

HOUSE BILL REPORT

SB 6040

As Reported by House Committee On:
Judiciary

Title: An act relating to meetings under the business corporations act.

Brief Description: Addressing meetings under the business corporations act.

Sponsors: Senators Pedersen and Padden; by request of Washington State Bar Association.

Brief History:

Committee Activity:

Judiciary: 2/15/18, 2/21/18, 2/22/18 [DP].

Brief Summary of Bill

- Establishes procedures and requirements under which a business corporation may hold its annual and special meetings solely by means of remote communication rather than having a physical assembly of shareholders at a particular geographic location.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 13 members: Representatives Jinkins, Chair; Kilduff, Vice Chair; Rodne, Ranking Minority Member; Graves, Assistant Ranking Minority Member; Goodman, Haler, Hansen, Kirby, Klippert, Muri, Orwall, Shea and Valdez.

Staff: Edie Adams (786-7180).

Background:

Under the Washington Business Corporations Act, corporations are required to hold an annual meeting of shareholders for the election of directors. Special meetings of a corporation may be called by the board of directors or other authorized persons, or by shareholders of at least 10 percent of the votes entitled to be cast on any issue proposed to be considered at the meeting.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Annual shareholders meetings and special meetings may be held in or out of the state at the place specified in the bylaws, or if not specified, at the corporation's principal office. Unless the corporation's governing documents provide otherwise, shareholders may participate in any meeting of shareholders by any means of communication by which all persons participating can hear each other during the meeting. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

Summary of Bill:

Unless otherwise provided in the governing documents, a corporation's annual shareholders meeting and any special meetings may be held solely by means of remote communication rather than having a physical assembly of shareholders at a particular geographic location. The board of directors or other person who has the right to determine the location of a meeting has the sole discretion to make this determination.

If a corporation elects to conduct a meeting solely through the use of remote communication or to allow a shareholder to participate in a meeting through remote communication, the meeting notice must provide information on how the shareholder may participate by remote communication. The corporation must implement reasonable measures to verify the identity of each person participating as a shareholder or proxy holder and to provide them with a reasonable opportunity to participate and vote on matters being considered, including an opportunity to read or hear the proceedings substantially concurrently with the proceedings.

Participation in a meeting by remote communication constitutes presence in person at the meeting and is subject to any guidelines and procedures adopted by the board of directors.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Title 23B is the most well-tended garden in the code. The Corporate Act Revision Committee works hard to keep the Business Corporation Act up to date with Delaware law and with developments in corporate law and practice. This allows the state to stay competitive with other states so that corporations will want to organize and stay in Washington. Companies are required to have an annual meeting. They are allowed to use electronic communication for shareholder participation, but they must have a physical assembly in a geographical location, which means they have hybrid meetings. Delaware and other leading business states allow virtual-only meetings, and there has been a growing demand for this change. A board of directors may only authorize a virtual meeting if they

have discretion to determine where to have meetings. The bill contains procedural safeguards, including providing adequate notice and making sure shareholders have the ability to participate in the meeting.

(Opposed) None.

Persons Testifying: Senator Pedersen, prime sponsor; and Mike Hutchings, Washington State Bar Association Corporate Act Revision Committee.

Persons Signed In To Testify But Not Testifying: None.