

SENATE BILL REPORT

SB 6169

As Reported By Senate Committee On:
Law & Justice, January 24, 1996

Title: An act relating to amending provisions regarding significant business transactions in the Washington business corporation act.

Brief Description: Amending the business corporation act.

Sponsors: Senators Smith, Johnson, Newhouse and Winsley.

Brief History:

Committee Activity: Law & Justice: 1/18/96, 1/24/96 [DPS].

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 6169 be substituted therefor, and the substitute bill do pass.

Signed by Senators Smith, Chair; Fairley, Vice Chair; Goings, Hargrove, Haugen, Johnson, Long, McCaslin, Roach and Schow.

Staff: Cynthia Runger (786-7717)

Background: There are some inconsistencies between the definition and operative provisions of the two-tier pricing and the anti-takeover sections of the corporations act.

If a target corporation acts in violation of the significant business transaction section of the corporations act, the corporation loses its certificate of incorporation or certificate of authority and the transaction is void.

Corporations may elect not to be covered by the two-tier provision if they indicate this in their original articles of incorporation or if two-thirds of the shareholders adopt an amendment to the articles of incorporation electing not to be covered by the provision.

Summary of Substitute Bill: To eliminate inconsistencies, clarifying definitions are added to the significant business transactions provisions to conform the provisions to either other provisions of the Washington Business Corporation Act or with other states' corporations statutes. Also, the two-tier pricing provision is moved and incorporated into the anti-takeover legislation using definitions and substantive provisions similar to the New York law. This continues the protection regarding "two-tier" pricing, but in a manner consistent with the anti-takeover legislation.

If a target corporation acts in violation of the significant business transaction section of the corporations act, the transaction is void. The section which dissolves a corporation that violates the significant business transaction section is deleted.

The two-tier provision applies to all public corporations except those that on the effective date of the act had a provision in its articles expressly electing not to be covered under the two-tier provision.

Substitute Bill Compared to Original Bill: The substitute bill removes the section that allows corporations to opt out of the two-tier pricing provision.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The changes are necessary because as it is written, the two-tier pricing provision and anti-takeover statutes are inconsistent, thus making it difficult to comply with both at the same time.

Testimony Against: None.

Testified: John Steel, WSBA Corporation Revision Committee (pro).