
By: Delegate Frank

Introduced and read first time: February 6, 1997

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 18, 1997

CHAPTER ____

1 AN ACT concerning

2 **Corporations - Directors - Terms**

3 FOR the purpose of providing that the initial directors of a corporation serve until their
4 successors are elected; repealing the requirement that the initial directors term
5 ends at the first annual meeting; providing that if directors have been divided into
6 classes the director may not be removed without cause; and generally relating to the
7 term of a director of a corporation.

8 BY repealing and reenacting, with amendments,
9 Article - Corporations and Associations
10 Section 2-104(a), 2-404, and 2-406
11 Annotated Code of Maryland
12 (1993 Replacement Volume and 1996 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
14 MARYLAND, That the Laws of Maryland read as follows:

15 **Article - Corporations and Associations**

16 2-104.

17 (a) The articles of incorporation shall include:

18 (1) The name and address of each incorporator and a statement that each
19 incorporator is:

20 (i) 18 years old or older; and

21 (ii) Forming a corporation under the general laws of the State of
22 Maryland;

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1 (2) The name of the corporation;

2 (3) The purposes for which the corporation is formed;

3 (4) The address of the principal office of the corporation;

4 (5) The name and address of the resident agent of the corporation;

5 (6) (i) The total number of shares of stock of all classes which the
6 corporation has authority to issue;

7 (ii) The number of shares of stock of each class;

8 (iii) The par value of the shares of stock of each class or a statement
9 that the shares are without par value; and

10 (iv) If there are any shares of stock with par value, the aggregate par
11 value of all the shares of all classes;

12 (7) If the stock is divided into classes as permitted by § 2-105 of this subtitle,
13 a description of each class including any preferences, conversion and other rights, voting
14 powers, restrictions, limitations as to dividends, qualifications, and terms and conditions
15 of redemption; and

16 (8) The number of directors and the names of those INDIVIDUALS who will
17 serve as directors [until the first annual meeting and] until their successors are elected
18 and qualify.

19 2-404.

20 (a) Until [the first annual meeting of stockholders and until] successors are
21 elected and qualify, the board of directors consists of the individuals named as directors
22 in the charter.

23 (b) (1) [At the first annual meeting of stockholders and, except] EXCEPT as
24 provided in paragraph (2) of this subsection, at each [subsequent] annual meeting OF
25 STOCKHOLDERS, the stockholders shall elect directors to hold office until the EARLIER
26 OF:

27 (I) THE next annual meeting of stockholders and until their successors
28 are elected and qualify; OR

29 (II) THE TIME PROVIDED IN THE TERMS OF ANY CLASS OR SERIES
30 OF STOCK PURSUANT TO WHICH SUCH DIRECTORS ARE ELECTED.

31 (2) If the directors are divided into classes, the term of office may be
32 provided in the bylaws, except that:

33 (i) The term of office of a director may not be longer than five years
34 or, except in the case of an initial or substitute director, shorter than the period between
35 annual meetings; and

36 (ii) The term of office of at least one class shall expire each year.

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1 (c) Each share of stock may be voted for as many individuals as there are
2 directors to be elected and for whose election the share is entitled to be voted.

3 (d) Unless the charter or bylaws of a corporation provide otherwise, a plurality of
4 all the votes cast at a meeting at which a quorum is present is sufficient to elect a director.

5 2-406.

6 (a) Except as provided in subsection (b) of this section and unless the charter of
7 the corporation provides otherwise, the stockholders of a corporation may remove any
8 director, with or without cause, by the affirmative vote of a majority of all the votes
9 entitled to be cast for the election of directors.

10 (b) Unless the charter of the corporation provides otherwise:

11 (1) If the stockholders of any class or series are entitled separately to elect
12 one or more directors, a director elected by a class or series may not be removed without
13 cause except by the affirmative vote of a majority of all the votes of that class or series;
14 [and]

15 (2) If a corporation has cumulative voting for the election of directors and
16 less than the entire board is to be removed, a director may not be removed without cause
17 if the votes cast against his removal would be sufficient to elect him if then cumulatively
18 voted at an election of the entire board of directors, or, if there is more than one class of
19 directors, at an election of the class of directors of which he is a member; AND

20 (3) IF THE DIRECTORS HAVE BEEN DIVIDED INTO CLASSES, A
21 DIRECTOR MAY NOT BE REMOVED WITHOUT CAUSE.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
23 October 1, 1997.