
HOUSE BILL 1074

State of Washington 53rd Legislature 1993 Regular Session

By Representatives Ludwig, Padden, Appelwick and Johanson

Read first time 01/13/93. Referred to Committee on Judiciary.

1 AN ACT Relating to corporations; amending RCW 18.100.120,
2 50.04.165, and 23B.14.300; and adding a new section to chapter 23B.07
3 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 18.100.120 and 1982 c 35 s 169 are each amended to
6 read as follows:

7 Corporations organized pursuant to this chapter shall render
8 professional service and exercise its authorized powers under a name
9 permitted by law and the professional ethics of the profession in which
10 the corporation is so engaged. (~~In the event that the words~~
11 ~~"company", "corporation" or "incorporated" or any other word,~~
12 ~~abbreviation, affix or prefix indicating that it is a corporation shall~~
13 ~~be used, it shall be accompanied with the abbreviation "P.S." or "P.C."~~
14 ~~or the words "professional service".)) The corporate name of a
15 professional service corporation must contain either the words
16 "professional service" or "professional corporation" or the
17 abbreviation "P.S." or "P.C." The corporate name may also contain
18 either the words "corporation," "incorporated," "company," or
19 "limited," or the abbreviation "corp.," "inc.," "co.," or "ltd." With~~

1 the filing of its first annual report and any filings thereafter,
2 professional service corporation shall list its then shareholders:
3 PROVIDED, That notwithstanding the foregoing provisions of this
4 section, the corporate name of a corporation organized to render dental
5 services shall contain the full names or surnames of all shareholders
6 and no other word than "chartered" or the words "professional services"
7 or the abbreviation "P.S." or "P.C."

8 **Sec. 2.** RCW 50.04.165 and 1991 c 72 s 57 are each amended to read
9 as follows:

10 ~~((1))~~ Services performed by ~~((corporate officers as defined in~~
11 ~~subsection (2) of this section, [other than those])~~) a person appointed
12 as an officer of a corporation under RCW 23B.08.400, other than those
13 covered by chapter 50.44 RCW, shall not be considered services in
14 employment. However, a corporation may elect to cover not less than
15 all of its corporate officers under RCW 50.24.160. If an employer does
16 not elect to cover its corporate officers under RCW 50.24.160, the
17 employer must notify its corporate officers in writing that they are
18 ineligible for unemployment benefits. If the employer fails to notify
19 any corporate officer, then that person shall not be considered to be
20 a corporate officer for the purposes of this section.

21 ~~((2) The officers of a corporation shall consist of a president,~~
22 ~~one or more vice presidents as may be prescribed by the bylaws, a~~
23 ~~secretary, and a treasurer.))~~

24 **Sec. 3.** RCW 23B.14.300 and 1989 c 165 s 163 are each amended to
25 read as follows:

26 The superior courts may dissolve a corporation:

27 (1) In a proceeding by the attorney general if it is established
28 that:

29 (a) The corporation obtained its articles of incorporation through
30 fraud; or

31 (b) The corporation has continued to exceed or abuse the authority
32 conferred upon it by law;

33 (2) In a proceeding by a shareholder if it is established that:

34 (a) The directors are deadlocked in the management of the corporate
35 affairs, the shareholders are unable to break the deadlock, and
36 irreparable injury to the corporation is threatened or being suffered,
37 or the business and affairs of the corporation can no longer be

1 conducted to the advantage of the shareholders generally, because of
2 the deadlock;

3 (b) The directors or those in control of the corporation have
4 acted, are acting, or will act in a manner that is illegal, oppressive,
5 or fraudulent;

6 (c) The shareholders are deadlocked in voting power and have
7 failed, for a period that includes at least two consecutive annual
8 meeting dates, to elect successors to directors whose terms have
9 expired; (~~or~~)

10 (d) The corporate assets are being misapplied or wasted; or

11 (e) The corporation has ceased all business activity and has
12 failed, within a reasonable time, to dissolve, to liquidate its assets,
13 or to distribute its remaining assets among its shareholders;

14 (3) In a proceeding by a creditor if it is established that:

15 (a) The creditor's claim has been reduced to judgment, the
16 execution on the judgment was returned unsatisfied, and the corporation
17 is insolvent; or

18 (b) The corporation has admitted in writing that the creditor's
19 claim is due and owing and the corporation is insolvent; or

20 (4) In a proceeding by the corporation to have its voluntary
21 dissolution continued under court supervision.

22 NEW SECTION. Sec. 4. A new section is added to chapter 23B.07 RCW
23 to read as follows:

24 (1) An agreement among the shareholders of a corporation that
25 complies with this section is effective among the shareholders and the
26 corporation even though it is inconsistent with one or more other
27 provisions of this title in that it:

28 (a) Eliminates the board of directors or restricts the discretion
29 or powers of the board of directors;

30 (b) Governs the authorization or making of distributions whether or
31 not in proportion to ownership of shares, subject to the limitations in
32 RCW 23B.06.400;

33 (c) Establishes who shall be directors or officers of the
34 corporation, or their terms of office or manner of selection or
35 removal;

36 (d) Governs, in general or in regard to specific matters, the
37 exercise or division of voting power by or between the shareholders and

1 directors or by or among any of them, including use of weighted voting
2 rights or director proxies;

3 (e) Establishes the terms and conditions of any agreement for the
4 transfer or use of property or the provision of services between the
5 corporation and any shareholder, director, officer, or employee of the
6 corporation or among any of them;

7 (f) Transfers to one or more shareholders or other persons all or
8 part of the authority to exercise the corporate powers or to manage the
9 business and affairs of the corporation;

10 (g) Resolves any issue about which there exists a deadlock among
11 directors or shareholders;

12 (h) Requires dissolution of the corporation at the request of one
13 or more shareholders or upon the occurrence of a specified event or
14 contingency; or

15 (i) Otherwise governs the exercise of the corporate powers or the
16 management of the business and affairs of the corporation or the
17 relationship among the shareholders, the directors, and the
18 corporation, or among any of them, and is not contrary to public
19 policy.

20 (2) An agreement authorized by this section shall be:

21 (a) Set forth in a written agreement that is signed by all persons
22 who are shareholders at the time of the agreement and is made known to
23 the corporation;

24 (b) Subject to amendment only by all persons who are shareholders
25 at the time of the amendment, unless the agreement provides otherwise;
26 and

27 (c) Valid for ten years, unless the agreement provides otherwise.

28 (3) The existence of an agreement authorized by this section shall
29 be noted conspicuously on the front or back of each certificate for
30 outstanding shares or on the information statement required by RCW
31 23B.06.260(2). If at the time of the agreement the corporation has
32 shares outstanding represented by certificates, the corporation shall
33 recall the outstanding certificates and issue substitute certificates
34 that comply with this subsection. The failure to note the existence of
35 the agreement on the certificate or information statement shall not
36 affect the validity of the agreement or any action taken pursuant to
37 it. Any purchaser of shares who, at the time of purchase, did not have
38 knowledge of the existence of the agreement shall be entitled to
39 rescission of the purchase. A purchaser shall be deemed to have

1 knowledge of the existence of the agreement if its existence is noted
2 on the certificate or information statement for the shares in
3 compliance with this subsection and, if the shares are not represented
4 by a certificate, the information statement is delivered to the
5 purchaser at or prior to the time of purchase of the shares. An action
6 to enforce the right of rescission authorized by this subsection must
7 be commenced within the earlier of ninety days after discovery of the
8 existence of the agreement or two years after the time of purchase of
9 the shares.

10 (4) An agreement authorized by this section shall cease to be
11 effective when shares of the corporation are listed on a national
12 securities exchange or regularly traded in a market maintained by one
13 or more members of a national or affiliated securities association.

14 (5) An agreement authorized by this section that limits the
15 discretion or powers of the board of directors shall relieve the
16 directors of, and impose upon the person or persons in whom such
17 discretion or powers are vested, liability for acts or omissions
18 imposed by law on directors to the extent that the discretion or powers
19 of the directors are limited by the agreement.

20 (6) The existence or performance of an agreement authorized by this
21 section shall not be a ground for imposing personal liability on any
22 shareholder for the acts or debts of the corporation even if the
23 agreement or its performance treats the corporation as if it were a
24 partnership or results in failure to observe the corporate formalities
25 otherwise applicable to the matters governed by the agreement.

26 (7) Incorporators or subscribers for shares may act as shareholders
27 with respect to an agreement authorized by this section if no shares
28 have been issued when the agreement is made.

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