

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 517

(Senator Baker)

Judicial Proceedings

Corporations - Bylaws

This bill provides that after the required organization meeting of a corporation's board of directors, the power to adopt, alter, and repeal the corporation's bylaws is vested in the stockholders except to the extent that the charter or bylaws vest all or any part of that power in the board of directors. The bill authorizes a corporation, notwithstanding any provision in its charter or bylaws, to elect that the bylaws may be adopted, altered, or repealed: (1) only by the board of directors; (2) only by the stockholders; or (3) by either the stockholders or the board. A corporation may specify that the required vote may not be more than 80% of the votes entitled to be cast on the matter in the case of adoption, alteration, or repeal of its bylaws by the stockholders.

The provisions relating to a corporation's election about the adoption, alteration, or repeal of its bylaws and to a stockholder vote on the adoption, alteration, or repeal apply only to a corporation that elects to be subject to those provisions on or after June 1, 2002.

The bill is effective June 1, 2002.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: After the State Department of Assessments and Taxation accepts a corporation's articles of incorporation for recordation, at the call of a majority of the directors named in the articles, the directors must hold an organization meeting to adopt bylaws, elect officers, and transact any other business that may come before the meeting. After the organization meeting, the power to adopt, alter, and repeal the corporation's bylaws is vested in the stockholders, except to the extent that the corporation's charter or bylaws vest it in the board of directors.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2002
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