

Article - Courts and Judicial Proceedings

Section 5-350

Annotated Code of Maryland

(1989 Replacement Volume and 1991 Supplement)

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

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5-350.

(a) Subject to the provisions of subsection (b) of this section, a shareholder or trustee of a real estate investment, defined under Title 8, Subtitle 1 of the Corporations and Associations Article, is not personally liable for the obligations of the real estate investment trust.

(b) If a trustee otherwise would be liable, THE PROVISIONS OF SUBSECTION (A) OF this section [does] DO not relieve the trustee from any liability to the trust or its security holders for any act that constitutes:

- (1) Bad faith;
- (2) Willful misfeasance;
- (3) Gross negligence; or
- (4) Reckless disregard of the trustee's duties.

(C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THE DECLARATION OF TRUST OF A REAL ESTATE INVESTMENT TRUST MAY INCLUDE ANY PROVISION EXPANDING OR LIMITING THE LIABILITY OF ITS TRUSTEES AND OFFICERS TO THE TRUST OR ITS SHAREHOLDERS FOR MONEY DAMAGES.

(2) THE DECLARATION OF TRUST OF A REAL ESTATE INVESTMENT TRUST MAY NOT INCLUDE ANY PROVISION THAT RESTRICTS OR LIMITS THE LIABILITY OF ITS TRUSTEES OR OFFICERS TO THE TRUST OR ITS SHAREHOLDERS:

(I) TO THE EXTENT THAT IT IS PROVED THAT THE PERSON ACTUALLY RECEIVED AN IMPROPER BENEFIT OR PROFIT IN MONEY, PROPERTY, OR SERVICES, FOR THE AMOUNT OF THE BENEFIT OR PROFIT IN MONEY, PROPERTY, OR SERVICES ACTUALLY RECEIVED; OR

(II) TO THE EXTENT THAT A JUDGMENT OR OTHER FINAL ADJUDICATION ADVERSE TO THE PERSON IS ENTERED IN A PROCEEDING BASED ON A FINDING IN THE PROCEEDING THAT THE PERSON'S ACTION OR FAILURE TO ACT WAS THE RESULT OF ACTIVE AND DELIBERATE DISHONESTY AND WAS MATERIAL TO THE CAUSE OF ACTION ADJUDICATED IN THE PROCEEDING.