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Judicial Proceedings Committee

Vice Chair, Baltimore County
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THE SENATE OF MARYLAND
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Senate Judicial Proceedings Committee
The Honorable William C. Smith, Jr.
2 East Miller Senate Building
Annapolis, Maryland 21401-1991

RE: SB 469 – Corporations and Associations – Corporations and Real Estate Investment Funds – Miscellaneous

Dear Chairman Smith and Members of the Committee:

I am pleased to introduce Senate Bill 469 which has been brought to me by the MSBA Committee on Corporation Law.

Senate Bill 469 seeks to provide a Board of Directors that is faced with a determination of whether to indemnify a director who has been sued the option of delegating that determination to a board committee comprised of only disinterested directors. Under current law, this determination can be made by the full board but poses the issue where there exists several directors on the board who have been sued, and can only be delegated to an impartial committee if the full board is unable to achieve a quorum. This legislation would alleviate the difficulty of deferring to an impartial group.

The second proposal regards mutual funds operating contingent on their compliance with the many requirements of the Investment Company Act of 1940, which is the federal law governing mutual funds. Senate Bill 469 will provide that so long as a majority of the entire Board of Directors approves a charter amendment, merger, or a dissolution, no stockholder approval is required unless the 1940 Act requires that level of approval.

I would like to add that I will be offering an amendment to this Bill which requires both board approval at the heightened vote requirement and compliance with the Investment Company Act of 1940.

I have with me William Carlson who will be able to expand more on the issues at hand in this bill and the effects this legislation would have. For these reasons I request a favorable report on Senate Bill 469.