

SENATE BILL 956

C1, I4

3lr1177
CF HB 1276

By: **Senator Hershey**

Introduced and read first time: February 24, 2023

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Corporations and Associations – Cooperatives – Nonescheat Capital Credits**

3 FOR the purpose of providing that certain unclaimed money held by a cooperative and due
4 to a past member is not considered abandoned property; authorizing a cooperative to
5 use this money only to assist members or to donate to charitable organizations;
6 requiring money not expended within a certain time frame to be considered
7 abandoned property; and generally relating to cooperatives and nonescheat capital
8 credits.

9 BY repealing and reenacting, with amendments,
10 Article – Commercial Law
11 Section 17–301(b)(2)
12 Annotated Code of Maryland
13 (2013 Replacement Volume and 2022 Supplement)

14 BY adding to
15 Article – Corporations and Associations
16 Section 5–704
17 Annotated Code of Maryland
18 (2014 Replacement Volume and 2022 Supplement)

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

21 **Article – Commercial Law**

22 17–301.

23 (b) The following property held by a banking or financial organization, or business
24 association is presumed abandoned:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2) Any funds, **EXCEPT NONESCHEAT CAPITAL CREDITS, AS DEFINED IN § 5-704 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE**, paid toward the purchase of shares or other interest in a financial organization, or any deposit made with these funds, and any interest or dividends on these, excluding any charges that lawfully may be withheld, 3 years after the later of:

(i) The date the holder is deemed to no longer have a valid address for the owner of the property; or

(ii) The date the owner last:

1. Increased or decreased the amount of the funds or deposit, or presented an appropriate record for the crediting of interest or dividends;

2. Corresponded in writing with the financial organization concerning the funds or deposit;

3. Engaged in any credit, share, or other deposit transaction with the financial organization; or

4. Otherwise indicated an interest in the funds or deposit as evidenced by a memorandum on file with the financial organization;

Article – Corporations and Associations

5-704.

(A) (1) **IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

(2) **“COOPERATIVE” MEANS A CORPORATION THAT IS ORGANIZED UNDER SUBTITLE 5, 5A, 6, 6A, 6B, OR 6C OF THIS TITLE.**

(3) **“NONESCHEAT CAPITAL CREDITS” MEANS:**

(I) **MONEY DUE TO ANY PAST MEMBER OF A COOPERATIVE IN RETIREMENT OF CAPITAL ALLOCATED ON A PATRONAGE BASIS TO THE ACCOUNT OF THE PAST MEMBER FOR AMOUNTS RECEIVED AND RECEIVABLE BY THE COOPERATIVE IN EXCESS OF OPERATING COSTS AND EXPENSES;**

(II) **MONEY FOR WHICH AT LEAST 5 YEARS HAVE PASSED SINCE THE CREDITS WERE RETIRED; AND**

(III) **MONEY THAT HAS NOT BEEN CLAIMED BY THE PAST MEMBER.**

1 **(B) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, A**
2 **COOPERATIVE MAY USE NONESCHEAT CAPITAL CREDITS ONLY TO:**

3 **(1) ASSIST MEMBERS OF THE COOPERATIVE; OR**

4 **(2) DONATE TO NONPROFIT, CHARITABLE ORGANIZATIONS**
5 **APPROVED BY THE COOPERATIVE'S BOARD OF DIRECTORS.**

6 **(C) (1) A COOPERATIVE SHALL EXPEND ANY NONESCHEAT CAPITAL**
7 **CREDITS WITHIN 3 YEARS AFTER THE CREDITS BECOME AVAILABLE.**

8 **(2) ANY NONESCHEAT CAPITAL CREDIT NOT EXPENDED WITHIN 3**
9 **YEARS SHALL BE CONSIDERED ABANDONED PROPERTY AND DISPOSED OF IN**
10 **ACCORDANCE WITH SUBTITLE 17 OF THE COMMERCIAL LAW ARTICLE.**

11 **(D) NOTHING IN THIS SECTION MAY BE CONSTRUED TO RELIEVE A**
12 **COOPERATIVE OF THE OBLIGATION TO REFUND NONESCHEAT CAPITAL CREDITS ON**
13 **APPLICATION OF A PAST MEMBER.**

14 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
15 **October 1, 2023.**