

FINAL BILL REPORT

HB 1068

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Synopsis as Enacted

Brief Description: Revising the Washington business corporation act.

Sponsors: Representatives Pedersen and Rodne; by request of Washington State Bar Association.

House Committee on Judiciary
Senate Committee on Judiciary

Background:

Corporate Action Taken Without Shareholder Meeting or Vote.

Under the Washington Business Corporation Act (WBCA), action required or permitted to be taken at a shareholders' meeting may be taken without a meeting or a vote if the action is taken by all shareholders entitled to vote on the action (unanimous consent). Action may be taken without a meeting or a vote by less than unanimous consent if: (1) the articles of incorporation authorize less than unanimous consent; (2) the consenting shareholders hold as many votes as would be necessary to take the action if all shares entitled to vote were present at a meeting; and (3) the corporation is not a public corporation.

The "record date," which is the date that determines which shareholders are entitled to take action, is the date that the first shareholder consent is executed (meaning signed or electronically transmitted). If there are not enough shareholder consents delivered to the corporation within 60 days from the earliest dated delivered consent, then the consents are not effective.

Notice that action will be taken by shareholders without a meeting by less than unanimous consent must be given before the effective date of the action. The corporation's articles of incorporation must specify the amount and form of notice required to nonconsenting shareholders. Notice must go to nonconsenting shareholders entitled to vote and, if the WBCA would otherwise require notice of the action to be given to nonvoting shareholders, then to those shareholders as well.

If the action is of a type that would constitute a "significant business transaction" as defined by the WBCA, or would entitle a shareholder to exercise dissenter rights, such as a merger or

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acquisition, then certain types of notice to shareholders must be given. The statutes governing "significant business transactions" (often referred to as the anti-takeover laws) apply to public corporations (which may not use the less-than-unanimous consent provisions) and to a few private corporations that opt in to the anti-takeover laws.

Majority Voting Provisions.

The WBCA allows for plurality voting to elect the directors of a corporation. Plurality voting basically allows for the election of a director candidate who gets more votes than other candidates, but does not require a candidate to get a majority of votes. Legislation enacted in 2007 allows corporations to modify plurality voting and to allow for different voting standards. Some of the statutes in the WBCA dealing with plurality voting were not amended in the 2007 legislation.

Summary:

The notice requirements for shareholder actions taken without a shareholders' meeting or vote are amended. Notice that shareholder consents are being sought must be given on or promptly after the record date to all shareholders entitled to vote on the record date who have not executed consent. If the WBCA would otherwise require that notice of a meeting to take the action be given to nonvoting shareholders, then notice must be provided to all nonvoting shareholders as well (regardless of whether the action is by unanimous or less-than-unanimous consent). Notice that shareholder consent is being sought may be given either by the corporation or by another person soliciting shareholder consents. In addition, a second notice stating that sufficient shareholder consents have been executed must be given by the corporation promptly after delivery to the corporation of shareholder consents sufficient to approve the action.

A corporation's articles of incorporation no longer need to specify the amount and form of notice required for action taken by less than unanimous consent. The more specific provisions governing notice for significant business transactions and dissenter's rights are removed.

The first shareholder consent executed need not be delivered to the corporation on the date of the execution in order for that execution date to be the record date.

The term "corporate action" is defined and used throughout the WBCA for consistency and to clarify the distinction between the matter being approved versus the action of approving. Other technical corrections are made to reflect changes made in 2007 on plurality voting.

Votes on Final Passage:

House	94	0
Senate	47	0

Effective: July 26, 2009