CERTIFICATION OF ENROLLMENT

**SENATE BILL 5011**

65th Legislature

2017 Regular Session

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| Passed by the Senate February 1, 2017Yeas 49 Nays 0**President of the Senate**Passed by the House April 5, 2017Yeas 97 Nays 0**Speaker of the House of Representatives** | CERTIFICATEI, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5011** as passed by Senate and the House of Representatives on the dates hereon set forth.**Chief Clerk** |
| Approved  |  |
| **Governor of the State of Washington** | **Secretary of State** **State of Washington** |

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**SENATE BILL 5011**

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Passed Legislature - 2017 Regular Session

**State of Washington 65th Legislature 2017 Regular Session**

**By** Senators Pedersen, Padden, Frockt, Fain, and Kuderer; by request of Washington State Bar Association

AN ACT Relating to the business corporation act; amending RCW 23B.12.010, 23B.12.020, 23B.07.050, 23B.13.020, 23B.07.300, 23B.07.320, 23B.11.040, and 23B.19.020; reenacting and amending RCW 23B.01.400; adding a new section to chapter 23B.02 RCW; and adding a new chapter to Title 23B RCW.

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

NEW SECTION. **Sec.**  DEFINITIONS. As used in this chapter:

(1) "Date of the defective corporate action" means the date the defective corporate action was purported to have been taken, or, if the exact date is unknown, the approximate date thereof.

(2) "Defective corporate action" means (a) any corporate action purportedly taken that is, and at the time such corporate action was purportedly taken would have been, within the power of the corporation, but is void or voidable due to a failure of authorization, and (b) an overissue.

(3) "Failure of authorization" means the failure to authorize, approve, or otherwise effect a corporate action in compliance with the provisions of this title, the articles of incorporation or bylaws of the corporation, a corporate resolution, or any plan or agreement to which the corporation is a party, if and to the extent such failure would render such corporate action void or voidable.

(4) "Overissue" means the purported issuance of:

(a) Shares of a class or series in excess of the number of shares of a class or series the corporation was authorized to issue in accordance with RCW 23B.06.010 at the time of such purported issuance; or

(b) Shares of any class or series that was not authorized for issuance by the articles of incorporation at the time of such purported issuance.

(5) "Putative shares" means the shares of any class or series of the corporation (including shares issuable upon exercise of rights, options, warrants, or other securities convertible into shares of the corporation, or interests with respect thereto) that were purportedly created or issued as a result of a defective corporate action, that:

(a) But for any failure of authorization would constitute valid shares; or

(b) Cannot be determined by the board of directors to be valid shares.

(6) "Valid shares" means the shares of any class or series of the corporation that have been duly authorized and validly issued in accordance with this title, including as a result of ratification or validation in accordance with this chapter.

(7)(a) "Validation effective time," with respect to any defective corporate action ratified or validated in accordance with this chapter, means the later of:

(i) The time at which the ratification of the defective corporate action is approved by shareholders, or if approval of shareholders is not required, the time at which the notice required by section 5 of this act becomes effective in accordance with RCW 23B.01.410; and

(ii) The time at which any articles of validation filed in accordance with section 7 of this act become effective.

(b) The validation effective time will not be affected by the commencement or pendency of any proceeding in accordance with section 8(1)(b) of this act or otherwise, unless otherwise ordered by the court.

NEW SECTION. **Sec.**  DEFECTIVE CORPORATE ACTIONS. (1) A defective corporate action is not void or voidable solely as a result of a failure of authorization if ratified in accordance with section 3 of this act or validated in accordance with section 8 of this act.

(2) Ratification under section 3 of this act or validation under section 8 of this act is not the exclusive means of ratifying or validating any defective corporate action, and the absence or failure of ratification or validation in accordance with this chapter does not, of itself, affect the validity or effectiveness of any corporate action properly ratified under common law or otherwise, nor does it create a presumption that any such corporate action is or was a defective corporate action or void or voidable.

NEW SECTION. **Sec.**  RATIFICATION OF DEFECTIVE CORPORATE ACTIONS. (1) Except as otherwise required by subsection (2) of this section, to ratify a defective corporate action under this chapter, the board of directors must adopt a resolution stating:

(a) The defective corporate action to be ratified and, if the defective corporate action involved the purported issuance of putative shares, the number and class or series of putative shares purportedly issued;

(b) The date of the defective corporate action and, if the defective corporate action involved the purported issuance of putative shares, the date or dates on which the putative shares were purportedly issued;

(c) The nature of the failure of authorization with respect to the defective corporate action to be ratified; and

(d) That the ratification of the defective corporate action is approved.

(2) To ratify a defective corporate action under this chapter involving the election of the initial board of directors of the corporation under RCW 23B.02.050(1)(b), a majority of the persons who, at the time of the ratification, are exercising the powers of directors must adopt a resolution stating:

(a) The name of the person or persons who first purportedly approved corporate action as initial directors of the corporation;

(b) The earlier of the date on which that person or those persons first purportedly approved corporate action or purportedly were elected as initial directors; and

(c) That the ratification of the election of that person or those persons as the initial directors of the corporation is approved.

(3) If any provision of this title, the articles of incorporation or bylaws, any corporate resolution, or any plan or agreement to which the corporation is a party at the time the resolution required by subsection (1) of this section is adopted, would have required shareholder approval of the defective corporate action to be ratified, either on the date of the defective corporate action or at the time the resolution required by subsection (1) of this section is adopted, for the ratification of the defective corporate action to be approved:

(a) The board of directors must submit the ratification of the defective corporate action for approval by the shareholders in accordance with section 4 of this act;

(b) The board of directors must recommend the ratification of the defective corporate action to the shareholders unless (i) the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation or (ii) RCW 23B.08.245 applies, and in either case the board of directors communicates the basis for so proceeding to the shareholders; and

(c) The shareholders entitled to vote must approve the ratification of the defective corporate action as provided in section 4 of this act.

NEW SECTION. **Sec.**  QUORUM AND VOTING REQUIREMENTS FOR RATIFICATION. (1) The quorum and voting requirements applicable to the adoption by the board of directors of the resolution required by section 3(1) of this act are the quorum and voting requirements that would be applicable if the defective corporate action was being approved at the time the resolution required by section 3(1) of this act is adopted.

(2) Except as provided in subsection (3) of this section, the quorum and voting requirements applicable to the approval by shareholders of the ratification of the defective corporate action required by section 3(3) of this act are the quorum and voting requirements that would be applicable if the defective corporate action was being approved at the time the ratification of the defective corporate action is approved.

(3) The approval by shareholders of the ratification of a defective corporate action under this chapter involving the election of directors requires that the votes cast within a voting group favoring such ratification exceed the votes cast within the voting group opposing such ratification at a meeting at which a quorum is present.

(4) Putative shares on the record date for determining the shareholders entitled to vote on any matter submitted to shareholders in accordance with section 3(3) of this act (and without giving effect to any ratification of a defective corporate action involving the purported issuance of putative shares that would become valid shares as a result of the approval of such matter) are neither entitled to vote nor to be counted for quorum purposes in any vote to approve the ratification of any defective corporate action.

(5) If the ratification of a defective corporate action involving the purported issuance of putative shares would result in an overissue, in addition to the approval required by section 3 of this act, the board of directors and shareholders must approve an amendment to the articles of incorporation in accordance with chapter 23B.10 RCW to increase the number of shares of a class or series that the corporation is authorized to issue or to create a class or series of shares that the corporation is authorized to issue so there would be no overissue.

NEW SECTION. **Sec.**  NOTICE OF RATIFICATION OR VALIDATION. (1) If the ratification of a defective corporate action does not require approval of the shareholders under section 3(3) of this act:

(a) The corporation shall notify, promptly after the adoption of the resolution described in section 3 (1) or (2) of this act, each holder of valid shares and putative shares, whether or not entitled to vote, as of the date of the adoption of that resolution by the board of directors, that the ratification of a defective corporate action has been approved by the board of directors pursuant to section 3 of this act. This notice must also be given to each person who was a holder of valid shares or putative shares, whether or not entitled to vote, as of the date of the defective corporate action, other than to those persons whose identities or addresses for notice cannot be determined from the records of the corporation.

(b) The notice specified in (a) of this subsection must contain or be accompanied by (i) a copy of the resolution adopted by the board of directors in accordance with section 3 (1) or (2) of this act, or (ii) the information required by section 3 (1)(a) through (d) or (2)(a) through (c) of this act, as applicable. This notice must also include a statement that any action before a court to determine whether the ratification of the defective corporate action complied with the requirements imposed by this chapter must be brought within sixty days from the validation effective time.

(2) If the ratification of a defective corporate action requires approval of the shareholders under section 3(3) of this act, and if the approval of the shareholders is to be given at a meeting:

(a) The corporation shall notify each holder of valid shares and putative shares, whether or not entitled to vote, as of the record date for the meeting, of the proposed meeting of shareholders at which the ratification is to be submitted for approval in accordance with RCW 23B.07.050. This notice must also be given to each person who was a holder of valid shares or putative shares, whether or not entitled to vote, as of the date of the defective corporate action, other than to those persons whose identities or addresses for notice cannot be determined from the records of the corporation; and

(b) The notice specified in (a) of this subsection must state that the purpose, or one of the purposes, of the meeting is to consider ratification of a defective corporate action and must contain or be accompanied by (i) a copy of the resolution adopted by the board of directors in accordance with section 3(1) of this act, or (ii) the information required by section 3(1) (a) through (d) of this act. This notice must also include a statement that any action before a court to determine whether the ratification of the defective corporate action complied with the requirements imposed by this chapter must be brought within sixty days from the validation effective time.

(3) If the ratification of a defective corporate action requires approval of the shareholders under section 3(3) of this act, and if the approval of the shareholders is to be without a meeting or a vote in accordance with RCW 23B.07.040:

(a) The corporation or the person soliciting consents shall give the notice required under RCW 23B.07.040(3)(a) and the corporation shall give the notice required under RCW 23B.07.040(3)(b) to each holder of valid shares and putative shares, whether or not entitled to vote, as of the record date for the shareholder consent. These notices must also be given to each person who was a holder of valid shares or putative shares, whether or not entitled to vote, as of the date of the defective corporate action, other than to those persons whose identities or addresses for notice cannot be determined from the records of the corporation; and

(b) The notices specified in (a) of this subsection must describe the ratification of the defective corporate action being approved and must contain or be accompanied by (i) a copy of the resolution adopted by the board of directors in accordance with section 3 (1) or (2) of this act, or (ii) the information required by section 3 (1)(a) through (d) or (2)(a) through (c) of this act, as applicable. These notices must also include a statement that any action before a court to determine whether the ratification of the defective corporate action complied with the requirements imposed by this chapter must be brought within sixty days from the validation effective time.

(4) If a defective corporate action is validated in accordance with section 8 of this act:

(a) The corporation shall notify, promptly after the validation, each holder of valid shares and putative shares, whether or not entitled to vote, as of the date of the validation, that the validation of a defective corporate action has taken place pursuant to section 8 of this act. This notice must also be given to each person who was a holder of valid shares or putative shares, whether or not entitled to vote, as of the date of the defective corporate action, other than to those persons whose identities or addresses for notice cannot be determined from the records of the corporation.

(b) The notice specified in (a) of this subsection must contain or be accompanied by a copy of the information required by section 8(2) of this act.

(5) Any notice required by this section may be given in any manner permitted by RCW 23B.01.410 and, for any corporation subject to the reporting requirements of section 13 or 15(d) of the securities exchange act of 1934, as amended, may be given by filing or furnishing the notice with the United States securities and exchange commission.

NEW SECTION. **Sec.**  EFFECT OF RATIFICATION OR VALIDATION. From and after the validation effective time:

(1) Each defective corporate action ratified in accordance with section 3 of this act or validated in accordance with section 8 of this act:

(a) Is not void or voidable as a result of the failure of authorization identified (i) in the resolution adopted by the board of directors in accordance with section 3 (1) or (2) of this act, or (ii) by the court in accordance with section 8(2) of this act; and

(b) Is deemed to be a valid corporate action taken on the date of the defective corporate action;

(2) The issuance of each putative share or fraction of a putative share purportedly issued pursuant to a defective corporate action identified in the resolution adopted by the board of directors in accordance with section 3(1) of this act or by the court in accordance with section 8(2) of this act is not void or voidable as a result of the failure of authorization identified in that resolution or by that court, and each such putative share or fraction of a putative share is deemed to be an identical valid share or fraction of a valid share issued at the time it was purportedly issued; and

(3) Any corporate action taken subsequent to the date of the defective corporate action ratified or validated in accordance with this chapter in reliance on that defective corporate action having been validly taken, and any subsequent defective corporate action resulting directly or indirectly from that original defective corporate action, is deemed to be valid as of the time that corporate action was taken.

NEW SECTION. **Sec.**  FILINGS. (1) If a defective corporate action ratified or validated under this chapter would have required under any other section of this title a record to be filed with the secretary of state, then, whether or not a record was previously filed in respect of that defective corporate action and in lieu of filing the record otherwise required by this title, the corporation shall deliver to the secretary of state for filing articles of validation setting forth:

(a) The defective corporate action that was ratified or validated and, if the defective corporate action involved the purported issuance of putative shares, the number and class or series of putative shares purportedly issued;

(b) The date of the defective corporate action that was ratified or validated and, if the defective corporate action involved the purported issuance of putative shares, the date or dates on which the putative shares were purportedly issued;

(c) The nature of the failure of authorization with respect to the defective corporate action that was ratified or validated;

(d) A statement that the defective corporate action was (i) ratified in accordance with section 3 of this act, including the date on which the board of directors ratified the defective corporate action and the date, if any, on which the shareholders approved the ratification of the defective corporate action, or (ii) validated in accordance with section 8 of this act, including the date on which the court validated the defective corporate action; and

(e) The information required by subsection (2) of this section.

(2) The articles of validation must also contain the following information:

(a) If the corporation previously filed a record in respect of a defective corporate action that was ratified or validated and no changes to that record are required to give effect to the ratification or validation of the defective corporate action in accordance with section 4(5) of this act, the corporation shall (i) describe the record, together with any articles of correction thereto, including its filing date, in the articles of validation, and (ii) attach a copy of the record, together with any articles of correction thereto, to the articles of validation;

(b) If the corporation previously filed a record in respect of a defective corporate action that was ratified or validated and any change to that record is required to give effect to the ratification or validation of the defective corporate action in accordance with section 4(5) of this act, the corporation shall (i) describe the previously filed record, together with any articles of correction thereto, including its filing date, (ii) attach a copy of the record containing all of the information required to be included under the applicable section or sections of this title to give effect to the defective corporate action that was ratified or validated to the articles of validation, and (iii) state the date and time that the record is deemed to have become effective; or

(c) If the corporation did not previously file a record in respect of a defective corporate action that was ratified or validated and that defective corporate action would have required a filing under any other section of this title, the corporation shall (i) attach a copy of a record containing all of the information required to be included under the applicable section or sections of this title to give effect to the defective corporate action that was ratified or validated to the articles of validation, and (ii) state the date and time that the record is deemed to have become effective.

(3) Articles of validation that comply with this section supersede any other record in respect of a defective corporate action that was ratified in accordance with section 3 of this act or validated in accordance with section 8 of this act.

NEW SECTION. **Sec.**  PROCEEDINGS TO VALIDATE OR CHALLENGE RATIFICATION OF DEFECTIVE CORPORATE ACTIONS. (1) Upon application by the corporation, any successor entity to the corporation, a director of the corporation, or any shareholder of the corporation, including any person who was a shareholder of the corporation as of the date of a defective corporate action, the superior courts may:

(a) Validate any defective corporate action that has not been ratified in accordance with section 3 of this act; or

(b) Determine that any ratification of a defective corporate action under section 3 of this act is not valid or effective because it failed to comply with the procedural requirements imposed by this chapter.

(2) In connection with a proceeding under subsection (1)(a) of this section, the court shall identify the defective corporate action to be validated, including the information required under section 3 (1)(a) through (c) or (2)(a) and (b) of this act, as applicable, and may make such findings or orders as it deems proper under the circumstances. In determining whether to validate a defective corporate action under subsection (1)(a) of this section, the court may consider the following:

(a) Whether the defective corporate action was originally approved or effectuated with the belief that the approval or effectuation was in compliance with the provisions of this title, the articles of incorporation or bylaws of the corporation, and any corporate resolution or plan or agreement of or to which the corporation is a party that would be relevant in determining whether there was a failure of authorization;

(b) Whether the corporation and board of directors has treated the defective corporate action as a valid action or transaction;

(c) Whether any person has acted in reliance on the public record that the defective corporate action was valid or would be harmed by the failure to validate the defective corporate action;

(d) Whether any person would be harmed by the validation of the defective corporate action, excluding any harm that would have resulted if the defective corporate action had been valid when approved or effectuated; and

(e) Any other factors or considerations that the court deems proper in the circumstances.

(3) The court shall stay any proceeding brought under subsection (1)(a) of this section during any ratification process under section 3 of this act involving the defective corporate action that is the subject of the proceeding until the earlier of:

(a) The validation effective time; and

(b)(i) If shareholder approval is not required for ratification, the date on which the board of directors votes, but fails to ratify, the defective corporate action, (ii) if shareholder approval is required for ratification in accordance with section 4 of this act and is to be given at a meeting, the date on which the shareholders vote, but fail to ratify, the defective corporate action, or (iii) if shareholder approval is required for ratification in accordance with section 4 of this act and is to be given without a meeting, sixty days after the date of execution indicated on the earliest dated shareholder consent approving the ratification that is delivered to the corporation, even though that shareholder consent may not have been delivered to the corporation on that date, if consents executed by a sufficient number of shareholders to approve the ratification are not delivered to the corporation during that sixty-day period.

(4) Notwithstanding any other provision of this section or otherwise under applicable law, any proceeding asserting a claim under subsection (1)(b) of this section must be brought within sixty days after the validation effective time, except that this subsection will not apply to any person to whom notice of the ratification was required to have been given pursuant to section 5 of this act, but to whom such notice was not given. Claims under subsection (1)(b) of this section are to be the exclusive basis for challenging the validity or effectiveness of a defective corporate action ratified under section 3 of this act.

(5) Service of process on the corporation for any proceeding under this section may be made in any manner provided by statute of this state or by rule of the court for service on the corporation, and no other party need be joined in order for the court to adjudicate the matter. In a proceeding commenced by the corporation, the court may require notice of the proceeding to be provided to other persons specified by the court and permit such other persons to intervene in the proceeding.

(6) For purposes of this section, "shareholder" includes a beneficial owner whose shares are held in a voting trust or held by a nominee on behalf of the beneficial owner.

NEW SECTION. **Sec.**  A new section is added to chapter 23B.02 RCW to read as follows:

FORUM SELECTION PROVISIONS. (1) The articles of incorporation or bylaws may contain provisions that require any or all internal corporate proceedings to be commenced and maintained exclusively in any specified court or courts of this state and, if so specified, in any additional courts in this state or in any other jurisdictions with which the corporation has a reasonable relationship.

(2) A provision permitted under subsection (1) of this section:

(a) May not confer jurisdiction on any court, over any person, or of any proceeding; and

(b) May not (i) prohibit commencing or maintaining an internal corporate proceeding in the courts of this state or (ii) require claims asserted in an internal corporate proceeding to be determined by arbitration.

(3) If the court or courts of this state specified in a provision permitted under subsection (1) of this section do not have jurisdiction, but any other court or courts specified in the provision do have jurisdiction, then the internal corporate proceeding may be commenced and maintained:

(a) In any court of this state that has jurisdiction; or

(b) In any other court specified in the provision that has jurisdiction.

(4) If no court specified in a provision permitted under subsection (1) of this section has jurisdiction, then the internal corporate proceeding may be commenced and maintained in any court that has jurisdiction.

(5) For purposes of this section, "internal corporate proceeding" means (a) any proceeding asserting a claim based on a violation of a duty under the laws of this state by a current or former director, officer, or shareholder in such capacity, (b) any proceeding commenced or maintained in the right of the corporation, (c) any proceeding asserting a claim arising pursuant to any provision of the act or the corporation's articles of incorporation or bylaws, or (d) any proceeding asserting a claim concerning the internal affairs of the corporation that is not included in (a) through (c) of this subsection.

**Sec.**  RCW 23B.12.010 and 2006 c 52 s 4 are each amended to read as follows:

SALE OR OTHER DISPOSITION OF ASSETS IN THE USUAL AND REGULAR COURSE OF BUSINESS AND MORTGAGE OR PLEDGE OF ASSETS—ASSIGNMENT FOR BENEFIT OF CREDITORS.

(1) A corporation may on the terms and conditions and for the consideration determined by the board of directors:

(a) Sell, lease, exchange, or otherwise dispose of all, or substantially all, of its property and assets in the usual and regular course of its business; or

(b) Mortgage, pledge, dedicate to the repayment of indebtedness, whether with or without recourse, or otherwise encumber any or all of its property and assets whether or not any of these actions are in the usual and regular course of its business.

(2) Unless the articles of incorporation require it, approval by the shareholders of a transaction described in subsection (1) of this section is not required.

(3) A dedication of a corporation's property and assets to the repayment of its creditors may be effected by the board of directors through an assignment for the benefit of creditors in accordance with chapter 7.08 RCW or by obtaining the appointment of a general receiver in accordance with chapter 7.60 RCW, and the assumption of control over the corporation's property and assets by an assignee for the benefit of creditors or by a general receiver relieves the directors of any further duties with respect to the liquidation of the corporation's property and assets or the application of any property and assets or proceeds toward satisfaction of the claims of creditors.

**Sec.**  RCW 23B.12.020 and 2011 c 328 s 7 are each amended to read as follows:

SALE OR OTHER DISPOSITION OF ASSETS OTHER THAN IN THE USUAL AND REGULAR COURSE OF BUSINESS.

(1) A corporation may sell, lease, exchange, or otherwise dispose of all, or substantially all, of its property and assets, otherwise than in the usual and regular course of business, on the terms and conditions and for the consideration determined by the corporation's board of directors((~~, if the board of directors proposes and its shareholders approve the proposed transaction~~)). Except as provided in subsection (8) of this section, a transaction described in this subsection requires approval of the corporation's shareholders.

(2) For a transaction to be approved by a corporation's shareholders:

(a) The board of directors must submit the proposed transaction to the shareholders for their approval;

(b) The board of directors must recommend the proposed transaction to the shareholders unless (i) the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation or (ii) RCW 23B.08.245 applies, and in either case the board of directors communicates the basis for so proceeding to the shareholders; and

((~~(b)~~)) (c) The shareholders entitled to vote must approve the transaction.

(3) The board of directors may condition its submission of the proposed transaction on any basis, including the affirmative vote of holders of a specified percentage of shares held by any group of shareholders not otherwise entitled under this title or the articles of incorporation to vote as a separate voting group on the proposed transaction.

(4) If the approval of the shareholders is to be given at a meeting, the corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting at which the proposed transaction is to be submitted for approval in accordance with RCW 23B.07.050. The notice must ((~~also~~)) state that the purpose, or one of the purposes, of the meeting is to consider the sale, lease, exchange, or other disposition of all, or substantially all, of the property and assets of the corporation and contain or be accompanied by a description of the transaction.

(5) In addition to any other voting conditions imposed by the board of directors under subsection (3) of this section, the transaction must be approved by two-thirds of the voting group comprising all the votes entitled to be cast on the transaction, and of each other voting group entitled under the articles of incorporation to vote separately on the transaction, unless shareholder approval is not required under subsection (8) of this section. The articles of incorporation may require a greater or lesser vote than provided in this subsection, or a greater or lesser vote by any separate voting groups provided for in the articles of incorporation, so long as the required vote is not less than a majority of all the votes entitled to be cast on the transaction and of each other voting group entitled to vote separately on the transaction.

(6) After a sale, lease, exchange, or other disposition of property ((~~is~~)) and assets has been approved as required by this section, the transaction may be abandoned, subject to any contractual rights, without further shareholder approval, in a manner determined by the board of directors.

(7) A transaction that constitutes a distribution is governed by RCW 23B.06.400 and not by this section.

(8) Unless the articles of incorporation otherwise require, approval by the shareholders of a parent corporation is not required for the transfer of any or all of the parent corporation's property and assets to one or more subsidiary corporations or other entities all of the shares or interests of which are owned, directly or indirectly, by the parent corporation.

(9) The sale, lease, exchange, or other disposition of all, or substantially all, the assets of one or more subsidiaries of a corporation, if not in the usual and regular course of business as conducted by that subsidiary or those subsidiaries, is to be treated as a disposition by the parent corporation within the meaning of subsection (1) of this section if the subsidiary or subsidiaries constitute all, or substantially all, the assets of the parent corporation.

**Sec.**  RCW 23B.01.400 and 2015 c 176 s 2148 and 2015 c 20 s 1 are each reenacted and amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this title.

(1) "Articles of incorporation" include amended and restated articles of incorporation and articles of merger.

(2) "Authorized shares" means the shares of all classes a domestic or foreign corporation is authorized to issue.

(3) "Conspicuous" means so prepared that a reasonable person against whom the record is to operate should have noticed it. For example, printing in italics or boldface or contrasting color, or typing in capitals or underlined, is conspicuous.

(4) "Controlling interest" means ownership of an entity's outstanding shares or interests in such number as to entitle the holder at the time to elect a majority of the entity's directors or other governors without regard to voting power which may thereafter exist upon a default, failure, or other contingency.

(5) "Corporate action" means any resolution, act, policy, contract, transaction, plan, adoption or amendment of articles of incorporation or bylaws, or other matter approved by or submitted for approval to a corporation's incorporators, board of directors or a committee thereof, or shareholders.

((~~(5)~~)) (6) "Corporation" or "domestic corporation" means a corporation for profit, including a social purpose corporation, which is not a foreign corporation, incorporated under or subject to the provisions of this title.

((~~(6)~~)) (7) "Deliver" includes (a) mailing, (b) for purposes of delivering a demand, consent, notice, or waiver to the corporation or one of its officers, directors, or shareholders, transmission by facsimile equipment, and (c) for purposes of delivering a demand, consent, notice, or waiver to the corporation or one of its officers, directors, or shareholders under RCW 23B.01.410 or chapter 23B.07, 23B.08, 23B.11, 23B.13, 23B.14, or 23B.16 RCW delivery by electronic transmission.

((~~(7)~~)) (8) "Distribution" means a direct or indirect transfer of money or other property, except its own shares, or incurrence of indebtedness by a corporation to or for the benefit of its shareholders in respect to any of its shares. A distribution may be in the form of a declaration or payment of a dividend; a distribution in partial or complete liquidation, or upon voluntary or involuntary dissolution; a purchase, redemption, or other acquisition of shares; a distribution of indebtedness; or otherwise.

((~~(8)~~)) (9) "Effective date of notice" has the meaning provided in RCW 23B.01.410.

((~~(9)~~)) (10) "Electronic transmission" means an electronic communication (a) not directly involving the physical transfer of a record in a tangible medium and (b) that may be retained, retrieved, and reviewed by the sender and the recipient thereof, and that may be directly reproduced in a tangible medium by such a sender and recipient.

((~~(10)~~)) (11) "Electronically transmitted" means the initiation of an electronic transmission.

((~~(11)~~)) (12) "Employee" includes an officer but not a director. A director may accept duties that make the director also an employee.

((~~(12)~~)) (13) "Entity" includes a corporation and foreign corporation, not-for-profit corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, two or more persons having a joint or common economic interest, the state, United States, and a foreign governmental subdivision, agency, or instrumentality, or any other legal or commercial entity.

((~~(13)~~)) (14) "Execute," "executes," or "executed" means (a) signed with respect to a written record or (b) electronically transmitted along with sufficient information to determine the sender's identity with respect to an electronic transmission, or (c) with respect to a record to be filed with the secretary of state, in compliance with the standards for filing with the office of the secretary of state as prescribed by the secretary of state.

((~~(14)~~)) (15) "Foreign corporation" means a corporation for profit incorporated under a law other than the law of this state.

((~~(15)~~)) (16) "Foreign limited partnership" means a partnership formed under laws other than of this state and having as partners one or more general partners and one or more limited partners.

((~~(16)~~)) (17) "General social purpose" means the general social purpose for which a social purpose corporation is organized as set forth in the articles of incorporation of the corporation in accordance with RCW 23B.25.040(1)(c).

((~~(17)~~)) (18) "Governmental subdivision" includes authority, county, district, and municipality.

((~~(18)~~)) (19) "Governor" has the meaning given that term in RCW 23.95.105.

(20) "Includes" denotes a partial definition.

((~~(19)~~)) (21) "Individual" includes the estate of an incompetent or deceased individual.

((~~(20)~~)) (22) "Limited partnership" or "domestic limited partnership" means a partnership formed by two or more persons under the laws of this state and having one or more general partners and one or more limited partners.

((~~(21)~~)) (23) "Means" denotes an exhaustive definition.

((~~(22)~~)) (24) "Notice" has the meaning provided in RCW 23B.01.410.

((~~(23)~~)) (25) "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, or any other legal or commercial entity.

((~~(24)~~)) (26) "Principal office" means the office, in or out of this state, so designated in the annual report where the principal executive offices of a domestic or foreign corporation are located.

((~~(25)~~)) (27) "Proceeding" includes civil suit and criminal, administrative, and investigatory action.

((~~(26)~~)) (28) "Public company" means a corporation that has a class of shares registered with the federal securities and exchange commission pursuant to section 12 or 15 of the securities exchange act of 1934, or section 8 of the investment company act of 1940, or any successor statute.

((~~(27)~~)) (29) "Qualified director" means (a) with respect to a director's conflicting interest transaction as defined in RCW 23B.08.700, any director who does not have either (i) a conflicting interest respecting the transaction, or (ii) a familial, financial, professional, or employment relationship with a second director who does have a conflicting interest respecting the transaction, which relationship would, in the circumstances, reasonably be expected to exert an influence on the first director's judgment when voting on the transaction; (b) with respect to RCW 23B.08.735, a qualified director under (a) of this subsection if the business opportunity were a director's conflicting interest transaction; and (c) with respect to RCW 23B.02.020(5)(k), a director who is not a director (i) to whom the limitation or elimination of the duty of an officer to offer potential business opportunities to the corporation would apply, or (ii) who has a familial, financial, professional, or employment relationship with another officer to whom the limitation or elimination would apply, which relationship would, in the circumstances, reasonably be expected to exert an influence on the director's judgment when voting on the limitation or elimination.

((~~(28)~~)) (30) "Record" means information inscribed on a tangible medium or contained in an electronic transmission.

((~~(29)~~)) (31) "Record date" means the date established under chapter 23B.07 RCW on which a corporation determines the identity of its shareholders and their shareholdings for purposes of this title. The determinations shall be made as of the close of business on the record date unless another time for doing so is specified when the record date is fixed.

((~~(30)~~)) (32) "Registered office" means the address of the corporation's registered agent.

((~~(31)~~)) (33) "Secretary" means the corporate officer to whom the board of directors has delegated responsibility under RCW 23B.08.400(3) for custody of the minutes of the meetings of the board of directors and of the shareholders and for authenticating records of the corporation.

((~~(32)~~)) (34) "Shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

((~~(33)~~)) (35) "Shares" means the units into which the proprietary interests in a corporation are divided.

((~~(34)~~)) (36) "Social purpose" includes any general social purpose and any specific social purpose.

((~~(35)~~)) (37) "Social purpose corporation" means a corporation that has elected to be governed as a social purpose corporation under chapter 23B.25 RCW.

((~~(36)~~)) (38) "Specific social purpose" means the specific social purpose or purposes for which a social purpose corporation is organized as set forth in the articles of incorporation of the corporation in accordance with RCW 23B.25.040(2)(a).

((~~(37)~~)) (39) "State," when referring to a part of the United States, includes a state and commonwealth, and their agencies and governmental subdivisions, and a territory and insular possession, and their agencies and governmental subdivisions, of the United States.

((~~(38)~~)) (40) "Subscriber" means a person who subscribes for shares in a corporation, whether before or after incorporation.

((~~(39)~~)) (41) "Subsidiary" means an entity in which the corporation has a controlling interest.

(42) "Tangible medium" means a writing, copy of a writing, or facsimile, or a physical reproduction, each on paper or on other tangible material.

((~~(40)~~)) (43) "United States" includes a district, authority, bureau, commission, department, and any other agency of the United States.

((~~(41)~~)) (44) "Voting group" means all shares of one or more classes or series that under the articles of incorporation or this title are entitled to vote and be counted together collectively on a matter at a meeting of shareholders. All shares entitled by the articles of incorporation or this title to vote generally on the matter are for that purpose a single voting group.

((~~(42)~~)) (45) "Writing" does not include an electronic transmission.

((~~(43)~~)) (46) "Written" means embodied in a tangible medium.

**Sec.**  RCW 23B.07.050 and 1989 c 165 s 64 are each amended to read as follows:

(1) A corporation shall notify shareholders of the date, time, and place of each annual and special shareholders' meeting. Such notice shall be given no fewer than ten nor more than sixty days before the meeting date, except that notice of a shareholders' meeting to act on an amendment to the articles of incorporation, a plan of merger or share exchange, a proposed ((~~sale of~~)) disposition of property and assets pursuant to RCW 23B.12.020, or the dissolution of the corporation shall be given no fewer than twenty nor more than sixty days before the meeting date. Unless this title or the articles of incorporation require otherwise, the corporation is required to give notice only to shareholders entitled to vote at the meeting.

(2) Unless this title or the articles of incorporation require otherwise, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called.

(3) Notice of a special meeting must include a description of the purpose or purposes for which the meeting is called.

(4) Unless the bylaws require otherwise, if an annual or special shareholders' meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is or must be fixed under RCW 23B.07.070, however, notice of the adjourned meeting must be given under this section to persons who are shareholders as of the new record date.

**Sec.**  RCW 23B.13.020 and 2014 c 83 s 15 are each amended to read as follows:

(1) A shareholder is entitled to dissent from, and obtain payment of the fair value of the shareholder's shares in the event of, any of the following corporate actions:

(a) A plan of merger, which has become effective, to which the corporation is a party (i) if shareholder approval was required for the merger by RCW 23B.11.030, 23B.11.080, or the articles of incorporation, and the shareholder was entitled to vote on the merger, or (ii) if the corporation was a subsidiary and the plan of merger provided for the merger of the subsidiary with its parent under RCW 23B.11.040;

(b) A plan of share exchange, which has become effective, to which the corporation is a party as the corporation whose shares have been acquired, if the shareholder was entitled to vote on the plan;

(c) A sale ((~~or~~)), lease, exchange, or other disposition, which has become effective, of all, or substantially all, of the property and assets of the corporation other than in the usual and regular course of business, if the shareholder was entitled to vote on the sale ((~~or~~)), lease, exchange, or other disposition, including a ((~~sale~~)) disposition in dissolution, but not including a ((~~sale~~)) disposition pursuant to court order or a ((~~sale~~)) disposition for cash pursuant to a plan by which all or substantially all of the net proceeds of the ((~~sale~~)) disposition will be distributed to the shareholders within one year after the date of ((~~sale~~)) the disposition;

(d) An amendment of the articles of incorporation, whether or not the shareholder was entitled to vote on the amendment, if the amendment effects a redemption or cancellation of all of the shareholder's shares in exchange for cash or other consideration other than shares of the corporation;

(e) Any action described in RCW 23B.25.120;

(f) Any corporate action approved pursuant to a shareholder vote to the extent the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares; or

(g) A plan of entity conversion in the case of a conversion of a domestic corporation to a foreign corporation, which has become effective, to which the domestic corporation is a party as the converting entity, if: (i) The shareholder was entitled to vote on the plan; and (ii) the shareholder does not receive shares in the surviving entity that have terms as favorable to the shareholder in all material respects and that represent at least the same percentage interest of the total voting rights of the outstanding shares of the surviving entity as the shares held by the shareholder before the conversion.

(2) A shareholder entitled to dissent and obtain payment for the shareholder's shares under this chapter may not challenge the corporate action creating the shareholder's entitlement unless the action fails to comply with the procedural requirements imposed by this title, RCW 25.10.831 through 25.10.886, the articles of incorporation, or the bylaws, or is fraudulent with respect to the shareholder or the corporation.

(3) The right of a dissenting shareholder to obtain payment of the fair value of the shareholder's shares shall terminate upon the occurrence of any one of the following events:

(a) The proposed corporate action is abandoned or rescinded;

(b) A court having jurisdiction permanently enjoins or sets aside the corporate action; or

(c) The shareholder's demand for payment is withdrawn with the written consent of the corporation.

**Sec.**  RCW 23B.07.300 and 1989 c 165 s 77 are each amended to read as follows:

(1) One or more shareholders may create a voting trust, conferring on a trustee the right to vote or otherwise act for them, by signing an agreement setting out the provisions of the trust, which may include anything consistent with its purpose, and transferring their shares to the trustee. When a voting trust agreement is signed, the trustee shall prepare a list of the names and addresses of all voting trust beneficial owners ((~~of beneficial interests in the trust~~)), together with the number and class of shares each voting trust beneficial owner ((~~of a beneficial interest~~)) transferred to the trust, and deliver copies of the list and agreement to the corporation's principal office.

(2) A voting trust becomes effective on the date the first shares subject to the trust are registered in the trustee's name. ((~~A voting trust is valid for not more than ten years after its effective date unless extended under subsection (3) of this section.~~))

(3) ((~~All or some of the parties to a voting trust may extend it for additional terms of not more than ten years each by signing an extension agreement and obtaining the voting trustee's written consent to the extension. An extension is valid only until the earlier of ten years from the date the first shareholder signs the extension agreement or the date of expiration of the extension. The voting trustee must deliver copies of the extension agreement and list of beneficial owners to the corporation's principal office. An extension agreement binds only those parties signing it.~~)) Limits, if any, on the duration of a voting trust are to be as set forth in the voting trust agreement. A voting trust that became effective when this section limited the term of a voting trust to ten years will remain governed by the provisions of this section then in effect relating to the duration of voting trusts, unless the voting trust agreement is amended to provide otherwise by unanimous agreement of the parties to that agreement.

**Sec.**  RCW 23B.07.320 and 2009 c 189 s 22 are each amended to read as follows:

(1) An agreement among the shareholders of a corporation that is not contrary to public policy and that complies with this section is effective among the shareholders and the corporation even though it is inconsistent with one or more other provisions of this title in that it:

(a) Eliminates the board of directors or restricts the discretion or powers of the board of directors;

(b) Governs the approval or making of distributions whether or not in proportion to ownership of shares, subject to the limitations in RCW 23B.06.400;

(c) Establishes who shall be directors or officers of the corporation, or their terms of office or manner of selection or removal;

(d) Governs, in general or in regard to specific matters, the exercise or division of voting power by or between the shareholders and directors or by or among any of them, including use of weighted voting rights or director proxies;

(e) Establishes the terms and conditions of any agreement for the transfer or use of property or the provision of services between the corporation and any shareholder, director, officer, or employee of the corporation or among any of them;

(f) Transfers to one or more shareholders or other persons all or part of the authority to exercise the corporate powers or to manage the business and affairs of the corporation;

(g) Provides a process by which a deadlock among directors or shareholders may be resolved;

(h) Requires dissolution of the corporation at the request of one or more shareholders or upon the occurrence of a specified event or contingency; or

(i) Otherwise governs the exercise of the corporate powers or the management of the business and affairs of the corporation or the relationship among the shareholders, the directors, and the corporation, or among any of them.

(2) An agreement authorized by this section shall be:

(a) Set forth in a written agreement that is signed by all persons who are shareholders at the time of the agreement and is made known to the corporation; and

(b) Subject to amendment only by all persons who are shareholders at the time of the amendment, unless the agreement provides otherwise((~~; and~~

~~(c) Valid for ten years, unless the agreement provides otherwise~~)).

(3) The existence of an agreement authorized by this section shall be noted conspicuously on the front or back of each certificate for outstanding shares or on the information statement required by RCW 23B.06.260(2). If at the time of the agreement the corporation has shares outstanding represented by certificates, the corporation shall recall the outstanding certificates and issue substitute certificates that comply with this subsection. The failure to note the existence of the agreement on the certificate or information statement shall not affect the validity of the agreement or any action taken pursuant to it. Unless the agreement provides otherwise, any person who acquires outstanding or newly issued shares in the corporation after an agreement authorized by this section has been effected, whether by purchase, gift, operation of law, or otherwise, is deemed to have assented to the agreement and to be a party to the agreement. A purchaser of shares who is aggrieved because he or she at the time of purchase did not have actual or constructive knowledge of the existence of the agreement may either: (a) Bring an action to rescind the purchase within the earlier of ninety days after discovery of the existence of the agreement or two years after the purchase of the shares; or (b) continue to hold the shares subject to the agreement but with a right of action for any damages resulting from nondisclosure of the existence of the agreement. A purchaser shall be deemed to have constructive knowledge of the existence of the agreement if its existence is noted on the certificate or information statement for the shares in compliance with this subsection and, if the shares are not represented by a certificate, the information statement is delivered to the purchaser at or prior to the time of purchase of the shares.

(4) An agreement authorized by this section shall cease to be effective when shares of the corporation are listed on a national securities exchange or regularly traded in a market maintained by one or more members of a national or affiliated securities association.

(5) An agreement authorized by this section that limits the discretion or powers of the board of directors shall relieve the directors of, and impose upon the person or persons in whom such discretion or powers are vested, liability for acts or omissions imposed by law on directors to the extent that the discretion or powers of the directors are limited by the agreement.

(6) The existence or performance of an agreement authorized by this section shall not be a ground for imposing personal liability on any shareholder for the acts or debts of the corporation even if the agreement or its performance treats the corporation as if it were a partnership or results in failure to observe the corporate formalities otherwise applicable to the matters governed by the agreement.

(7) Incorporators or subscribers for shares may act as shareholders with respect to an agreement authorized by this section if no shares have been issued when the agreement is made.

(8) Limits, if any, on the duration of an agreement governed by this section are to be as set forth in the agreement. An agreement governed by this section that became effective when this section limited the term of such an agreement to ten years unless the agreement provided otherwise will remain governed by the provisions of this section then in effect relating to the duration of agreements among shareholders.

**Sec.**  RCW 23B.11.040 and 2009 c 189 s 39 are each amended to read as follows:

(1) A parent corporation owning at least ninety percent of the outstanding shares of each class of a subsidiary corporation may (a) merge the subsidiary into itself without approval of the shareholders of the parent or subsidiary, or (b) merge itself into the subsidiary without approval of the shareholders of the subsidiary. A merger of a parent corporation into its subsidiary otherwise will be governed by the provisions of chapter 23B.11 RCW applicable to mergers generally.

(2) The board of directors of the parent shall approve a plan of merger that sets forth:

(a) The names of the parent and subsidiary; and

(b) The manner and basis of converting the shares of the subsidiary or parent corporation, as applicable, into shares, obligations, or other securities of the ((~~parent~~)) surviving corporation or any other corporation or into cash or other property in whole or part.

(3) Within ten days after the corporate action becomes effective, the ((~~parent~~)) surviving corporation shall deliver a notice to each other shareholder of the subsidiary, which notice ((~~shall~~)) must include a copy of the plan of merger.

(4) Articles of merger under this section may not contain amendments to the articles of incorporation of the parent corporation, except for amendments enumerated in RCW 23B.10.020.

**Sec.**  RCW 23B.19.020 and 2016 c 216 s 1 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Acquiring person" means a person or group of persons, other than the target corporation or a subsidiary of the target corporation, who is the beneficial owner of voting shares entitled to cast votes comprising ten percent or more of the voting power of the target corporation; provided, however, that the term "acquiring person" does not include any person who (a) beneficially owned voting shares entitled to cast votes comprising ten percent or more of the voting power of the target corporation on March 23, 1988; (b) acquired its voting shares of the target corporation solely by gift, inheritance, or in a transaction in which no consideration is exchanged; (c) equals or exceeds the ten percent threshold as a result of action taken solely by the target corporation, such as redemption of shares, unless that person, by its own action, acquires additional voting shares of the target corporation; (d) beneficially owned voting shares entitled to cast votes comprising ten percent or more of the voting power of the target corporation prior to the time the target corporation had a class of voting shares registered with the securities and exchange commission pursuant to section 12 or 15 of the exchange act; or (e) beneficially ((~~was the owner of~~)) owned voting shares entitled to cast votes comprising ten percent or more of the ((~~outstanding~~)) voting ((~~shares~~)) power of the target corporation prior to the time the target corporation amended its articles of incorporation to provide that the corporation shall be subject to the provisions of this chapter. An agent, bank, broker, nominee, or trustee for another person, if the other person is not an acquiring person, who acts in good faith and not for the purpose of circumventing this chapter, is not an acquiring person. For the purpose of determining whether a person is an acquiring person, the number of voting shares of the target corporation that are outstanding shall include voting shares beneficially owned by the person through application of subsection (4) of this section, but shall not include any other unissued voting shares of the target corporation which may be issuable pursuant to any agreement, arrangement, or understanding; or upon exercise of conversion rights, warrants, or options; or otherwise.

(2) "Affiliate" means a person who directly or indirectly controls, or is controlled by, or is under common control with, a person.

(3) "Announcement date," when used in reference to any significant business transaction, means the date of the first public announcement of the final, definitive proposal for such a significant business transaction.

(4) "Associate" means (a) a domestic or foreign corporation or organization of which a person is an officer, director, member, or partner or in which a person performs a similar function; (b) a direct or indirect beneficial owner of ten percent or more of any class of equity securities of a person; (c) a trust or estate in which a person has a beneficial interest or as to which a person serves as trustee or in a similar fiduciary capacity; and (d) the spouse or a parent or sibling of a person or a child, grandchild, sibling, parent, or spouse of any thereof, of a person or an individual having the same home as a person.

(5)(a)(i) "Beneficial owner" when used with respect to any shares means a person who individually or with or through any of its affiliates or associates:

(A) Has or shares:

(I) The power to vote, or to direct the voting of, the shares, directly or indirectly;

(II) The power to dispose, or to direct the disposition of, the shares, directly or indirectly;

(III) The right to acquire the shares, whether the right is exercisable immediately or only after the passage of time, pursuant to any agreement, arrangement, or understanding, whether or not in writing, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; or

(IV) The right to vote the shares pursuant to any agreement, arrangement, or understanding, whether or not in writing; or

(B) Has any agreement, arrangement, or understanding, whether or not in writing, for the purpose of acquiring, holding, voting, or disposing of the shares with any other person who beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, the shares.

(ii)(A) A person is not the beneficial owner of shares under (a)(i)(A)(III) of this subsection with respect to shares tendered pursuant to a tender or exchange offer made by the person or any of the person's affiliates or associates until the tendered shares are accepted for purchase or exchange.

(B) A person is not the beneficial owner of any shares under (a)(i)(A)(IV) of this subsection if the agreement, arrangement, or understanding to vote the shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made in accordance with the applicable rules and regulations under the exchange act and is not then reportable on schedule 13D under the exchange act, or any comparable or successor report.

(C) A person is not the beneficial owner of any shares under (a)(i)(B) of this subsection if the agreement, arrangement, or understanding for the purpose of voting the shares arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made in accordance with the applicable rules and regulations under the exchange act and is not then reportable on schedule 13D under the exchange act, or any comparable or successor report.

(b) The terms "beneficial ownership," "beneficially own," and "beneficially owned" have meanings correlative to the meaning of "beneficial owner."

(6) "Common shares" means any shares other than preferred shares.

(7) "Consummation date," with respect to any significant business transaction, means the date of consummation of such a significant business transaction, or, in the case of a significant business transaction as to which a shareholder vote is taken, the later of the business day prior to the vote or twenty days prior to the date of consummation of such a significant business transaction.

(8) "Control," "controlling," "controlled by," and "under common control with((~~,~~))" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract, or otherwise. A person's beneficial ownership of voting shares entitled to cast votes comprising ten percent or more of the voting power of a domestic or foreign corporation shall create a rebuttable presumption that such person has control of such corporation. However, a person does not have control of a domestic or foreign corporation if the person holds voting shares, in good faith and not for the purpose of circumventing this chapter, as an agent, bank, broker, nominee, custodian, or trustee for one or more beneficial owners who do not individually or as a group have control of such corporation.

(9) "Domestic corporation" means an issuer of voting shares which is organized under chapter 23B.02 RCW or any predecessor provision.

(10) "Exchange act" means the federal securities exchange act of 1934, as amended.

(11) "Market value," in the case of property other than cash or shares, means the fair market value of the property on the date in question as determined by the board of directors of the target corporation in good faith.

(12) "Person" means an individual, domestic or foreign corporation, partnership, trust, unincorporated association, or other entity; an affiliate or associate of any such person; or any two or more persons acting as a partnership, syndicate, or other group for the purpose of acquiring, holding, or dispersing of securities of a domestic or foreign corporation.

(13) "Preferred shares" means any class or series of shares of a target corporation which under the bylaws or articles of incorporation of such a corporation is entitled to receive payment of dividends prior to any payment of dividends on some other class or series of shares, or is entitled in the event of any voluntary liquidation, dissolution, or winding up of the target corporation to receive payment or distribution of a preferential amount before any payments or distributions are received by some other class or series of shares.

(14) "Share acquisition time" means the time at which a person first becomes an acquiring person of a target corporation.

(15) "Shares" means any:

(a) Shares or similar security, any certificate of interest, any participation in any profit sharing agreement, any voting trust certificate, or any certificate of deposit for shares; and

(b) Security convertible, with or without consideration, into shares, or any warrant, call, or other option or privilege of buying shares without being bound to do so, or any other security carrying any right to acquire, subscribe to, or purchase shares.

(16) "Significant business transaction" means:

(a) A merger, share exchange, or consolidation of a target corporation or a subsidiary of a target corporation with (i) an acquiring person, or (ii) any other domestic or foreign corporation which is, or after the merger, share exchange, or consolidation would be, an affiliate or associate of the acquiring person;

(b) A sale, lease, exchange, mortgage, pledge, transfer, or other disposition or encumbrance, whether in one transaction or a series of transactions, to or with an acquiring person or an affiliate or associate of an acquiring person of assets of a target corporation or a subsidiary of a target corporation (i) having an aggregate market value equal to five percent or more of the aggregate market value of all the assets, determined on a consolidated basis, of the target corporation, (ii) having an aggregate market value equal to five percent or more of the aggregate market value of all the outstanding shares of the target corporation, or (iii) representing five percent or more of the earning power or net income, determined on a consolidated basis, of the target corporation;

(c) The termination, while the corporation has an acquiring person and as a result of the acquiring person's acquisition of ten percent or more of the shares of the corporation, of five percent or more of the employees of the target corporation or its subsidiaries employed in this state, whether at one time or over the five-year period following the share acquisition time. For the purposes of (c) of this subsection, a termination other than an employee's death or disability or bona fide voluntary retirement, transfer, resignation, termination for cause under applicable common law principles, or leave of absence shall be presumed to be a termination resulting from the acquiring person's acquisition of shares, which presumption is rebuttable. A bona fide voluntary transfer of employees between the target corporation and its subsidiaries or between its subsidiaries is not a termination for the purposes of (c) of this subsection;

(d) The issuance, transfer, or redemption by a target corporation or a subsidiary of a target corporation, whether in one transaction or a series of transactions, of shares or of options, warrants, or rights to acquire shares of a target corporation or a subsidiary of a target corporation to or beneficially owned by an acquiring person or an affiliate or associate of an acquiring person except pursuant to the exercise of warrants or rights to purchase shares offered, or a dividend, distribution, or redemption paid or made pro rata to, all shareholders or holders of options, warrants, or rights to acquire shares of the target corporation, and except for involuntary redemptions permitted by the target corporation's charter or by the law of this state or the state of incorporation;

(e) The liquidation or dissolution of a target corporation proposed by, or pursuant to an agreement, arrangement, or understanding, whether or not in writing, with an acquiring person or an affiliate or associate of an acquiring person;

(f) A reclassification of securities, including, without limitation, any shares split, shares dividend, or other distribution of shares in respect of stock, or any reverse shares split, or recapitalization of a target corporation, or a merger or consolidation of a target corporation with a subsidiary of the target corporation, or any other transaction, whether or not with or into or otherwise involving an acquiring person, proposed by, or pursuant to an agreement, arrangement, or understanding, whether or not in writing, with an acquiring person or an affiliate or associate of an acquiring person, that has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of a class or series of voting shares or securities convertible into voting shares of a target corporation or a subsidiary of the target corporation that is directly or indirectly owned by an acquiring person or an affiliate or associate of an acquiring person, except as a result of immaterial changes due to fractional share adjustments; or

(g) A receipt by an acquiring person or an affiliate or associate of an acquiring person of the benefit, directly or indirectly, except proportionately as a shareholder of a target corporation, of loans, advances, guarantees, pledges, or other financial assistance or tax credits or other tax advantages provided by or through a target corporation.

(17) "Subsidiary" means a domestic or foreign corporation that has a majority of its outstanding voting shares owned, directly or indirectly, by another domestic or foreign corporation.

(18) "Tangible assets" means tangible real and personal property of all kinds. It shall also include leasehold interests in tangible real and personal property.

(19) "Target corporation" means:

(a) Every domestic corporation, if:

(i) The corporation has a class of voting shares registered with the securities and exchange commission pursuant to section 12 or 15 of the exchange act; or

(ii) The corporation's articles of incorporation have been amended to provide that such a corporation shall be subject to the provisions of this chapter, if the corporation did not have a class of voting shares registered with the securities and exchange commission pursuant to section 12 or 15 of the exchange act on the effective date of that amendment; and

(b) Every foreign corporation required to register to transact business in this state pursuant to chapter 23B.15 RCW and Article 5 of chapter 23.95 RCW, if:

(i) The corporation has a class of voting shares registered with the securities and exchange commission pursuant to section 12 or 15 of the exchange act;

(ii) The corporation's principal executive office is located in the state;

(iii) The corporation has: (A) More than ten percent of its shareholders of record resident in the state; or (B) more than ten percent of its shares owned of record by state residents; or (C) one thousand or more shareholders of record resident in the state;

(iv) A majority of the corporation's employees, together with those of its subsidiaries, are residents of the state or the corporation, together with its subsidiaries, employs more than one thousand residents of the state; and

(v) A majority of the corporation's tangible assets, together with those of its subsidiaries, measured by market value, are located in the state or the corporation, together with its subsidiaries, has more than fifty million dollars' worth of tangible assets located in the state.

For purposes of this subsection, the record date for determining the percentages and numbers of shareholders and shares shall be the last shareholder record date before the event requiring that the determination be made. A shareholder record date shall be determined pursuant to the comparable provision to RCW 23B.07.070 of the law of the state in which a foreign corporation is incorporated. If a shareholder record date has not been fixed by the board of directors within the preceding four months, the determination shall be made as of the end of the corporation's most recent fiscal quarter.

The residence of each shareholder is presumed to be the address appearing in the records of the corporation. Shares held of record by brokers or nominees shall be disregarded for purposes of calculating the percentages and numbers specified in this subsection. Shares of a corporation allocated to the account of an employee or former employee or beneficiaries of employees or former employees of a corporation and held in a plan that is qualified under section 401(a) of the federal internal revenue code of 1986, as amended, and is a defined contribution plan within the meaning of section 414(i) of the code shall be deemed, for the purposes of this subsection, to be held of record by the employee to whose account such shares are allocated.

A domestic or foreign corporation shall be deemed to be a target corporation if the domestic or foreign corporation's failure to satisfy the requirements of this subsection is caused by the action of, or is the result of a proposal by, an acquiring person or affiliate or associate of an acquiring person.

(20) "Voting power" means the total number of votes entitled to be cast by all of the outstanding voting shares of a corporation.

(21) "Voting shares" means shares of all classes of a corporation entitled to vote generally in the election of directors.

NEW SECTION. **Sec.**  Sections 1 through 8 of this act constitute a new chapter in Title 23B RCW.

**--- END ---**