

SENATE BILL REPORT

SB 5334

As Reported By Senate Committee On:
Law & Justice, February 1, 1995

Title: An act relating to the Washington business corporation act.

Brief Description: Amending the corporations act.

Sponsors: Senators Smith, Long and Johnson.

Brief History:

Committee Activity: Law & Justice: 1/30/95, 2/1/95 [DPS].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 5334 be substituted therefor, and the substitute bill do pass.

Signed by Senators Smith, Chair; C. Anderson, Vice Chair; Hargrove, Haugen, Johnson, Long, McCaslin, Quigley, Roach and Schow.

Staff: Cynthia Runger (786-7717)

Background: A corporation that is administratively dissolved has up to two years to reinstate itself. There is concern that the law is unclear as to who may reinstate a dissolved corporation. Additionally, concern exists that the two-year reinstatement period is too short, producing a number of negative consequences for unintended dissolutions.

A corporation may be dissolved in a proceeding by a shareholder if the shareholder shows that there is a voting deadlock and the shareholders have failed for at least two consecutive years to elect successive directors.

If a court finds grounds for dissolution, it may dissolve the corporation.

There is no requirement that creditors receive notice of the dissolution of a corporation.

Summary of Substitute Bill: The reinstatement period for a corporation is extended to five years. Application for reinstatement may be made by either the corporation's shareholders or board of directors determined as of the date of dissolution.

A corporation may be dissolved in a proceeding by a shareholder if the shareholder shows that there is a voting deadlock, the shareholders have failed for at least two consecutive years to elect successive directors, and that injury has resulted to the corporation because of the deadlock.

If a court finds grounds for dissolution, it may dissolve the corporation with or without conditions, or grant the remedy that the court finds just.

The Secretary of State must prepare a list of corporations dissolved during the preceding month. The list is to be published monthly in the Washington State Register.

There are also a number of technical changes clarifying, among other things, the definition of "distribution", dissolutions, and rights of transferees.

Substitute Bill Compared to Original Bill: The petitioner or moving party, rather than clerk of the court, is required to deliver a certified copy of the dissolution decree to the Secretary of State.

Appropriation: None.

Fiscal Note: Requested on January 24, 1995.

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

Testimony For: This bill is needed to clarify ambiguities in the Washington Business Corporation Act.

Testimony Against: None.

Testified: Cameron DeVore, WA State Bar Assn. (CARC) (pro); Deborah Wilke, WA Assn. of County Officials (pro).