

SESSION OF 2020

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2401

As Amended by House Committee on Federal
and State Affairs

Brief*

HB 2401 would amend the Kansas General Corporation Code as it relates to stockholder quorums needed to transact business. The bill would add language specifying that, for businesses with over 500 stockholders and articles of incorporation or bylaws that provide no stockholder may vote more than one share:

- A quorum would consist of no less than 10 percent of the shares entitled to vote at the meeting; and
- Such a business could amend its articles of incorporation by a majority of a quorum voting at a special or annual meeting.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was requested for introduction by Representative Highberger.

At the House Committee on Federal and State Affairs hearing, proponent testimony was provided by Representatives Horn and Highberger and a representative of The Merc Co+op. Proponents generally stated the businesses described in the bill struggle to comply with

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

current quorum requirements for shareholder meetings and elections. Proponents stated many grocery cooperatives that provide services to rural areas are organized under this structure and a 10 percent quorum requirement would still be difficult but would be an achievable standard.

Written-only proponent testimony was provided by a private citizen.

Written-only neutral testimony was provided by the Kansas Cooperative Council.

No opponent testimony was provided.

The House Committee amended the bill to make it effective upon publication in the *Kansas Register*.

According to the fiscal note prepared by the Division of the Budget in 2019, the Office of the Secretary of State indicates enactment of the bill could result in additional revenue to the agency and the State General Fund if the bill resulted in an increase in filings for amendments to articles of incorporation, but the agency is unable to estimate how many additional filings might be made or what increase in revenue might result. Any fiscal effect associated with the bill is not reflected in *The FY 2020 Governor's Budget Report*.