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HOUSE BILL 2245

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State of Washington

53rd Legislature

1994 Regular Session

By Representatives Padden, Zellinsky, Mielke, Horn, Dyer and Long

Read first time 01/12/94. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to providing bond call notification; and adding a  
2 new chapter to Title 21 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that when interest  
5 rates are low, bond issuers may refinance outstanding debt by redeeming  
6 the bond earlier than its stated maturity date. In the event the  
7 bondholder does not submit the bond for redemption when this early call  
8 occurs, the bondholder ceases receiving interest on the bond. The  
9 legislature also finds that the usual method of call notification is by  
10 regular mail, and the usual practice is not to provide additional  
11 notices when the bond is not submitted for redemption in a timely  
12 manner. The purpose of this chapter is to require better notification  
13 and to require a second notice when the bond is not redeemed timely.

14 NEW SECTION. **Sec. 2.** (1)(a) An issuer that intends to redeem a  
15 registered bond held by a person whose address of record is in the  
16 state of Washington shall send notice of redemption in a timely manner.

17 (b) Any issuer that provides a notice under (a) of this subsection  
18 shall send a second notice by registered mail if the bondholder has not

1 submitted the bond for redemption within thirty days from the date the  
2 bond ceases to earn interest based on the call.

3 (2) For the purposes of this section:

4 (a) "Bond" means any debt obligation of an issuer with a maturity  
5 of more than five years that qualifies as a security within the  
6 definition of RCW 62A.8-102(1);

7 (b) "Issuer" means a person who qualifies as an issuer within the  
8 meaning of RCW 62A.8-201 or any trustee, registrar, transfer agent, or  
9 other person to the extent the trustee, registrar, transfer agent, or  
10 other person undertakes the obligation of paying or redeeming the bond  
11 or providing notice of redemption of the bond; and

12 (c) "Registered bond" means a bond that specifies a person entitled  
13 to the security or the rights it represents, and its transfer may be  
14 registered on books maintained by or on behalf of the issuer.

15 (3) If an issuer fails to provide the notices required in  
16 subsection (1) of this section, the issuer shall be liable for interest  
17 from the date payment of interest ceases under the call until actual  
18 notice of the redemption is received by the bondholder or the maturity  
19 date of the bond, whichever occurs first.

20 NEW SECTION. **Sec. 3.** If any provision of this act or its  
21 application to any person or circumstance is held invalid, the  
22 remainder of the act or the application of the provision to other  
23 persons or circumstances is not affected.

24 NEW SECTION. **Sec. 4.** Sections 1 through 3 of this act shall  
25 constitute a new chapter in Title 21 RCW.

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