

§10–504.

Distributions of cash or other assets of a limited partnership shall be allocated among the partners, and among classes of partners, in the manner provided in the partnership agreement. Unless otherwise provided in the partnership agreement, distributions shall be made on the basis of the sharing of profits and losses.

§10–601.

Except as otherwise provided in this subtitle:

(1) To the extent set forth in the partnership agreement, a partner is entitled to receive distributions from a limited partnership before his withdrawal and before the dissolution and winding up of the limited partnership; and

(2) To the extent set forth in the partnership agreement, a limited partner is entitled to receive distributions which constituted a return of any part of that limited partner's contribution before his withdrawal and before the winding up of the limited partnership.

§10–602.

A general partner may withdraw from a limited partnership at any time by giving written notice to the other partners, but if the withdrawal notice violates the partnership agreement, the limited partnership may recover from the withdrawing general partner damages for breach of the partnership agreement and offset the damages against the amount otherwise distributable to the withdrawing general partner.

§10–603.

(a) A limited partner may withdraw from a limited partnership at the time or on the happening of events specified in the partnership agreement. If the partnership agreement does not specify the time or the events on the occurrence of

which a limited partner may withdraw, a limited partner may not withdraw before the dissolution and winding up of the limited partnership.

(b) A limited partner may withdraw on not less than 6 months' prior written notice to each general partner at the general partner's address on the books of the limited partnership if the following conditions are met:

(1) The limited partnership was formed before October 1, 1998;

(2) On October 1, 1998, the partnership agreement of the limited partnership did not specify in writing the time or the events on the occurrence of which a limited partner may withdraw or a definite time for the dissolution and the winding up of the limited partnership; and

(3) The limited partnership did not amend its partnership agreement on or after October 1, 1998 to specify in writing the time or the events on the occurrence of which a limited partner may withdraw or a definite time for the dissolution and winding up of the limited partnership.

§10–604.

Except as otherwise provided in this subtitle, on withdrawal any withdrawing partner is entitled to receive any distribution to which the partner is entitled under the partnership agreement and, if not otherwise provided in the partnership agreement, the partner is entitled to receive, within a reasonable time after withdrawal, the fair value of the partner's partnership interest in the limited partnership as of the date of withdrawal, based on the partner's right to share in distributions from the limited partnership.

§10–605.

Unless otherwise provided in the partnership agreement, a partner, regardless of the nature of his contribution, has no right to demand and receive any distribution from a limited partnership in any form other than cash.

§10–606.

Except to the extent limited by § 10–607 of this subtitle or § 10–804 of this title, at the time a partner becomes entitled to receive a distribution, the partner has the status of, and is entitled to all remedies available to, a creditor of the limited partnership with respect to the distribution.

§10–607.

A partner may not receive a return of his contribution to a limited partnership to the extent that, after giving effect to the return of his contribution, all liabilities of the limited partnership, other than liabilities to partners for the return of their contributions, exceed the fair value of the limited partnership assets.

§10–608.

(a) (1) If a limited partner has received the return of any part of his contribution without violation of the certificate, partnership agreement, or this title, he is liable to the limited partnership for a period of 1 year thereafter for the amount of the returned contribution, but only to the extent necessary to discharge the limited partnership's liabilities to creditors who extended credit to the limited partnership during the period the contribution was held by the limited partnership.

(2) If a limited partner has received the return of any part of his contribution in violation of the certificate, partnership agreement, or this title, he is liable to the limited partnership for a period of 6 years thereafter for the amount of the contribution wrongfully returned.

(b) A limited partner receives a return of his contribution to the extent that, after a distribution to him, his share of the fair value of the net assets of the limited partnership is less than the value of his total contribution as reflected in the certificate minus all distributions in return of his contribution made prior to the distribution.

§10–701.

A partnership interest is personal property.

§10–702.

(a) Unless otherwise provided in the partnership agreement, a partnership interest is assignable in whole or in part.

(b) An assignment of a partnership interest does not dissolve a limited partnership or entitle the assignee to become a partner or, unless otherwise provided in the partnership agreement, exercise any rights of a partner.

(c) Unless otherwise provided in the partnership agreement, an assignment entitles the assignee to receive, to the extent assigned, only the distributions to which the assignor would be entitled.

(d) A partnership agreement may provide that a partnership interest may or shall be transferred or assigned in whole or in part to one or more persons,

including on the occurrence of any of the events described in § 10–402 of this title, regardless of whether the persons to whom the interest is transferred or assigned are partners.

§10–703.

(a) An assignee of a partnership interest, including an assignee of a general partner, may become a limited partner if and to the extent that:

(1) The assignor gives the assignee that right in accordance with authority described in the partnership agreement; or

(2) All other partners consent.

(b) An assignee who has become a limited partner has, to the extent assigned, the rights and powers, and is subject to the restrictions and liabilities, of a limited partner under the partnership agreement and this title. An assignee who becomes a limited partner also is liable for the obligations of his assignor to make and return contributions as provided in Subtitle 5 and Subtitle 6 of this title. However, the assignee is not obligated for liabilities unknown to the assignee at the time he became a limited partner and which could not be ascertained from the certificate or the partnership agreement.

(c) If an assignee of a partnership interest becomes a limited partner, the assignor is not released from his liability to the limited partnership under §§ 10–502 and 10–608 of this title.

§10–704.

(a) Unless otherwise provided in the partnership agreement:

(1) If a general partner who is an individual dies or a court of competent jurisdiction adjudges the individual to be incompetent to manage his person or his property, the partner's executor, personal representative, administrator, guardian, conservator, or other legal representative shall automatically become a limited partner;

(2) If a general partner is a corporation, estate, trust, partnership, or other entity and is dissolved or terminated, its legal representative or successor shall automatically become a limited partner;

(3) If a general partner withdraws under § 10–402(3) of this title or permits an act specified in § 10–402(4) of this title, that partner shall automatically become a limited partner.

(b) The allocable share of the profits, losses, and distributions of a general partner who becomes a limited partner under this section is the same as it was prior to the event specified in subsection (a) of this section.

§10–705.

On application to a court of competent jurisdiction by any judgment creditor of a partner, the court may charge the partnership interest of the partner with payment of the unsatisfied amount of the judgment with interest. To the extent so charged, the judgment creditor has only the rights of an assignee of the partnership interest. This title does not deprive any partner of the benefit of any exemption laws applicable to his partnership interest.

§10–706.

The partnership agreement may provide that a partner's interest in a limited partnership may be evidenced by a certificate of partnership interest issued by the limited partnership and may also provide for the assignment, pledge, or transfer of any partnership interest represented by the certificate and make other provisions with respect to the certificate.

§10–7A–01.

(a) In this subtitle, "other entity" means:

(1) A Maryland corporation incorporated under Title 2 of this article;

(2) A foreign corporation, as defined in § 1–101 of this article;

(3) A domestic limited liability company, as defined in § 4A–101 of this article;

(4) A foreign limited liability company, as defined in § 4A–101 of this article;

(5) A partnership, as defined in § 9A–101 of this article;

(6) A business trust, as defined in § 1–101 of this article;

(7) An other form of unincorporated business formed under the laws of this State or the laws of the United States, another state of the United States, a territory, possession, or district of the United States, or a foreign country; or

(8) A foreign limited partnership, including a foreign limited partnership registered or denominated as a limited liability limited partnership under the laws of a state other than this State.

(b) Unless the partnership agreement provides otherwise, a limited partnership may convert to an other entity by:

(1) Approving the conversion in accordance with § 10–7A–02 of this subtitle; and

(2) Filing for record with the Department articles of conversion executed in the manner required by § 10–204 of this title.

(c) An other entity may convert to a limited partnership by complying with the requirements of § 10–7A–02 of this subtitle and filing for record with the Department:

(1) Articles of conversion executed in the manner required by § 10–204 of this title; and

(2) A certificate of limited partnership that complies with § 10–201 of this title and, in the case of the conversion of an other entity to a limited liability partnership, § 10–805 of this title, executed in the manner required by § 10–204 of this title.

§10–7A–02.

(a) Unless the partnership agreement specifies the manner of authorizing a conversion of the limited partnership, the limited partnership shall approve the conversion of the limited partnership to an other entity by the affirmative vote of all of the general partners and a majority in interest of the limited partners.

(b) An other entity seeking to convert to a limited partnership shall approve the conversion of the other entity to a limited partnership in the manner and by the vote required by its governing document and the laws of the place where it is incorporated or organized.

(c) (1) A partner of a limited partnership objecting to a conversion of the limited partnership has the same rights with respect to the partner's partnership interest in the limited partnership as a stockholder of a Maryland corporation who objects has with respect to the stockholder's stock under Title 3, Subtitle 2 of this article.

(2) The procedures under Title 3, Subtitle 2 of this article shall be applicable to the extent practicable.

§10–7A–03.

(a) In this section, "facts ascertainable outside the articles of conversion" includes:

(1) An action or a determination by any person, including:

(i) The limited partnership or other entity, as applicable;

(ii) The partners, members, directors, trustees, officers, or other agents of the limited partnership or other entity; and

(iii) Any other person affiliated with the limited partnership or other entity; and

(2) Any other event.

(b) Articles of conversion shall be filed for record with the Department.

(c) In a conversion of a limited partnership to an other entity, the articles of conversion shall set forth:

(1) The name of the limited partnership and the date of filing of its original certificate of limited partnership with the Department;

(2) The name of the other entity to which the limited partnership will be converted and the place of incorporation or organization of the other entity;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging partnership interests in the limited partnership into shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity, or other consideration, and the treatment of any partnership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion;

(5) If the other entity is not organized under the laws of this State:

(i) The location of the principal office in the place where it is organized; and

(ii) The name and address of the resident agent in this State; and

(6) Any other provision necessary to effect the conversion.

(d) In a conversion of an other entity to a limited partnership, the articles of conversion shall set forth:

(1) The name of the other entity, the date on which the other entity was first created, and the place of incorporation or organization of the other entity;

(2) The name of the limited partnership to which the other entity will be converted;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity into partnership interests in the limited partnership or other consideration, and the treatment of any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside the articles of conversion; and

(5) Any other provision necessary to effect the conversion.

(e) The articles of conversion may contain a future effective time for the articles of conversion that is not later than 30 days after the articles of conversion are accepted for record.

§10–7A–04.

(a) A conversion has the effects provided in this section.

(b) (1) This subsection applies on the conversion of a limited partnership to an other entity.

(2) The limited partnership shall cease to exist as a limited partnership and shall continue to exist as the other entity into which the partnership

has converted, and the other entity, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting limited partnership.

(3) (i) All the assets of the limited partnership, including any legacies that it would have been capable of taking, shall vest in and devolve on the other entity without further act or deed and shall be the property of the other entity, and the title to any real property vested by deed or otherwise in the limited partnership shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the limited partnership to an other entity does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the limited partnership before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the limited partnership by its last acting general partners, or by the appropriate authorized persons, partners, officers, trustees, or members of the other entity.

(4) (i) The other entity shall be liable for all the debts and obligations of the limited partnership.

(ii) An existing claim, action, or proceeding pending by or against the limited partnership may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the other entity may be substituted as a party, and a judgment against the limited partnership constitutes a lien on the property of the other entity.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the limited partnership.

(5) Subject to the treatment of the ownership interests of the partners of the limited partnership under the articles of conversion and to the rights of an objecting partner under this subtitle, the ownership interests of the partners of the limited partnership cease to exist as partnership interests in the converted limited partnership and continue to exist as ownership interests in the other entity.

(6) (i) The conversion of the limited partnership to an other entity in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the limited partnership or the personal liability of any person incurred prior to the completion of the conversion.

(ii) Subject to §§ 10–303 and 10–403 of this title, a partner of the limited partnership remains liable for all the debts and obligations of the limited partnership for which the partner was liable before the completion of the conversion.

(7) Unless otherwise provided in the articles of conversion, the converting limited partnership is not required to wind up its affairs or pay its liabilities and distribute its assets, and the conversion does not constitute dissolution or a transfer of assets or liabilities of the limited partnership.

(8) A person becomes liable for any obligation incurred by the limited partnership before the completion of the conversion only to the extent provided for by the laws applicable to the other entity.

(c) (1) This subsection applies on the conversion of an other entity to a limited partnership.

(2) The limited partnership, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting other entity.

(3) (i) All the assets of the other entity, including any legacies that it would have been capable of taking, vest in and devolve on the limited partnership without further act or deed and shall be the property of the limited partnership, and the title to any real property vested by deed or otherwise in the other entity shall not revert or be in any way impaired by reason of this subtitle.

(ii) The conversion of the other entity to a limited partnership does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the other entity before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the other entity by the appropriate authorized persons, partners, officers, trustees, or members of the other entity, or by the general partners of the limited partnership.

(4) (i) The limited partnership shall be liable for all the debts and obligations of the other entity.

(ii) An existing claim, action, or proceeding pending by or against the other entity may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the limited partnership or any party, the limited partnership may be substituted as a party, and a judgment against the other entity constitutes a lien on the property of the limited partnership.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the other entity.

(5) The conversion of an other entity to a limited partnership in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the other entity or the personal liability of any person incurred prior to the completion of the conversion.

(6) A person remains liable for any obligation incurred by the other entity before the completion of the conversion only to the extent that the person would have been liable if the conversion had not occurred.

(7) Subject to the treatment of the ownership interests of the owners of the other entity under the articles of conversion, the ownership interests of the owners of the other entity cease to exist as ownership interests in the converted other entity and continue to exist as partnership interests in the limited partnership.

§10–7A–05.

(a) In a conversion of an other entity to a limited partnership, the stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity may be exchanged for or converted into any one or more of the following:

(1) Partnership interests in the limited partnership or stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of an other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

(b) In a conversion of a limited partnership to an other entity, partnership interests in the limited partnership may be exchanged for or converted into any one or more of the following:

(1) Stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity to which the limited partnership is converted or of an other entity, whether or not a party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

§10–7A–06.

(a) The conversion of an other entity to a limited partnership shall be completed on the later of:

(1) The formation of the limited partnership in accordance with this title; or

(2) The effectiveness of articles of conversion filed for record with the Department.

(b) The conversion of a limited partnership to an other entity shall be completed on the effectiveness of articles of conversion filed for record with the Department.

(c) Articles of conversion shall be effective on the later of:

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

(2) The future effective time of the articles of conversion set forth in the articles of conversion that have been accepted by the Department for record.

(d) (1) (i) Except as provided in subparagraph (ii) of this paragraph, at the time the conversion of an other entity to a limited partnership is completed:

1. The other entity shall be converted to a limited partnership;

2. The conversion shall have the effects set forth in § 10–7A–04 of this subtitle; and

3. The limited partnership shall be subject to all of the provisions of this title.

(ii) Notwithstanding § 10–201 of this title, the existence of the limited partnership as a domestic limited partnership shall be deemed to have

commenced on the date the other entity commenced its existence in the place in which the other entity was first incorporated, created, formed, or otherwise came into being.

(2) At the time the conversion of a limited partnership to an other entity is completed, the conversion shall have the effects set forth in § 10–7A–04 of this subtitle.

§10–7A–07.

(a) Unless the partnership agreement or the articles of conversion provide otherwise, a proposed conversion of a limited partnership to an other entity may be abandoned before the effective time of the articles of conversion by a vote of the majority of the general partners and a majority in interest of the limited partners of the limited partnership.

(b) Unless the articles of conversion provide otherwise, a proposed conversion of an other entity to a limited partnership may be abandoned before the effective date of the articles of conversion in the manner and by the vote required by the governing document of the other entity and the laws of the place in which it is incorporated or organized or, if no manner and vote is specified, in the manner and by the vote required to approve the conversion under § 10–7A–02 of this subtitle.

(c) If the articles of conversion have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(d) (1) If the proposed conversion is abandoned as provided in this section, no legal liability arises under the articles of conversion.

(2) Abandonment of a conversion under this section does not prejudice the rights of any person under any other contract made by a party to the proposed conversion in connection with the proposed conversion.

§10–801.

A limited partnership is dissolved and its affairs shall be wound up on the first to occur of the following:

(1) At the time or on the happening of events specified in the partnership agreement;

(2) A consent to dissolution by all partners;

(3) An event of withdrawal of a general partner unless:

(i) At the time there is at least one other general partner and the business is continued by a remaining general partner under a right to do so stated in the partnership agreement; or

(ii) Within 90 days after the withdrawal, all partners other than the withdrawn general partner agree in writing to continue the business of the limited partnership and to the appointment, effective as of the date of withdrawal, of one or more additional general partners if necessary or desired; or

(4) The entry of a decree of judicial dissolution under § 10-802 of this subtitle.

§10–802.

On application by or for a partner, the circuit court of the county in which the principal office of the limited partnership is located may decree dissolution of a limited partnership whenever it is not reasonably practicable to carry on the business in conformity with the partnership agreement.

§10–803.

(a) Unless otherwise provided in the partnership agreement, the general partners who have not wrongfully dissolved a limited partnership or, if none, the limited partners, may wind up the limited partnership's affairs; but the circuit court of the county in which the principal office of the limited partnership is located, on cause shown, may wind up the limited partnership's affairs on application of any partner or assignee.

(b) Upon dissolution of a limited partnership and until the filing of a certificate of cancellation as provided in § 10-203 of this title, the persons winding up the limited partnership's affairs may, in the name of and on behalf of the limited partnership, prosecute and defend suits, whether civil, criminal, or administrative, gradually settle and close the limited partnership's business, dispose of and convey the limited partnership's property, discharge the limited partnership's liabilities, and distribute to the partners any remaining assets of the limited partnership, all without affecting the liability of the limited partners.

§10–804.

Upon the winding up of a limited partnership, the assets shall be distributed as follows:

(1) To creditors, including partners who are creditors, to the extent permitted by law, in satisfaction of liabilities of the limited partnership other than liabilities for distributions to partners under § 10-601 or § 10-604 of this title;

(2) Unless otherwise provided in the partnership agreement, to partners and former partners in satisfaction of liabilities for distributions under § 10-601 or § 10-604 of this title; and

(3) Unless otherwise provided in the partnership agreement, to partners first for the return of their contributions and second respecting their partnership interests, in the proportions in which the partners share in distributions.

§10–805.

(a) A limited partnership may register as a limited liability partnership under § 9A-1001 of this article by:

(1) Including, in the limited partnership's certificate of limited partnership filed under § 10-201 of this title or in an amendment of its certificate of limited partnership filed under § 10-202 of this title, the information described in § 9A-1001(a) of this article; and

(2) Using a name that complies with the requirements of Title 1, Subtitle 5 of this article.

(b) (1) Subject to paragraph (2) of this subsection, the provisions of Title 9A of this article that apply to limited liability partnerships shall apply to a limited partnership that has registered as a limited liability partnership.

(2) In applying Title 9A, Subtitle 10 of this article to a limited partnership, all references to a partner shall mean a general partner.

(c) If a limited partnership is a registered limited liability partnership, § 9A-306 of this article applies to its general partners and to any of its limited partners who, under other provisions of this title, are liable for the debts, obligations, or liabilities of the limited partnership.

(d) A limited partnership that has registered as a limited liability partnership may withdraw such registration by complying with § 9A-1001(e) of this article.

§10–901.

(a) Subject to the Maryland Constitution:

(1) The laws of the state or country under which a foreign limited partnership is organized govern its organization and internal affairs and the liability of its limited partners; and

(2) A foreign limited partnership may not be denied registration by reason of any difference between those laws and the laws of this State.

(b) A foreign limited partnership may not do any kind of intrastate, interstate, or foreign business in this State which the laws of this State prohibit a domestic limited partnership from doing.

§10–902.

Before doing any interstate, intrastate, or foreign business in this State, a foreign limited partnership shall register with the Department. In order to register, a foreign limited partnership shall submit to the Department an application for registration as a foreign limited partnership, executed by a general partner and setting forth:

(1) The name of the foreign limited partnership and, if different, the name under which it proposes to register and do business in this State;

(2) The state or country under whose laws it was formed and the date of its formation;

(3) The general character of the business it proposes to transact in this State;

(4) The name and address of its resident agent in this State;

(5) A statement that the Department is appointed the resident agent of the foreign limited partnership if no resident agent has been appointed under paragraph (4) or, if appointed, the resident agent's authority has been revoked or if the agent cannot be found or served with the exercise of reasonable diligence;

(6) The address of the office required to be maintained in the state or country of its organization by the laws of that jurisdiction or, if not so required, of the principal office of the foreign limited partnership;

(7) The name and business, residence, or mailing address of each of the general partners; and

(8) Proof acceptable to the Department of good standing in the jurisdiction where it currently is organized.

§10–903.

If the Department finds that an application for registration meets the requirements of this title and all required fees have been paid, it shall:

(1) Endorse on the application the date and time of its acceptance for record;

(2) Record promptly the document; and

(3) Send an acknowledgment to the person who filed the application or his representative stating the date and time that the document was accepted for record.

§10–904.

A foreign limited partnership may register with the Department under any name (whether or not it is the name under which it is registered in its state of organization) as provided in Title 1, Subtitle 5 of this article.

§10–905.

If any statement in the application for registration of a foreign limited partnership was false when made or any arrangements or other facts described have changed, making the application inaccurate in any respect, the foreign limited partnership shall promptly file with the Department a certificate, executed by a general partner, correcting the statement. The provisions of § 10-207 of this title are applicable to foreign limited partnerships as if they were domestic limited partnerships.

§10–906.

A foreign limited partnership may cancel its registration by filing with the Department a certificate of cancellation executed by a general partner. A cancellation does not terminate the authority of the Department to accept service of process on the foreign limited partnership with respect to causes of action arising out of doing business in this State.

§10–907.

(a) If a foreign limited partnership is doing or has done any intrastate, interstate, or foreign business in this State without complying with the requirements of this subtitle, neither the foreign limited partnership nor any person claiming under it may maintain a suit in any court of this State unless it shows to the satisfaction of the court that:

(1) The foreign limited partnership or the person claiming under it has paid the penalty specified in subsection (e)(1) of this section; and

(2) Either:

(i) The foreign limited partnership or a foreign limited partnership successor to it has complied with the requirement of this subtitle; or

(ii) The foreign limited partnership and any foreign limited partnership successor to it are no longer doing intrastate, interstate, or foreign business in this State.

(b) The failure of a foreign limited partnership to register in this State does not impair the validity of any contract or act of the foreign limited partnership or prevent the foreign limited partnership from defending any action, suit, or proceeding in any court of this State.

(c) A limited partner of a foreign limited partnership is not liable as a general partner of the foreign limited partnership solely by reason of the partnership's having done business in this State without registration.

(d) A foreign limited partnership, by doing business in this State without registration, appoints the Department as its agent for service of process with respect to causes of action arising out of doing business in this State.

(e) (1) If a foreign limited partnership does any intrastate, interstate, or foreign business in this State without registering, the Department shall impose a penalty of $200 on the partnership. This penalty shall be collected and may be reduced or abated under § 14-704 of the Tax - Property Article;

(2) Each general partner of a foreign limited partnership which does intrastate, interstate, or foreign business in this State without registering, and each agent of the foreign limited partnership who transacts intrastate, interstate, or foreign business in this State for it is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $1,000.

§10–908.

The Attorney General may bring an action to restrain a foreign limited partnership from doing business in this State in violation of this subtitle.

§10–909.

(a) In addition to any other activities which may not constitute doing business in this State, for the purposes of this article, the following activities of a foreign limited partnership do not constitute doing business in this State:

(1) Maintaining, defending, or settling an action, suit, claim, dispute, or administrative or arbitration proceeding;

(2) Holding meetings of its partners or carrying on other activities which concern its internal affairs;

(3) Maintaining bank accounts;

(4) Conducting an isolated transaction not in the course of a number of similar transactions;

(5) Foreclosing mortgages and deeds of trust on property in this State;

(6) As a result of default under a mortgage or deed of trust, acquiring title to property in this State by foreclosure, deed in lieu of foreclosure, or otherwise;

(7) Holding, protecting, renting, maintaining, and operating property in this State so acquired; and

(8) Selling or transferring the title to property in this State so acquired to any person, including the Federal Housing Administration or the Veterans Administration.

(b) In addition to any other activities which may constitute doing business in this State, for the purposes of this article any foreign limited partnership which owns income-producing real or tangible personal property in this State, other than property exempted by subsection (a) of this section, will be considered to be doing business in this State.

§10–910.

By doing intrastate, interstate, or foreign business in this State, a foreign limited partnership assents to the laws of this State.

§10–911.

With respect to any cause of action on which a foreign limited partnership would not otherwise be subject to suit in this State, compliance with this subtitle:

(1) Does not of itself render a foreign limited partnership subject to suit in this State; and

(2) Is not considered as consent by it to be sued in this State.

§10–912.

(a) If a foreign limited partnership that owns property, rights, privileges, franchises, or other assets located in this State is a party to a merger in which a foreign corporation, foreign partnership, foreign limited liability company, or another foreign limited partnership is the successor, the transfer to, vesting in, or devolution on the successor of the property, rights, privileges, franchises, or other assets of the nonsurviving foreign limited partnership is effective as provided by the laws of the place that governs the merger.

(b) The successor shall file with the Department:

(1) A property certificate under § 3–112 of this article or § 10–208(h) of this title, or both; and

(2) A certificate that specifies:

(i) Each county in the State where a foreign limited partnership party to the merger, except the successor, owned an interest in land;

(ii) The name of each party to the merger;

(iii) The place under the laws of which each party was organized;

(iv) The name of the successor; and

(v) If the successor is a foreign limited partnership, or foreign partnership, the name and business, residence, or mailing address of each of the general partners of the successor.

(3) The certificate shall be executed:

(i) In the case of a partnership, in the manner required in § 9A–903 of this article;

(ii) In the case of a limited partnership, by all of the general partners;

(iii) In the case of a limited liability company in the manner required in § 4A–206 of this article; and

(iv) In the case of a corporation or business trust, in the manner required by Title 1 of this article.

(c) If a copy of the document effecting the merger has not been filed with the Department as provided in this title, the successor shall file with the Department an officially certified copy of that document.

(d) When the Department receives the articles and any certificate of the successor, it shall prepare and file certificates of merger in the manner provided for Maryland limited partnerships. However, the certificate of merger need not state the principal office in the State of any successor that does not have a principal office, and the certificate shall include the other information specified in the certificate filed by the successor.

§10–913.

(a) The Department may forfeit the right of any foreign limited partnership to do business in this State if the limited partnership fails to file with the Department any report or fails to pay any late filing penalties required by law:

(1) Within the time required by law; and

(2) Thereafter, within 30 days after the Department makes a written demand for the delinquent report or late filing penalties.

(b) Unless the Department excuses a reasonable delay for good cause shown, the forfeiture is effective 15 days after written notice of forfeiture from the Department, without proceedings of any kind either at law or in equity.

(c) The demand for a delinquent report or late filing penalties and the notice of forfeiture shall be addressed to the limited partnership:

(1) At its address on file with the Department; or

(2) If it has no address on file with the Department, in the care of the Secretary of State, or corresponding official of the place where it was organized or is existing, if known to the Department.

(d) On forfeiture of its right to do business in this State, the foreign limited partnership is subject to the same rules, legal provisions, and sanctions as if it had never qualified or been licensed to do business in this State.

§10–1001.

A limited partner may bring a derivative action to enforce a right of a limited partnership to recover a judgment in its favor to the same extent that a stockholder may bring an action for a derivative suit under the corporation law of Maryland. Such an action may be brought if general partners with authority to do so have refused to bring the action or if an effort to cause those general partners to bring the action is not likely to succeed. The derivative action may not be maintained if it appears that the plaintiff does not fairly and adequately represent the interests of the limited partners in enforcing the right of the limited partnership.

§10–1002.

In a derivative action, the plaintiff must be a partner at the time of bringing the action and:

(1) Have been a partner at the time of the transaction of which he complains; or

(2) Have had his status as a partner devolve on him by operation of law from a person who was a partner at the time of the transaction.

§10–1003.

In a derivative action, the complaint shall set forth with particularity the attempts, if any, of the plaintiff to secure initiation of the action the plaintiff desires by a general partner or the reasons for not making the effort.

§10–1004.

If a derivative action is successful, in whole or in part, or if anything is received by the plaintiff as a result of a judgment, compromise, or settlement of an action or claim, the court may award the plaintiff reasonable expenses, including reasonable attorney's fees, and shall direct him to remit to the limited partnership the remainder of those proceeds received by him.

§10–1101.

This title shall be applied and construed so as to effectuate its general purpose to make uniform the law with respect to the subject of this title among states enacting it.

§10–1102.

This title may be cited as the Maryland Revised Uniform Limited Partnership Act.

§10–1103.

If any provision of this title or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the title which can be given effect without the invalid provision or application, and to this end the provisions of this title are severable.

§10–1104.

Except as provided below, the effective date of this Act is July 1, 1982, and former Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland (the "Maryland Uniform Limited Partnership Act") is repealed:

(1) All limited partnerships formed on or after the effective date shall be governed by the provisions of the Maryland Revised Uniform Limited Partnership Act;

(2) All existing limited partnerships which have been formed under the provisions of the Maryland Uniform Limited Partnership Act shall continue to be governed by the provisions of that Act until the extended effective date of July 1, 1985, at which time those limited partnerships shall be governed by the provisions of the Maryland Revised Uniform Limited Partnership Act;

(3) Subtitle 9, dealing with registration of foreign limited partnerships, is not effective until the extended effective date; and

(4) Any limited partnership formed under the Maryland Uniform Limited Partnership Act and any foreign limited partnerships may elect to be governed by the provisions of the Maryland Revised Uniform Limited Partnership Act before the extended effective date by filing with the Department one of the following documents which specifically states that the limited partnership is electing to be bound by the Maryland Revised Uniform Limited Partnership Act before July 1, 1985:

(i) For a Maryland limited partnership:

1. An initial certificate; or

2. A certificate of amendment; or

(ii) For a foreign limited partnership, an application for registration.

§10–1105.

(a) In this section, "limited partnership" means a limited partnership that:

(1) Was formed under the Maryland Uniform Limited Partnership Act before July 1, 1982; and

(2) Did not exercise the election authorized by § 10–1104(4) of this subtitle before July 1, 1985.

(b) (1) As provided in § 10–1104(2) of this subtitle, a limited partnership shall be governed by the Maryland Revised Uniform Limited Partnership Act as of July 1, 1985. However, except as provided in paragraph (2) of this subsection, a limited partnership is not required to file with the Department a certificate that would cause its certificate of limited partnership to comply with this title until the occurrence of an event which requires the filing of a certificate of amendment under § 10–202(b) of this title at which time the limited partnership shall:

(i) File with the Department a certificate setting forth the information required by § 10–201(a) of this title; and

(ii) Pay the penalty specified in subsection (e) of this section.

(2) A limited partnership or a person claiming under the limited partnership may not convey or accept title to real or personal property or maintain a suit in any court of the State unless it shows to the satisfaction of the court that the limited partnership has:

(i) Filed with the Department a certificate setting forth the information required by § 10–201(a) of this title; and

(ii) Paid the penalty under subsection (e) of this section.

(c) The failure of a limited partnership to file with the Department a certificate setting forth the information required by § 10–201(a) of this title does not of itself:

(1) Impair the validity of any contract or act of the limited partnership or prevent the limited partnership from defending any action, suit, or proceeding;

(2) Impose or permit the imposition of liability on a limited partner of the limited partnership as a general partner of the limited partnership; or

(3) Cause the limited partnership to dissolve or have its existence otherwise affected.

(d) Until a limited partnership files with the Department a certificate setting forth the information required by § 10–201(a) of this title:

(1) The limited partnership appoints the Department as its resident agent; and

(2) The principal office of the limited partnership is the principal place of business in this State of the limited partnership.

(e) (1) When a limited partnership files with the Department a certificate setting forth the information required by § 10–201(a) of this title, the Department shall impose a penalty of $200 on the limited partnership.

(2) The penalty under this subsection shall be collected and may be reduced or abated under the procedures of § 14–704 of the Tax – Property Article that relate to the penalty for failure to file reports with the Department.

§11–101.

(a) In this title, unless the context requires otherwise, the following words have the meanings indicated.

(b) (1) "Agent" means an individual other than a broker–dealer who represents a broker–dealer or issuer in effecting or attempting to effect the purchase or sale of securities.

(2) "Agent" includes a partner, officer, or director of a broker–dealer or issuer, or a person occupying a similar status or performing similar functions, only if the person otherwise comes within this definition.

(3) "Agent" does not include an individual who represents:

(i) An issuer in:

1. Effecting a transaction in a security exempted by § 11–601(1), (2), (3), (9)(i), (10), (11), or (14)(i) of this title;

2. Effecting a transaction exempted by § 11–602 of this title;

3. Effecting a transaction with an existing employee, partner, or director of the issuer if no commission or other remuneration is paid or given directly or indirectly for soliciting a person in this State; or

4. Effecting a transaction in a federal covered security under § 18(b)(3) or § 18(b)(4)(F) of the Securities Act of 1933 if no commission or other remuneration is paid or given directly or indirectly for soliciting a person in this State; or

(ii) A broker–dealer in effecting a transaction described in § 15(h)(2) of the Securities Exchange Act of 1934.

(c) (1) "Broker–dealer" means a person engaged in the business of effecting transactions in securities for the account of others or for his own account.

(2) "Broker–dealer" does not include:

(i) An agent;

(ii) An issuer;

(iii) A bank, savings institution, or trust company; or

(iv) A person who has no place of business in this State if:

1. He effects transactions in this State exclusively with or through the issuer of the securities involved in the transactions, another broker–dealer, or a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit–sharing trust, or other financial institution or institutional buyer, whether acting for itself or as trustee; or

2. During any period of 12 consecutive months, he does not direct more than 15 offers to sell or buy into the State in any manner, other than

to the persons specified in paragraph (2)(iv)1 of this subsection, whether or not the offeror or any offeree is then present in the State.

(d) "Commissioner" means the Securities Commissioner of the Division of Securities.

(e) "Federal covered adviser" means a person who is registered under § 203 of the Investment Advisers Act of 1940.

(f) "Federal covered security" means a covered security under § 18(b) of the Securities Act of 1933.

(g) "Federal exempt broker–dealer" means a person who would qualify for the exemption from registration as a broker or dealer under § 4(c) of the Securities Act of 1933.

(h) "Guaranteed" means guaranteed as to payment of principal, interest, or dividends.

(i) (1) "Investment adviser" means a person who, for compensation:

(i) Engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities; or

(ii) 1. Provides or offers to provide, directly or indirectly, financial and investment counseling or advice, on a group or individual basis;

2. Gathers information relating to investments, establishes financial goals and objectives, processes and analyzes the information gathered, and recommends a financial plan; or

3. Holds out as an investment adviser in any way, including indicating by advertisement, card, or letterhead, or in any other manner indicates that the person is, a financial or investment "planner", "counselor", "consultant", or any other similar type of adviser or consultant.

(2) "Investment adviser" does not include:

(i) An investment adviser representative;

(ii) A bank, savings institution, or trust company;

(iii) A lawyer, certified public accountant, engineer, insurance producer, or teacher whose performance of investment advisory services is solely incidental to the practice of the profession, provided that the performance of such services is not solely incidental unless:

1. The investment advisory services rendered are connected with and reasonably related to the other professional services rendered;

2. The fee charged for the investment advisory services is based on the same factors as those used to determine the fee for other professional services; and

3. The lawyer, certified public accountant, engineer, insurance producer, or teacher does not hold out as an investment adviser;

(iv) A broker–dealer or its agent whose performance of these services is solely incidental to the conduct of business as a broker–dealer and who receives no special compensation for them;

(v) A publisher of any bona fide newspaper, news column, newsletter, news magazine, or business or financial publication or service, whether communicated in hard copy form, or by electronic means, or otherwise, that does not consist of the rendering of advice on the basis of the specific investment situation of each client;

(vi) A federal covered adviser; or

(vii) Any other person not within the intent of this subsection as the Commissioner by rule or order designates.

(j) (1) "Investment adviser representative" or "representative" means any partner, officer, director of (or a person occupying a similar status or performing similar functions) or other individual who is employed by or associated with an investment adviser, or who has a place of business located in this State and is employed by or associated with a federal covered adviser, and who:

(i) Makes any recommendations or otherwise renders investment advice to clients;

(ii) Represents an investment adviser in rendering the services described under subsection (h)(1) of this section;

(iii) Manages accounts or portfolios of clients;

(iv) Determines which recommendation or investment advice should be given with respect to a particular client account;

(v) Solicits, offers or negotiates for the sale of or sells investment advisory services;

(vi) Directly supervises employees who perform any of the foregoing; or

(vii) Holds out as an investment adviser.

(2) "Investment adviser representative" or "representative" does not include:

(i) Any other person not within the intent of this subsection as the Commissioner designates by rule or order; or

(ii) Clerical or ministerial personnel.

(k) "Investment Company Act of 1940" and "Investment Advisers Act of 1940" mean the federal statutes of those names, as amended.

(l) "Issuer" means any person who issues or proposes to issue a security, except that:

(1) With respect to certificates of deposit, voting–trust certificates, or collateral–trust certificates or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors or persons performing similar functions or of the fixed, restricted management, or unit type, the term "issuer" means the person performing the acts and assuming the duties of depositor or manager under the provisions of the trust or other agreement or instrument under which the security is issued; and

(2) With respect to certificates of interest or participation in oil, gas, or mining titles or leases or in payments out of production under the titles or leases, there is not considered to be any "issuer".

(m) "Nonissuer distribution" and "nonissuer transaction" mean a distribution or transaction, as the case may be, not directly or indirectly for the benefit of the issuer.

(n) "Offer" or "offer to sell", except as provided in § 11–102(a) of this subtitle, includes every attempt or offer to dispose of or solicitation of an offer to buy, a security or interest in a security for value.

(o) "Person" means an individual, a corporation, a partnership, an association, a joint–stock company, a trust where the interests of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government.

(p) "Public Utility Holding Company Act of 1935" means the federal statute of that name, as amended.

(q) "Sale" or "sell", except as provided in § 11–102(a) of this subtitle, includes every contract of sale of, contract to sell, or disposition of a security or interest in a security for value.

(r) "Securities Act of 1933" and "Securities Exchange Act of 1934" mean the federal statutes of those names, as amended.

(s) (1) "Security" means any:

(i) Note;

(ii) Stock;

(iii) Treasury stock;

(iv) Bond;

(v) Debenture;

(vi) Evidence of indebtedness;

(vii) Certificate of interest or participation in any profit–sharing agreement;

(viii) Collateral–trust certificate;

(ix) Preorganization certificate or subscription;

(x) Transferable share;

(xi) Investment contract;

(xii) Voting–trust certificate;

(xiii) Certificate of deposit for a security;

(xiv) Certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under the title or lease;

(xv) In general, any interest or instrument commonly known as a "security"; or

(xvi) Certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the preceding.

(2) "Security" does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay money either in a lump sum, periodically for life, or some other specified period.

(t) "State" means any state, territory, or possession of the United States, the District of Columbia, and Puerto Rico.

§11–102.

(a) The terms "offer", "offer to sell", "sale", and "sell", as defined in § 11–101(m) and (p) of this subtitle, do not include:

(1) Any bona fide pledge or loan;

(2) Any stock dividend, whether the corporation distributing the dividend is the issuer of the stock or not, if nothing of value is given by stockholders for the dividend other than the surrender of a right to a cash or property dividend when each stockholder may elect to take the dividend in cash, property, or stock;

(3) Any act incident to a class vote by stockholders, under the certificate of incorporation or the applicable corporation statute, on a merger, consolidation, split–up, spin–off, share exchange, reclassification of securities, or transfer of corporate assets in consideration of the issuance, in whole or in part, of securities of another corporation;

(4) Any act incident to a judicially approved reorganization in which a security is issued:

(i) In exchange for one or more outstanding securities, claims, or property interests; or

(ii) Partly in such exchange and partly for cash; or

(5) Any act as to which the Commissioner by rule or order finds that:

(i) Application of § 11–101(m) and (p) of this subtitle is not necessary or appropriate for the protection of investors; and

(ii) The finding is consistent with the public interest and within the purposes fairly intended by the policy and provisions of this title.

(b) As used in this title, "fraud", "deceit", and "defraud" are not limited to common–law deceit.

(c) Any security given or delivered with or as a bonus on account of any purchase of securities or any other thing is considered to constitute part of the subject of the purchase and to have been offered and sold for value.

(d) A purported gift of assessable stock is considered to involve an offer and sale.

(e) Every sale or offer of a warrant or right to purchase or subscribe to another security of the same or another issuer and every sale or offer of a security which gives the holder a present or future right or privilege to convert into another security of the same or another issuer is considered to include an offer of the other security.

§11–103.

In accordance with § 6 of the federal Philanthropy Protection Act of 1995, the federal Philanthropy Protection Act of 1995 does not preempt the laws of this State.

§11–201.

(a) There is a Division of Securities in the Office of the Attorney General. The Division shall administer this title.

(b) (1) The principal executive officer of the Division of Securities shall be the Securities Commissioner to be appointed by the Attorney General, who also shall have the power to employ those officers and employees necessary to carry out the purposes of this title.

(2) The Securities Commissioner shall be a practicing lawyer of this State in good standing, shall hold his office at the pleasure of the Attorney General, and shall receive the salary provided in the State budget.

(c) The Attorney General also shall appoint an assistant securities commissioner who, after appointment, shall hold that position subject generally to the provisions of Division I of the State Personnel and Pensions Article. If a vacancy occurs in the position of assistant securities commissioner, the vacancy shall be filled by a person appointed by the Attorney General subject to the provisions of Division I of the State Personnel and Pensions Article. Each person appointed shall hold his position subject generally to those provisions.

§11–203.

(a) (1) The Commissioner from time to time may make, amend, and rescind the rules, forms, and orders necessary to carry out the provisions of this title, including rules and forms governing registration statements, notice filings, applications, and reports and defining any terms, whether or not used in this title, to the extent that the definitions are not inconsistent with the provisions of this title.

(2) The Commissioner may by rule classify securities, persons, and matters within his jurisdiction, and prescribe different requirements for different classes.

(b) (1) A rule, form, or order may not be made, amended, or rescinded unless the Commissioner finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this title.

(2) In prescribing rules and forms the Commissioner may cooperate with the securities administrators of the other states and the Securities and Exchange Commission with a view to effectuating the policy of this statute to achieve maximum uniformity in the form and content of registration statements, applications, and reports wherever practicable.

(c) (1) The Commissioner by rule or order may prescribe:

(i) The form and content of financial statements required under this title;

(ii) The circumstances under which consolidated financial statements shall be filed; and

(iii) Whether any required financial statements shall be certified by independent certified public accountants.

(2) All financial statements shall be prepared in accordance with generally accepted accounting practices.

(d) All rules and forms of the Commissioner shall be published.

(e) A provision of this title imposing any liability does not apply to any act done or omitted in good faith in conformity with any rule, form, or order of the Commissioner, notwithstanding that the rule, form, or order may later be amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

§11–204.

Every hearing in an administrative proceeding shall be public unless the Commissioner in his discretion grants a request joined in by all the respondents that the hearing be conducted privately.

§11–205.

The Commissioner by rule or order may require the filing of any prospectus, pamphlet, circular, form letter, advertisement, or other sales literature or advertising communication, whether communicated in hard copy, electronic means, or otherwise, addressed or intended for distribution to prospective investors, including clients or prospective clients of an investment adviser, unless the security or transaction is exempted by Subtitle 6 of this title or the security is a federal covered security or the transaction is with respect to a federal covered security.

§11–206.

(a) A document is filed when it is received by the Commissioner.

(b) (1) The Commissioner shall keep a register of every application for registration, every notice filing, and every registration statement which is or has ever been effective under this title and every denial, suspension, or revocation order which is entered under this title.

(2) The register shall be open for public inspection.

(c) The information contained in or filed with any registration statement, application, notice filing, or report may be made available to the public under the rules which the Commissioner prescribes.

(d) (1) On request and at the reasonable charges which he prescribes, the Commissioner shall furnish to any person photostatic or other copies, certified under his seal of office if requested, of any entry in the register or any document which is a matter of public record.

(2) In any proceeding or prosecution under this title, any copy so certified is prima facie evidence of the contents of the entry or document certified.

(e) The Commissioner may honor requests from interested persons for interpretative opinions. The fee for issuance of an interpretative opinion is $100.

§11–207.

(a) It is unlawful for the Commissioner or any of the officers or employees in the Division of Securities to use for personal benefit any information which is filed with or obtained by the Commissioner and which is not made public.

(b) No provision of this title authorizes the Commissioner or any of his officers or employees to disclose any such information except among themselves or when necessary or appropriate in a proceeding or investigation under this title.

(c) No provision of this title either creates or derogates from any privilege which exists at common law or otherwise when documentary or other evidence is sought under a subpoena directed to the Commissioner or any of his officers or employees.

§11–208.

(a) In this section, "Fund" means the Securities Act Registration Fund.

(b) There is a Securities Act Registration Fund.

(c) The purpose of the Fund is to help fund the direct and indirect costs of administering and enforcing the Maryland Securities Act.

(d) The Commissioner shall administer the Fund.

(e) (1) The Fund is a special, nonlapsing fund that is not subject to § 7–302 of the State Finance and Procurement Article.

(2) The State Treasurer shall hold the Fund separately, and the Comptroller shall account for the Fund.

(f) The Fund consists of:

(1) Fees distributed to the Fund under § 11–407(a)(2) of this title;

(2) Money appropriated in the State budget to the Fund; and

(3) Any other money from any other source accepted for the benefit of the Fund.

(g) The Fund may be used only to administer and enforce the Maryland Securities Act.

(h) (1) The State Treasurer shall invest the money of the Fund in the same manner as other State money may be invested.

(2) Any interest earnings of the Fund shall be credited to the General Fund of the State.

(i) Expenditures from the Fund may be made only in accordance with the State budget.

(j) Money expended from the Fund used to administer and enforce the Maryland Securities Act is supplemental to and is not intended to take the place of funding that otherwise would be appropriated to administer and enforce the Maryland Securities Act.

§11–209.

(a) The Commissioner may:

(1) (i) Bring a civil action for damages against a person that violates § 8–801 of the Criminal Law Article on behalf of a victim of the violation or, if the victim is deceased, the victim's estate;

(ii) Recover damages under this subsection for property loss or damage; and

(iii) If the Commissioner prevails in an action brought under this paragraph, recover the costs of the action for the use of the Office of the Attorney General; and

(2) (i) Bring a civil action for damages on behalf of a susceptible adult or older adult who is authorized to bring a cause of action under § 13–603 of the Estates and Trusts Article; and

(ii) If the Commissioner prevails in an action brought under this paragraph, recover the costs of the action for the use of the Office of the Attorney General.

(b) A conviction for a violation of § 8–801 of the Criminal Law Article is not a prerequisite for maintenance of an action under subsection (a) of this section.

§11–301.

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to:

(1) Employ any device, scheme, or artifice to defraud;

(2) Make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or

(3) Engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on any person.

§11–302.

(a) It is unlawful for any person who receives, directly or indirectly, any consideration from another person for advising the other person as to the value of securities or their purchase or sale, or for acting as an investment adviser or representative under § 11–101(i) and (j) of this title, whether through the issuance of analyses, reports, or otherwise, to:

(1) Employ any device, scheme, or artifice to defraud the other person;

(2) Engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on the other person;

(3) Engage in dishonest or unethical practices; or

(4) When acting as principal for the person's own account knowingly sell any security to or purchase any security from a client, or when acting in an agency capacity for a person other than such client knowingly effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which the person is acting and obtaining the consent of the client to such transaction.

(b) The prohibitions of subsection (a)(4) of this section do not apply to any transaction with a customer of a broker-dealer if the broker-dealer is not acting as an investment adviser in relation to the transaction or to transactions by a federal covered adviser who is otherwise subject to the limitations on principal trades under the federal securities laws.

(c) In the solicitation of or in dealings with advisory clients, it is unlawful for any person willfully to make any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

(d) (1) The Commissioner by rule or order may require that certain information be furnished or disseminated by investment advisers as appropriate in the public interest or for the protection of investors and advisory clients.

(2) To the extent determined by the Commissioner in the Commissioner's discretion, information furnished to clients or prospective clients of an investment adviser that would be in compliance with the disclosure requirements of the Investment Advisers Act of 1940 and the rules thereunder may be used in whole or partial satisfaction of this requirement.

(e) (1) Except as permitted by rule or order of the Commissioner, it is unlawful for any investment adviser to enter into, extend, or renew any investment advisory contract, unless it provides in writing that:

(i) The investment adviser shall not be compensated on the basis of a share of capital gains on or capital appreciation of the funds or any portion of the funds of the client;

(ii) An assignment of the contract may not be made by the investment adviser without the consent of the other party to the contract; and

(iii) The investment adviser, if a partnership, shall notify the other party to the contract of any change in the membership of the partnership within a reasonable time after the change.

(2) Paragraph (1)(i) of this subsection does not prohibit an investment advisory contract which provides for compensation based on the total value of a fund averaged over a definite period or as of definite dates or taken as of a definite date.

(3) "Assignment", as used in paragraph (1)(ii) of this subsection, includes any direct or indirect transfer or hypothecation of an investment advisory contract by the assignor or of controlling block of the assignor's outstanding voting

securities by a security holder of the assignor, but, if the investment adviser is a partnership, an assignment of an investment advisory contract is not considered to result from the death or withdrawal of a minority of the members of the investment adviser having only a minority interest in the business of the investment adviser, or from the admission to the investment adviser of one or more members who, after admission, will be only a minority of the members and will have only a minority interest in the business.

(f) It is unlawful for any investment adviser to take or have custody of any securities or funds of any client if:

(1) The Commissioner by rule prohibits custody; or

(2) In the absence of a rule, the investment adviser fails to notify the Commissioner that he has or may have custody.

(g) The Commissioner by rule or order may adopt exemptions from subsections (a)(4), and (e)(1)(i), (ii), and (iii) of this section, where such exemptions are consistent with the public interest and within the purposes fairly intended by the policy and provisions of this title.

§11–303.

It is unlawful for any person to make or cause to be made, in any document filed with the Commissioner or in any proceeding under this title, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect.

§11–304.

(a) (1) Neither the fact that an application for registration under Subtitle 4 of this title or a registration statement or notice filing under Subtitle 5 of this title has been filed, nor the fact that a person or security is effectively registered constitutes a finding by the Commissioner that any document filed under this title is true, complete, and not misleading.

(2) Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Commissioner has passed in any way on the merits or qualifications of, or has recommended or given approval to, any person, security, or transaction.

(b) It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with subsection (a) of this section.

§11–305.

(a) It is unlawful for any person to use a senior or retiree credential or designation in a way that is or would be misleading in connection with:

(1) The offer, sale, or purchase of securities;

(2) Receiving, directly or indirectly, any consideration from another person for advising the other person as to the value of securities or their purchase or sale; or

(3) Acting as a broker–dealer, agent, investment adviser, or investment adviser representative.

(b) The Commissioner by rule or order shall define what constitutes a misleading use of a senior or retiree credential or designation for purposes of subsection (a) of this section.

(c) A violation of a rule or order adopted under subsection (b) of this section also constitutes a dishonest or unethical practice for purposes of § 11–302(a)(3) of this subtitle and § 11–412(a)(7) of this title.

(d) The Commissioner by rule or order may provide exemptions from subsections (a) and (c) of this section, where such exemptions are consistent with the public interest and within the purposes fairly intended by the policy and provisions of this title.

(e) This section does not limit any powers of the Commissioner granted under this title.

§11–306.

A person who engages in the business of effecting transactions in securities for the account of others or for the person's own account or who acts as a broker–dealer or agent may not engage in dishonest or unethical practices in the securities or investment advisory business.

§11–307.

(a) (1) In this section the following words have the meanings indicated.

(2) "Eligible adult" means an individual who resides in the State and is:

(i) At least 65 years old; or

(ii) A vulnerable adult.

(3) "Financial exploitation" means:

(i) The wrongful or unauthorized taking, withholding, appropriation, or use of money, assets, or property of an eligible adult; or

(ii) An act or omission by a person, including through the use of a power of attorney, guardianship, or conservatorship of an eligible adult, to:

1. Obtain control, through deception, intimidation, or undue influence, over the eligible adult's money, assets, or property in order to deprive the eligible adult of the ownership, use, benefit, or possession of the money, assets, or property; or

2. Convert money, assets, or property of the eligible adult in order to deprive the eligible adult of the ownership, use, benefit, or possession of the money, assets, or property.

(4) "Law enforcement agency" means a State, county, or municipal police department, bureau, or agency.

(5) "Local department" has the meaning stated in § 14–101 of the Family Law Article.

(6) "Qualified individual" means an agent, an investment adviser representative, or a person who serves in a supervisory, compliance, or legal capacity for a broker–dealer or an investment adviser.

(7) "Vulnerable adult" has the meaning stated in § 14–101 of the Family Law Article.

(b) (1) A broker–dealer, an investment adviser, or a qualified individual that reasonably believes that an eligible adult has been, is currently, or will be the subject of financial exploitation or attempted financial exploitation:

(i) Shall notify:

1. The Commissioner; and

2. A local department under § 14–302 of the Family Law Article; and

(ii) May notify a third party designated by the eligible adult and any other third party permitted under State or federal laws or regulations, or the rules of a self–regulatory organization, if the third party is not suspected of financial exploitation, abuse, neglect, or other exploitation of the eligible adult.

(2) The notice required under paragraph (1)(i) of this subsection shall be given:

(i) Within 5 days after the broker–dealer, investment adviser, or qualified individual develops the reasonable belief that the eligible adult has been, is currently, or will be the subject of financial exploitation or attempted financial exploitation; or

(ii) Immediately on confirmation that the eligible adult has been, is currently, or will be the subject of financial exploitation or attempted financial exploitation if the confirmation is made before the 5–day period specified in item (i) of this paragraph expires.

(3) This subsection may not be construed to require more than one notification under paragraph (1)(i) of this subsection for each occurrence.

(c) (1) A broker–dealer or an investment adviser may delay a disbursement from an account of an eligible adult or an account on which an eligible adult is a beneficiary if:

(i) The broker–dealer, the investment adviser, or a qualified individual reasonably believes, after initiating an internal review of the requested disbursement and any suspected financial exploitation, that the requested disbursement may result in the financial exploitation of an eligible adult; and

(ii) The broker–dealer, the investment adviser, or a qualified individual:

1. Within 2 business days after the requested disbursement:

A. Subject to paragraph (2) of this subsection, provides written notice of the reason for the delay to all parties authorized to transact business on the account; and

B. Notifies the Commissioner and the local department under § 14–302 of the Family Law Article; and

2. Continues an internal review of the suspected financial exploitation of the eligible adult.

(2) The broker–dealer, investment adviser, or qualified individual:

(i) May not provide the written notice required under paragraph (1) of this subsection to a party the broker–dealer, investment adviser, or qualified individual reasonably believes or suspects is engaging in or attempting to engage in the financial exploitation of the eligible adult; and

(ii) Shall provide, on request, a status report of the internal review required under paragraph (1) of this subsection to the Commissioner and the local department.

(d) (1) A delay of a disbursement authorized under this section shall expire:

(i) On a determination by the broker–dealer or investment adviser that the disbursement will not result in the financial exploitation of the eligible adult; or

(ii) Subject to paragraph (2) of this subsection, 15 business days after the date of the disbursement request.

(2) (i) The Commissioner or the local department may request the delay of a disbursement for up to 25 business days after the date of the disbursement request.

(ii) If a request is made under this paragraph, the delay shall continue for 25 business days after the date of the disbursement request unless the Commissioner, the local department, or a court of competent jurisdiction enters an order that terminates or extends the delay.

(e) (1) A broker–dealer, an investment adviser, or a qualified individual that in good faith and exercising reasonable care provides notice under subsection (b) of this section shall have immunity from any administrative or civil liability that might otherwise arise from the notice.

(2) A broker–dealer or an investment adviser that in good faith and exercising reasonable care delays a disbursement under subsection (c) of this section

shall have immunity from any administrative or civil liability that might otherwise arise from the delay.

(f) (1) A broker–dealer or an investment adviser shall provide access to or copies of records that are relevant to the suspected financial exploitation of an eligible adult:

(i) As part of the referral to the Commissioner and a local department under subsection (c) of this section; or

(ii) At the request of the Commissioner, a local department, or a law enforcement agency.

(2) The records under paragraph (1) of this subsection may include historical records and records that relate to the most recent transactions that may demonstrate the financial exploitation of an eligible adult.

(3) A record made available under this subsection is not a public record under Title 4 of the General Provisions Article.

(4) This subsection may not be interpreted to limit the authority of the Commissioner to access or examine the books or records of a broker–dealer or an investment adviser.

§11–401.

(a) Except as provided in subsection (d) of this section, a person may not transact business in this State as a broker–dealer or agent unless the person is registered under this subtitle.

(b) A person may not transact business in this State as an investment adviser or as an investment adviser representative unless:

(1) The person is registered as an investment adviser or an investment adviser representative under this subtitle;

(2) The person's only clients in this State are investment companies as defined in the Investment Company Act of 1940, or insurance companies; or

(3) The person has no place of business in this State, and:

(i) The person's only clients in this State are investment companies as defined in the Investment Company Act of 1940, other investment advisers, federal covered advisers, broker–dealers, banks, trust companies, savings

and loan associations, insurance companies, employee benefit plans with assets of not less than $1,000,000, and governmental agencies or instrumentalities, whether acting for themselves or as trustees or fiduciaries with investment control, or other institutional investors as are designated by rule or order of the Commissioner; or

(ii) During the preceding 12–month period, the person has had no more than five clients who:

1. Are residents of the State; and

2. Are not the types of clients described in item (i) of this paragraph.

(c) A federal covered adviser may not conduct advisory business in this State unless the federal covered adviser conducts the advisory business in accordance with § 11-405(b) of this subtitle or subsection (b)(2) or (3) of this section.

(d) A person that transacts business in this State as a federal exempt broker–dealer is not required to register under subsection (a) of this section.

(e) By rule or order, the Commissioner may modify the requirements of this section or exempt any broker–dealer, investment adviser, or federal covered adviser from the requirements of this section if the Commissioner determines that:

(1) Compliance with this section is not necessary or appropriate for the protection of investors; and

(2) The exemption is consistent with the public interest and within the purposes fairly intended by the policy and provisions of this title.

§11–402.

(a) (1) Except as provided in paragraph (3) of this subsection, a broker–dealer or issuer may not employ or associate with an agent unless the agent is registered.

(2) Except as provided in paragraph (3) of this subsection, when an agent terminates a connection with a broker–dealer or issuer or terminates those activities which make the individual an agent, the agent and the broker–dealer or issuer shall promptly notify the Commissioner.

(3) This subsection does not apply to a federal exempt broker–dealer.

(b) (1) An investment adviser required to be registered may not employ or associate with an investment adviser representative unless the representative is registered under this subtitle.

(2) An investment adviser representative who has a place of business located in this State may not transact business on behalf of a federal covered adviser, unless the investment adviser representative is registered or exempt from registration under this subtitle.

(3) The registration of a representative is not effective during any period when the representative is not employed by or associated with:

(i) A registered investment adviser; or

(ii) A federal covered adviser that has filed a notice under § 11-405(b) of this subtitle.

(4) When an investment adviser representative begins or terminates a connection with a registered investment adviser or terminates those activities that make the representative an investment adviser representative, the investment adviser shall promptly notify the Commissioner.

(5) When an investment adviser representative begins or terminates a connection with a federal covered adviser or terminates those activities that make the representative an investment adviser representative, the investment adviser representative shall promptly notify the Commissioner.

(c) (1) It is unlawful for a broker–dealer or issuer engaged in offering, offering to purchase, purchasing, or selling securities in this State or an investment adviser offering or providing investment advice in this State, directly or indirectly, to employ or associate with an individual who is participating in the securities transaction or investment advice in this State if:

(i) The registration of the individual is suspended or revoked; or

(ii) The individual is barred from employment or association with a broker–dealer, an issuer, an investment adviser, or a federal covered adviser by an order of the Commissioner under this title, the Securities and Exchange Commission, or a self–regulatory organization.

(2) A broker–dealer, an investment adviser, or an issuer may not be considered to have violated this subsection if the broker–dealer, investment adviser,

or issuer did not know, and in the exercise of reasonable care could not have known, of the suspension, revocation, or bar.

(3) On request from a broker–dealer, an investment adviser, or an issuer and for good cause, the Commissioner, by order under subsection (d) of this section, may modify or waive, in whole or in part, the prohibitions of this subsection.

(d) By rule or order, the Commissioner may modify the requirements of this section or exempt any broker–dealer, agent, investment adviser, federal covered adviser, or investment adviser representative from the requirements of this section if the Commissioner determines that:

(1) Compliance with this section is not necessary or appropriate for the protection of investors; and

(2) The exemption is consistent with the public interest and within the purposes fairly intended by the policy and provisions of this title.

§11–403.

Unless sooner terminated under other provisions of this title, the registration of each broker-dealer, agent, investment adviser, and investment adviser representative and the notice filing of each federal covered adviser expires December 31, unless renewed.

§11–404.

(a) (1) The registration of an agent expires when the agent terminates a connection with a registered broker-dealer or with an issuer.

(2) The registration of an investment adviser representative expires when the representative terminates a connection with:

(i) An investment adviser registered under this subtitle; or

(ii) A federal covered adviser subject to notice filing under § 11-405(b) of this subtitle.

(b) (1) When a person who is currently registered as an agent under this subtitle begins a connection with another broker-dealer or issuer, the person shall file an application for initial registration as provided in § 11-405 of this subtitle and shall pay the fee required by § 11-407 of this subtitle.

(2) When a person who is currently registered as an investment adviser representative under this subtitle begins a connection with another investment adviser or federal covered adviser, the person shall file an application for initial registration as provided in § 11-405 of this subtitle and pay the fee required by § 11-407 of this subtitle.

(c) Unless the Commissioner takes action under §§ 11-412 through 11-414 of this subtitle to deny or suspend the registration, the agent or investment adviser representative registration shall become effective 30 days after receipt of the application by the Commissioner and shall continue in effect until it expires under the provisions of § 11-403 of this subtitle or under the provisions of this section, whichever would occur earlier. The Commissioner may waive the 30-day period or any portion of it at the Commissioner's discretion.

§11–405.

(a) A broker-dealer, agent, investment adviser, or investment adviser representative may obtain an initial registration by filing with the Commissioner, or any entity the Commissioner designates by rule or order, an application together with a consent to service of process under § 11-802(a) of this title. The application shall contain whatever information the Commissioner by rule or order requires.

(b) (1) This subsection does not apply to a federal covered adviser who conducts advisory business in accordance with § 11-401(b)(2) or (3) of this subtitle.

(2) Before acting as a federal covered adviser in this State, a person shall pay the fee required by § 11-407 of this subtitle and shall file the following documents as the Commissioner may require by rule or order:

(i) The documents that the person filed with the Securities and Exchange Commission; and

(ii) A consent to service of process under § 11-802(a) of this title.

(c) (1) For purposes of this subsection, "private fund adviser" means an investment adviser that provides advice solely to one or more qualifying private funds, as defined in Securities and Exchange Commission Rule 203(m)–1 (17 C.F.R. 275.203(m)–1).

(2) Before acting as a private fund adviser, a person who is not a federal covered adviser shall pay the fee required under § 11–407 of this subtitle and shall file the following documents as the Commissioner may require by rule or order:

(i) The documents that the person filed with the Securities and Exchange Commission; and

(ii) A consent to service of process under § 11–802(a) of this title.

(d) Notwithstanding the provisions of subsection (a) of this section, a registered broker–dealer who is also a registered investment adviser in this State may effect the initial registration of any or all of its registered agents in this State as investment adviser representatives by the filing of:

(1) A notice with the Commissioner designating the registered agents as representatives of the investment adviser;

(2) A consent to service of process under § 11–802(a) of this title; and

(3) Such other information as the Commissioner by rule or order may require.

(e) Notwithstanding the provisions of subsection (a) of this section, a registered broker–dealer who is also a federal covered adviser that has filed a notice under subsection (b) of this section may effect the initial registration of its registered agents with a place of business in this State as investment adviser representatives by the filing of:

(1) A notice with the Commissioner designating the registered agents as representatives of the federal covered adviser;

(2) A consent to service of process under § 11–802(a) of this title; and

(3) Such other information as the Commissioner by rule or order may require.

(f) The Commissioner in the Commissioner's discretion may publish an announcement of the applicants for registration in the media the Commissioner determines.

(g) If a denial order is not in effect and a proceeding is not pending under §§ 11–412 through 11–414 of this subtitle, registration becomes effective at noon of the 30th day after an application is filed. The Commissioner by rule or order may specify an earlier effective date, and the Commissioner by order may defer the effective date until noon of the 30th day after the filing of any amendment.

§11–406.

(a) A broker-dealer or investment adviser may obtain a renewal registration by filing with the Commissioner or any entity the Commissioner designates by rule or order an application containing whatever information the Commissioner by rule requires to keep current the information contained in the application for initial registration.

(b) A broker-dealer or issuer may obtain a renewal registration for the agents associated with it by filing with the Commissioner or any entity the Commissioner designates by rule or order an application containing the names of the agents associated with it and a certification that, to the best knowledge, information, and belief of the broker-dealer or issuer:

(1) There has been no change in the information contained in the agents' applications for the registration then currently in effect; or

(2) If there has been any such change, specifying the change.

(c) A federal covered adviser who has filed a notice under § 11-405(b) of this subtitle or an investment adviser may obtain a renewal registration for the investment adviser representatives associated with it by filing with the Commissioner or any entity the Commissioner designates by rule or order an application containing the names of the representatives associated with it and a certification that, to the best knowledge, information, and belief of the federal covered adviser or the investment adviser:

(1) There has been no change in the information contained in the investment adviser representatives' applications for the registration currently in effect; or

(2) If there has been any such change, specifying the change.

(d) An application for renewal registration is effective on receipt by the Commissioner of the proper application and fee or on the expiration of the previous registration, whichever date is later.

§11–407.

(a) (1) An applicant for initial or renewal registration as a broker–dealer shall pay a fee of $250.

(2) (i) An applicant for initial or renewal registration or transfer of registration as an agent shall pay a fee of $50.

(ii) From the fee paid under this paragraph, $15 shall be distributed to the Securities Act Registration Fund established under § 11–208 of this title.

(b) (1) An applicant for initial or renewal registration as an investment adviser shall pay a fee of $300.

(2) A federal covered adviser filing notice under § 11–405(b) of this subtitle shall pay an initial fee of $300 and a renewal fee of $300.

(3) A private fund adviser filing notice under § 11–405(c) of this subtitle shall pay an initial fee of $300 and a renewal fee of $300.

(4) An applicant for initial or renewal registration or transfer of registration as an investment adviser representative shall pay a fee of $50.

(c) The Commissioner by rule may waive or reduce for any class of applicant the application of the fee requirements set forth in subsection (b) of this section.

(d) If an application is denied or an application or notice filing is withdrawn, the Commissioner shall retain the fee.

§11–408.

(a) A registered broker-dealer or investment adviser may file an application for registration of a successor, whether or not the successor is then in existence, for the unexpired portion of the year. There is no fee.

(b) The registration of a predecessor remains effective as the registration of a successor for 60 days after the succession, if:

(1) A broker-dealer or investment adviser succeeds to and continues the business of a registered broker-dealer or investment adviser; and

(2) The successor files an application for registration within 30 days after the succession.

(c) A federal covered adviser who has filed a notice under § 11-405(b) of this subtitle may file a notice filing of a successor for the unexpired portion of the year, whether or not the successor is in existence at the time of the filing. There is no fee.

(d) The notice filing of a federal covered adviser stands as the notice filing of a successor for 60 days after the succession if:

(1) The federal covered adviser succeeds to and continues the business of a federal covered adviser that has filed a notice under § 11-405(b) of this subtitle; and

(2) The successor files a notice filing within 30 days after the succession.

(e) (1) Each registered agent of a broker-dealer and each registered representative of an investment adviser whose successor is registered in accordance with subsection (a) or (b) of this section shall continue to be registered in accordance with rules that the Commissioner adopts.

(2) A registered investment adviser representative of a federal covered adviser whose successor has filed in accordance with subsection (d) of this section shall continue to be registered in accordance with rules that the Commissioner adopts.

§11–409.

(a) The Commissioner may require by rule or order:

(1) A minimum capital for a registered broker-dealer, subject to the limitations of § 15 of the Securities Exchange Act of 1934; and

(2) Minimum financial requirements for an investment adviser, subject to the limitations of § 222 of the Investment Advisers Act of 1940.

(b) These financial requirements may include different requirements for those investment advisers who maintain custody of clients' funds or securities, or who require payment more than 6 months in advance of fees in excess of $500, and those investment advisers who do not.

§11–410.

(a) (1) The Commissioner may require by rule or order a registered broker-dealer or agent to post a bond or deposit cash or any other equivalent form of security in amounts that the Commissioner may require.

(2) The Commissioner's authority to adopt rules or issue orders under paragraph (1) of this subsection is subject to the limitations of § 15 of the Securities Exchange Act of 1934.

(3) The Commissioner may require by rule or order a registered investment adviser or representative who has custody of client funds or securities or

requires payments of more than 6 months in advance of fees in excess of $500 to post a bond or deposit cash or any other equivalent form of security in amounts that the Commissioner requires.

(4) The Commissioner's authority to adopt rules or issue orders under paragraph (3) of this subsection is subject to the limitations of § 222 of the Investment Advisers Act of 1940.

(b) The condition of such bond or equivalent form of security shall be that the registrant will comply with the provisions of this title and the rules and regulations issued under this title.

(c) The bond or equivalent form of security may be drawn to cover the original registration and any renewals of the registration.

(d) Every bond or equivalent form of security shall provide that:

(1) A suit may not be maintained to enforce any liability on the bond or equivalent form of security unless brought within two years after the contract of sale or other act on which the suit is based; and

(2) The liability of the surety on each bond or equivalent form of security to all persons aggrieved may not in any event exceed in the aggregate the penal sum of the bond.

§11–411.

(a) (1) A registered broker-dealer shall make and keep correspondence, memoranda, papers, books, and other records that the Commissioner requires by rule.

(2) The Commissioner's authority to adopt rules under paragraph (1) of this subsection is subject to the limitations of § 15 of the Securities Exchange Act of 1934.

(3) A registered investment adviser shall make, keep, and preserve accounts, correspondence, memoranda, papers, books, and other records that the Commissioner requires by rule.

(4) The Commissioner's authority to adopt rules under paragraph (3) of this subsection is subject to the limitations of § 222 of the Investment Advisers Act of 1940.

(b) (1) With respect to investment advisers, the Commissioner by rule or order may require that certain information be furnished or disseminated as appropriate in the public interest or for the protection of investors and advisory clients.

(2) To the extent determined by the Commissioner in the Commissioner's discretion, information furnished to clients or prospective clients of an investment adviser that would be in compliance with the disclosure requirements of the Investment Advisers Act of 1940 and the rules thereunder may be used in whole or partial satisfaction of this requirement.

(c) (1) A registered broker-dealer shall file financial reports that the Commissioner requires by rule or order.

(2) The Commissioner's authority to adopt rules under paragraph (1) of this subsection is subject to the limitations of § 15 of the Securities Exchange Act of 1934.

(3) A registered investment adviser shall file the financial reports that the Commissioner requires by rule or order.

(4) The Commissioner's authority to adopt rules under paragraph (3) of this subsection is subject to the limitations of § 222 of the Investment Advisers Act of 1940.

(d) A registrant shall promptly file a correcting amendment, if:

(1) The information contained in any document filed with the Commissioner is or becomes inaccurate or incomplete in any material respect; and

(2) The registrant has not provided notification of the correction under § 11-402 of this subtitle.

(e) A federal covered adviser shall promptly file a correcting amendment with the Commissioner, if:

(1) The information contained in any document filed with the Commissioner by the federal covered adviser is or becomes inaccurate in any material respect; and

(2) The Securities and Exchange Commission requires the correcting amendment.

(f) (1) (i) All the records referred to in subsection (a) of this section are subject at any time or from time to time to the reasonable periodic, special, or other examinations by representatives of the Commissioner, within or without this State, which the Commissioner considers necessary or appropriate in the public interest or for the protection of investors.

(ii) The Commissioner may perform an audit or inspection at any time and without prior notice.

(iii) The Commissioner may copy and remove for audit or inspection copies of all records the Commissioner reasonably considers necessary or appropriate to conduct the audit or inspection.

(2) For the purpose of avoiding unnecessary duplication of examinations, the Commissioner, to the extent the Commissioner considers it practicable in administering this subsection, may cooperate with the securities administrators of other states, the Securities and Exchange Commission, and any national securities exchange or national securities association registered under the Securities Exchange Act of 1934.

§11–412.

(a) The Commissioner by order may deny, suspend, or revoke any registration if the Commissioner finds that the order is in the public interest and that the applicant or registrant or, in the case of a broker–dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker–dealer or investment adviser:

(1) Has filed an application for registration which, as of its effective date or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained any statement which was, in light of the circumstances under which it was made, false or misleading with respect to any material fact;

(2) Has willfully violated or willfully failed to comply with any provisions of this title, a predecessor act, or any rule or order under this title or a predecessor act;

(3) Has been convicted, within the last 10 years, of a felony, or of an offense that:

(i) Involves the taking of a false oath, the making of a false report, bribery, perjury, burglary, or attempt or conspiracy to commit any of those offenses;

(ii) Arises out of the conduct of business as, or employment by or association with, a broker–dealer, municipal or government securities broker or dealer, investment adviser, bank, savings institution, trust company, credit union, savings and loan association, insurance company or insurance producer, fiduciary, investment company, accountant, or real estate agent or broker, or any entity or person required to be registered under the Commodity Exchange Act; or

(iii) Involves the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities, or an attempt or conspiracy to commit any of those offenses;

(4) Is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practices involving any aspect of the securities or investment advisory or any other financial services business;

(5) Is the subject of an order of the Commissioner denying, suspending, or revoking registration as a broker–dealer, agent, investment adviser, or investment adviser representative;

(6) Is the subject of an order entered within the past five years by the securities administrator or any other financial services regulator of any state or by the Securities and Exchange Commission denying, suspending, or revoking registration as a broker–dealer, investment adviser, investment adviser representative, or agent or the substantial equivalent of those terms as defined in this title, or any other financial services license or registration, or is the subject of an order by the Commodity Futures Trading Commission denying, suspending, or revoking registration under the Commodity Exchange Act, or is suspended, expelled, or barred from a national securities exchange or national securities association registered under the Securities Exchange Act of 1934 either by action of a national securities exchange or national securities association, the effect of which action has not been stayed by appeal or otherwise, or by order of the Securities and Exchange Commission, or is the subject of a United States post office fraud order, but:

(i) The Commissioner may not institute a revocation or suspension proceeding under this item (6) more than one year from the date of the order or action relied on; and

(ii) The Commissioner may not enter an order under this item (6) on the basis of an order under another state act unless that order was based on facts which would currently constitute a ground for an order under this section;

(7) Has engaged in dishonest or unethical practices in the securities or investment advisory or any other financial services business;

(8) Is insolvent, either in the sense that the person's liabilities exceed assets or in the sense that the person cannot meet obligations as they mature, but the Commissioner may not enter an order against a broker–dealer or investment adviser under this item (8) without a finding of insolvency as to the broker–dealer or investment adviser;

(9) Is not qualified on the basis of factors such as training, experience, and knowledge of the securities or investment advisory or any other financial services business, except as otherwise provided in subsection (c) of this section;

(10) Has failed reasonably to supervise the broker–dealer's agents, if the person is a broker–dealer, or the investment adviser's representatives, if the person is an investment adviser;

(11) Has failed to pay the proper fee, but the Commissioner may enter only a denial order under this item (11), and the Commissioner shall vacate the order when the deficiency is corrected;

(12) Is subject to a request from the Child Support Administration to suspend or revoke a registration based on failure to pay support obligations;

(13) Refuses to allow the Commissioner to conduct or otherwise impedes the Commissioner in conducting an audit or inspection under § 11–411(f) of this subtitle or refuses access to a registrant's office to conduct an audit or inspection under § 11–411(f) of this subtitle; or

(14) Is the subject of a cease and desist order issued by the Securities and Exchange Commission or issued under the securities, commodities, investment, franchise, banking, finance, or insurance laws of a state.

(b) (1) In this subsection, "final administrative order" does not include an order that is stayed or subject to further review or appeal.

(2) If an applicant for initial registration discloses the existence of a final judicial or administrative order to the Commissioner before the effective date of the initial registration, the Commissioner may not institute a suspension or

revocation proceeding based solely on the judicial or administrative order unless the proceeding is initiated within one year after the effective date of the applicant's initial registration.

(c) The following provisions govern the application of subsection (a)(9) of this section:

(1) The Commissioner may not enter an order against a broker–dealer on the basis of the lack of qualification of any person other than that broker–dealer if the broker–dealer is an individual, or an agent of the broker–dealer;

(2) The Commissioner may not enter an order against an investment adviser on the basis of the lack of qualification of any person other than that investment adviser if the investment adviser is an individual, or an investment adviser representative of the investment adviser;

(3) The Commissioner may not enter an order solely on the basis of lack of experience if the applicant or registrant is qualified by training or knowledge or both;

(4) The Commissioner shall consider that an agent who will work under the supervision of a registered broker–dealer need not have the same qualifications as a broker–dealer and that an investment adviser representative who will work under the supervision of a registered investment adviser need not have the same qualifications as an investment adviser;

(5) The Commissioner shall consider that an investment adviser is not necessarily qualified solely on the basis of experience as a broker–dealer or agent. When the Commissioner finds that an applicant for initial or renewal registration as a broker–dealer is not qualified as an investment adviser, the Commissioner by order may condition the applicant's registration as a broker–dealer upon the broker–dealer not transacting business in this State as an investment adviser; and

(6) The Commissioner by rule may provide for an examination, which may be written, oral, or both, to be taken by any class of or all applicants. The Commissioner by rule or order may waive the examination requirement as to a person or class of persons if the Commissioner determines that the examination is not necessary or appropriate in the public interest or for the protection of investors.

§11–413.

(a) The Commissioner by order summarily may postpone or suspend registration pending final determination of any proceeding under § 11-412 of this subtitle.

(b) On the entry of the order, the Commissioner promptly shall notify the applicant or registrant, as well as the employer or prospective employer if the applicant or registrant is an agent or investment adviser representative:

(1) That it has been entered;

(2) The reasons for its entry; and

(3) That within 15 days after the receipt of a written request the matter will be set down for hearing.

(c) (1) If a hearing is not requested and one is not ordered by the Commissioner, the order will remain in effect until it is modified or vacated by the Commissioner.

(2) If a hearing is requested or ordered, the Commissioner, after notice and opportunity for hearing, may modify or vacate the order or extend it until final determination.

§11–414.

(a) By order, the Commissioner may cancel a registration or application, if the Commissioner finds that the applicant or registrant:

(1) Has abandoned the application;

(2) Is no longer in existence;

(3) Has ceased to do business as a broker-dealer, agent, investment adviser, or investment adviser representative;

(4) Is subject to an adjudication of mental incompetence or the control of a committee, conservator, or guardian; or

(5) Cannot be located after reasonable search.

(b) The Commissioner may deem abandoned a notice filing that a federal covered adviser has filed under § 11-405 of this subtitle, if the Commissioner finds that the federal covered adviser:

(1) Has abandoned the notice filing;

(2) Is no longer in existence;

(3) Has ceased to do business as a federal covered adviser;

(4) Is subject to adjudication of mental incompetence or to the control of a committee, conservator, or guardian; or

(5) Cannot be located after a reasonable search.

§11–415.

(a) Withdrawal from registration as a broker-dealer, agent, investment adviser, or investment adviser representative becomes effective 90 days after receipt of an application to withdraw or within any shorter period of time which the Commissioner determines, unless:

(1) A revocation or suspension proceeding is pending when the application is filed; or

(2) A proceeding to revoke, suspend, or impose conditions on the withdrawal is instituted within 90 days after the application is filed.

(b) If a proceeding is pending or instituted, withdrawal becomes effective at the time and on the conditions the Commissioner by order determines.

(c) If no proceeding is pending or instituted and withdrawal automatically becomes effective, the Commissioner nevertheless may institute a revocation or suspension proceeding under § 11-412(a)(2) of this subtitle within 2 years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective.

§11–416.

An order may not be entered under any part of §§ 11-412 through 11-415 of this subtitle, except § 11-413(a), without:

(1) Appropriate prior notice to the applicant or registrant, or person submitting a notice filing, as well as the employer or prospective employer if the applicant or registrant is an agent or investment adviser representative;

(2) Opportunity for hearing; and

(3) Written findings of fact and conclusions of law.

§11–417.

On notice and hearing as provided in § 11-416 of this subtitle, the Commissioner may fine any broker-dealer, agent, investment adviser, or investment adviser representative up to a maximum amount of $5,000 for any single violation of this title.

§11–501.

A person may not offer or sell any security in this State unless:

(1) The security is registered under this title;

(2) The security or transaction is exempted under Subtitle 6 of this title; or

(3) The security is a federal covered security.

§11–502.

(a) The following securities may be registered by notification, whether or not they are also eligible for registration by coordination under § 11–503 of this subtitle:

(1) Any security whose issuer and any predecessor have been in continuous operation for at least five years if:

(i) There has been no default during the current fiscal year or within the three preceding fiscal years in the payment of principal, interest, or dividends on any security of the issuer or any predecessor with a fixed maturity or a fixed interest or dividend provision; and

(ii) The issuer and any predecessor during the past three fiscal years have had average net earnings, determined in accordance with generally accepted accounting practices, which:

1. Are applicable to all securities without a fixed maturity or a fixed interest or dividend provision outstanding at the date the registration statement is filed and equal at least 5 percent of the amount of the outstanding securities, as measured by the maximum offering price or the market price on a day selected by the registrant, within 30 days before the date of filing the registration statement, whichever is higher, or book value on a day, selected by the registrant within 90 days of the date of filing the registration statement, to the extent that there is neither a readily determinable market price nor a cash offering price; or

2. If the issuer and any predecessor has not had any security of the type specified in paragraph (1)(ii)1 of this subsection outstanding for three full fiscal years, equal at least 5 percent of the amount, as measured in paragraph (1)(ii)1 of this subsection, of all securities which will be outstanding if all the securities being offered or proposed to be offered, whether or not they are proposed to be registered or offered in the State, are issued; and

(2) Any security, other than a certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease, registered for nonissuer distribution if:

(i) Any security of the same class has ever been registered under this title; or

(ii) The security being registered was originally issued pursuant to an exemption under this title.

(b) A registration statement under this section shall contain the following information and be accompanied by the following documents, in addition to the information specified in § 11–507(a) of this subtitle and the consent to service of process required by § 11–802(a) of this title:

(1) A statement demonstrating eligibility for registration by notification;

(2) With respect to the issuer and any significant subsidiary:

(i) Its name, address, and form of organization;

(ii) The state or foreign jurisdiction and the date of its organization; and

(iii) The general character and location of its business;

(3) With respect to any person on whose behalf any part of the offering is to be made in a nonissuer distribution:

(i) His name and address;

(ii) The amount of securities of the issuer held by him as of the date of the filing of the registration statement; and

(iii) A statement of his reasons for making the offering;

(4) A description of the security being registered;

(5) The information and documents specified in § 11–504(b)(2), (4), (7), (8), (9), (10), and (12) of this subtitle;

(6) A balance sheet of the issuer as of a date within four months before the filing of the registration statement;

(7) A summary of earnings:

(i) For each of the two fiscal years preceding the date of the balance sheet and for any period between the close of the last fiscal year and the date of the balance sheet; or

(ii) For the period of existence of the issuer and any predecessor, if less than two years; and

(8) Two copies of the prospectus required by subsection (c) of this section.

(c) (1) As a condition of registration under this section, a prospectus containing any designated part of the information specified in subsection (b) of this section shall be sent or given to each person to whom an offer is made before or concurrently with the first to occur of:

(i) The first written offer to him, other than by means of a public advertisement, by or for the account of the issuer or any other person on whose behalf the offering is being made, or by any underwriter or broker–dealer who is offering part of an unsold allotment or subscription taken by him as a participant in the distribution;

(ii) The confirmation of any sale made by or for the account of the person;

(iii) Payment under the sale; or

(iv) Delivery of the security under the sale.

(2) Paragraph (1)(i) of this subsection may be satisfied by the use of a preliminary prospectus, so designated and bearing the legend which the Commissioner prescribes, if a final prospectus is sent or given to each recipient of the preliminary prospectus before or concurrently with whichever event in paragraph (1)(ii), (iii), and (iv) first occurs.

(d) If a stop order is not in effect and a proceeding is not pending under §§ 11–511 through 11–513 of this subtitle, a registration statement under this section automatically becomes effective at:

(1) 3 o'clock eastern standard time in the afternoon of the 10th full business day after the filing of the registration statement or the last amendment; or

(2) At any earlier time which the Commissioner determines.

§11–503.

(a) Any security for which a registration statement has been filed under the Securities Act of 1933 in connection with the same offering may be registered by coordination.

(b) A registration statement under this section shall contain the following information and be accompanied by the following documents, in addition to the information specified in § 11–507(a) of this subtitle and the consent to service of process required by § 11–802(a) of this title:

(1) Two copies of the latest form of prospectus filed under the Securities Act of 1933;

(2) If the Commissioner by rule or otherwise requires:

(i) A copy of the articles of incorporation and bylaws or their substantial equivalents, as currently in effect;

(ii) A copy of any agreements with or among underwriters;

(iii) A copy of any indenture or other instrument governing the issuance of the security to be registered; and

(iv) A specimen or copy of the security;

(3) If the Commissioner requests, any other information or copies of any other documents filed under the Securities Act of 1933; and

(4) An undertaking to forward all future amendments to the federal prospectus, other than an amendment which merely delays the effective date of the registration statement, promptly and in any event not later than the first business day after the day they are forwarded to or filed with the Securities and Exchange Commission, whichever first occurs.

(c) (1) A registration statement under this section automatically becomes effective at the moment the federal registration statement becomes effective, if all the following conditions are satisfied:

(i) A stop order is not in effect and a proceeding is not pending under §§ 11–511 through 11–513 of this subtitle;

(ii) The registration statement has been on file with the Commissioner for at least ten business days; and

(iii) A statement of the maximum and minimum proposed offering prices and the maximum underwriting discounts and commissions has been on file for two full business days or any shorter period which the Commissioner permits by rule or otherwise, and the offering is made within those limitations.

(2) The registrant promptly shall notify the Commissioner in writing, by facsimile transmission, telegram, or by any other means that the Commissioner by rule or order may deem appropriate, of the date and time when the federal registration statement became effective and the content of the price amendment, if any, and promptly shall file a post–effective amendment containing the information and documents in the price amendment.

(3) "Price amendment" means the final federal amendment which includes a statement of the offering price, underwriting and selling discounts or commissions, amount of proceeds, conversion rates, call prices, and other matters dependent on the offering price.

(4) On failure to receive the required notification and post–effective amendment with respect to the price amendment, the Commissioner may enter a stop order without notice or hearing, retroactively denying effectiveness to the registration statement or suspending its effectiveness until compliance with this subsection, if he promptly notifies the registrant by telephone or telegram, and promptly confirms by letter, facsimile transmission, or telegram when he notifies by telephone, of the issuance of the order. If the registrant proves compliance with the requirements of this subsection as to notice and post–effective amendment, the stop order is void as of the time of its entry.

(5) The Commissioner by rule or otherwise may waive either or both of the conditions specified in paragraphs (1)(ii) and (iii) of this subsection.

(6) If the federal registration statement becomes effective before all the conditions in this subsection are satisfied and they are not waived, the registration statement automatically becomes effective as soon as all the conditions are satisfied. If the registrant advises the Commissioner of the date when the federal

registration statement is expected to become effective, the Commissioner promptly shall advise the registrant by telephone, facsimile transmission, or telegram, at the expense of the registrant, whether all the conditions are satisfied and whether he then contemplates the institution of a proceeding under §§ 11–511 through 11–513 of this subtitle, but this advice by the Commissioner does not preclude the institution of the proceeding at any time.

(d) (1) Any security for which the documents required by any regulation adopted by the Securities and Exchange Commission under § 3(b) or § 3(c) of the Securities Act of 1933 have been filed with the Commission in connection with the same offering may be registered by coordination on compliance with subsections (b) and (c) of this section in the manner the Commissioner by rule or order may prescribe.

(2) For purposes of this subsection, the terms "federal registration statement" and "federal prospectus" include the documents, including the offering circular, if any, which may be filed with the Securities and Exchange Commission in accordance with any such regulation.

(e) The Commissioner by rule or order may waive or modify the application of a requirement of this section if a provision or an amendment, repeal or other alteration of the provisions of the Securities Act of 1933, or the regulations adopted under that act, render the waiver or modification appropriate for further coordination of State and federal law.

§11–503.1.

(a) A person may not offer or sell a federal covered security in this State unless the documents required by this section are filed and the fees required by § 11–506 or § 11–510.1 of this subtitle are paid.

(b) With respect to a federal covered security specified in § 18(b)(2) of the Securities Act of 1933, the Commissioner may require, by rule, order, or otherwise, the filing of the following documents:

(1) Before the initial offer of the federal covered security in this State:

(i) A notice in a form that the Commissioner requires or the documents filed with the Securities and Exchange Commission under the Securities Act of 1933;

(ii) A consent to service of process signed by the issuer; and

(iii) The fee required under § 11–510.1 of this subtitle; and

(2) After the initial offer of the federal covered security in this State:

(i) Any document that is part of an amendment filed with the Securities and Exchange Commission under the Securities Act of 1933; and

(ii) As necessary to compute fees, an annual or periodic report of the value of the federal covered securities offered or sold in this State together with any fee required under § 11–510.1(b) and (c) of this subtitle.

(c) With respect to a security that is a federal covered security specified in § 18(b)(3) or (4) of the Securities Act of 1933, the Commissioner may require, by rule, order, or otherwise, the issuer to file:

(1) A consent to service of process signed by the issuer;

(2) The fee required under § 11–506 of this subtitle; and

(3) Any document filed with the Securities and Exchange Commission under the Securities Act of 1933.

(d) (1) If an issuer fails to timely file the items under subsection (b) or (c) of this section and a stop order has not been issued under subsection (e) of this section, the issuer may satisfy the requirements of subsection (b) or (c) of this section, as applicable, by making a late filing and paying the fees required for a late filing under § 11–506 or § 11–510.1 of this subtitle.

(2) An issuer that makes a late filing in accordance with paragraph (1) of this subsection will terminate any right or liability that accrues based on the failure to satisfy the requirements of subsection (b) or (c) of this section if:

(i) There is no action pending under subsection (e) of this section or any other provision of this title;

(ii) A person with the right has not relied detrimentally on the absence of the filing; and

(iii) The late filing is made within 1 year of the original due date of the filing.

(e) Except for a federal covered security specified in § 18(b)(1) of the Securities Act of 1933, the Commissioner may issue a stop order suspending the offer and sale of a federal covered security, if the Commissioner finds that:

(1) The order is in the public interest; and

(2) There is a failure to comply with any condition established under this section.

(f) The Commissioner may waive, by rule, order, or otherwise, the filing of any document required under this section.

§11–504.

(a) Any security may be registered by qualification.

(b) A registration statement under this section shall contain the following information and be accompanied by the following documents, in addition to the information specified in § 11-507(a) of this subtitle and the consent to service of process required by § 11-802(a) of this title:

(1) With respect to the issuer and any significant subsidiary:

(i) Its name, address, and form of organization;

(ii) The state or foreign jurisdiction and date of its organization;

(iii) The general character and location of its business;

(iv) A description of its physical properties and equipment; and

(v) A statement of the general competitive conditions in the industry or business in which it is or will be engaged;

(2) With respect to every director and officer of the issuer, or person occupying a similar status or performing similar functions:

(i) His name, address, and principal occupation for the past five years;

(ii) The amount of securities of the issuer held by him as of a specified date within 30 days of the filing of the registration statement;

(iii) The amount of the securities covered by the registration statement to which he has indicated his intention to subscribe; and

(iv) A description of any material interest in any material transaction with the issuer or any significant subsidiary effected within the past three years or proposed to be effected;

(3) With respect to every person covered by item (2) of this subsection, the remuneration paid during the past 12 months and estimated to be paid during the next 12 months, directly or indirectly, by the issuer, together with every predecessor, parent, subsidiary and affiliate, to all those persons in the aggregate;

(4) With respect to any person owning of record or, if known, beneficially 10 percent or more of the outstanding shares of any class of equity security of the issuer, the information specified in item (2) of this subsection other than his occupation;

(5) With respect to every promoter, if the issuer was organized within the past three years:

(i) The information specified in item (2) of this subsection;

(ii) Any amount paid to him within that period or intended to be paid to him; and

(iii) The consideration for the payment;

(6) With respect to any person on whose behalf any part of the offering is to be made in a nonissuer distribution:

(i) His name and address;

(ii) The amount of securities of the issuer held by him as of the date of the filing of the registration statement;

(iii) A description of any material interest in any material transaction with the issuer or any significant subsidiary effected within the past three years or proposed to be effected; and

(iv) A statement of his reasons for making the offering;

(7) The capitalization and long-term debt, on both a current and a pro forma basis, of the issuer and any significant subsidiary, including a description of each security outstanding, being registered, or otherwise offered, and a statement of the amount and kind of consideration, whether in the form of cash, physical assets, services, patents, goodwill, or anything else, for which the issuer or any subsidiary

has issued any of its securities within the past two years or is obligated to issue any of its securities;

(8) (i) The kind and amount of securities to be offered;

(ii) The proposed offering price or the method by which it is to be computed;

(iii) Any variation from the price or method at which any proportion of the offering is to be made to any person or class of persons other than the underwriters, with a specification of the person or class;

(iv) The basis on which the offering is to be made if other than for cash;

(v) The estimated aggregate underwriting and selling discounts or commissions and finders' fees, including, separately, cash, securities, contracts, or anything else of value to accrue to the underwriters or finders in connection with the offering, or, if the selling discounts or commissions are variable, the basis of determining them and their maximum and minimum amounts, the estimated amounts of other selling expenses, including legal, engineering, and accounting charges;

(vi) The name and address of every underwriter and every recipient of a finder's fee;

(vii) A copy of any underwriting or selling-group agreement under which the distribution is to be made, or the proposed form of any agreement whose terms have not yet been determined; and

(viii) A description of the plan of distribution of any securities which are to be offered otherwise than through an underwriter;

(9) (i) The estimated cash proceeds to be received by the issuer from the offering;

(ii) The purposes for which the proceeds are to be used by the issuer;

(iii) The amount to be used for each purpose;

(iv) The order or priority in which the proceeds will be used for the purposes stated;

(v) The amounts of any funds to be raised from other sources to achieve the purposes stated;

(vi) The names of the funds; and

(vii) If any part of the proceeds is to be used to acquire any property, including goodwill, other than in the ordinary course of business, the names and addresses of the vendors, the purchase price, the names of any persons who have received commissions in connection with the acquisition, and the amounts of the commissions and any other expense in connection with the acquisition, including the cost of borrowing money to finance the acquisition;

(10) A description of any stock options or other security options outstanding or to be created in connection with the offering, together with the amount of the options held or to be held by every person required to be named in items (2), (4), (5), (6), or (8) of this subsection and by any person who holds or will hold 10 percent or more in the aggregate of the options;

(11) (i) The dates of, parties to, and general effect concisely stated of every management or other material contract made or to be made other than in the ordinary course of business if it is to be performed in whole or in part at or after the filing of the registration statement or was made within the past two years, together with a copy of every such contract; and

(ii) A description of any pending litigation or proceeding to which the issuer is a party and which materially affects its business or assets, including any such litigation or proceeding known to be contemplated by governmental authorities;

(12) Two copies of the prospectus required by subsection (d) of this section, together with a copy of any other prospectus, pamphlet, circular, form letter, advertisement, or other sales literature intended as of the effective date to be used in connection with the offering;

(13) (i) A specimen or copy of the security being registered;

(ii) A copy of the issuer's articles of incorporation and bylaws or their substantial equivalents, as currently in effect; and

(iii) A copy of any indenture or other instrument covering the security to be registered;

(14) A signed or conformed copy of an opinion of counsel as to the legality of the security being registered, with an English translation if it is in a foreign

language, which shall state whether the security when sold will be legally issued, fully paid and nonassessable, and, if a debt security, a binding obligation of the issuer;

(15) The written consent of any accountant, engineer, appraiser, or other person whose profession gives authority to a statement made by him, if any such person is named as having prepared or certified a report or valuation, other than a public and official document or statement, which is used in connection with the registration statement;

(16) (i) A balance sheet of the issuer as of a date within four months before the filing of the registration statement;

(ii) A profit and loss statement and analysis of surplus for each of the three fiscal years preceding the date of the balance sheet and for any period between the close of the last fiscal year and the date of the balance sheet, or for the period of the existence of the issuer and any predecessor if less than three years; and

(iii) If any part of the proceeds of the offering is to be applied to the purchase of any business, the same financial statements which would be required if that business were the registrant; and

(17) Any additional information which the Commissioner requires by rule or order.

(c) A registration statement under this section becomes effective when the Commissioner so orders.

(d) (1) As a condition of registration under this section, a prospectus containing any designated part of the information specified in subsection (b) of this section shall be sent or given to each person to whom an offer is made before or concurrently with the first to occur of:

(i) The first written offer made to him, other than by means of a public advertisement, by or for the account of the issuer or any other person on whose behalf the offering is being made or by any underwriter or broker-dealer who is offering part of an unsold allotment or subscription taken by him as a participant in the distribution;

(ii) The confirmation of any sale made by or for the account of the person;

(iii) Payment under the sale; or

(iv) Delivery of the security under the sale.

(2) Paragraph (1)(i) of this subsection may be satisfied by the use of a preliminary prospectus, so designated and bearing the legend which the Commissioner prescribes, if a final prospectus is sent or given to each recipient of the preliminary prospectus before or concurrently with whichever event in paragraph (1)(ii), (iii), and (iv) first occurs.

§11–505.

(a) A registration statement may be filed by the issuer, any other person on whose behalf the offering is to be made, or a registered broker-dealer.

(b) A registration statement may be filed in the manner and form designated by rule or order of the Commissioner, including filing by electronic transmission.

§11–506.

(a) Except as provided in § 11–510.1 of this subtitle, a person filing an application to register securities shall pay a fee of 0.1 percent of the maximum aggregate offering price at which the securities are to be offered in this State, but the fee may not be less than $500 or more than $1,500.

(b) (1) Except as provided in paragraph (2) of this subsection, a person required to submit a filing in accordance with an exemption granted under this title shall pay a fee of $400 for each filing.

(2) A person required to submit a filing in accordance with the exemption granted under § 11–601(16) of this title shall pay a fee of $100 for each filing.

(3) A person required to submit a notice of the offer or sale of federal covered securities under § 11–503.1(c) of this subtitle shall pay:

(i) A fee of $100 for each filing; and

(ii) An additional fee of $150 for each filing made after the filing due date.

(c) The Commissioner shall retain the fee, if:

(1) An application to register securities is withdrawn before the effective date;

(2) A notice of the offer or sale of a federal covered security is withdrawn; or

(3) A preeffective stop order is entered under §§ 11–511 through 11–513 of this subtitle.

§11–507.

(a) Every registration statement shall specify:

(1) The amount of securities to be offered in this State;

(2) The states in which a registration statement or similar document in connection with the offering has been or is to be filed; and

(3) Any adverse order, judgment, or decree entered in connection with the offering by the regulatory authorities in each state, any court, or the Securities and Exchange Commission.

(b) Any document filed under this subtitle may be incorporated by reference in the registration statement to the extent that the document is currently accurate.

(c) The Commissioner by rule or otherwise may permit the omission of any item of information or document from any registration statement.

§11–508.

(a) A registration statement remains effective for 1 year after its effective date unless the Commissioner by rule or order extends the period of effectiveness. A registration statement is not effective while a stop order is in effect under §§ 11-511 through 11-513 of this subtitle.

(b) A registration statement may be withdrawn only in the discretion of the Commissioner.

(c) A registration statement that has not been made effective within 1 year from the date of initial filing may be deemed abandoned by the Commissioner.

§11–509.

As long as a registration statement registered by qualification or notification is effective, the Commissioner by rule or order may require the person who filed the registration statement to file reports, not more often than quarterly, to keep

reasonably current the information contained in the registration statement and to disclose the progress of the offering.

§11–510.

(a) A registration statement relating to a security registered under § 11-502, § 11-503, or § 11-504 of this subtitle may be amended after its effective date so as to increase the securities specified as proposed to be offered.

(b) The amendment becomes effective when the Commissioner so orders.

(c) The person filing the amendment shall pay a filing fee, calculated in the manner specified in § 11-506 of this subtitle, with respect to the additional securities proposed to be offered.

§11–510.1.

(a) A face–amount certificate company, an open–end management company, a closed–end management company that is not a federal covered security under § 18(b)(1) of the Securities Act of 1933, or a unit investment trust, as those terms are defined in the Investment Company Act of 1940, shall comply with the requirements of this section, if the company or trust files:

(1) A notice under § 11–503.1 of this subtitle of the offer or sale in this State of an indefinite amount of federal covered securities specified in § 18(b)(2) of the Securities Act of 1933; or

(2) An application to register under § 11–503 of this subtitle the offer and sale in this State of an indefinite amount of securities.

(b) (1) Except as provided in paragraph (3) of this subsection, a face–amount certificate company or an open–end management company, at the time of filing, shall pay an initial fee of $500 and within 60 days after the issuer's fiscal year end during which its registration statement is effective or notice required by § 11–503.1(b) of this subtitle is filed:

(i) Pay a fee of $1,300; or

(ii) 1. File a report on a form the Commissioner by rule adopts, reporting all sales of securities to persons within this State during the fiscal year; and

2. Pay a fee of 0.1 percent of the maximum aggregate offering price at which the securities were sold in this State.

(2) (i) When calculating the fee in accordance with paragraph (1)(ii)2 of this subsection, the initial fee of $500 shall be deducted from the aggregate fee due.

(ii) Except as provided in paragraph (3) of this subsection and subsection (d) of this section, the aggregate fee due under this paragraph may not exceed $1,500.

(iii) Except as provided in paragraph (3) of this subsection and subsection (d) of this section, if the amount due under paragraph (1)(ii)2 of this subsection is less than $500, no additional amount may be payable, and no credit or refund may be allowed or returned.

(3) If a filing required under subsection (a) of this section and § 11–503.1 of this subtitle is not received by the Commissioner by the deadline established, the issuer, in addition to the fee required under this section, shall pay a late fee of $500.

(c) (1) Except as provided in paragraph (4) of this subsection, at the time of filing, a unit investment trust, or a closed–end management company that is not a federal covered security under § 18(b)(1) of the Securities Act of 1933, shall pay an initial fee of $500.

(2) Within 60 days after the anniversary of the date on which the issuer's offer became effective or its notice filed under § 11–503(b) of this subtitle was accepted, a unit investment trust, or a closed–end management company that is not a federal covered security under § 18(b)(1) of the Securities Act of 1933, shall:

(i) Pay a fee of $1,300; or

(ii) 1. File a report on a form the Commissioner by rule adopts, reporting all sales of securities to persons within this State during the effective period of the registration statement or the acceptance period of the notice filed under § 11–503.1(b) of this subtitle; and

2. Pay a fee of 0.1 percent of the maximum aggregate offering price at which the securities were sold in this State.

(3) (i) When calculating the fee in accordance with paragraph (1)(ii)2 of this subsection, the initial $500 fee shall be deducted from the aggregate fee due.

(ii) Except as provided in paragraph (4) of this subsection and subsection (d) of this section, the aggregate fee due under this paragraph may not exceed $1,500.

(iii) Except as provided in paragraph (4) of this subsection and subsection (d) of this section, if the amount due under paragraph (1)(ii)2 of this subsection is less than $500, no additional amount may be payable, and no credit or refund may be allowed or returned.

(4) If a filing required under subsection (a) of this section and § 11–503.1 of this subtitle is not received by the Commissioner by the deadline established in paragraph (2) of this subsection, the issuer, in addition to the fee required under this section, shall pay a late fee of $500.

(d) (1) The Commissioner, by rule, order, or otherwise, may extend the length of the renewal period to a period not exceeding 2 years for the effectiveness of a registered offering or for a notice filed under § 11–503.1 of this subtitle.

(2) If the Commissioner extends a renewal period in excess of 1 year, the fee shall be prorated to the extended renewal period.

§11–511.

(a) The Commissioner may issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement if he finds that the order is in the public interest and that:

(1) The registration statement as of its effective date or as of any earlier date in the case of an order denying effectiveness, any amendment under § 11–510 of this subtitle as of its effective date, or any report under § 11–509 of this subtitle is incomplete in any material respect or contains any statement which was, in the light of the circumstances under which it was made, false or misleading with respect to any material fact;

(2) Any provision of this title or any rule, order, or condition lawfully imposed under this title has been willfully violated, in connection with the offering, by:

(i) The person filing the registration statement;

(ii) The issuer, any partner, officer, or director of the issuer, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling or controlled by the issuer, but only if the person

filing the registration statement is directly or indirectly controlled by or acting for the issuer; or

(iii) Any underwriter;

(3) The security registered or sought to be registered is the subject of an administrative stop order or similar order or a permanent or temporary injunction of any court of competent jurisdiction entered under any other federal or State act applicable to the offering, but:

(i) The Commissioner may not institute a proceeding against an effective registration statement under this item (3) more than one year from the date of the order or injunction relied on; and

(ii) He may not enter an order under this item (3) on the basis of an order or injunction entered under any other State act unless that order or injunction was based on facts which would currently constitute a ground for a stop order under this section;

(4) The enterprise or method of business of the issuer includes or would include activities which are illegal where performed;

(5) The offering has worked or tended to work a fraud on purchasers or would so operate;

(6) If a security is sought to be registered by notification, it is not eligible for the registration;

(7) If a security is sought to be registered by coordination, there has been a failure to comply with the undertaking required by § 11–503(b)(4) of this subtitle; or

(8) The applicant or registrant has failed to pay the proper filing fee, but the Commissioner may enter only a denial order under this item (8) and he shall vacate the order when the deficiency is corrected.

(b) The Commissioner may not institute a stop–order proceeding against an effective registration statement on the basis of a fact or transaction known to him when the registration statement became effective unless the proceeding is instituted within the next 30 days.

§11–512.

(a) The Commissioner by order summarily may postpone or suspend the effectiveness of the registration statement pending final determination of any proceeding under § 11-511 of this subtitle.

(b) On the entry of the order, the Commissioner promptly shall notify each person specified in § 11-513 of this subtitle:

(1) That it has been entered;

(2) The reasons for its entry; and

(3) That within 15 days after the receipt of a written request the matter will be set down for hearing.

(c) (1) If a hearing is not requested and one is not ordered by the Commissioner, the order will remain in effect until it is modified or vacated by the Commissioner.

(2) If a hearing is requested or ordered, the Commissioner, after notice of and opportunity for hearing to each person specified in § 11-513 of this subtitle, may modify or vacate the order or extend it until final determination.

§11–513.

A stop order may not be entered under any part of § 11–503.1, § 11–511, or § 11–512 of this subtitle, except § 11–512(a) of this subtitle, without:

(1) Appropriate prior notice to the applicant or registrant, the issuer, and the person on whose behalf the securities are to be or have been offered;

(2) Opportunity for hearing; and

(3) Written findings of fact and conclusions of law.

§11–514.

The Commissioner may vacate or modify a stop order if he finds that the conditions which prompted entry have changed or that it is otherwise in the public interest to do so.

§11–601.

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

(1) (i) Any security, including a revenue obligation, issued or guaranteed by the United States, any state, any political subdivision of a state, or any agency or corporation or other instrumentality of one or more of them; or

(ii) Any certificate of deposit for any of these securities;

(2) Any security issued or guaranteed by Canada, any Canadian province, any political subdivision of the province, any agency, corporate, or other instrumentality of one or more of them, or any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor;

(3) Any security issued by and representing an interest in or a debt of, or guaranteed by, any bank organized under the laws of the United States, or any bank, savings institution, or trust company organized and supervised under the laws of any state;

(4) Any security issued by and representing an interest in or a debt of, or guaranteed by any federal savings and loan association, or any building and loan or similar association organized and supervised under the laws of any state and authorized to do business in this State;

(5) Any security issued by and representing an interest in or a debt of, or guaranteed by, any insurance company organized under the laws of any state and authorized to do business in this State;

(6) Any security issued or guaranteed by any federal credit union or any credit union, industrial loan association, or similar association organized and supervised under the laws of this State;

(7) Any security issued or guaranteed by any railroad, other common carrier, public utility, or holding company which is:

(i) A registered holding company under the Public Utility Holding Company Act of 1935 or a subsidiary of such a company within the meaning of that Act;

(ii) Regulated in respect of its rates and charges by a governmental authority of the United States or any state; or

(iii) Regulated in respect of the issuance or guarantee of the security by a governmental authority of the United States, any state, Canada, or any Canadian province;

(8) (i) Any security listed or approved for listing on notice of issuance on the New York Stock Exchange, the American Stock Exchange, the Philadelphia Stock Exchange, or any other exchange which the Commissioner designates by order to have substantially the same standards for listing as required by these exchanges;

(ii) Any other security of the same issuer which is of senior or substantially equal rank;

(iii) Any security called for by subscription rights or warrants so listed or approved; or

(iv) Any warrant or right to purchase or subscribe to any of these;

(9) Any security issued by any person organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic, or reformatory purposes, or as a chamber of commerce, local industrial development corporation, or trade or professional association, if:

(i) Such security is offered and sold as part of an issue having an aggregate offering price not in excess of such amount as the Commissioner by rule or order may prescribe and is offered and sold without payment of any commission or remuneration for soliciting any prospective buyer; or

(ii) 10 days prior to the first sale of such security there is filed with the securities division such notice as the Commissioner may by rule or order prescribe, no offers or sales are made in this State by persons other than a broker–dealer or agent registered in this State, and no commission or remuneration for soliciting any prospective buyer is paid except to a broker–dealer or agent registered in this State;

(10) Any commercial paper which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions and which evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace, or any renewal of such paper which is likewise limited, or any guarantee of such paper or of any such renewal;

(11) Any investment contract or other security issued in connection with an employee's stock purchase, savings, pension, profit–sharing, stock option, equity compensation, or similar benefit plan if:

(i) No commission or other remuneration is paid in connection with the offering; and

(ii) 1. The plan is qualified under the Internal Revenue Code;

2. The plan complies with Rule 701 under the Securities Act of 1933; or

3. The security is effectively registered under §§ 6 through 8 of the Securities Act of 1933 and is offered and sold in compliance with the provisions of § 5 of the Securities Act of 1933;

(12) Any security traded pursuant to the National Association of Securities Dealers Automated Quotations (NASDAQ) systems for which the Commissioner by rule has determined that registration is not necessary for the protection of investors;

(13) Any option issued by a clearing agency that is both designated by the Commissioner by rule and registered under the Securities Exchange Act of 1934, other than an off–exchange futures contract or substantially similar arrangement, if the security, currency, commodity, or other interest underlying the option:

(i) Is registered under § 11–502, § 11–503, or § 11–504 of this title;

(ii) Is exempt under § 11–601 or § 11–602 of this subtitle; or

(iii) Is not otherwise required to be registered under this title;

(14) A security exempt under § 3(a)(12)(A)(v) of the Securities Exchange Act of 1934, if:

(i) The security is offered and sold as part of an issue having an aggregate offering price not in excess of an amount that the Commissioner may require, by rule, order, or otherwise, and is sold without payment of any commission or remuneration for soliciting a prospective buyer; or

(ii) 10 days prior to the first sale of the security there is filed with the Commissioner notice that the Commissioner may require by rule, order, or otherwise, that no offers or sales are made in this State by persons other than a broker–dealer or agent registered in this State, and no commission or remuneration for soliciting a prospective buyer is paid except to a broker–dealer or agent registered in this State;

(15) (i) A note, bond, or other evidence of indebtedness issued to the United States or an agency or instrumentality of the United States by a cooperative, as defined in § 5–601 of this article, or by a foreign corporation doing business in the State under Title 5, Subtitle 6 of this article;

(ii) A mortgage, deed of trust, or other instrument executed to secure a note, bond, or other evidence of indebtedness described in item (i) of this item; and

(iii) A membership certificate issued by a cooperative, as defined in § 5–601 of this article, or by a foreign corporation doing business in the State under Title 5, Subtitle 6 of this article;

(16) To the extent the Commissioner by rule or order may permit, any security issued by an entity formed, organized, or existing under the laws of the State if:

(i) The offering of the security is conducted in accordance with § 3(a)(11) of the Securities Act of 1933 and Rule 147 adopted under the Securities Act of 1933;

(ii) The offer and sale of the security are made only to residents of the State;

(iii) The aggregate price of securities in an offering under this item does not exceed $100,000;

(iv) The total consideration paid by any purchaser of securities in an offering under this item does not exceed $100;

(v) No commission or other remuneration is paid in connection with an offering of securities under this item to any person who is not registered as required under this title;

(vi) Neither the issuer nor any of its related persons is subject to a disqualification as defined by the Commissioner by rule or order; and

(vii) The security is sold in an offering conducted in compliance with any conditions established by rule or order of the Commissioner, which may include:

1. Restrictions on the nature of the issuer;

2. Limitations on the number and manner of offerings;

3. Required disclosures to investors, including risk factors related to the issuer and the offering; and

4. Required filing with the Commissioner of notices and other materials related to the offering; and

(17) Any security as to which the Commissioner by rule or order finds that:

(i) Compliance with §§ 11–205 and 11–501 of this title is not necessary or appropriate for the protection of investors; and

(ii) The exemption is consistent with the public interest and within the purposes fairly intended by the policy and provisions of this title.

§11–602.

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

(1) Any isolated nonissuer transaction, whether effected through a broker-dealer or not;

(2) Any nonissuer distribution of an outstanding security if:

(i) A recognized securities manual contains the names of the officers and directors of the issuer, a balance sheet of the issuer as of a date within 18 months, and a profit and loss statement for either the fiscal year preceding that date or the most recent year of operations; or

(ii) The security has a fixed maturity or a fixed interest or dividend provision and there has been no default during the current fiscal year or within the three preceding fiscal years, or during the existence of the issuer and any predecessor if less than three years, in the payment of principal, interest, or dividends on the security;

(3) Any nonissuer transaction effected by or through a registered broker-dealer under an unsolicited order or offer to buy, but the Commissioner by rule may require that:

(i) The customer acknowledge on a specified form that the sale was unsolicited; and

(ii) A signed copy of each form be preserved by the broker-dealer for a specified period;

(4) Any transaction:

(i) Between the issuer or other person on whose behalf the offering is made and an underwriter; or

(ii) Among underwriters;

(5) Any transaction in a bond or other evidence of indebtedness secured by a real or chattel mortgage, deed of trust, or agreement for the sale of real estate or chattels, if the entire mortgage, deed of trust, or agreement, together with all the bonds or other evidences of indebtedness secured by it, is offered and sold as a unit;

(6) Any transaction by a personal representative, sheriff, marshal, receiver, trustee in bankruptcy, guardian, or conservator;

(7) Any transaction executed by a bona fide pledgee without any purpose of evading this title;

(8) Any offer or sale to an investment company as defined in the Investment Company Act of 1940, an investment adviser with assets under management of not less than $1,000,000, a broker-dealer, bank, trust company, savings and loan association, insurance company, employee benefit plan with assets of not less than $1,000,000, or governmental agency or instrumentality, whether acting for itself or as a trustee or a fiduciary with investment control, or other institutional investor as designated by rule or order of the Commissioner;

(9) To the extent the Commissioner by rule or order permits, any offer or sale in a transaction involving the sale by an issuer to not more than 35 persons, other than those designated in item (8) of this section, in this State during any period of 12 consecutive months, whether or not the seller or any purchaser is then present in this State, if the seller reasonably believes that all the purchasers in this State, other than those designated in item (8) of this section, are purchasing for investment, and if the securities have not been offered to the general public by advertisement or general solicitation but the Commissioner by rule or order, as to any security or transaction or any type of security or transaction, may withdraw or further condition this exemption, increase or decrease the number of purchasers permitted, or waive the condition relating to their investment intent;

(10) Any offer or sale of a preorganization certificate or subscription if:

(i) No commission or other remuneration is paid or given directly or indirectly for soliciting any prospective subscriber;

(ii) The number of subscribers does not exceed ten; and

(iii) No payment is made by any subscriber;

(11) Any transaction under an offer to existing security holders of the issuer, including persons who at the time of the transaction are holders of convertible securities, nontransferable warrants, or transferable warrants exercisable within not more than 90 days of their issuance, if:

(i) No commission or other remuneration, other than a stand-by commission, is paid or given directly or indirectly for soliciting any security holder in this State; or

(ii) The issuer first files a notice specifying the terms of the offer and the Commissioner does not by order disallow the exemption within the next five full business days;

(12) (i) Any offer, but not a sale, of a security for which a registration statement has been filed under both this title and the Securities Act of 1933 if a stop order or refusal order is not in effect and a public proceeding or examination looking toward such an order is not pending under either this title or the Securities Act of 1933;

(ii) Any offer, but not a sale, of a security for which a registration statement has been filed under this title if a stop order or refusal order is not in effect and a public proceeding or examination looking toward such an order is not pending, and if the offeror complies with § 11-502(c) or § 11-504(d) of this title;

(13) Any offer or sale of a security by or through a registered broker-dealer if:

(i) The offer or sale is not directly or indirectly for the benefit of the issuer or a person who is known or who reasonably should be known to the broker-dealer to be the record or beneficial owner of 10 percent or more of the outstanding voting securities of the issuer;

(ii) The security is not part of an unsold allotment or subscription taken by a participant in a distribution directly or indirectly for the benefit of the issuer or a person who is known or who reasonably should be known to

the broker-dealer to be the record or beneficial owner of 10 percent or more of the outstanding voting securities of the issuer; and

(iii) An administrative stop order or similar order or permanent or temporary injunction of any court of competent jurisdiction is not in effect under this title or under any federal or State act against the offering or sale of the security or any security of the same class;

(14) Any sale of securities to an employee stock ownership plan trust, as defined in the Internal Revenue Code, any accrual of interests of participants in the plan, and any distribution made under the plan to participants or beneficiaries of the plan;

(15) To the extent permitted by rule or order of the Commissioner, any offer or sale within this State by an issuer now or hereafter exempted from Section 5 of the Securities Act of 1933 by virtue of a rule or regulation adopted by the United States Securities and Exchange Commission under Section 3(b) or Section 4(2) of that Act; if the issuer files with the Commissioner a notice of intent to claim exemption under this paragraph, at such time or times, in such form, and containing such information as the Commissioner determines;

(16) Any offer or sale of units of fractional undivided interests in a unit investment trust registered under the Investment Company Act of 1940 if:

(i) The units have been the subject of a previously effective registration statement under this title or were exempt from registration;

(ii) The units are offered or sold by a broker-dealer registered under this title; and

(iii) The broker-dealer is a sponsor or depositor of the unit investment trust or is an affiliate of the sponsor or depositor; and

(17) Any transaction as to which the Commissioner by rule or order finds that:

(i) Compliance with §§ 11-205 and 11-501 of this title is not necessary or appropriate for the protection of investors; and

(ii) The exemption is consistent with the public interest and within the purposes fairly intended by the policy and provisions of this title.

§11–603.

(a) (1) The Commissioner by order may deny or revoke any exemption specified in § 11–601(9), (11), or (17) or § 11–602 of this subtitle with respect to a specific security or transaction.

(2) The order may not be entered without appropriate prior notice to all interested parties, opportunity for hearing, and written findings of fact and conclusions of law, except that the Commissioner by order summarily may deny or revoke any of the specified exemptions pending final determination of any proceeding under this subsection.

(b) On the entry of a summary order, the Commissioner promptly shall notify every interested party:

(1) That it has been entered;

(2) The reasons for its entry; and

(3) That within 15 days of the receipt of a written request the matter will be set down for hearing.

(c) (1) If a hearing is not requested and one is not ordered by the Commissioner, the order will remain in effect until it is modified or vacated by the Commissioner.

(2) If a hearing is requested or ordered, the Commissioner, after notice of and opportunity for hearing to every interested person, may modify or vacate the order or extend it until final determination.

(3) An order under this section may not operate retroactively.

(4) A person may not be considered to have violated § 11–205 or § 11–501 of this title by reason of any offer or sale effected after the entry of an order under this section if he sustains the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of the order.

§11–604.

(a) In a civil or administrative proceeding under this title, a person claiming an exemption or an exception from a definition has the burden of proving the exemption or exception.

(b) In a criminal proceeding under this title, the burden of going forward with evidence of a claim or exemption or exception from a definition is on the person claiming it.

§11–701.

(a) In his discretion, the Commissioner may:

(1) Make public or private investigations within or outside of this State as he considers necessary to:

(i) Determine whether any person has violated or is about to violate any provision of this title or any rule or order under this title; or

(ii) Aid in the enforcement of this title or in the prescribing of rules and forms under this title;

(2) Require or permit any person to file a statement in writing, under oath or otherwise as the Commissioner determines, as to all the facts and circumstances concerning the matter to be investigated; and

(3) Publish information concerning any violation of this title or any rule or order under this title.

(b) For the purpose of any investigation or proceeding under this title, the Commissioner or any officer designated by him may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the Commissioner considers relevant or material to the inquiry.

(c) (1) In case of contumacy by or refusal to obey a subpoena issued to any person, the circuit court of the county in which the person resides or transacts business, on application by the Commissioner, may issue to the person an order requiring him to appear before the Commissioner or the officer designated by him to produce documentary evidence if so ordered or to give evidence touching the matter under investigation or in question.

(2) Failure to obey the order of the court may be punished by the court as a contempt of court.

(d) A person is not excused from attending and testifying or from producing any document or record before the Commissioner, or in obedience to the subpoena of the Commissioner or any officer designated by him, or in any proceeding instituted by the Commissioner, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture. However, an individual may not be prosecuted or subjected to any

penalty or forfeiture for or on account of any specific subject concerning which he is compelled, after claiming his privilege against self-incrimination as to that specific subject, to testify or produce evidence, documentary or otherwise, except that the individual testifying is not exempt from prosecution and punishment for perjury or contempt committed in testifying.

§11–701.1.

(a) Whenever the Commissioner determines that a person has engaged or is about to engage in any act or practice constituting a violation of any provision of this title or any rule or order under this title or that a person has knowingly or recklessly provided substantial assistance, is knowingly or recklessly providing substantial assistance, or is about to knowingly or recklessly provide substantial assistance to another person in connection with an act, a practice, or a course of business constituting a violation of this title or a rule adopted or an order issued under this title, and that immediate action against such person is in the public interest, the Commissioner may in his discretion issue, without a prior hearing, a summary order directing such person to cease and desist from engaging in such activity, provided that the summary cease and desist order gives the person:

(1) Notice of the opportunity for a hearing before the Commissioner to determine whether the summary cease and desist order should be vacated, modified, or entered as final; and

(2) Notice that the summary cease and desist order will be entered as final if such person does not request a hearing within 15 days of receipt of the summary cease and desist order.

(b) Whenever the Commissioner determines after notice and a hearing (unless the right to notice and a hearing is waived) that a person has engaged in any act or practice constituting a violation of any provision of this title or any rule or order under this title or that a person has knowingly or recklessly provided substantial assistance to another person in connection with an act, a practice, or a course of business constituting a violation of this title or a rule adopted or an order issued under this title, the Commissioner may in his discretion and in addition to taking any other action authorized under this title:

(1) Issue a final cease and desist order against such person;

(2) Censure such person if such person is registered under this title;

(3) Bar such person from engaging in the securities business or investment advisory business in this State;

(4) Issue a penalty order against such person imposing a civil penalty up to the maximum amount of $5,000 for any single violation of this title; or

(5) Take any combination of the actions specified in this subsection.

§11–702.

(a) Whenever it appears to the Commissioner that any person is about to engage in any act or practice constituting a violation of any provision of this title or any rule or order under this title or that the person is about to knowingly or recklessly provide substantial assistance to another person in connection with an act, a practice, or a course of business constituting a violation of this title or a rule adopted or an order issued under this title, he may in his discretion bring an action to obtain 1 or more of the following remedies:

(1) A temporary restraining order; or

(2) A temporary or permanent injunction.

(b) Whenever it appears to the Commissioner that any person has engaged in any act or practice constituting a violation of any provision of this title or any rule or order under this title or that a person has knowingly or recklessly provided substantial assistance, is knowingly or recklessly providing substantial assistance, or is about to knowingly or recklessly provide substantial assistance to another person in connection with an act, a practice, or a course of business constituting a violation of this title or a rule adopted or an order issued under this title, the Commissioner may in the Commissioner's discretion bring an action to obtain one or more of the following remedies:

(1) A temporary restraining order;

(2) A temporary or permanent injunction;

(3) A civil penalty up to a maximum amount of $5,000 for any single violation of this title;

(4) A declaratory judgment;

(5) The appointment of a receiver or conservator for the defendant or the defendant's assets;

(6) A freeze of the defendant's assets;

(7) Rescission;

(8) Restitution;

(9) Disgorgement;

(10) Payment of prejudgment and postjudgment interest; and

(11) Any other relief as the court deems just.

(c) An action under this section is not subject to the provisions of § 5–107 of the Courts and Judicial Proceedings Article.

(d) The Commissioner may not be required to post a bond in any action under this section.

§11–703.

(a) (1) A person is civilly liable to the person buying a security from him if he:

(i) Offers or sells the security in violation of § 11-304(b), § 11-401(a), § 11-402(a), or § 11-501 of this title, or of any rule or order under § 11-205 of this title which requires the affirmative approval of sales literature before it is used; or

(ii) Offers or sells the security by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, the buyer not knowing of the untruth or omission, and if he does not sustain the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of the untruth or omission.

(2) A person is civilly liable to the person selling a security to him if he offers to purchase or purchases the security by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, the seller not knowing of the untruth or omission, and if he does not sustain the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of the untruth or omission.

(3) A person is civilly liable to another person if the person:

(i) Acts as an investment adviser or representative in violation of § 11-302(c), § 11-401(b), § 11-402(b), or § 11-304(b) of this title or any rule

or order promulgated under it, except that an action based on a violation of § 11-402(b) of this title may not be maintained except by those persons who directly received advice from the unregistered investment adviser representative; or

(ii) Receives, directly or indirectly, any consideration from another person for advice as to the value of securities or their purchase or sale or for acting as an investment adviser or representative under § 11-101(h) and (i) of this title, whether through the issuance of analyses, reports, or otherwise, and employs any device, scheme, or artifice to defraud such other person or engages in any act, practice or course of business which operates or would operate as a fraud or deceit on such other person.

(b) (1) A buyer may sue either at law or in equity:

(i) On tender of the security, to recover the consideration paid for the security, together with interest at the rate provided for in § 11-107(a) of the Courts and Judicial Proceedings Article, as amended, from the date of payment, costs, and reasonable attorneys' fees, less the amount of any income received on the security; or

(ii) If he no longer owns the security, for damages.

(2) A seller may sue either at law or in equity:

(i) On tender of the consideration paid for the security, to recover the security, together with the amount of any income received on the security, costs, and reasonable attorneys' fees; or

(ii) If the buyer no longer owns the security, for damages.

(3) For the purposes of subsection (b)(1)(ii) of this section, damages are the amount that would be recoverable on a tender less the value of the security when the buyer disposed of it and interest at the rate provided for in § 11-107(a) of the Courts and Judicial Proceedings Article, as amended, from the date of disposition.

(4) (i) In any action brought under subsection (a)(3) of this section a person may sue either at law or in equity for the rescission of the advisory contract and any damages resulting from the violation, together with interest at the rate provided for in § 11-107(a) of the Courts and Judicial Proceedings Article, as amended, from the date of payment of the consideration, costs, and reasonable attorneys' fees, less the amount of any income received from such advice.

(ii) An action based on a violation of § 11-302(c) of this title may not prevail where the person accused of the violation sustains the burden of proof

that he did not know, and in the exercise of reasonable care could not have known, of the existence of the facts by reason of which the liability is alleged to exist.

(c) (1) Every person who directly or indirectly controls a person liable under subsection (a) of this section, every partner, officer, or director of the person liable, every person occupying a similar status or performing similar functions, every employee of the person liable who materially aids in the conduct giving rise to the liability, and every broker-dealer or agent who materially aids in such conduct are also liable jointly and severally with and to the same extent as the person liable, unless able to sustain the burden of proof that he did not know, and in exercise of reasonable care could not have known, of the existence of the facts by reason of which the liability is alleged to exist.

(2) There is contribution as in cases of contract among the several persons so liable.

(d) Any tender specified in this section may be made at any time before entry of judgment.

(e) Every cause of action under this statute survives the death of any person who might have been a plaintiff or defendant.

(f) (1) A person may not sue under subsections (a)(1) and (2) of this section after the earlier to occur of 3 years after the contract of sale or purchase or the time specified in paragraph (2) of this subsection.

(2) An action may not be maintained:

(i) To enforce any liability created under subsection (a)(1)(i) of this section, unless brought within one year after the violation on which it is based; or

(ii) To enforce any liability created under subsection (a)(1)(ii) or (2) of this section, unless brought within one year after the discovery of the untrue statement or omission, or after the discovery should have been made by the exercise of reasonable diligence.

(3) A person may not sue under subsection (a)(3) of this section more than 3 years after the date of the advisory contract or the rendering of investment advice, or the expiration of 2 years after the discovery of the facts constituting the violation, whichever first occurs.

(4) A person may not sue under this section:

(i) If the buyer received a written offer, before suit and at a time when he owned the security or asset, to refund the consideration paid together with interest at the rate provided for in § 11-107(a) of the Courts and Judicial Proceedings Article, as amended, from the date of payment, less the amount of any income received on the security or asset, and he failed to accept the offer within 30 days of its receipt;

(ii) If the buyer received the offer before suit and at a time when he did not own the security or asset, unless he rejected the offer in writing within 30 days of its receipt; or

(iii) If the seller received a written offer from the buyer, before suit, to return the security or asset, together with the amount of any income received on the security, less interest at the rate provided for in § 11-107(a) of the Courts and Judicial Proceedings Article, as amended, from the date of payment, and he failed to accept the offer within 30 days of its receipt.

(g) A person may not base any suit on any contract if he:

(1) Has made or engaged in the performance of the contract in violation of any provision of this title or any rule or order under this title; or

(2) Has acquired any purported right under the contract with knowledge of the facts by reason of which its making or performance was in violation.

(h) Any condition, stipulation, or provision binding any person acquiring any security or asset or receiving any investment advice to waive compliance with any provision of this title or any rule or order under this title is void.

(i) The rights and remedies provided by this title are in addition to any other rights or remedies that may exist at law or in equity, but this title does not create any cause of action not specified in this section or § 11-410 of this title.

§11–704.

(a) Any person aggrieved by a final order of the Commissioner may obtain a review of the order in conformity with the procedure prescribed in the Maryland Rules and in the Administrative Procedure Act.

(b) The commencement of proceedings under subsection (a) of this section, unless specifically ordered by the court, does not operate as a stay of the Commissioner's order.

§11–705.

(a) (1) Any person who willfully violates any provision of this title, except § 11–303 or § 11–305 of this title or who willfully violates any rule or order under this title except a rule or order under § 11–305 of this title, or who willfully violates § 11–303 of this title knowing the statement made to be false or misleading in any material respect, on conviction is subject to a fine not exceeding $50,000 or imprisonment not exceeding 3 years or both.

(2) Any person who willfully violates § 11–305 of this title or who willfully violates a rule or order under § 11–305 of this title, on conviction is subject to a fine not exceeding $100,000 or imprisonment not exceeding 5 years or both.

(3) A person may not be imprisoned for the violation of any rule or order if the person proves that the person had no knowledge of the rule or order.

(4) An indictment or information may not be returned under this title more than 5 years after the alleged violation.

(b) The Commissioner may refer available evidence concerning violations of this title or of any rule or order under this title to the State's Attorney or the Attorney General who, with or without the reference, may institute the appropriate criminal proceedings under this title.

(c) Nothing in this title limits the power of this State to punish any person for any conduct which constitutes a crime by statute or at common law.

§11–801.

(a) Sections 11-301, 11-302, 11-303, 11-304, 11-401, 11-501, and 11-703 of this title apply to any person who:

(1) Sells or offers to sell if:

(i) The offer to sell is made in this State; or

(ii) The offer to buy is made and accepted in this State; or

(2) Offers or provides investment advisory services if:

(i) The contract for the investment advisory services is executed in this State;

(ii) The investment advisory services are rendered in this State; or

(iii) Any action instrumental in effecting prohibited conduct is taken in this State, whether or not either party is then present in this State.

(b) Sections 11-301, 11-302, 11-303, 11-304, 11-401, and 11-703 of this title apply to any person who:

(1) Buys or offers to buy if:

(i) The offer to buy is made in this State; or

(ii) The offer to sell is made and accepted in this State; or

(2) Offers or provides investment advisory services if:

(i) The contract for the investment advisory services is executed in this State;

(ii) The investment advisory services are rendered in this State; or

(iii) Any action instrumental in effecting prohibited conduct is taken in this State, whether or not either party is then present in this State.

(c) For the purpose of this section, an offer to sell or to buy is made in this State, whether or not either party is then present in this State, if the offer:

(1) Originates from this State; or

(2) Is directed by the offeror to this State and received at the place to which it is directed or, in the case of a mailed offer, at any post office in this State.

(d) (1) For the purpose of this section, an offer to buy or to sell is accepted in this State if acceptance:

(i) Is communicated to the offeror in this State; and

(ii) Has not been communicated previously to the offeror, orally or in writing, outside this State.

(2) For purposes of this section, acceptance is communicated to the offeror in this State, whether or not either party is then present in this State, if the offeree directs it to the offeror in this State reasonably believing the offeror to be in

this State and it is received at the place to which it is directed or, in the case of a mailed acceptance, at any post office in this State.

(e) An offer to sell or to buy, or to provide investment advisory services, is not made in this State if:

(1) The publisher circulates or there is circulated on his behalf in this State any bona fide newspaper or other publication of general, regular, and paid circulation which is not published in this State, or which is published in this State but has had more than two thirds of its circulation outside this State during the past 12 months; or

(2) A radio or television program originating outside this State is received in this State.

(f) Sections 11-302 and 11-401(b) of this title, as well as § 11-304 of this title so far as investment advisers and investment adviser representatives are concerned, apply if any act instrumental in effecting prohibited conduct is done in this State, whether or not either party is then present in this State.

§11–802.

(a) (1) Every issuer filing an application for registration under this title and every issuer filing an application for, request for, or notice of an exemption from registration under this title, or a notice under § 11-503.1 of this title shall file with the Commissioner, in the form which the Commissioner by rule prescribes, an irrevocable consent appointing the Commissioner or the Commissioner's successor in office to be the issuer's attorney to receive service of any lawful process in any noncriminal suit, action, or proceeding against the issuer or the issuer's successor or personal representative which arises under this title or any rules or order under this title after the consent has been filed, with the same force and validity as if served personally on the person filing the consent.

(2) A person who has filed the consent in connection with a previous filing need not file another.

(3) Service may be made by leaving a copy of the process in the office of the Commissioner, but it is not effective unless:

(i) The plaintiff, who may be the Commissioner, in a suit, action, or proceeding instituted by him, immediately sends notice of the service and a copy of the process by certified mail, return receipt requested, bearing a postmark from the United States Postal Service, to the defendant or respondent at the defendant's or respondent's last address on file with the Commissioner; and

(ii) The plaintiff's affidavit of compliance with this section is filed in the case on or before the return day of the process, if any, or within any further time the court allows.

(b) (1) If any person, including any nonresident of this State, engages in conduct prohibited or made actionable by this title or any rule or order under this title, and he has not filed a consent to service of process under subsection (a) of this section and personal jurisdiction over him cannot otherwise be obtained in this State, that conduct is equivalent to his appointment of the Commissioner or his successor in office to be his attorney to receive service of any lawful process in any noncriminal suit, action, or proceeding against him or his successor or personal representative which grows out of that conduct and which is brought under this title or any rule or order under this title, with the same force and validity as if served on him personally.

(2) Service may be made by leaving a copy of the process in the office of the Commissioner, but it is not effective unless:

(i) The plaintiff, who may be the Commissioner, in a suit, action, or proceeding instituted by him, immediately sends notice of the service and a copy of the process by certified mail, return receipt requested, bearing a postmark from the United States Postal Service, to the defendant or respondent at his last known address or takes other steps which are reasonably calculated to give actual notice; and

(ii) The plaintiff's affidavit of compliance with this section is filed in the case on or before the return day of the process, if any, or within any further time the court allows.

(c) When process is served under this section, the court or the Commissioner in a proceeding before him, shall order the continuance necessary to afford the defendant or respondent reasonable opportunity to defend.

§11–804.

This title shall be construed to effectuate its general purpose to make uniform the law of those states which enact it and to coordinate the interpretation and administration of this title with the related federal regulation.

§11–805.

This title may be cited as the Maryland Securities Act.

§12–101.

(a) In this title the following words have the meanings indicated.

(b) "Beneficial owner" means any owner of record of a beneficial interest in a statutory trust, the fact of ownership to be determined and evidenced, whether by means of registration, the issuance of certificates or otherwise, in conformity to the applicable provisions of the governing instrument of the statutory trust.

(c) "Foreign business entity" means:

(1) A foreign statutory trust; or

(2) A corporation, general or limited partnership, common–law trust, limited liability company, real estate investment trust, or any other unincorporated business formed, organized, or existing under the laws of another state, the United States, a foreign country, or other foreign jurisdiction.

(d) "Foreign statutory trust" means a trust that is:

(1) Formed under the laws of another state, the United States, a foreign country, or other foreign jurisdiction; and

(2) Required by the laws of the jurisdiction in which it is formed to file a record with a public official in that jurisdiction.

(e) "Governing instrument" means a declaration of trust or other trust instrument which provides for the governance of the affairs of a statutory trust and the conduct of its business.

(f) (1) "Other business entity" means a corporation, a general or limited partnership, a common–law trust, a limited liability company, a real estate investment trust, or any other unincorporated business.

(2) "Other business entity" does not include a statutory trust.

(g) "Person" means a natural person, partnership, limited partnership, limited liability company, trust, estate, association, corporation, custodian, nominee, or any other individual or entity in its own or any representative capacity.

(h) (1) "Statutory trust" means an unincorporated business, trust, or association that is:

(i) Formed by filing an initial certificate of trust under § 12–204 of this title; and

(ii) Governed by a governing instrument.

(2) "Statutory trust" includes a trust formed under this title on or before May 31, 2010, as a business trust, as the term business trust was then defined in this title.

(i) (1) "Trustee" means the person appointed as a trustee in accordance with the governing instrument of a statutory trust.

(2) "Trustee" may include a beneficial owner of a statutory trust.

§12–101.1.

The use of the designation "business trust" or a statement in a certificate of trust or governing instrument executed on or before May 31, 2010, to the effect that a trust is or will qualify as a Maryland business trust within the meaning of or in accordance with this title may not create a presumption or an inference that the trust is a business trust for purposes of Title 11 of the United States Code.

§12–102.

(a) Except as provided in the governing instrument of a statutory trust or in this title, the laws of this State pertaining to trusts are hereby made applicable to statutory trusts.

(b) For purposes of any tax imposed by the Tax – General Article, a statutory trust shall be classified as a corporation, an association, a partnership, a trust, or otherwise, as shall be determined under the United States Internal Revenue Code of 1986, as amended, or under any successor provision.

(c) Any statutory trust qualifying as a real estate mortgage investment conduit under § 860D of the Internal Revenue Code or any successor provision shall be exempt from income tax except with respect to that portion of its income that is subject to federal income tax.

§12–103.

A statutory trust established in accordance with the provisions of this title is a separate legal entity.

§12–104.

This title may be cited as the "Maryland Statutory Trust Act".

§12–105.

(a) This title shall be liberally construed to give maximum effect to the principle of freedom of contract and to the enforceability of governing instruments.

(b) The presumption that a civil statute in derogation of the common law is construed strictly does not apply to this title.

§12–201.

(a) Except as provided in subsection (b) of this section, a statutory trust may carry on any lawful business for any purposes.

(b) A statutory trust may not carry on the business of:

(1) Granting policies of insurance or assuming insurance risks; or

(2) Banking.

(c) Except as provided in its certificate of trust or governing instrument, a statutory trust has the general powers, whether or not the general powers are set forth in its certificate of trust or governing instrument, to:

(1) Sue, be sued, complain, and defend in all courts;

(2) Have, use, alter, or abandon a trust seal;

(3) Transact its business, carry on its operations, and exercise the powers granted by this article in any state, territory, district, and possession of the United States and in any foreign country;

(4) Make contracts and guarantees, incur liabilities, and borrow money;

(5) Sell, lease, exchange, transfer, convey, mortgage, pledge, and otherwise dispose of any or all of its assets;

(6) Issue bonds, notes, and other obligations and secure the obligations by mortgage or deed of trust of any or all of its assets;

(7) Acquire by purchase or in any other manner, and take, receive, own, hold, use, employ, improve, and otherwise deal with any interest in real or personal property, wherever located;

(8) Purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge, or otherwise dispose of and otherwise use and deal in and with stock and other interests in and obligations of other business entities, other statutory trusts, and individuals;

(9) Acquire its own shares of beneficial interest, bonds, notes, and other obligations and securities;

(10) Invest its surplus funds, lend money from time to time in any manner that may be appropriate to enable the statutory trust to carry on its operations or fulfill the purposes specified in its governing instrument, and take and hold real and personal property as security for the payment of funds so invested or loaned;

(11) Be a promoter, a partner, a member, an associate, or a manager of any partnership, joint venture, trust, or other enterprise;

(12) Make gifts or contributions in cash, other property, or stock or other securities of the statutory trust to or for the use of:

(i) The United States, this State, another state of the United States, a territory, possession, or district of the United States, or any institution, agency, or political subdivision of any of them; and

(ii) Any governmental or other organization, whether inside or outside the United States, for religious, charitable, scientific, civic, public welfare, literary, or educational purposes;

(13) Elect its officers and appoint its agents, define their duties, determine their compensation, and adopt and carry into effect employee and officer benefit plans;

(14) Exercise generally the powers set forth in its governing instrument and those granted by law; and

(15) Do every other act not inconsistent with law which is appropriate to promote and attain the purposes set forth in its governing instrument.

§12–202.

(a) Except as provided in its governing instrument, a statutory trust:

(1) Shall have perpetual existence; and

(2) May not be terminated or revoked by a beneficial owner or other person except in accordance with the terms of the governing instrument of the statutory trust.

(b) Except as provided in the governing instrument of a statutory trust, the death, incapacity, dissolution, termination, or bankruptcy of a beneficial owner shall not result in the termination or dissolution of a statutory trust.

§12–203.

(a) A Maryland statutory trust shall have:

(1) A principal office in this State; and

(2) A resident agent.

(b) (1) A statutory trust may designate or change its resident agent or principal office by filing for record with the Department a certified copy of a resolution of its trustees that authorizes the designation or change.

(2) A statutory trust may change the address of its resident agent by filing for record with the Department a statement of the change signed by one of its trustees or by an officer of the statutory trust.

(3) A designation or change of a statutory trust's principal office or its resident agent or its resident agent's address under this subsection is effective when the Department accepts the resolution or statement for record.

(c) (1) A resident agent who changes the resident agent's name or address in the State shall notify the Department of the change by filing for record with the Department a statement of the change signed by the resident agent or on behalf of the resident agent.

(2) The statement shall include:

(i) The names of the statutory trusts for which the change is effective;

(ii) The resident agent's old and new addresses or the resident agent's old and new names; and

(iii) The date on which the change is effective.

(3) If the old and new addresses of the resident agent are the same as the old and new addresses of the principal office of the statutory trust, the statement may include a change of address for the principal office if:

(i) The resident agent notifies the statutory trust in writing that the statement will be filed; and

(ii) The statement recites that the resident agent has done so.

(4) The statement of the change of name or address of the resident agent or principal office of a statutory trust is effective when the Department accepts the statement for record.

(d) (1) A resident agent may resign by filing with the Department a counterpart or photocopy of the resident agent's signed resignation.

(2) Unless a later time is specified in the resignation, the resignation is effective:

(i) At the time it is filed with the Department, if the statutory trust has appointed a successor resident agent; or

(ii) 10 days after it is filed with the Department, if the statutory trust has not appointed a successor resident agent.

(e) Service of process on a registered agent designated by a statutory trust under subsection (b) of this section shall be as effective as if served on one of the trustees of the statutory trust.

§12–204.

(a) (1) A certificate of trust filed by a statutory trust with the Department shall set forth:

(i) The name of the statutory trust;

(ii) The name and the business address of the resident agent;

(iii) The address of the principal office of the statutory trust in the State;

(iv) Any notice provided in accordance with § 12–501(d) of this title; and

(v) Any other matters the trustees determine to include in the certificate of trust.

(2) A statutory trust is formed at the effective time of the filing of the initial certificate of trust with the Department as provided in subsection (e) of this section.

(3) A certificate of trust shall be signed by all of the trustees.

(b) (1) (i) Except as provided in the governing instrument or the certificate of trust of a statutory trust, a certificate of trust may be amended by filing a certificate of amendment to the certificate of trust with the Department.

(ii) The certificate of amendment shall set forth:

1. The name of the statutory trust; and

2. The amendment to the certificate of trust.

(2) A certificate of trust may be amended at any time for any purpose as the trustees may determine.

(c) (1) Except as provided in the governing instrument or certificate of trust of a statutory trust, a certificate of trust may be:

(i) Restated by integrating into a single instrument all the provisions of the certificate of trust that are then in effect as a result of there having been filed one or more certificates of amendment in accordance with subsection (b) of this section; and

(ii) Amended or further amended by the filing of a restated certificate of trust.

(2) The restated certificate of trust shall be specifically designated as a restated certificate of trust in its heading and shall set forth:

(i) The present name of the statutory trust;

(ii) The date of filing of the original certificate of trust with the Department;

(iii) The information required to be included in accordance with subsection (a) of this section; and

(iv) Any other information the trustees determine to include in the restated certificate of trust.

(3) Except as provided in the governing instrument or certificate of trust of a statutory trust, a certificate of trust may be restated at any time for any purpose as the trustees may determine.

(d) (1) A certificate of trust shall be canceled on the completion of winding up of the statutory trust and its termination.

(2) A certificate of cancellation shall be filed with the Department and set forth:

(i) The name of the statutory trust;

(ii) The date of filing of its initial certificate of trust; and

(iii) Any other information the trustees determine to include in the certificate of cancellation.

(e) (1) Articles of merger or consolidation, a certificate of trust, a restated certificate of trust, a certificate of amendment, or a certificate of cancellation shall be effective:

(i) When accepted for record by the Department; or

(ii) At any later time specified in the articles or certificate.

(2) If any articles or certificate filed in accordance with this section provides for a future effective time and if the transaction is terminated or amended to change the future effective time prior to the future effective time, the articles or certificate shall be terminated or amended by the filing, prior to the future effective time set forth in the original articles or certificate, of a certificate of termination or amendment of the original articles or certificate that:

(i) Is executed and filed in accordance with this title;

(ii) Identifies the original articles or certificate which has been terminated or amended; and

(iii) States that the original articles or certificate has been terminated or amended.

(f) The execution of articles or a certificate by a person in the manner provided in § 12–205 of this subtitle constitutes an affirmation under the penalties for perjury that, to the best of the person's knowledge and belief, the facts stated in the articles or certificate are true.

§12–205.

(a) (1) Articles of merger or consolidation, a restated certificate of trust, a certificate of amendment, a certificate of cancellation, or an amendment of a certificate or articles shall be executed:

(i) In the manner required by § 1–301 of this article; or

(ii) 1. By a person duly authorized by one or more of the trustees; or

2. If there is no trustee, as provided in the governing instrument of the statutory trust.

(2) If articles of merger or consolidation or a certificate of termination or amendment of articles of merger or consolidation is being filed by another business entity or a foreign business entity, the articles of merger or consolidation or the certificate of termination or amendment of articles of merger or consolidation shall be executed by a person authorized to execute the articles or certificate on behalf of the other business entity or foreign business entity.

(b) (1) An executed copy of each certificate required by this subtitle shall be filed with the Department.

(2) The Department may not accept for record any certificate that does not meet the requirements of this subtitle.

(3) The Department may not accept for record or filing any certificate or other document until all required fees have been paid to the Department.

(c) When the Department accepts for record any certificate or any document designating or changing the name or address of a resident agent or principal office of a Maryland statutory trust, the Department shall promptly record the document.

(d) The fact that a certificate of trust is on file in the office of the Department is notice:

(1) That the entity formed in connection with the filing of the certificate of trust is a statutory trust formed under the laws of the State;

(2) Of all other facts which are required to be set forth in a certificate of trust by § 12–204 of this subtitle; and

(3) Of the limitation on liability of a series of a statutory trust which is permitted to be set forth in a certificate of trust by § 12–501(d) of this title.

§12–206.

The name of each statutory trust as set forth in its certificate of trust shall comply with the requirements of Title 1, Subtitle 5 of this article.

§12–207.

(a) A governing instrument may:

(1) Provide that a person shall become a beneficial owner and shall become bound by the governing instrument if the person, or a representative authorized by the person orally, in writing, or by other action such as payment for a beneficial interest, complies with the conditions for becoming a beneficial owner set forth in the governing instrument or any other writing and acquires a beneficial interest;

(2) Consist of one or more agreements, instruments, or other writings and may include or incorporate bylaws containing provisions relating to the business of the statutory trust, the conduct of its affairs, and its rights or powers or the rights or powers of its trustees, beneficial owners, agents, or employees; and

(3) Contain any provision that is not inconsistent with law or with the information contained in the certificate of trust.

(b) A governing instrument may contain any provision relating to the management of the business and affairs of the statutory trust, and the rights, duties, and obligations of the trustees, beneficial owners, and other persons, which is not contrary to any provision or requirement of this title and, without limitation:

(1) May provide for classes, groups, or series of trustees, beneficial owners, or beneficial interests, having the preferences, rights, powers, and duties as the governing instrument may provide, and may provide for the future creation of additional classes, groups, or series of trustees, beneficial owners, or beneficial interests, having the preferences, rights, powers, and duties as may from time to time be established, including preferences, rights, powers, and duties senior or subordinate to, or on parity with, existing or future classes, groups, or series of trustees, beneficial owners, or beneficial interests;

(2) May establish or provide for the establishment of designated classes, groups, or series of trustees, beneficial owners, or beneficial interests having the preferences, rights, powers, and duties as the governing instrument may provide with respect to specified property or obligations of the statutory trust or profits and losses associated with specified property or obligations and, to the extent provided in the governing instrument, any classes, groups, or series of trustees, beneficial owners, or beneficial interests may have a separate business purpose or investment objective;

(3) May provide for the division of beneficial interests in the statutory trust into a fixed or unlimited number of shares or other units or the combination of shares or other units of beneficial interests in the statutory trust;

(4) May provide for the taking of any action, including the amendment of the governing instrument, the accomplishment of a merger or consolidation, the appointment of one or more trustees, the sale, lease, exchange, transfer, pledge, or other disposition of all or any part of the assets of the statutory trust or the assets of any series, the dissolution of the statutory trust, or the creation, under the provisions of the governing instrument, of a class, group, or series of beneficial interests that was not previously outstanding, in any such case without the vote or approval of any particular trustee or beneficial owner, or class, group, or series of trustees or beneficial owners;

(5) May grant to, or withhold from, all or certain trustees or beneficial owners, or a specified class, group, or series of trustees or beneficial owners, the right to vote, separately or with any or all other classes, groups, or series of trustees or beneficial owners, on any matter, such voting being on a per capita, number, financial interest, class, group, series, or any other basis;

(6) May, if and to the extent that voting rights are granted under the governing instrument, set forth provisions relating to notice of the time, place, or purpose of any meeting at which any matter is to be voted on, waiver of any such notice, action by consent without a meeting, the establishment of record dates, quorum requirements, voting in person, by proxy, or in any other manner, or any other matter with respect to the exercise of the right to vote;

(7) May provide for the present or future creation of more than one statutory trust, including the creation of a future statutory trust to which all or any part of the assets, liabilities, profits, or losses of any existing statutory trust will be transferred, and for the conversion of beneficial interests in an existing statutory trust or series, into beneficial interests in the separate statutory trust or series;

(8) May provide for the appointment, election, or engagement, either as agents or independent contractors of the statutory trust or as delegates of the

trustees, officers, employees, managers, or other persons who may manage the business and affairs of the statutory trust and may have the titles and the relative rights, powers, and duties as the governing instrument shall provide;

(9) May provide rights to any person, including a person who is not a party to the governing instrument, to the extent set forth in the governing instrument;

(10) May provide for the manner in which the governing instrument may be amended, including by requiring the approval of a person who is not a party to the governing instrument or the satisfaction of conditions, and to the extent the governing instrument provides for the manner in which it may be amended, the governing instrument may be amended only in that manner or as otherwise permitted by law, provided that the approval of a person may be waived by the person and that conditions may be waived by all persons for whose benefit the conditions were intended; and

(11) May provide for action by or on behalf of the statutory trust in the event there are no trustees.

(c) (1) A statutory trust is not required to execute its governing instrument.

(2) A statutory trust is bound by its governing instrument whether or not it executes the governing instrument.

(3) A beneficial owner or a trustee is bound by the governing instrument whether or not the beneficial owner or trustee executes the governing instrument.

§12–208.

Except as provided in the governing instrument of a statutory trust, the trustees shall elect the officers and appoint the managers, employees, and other agents of the statutory trust.

§12–301.

(a) (1) A person may become a beneficial owner of a statutory trust and may receive a beneficial interest in a statutory trust without payment of consideration to the statutory trust.

(2) The consideration for a beneficial interest in a statutory trust may consist of:

(i) Money;

(ii) Tangible or intangible property;

(iii) Labor or services actually performed for the statutory trust;

(iv) A promissory note or other obligation for future payment of money;

(v) The transfer of tangible or intangible property;

(vi) A contract for future performance of labor or services; or

(vii) Any combination of the consideration described in items (i) through (vi) of this paragraph.

(b) Except as provided in the governing instrument of a statutory trust or by agreement between the beneficial owner and the statutory trust:

(1) A beneficial owner is obligated to the statutory trust to perform any promise to contribute cash or property or to perform services, even if the beneficial owner is unable to perform because of death, disability, or any other reason;

(2) Subject to the provisions of item (3) of this subsection, if a beneficial owner does not make the required contribution of property or services, the beneficial owner is obligated to the statutory trust to contribute cash equal to that portion of the agreed value, as stated in the records of the statutory trust, of the contribution that has not been made; and

(3) The obligation provided in item (2) of this subsection shall be in addition to, and not in lieu of, any other rights, including the right to specific performance, that the statutory trust may have against the beneficial owner under the governing instrument or applicable law.

(c) (1) A governing instrument may provide that the interest of any beneficial owner who fails to make any contribution that the beneficial owner is obligated to make shall be subject to specific penalties for, or specified consequences of, the failure.

(2) The penalty or consequence may take the form of:

(i) Reducing or eliminating the defaulting beneficial owner's proportionate interest in the statutory trust, subordinating the beneficial owner's interest to that of nondefaulting beneficial owners;

(ii) A forced sale of the beneficial owner's interest;

(iii) A forfeiture or cancellation of the beneficial owner's interest;

(iv) A lending by other beneficial owners of the amount necessary to meet the defaulting beneficial owner's commitment;

(v) A fixing of the value of the defaulting beneficial owner's interest by appraisal or by formula, and a redemption or sale of the defaulting beneficial owner's interest at that value; or

(vi) Any other penalty or consequence.

§12–302.

(a) Except as provided in the governing instrument of a statutory trust, the beneficial owners shall be entitled to the same limitation of personal liability extended to stockholders of a Maryland corporation formed under Title 2 of this article.

(b) (1) Neither an obligation of a beneficial owner or trustee of a statutory trust to the statutory trust arising under the governing instrument or a separate agreement in writing, or a note, instrument, or other writing evidencing any such obligation of a beneficial owner or trustee, shall be subject to the defense of usury.

(2) A beneficial owner or trustee may not interpose the defense of usury with respect to any obligation identified in paragraph (1) of this subsection in any action.

§12–303.

(a) Except as provided in the governing instrument of a statutory trust, a beneficial owner shall have an undivided beneficial interest in the property of the statutory trust and shall share in the profits and losses of the statutory trust in the proportion of the entire undivided beneficial interest in the statutory trust owned by the beneficial owner.

(b) (1) Except as provided in the governing instrument of a statutory trust, a beneficial owner has no interest in specific property of the statutory trust.

(2) A creditor of the beneficial owner has no right to obtain possession of, or otherwise exercise legal or equitable remedies with respect to, the property of the statutory trust.

(c) A beneficial interest in a statutory trust is personal property notwithstanding the nature of the property of the trust.

(d) Except as provided in the governing instrument of a statutory trust, a beneficial interest in the statutory trust is freely transferable.

(e) Except as provided in the governing instrument of a statutory trust, at the time a beneficial owner becomes entitled to receive a distribution, the beneficial owner has the status of, and is entitled to all remedies available to, a creditor of the statutory trust with respect to the distribution.

(f) A governing instrument may provide for the establishment of record dates with respect to allocations and distributions by a statutory trust or for any other purpose.

(g) Except as provided in the governing instrument of a statutory trust or by agreement, a beneficial owner shall have no preemptive right to acquire any beneficial interest or other interest in the statutory trust.

§12–304.

(a) Except as provided in its governing instrument, a statutory trust shall have the power to:

(1) Indemnify and hold harmless, and to obligate itself to indemnify and hold harmless, any beneficial owner from and against any and all claims and demands whatsoever; and

(2) Pay or reimburse in advance of final disposition of a proceeding, as defined in § 2–418 of this article, any expenses incurred in connection with the proceeding.

(b) The absence of a provision for indemnity in the governing instrument of a statutory trust may not be construed to deprive a beneficial owner of any right to indemnity that is otherwise available to the beneficial owner under the laws of the State.

§12–305.

(a) Except as provided in the governing instrument of a statutory trust, a beneficial owner, a holder of a voting trust certificate in the statutory trust, or a beneficial owner's agent may inspect and copy during usual business hours any of the following statutory trust documents:

(1) The governing instrument and all amendments;

(2) Minutes of the proceedings of the beneficial owners;

(3) An annual statement of affairs; and

(4) Voting trust agreements on file at the statutory trust's principal office.

(b) (1) Except as provided in the governing instrument of a statutory trust, a beneficial owner, who for at least 6 months has been the beneficial owner of record of outstanding beneficial interests of any series or class of beneficial interests of the statutory trust entitled to cast at least 5% of all the votes entitled to be cast generally in the election of trustees, may present to any officer of the statutory trust a written request for a list of the beneficial owners of record of that series or class as disclosed by the records of the statutory trust relating to the issuance and transfer of beneficial interests.

(2) Except as provided in the governing instrument of a statutory trust, within 20 days after a request for information is made under paragraph (1) of this subsection, the statutory trust shall prepare and have available on file at its principal office a list that:

(i) Is verified under oath by one of its officers or its transfer agent or registrar; and

(ii) Sets forth the name and address of each beneficial owner of record of the series or class and the number of shares of the series or class held by the beneficial owner.

(c) Except as provided in the governing instrument of a statutory trust, each trustee shall have the right to examine all documents and information regarding the statutory trust for any purpose reasonably related to the performance of the trustee's duties as a trustee.

(d) Except as provided in its governing instrument a statutory trust shall have the right to keep confidential from the beneficial owners, for such period of time as the trustees deem reasonable, any information that:

(1) The trustees reasonably believe to be in the nature of trade secrets or other information, the disclosure of which the trustees in good faith believe is not in the best interest of the statutory trust or could damage the statutory trust or its business; or

(2) The statutory trust is required by law or by agreement with a third party to keep confidential.

(e) A statutory trust may maintain its records in other than a written form if such form is capable of conversion into a written form within a reasonable time.

§12–306.

(a) Except as provided in the governing instrument of a statutory trust:

(1) Meetings of beneficial owners may be held at any place or by conference telephone or in any other manner by which all persons participating in the meeting may hear each other; and

(2) Participation in a meeting in accordance with item (1) of this subsection shall constitute presence in person at the meeting.

(b) Except as provided in the governing instrument of a statutory trust, on any matter that is to be voted on by the beneficial owners:

(1) The beneficial owners may take action on the matter without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action taken, is signed by the beneficial owners having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all interests in the statutory trust entitled to vote on the matter were present and voted; and

(2) A beneficial owner may vote:

(i) In person; or

(ii) By proxy granted in writing, by means of telephonic or electronic transmission, or as otherwise permitted by applicable law.

(c) Except as provided in the governing instrument of a statutory trust, a consent transmitted by electronic transmission by a beneficial owner or by a person authorized to act for a beneficial owner shall be deemed to be written and signed for purposes of this section.

(d) Except as provided in this title or the governing instrument of a statutory trust, any act requiring the approval of the beneficial owners shall be approved by the affirmative vote of a majority of all the votes entitled to be cast on the matter.

§12–307.

(a) Notwithstanding § 3–709 of this article, the provisions of Title 3, Subtitle 7 of this article apply to a statutory trust formed on or after October 1, 2023, that is a closed–end investment company as defined in the Investment Company Act of 1940.

(b) Notwithstanding § 3–709 of this article, the governing instrument of a statutory trust formed before October 1, 2023, that is a closed–end investment company as defined in the Investment Company Act of 1940 may provide that Title 3, Subtitle 7 of this article applies to the statutory trust.

§12–401.

(a) Except as provided in its governing instrument, the business and affairs of a statutory trust shall be managed under the direction of its trustees.

(b) Except as provided in the governing instrument of a statutory trust, neither the power to give direction to a trustee or other person nor the exercise by any person, including a beneficial owner, of a direction shall cause that person to have duties, including fiduciary duties, or liabilities relating to the statutory trust or to a beneficial owner.

§12–402.

(a) Subject to the provisions of subsections (d) and (e) of this section, and except as provided in the governing instrument of a statutory trust, a trustee, when acting in such capacity, is not personally liable to any person other than the statutory trust or a beneficial owner for any act, omission, or obligation of the statutory trust or any trustee.

(b) Subject to subsection (c) of this section, a trustee shall perform the trustee's duties as a trustee, including the duties as a member of a committee of the trustees on which the trustee serves:

(1) In good faith;

(2) In a manner that the trustee reasonably believes to be in the best interests of the statutory trust; and

(3) With the care that an ordinarily prudent person in a like position would use under similar circumstances.

(c) The governing instrument of a statutory trust may include a provision expanding or limiting the duties of a trustee set forth in subsection (b) of this section, provided that the governing instrument may not eliminate the duty to act in good faith.

(d) (1) A trustee who performs the duties of a trustee in accordance with the standard provided under subsection (b) of this section, as may be expanded or limited in the governing instrument in accordance with subsection (c) of this section, has no liability by reason of being or having been a trustee of the statutory trust.

(2) A trustee shall have no duties other than as set forth in subsection (b) of this section, as expanded or limited in the governing instrument in accordance with subsection (c) of this section.

(3) The governing instrument of a statutory trust may include a provision expanding or limiting the liability of its trustees and officers to the statutory trust or its beneficial owners, provided that the governing instrument may not limit the liability of its trustees and officers to any extent greater than that permitted by Title 2, Subtitle 4 of this article in connection with the limitation of liability of directors and officers of a Maryland corporation.

(e) No creditor of a trustee shall have any right to obtain possession of, or otherwise exercise any legal or equitable remedy with respect to, any property of the statutory trust with respect to any claim against, or obligation of, the trustee in the trustee's individual capacity.

§12–403.

(a) Except as provided in its governing instrument, a statutory trust shall have the power to:

(1) Indemnify and hold harmless, and to obligate itself to indemnify and hold harmless, any trustee, officer, employee, or agent from and against any and all claims and demands whatsoever; and

(2) Pay or reimburse in advance of final disposition of a proceeding, as defined in § 2–418 of this article, reasonable expenses incurred in connection with the proceeding.

(b) Except as provided in the governing instrument of a statutory trust, a trustee shall be indemnified to the same extent as a director of a corporation under § 2–418 of this article.

§12–404.

(a) Except as provided in the governing instrument of a statutory trust:

(1) Meetings of trustees may be held at any place or by conference telephone or in any other manner by which all persons participating in the meeting as trustees may hear each other; and

(2) Participation in a meeting in accordance with item (1) of this subsection shall constitute presence in person at the meeting.

(b) Except as provided in the governing instrument of a statutory trust, on any matter that is to be voted on by the trustees:

(1) The trustees may take action on the matter without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action taken, is signed by the trustees having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all trustees entitled to vote on the matter were present and voted; and

(2) A trustee may vote:

(i) In person; or

(ii) By proxy granted in writing, by means of telephonic or electronic transmission, or as otherwise permitted by applicable law.

(c) Except as provided in the governing instrument of a statutory trust, a consent transmitted by electronic transmission by a trustee or by a person authorized to act for a trustee shall be deemed to be written and signed for purposes of this section.

(d) Except as provided in the governing instrument of a statutory trust, any act requiring the approval of the trustees shall be approved by the affirmative vote of a majority of the trustees.

§12–405.

(a) This section applies to a statutory trust that is an investment company, as defined by the Investment Company Act of 1940.

(b) A trustee of a statutory trust who with respect to the statutory trust is not an interested person, as defined by the Investment Company Act of 1940, shall be deemed to be independent and disinterested when making a determination or taking any action as a trustee.

§12–501.

(a) Service of process on a statutory trust may be effected in the same manner as service of process on a Maryland corporation.

(b) In the governing instrument of a statutory trust or other writing, a trustee, beneficial owner, or other person may consent to be:

(1) Subject to:

(i) The nonexclusive jurisdiction of the courts of, or arbitration in, a specified jurisdiction;

(ii) The exclusive jurisdiction of the courts of the State; or

(iii) The exclusivity of arbitration in a specified jurisdiction or the State; and

(2) Served with legal process in the manner prescribed in the governing instrument of the statutory trust or other writing.

(c) The property of a statutory trust is subject to attachment and execution as if the statutory trust was a corporation.

(d) Notwithstanding the provisions of this section, if the governing instrument of a statutory trust, including the governing instrument of a statutory trust which is a registered investment company under the Investment Company Act of 1940, creates one or more series or classes as provided in § 12–207(b) of this title, and if separate and distinct records are maintained for any such series or class and the assets associated with any such series or class are held and accounted for separately from the other assets of the statutory trust, or any other series or class, and if the governing instrument so provides, and notice of the limitation on liabilities of a series or class as referenced in this subsection is set forth in the certificate of trust of the statutory trust, then:

(1) The debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to a particular series or class shall be enforceable against the assets of that series or class only, and not against the assets of the statutory trust generally or any other series or class; and

(2) Unless otherwise provided in the governing instrument, none of the debts, liabilities, obligations, and expenses incurred, contracted for, or otherwise existing with respect to the statutory trust generally or any other series or class shall be enforceable against the assets of that series or class.

§12–601.

Except as provided in its governing instrument, a statutory trust may merge or consolidate with or into one or more statutory trusts, other business entities, or foreign business entities.

§12–602.

(a) Except as provided in the governing instrument of a statutory trust, a merger or consolidation shall be approved by each statutory trust which is to merge or consolidate by a majority of the trustees and by the beneficial owners by the affirmative vote of two–thirds of all the votes entitled to be cast on the matter.

(b) Except as provided in its governing instrument, a merger in which a statutory trust is the successor requires only the approval of a majority of the trustees if:

(1) The merger does not reclassify or change its outstanding beneficial interests or otherwise amend its governing instrument in any manner requiring a vote of the beneficial owners; and

(2) The number of beneficial interests to be issued or delivered in the merger is not more than 20 percent of the number of its beneficial interests of the same class or series outstanding immediately before the merger becomes effective.

(c) The merger or consolidation shall be approved by any other business entity or foreign business entity party to the merger or consolidation in the manner required by the charter, declaration of trust, partnership agreement, or other organization document of the entity and the laws of the jurisdiction where the entity is organized.

§12–603.

(a) In or in connection with a merger or consolidation, beneficial interests or other rights or securities of, or interests in, a statutory trust, other business entity, or foreign business entity which is a party to the merger or consolidation may be exchanged for or converted into cash, property, rights, or securities of, or interests in, the successor or any other business entity or foreign business entity, whether or not a party to the transaction.

(b) Notwithstanding approval by the trustees or beneficial owners, an agreement of merger or consolidation may be terminated or amended at any time prior to the effective time of the merger or consolidation:

(1) By agreement of the parties to the merger or consolidation; or

(2) Under a provision for the termination or amendment of the merger or consolidation contained in the agreement of merger or consolidation.

§12–604.

Articles of merger or consolidation shall be filed for record with the Department.

§12–605.

Articles of merger or consolidation shall state:

(1) The name and jurisdiction of formation or organization of each statutory trust or other business entity which is to merge or consolidate and as to each foreign business entity, the date of its formation, and whether it is registered or qualified to do business in the State;

(2) The name of the successor;

(3) Each county in the State where each entity party to the articles of merger or consolidation has its principal office and any of the parties other than the successor owns an interest in land;

(4) If the successor is a foreign business entity, the location of its principal office in the jurisdiction in which it is organized and the name and address of its resident agent in the State;

(5) That the merger or consolidation has been approved by each statutory trust, other business entity, or foreign business entity that is to merge or consolidate in the manner required by its governing instrument or certificate of trust and by the laws of the place where it is organized;

(6) Any amendment to the certificate of trust of the successor to be effected as part of the merger or consolidation;

(7) (i) The manner and basis of converting or exchanging issued beneficial interests or other ownership interests of each merging or consolidating statutory trust, other business entity, or foreign business entity into:

1. Different beneficial interests or other ownership interests of a statutory trust, another business entity, or foreign business entity; or

2. Any other consideration; and

(ii) The treatment of any beneficial interests or other ownership interests of each merging or consolidating statutory trust, other business entity, or foreign business entity not being converted or exchanged; and

(8) The future effective time, which shall be a time certain, of the merger or consolidation if it is not to be effective on the acceptance for record by the Department of the articles of merger or consolidation.

§12–606.

Unless a future effective time is provided in articles of merger or consolidation, in which event a merger or consolidation shall be effective at the future effective time, a merger or consolidation shall be effective on the acceptance for record by the Department of articles of merger or consolidation.

§12–607.

(a) Notwithstanding anything to the contrary contained in its governing instrument, the governing instrument of a statutory trust containing a specific reference to this section may provide that an agreement of merger or consolidation approved in accordance with this subtitle may:

(1) Effect any amendment to the governing instrument of the statutory trust; or

(2) Effect the adoption of a new governing instrument of the statutory trust if it is the successor trust in the merger or consolidation.

(b) Any amendment to the governing instrument of a statutory trust or adoption of a new governing instrument of a statutory trust made under this section shall be effective at the effective time of the merger or consolidation.

(c) The provisions of this section may not be construed to limit the accomplishment of a merger or consolidation or of any of the matters referred to in this section by any other means provided for in the governing instrument of a statutory trust or other agreement or as otherwise permitted by law, including that the governing instrument of any constituent statutory trust to the merger or consolidation shall be the governing instrument of the successor trust.

§12–608.

(a) The Department shall prepare certificates of merger or consolidation that specify:

(1) The name of each party to the articles of merger or consolidation;

(2) The name of the successor and the location of its principal office in the State or, if it has none, its principal place of business; and

(3) The time the articles of merger or consolidation are accepted for record by the Department.

(b) In addition to any other provision of law with respect to recording, the Department shall send one certificate each to the clerk of the circuit court for each county where the articles show that a merging or consolidating statutory trust, corporation, partnership, limited partnership, or limited liability company other than the successor owns an interest in land.

(c) On receipt of a certificate, a clerk promptly shall record it with the land records.

§12–609.

(a) In order to keep the land assessment records current in each county, the Department shall require a statutory trust, corporation, partnership, limited partnership, or limited liability company to submit with the articles of merger or consolidation a property certificate for each county where a merging or consolidating statutory trust, corporation, partnership, limited partnership, or limited liability company other than the successor owns an interest in land.

(b) A property certificate is not required with respect to any property in which the only interest owned by the merging or consolidating statutory trust, corporation, partnership, limited partnership, or limited liability company is a security interest.

(c) The property certificate shall be in the form and number of copies which the Department requires and may include the certificate of the Department required by subsection (a) of this section.

(d) (1) The property certificate shall provide a deed reference or other description sufficient to identify the property.

(2) The Department shall indicate on the certificate the time the articles of merger or consolidation are accepted for record and send a copy of it to the chief assessor of the county where the property is located.

(e) A transfer, vesting, or devolution of title to the property is not invalidated or otherwise affected by any error or defect in the property certificate, failure to file it, or failure by the Department to act on it.

§12–610.

(a) Consummation of a merger or consolidation has the effects provided in this section.

(b) The separate existence of each statutory trust, other business entity or foreign business entity party to the articles of merger or consolidation, except the successor, ceases.

(c) The beneficial interests of each statutory trust party to the articles of merger or consolidation which are to be converted or exchanged under the terms of the articles of merger or consolidation cease to exist, subject to the rights of an objecting beneficial owner under the governing instrument or agreement of merger or consolidation.

(d) In addition to any other purposes and powers set forth in the articles of merger or consolidation, if the articles of merger or consolidation provide, the successor has the purposes and powers of each party to the articles of merger or consolidation.

(e) (1) The assets of each party to the articles of merger or consolidation, including any legacies which it would have been capable of taking, transfer to, vest in, and devolve on the successor without further act or deed.

(2) Confirmatory deeds, assignments, or similar instruments to evidence the transfer may be executed and delivered at any time in the name of the transferring party to the articles of merger or consolidation by its last acting officers or trustees or by the appropriate officers or trustees of the successor.

(f) (1) (i) The successor is liable for all the debts and obligations of each nonsurviving party to the articles of merger or consolidation.

(ii) An existing claim, action, or proceeding pending by or against any nonsurviving party to the articles of merger or consolidation may be prosecuted to judgment as if the merger or consolidation had not taken place, or, on motion of the successor or any party, the successor may be substituted as a party and the judgment against the nonsurviving party to the articles of merger or consolidation constitutes a lien on the property of the successor.

(2) A merger or consolidation does not impair the rights of creditors or any liens on the property of any statutory trust, other business entity, or foreign business entity party to the articles of merger or consolidation.

§12–611.

(a) In the event that a statutory trust does not have perpetual existence, a statutory trust shall be dissolved and its affairs wound up as provided in its governing instrument.

(b) On dissolution of a statutory trust and until the filing of a certificate of cancellation as provided in § 12–204(d) of this title, the trustees or other persons who are responsible for winding up the affairs of the statutory trust:

(1) Shall collect and distribute the assets of the statutory trust, applying them to the payment, satisfaction, and discharge of existing debts and obligations of the statutory trust, including reasonable expenses of liquidation, and distribute the remaining assets among the beneficial owners; and

(2) May carry out the contracts of the statutory trust, sell all or any part of the assets of the statutory trust at public or private sale, sue or be sued in the name of the statutory trust, and do all other acts consistent with law and the governing instrument of the statutory trust necessary or proper to liquidate the statutory trust and wind up its affairs.

(c) Any person, including any trustee, who is responsible for winding up the affairs of a statutory trust and who has complied with subsection (b) of this section is not personally liable to any claimant of the dissolved statutory trust by reason of the person's actions in winding up the statutory trust.

(d) (1) Except as provided in the governing instrument of a statutory trust:

(i) A series or class established in accordance with § 12–207(b) of this title may be dissolved and its affairs wound up without causing the dissolution of the statutory trust or any other series or class of the statutory trust;

(ii) The dissolution, winding up, liquidation, or termination of the statutory trust or any series or class of the statutory trust shall not affect the limitation of liability provided by § 12–501(d) of this title with respect to a series or class established in accordance with § 12–207(b) of this title; and

(iii) The death, incapacity, dissolution, termination, or bankruptcy of a beneficial owner of a series or class described in item (ii) of this paragraph shall not result in the termination or dissolution of the series or class, and the series or class may not be terminated or revoked by a beneficial owner of the series or class or other person except in accordance with the terms of the governing instrument.

(2) A series or class established in accordance with § 12–207(b) of this title shall be dissolved and its affairs wound up as provided in the governing instrument.

(3) On dissolution of a series or class of a statutory trust, the persons who are responsible for winding up the affairs of the series or class, in the name of the statutory trust and for and on behalf of the statutory trust and the series or class:

(i) Shall provide for the claims and obligations of the series or class and distribute the assets of the series or class as provided under subsection (b)(1) of this section; and

(ii) May take all actions with respect to the series or class set forth in subsection (b)(2) of this section.

(4) Any person, including any trustee, who is responsible for winding up the affairs of a series or class who has complied with paragraph (3) of this subsection may not be personally liable to the claimants of the dissolved series or class by reason of the person's actions in winding up the series or class.

§12–701.

Fees for documents filed or requested under this title shall be as provided for in § 1-203 of this article.

§12–801.

(a) (1) Except with respect to a tax collectible locally, the State Comptroller shall certify to the Department, as soon as practicable after October 1 of each year, a list of every Maryland statutory trust that has not paid a tax that was due before October 1 of the year.

(2) When the Comptroller certifies the list to the Department, the Comptroller shall mail to each listed statutory trust, at the statutory trust's address as it appears on the Comptroller's records, a notice that the statutory trust's right to do business in the State and the right to the use of its name will be forfeited unless the statutory trust pays all taxes, interest, and penalties due.

(3) The failure of a statutory trust to receive the notice mailed in accordance with paragraph (2) of this subsection does not affect the forfeiture of the statutory trust's right to do business in the State or to use its name.

(b) (1) As soon as practicable after October 1 of each year, the Secretary of Labor shall certify to the Department a list of every Maryland statutory trust that has not paid an unemployment insurance contribution or made a reimbursement payment that was due before October 1 of the year.

(2) When the Secretary certifies the list to the Department, the Secretary shall mail to each listed statutory trust, at the statutory trust's address as it appears on the Secretary's records, a notice that the statutory trust's right to do business in the State and the right to the use of its name will be forfeited unless the statutory trust pays all contributions, reimbursement payments, interest, and penalties due.

(3) The failure of a statutory trust to receive the notice mailed in accordance with paragraph (2) of this subsection does not affect the forfeiture of the statutory trust's right to do business in the State or to use its name.

(c) As soon as practicable after October 1 of each year, the Department shall certify a list of every Maryland statutory trust that has not filed an annual report with the Department for the prior year as required by law or has not paid a tax that was due before October 1 of the year.

(d) After the lists are certified, the Department shall issue a proclamation declaring, for each statutory trust included on a list, that, subject to § 12–810 of this subtitle, the right to do business in the State and to use the name of the statutory trust is forfeited as of the date of the proclamation, without proceedings of any kind at law or at equity.

§12–802.

(a) (1) Within 10 days after the issuance of a proclamation under § 12–801(d) of this subtitle, the Department shall mail notice of the proclamation to each statutory trust named in the proclamation.

(2) The notice shall be addressed to the statutory trust at the statutory trust's mailing address on file with the Department or, if none, at any other address for the statutory trust appearing on the records of the Department.

(b) A statutory trust that pays all taxes, unemployment insurance contributions, reimbursement payments, interest, and penalties due within 60 days after the issuance of the proclamation shall have its right to do business in the State and to use its name reinstated in accordance with § 12–805 of this subtitle retroactive to the date of forfeiture.

§12–803.

(a) If the Department is satisfied that a statutory trust named in a proclamation issued under § 12–801(d) of this subtitle has not failed to pay the taxes, unemployment insurance contributions, or reimbursement payments, or to file the report within the period specified in § 12–801 of this subtitle, or that the statutory trust has been mistakenly reported to the Department by the State Comptroller or the Secretary of Labor, the Department may file in its records a proclamation correcting the mistake.

(b) The effect of a proclamation correcting a mistake under subsection (a) of this section is to restore the right of the statutory trust to do business in the State and to use the name of the statutory trust as if the right had at all times remained in full force and effect.

§12–804.

This subtitle does not repeal, supersede, or in any manner affect any remedy or provision of law:

(1) For the collection of taxes, unemployment insurance contributions, or reimbursement payments and any interest and penalties due; or

(2) To compel the filing of annual reports.

§12–805.

If the authority of a statutory trust to do business in the State and to use its name has been forfeited for nonpayment of taxes, unemployment insurance contributions, or reimbursement payments, or for failure to file an annual report, the

statutory trust may apply for reinstatement by filing a certificate of reinstatement with the Department in accordance with § 12–806 of this subtitle.

§12–806.

A certificate of reinstatement shall include:

(1) The name of the statutory trust at the time its right to do business in the State was forfeited;

(2) The name that the statutory trust will use after reinstatement, which shall comply with the provisions of this article with respect to statutory trust names;

(3) The address of the principal office of the statutory trust in the State if different from its principal office in the State at the time the right to do business in the State was forfeited; and

(4) The name and address of the resident agent of the statutory trust.

§12–807.

The Department may not accept a certificate of reinstatement for record unless:

(1) All annual reports required to be filed by the statutory trust, or which would have been required if the right to do business in the State had not been forfeited, are filed; and

(2) Unemployment insurance contributions or reimbursement payments, all State and local taxes, except taxes on real estate, and all interest and penalties due by the statutory trust, or which would have become due if the right to do business had not been forfeited, are paid, whether or not barred by limitations.

§12–808.

Except in a proceeding by the State or any of its political subdivisions, the acceptance of a certificate of reinstatement for record by the Department is conclusive evidence of:

(1) The payment of all fees, taxes, unemployment insurance contributions, and reimbursement payments required to be paid;

(2) The filing of all reports required to be filed; and

(3) The reinstatement of the right of the statutory trust to do business in the State.

§12–809.

(a) Any person that transacts business in the name of, or for the account of, a statutory trust knowing that the statutory trust's right to do business in the State has been forfeited and has not been reinstated at the time the business was transacted is guilty of a misdemeanor and on conviction is subject to a fine of not more than $500.

(b) A prosecution for a violation of subsection (a) of this section, concerning acts alleged to have occurred while the right of a statutory trust to do business in the State was forfeited, may not be instituted after the date that a certificate of reinstatement of the statutory trust is filed.

§12–810.

The forfeiture of the right to do business in the State and the right to the use of the name of the statutory trust under this title does not:

(1) Impair the validity of a contract entered into by the statutory trust or any act of the statutory trust before or after the forfeiture; or

(2) Prevent the statutory trust from defending any action, suit, or proceeding in a court of the State.

§12–901.

(a) Subject to the Maryland Constitution:

(1) The laws of the jurisdiction under which a foreign statutory trust is formed govern its organization, internal affairs, and the liability of its trustees; and

(2) A foreign statutory trust may not be denied registration by reason of any difference between the laws under which the foreign statutory trust is formed and the laws of this State.

(b) A foreign statutory trust may not do any kind of intrastate, interstate, or foreign business in this State which the laws of this State prohibit a domestic statutory trust from doing.

§12–902.

(a) Before doing any interstate, intrastate, or foreign business in this State, a foreign statutory trust shall register with the Department.

(b) To register, a foreign statutory trust shall submit to the Department an application for registration as a foreign statutory trust executed by an authorized person and setting forth:

(1) The name of the foreign statutory trust and, if different, the name under which it proposes to register and do business in this State;

(2) The jurisdiction under the laws of which it was formed and the date of its formation;

(3) The general character of the business it proposes to transact in this State;

(4) The name and address of its resident agent in this State;

(5) A statement that the Department is appointed as the resident agent of the foreign statutory trust if no resident agent has been designated under item (4) of this subsection or, if a resident agent has been designated, the resident agent's authority has been revoked or the resident agent cannot be found or served with the exercise of reasonable diligence; and

(6) The address of the office required to be maintained in the jurisdiction of its formation by the laws of that jurisdiction or, if not so required, of the principal office of the foreign statutory trust.

§12–903.

A foreign statutory trust may register with the Department under any name, whether or not it is the name under which it is registered in its jurisdiction of formation, as provided under Title 1, Subtitle 5 of this article.

§12–904.

If any statement in the application for registration of a foreign statutory trust is false when made or any arrangements or other facts described have changed making the application inaccurate in any respect, a foreign statutory trust shall promptly file with the Department a certificate, executed by an authorized person, correcting the statement.

§12–905.

(a) A foreign statutory trust may cancel its registration by filing with the Department a certificate of cancellation executed by an authorized person.

(b) The filing of a certificate of cancellation does not terminate the authority of the Department to accept service of process on the foreign statutory trust with respect to causes of action arising out of doing business in this State.

§12–906.

(a) If a foreign statutory trust is doing or has done any intrastate, interstate, or foreign business in this State without complying with the requirements of this subtitle, the foreign statutory trust and any person claiming under it may not maintain suit in any court in this State, unless the statutory trust shows to the satisfaction of the court that:

(1) The foreign statutory trust or the person claiming under it has paid the penalty specified in subsection (d)(1) of this section; and

(2) (i) The foreign statutory trust or a foreign statutory trust successor to it has complied with the requirements of this title; or

(ii) The foreign statutory trust and any foreign statutory trust successor to it are no longer doing intrastate, interstate, or foreign business in this State.

(b) The failure of a foreign statutory trust to register in this State does not:

(1) Impair the validity of a contract or act of the foreign statutory trust; or

(2) Prevent the foreign statutory trust from defending any action, suit, or proceeding in a court of this State.

(c) A foreign statutory trust, by doing business in this State without registration, appoints the Department as its agent for service of process with respect to causes of action arising out of doing business in this State.

(d) (1) (i) If a foreign statutory trust does any intrastate, interstate, or foreign business in this State without registering, the Department shall impose a penalty of $200 on the foreign statutory trust.

(ii) The penalty under this subsection shall be collected and may be reduced or abated under § 14–704 of the Tax – Property Article.

(2) A trustee or an agent who transacts intrastate, interstate, or foreign business in this State on behalf of a foreign business trust that has not registered with the Department is guilty of a misdemeanor and on conviction is subject to a fine not exceeding $1,000.

§12–907.

The Attorney General may bring an action to restrain a foreign statutory trust from doing business in this State in violation of this subtitle.

§12–908.

(a) In addition to any other activities which may not constitute doing business in this State, for the purposes of this subtitle, the following activities of a foreign statutory trust do not constitute doing business in this State:

(1) Maintaining, defending, or settling an action, a suit, a claim, a dispute, or an administrative or arbitration proceeding;

(2) Holding meetings of its trustees or agents or carrying on other activities that relate to its internal affairs;

(3) Maintaining bank accounts;

(4) Conducting an isolated transaction not in the course of a number of similar transactions;

(5) Foreclosing mortgages and deeds of trust on property in this State;

(6) As a result of default under a mortgage or deed of trust, acquiring title to property in this State by foreclosure, deed in lieu of foreclosure, or otherwise;

(7) Holding, protecting, renting, maintaining, and operating property in this State acquired as described in item (6) of this subsection; or

(8) Selling or transferring title to property in this State acquired as described in item (6) of this subsection to any person, including the Federal Housing Administration or the Veterans Administration.

(b) In addition to any other activities which may constitute doing business in this State, for the purposes of this subtitle, a foreign statutory trust that owns income producing real or tangible personal property in this State, other than property

exempted by subsection (a) of this section, shall be considered to be doing business in this State.

§12–909.

By doing intrastate, interstate, or foreign business in this State, a foreign statutory trust assents to the laws of this State.

§12–910.

With respect to a cause of action as to which a foreign statutory trust would not otherwise be subject to suit in this State, compliance with this subtitle:

(1) Does not of itself render a foreign statutory trust subject to suit in this State; and

(2) Is not considered as consent by it to be sued in this State.

§12–911.

(a) If a foreign statutory trust that owns property rights, privileges, franchises, or other assets located in this State is a party to a merger in which a foreign business entity is the successor, the transfer to, vesting in, or devolution on the successor of the property rights, privileges, franchises, or other assets of the nonsurviving foreign statutory trust is effective as provided by the laws of the jurisdiction that governs the merger.

(b) The successor described in subsection (a) of this section shall file with the Department a certificate executed by an authorized person that specifies:

(1) Each county in this State where a foreign statutory trust party to the merger, except the successor, owned an interest in land;

(2) The name of each party to the merger;

(3) The jurisdiction under the laws of which each party was formed; and

(4) The name of the successor.

(c) If a copy of the document effecting the merger has not been filed with the Department as provided in § 12–205 of this title, the successor shall file with the Department an officially certified copy of that document.

(d) (1) Except as provided in paragraph (2) of this subsection, when the Department receives the articles and any certificate of the successor, the Department shall prepare and file certificates of merger in the manner provided for a statutory trust.

(2) The certificate of merger:

(i) Need not state the principal office in the State of a foreign statutory trust that does not have a principal office; and

(ii) Shall include other information specified in the certificate filed by the successor.

§12–912.

(a) The Department may forfeit the right of a foreign statutory trust to do business in the State if the foreign statutory trust fails to file with the Department any report or fails to pay any late filing penalty required by law:

(1) Within the time required by law; and

(2) Thereafter, within 30 days after the Department makes a written demand for the delinquent report or late filing penalty.

(b) Unless the Department excuses a reasonable delay for good cause shown, the forfeiture is effective 15 days after written notice of forfeiture from the Department without legal proceedings of any kind.

(c) The demand for a delinquent report or late filing penalty and the notice of forfeiture shall be addressed to the foreign statutory trust:

(1) At the address of the foreign statutory trust on file with the Department; or

(2) If the foreign statutory trust has no address on file with the Department, in care of the Secretary of State or corresponding official of the jurisdiction in which the foreign statutory trust was formed or is existing, if known to the Department.

(d) On forfeiture of the right of a foreign statutory trust to do business in the State, the foreign statutory trust is subject to the same rules, legal provisions, and sanctions as if it had never registered to do business in the State.

§12–1001.

(a) In this subtitle, "other entity" means:

(1) A Maryland corporation incorporated under Title 2 of this article;

(2) A foreign corporation, as defined in § 1–101 of this article;

(3) A domestic limited liability company, as defined in § 4A–101 of this article;

(4) A foreign limited liability company, as defined in § 4A–101 of this article;

(5) A partnership, as defined in § 9A–101(i) of this article;

(6) A limited partnership, as defined in § 10–101 of this article, including a limited partnership registered as a limited liability limited partnership under § 10–805 of this article;

(7) A foreign limited partnership as defined in § 10–101 of this article;

(8) A business trust, as defined in § 1–101 of this article, excluding a statutory trust; or

(9) Another form of unincorporated business formed under the laws of this State or the laws of the United States, another state of the United States, a territory, possession, or district of the United States, or a foreign country.

(b) Except as provided in its governing instrument, a statutory trust may convert to an other entity by:

(1) Approving the conversion in accordance with § 12–1002 of this subtitle; and

(2) Filing for record with the Department articles of conversion executed in the manner required by Title 1 of this article.

(c) An other entity may convert to a statutory trust by complying with § 12–1002 of this subtitle and filing for record with the Department:

(1) Articles of conversion executed in the manner required by Title 1 of this article; and

(2) A certificate of trust, which shall include the name of the converting other entity, executed in the manner required by § 12–204 of this title and otherwise complying with this title.

§12–1002.

(a) Except as provided in the governing instrument, a conversion of a statutory trust to an other entity shall be approved by a majority of the trustees and by the beneficial owners by the affirmative vote of two–thirds of all the votes entitled to be cast on the matter.

(b) A conversion of an other entity to a statutory trust shall be approved in the manner and by the vote required by its governing document and the laws of the place where it is incorporated or organized.

§12–1003.

(a) In this section, "facts ascertainable outside the articles of conversion" includes:

(1) An action or determination by any person, including:

(i) The statutory trust or other entity, as applicable;

(ii) The trustees, directors, partners, members, officers, or other agents of the statutory trust or other entity; and

(iii) Any other person affiliated with the statutory trust or other entity; and

(2) Any other event.

(b) Articles of conversion shall be filed for record with the Department.

(c) In a conversion of a statutory trust to an other entity, the articles of conversion shall set forth:

(1) The name of the statutory trust and the date of filing of its original certificate of trust with the Department;

(2) The name of the other entity to which the statutory trust will be converted and the place of incorporation or organization of the other entity;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging issued beneficial interests of the statutory trust into shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity, or other consideration, and the treatment of any issued beneficial interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside of the articles of conversion;

(5) If the other entity is not organized under the laws of this State:

(i) The location of the principal office in the place where it is organized; and

(ii) The name and address of the resident agent in this State; and

(6) Any other provision necessary to effect the conversion.

(d) In a conversion of an other entity to a statutory trust, the articles of conversion shall set forth:

(1) The name of the other entity, the date on which the other entity was first created, and the place of incorporation or organization of the other entity;

(2) The name of the statutory trust to which the other entity will be converted;

(3) A statement that the conversion has been approved in accordance with the provisions of this subtitle;

(4) The manner and basis of converting or exchanging any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity into beneficial interests of the statutory trust, or other consideration, and the treatment of any outstanding shares of stock, membership interests, partnership interests, beneficial interests, or other ownership interests not to be converted or exchanged, any of which may be made dependent on facts ascertainable outside of the articles of conversion; and

(5) Any other provision necessary to effect the conversion.

(e) The articles of conversion may contain a future effective time of the articles of conversion that is not later than 30 days after the articles of conversion are accepted for record.

§12–1004.

(a) A conversion has the effects provided in this section.

(b) (1) This subsection applies on the completion of the conversion of a statutory trust to an other entity.

(2) The statutory trust shall cease to exist as a statutory trust and shall continue to exist as the other entity into which the statutory trust has converted, and the other entity, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting statutory trust.

(3) (i) All the assets of the statutory trust, including any legacies that it would have been capable of taking, shall vest in and devolve on the other entity without further act or deed and shall be the property of the other entity, and the title to any real property vested by deed or otherwise in the statutory trust shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the statutory trust to an other entity does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the statutory trust before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the statutory trust by its last acting trustees or officers, or by the appropriate authorized persons, partners, officers, trustees, or members of the other entity.

(4) (i) The other entity shall be liable for all the debts and obligations of the statutory trust.

(ii) An existing claim, action, or proceeding pending by or against the statutory trust may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the other entity may be substituted as a party and a judgment against the statutory trust constitutes a lien on the property of the other entity.

(iii) A conversion does not impair the rights of creditors or any liens on the property of the statutory trust.

(5) Subject to the treatment of the ownership interests of the beneficial owners of the statutory trust under the articles of conversion, the ownership interests of the beneficial owners of the statutory trust shall cease to exist as beneficial interests of the statutory trust and continue to exist as ownership interests in the other entity.

(6) The conversion of the statutory trust to an other entity in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the statutory trust or the personal liability of any person incurred before the conversion.

(7) Unless otherwise provided in the articles of conversion, the converting statutory trust is not required to wind up its affairs or pay its liabilities and distribute its assets, and the conversion does not constitute dissolution or a transfer of assets or liabilities of the statutory trust.

(8) A person becomes liable for any obligation incurred by the statutory trust before the completion of the conversion only to the extent provided for by the laws applicable to the other entity.

(c) (1) This subsection applies on the completion of the conversion of an other entity to a statutory trust.

(2) The statutory trust, for all purposes of the laws of this State, shall be deemed to be the same entity as the converting other entity.

(3) (i) All the assets of the other entity, including any legacies that it would have been capable of taking, vest in and devolve on the statutory trust without further act or deed and shall be the property of the statutory trust, and the title to any real property vested by deed or otherwise in the other entity shall not revert or be in any way impaired by reason of a conversion under this subtitle.

(ii) The conversion of the other entity to a statutory trust does not affect, invalidate, terminate, suspend, or nullify any licenses, permits, or registrations granted to the other entity before the conversion.

(iii) Confirmatory deeds, assignments, or similar instruments to evidence the conversion may be executed and delivered at any time in the name of the other entity by the appropriate authorized persons, partners, officers, trustees, or members of the other entity, or by the trustees or officers of the statutory trust.

(4) (i) The statutory trust shall be liable for all the debts and obligations of the other entity.

(ii) An existing claim, action, or proceeding pending by or against the other entity may be prosecuted to judgment as if the conversion had not taken place, or, on motion of the other entity or any party, the statutory trust may be substituted as a party and a judgment against the other entity constitutes a lien on the property of the statutory trust.

(iii) A conversion does not impair the rights of creditors or any liens of the property of the other entity.

(5) The conversion of an other entity to a statutory trust in accordance with articles of conversion under this subtitle does not affect any debts, obligations, or liabilities of the other entity or the personal liability of any person incurred before the completion of the conversion.

(6) A person remains liable for any obligation incurred by the other entity before the completion of the conversion only to the extent that the person would have been liable if the conversion had not occurred.

(7) Subject to the treatment of the ownership interests of the owners of the other entity under the articles of conversion, the ownership interests of the owners of the other entity cease to exist as ownership interests in the converted other entity and continue to exist as beneficial interests in the statutory trust.

§12–1005.

(a) In a conversion of an other entity to a statutory trust, the stock, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity may be exchanged for or converted into any one or more of the following:

(1) Beneficial interests of the statutory trust or stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of any other statutory trust or other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

(b) In a conversion of a statutory trust to an other entity, beneficial interests of the statutory trust may be exchanged for or converted into any one or more of the following:

(1) Stock, evidence of indebtedness, membership interests, partnership interests, beneficial interests, or other ownership interests of the other entity to which the statutory trust is converted or of any other statutory trust or other entity, whether or not party to the conversion;

(2) Other tangible or intangible property;

(3) Money; and

(4) Any other consideration.

§12–1006.

(a) The conversion of an other entity to a statutory trust shall be completed on the later of:

(1) The formation of the statutory trust in accordance with this title; or

(2) The effectiveness of articles of conversion filed for record with the Department.

(b) The conversion of a statutory trust to an other entity shall be completed on the effectiveness of articles of conversion filed for record with the Department.

(c) Articles of conversion are effective on the later of:

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

(2) The future effective time of the articles of conversion as set forth in articles of conversion that have been accepted by the Department for record.

(d) (1) (i) Except as provided in subparagraph (ii) of this paragraph, at the time the conversion of an other entity to a statutory trust is completed:

1. The other entity shall be converted to a statutory trust;

2. The conversion shall have the effects set forth in § 12–1004 of this subtitle; and

3. The statutory trust shall be subject to all of the provisions of the Maryland Statutory Trust Act.

(ii) Notwithstanding § 12–204 of this title, the existence of the statutory trust shall be deemed to have commenced on the date the other entity commenced existence in the place in which the other entity was first incorporated, created, formed, or otherwise came into being.

(2) At the time the conversion of a statutory trust to an other entity is completed, the conversion shall have the effects set forth in § 12–1004 of this subtitle.

§12–1007.

(a) Except as provided in the governing instrument, unless the articles of conversion provide otherwise, the proposed conversion of a statutory trust to an other entity may be abandoned before the effective date of the articles of conversion by majority vote of the trustees of the statutory trust.

(b) Unless the articles of conversion provide otherwise, the proposed conversion of an other entity to a statutory trust may be abandoned in the manner and by the vote required by the governing document of the other entity and the laws of the place in which it is incorporated or organized or, if no manner and vote is specified, in the manner and by the vote required to approve the conversion under § 12–1002 of this subtitle.

(c) If the articles of conversion have been filed with the Department, notice of the abandonment shall be given promptly to the Department.

(d) (1) If the proposed conversion is abandoned as provided in this section, no legal liability arises under the articles of conversion.

(2) Abandonment of a conversion under this section does not prejudice the rights of any person under any other contract made by a statutory trust party to the proposed conversion in connection with the proposed conversion.