

April 22, 2010

**Maryland Legislature Passes Exchange Act Exception  
to Stockholder's Right to Petition for Dissolution**

Section 3-413(a)(2) of the Maryland General Corporation Law ("MGCL") currently provides that one or more stockholders entitled to cast at least 25% 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 the ground that the "stockholders are so divided that directors cannot be elected." Section 3-413(b)(1) extends the same right to any stockholder entitled to vote in the election of directors if the stockholders "have failed, for a period which includes two successive annual meeting dates, to elect successors to directors whose terms would have expired on the election and qualification of their successors . . . ." In the recent past, stockholders of closed-end funds have attempted to take advantage of this provision, including by soliciting proxies in order to prevent a quorum -- thus frustrating the ability of stockholders to elect directors -- and then petitioning (or threatening to petition) for dissolution.

Last week, the Governor of Maryland signed House Bill 972, which amends Section 3-413 to exclude corporations with a class of equity securities registered under the Securities Exchange Act of 1934 from both of the subsections referred to above. H.B. 972 is the omnibus bill proposed by the Business Law Section of the Maryland State Bar Association this year making several other changes to the MGCL, about which you will be receiving a separate memo soon.

We drafted the amendments to Section 3-413 because dissolution on the basis of the inability of stockholders to elect directors is inappropriate for public companies, where stockholders have the very effective remedy of selling their shares at any time. We feel that dissolution is particularly inappropriate where it may be used by a single stockholder to achieve a result unattainable through the traditional path to voluntary dissolution under the MGCL -- approval by a majority of the entire board and by holders of two-thirds of the shares entitled to vote on the matter (subject to a higher or lower vote requirement in the charter). The amendment will become effective on June 1, 2010.

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As always, please call if you have any questions about the foregoing or any other question of Maryland law.

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