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Judicial Proceedings Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

March 7, 2025

Senate Judicial Proceedings Committee
The Honorable William C. Smith, Jr.
2 East Miller Senate Building
Annapolis, Maryland 21401-1991

RE: Testimony in Support of SB992 - Corporations and Associations - Revisions

Dear Chairman Smith and Members of the Committee:

Thank you for this opportunity to present SB992. This is the annual bill making technical corrections to Maryland's corporate laws. This bill is brought to us each year by the Business Law Section of the Maryland State Bar Association. The Business Law Section Executive Council is comprised of many of the State's most prominent business and corporate lawyers. In the spirit of full disclosure, prior to being elected to the General Assembly in 2014, I had been a member of the Executive Council for many years. Bill Carlson is with us once again this year to answer any questions about this bill. Bill is a longtime leader of the Business Law Section.

This year, SB992 focuses on the portion of the State's corporate laws that deals with what the stockholders of a corporation must explicitly approve in order for the corporation to proceed forward with a transaction. In this area of the Corporations and Associations Article, there are various provisions holding that unless the corporate charter or bylaws provide to the contrary, the corporation does not have to secure stockholder approval to take certain actions. SB992 merely adds another instance in which, unless the charter or bylaws provide to the contrary, stockholder approval need not be secured before the corporation does something.

The "something" in this case is to transfer assets of the corporation that previously had been pledged as collateral for a loan and are the subject of a mortgage, pledge or security interest. SB992 provides that if the secured party exercises its rights under a mortgage or deed of trust or a grant of a security interest to take possession of and sell corporate assets, stockholder consent is not necessary. Alternatively, if the board of directors of the corporation authorizes a sale of the assets with the holder of the mortgage or security interest that results in the reduction or elimination of the obligations secured by the assets and for which the assets are worth less than or equal to the amount of the obligations being discharged, stockholder consent is not necessary. SB992 goes on to say that even in there is an ultimate determination that that value of the assets was greater than the amount of the discharged obligations, so long as the person receiving the assets acted in good faith and provided value for the assets, the sale cannot be invalidated.

There is another distinct component of SB992. It provides that in the case of mergers, the document known as the articles of merger need not include ownership information about any partnership or limited partnership or limited liability company that is one of the parties to the articles of merger.

I am pleased to recommend that the Judicial Proceedings Committee report this bill favorably, and Bill and I look forward to answering any questions that you might have about the bill.



SB0992/933725/1

AMENDMENTS
PREPARED
BY THE
DEPT. OF LEGISLATIVE
SERVICES

06 MAR 25
15:24:02

BY: Senator West
(To be offered in the Judicial Proceedings Committee)

AMENDMENT TO SENATE BILL 992
(First Reading File Bill)

On page 3, in line 28, strike “**LIABILITY FOR MONETARY DAMAGES ARISING FROM**” and substitute “**CLAIM, INCLUDING**”; and in line 29, strike “**THAT THE**” and substitute “**FOR MONETARY DAMAGES ARISING FROM THE**”; and in the same line strike “**DID NOT**” and substitute “**FAILING TO**”.