

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 1074**

53rd Legislature  
1993 Regular Session

Passed by the House April 19, 1993  
Yeas 96 Nays 0

\_\_\_\_\_  
**Speaker of the  
House of Representatives**

Passed by the Senate April 13, 1993  
Yeas 42 Nays 0

\_\_\_\_\_  
**President of the Senate**

Approved

\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Alan Thompson, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1074** as passed by the House of Representatives and the Senate on the dates hereon set forth.

\_\_\_\_\_  
**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

CERTIFICATION OF ENROLLMENT

**HOUSE BILL 1074**

53rd Legislature  
1993 Regular Session

Passed by the House February 25, 1993  
Yeas 0 Nays 0

\_\_\_\_\_  
**Speaker of the  
House of Representatives**

Passed by the Senate April 15, 1991  
Yeas 0 Nays 0

\_\_\_\_\_  
**President of the Senate**

Approved

\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Alan Thompson, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL XXXX** as passed by the House of Representatives and the Senate on the dates hereon set forth.

\_\_\_\_\_  
**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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HOUSE BILL 1074

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AS AMENDED BY THE SENATE

Passed Legislature - 1993 Regular Session

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, 23B.14.300, and 23B.16.220; and adding a new section to  
3 chapter 23B.07 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.

29 **Sec. 5.** RCW 23B.16.220 and 1991 c 72 s 41 are each amended to read  
30 as follows:

31 (1) Each domestic corporation, and each foreign corporation  
32 authorized to transact business in this state, shall deliver to the  
33 secretary of state for filing initial and annual reports that set  
34 forth:

35 (a) The name of the corporation and the state or country under  
36 whose law it is incorporated;

37 (b) The street address of its registered office and the name of its  
38 registered agent at that office in this state;

1 (c) In the case of a foreign corporation, the address of its  
2 principal office in the state or country under the laws of which it is  
3 incorporated;

4 (d) The address of the principal place of business of the  
5 corporation in this state;

6 (e) The names and addresses of its directors, if the corporation  
7 has dispensed with or limited the authority of its board of directors  
8 pursuant to RCW 23B.08.010, in an agreement authorized under section 4  
9 of this act, or analogous authority, the names and addresses of persons  
10 who will perform some or all of the duties of the board of directors;

11 (f) A brief description of the nature of its business; and

12 (g) The names and addresses of its chairperson of the board of  
13 directors, if any, president, secretary, and treasurer, or of  
14 individuals, however designated, performing the functions of such  
15 officers.

16 (2) Information in an initial report or an annual report must be  
17 current as of the date the report is executed on behalf of the  
18 corporation.

19 (3) A corporation's initial report must be delivered to the  
20 secretary of state within one hundred twenty days of the date on which  
21 the articles of incorporation for a domestic corporation were filed, or  
22 on which a foreign corporation's certificate of authority was filed.  
23 Subsequent annual reports must be delivered to the secretary of state  
24 on, or prior to, the date on which the domestic or foreign corporation  
25 is required to pay its annual corporate license fee, and at such  
26 additional times as the corporation elects.

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