

MEMO# 11813

April 14, 2000

MARYLAND RE-ENACTS INDEPENDENT DIRECTORS LEGISLATION

* The Institute, together with the Maryland Securities Association and Alliance Capital Management, submitted a brief as amici curiae urging the Maryland Court of Appeals to affirm the constitutionality of the 1998 law. See Memorandum to Board of Governors No. 8-00, Closed-End Investment Company Committee No. 4-00, Director Services Committee No. 5-00, and SEC Rules Committee No. 21-00, dated February 11, 2000. On March 14, 2000, the court struck down the provision in the 1998 law relating to investment company directors as violative of the single-subject rule. [11813] April 14, 2000 TO: BOARD OF GOVERNORS No. 24-00 CLOSED-END INVESTMENT COMPANY COMMITTEE No. 14-00 DIRECTOR SERVICES COMMITTEE No. 8-00 SEC RULES COMMITTEE No. 58-00 RE: MARYLAND RE-ENACTS INDEPENDENT DIRECTORS LEGISLATION

As you may recall, in May 1998, the Governor of Maryland signed into law legislation that would affirm for purposes of Maryland corporate law that the Investment Company Act of 1940 governs the determination of whether a director of an investment company is an "interested person." This law applied to all cases involving an investment company organized under Maryland law that were filed on or after January 30, 1998, the date the bill was originally introduced in Maryland. In February 2000, the validity of the 1998 law was challenged in a suit alleging that the law had been enacted in violation of the "single-subject rule" of the Maryland Constitution. (The single-subject rule prohibits amending unrelated provisions onto an existing bill to seek the enactment of the added provisions.)* In response to this challenge, the Office of the Maryland Attorney General included the provision from the 1998 bill relating to investment company directors in the Legislature's 2000 Curative Bill, which is introduced annually to affirm, as necessary, the validity of legislation enacted during previous legislative sessions. A copy of this portion of the Curative Bill is attached. We are pleased to report that the Governor of Maryland recently signed into law the 2000 Curative Bill. As a result, the 1998 amendments have once again been enacted into law in their original form -- including their original effective day of January 30, 1998. Craig S. Tyle
General Counsel Attachment