

SENATE BILL REPORT

SB 6183

As Passed Senate, February 11, 1998

Title: An act relating to shares and distributions under the Washington business corporation act.

Brief Description: Regulating shareholder rights under the Washington business corporation act.

Sponsors: Senators Johnson and Roach.

Brief History:

Committee Activity: Law & Justice: 1/19/98 [DP].
Passed Senate, 2/11/98, 48-0.

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass.

Signed by Senators Roach, Chair; Johnson, Vice Chair; Fairley, Kline, Long, McCaslin, Stevens, Thibaudeau and Zarelli.

Staff: Harry Steinmetz (786-7421)

Background: Under current law, a corporation may adopt various shareholder rights plans, including poison pill provisions– that help the board of directors in its efforts to delay or foreclose hostile takeovers. The corporate law section of the Bar Association has suggested that the current law needs to be amended to clarify possible conflicting statutes.

Summary of Bill: The statute allowing shareholder rights plans is clarified to ensure that boards of directors may utilize existing anti-takeover statutes to delay or foreclose hostile takeovers of corporations.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Many Washington corporations have adopted shareholder rights plans in reliance of this authority. The potential exists for a court to resolve a conflict between various subsections that would disallow shareholder rights plans, including the poison pill provisions.– This would be contrary to the intent of the corporations that adopted these plans and the Legislature that passed the legislation allowing these plans.

Testimony Against: None.

Testified: John Steel, Washington State Bar Association, Corporate Law Section.

