

HOUSE BILL REPORT

HB 2321

As Reported By House Committee On:

Judiciary

Title: An act relating to the transmission of proxy appointments by electronic or other nonwritten means as applied to the Washington business corporation act.

Brief Description: Authorizing the transmission of electronic proxy appointments.

Sponsors: Representatives Esser, Lantz and Constantine.

Brief History:

Committee Activity:

Judiciary: 1/11/00, 2/3/00 [DPS].

Brief Summary of Substitute Bill

- Allows a corporate shareholder to make a proxy appointment by electronic transfer.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Carrell, Republican Co-Chair; Constantine, Democratic Co-Chair; Hurst, Democratic Vice Chair; Lambert, Republican Vice Chair; Cox; Dickerson; Esser; Kastama; Lantz; Lovick; McDonald and Schindler.

Staff: Edie Adams (786-7180).

Background:

Under the Corporations Act, shareholders of a corporation are generally entitled to vote on corporate matters at annual and special meetings. A shareholder may vote either in person or by proxy. Proxy is the practice of a shareholder authorizing another person to vote or act for the shareholder at a meeting.

To appoint a proxy, a shareholder, or the shareholder's attorney or agent, must sign a written appointment form. The appointment is effective when received by the corporate agent authorized to tabulate votes.

Summary of Substitute Bill:

The Corporations Act is amended to authorize proxy appointments by electronic transmission. A proxy appointment that is made by electronic transmission must set forth or be submitted with information, including any security or validation controls used, that shows that the shareholder authorized the electronic transmission.

A corporation that determines that an electronic proxy appointment is valid must state the information on which it relied to make that determination. A corporation must require a person who holds a proxy received by electronic transmission to provide a copy of the electronic transmission to the corporation, and the corporation must retain the copy of the transmission for a reasonable period of time after the election, but no less than 60 days.

"Electronic transmission" is defined to include any form of electronic communication that does not directly involve the transfer of paper and that is able to be retained, retrieved and reproduced by the recipient. "Signature" is defined to include a manual, facsimile, conformed, or electronic signature.

Substitute Bill Compared to Original Bill: The original bill did not specifically require that an electronic transmission include or be submitted with any security or validation controls that were used and from which the corporation can reasonably determine that the electronic transmission was authorized by the shareholder. The original bill placed the definition of "sign" or "signature" in the general definition section applicable to the entire chapter.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This bill takes corporations into the 21st century by allowing electronic proxy appointments. The bill contains protections to ensure that the electronic transmission is authorized by the shareholder.

Testimony Against: None.

Testified: Representative Esser, prime sponsor; and Dan Hungate, Washington State Bar Association.