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The Maryland House of Delegates
ANNAPOLIS, MARYLAND 21401

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**Testimony in Support of House Bill 668 – Corporations and Associations – Corporations
and Real Estate Investment Trusts – Miscellaneous**

Good afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to speak to you on behalf of **House Bill 668 – Corporations and Associations – Corporations and Real Estate Investment Trusts – Miscellaneous**.

This legislation is based on recommendations of the Corporate Law Section of the Maryland State Bar Association (MSBA). There are two main purposes for the changes advocated by MSBA.

First, the bill would allow a Board of Directors that is faced with a determination of whether to indemnify a director who has been sued the option of delegating that determination to a board committee comprised of only disinterested directors. Under present law, this important determination can be made by the full board (which might have on it several directors who have been sued) and can only be delegated to an impartial committee if the full board cannot achieve a quorum. House Bill 668 would make it easier to defer to an impartial group.

Second, Maryland's Corporations and Associations Law Article has several provisions making it easier for mutual funds to operate, as long as they comply with the many requirements of the Investment Company Act of 1940, which is the federal law governing mutual funds. House Bill 668 proposes that, provided a majority of the entire board of directors approves a charter amendment, a merger, or a dissolution, no stockholder approval is also required unless the 1940 Act requires that level of approval. Please note that I am offering an amendment that both board approval (at the heightened vote requirement) and 1940 Act compliance is required.

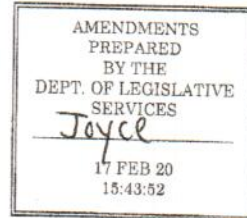
Other provisions in this measure clarify how certain charter filings should be made. These charter filings include Articles of Incorporation, Articles of Conversion, and Articles of Merger. These provisions have been worked out with the State Department of Assessments and Taxation. Additionally, House Bill 668 expressly authorizes Real Estate Investment Trusts (REIT) to conduct a reverse stock split and simplifies effective date requirements for REIT conversions.

There are other improvements, clarifications, and corrections offered in this proposal. William Carlson from MSBA joins me today. He will provide further insight into House Bill 668.

I respectfully request a favorable report for House Bill 668.



HB0668/813428/1



BY: Delegate Dumais
(To be offered in the Economic Matters Committee)

AMENDMENT TO HOUSE BILL 668
(First Reading File Bill)

On page 6, in line 10, strike "OR" and substitute "AND".

On page 8, in line 18, strike "NEED" and substitute "SHALL"; in line 20, after "BY" insert "A MAJORITY OF"; in line 21, strike "ITS" and substitute "THE ENTIRE"; and in the same line, strike "OR" and substitute "AND".

On page 10, in line 20, strike "OR" and substitute "AND".