

HOUSE BILL REPORT

SB 5107

*As Reported By House Committee on:
Judiciary*

Title: An act relating to corporations.

Brief Description: Making multiple changes to the statutes governing corporations.

Sponsor(s): Senators Nelson, A. Smith and Newhouse.

Brief History:

Reported by House Committee on:
Judiciary, April 2, 1991, DP.

**HOUSE COMMITTEE ON
JUDICIARY**

Majority Report: *Do pass.* Signed by 16 members: Representatives Appelwick, Chair; Ludwig, Vice Chair; Padden, Ranking Minority Member; Paris, Assistant Ranking Minority Member; Belcher; Broback; Hargrove; Inslee; Mielke; H. Myers; Riley; Scott; D. Sommers; Tate; Vance; and Wineberry.

Staff: Jeff Fishel (786-7191).

Background: Washington's version of the Revised Model Business Corporations Act was adopted by the Legislature in 1989, Title 23B RCW, and became effective July 1, 1990. The act follows national trends in corporate law to simplify the formation of corporations and to allow the corporation to determine much of its governance in its articles of incorporation. The act was amended in 1990 to reflect current administrative practices.

Because the effective date of the new act was July 1, 1990, the cross-references to the old act, Title 23A RCW, were not corrected in the 1989 Revised Code of Washington.

Summary of Bill: References in Washington's statutes to the prior Business Corporation Act, Title 23A, are corrected, and substantive changes are made to clarify the filing and notice requirements of the act.

The bill distinguishes a corporation's initial report from its annual report although the two reports are required to

contain the same information. A corporation does not have to hold an organizational meeting within 90 days after filing its articles of incorporation, but its initial report must be delivered to the secretary of state within 120 days of filing. If the initial report is not filed within that period, the secretary of state may administratively dissolve the corporation.

The definition of "deliver" is expanded to allow shareholders to deliver demands, consents, or waivers of notice to the corporation by facsimile transmission. Notice to shareholders also may be sent by telegraph, teletype, or facsimile equipment as well as by mail, and the notice is effective when dispatched. When unanimous consent of voting shareholders is required for an action taken by shareholders without a meeting, a written consent from a shareholder is effective upon "delivery" to the corporation instead of "possession."

The bill makes clear that the articles of incorporation or bylaws of a corporation may specify a quorum consisting of less rather than more than a majority of the directors. However, a quorum may not be less than one-third of the board membership.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This recommendation by the Washington State Bar Association makes the Business Corporation Act more user friendly.

Testimony Against: None.

Witnesses: Senator Gary Nelson, Chair, Senate Law and Justice Committee (pro); and Cameron DeVore, Washington State Bar Association (pro).