

1 HB209
2 216352-1
3 By Representative Wadsworth
4 RFD: Financial Services
5 First Read: 02-FEB-22

SYNOPSIS: Under existing law, a corporation in the State of Alabama may issue fractions of a share of stock in registered or bearer form. A scrip in bearer form is a certificate representing a fraction of a share of stock that is not registered in the issuing corporation's books.

This bill would prohibit a corporation from issuing scrip in bearer form, thereby requiring a corporation to register all issued scrip of fractional stock.

This bill would also provide that a corporation that issues or transfers scrip in uncertificated form shall comply with the appropriate notice requirements.

A BILL
TO BE ENTITLED
AN ACT

1 Relating to business and nonprofit entities; to
2 amend Section 10A-2A-6.04, Code of Alabama 1975, to revise the
3 requirements for a corporation to issue or transfer fractional
4 stock; and to prohibit a corporation from issuing a
5 certificate representing scrip in bearer form.

6 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

7 Section 1. Section 1. Section 10A-2A-6.04, Code of
8 Alabama 1975, is amended to read as follows:

9 "§10A-2A-6.04.

10 "(a) A corporation may issue fractions of a share of
11 stock or in lieu of doing so may:

12 "(1) pay in cash the value of fractions of a share
13 of stock;

14 "(2) issue scrip in certificated or uncertificated
15 ~~registered or bearer~~ form entitling the holder to receive a
16 full share of stock upon surrendering enough scrip to equal a
17 full share of stock; or

18 "(3) arrange for disposition of fractional stock by
19 the holders of that stock.

20 "(b) Each certificate representing scrip must be
21 conspicuously labeled "scrip" and must contain the information
22 required by Section 10A-1-3.42(c). A corporation shall not
23 issue a certificate representing scrip in bearer form. Within
24 a reasonable time after the issuance or transfer of scrip
25 without certificate, the corporation shall comply with the
26 notice requirements of Section 10A-1-3.45.

1 "(c) The holder of a fractional share of stock is
2 entitled to exercise the rights of a stockholder, including
3 the rights to vote, to receive dividends, and to receive
4 distributions upon dissolution. The holder of scrip is not
5 entitled to any of these rights unless the scrip provides for
6 them.

7 "(d) The board of directors may authorize the
8 issuance of scrip subject to any condition, including that:

9 "(1) the scrip will become void if not exchanged for
10 full stock before a specified date; and

11 "(2) the stock for which the scrip is exchangeable
12 may be sold and the proceeds paid to the scripholders."

13 Section 2. This act shall become effective on the
14 first day of the third month following its passage and
15 approval by the Governor, or its otherwise becoming law.