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## Washington Business Corporation Act

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#### Notes

- Acknowledgment form, corporations: RCW [64.08.070](#).
- Acquisition of corporate stock by another corporation to lessen competition declared unlawful – Exceptions – Judicial order to divest: RCW [19.86.060](#).
- Actions by and against public corporations: RCW [4.08.110](#), [4.08.120](#).
- Condominium act: Chapter [64.34](#) RCW.
- Constitutional provisions, generally: State Constitution Art. 12.
- Consumer loan act: Chapter [31.04](#) RCW.
- Corporations for educational, social, religious, fraternal, etc., purposes: Title 24 RCW.
- Crimes relating to corporations: Chapter [9.24](#) RCW.
- Criminal procedure: RCW [10.01.070](#) through [10.01.100](#).
- Dentistry, practice or solicitation prohibited: RCW [18.32.675](#).
- Doing business without license, gross misdemeanor: RCW [9.24.040](#).
- Eminent domain by corporations: Chapter [8.20](#) RCW.
- False statements, penalty for filing: RCW [43.07.210](#).
- Legal services, advertising of, penalty: RCW [30.04.260](#).
- Materials specifically authorized to be printed and distributed by secretary of state: RCW [43.07.140](#).
- Partnerships: Title 25 RCW.
- “Person” defined: RCW [1.16.080](#).
- Professional service corporations: Chapter [18.100](#) RCW.
- Revolving fund of secretary of state, deposit of moneys for costs of carrying out secretary of state’s functions under this title: RCW [43.07.130](#).
- Seals, effect of: RCW [64.04.105](#).

- Secretary of state, duties: Chapter [43.07](#) RCW.

## Chapter 23B.01 RCW: GENERAL PROVISIONS

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- 23B.01.020 Reservation of power to amend or repeal.
- 23B.01.200 Filing requirements.
- 23B.01.202 Certificate of authority as insurance company – Filing of records.
- 23B.01.204 Certificate of authority from department of financial institutions – Filing of records.
- 23B.01.210 Forms.
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- 23B.01.530 Domestic corporations – Inactive corporation defined – Annual license fee.
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- 23B.01.550 Foreign corporations – Annual license fees.
- 23B.01.560 License fees for reinstated corporation.
- 23B.01.570 Penalty for nonpayment of annual corporate license fees and failure to file a substantially complete annual report – Payment of delinquent fees – Rules.
- 23B.01.580 Waiver of penalty fees.
- 23B.01.590 Public service companies entitled to deductions.

**RCW 23B.01.010: Short title.**

This title shall be known and may be cited as the “Washington business corporation act.”

**RCW 23B.01.020: Reservation of power to amend or repeal.**

The legislature has power to amend or repeal all or part of this title at any time and all domestic and foreign corporations subject to this title are governed by the amendment or repeal.

**RCW 23B.01.200: Filing requirements.**

- (1) A record must satisfy the requirements of this section, and of any other section that adds to or varies from these requirements, to be entitled to filing by the secretary of state.
- (2) The secretary of state may permit records to be filed through electronic transmission. The secretary of state may adopt rules varying from these requirements to facilitate electronic filing. These rules shall detail the circumstances under which the electronic filing of records shall be permitted and how such records shall be filed. These rules may also impose additional requirements related to implementation of electronic filing processes including but not limited to: File formats; signature technologies; the manner of delivery; and the types of entities or records permitted.
- (3) This title must require or permit filing the record in the office of the secretary of state.
- (4) The record must contain the information required by this title. It may contain other information as well.
- (5) The record must: (a) Be typewritten or printed, and must meet such legibility or other standards as may be prescribed by the secretary of state; or (b) meet the standards for electronic filing as may be prescribed by the secretary of state.
- (6) The record must be in the English language. A corporate name need not be in English if written in English letters or Arabic or Roman numerals, and the certificate of existence required of foreign corporations need not be in English if accompanied by a reasonably authenticated English translation.
- (7) Unless otherwise indicated in this title, all records submitted for filing must be executed:
  - (a) By the chairperson of the board of directors of a domestic or foreign corporation, by its president, or by another of its officers;

- (b) If directors have not been selected or the corporation has not been formed, by an incorporator; or
  - (c) If the corporation is in the hands of a receiver, trustee, or other court-appointed fiduciary, by that fiduciary.
- (8) The person executing the record shall sign it and state beneath or opposite the signature the name of the person and the capacity in which the person signs. The record may but need not contain: (a) The corporate seal; (b) an attestation by the secretary or an assistant secretary; or (c) an acknowledgment, verification, or proof.
  - (9) If the secretary of state has prescribed a mandatory form for the record under RCW 23B.01.210, the record must be in or on the prescribed form.
  - (10) The record must be received by the office of the secretary of state for filing and, except in the case of an electronic filing, must be accompanied by one exact or conformed copy, the correct filing fee or charge, including license fee, penalty and service fee, and any attachments which are required for the filing.

**RCW 23B.01.202: Certificate of authority as insurance company – Filing of records.**

For those corporations that have a certificate of authority, are applying for, or intend to apply for a certificate of authority from the insurance commissioner as an insurance company under chapter 48.05 RCW, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the insurance commissioner rather than the secretary of state.

**RCW 23B.01.204: Certificate of authority from department of financial institutions – Filing of records.**

For those corporations that have a certificate of authority, are applying for, or intend to apply for a certificate of authority from the department of financial institutions as a bank, trust company, or the holding company thereof, under \*Title 30 RCW, or as a savings bank or holding company thereof, under Title 32 RCW, or for any other corporation or other entity which is or purports to be a bank, savings bank, savings and loan association, trust company, industrial loan bank, credit union, bank holding company, financial services holding company, or savings and loan holding company, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the department of financial institutions.

Notes

- **\*Reviser's note:** Title 30 RCW was recodified and/or repealed pursuant to 2014 c 37, effective January 5, 2015.
- **Effective date – 2010 c 88:** See RCW [32.50.900](#).

**RCW 23B.01.210: Forms.**

The secretary of state may prescribe and furnish on request, forms for: (1) An application for a certificate of existence; (2) a foreign corporation's application for a certificate of authority to transact business in this state; (3) a foreign corporation's application for a certificate of withdrawal; (4) an initial report; (5) an annual report; and (6) such other forms not in conflict with this title as may be prescribed by the secretary of state. If the secretary of state so requires, use of these forms is mandatory.

**RCW 23B.01.220: Fees.**

- (1) The secretary of state shall collect in accordance with the provisions of this title:
  - (a) Fees for filing records and issuing certificates;
  - (b) Miscellaneous charges;
  - (c) License fees as provided in RCW 23B.01.500 through 23B.01.550;
  - (d) Penalty fees; and
  - (e) Other fees as the secretary of state may establish by rule adopted under chapter [34.05](#) RCW.
- (2) The secretary of state shall collect the following fees when the records described in this subsection are delivered for filing:

One hundred seventy-five dollars, pursuant to RCW 23B.01.520 and 23B.01.540, for:

- (a) Articles of incorporation; and
  - (b) Application for certificate of authority.
- (3) The secretary of state shall establish by rule, fees for the following:
- (a) Application for reinstatement;



- (b) Articles of correction;
  - (c) Amendment of articles of incorporation;
  - (d) Restatement of articles of incorporation, with or without amendment;
  - (e) Articles of merger or share exchange;
  - (f) Articles of revocation of dissolution;
  - (g) Application for amended certificate of authority;
  - (h) Application for reservation, registration, or assignment of reserved name;
  - (i) Corporation's statement of change of registered agent or registered office, or both, except where this information is provided in conjunction with and on an initial report or an annual report form filed under RCW 23B.01.530, 23B.01.550, 23B.02.050, or 23B.16.220;
  - (j) Agent's resignation, or statement of change of registered office, or both, for each affected corporation;
  - (k) Initial report; and
  - (l) Any record not listed in this subsection that is required or permitted to be filed under this title.
- (4) Fees shall be adjusted by rule only in an amount that does not exceed the average biennial increase in the cost of providing service. This shall be determined in a biennial cost study performed by the secretary of state.
- (5) The secretary of state shall not collect fees for:
- (a) Agent's consent to act as agent;
  - (b) Agent's resignation, if appointed without consent;
  - (c) Articles of dissolution;
  - (d) Certificate of judicial dissolution;
  - (e) Application for certificate of withdrawal; and
  - (f) Annual report when filed concurrently with the payment of annual license fees.
- (6) The secretary of state shall collect a fee in an amount established by the secretary of state by rule per defendant served, upon being served process under this title. The party to a proceeding causing service of process is entitled to recover this fee as costs if such party prevails in the proceeding.

- (7) The secretary of state shall establish by rule and collect a fee from every person or organization:
  - (a) For furnishing a certified copy of any record, instrument, or paper relating to a corporation;
  - (b) For furnishing a certificate, under seal, attesting to the existence of a corporation, or any other certificate; and
  - (c) For furnishing copies of any record, instrument, or paper relating to a corporation, other than of an initial report or an annual report.
- (8) For annual license fees for domestic and foreign corporations, see RCW 23B.01.500, 23B.01.510, 23B.01.530, and 23B.01.550. For penalties for nonpayment of annual license fees and failure to complete annual report, see RCW 23B.01.570.

#### Notes

- **Effective date – 1993 c 269:** See note following RCW [23.86.070](#).
- **Effective dates – 1992 c 107:** See note following RCW [19.02.020](#).
- **Effective date – 1990 c 178:** “This act shall take effect July 1, 1990.” [1990 c 178 § 13.]

#### **RCW 23B.01.230: Effective time and date of record.**

- (1) Except as provided in subsection (2) of this section and RCW 23B.01.240(3), a record accepted for filing is effective on the date it is filed by the secretary of state and at the time on that date specified in the record. If no time is specified in the record, the record is effective at the close of business on the date it is filed by the secretary of state.
- (2) If a record specifies a delayed effective time and date, the record becomes effective at the time and date specified. If a record specifies a delayed effective date but no time is specified, the record is effective at the close of business on that date. A delayed effective date for a record may not be later than the ninetieth day after the date it is filed.
- (3) When a record is received for filing by the secretary of state in a form which complies with the requirements of this title and which would entitle the record to be filed on receipt, but the secretary of state’s approval action occurs subsequent to the date of receipt, the secretary of state’s filing date shall relate back to and be shown as the date on which the secretary of state first received the record in acceptable form.

**RCW 23B.01.240: Correcting filed records.**

- (1) A domestic or foreign corporation may correct a record filed by the secretary of state if the record (a) contains an incorrect statement; or (b) was defectively executed, attested, sealed, verified, or acknowledged.
- (2) A record is corrected:
  - (a) By preparing articles of correction that (i) describe the record, including its filing date, or attach a copy of it to the articles of correction, (ii) specify the incorrect statement and the reason it is incorrect or the manner in which the execution was defective, and (iii) correct the incorrect statement or defective execution; and
  - (b) By delivering the articles of correction to the secretary of state for filing.
- (3) Articles of correction are effective on the effective date of the record they correct except as to persons relying on the uncorrected record and adversely affected by the correction. As to those persons, articles of correction are effective when filed.

**RCW 23B.01.250: Filing duty of secretary of state.**

- (1) If a record delivered to the office of the secretary of state for filing satisfies the requirements of RCW 23B.01.200, the secretary of state shall file it.
- (2) (a) The secretary of state files a record: (i) In the case of a record in a tangible medium, by stamping or otherwise endorsing “Filed,” together with the secretary of state’s name and official title and the date of filing, on both the original and the record copy; and (ii) in the case of an electronically transmitted record, by the electronic processes as may be prescribed by the secretary of state from time to time that result in the information required by (a)(i) of this subsection being permanently attached to or associated with such electronically transmitted record.
- (b) After filing a record, the secretary of state shall deliver a record of the filing to the domestic or foreign corporation or its representative either: (i) In a written copy of the filing; or (ii) if the corporation has designated an address, location, or system to which the record may be electronically transmitted and the secretary of state elects to provide the record by electronic transmission, in an electronically transmitted record of the filing.
- (3) If the secretary of state refuses to file a record, the secretary of state shall return it to the domestic or foreign corporation or its representative,

together with a brief explanation of the reason for the refusal. The explanation shall be either: (a) In a written record or (b) if the corporation has designated an address, location, or system to which the explanation may be electronically transmitted and the secretary of state elects to provide the explanation by electronic transmission, in an electronically transmitted record.

- (4) The secretary of state's duty to file records under this section is ministerial. Filing or refusal to file a record does not:
  - (a) Affect the validity or invalidity of the record in whole or part;
  - (b) Relate to the correctness or incorrectness of information contained in the record; or
  - (c) Create a presumption that the record is valid or invalid or that information contained in the record is correct or incorrect.

**RCW 23B.01.260: Judicial review of secretary of state's refusal to file a record.**

If the secretary of state refuses to file a record received by the office for filing, the person submitting the record, in addition to any other legal remedy which may be available, shall have the right to judicial review of such refusal pursuant to the provisions of chapter [34.05](#) RCW.

**RCW 23B.01.270: Evidentiary effect of copy of filed record.**

A certificate bearing the manual or facsimile signature of the secretary of state and the seal of the state, when attached to or located on a record or a copy of a record filed by the secretary of state, is conclusive evidence that the original record is on file with the secretary of state.

**RCW 23B.01.280: Certificate of existence or authorization.**

- (1) Any person may apply to the secretary of state to furnish a certificate of existence for a domestic corporation or a certificate of authorization for a foreign corporation.
- (2) A certificate of existence or authorization means that as of the date of its issuance:
  - (a) The domestic corporation is duly incorporated under the laws of this state, or that the foreign corporation is authorized to transact business in this state;

- (b) All fees and penalties owed to this state under this title have been paid, if (i) payment is reflected in the records of the secretary of state, and (ii) nonpayment affects the existence or authorization of the domestic or foreign corporation;
  - (c) The corporation's initial report or its most recent annual report required by RCW 23B.16.220 has been delivered to the secretary of state; and
  - (d) Articles of dissolution or an application for withdrawal have not been filed by the secretary of state.
- (3) A person may apply to the secretary of state to issue a certificate covering any fact of record.
  - (4) Subject to any qualification stated in the certificate, a certificate of existence or authorization issued by the secretary of state may be relied upon as conclusive evidence that the domestic or foreign corporation is in existence or is authorized to transact business in the corporate form in this state.

**RCW 23B.01.290: Penalty for signing false document.**

Any person who signs a document such person knows is false in any material respect with intent that the document be delivered to the secretary of state for filing is guilty of a gross misdemeanor punishable under chapter [9A.20](#) RCW.

**RCW 23B.01.300: Powers.**

The secretary of state has the power reasonably necessary to perform the duties required of the secretary of state by this title, including adoption, amendment, or repeal of rules for the efficient administration of this title.

**RCW 23B.01.400: Definitions.**

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) “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) “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) “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) “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) “Effective date of notice” has the meaning provided in RCW 23B.01.410.
- (9) “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) “Electronically transmitted” means the initiation of an electronic transmission.
- (11) “Employee” includes an officer but not a director. A director may accept duties that make the director also an employee.
- (12) “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) “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) “Foreign corporation” means a corporation for profit incorporated under a law other than the law of this state.
- (15) “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) “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) “Governmental subdivision” includes authority, county, district, and municipality.
- (18) “Includes” denotes a partial definition.
- (19) “Individual” includes the estate of an incompetent or deceased individual.
- (20) “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) “Means” denotes an exhaustive definition.
- (22) “Notice” has the meaning provided in RCW 23B.01.410.
- (23) “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) “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) “Proceeding” includes civil suit and criminal, administrative, and investigatory action.
- (26) “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) “Record” means information inscribed on a tangible medium or contained in an electronic transmission.
- (28) “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.
- (29) “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.
- (30) “Shares” means the units into which the proprietary interests in a corporation are divided.
- (31) “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.
- (32) “Social purpose” includes any general social purpose and any specific social purpose.
- (33) “Social purpose corporation” means a corporation that has elected to be governed as a social purpose corporation under chapter 23B.25 RCW.
- (34) “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).
- (35) “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.
- (36) “Subscriber” means a person who subscribes for shares in a corporation, whether before or after incorporation.
- (37) “Tangible medium” means a writing, copy of a writing, or facsimile, or a physical reproduction, each on paper or on other tangible material.
- (38) “United States” includes a district, authority, bureau, commission, department, and any other agency of the United States.
- (39) “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.



(40) “Writing” does not include an electronic transmission.

(41) “Written” means embodied in a tangible medium.

**RCW 23B.01.410: Notice.**

- (1) Notice under this title must be provided in the form of a record, except that oral notice of any meeting of the board of directors may be given if expressly authorized by the articles of incorporation or bylaws.
- (2) Permissible means of transmission.
  - (a) Oral notice. Oral notice may be communicated in person, by telephone, wire, or wireless equipment which does not transmit a facsimile of the notice, or by any electronic means which does not create a record. If these forms of oral notice are impracticable, oral notice may be communicated by radio, television, or other form of public broadcast communication.
  - (b) Notice provided in a tangible medium. Notice may be provided in a tangible medium and be transmitted by mail, private carrier, or personal delivery; telegraph or teletype; or telephone, wire, or wireless equipment which transmits a facsimile of the notice. If these forms of notice in a tangible medium are impracticable, notice in a tangible medium may be transmitted by an advertisement in a newspaper of general circulation in the area where published.
  - (c) Notice provided in an electronic transmission.
  - (d) Notice may be provided in an electronic transmission and be electronically transmitted.
    - (ii) Notice to shareholders or directors in an electronic transmission is effective only with respect to shareholders and directors that have consented, in the form of a record, to receive electronically transmitted notices under this title and designated in the consent the address, location, or system to which these notices may be electronically transmitted and with respect to a notice that otherwise complies with any other requirements of this title and applicable federal law.
- (A) Notice to shareholders or directors for this purpose includes material that this title requires to accompany the notice.
- (B) A shareholder or director who has consented to receipt of electronically transmitted notices may revoke this consent by delivering a revocation to the corporation in the form of a record.

- (C) The consent of any shareholder or director is revoked if (I) the corporation is unable to electronically transmit two consecutive notices given by the corporation in accordance with the consent, and (II) this inability becomes known to the secretary of the corporation, the transfer agent, or any other person responsible for giving the notice. The inadvertent failure by the corporation to treat this inability as a revocation does not invalidate any meeting or other corporate action.
  - (iii) Notice to shareholders or directors who have consented to receipt of electronically transmitted notices may be provided by (A) posting the notice on an electronic network and (B) delivering to the shareholder or director a separate record of the posting, together with comprehensible instructions regarding how to obtain access to the posting on the electronic network.
  - (iv) Notice to a domestic or foreign corporation, authorized to transact business in this state, in an electronic transmission is effective only with respect to a corporation that has designated in a record an address, location, or system to which the notices may be electronically transmitted.
  - (v) Materials accompanying notice to shareholders of public companies. Notwithstanding anything to the contrary in this section or any other section of this title, if this title requires that a notice to shareholders be accompanied by certain material, a public company may satisfy such a requirement, whether or not a shareholder has consented to receive electronically transmitted notice, by (i) posting the material on an electronic network (either separate from, or in combination or as part of, any other materials the public company has posted on the electronic network in compliance with applicable federal law) at or prior to the time that the notice is delivered to the public company's shareholders entitled to receive the notice, and (ii) delivering to the public company's shareholders entitled to receive the notice a separate record of the posting (which record may accompany, or be contained in, the notice), together with comprehensible instructions regarding how to obtain access to the posting on the electronic network. In such a case, the material is deemed to have been delivered to the public company's shareholders at the time the notice to the shareholders is effective under this section. A public company that elects pursuant to this section to post on an electronic network any material required by this title to accompany a notice to shareholders is required, at its expense, to provide a copy of the material in a tangible medium (alone or in combination or as part of any other materials the public company has posted on the electronic network in compliance with federal law) to any shareholder entitled to such a notice who so requests.
- (3) Effective time and date of notice.

- (a) Oral notice. Oral notice is effective when received.
- (b) Notice provided in a tangible medium.
- (c) Notice in a tangible medium, if in a comprehensible form, is effective at the earliest of the following:
  - (A) If expressly authorized by the articles of incorporation or bylaws, and if notice is sent to the person's address, telephone number, or other number appearing on the records of the corporation, when dispatched by telegraph, teletype, or facsimile equipment;
  - (B) When received;
  - (C) Except as provided in (b)(ii) of this subsection, five days after its deposit in the United States mail, as evidenced by the postmark, if mailed with first-class postage, prepaid and correctly addressed; or
  - (D) On the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.
- (ii) Notice in a tangible medium by a domestic or foreign corporation to its shareholder, if in a comprehensible form and correctly addressed to the shareholder's address shown in the corporation's current record of shareholders, is effective:
  - (A) When mailed, if mailed with first-class postage prepaid; and
  - (B) When dispatched, if prepaid, by air courier.
- (iii) Notice in a tangible medium to a domestic or foreign corporation, authorized to transact business in this state, may be addressed to the corporation's registered agent at its registered office or to the corporation or its secretary at its principal office shown in its most recent annual report, or in the case of a foreign corporation that has not yet delivered its annual report in its application for a certificate of authority.
- (iv) Notice provided in an electronic transmission. Notice provided in an electronic transmission, if in comprehensible form, is effective when it: (i) Is electronically transmitted to an address, location, or system designated by the recipient for that purpose; or (ii) has been posted on an electronic network and a separate record of the posting has been delivered to the recipient together with comprehensible instructions regarding how to obtain access to the posting on the electronic network.

- (4) If this title prescribes notice requirements for particular circumstances, those requirements govern. If articles of incorporation or bylaws prescribe notice requirements, not inconsistent with this section or other provisions of this title, those requirements govern.

#### Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

#### **RCW 23B.01.420: Notice – Common address – Address defined – Shareholder consent.**

- (1) A corporation has provided notice or any other record to shareholders of record who share a common address if all of the following requirements are met:
  - (a) The corporation delivers the notice or other record to the common address;
  - (b) The corporation addresses the notice or other record to the shareholders who share that address either as a group or to each of the shareholders individually; and
  - (c) Each shareholder consents in a record to delivery of a single copy of such a notice or other record to the shareholders' common address, and the corporation notifies each shareholder of the duration of that shareholder's consent, and explains the manner by which the shareholder can revoke the consent.
- (2) For purposes of this section, "address" means a street address, a post office box number, a facsimile telephone number, a common address, location, or system for electronic transmissions, or another similar destination to which records are delivered.
- (3) If a shareholder revokes consent to delivery of a single copy of any notice or other record to a common address, or notifies the corporation that the shareholder wishes to receive an individual copy of any notice or other record, the corporation shall begin sending individual copies to that shareholder within thirty days after the corporation receives the revocation of consent or notice.
- (4) Prior to the delivery of notice by electronic transmission to a common address, location, or system for electronic transmissions under this section, each shareholder consenting to receive notice under this section must also have consented to the receipt of notices by electronic transmission as provided in RCW 23B.01.410.

**RCW 23B.01.500: Domestic corporations – Notice of due date for payment of annual license fee and filing annual report.**

Not less than thirty nor more than ninety days prior to July 1st of each year or to the expiration date of any staggered yearly license, the secretary of state shall send, by postal or electronic mail as elected by the domestic corporation, to each domestic corporation, at its registered office within the state, or to an electronic address designated by the corporation in a record retained by the secretary of state, a notice that its annual license fee must be paid and its annual report must be filed as required by this title, and stating that if any domestic corporation fails to pay its annual license fee or to file its annual report it is dissolved and ceases to exist. Failure of the secretary of state to provide any such notice does not relieve a corporation from its obligations to pay the annual license fees and to file the annual reports required by this title. The option to receive the notice provided under this section by electronic mail may be selected only when the secretary of state makes the option available.

**RCW 23B.01.510: Foreign corporations – Notice of due date for payment of annual license fee and filing annual report.**

Not less than thirty nor more than ninety days prior to July 1st of each year or to the expiration date of any staggered yearly license, the secretary of state shall send by postal or electronic mail, as elected by the foreign corporation, to each foreign corporation qualified to do business in this state, addressed to its registered office within this state, or to an electronic address designated by the corporation in a record retained by the secretary of state, a notice that its annual license fee must be paid and its annual report must be filed as required by this title, and stating that if it fails to pay its annual license fee or to file its annual report its certificate of authority to transact business within this state may be revoked. Failure of the secretary of state to send any such notice does not relieve a corporation from its obligations to pay the annual license fees and to obtain or file the annual reports required by this title. The option to receive the notice provided under this section by electronic mail may be selected only when the secretary of state makes the option available.

Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

**RCW 23B.01.520: Domestic corporations – Filing and initial license fees.**

Every domestic corporation, except one for which existing law provides a different fee schedule, shall pay for filing of its articles of incorporation and its first year's license a fee of one hundred seventy-five dollars.

**RCW 23B.01.530: Domestic corporations – Inactive corporation defined – Annual license fee.**

For the privilege of doing business, every corporation organized under the laws of this state, except the corporations for which existing law provides a different fee schedule, must make and file a statement in the form prescribed by the secretary of state and must pay an annual license fee each year following incorporation, on or before the expiration date of its corporate license, to the secretary of state. The secretary of state must collect an annual license fee of sixty dollars for corporations that are not inactive corporations, of which ten dollars is designated to be deposited into the secretary's revolving fund per RCW [43.07.130](#). The secretary of state must collect an annual license fee for inactive corporations as established by the secretary of state in rule. As used in this section, "inactive corporation" means a corporation that certifies at the time of filing under this section that it did not engage in any business activities during the year ending on the expiration date of its corporate license.

Notes

- **Intent – 2010 1st sp.s. c 29:** "It is the intent of the legislature to restructure certain fees for the division of corporations of the office of the secretary of state in a manner that has minimal revenue impact but moves the division of corporations towards a more self-sustaining budget." [2010 1st sp.s. c 29 § 1.]
- **Effective date – 1993 c 269:** See note following RCW [23.86.070](#).

**RCW 23B.01.540: Foreign corporations – Filing and license fees on qualification.**

A foreign corporation doing an intrastate business or seeking to do an intrastate business in the state of Washington shall qualify so to do in the manner prescribed in this title and shall pay for the privilege of so doing the filing and license fees prescribed in this title for domestic corporations, including the same fees as are prescribed in RCW 23B.01.520, for the filing of articles of incorporation of a domestic corporation.

**RCW 23B.01.550: Foreign corporations – Annual license fees.**

All foreign corporations doing intrastate business, or hereafter seeking to do intrastate business in this state shall pay for the privilege of doing such intrastate business in this state the same fees as are prescribed by RCW 23B.01.530 for domestic corporations for annual license fees. All license fees shall be paid on or before the first day of July of each and every year or on the annual license expiration date as the secretary of state may establish under this title.

**RCW 23B.01.560: License fees for reinstated corporation.**

- (1) A corporation seeking reinstatement shall pay the full amount of all annual corporation license fees which would have been assessed for the license years of the period of administrative dissolution had the corporation been in active status, plus a surcharge established by the secretary of state by rule, and the license fee for the year of reinstatement.
- (2) The penalties herein established shall be in lieu of any other penalties or interest which could have been assessed by the secretary of state under the corporation laws or which, under those laws, would have accrued during any period of delinquency, dissolution, or expiration of corporate duration.

Notes

- **Effective date – 1993 c 269:** See note following RCW [23.86.070](#).

**RCW 23B.01.570: Penalty for nonpayment of annual corporate license fees and failure to file a substantially complete annual report – Payment of delinquent fees – Rules.**

In the event any corporation, foreign or domestic, fails to file a full and complete initial report under RCW 23B.02.050(4) and 23B.16.220(3) or does business in this state without having paid its annual corporate license fee and without having filed a substantially complete annual report under RCW 23B.16.220(1) when either is due, there shall become due and owing the state of Washington a penalty as established by rule by the secretary.

A corporation organized under this title may at any time prior to its dissolution as provided in RCW 23B.14.200, and a foreign corporation qualified to do business in this state may at any time prior to the revocation of its certificate of authority as provided in RCW 23B.15.300, pay to the state of Washington its current annual license fee, provided it also pays an amount equal to all previously unpaid annual license fees plus the penalty established by rule by the secretary.

**RCW 23B.01.580: Waiver of penalty fees.**

The secretary of state may, where exigent or mitigating circumstances are presented, waive penalty fees due from any licensed corporation previously in good standing which would otherwise be penalized or lose its active status. Any corporation desiring to seek relief under this section shall, within fifteen days of discovery by corporate officials of the missed filing or lapse, notify the secretary of state in writing. The notification shall include the name and mailing address of the corporation, the corporate officer to whom correspondence should

be sent, and a statement under oath by a responsible corporate officer, setting forth the nature of the missed filing or lapse, the circumstances giving rise to the missed filing or lapse, and the relief sought. Upon receipt of the notice, the secretary of state shall investigate the circumstances of the missed filing or lapse. If the secretary of state is satisfied that sufficient exigent or mitigating circumstances exist, that the corporation has demonstrated good faith and a reasonable attempt to comply with the applicable corporate license statutes of this state, the secretary of state may issue an order allowing relief from the penalty. If the secretary of state determines the request does not comply with the requirements for relief, the secretary of state shall deny the relief and state the reasons for the denial. Any denial of relief by the secretary of state is not reviewable notwithstanding the provisions of chapter 34.05 RCW.

Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

#### **RCW 23B.01.590: Public service companies entitled to deductions.**

The annual fee required to be paid to the Washington utilities and transportation commission by any public service corporation shall be deducted from the annual license fee provided in this title and the excess only shall be collected.

It shall be the duty of the commission to furnish to the secretary of state on or before July 1st of each year a list of all public service corporations with the amount of annual license fees paid to the commission for the current year.

### **Chapter 23B.02 RCW: INCORPORATION**

#### **RCW Chapter Sections**

- 23B.02.010 Incorporators.
- 23B.02.020 Articles of incorporation.
- 23B.02.030 Effect of filing.
- 23B.02.032 Certificate of authority as insurance company – Filing of records.
- 23B.02.040 Liability for preincorporation transactions.
- 23B.02.050 Organization of corporation.
- 23B.02.060 Bylaws.
- 23B.02.070 Emergency bylaws.

#### **RCW 23B.02.010: Incorporators.**

One or more persons may act as the incorporator or incorporators of a corporation by delivering articles of incorporation to the secretary of state for filing.



**RCW 23B.02.020: Articles of incorporation.**

- (1) The articles of incorporation must set forth:
  - (a) A corporate name for the corporation that satisfies the requirements of RCW 23B.04.010;
  - (b) The number of shares the corporation is authorized to issue in accordance with RCW 23B.06.010 and 23B.06.020;
  - (c) The street address of the corporation's initial registered office and the name of its initial registered agent at that office in accordance with RCW 23B.05.010; and
  - (d) The name and address of each incorporator in accordance with RCW 23B.02.010.
- (2) The articles of incorporation or bylaws must either specify the number of directors or specify the process by which the number of directors will be fixed, unless the articles of incorporation dispense with a board of directors pursuant to RCW 23B.08.010.
- (3) Unless its articles of incorporation provide otherwise, a corporation is governed by the following provisions:
  - (a) The board of directors may adopt bylaws to be effective only in an emergency as provided by RCW 23B.02.070;
  - (b) A corporation has the purpose of engaging in any lawful business under RCW 23B.03.010;
  - (c) A corporation has perpetual existence and succession in its corporate name under RCW 23B.03.020;
  - (d) A corporation has the same powers as an individual to do all things necessary or convenient to carry out its business and affairs, including itemized powers under RCW 23B.03.020;
  - (e) All shares are of one class and one series, have unlimited voting rights, and are entitled to receive the net assets of the corporation upon dissolution under RCW 23B.06.010 and 23B.06.020;
  - (f) If more than one class of shares is authorized, all shares of a class must have preferences, limitations, and relative rights identical to those of other shares of the same class under RCW 23B.06.010;
  - (g) If the board of directors is authorized to designate the number of shares in a series, the board may, after the issuance of shares in that series, reduce the number of authorized shares of that series under RCW 23B.06.020;

- (h) The board of directors must approve any issuance of shares under RCW 23B.06.210;
- (i) Shares may be issued pro rata and without consideration to shareholders under RCW 23B.06.230;
- (j) Shares of one class or series may not be issued as a share dividend with respect to another class or series, unless there are no outstanding shares of the class or series to be issued, or a majority of votes entitled to be cast by such class or series approve as provided in RCW 23B.06.230;
- (k) A corporation may issue rights, options, or warrants for the purchase of shares of the corporation under RCW 23B.06.240;
- (l) A shareholder has, and may waive, a preemptive right to acquire the corporation's unissued shares as provided in RCW 23B.06.300;
- (m) Shares of a corporation acquired by it may be reissued under RCW 23B.06.310;
- (n) The board may authorize and the corporation may make distributions not prohibited by statute under RCW 23B.06.400;
- (o) The preferential rights upon dissolution of certain shareholders will be considered a liability for purposes of determining the validity of a distribution under RCW 23B.06.400;
- (p) Corporate action may be approved by shareholders by unanimous consent of all shareholders entitled to vote on the corporate action, unless the approval of a lesser number of shareholders is permitted as provided in RCW 23B.07.040, which shareholder consent shall be in the form of a record;
- (q) Unless this title requires otherwise, the corporation is required to give notice only to shareholders entitled to vote at a meeting and the notice for an annual meeting need not include the purpose for which the meeting is called under RCW 23B.07.050;
- (r) A corporation that is a public company shall hold a special meeting of shareholders if the holders of at least ten percent of the votes entitled to be cast on any issue proposed to be considered at the meeting demand a meeting under RCW 23B.07.020;
- (s) Subject to statutory exceptions, each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a shareholders' meeting under RCW 23B.07.210;
- (t) A majority of the votes entitled to be cast on a matter by a voting group constitutes a quorum, unless the title provides otherwise under RCW 23B.07.250 and 23B.07.270;

- (u) Corporate action on a matter, other than election of directors, by a voting group is approved if the votes cast within the voting group favoring the corporate action exceed the votes cast opposing the corporate action, unless this title requires a greater number of affirmative votes under RCW 23B.07.250;
- (v) All shares of one or more classes or series that are entitled to vote will be counted together collectively on any matter at a meeting of shareholders under RCW 23B.07.260;
- (w) Directors are elected by cumulative voting under RCW 23B.07.280;
- (x) Directors are elected by a plurality of votes cast by shares entitled to vote under RCW 23B.07.280, except as otherwise provided in the articles of incorporation or a bylaw adopted pursuant to RCW 23B.10.205;
- (y) A corporation must have a board of directors under RCW 23B.08.010;
- (z) All corporate powers must be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, its board of directors under RCW 23B.08.010;
- (aa) The shareholders may remove one or more directors with or without cause under RCW 23B.08.080;
- (bb) A vacancy on the board of directors may be filled by the shareholders or the board of directors under RCW 23B.08.100;
- (cc) A corporation shall indemnify a director who was wholly successful in the defense of any proceeding to which the director was a party because the director is or was a director of the corporation against reasonable expenses incurred by the director in connection with the proceeding under RCW 23B.08.520;
- (cci) A director of a corporation who is a party to a proceeding may apply for indemnification of reasonable expenses incurred by the director in connection with the proceeding to the court conducting the proceeding or to another court of competent jurisdiction under RCW 23B.08.540;
- (ee) An officer of the corporation who is not a director is entitled to mandatory indemnification under RCW 23B.08.520, and is entitled to apply for court-ordered indemnification under RCW 23B.08.540, in each case to the same extent as a director under RCW 23B.08.570;
- (ff) The corporation may indemnify and advance expenses to an officer, employee, or agent of the corporation who is not a director to the same extent as to a director under RCW 23B.08.570;

(gg) A corporation may indemnify and advance expenses to an officer, employee, or agent who is not a director to the extent, consistent with law, that may be provided by its articles of incorporation, bylaws, general or specific approval of its board of directors, or contract under RCW 23B.08.570;

(hh) A corporation's board of directors may adopt certain amendments to the corporation's articles of incorporation without shareholder approval under RCW 23B.10.020;

(ii) Unless this title or the board of directors requires a greater vote or a vote by voting groups, an amendment to the corporation's articles of incorporation must be approved by each voting group entitled to vote on the proposed amendment by two-thirds, or, in the case of a public company, a majority, of all the votes entitled to be cast by that voting group under RCW 23B.10.030;

(jj) A corporation's board of directors may amend or repeal the corporation's bylaws unless this title reserves this power exclusively to the shareholders in whole or in part, or unless the shareholders in amending or repealing a bylaw provide expressly that the board of directors may not amend or repeal that bylaw under RCW 23B.10.200;

(kk) Unless this title or the board of directors require a greater vote or a vote by voting groups, a plan of merger or share exchange must be approved by each voting group entitled to vote on the merger or share exchange by two-thirds of all the votes entitled to be cast by that voting group under RCW 23B.11.030;

(c) Approval by the shareholders of the sale, lease, exchange, or other disposition of all, or substantially all, the corporation's property in the usual and regular course of business is not required under RCW 23B.12.010;

(ci) Approval by the shareholders of the mortgage, pledge, dedication to the repayment of indebtedness, or other encumbrance of any or all of the corporation's property, whether or not in the usual and regular course of business, is not required under RCW 23B.12.010;

(nn) Unless the board of directors requires a greater vote or a vote by voting groups, a sale, lease, exchange, or other disposition of all or substantially all of the corporation's property, other than in the usual and regular course of business, must be approved by each voting group entitled to vote on such transaction by two-thirds of all votes entitled to be cast by that voting group under RCW 23B.12.020; and

(oo) Unless the board of directors requires a greater vote or a vote by voting groups, a proposal to dissolve must be approved by each voting group entitled to vote on the dissolution by two-thirds of all votes entitled to be cast by that voting group under RCW 23B.14.020.

- (4) Unless its articles of incorporation or its bylaws provide otherwise, a corporation is governed by the following provisions:
  - (a) The board of directors may approve the issuance of some or all of the shares of any or all of the corporation's classes or series without certificates under RCW 23B.06.260;
  - (b) A corporation that is not a public company shall hold a special meeting of shareholders if the holders of at least ten percent of the votes entitled to be cast on any issue proposed to be considered at the meeting demand a meeting under RCW 23B.07.020;
  - (c) A director need not be a resident of this state or a shareholder of the corporation under RCW 23B.08.020;
  - (d) The board of directors may fix the compensation of directors under RCW 23B.08.110;
  - (e) Members of the board of directors may participate in a meeting of the board by any means of similar communication by which all directors participating can hear each other during the meeting under RCW 23B.08.200;
  - (f) Corporate action permitted or required by this title to be taken at a board of directors' meeting may be approved without a meeting if approved by all members of the board under RCW 23B.08.210;
  - (g) Regular meetings of the board of directors may be held without notice of the date, time, place, or purpose of the meeting under RCW 23B.08.220;
  - (h) Special meetings of the board of directors must be preceded by at least two days' notice of the date, time, and place of the meeting, and the notice need not describe the purpose of the special meeting under RCW 23B.08.220;
  - (i) A quorum of a board of directors consists of a majority of the number of directors under RCW 23B.08.240;
  - (j) If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the board of directors under RCW 23B.08.240;
  - (k) A board of directors may create one or more committees and appoint members of the board of directors to serve on them under RCW 23B.08.250; and
  - (l) Unless approved by the shareholders, a corporation may indemnify, or make advances to, a director for reasonable expenses incurred in the defense of any proceeding to which the director was a party because of being a director only to the extent such action is consistent with RCW 23B.08.500 through 23B.08.580.

- (5) The articles of incorporation may contain the following provisions:
  - (a) The names and addresses of the individuals who are to serve as initial directors;
  - (b) The par value of any authorized shares or classes of shares;
  - (c) Provisions not inconsistent with law related to the management of the business and the regulation of the affairs of the corporation;
  - (d) Any provision that under this title is required or permitted to be set forth in the bylaws;
  - (e) Provisions not inconsistent with law defining, limiting, and regulating the powers of the corporation, its board of directors, and shareholders;
  - (f) Provisions authorizing corporate action to be approved by consent of less than all of the shareholders entitled to vote on the corporate action, in accordance with RCW 23B.07.040;
  - (g) If the articles of incorporation authorize dividing shares into classes, the election of all or a specified number of directors may be effected by the holders of one or more authorized classes of shares under RCW 23B.08.040;
  - (h) The terms of directors may be staggered under RCW 23B.08.060;
  - (i) Shares may be redeemable or convertible (i) at the option of the corporation, the shareholder, or another person, or upon the occurrence of a designated event; (ii) for cash, indebtedness, securities, or other property; or (iii) in a designated amount or in an amount determined in accordance with a designated formula or by reference to extrinsic data or events under RCW 23B.06.010; and
  - (j) A director's personal liability to the corporation or its shareholders for monetary damages for conduct as a director may be eliminated or limited under RCW 23B.08.320.
- (6) The articles of incorporation or the bylaws may contain the following provisions:
  - (a) A restriction on the transfer or registration of transfer of the corporation's shares under RCW 23B.06.270;
  - (b) Shareholders may participate in a meeting of shareholders by any means of communication by which all persons participating in the meeting can hear each other under RCW 23B.07.080;
  - (c) A quorum of the board of directors may consist of as few as one-third of the number of directors under RCW 23B.08.240;

- (d) If the corporation is registered as an investment company under the investment company act of 1940, a provision limiting the requirement to hold an annual meeting of shareholders as provided in RCW 23B.07.010(2); and
  - (e) If the corporation is registered as an investment company under the investment company act of 1940, a provision establishing terms of directors which terms may be longer than one year as provided in RCW 23B.05.050.
- (7) The articles of incorporation need not set forth any of the corporate powers enumerated in this title.

#### Notes

- **Findings – Construction – 1994 c 256:** See RCW [43.320.007](#).

#### **RCW 23B.02.030: Effect of filing.**

- (1) Unless a delayed effective date is specified, the corporate existence begins when the articles of incorporation are filed.
- (2) The secretary of state's filing of the articles of incorporation is conclusive proof that the incorporators satisfied all conditions precedent to the incorporation except in a proceeding by the state to cancel or revoke the incorporation or involuntarily to dissolve the corporation.

#### **RCW 23B.02.032: Certificate of authority as insurance company – Filing of records.**

For those corporations that have a certificate of authority, are applying for, or intend to apply for a certificate of authority from the insurance commissioner as an insurance company under chapter [48.05](#) RCW, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the insurance commissioner rather than the secretary of state.

#### **RCW 23B.02.040: Liability for preincorporation transactions.**

All persons purporting to act as or on behalf of a corporation, knowing there was no incorporation under this title, are jointly and severally liable for liabilities created while so acting except for any liability to any person who also knew that there was no incorporation.

**RCW 23B.02.050: Organization of corporation.**

- (1) After incorporation:
  - (a) If initial directors are named in the articles of incorporation, the initial directors shall hold an organizational meeting, at the call of a majority of the directors, to complete the organization of the corporation by appointing officers, adopting bylaws, and carrying on any other business brought before the meeting;
  - (b) If initial directors are not named in the articles, the incorporator or incorporators shall hold an organizational meeting at the call of a majority of the incorporators;
  - (c) To elect directors and complete the organization of the corporation; or
- (ii) To elect a board of directors who shall complete the organization of the corporation.
- (2) Corporate action required or permitted by this title to be approved by incorporators at an organizational meeting may be approved without a meeting if the approval is evidenced by the consent of each of the incorporators in the form of a record describing the corporate action so approved and executed by each incorporator.
- (3) An organizational meeting may be held in or out of this state.
- (4) A corporation's initial report containing the information described in RCW 23B.16.220(1) must be delivered to the secretary of state within one hundred twenty days of the date on which the corporation's articles of incorporation were filed.

**RCW 23B.02.060: Bylaws.**

- (1) The incorporators or board of directors of a corporation shall adopt initial bylaws for the corporation.
- (2) The articles of incorporation or bylaws must either specify the number of directors or specify the process by which the number of directors will be fixed, unless the articles of incorporation dispense with a board of directors pursuant to RCW 23B.08.010.
- (3) Unless its articles of incorporation or its bylaws provide otherwise, a corporation is governed by the following provisions:



- (a) The board of directors may approve the issuance of some or all of the shares of any or all of the corporation's classes or series without certificates under RCW 23B.06.260;
- (b) A corporation that is not a public company shall hold a special meeting of shareholders if the holders of at least ten percent of the votes entitled to be cast on any issue proposed to be considered at the meeting demand a meeting under RCW 23B.07.020;
- (c) A director need not be a resident of this state or a shareholder of the corporation under RCW 23B.08.020;
- (d) The board of directors may fix the compensation of directors under RCW 23B.08.110;
- (e) Members of the board of directors may participate in a meeting of the board by means of a conference telephone or similar communication equipment under RCW 23B.08.200;
- (f) Corporate action permitted or required by this title to be approved at a board of directors' meeting may be approved without a meeting if the corporate action is approved by all members of the board under RCW 23B.08.210;
- (g) Regular meetings of the board of directors may be held without notice of the date, time, place, or purpose of the meeting under RCW 23B.08.220;
- (h) Special meetings of the board of directors must be preceded by at least two days' notice of the date, time, and place of the meeting, and the notice need not describe the purpose of the special meeting under RCW 23B.08.220;
- (i) A quorum of a board of directors consists of a majority of the number of directors under RCW 23B.08.240;
- (j) If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the board of directors under RCW 23B.08.240;
- (k) A board of directors may create one or more committees and appoint members of the board of directors to serve on them under RCW 23B.08.250; and
- (l) Unless approved by shareholders, a corporation may indemnify, or make advances to, a director only for reasonable expenses incurred in the defense of any proceeding to which the director was a party because of being a director to the extent such action is consistent with RCW 23B.08.500 through 23B.08.580 under RCW 23B.08.590.

- (4) The bylaws of a corporation may contain any provision for managing the business and regulating the affairs of the corporation to the extent the provision does not infringe upon or limit the exclusive authority of the board of directors under RCW 23B.08.010(2)(b) or otherwise conflict with this title or any other law, the articles of incorporation, or a shareholders' agreement authorized by RCW 23B.07.320.

**RCW 23B.02.070: Emergency bylaws.**

- (1) Unless the articles of incorporation provide otherwise, the board of directors of a corporation may adopt bylaws to be effective only in an emergency defined in subsection (4) of this section. The emergency bylaws, which are subject to amendment or repeal by the shareholders, may make all provisions necessary for managing the corporation during the emergency, including:
  - (a) Procedures for calling a meeting of the board of directors;
  - (b) Quorum requirements for the meeting; and
  - (c) Designation of additional or substitute directors.
- (2) All provisions of the regular bylaws consistent with the emergency bylaws remain effective during the emergency. The emergency bylaws are not effective after the emergency ends.
- (3) Corporate action taken in good faith in accordance with the emergency bylaws:
  - (a) Binds the corporation; and
  - (b) May not be used to impose liability on a corporate director, officer, employee, or agent.
- (4) An emergency exists for purposes of this section if a quorum of the corporation's directors cannot readily be assembled because of some catastrophic event.

**Chapter 23B.03 RCW: POWERS AND PURPOSES**

RCW Chapter Sections

- 23B.03.010 Purposes.
- 23B.03.020 General powers.
- 23B.03.030 Emergency powers.
- 23B.03.040 Ultra vires.

**RCW 23B.03.010: Purposes.**

- (1) Every corporation incorporated under this title has the purpose of engaging in any lawful business unless a more limited purpose is set forth in the articles of incorporation.
- (2) Corporations organized for the purposes of banking or engaging in business as an insurer shall not be organized under this title.

**RCW 23B.03.020: General powers.**

- (1) Unless its articles of incorporation provide otherwise, every corporation has perpetual duration and succession in its corporate name.
- (2) Unless its articles of incorporation provide otherwise, every corporation has the same powers as an individual to do all things necessary or convenient to carry out its business and affairs, including without limitation, power:
  - (a) To sue and be sued, complain, and defend in its corporate name;
  - (b) To have a corporate seal, which may be altered at will, and to use it, or a facsimile of it, by impressing or affixing it or in any other manner reproducing it;
  - (c) To make and amend bylaws, not inconsistent with its articles of incorporation or with the laws of this state, for managing the business and regulating the affairs of the corporation;
  - (d) To purchase, receive, lease, or otherwise acquire, and own, hold, improve, use, and otherwise deal with, real or personal property, or any legal or equitable interest in property, wherever located;
  - (e) To sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of all or any part of its property;
  - (f) To purchase, receive, subscribe for, or otherwise acquire; own, hold, vote, use, sell, mortgage, lend, pledge, or otherwise dispose of; and deal in and with shares or other interests in, or obligations of, any person;
  - (g) To make contracts, incur liabilities, borrow money, issue its notes, bonds, and other obligations, which may be convertible into or include the option to purchase other securities of the corporation, and secure any of its obligations by mortgage or pledge of any of its property, franchises, or income;

- (h) To make guarantees respecting the contracts, securities, or obligations of any person; including, but not limited to, any shareholder, affiliated or unaffiliated individual, domestic or foreign corporation, partnership, association, joint venture or trust, if such guarantee may reasonably be expected to benefit, directly or indirectly, the guarantor corporation. As to the enforceability of the guarantee, the decision of the board of directors that the guarantee may be reasonably expected to benefit, directly or indirectly, the guarantor corporation shall be binding in respect to the issue of benefit to the guarantor corporation;
- (i) To lend money, invest and reinvest its funds, and receive and hold real and personal property as security for repayment;
- (j) To be a promoter, partner, member, associate, or manager of any partnership, joint venture, trust, or other entity;
- (k) To conduct its business, locate offices, and exercise the powers granted by this title within or without this state;
- (l) To elect, appoint, or hire officers, employees, and other agents of the corporation, define their duties, fix their compensation, and lend them money and credit;
- (m) To fix the compensation of directors, and lend them money and credit;
- (n) To pay pensions and establish pension plans, pension trusts, profit sharing plans, share bonus plans, share option plans, and benefit or incentive plans for any or all of its current or former directors, officers, employees, and agents;
- (o) To make donations for the public welfare or for charitable, scientific, or educational purposes;
- (p) To transact any lawful business that will aid governmental policy; and
- (q) To make payments or donations, or do any other act, not inconsistent with law, that furthers the business and affairs of the corporation.

**RCW 23B.03.030: Emergency powers.**

- (1) In anticipation of or during an emergency defined in subsection (4) of this section, the board of directors of a corporation may:
  - (a) Modify lines of succession to accommodate the incapacity of any director, officer, employee, or agent; and
  - (b) Relocate the principal office, designate alternative principal offices or regional offices, or authorize the officers to do so.

- (2) During an emergency defined in subsection (4) of this section, unless emergency bylaws provide otherwise:
  - (a) Notice of a meeting of the board of directors need be given only to those directors whom it is practicable to reach and may be given in any practicable manner, including by publication and radio; and
  - (b) One or more officers of the corporation present at a meeting of the board of directors may be deemed to be directors for the meeting in order of rank and within the same rank in order of seniority, as necessary to achieve a quorum.
- (3) Corporate action taken in good faith during an emergency under this section to further the business affairs of the corporation:
  - (a) Binds the corporation; and
  - (b) May not be used to impose liability on a corporate director, officer, employee, or agent.
- (4) An emergency exists for purposes of this section if a quorum of the corporation's directors cannot readily be assembled because of some catastrophic event.

**RCW 23B.03.040: Ultra vires.**

- (1) Except as provided in subsection (2) of this section, corporate action may not be challenged on the ground that the corporation lacks or lacked power to act.
- (2) A corporation's power to act may be challenged:
  - (a) In a proceeding by a shareholder against the corporation to enjoin the act;
  - (b) In a proceeding by the corporation, directly, derivatively, or through a receiver, trustee, or other legal representative, against an incumbent or former director, officer, employee, or agent of the corporation; or
  - (c) In a proceeding by the attorney general under RCW 23B.14.300.
- (3) In a shareholder's proceeding under subsection (2)(a) of this section to enjoin an unauthorized corporate act, the court may enjoin or set aside the act, and may award damages for loss suffered by the corporation or another party because of enjoining or setting aside the unauthorized act.

## Chapter 23B.04 RCW: NAME

### RCW Chapter Sections

- 23B.04.010 Corporate name.
- 23B.04.020 Reserved name.
- 23B.04.030 Registered name.
- 23B.04.035 Certificate of authority as insurance company – Filing of records.
- 23B.04.037 Certificate of authority as insurance company – Registration or reservation of name.

### RCW 23B.04.010: Corporate name.

- (1) A corporate name:
  - (a) Must contain the word “corporation,” “incorporated,” “company,” or “limited,” or the abbreviation “corp.,” “inc.,” “co.,” or “ltd.”;
  - (b) Must not contain language stating or implying that the corporation is organized for a purpose other than those permitted by RCW 23B.03.010 and its articles of incorporation;
  - (c) Must not contain any of the following words or phrases:

“Bank,” “banking,” “banker,” “trust,” “cooperative,” or any combination of the words “industrial” and “loan,” or any combination of any two or more of the words “building,” “savings,” “loan,” “home,” “association,” and “society,” or any other words or phrases prohibited by any statute of this state; and

- (d) Except as authorized by subsections (2) and (3) of this section, must be distinguishable upon the records of the secretary of state from:
  - (e) The corporate name of a corporation incorporated or authorized to transact business in this state;
- (ii) A corporate name reserved or registered under chapter 23B.04 RCW;
- (iii) The fictitious name adopted under RCW 23B.15.060 by a foreign corporation authorized to transact business in this state because its real name is unavailable;
- (iv) The corporate name or reserved name of a not-for-profit corporation incorporated or authorized to conduct affairs in this state under chapter [24.03](#) RCW;

- (v) The name or reserved name of a mutual corporation or miscellaneous corporation incorporated or authorized to do business under chapter 24.06 RCW;
  - (vi) The name or reserved name of a foreign or domestic limited partnership formed or registered under chapter 25.10 RCW;
  - (vii) The name or reserved name of a limited liability company organized or registered under chapter 25.15 RCW;
  - (viii) The name or reserved name of a limited liability partnership registered under chapter 25.04 RCW; and
  - (ix) The name or reserved name of a social purpose corporation registered under chapter 23B.25 RCW.
- (2) A corporation may apply to the secretary of state for authorization to use a name that is not distinguishable upon the records from one or more of the names described in subsection (1) of this section. The secretary of state shall authorize use of the name applied for if:
- (a) The other corporation, company, holder, limited liability partnership, or limited partnership consents to the use in writing and files with the secretary of state documents necessary to change its name or the name reserved or registered to a name that is distinguishable upon the records of the secretary of state from the name of the applying corporation; or
  - (b) The applicant delivers to the secretary of state a certified copy of the final judgment of a court of competent jurisdiction establishing the applicant's right to use the name applied for in this state.
- (3) A corporation may use the name, including the fictitious name, of another domestic or foreign corporation, limited liability company, limited partnership, or limited liability partnership, that is used in this state if the other entity is formed or authorized to transact business in this state, and the proposed user corporation:
- (a) Has merged with the other corporation, limited liability company, or limited partnership; or
  - (b) Has been formed by reorganization of the other corporation.
- (4) This title does not control the use of assumed business names or "trade names."
- (5) A name shall not be considered distinguishable upon the records of the secretary of state by virtue of:

- (a) A variation in any of the following designations for the same name: “Corporation,” “incorporated,” “company,” “limited,” “partnership,” “limited partnership,” “limited liability company,” “limited liability partnership,” or “social purpose corporation,” or the abbreviations “corp.,” “inc.,” “co.,” “ltd.,” “LP,” “L.P.,” “LLP,” “L.L.P.,” “LLC,” “L.L.C.” “SPC,” or “S.P.C.”;
- (b) The addition or deletion of an article or conjunction such as “the” or “and” from the same name;
- (c) Punctuation, capitalization, or special characters or symbols in the same name; or
- (d) Use of abbreviation or the plural form of a word in the same name.

#### Notes

- **Effective date – Severability – 1994 c 211:** See RCW [25.15.900](#) and [25.15.902](#).

#### **RCW 23B.04.020: Reserved name.**

- (1) A person may reserve the exclusive use of a corporate name, including a fictitious name adopted pursuant to RCW 23B.15.060 for a foreign corporation whose corporate name is not available, by delivering an application to the secretary of state for filing. The application must set forth the name and address of the applicant and the name proposed to be reserved. If the secretary of state finds that the corporate name applied for is available, the secretary of state shall reserve the name for the applicant’s exclusive use for a nonrenewable one hundred eighty-day period.
- (2) The owner of a reserved corporate name may transfer the reservation to another person by delivering to the secretary of state a signed notice of the transfer that states the name and address of the transferee.

#### **RCW 23B.04.030: Registered name.**

- (1) A foreign corporation may register its corporate name, or its corporate name with any addition required by RCW 23B.15.060, if the name is distinguishable upon the records of the secretary of state from the names specified in RCW 23B.04.010(1).
- (2) A foreign corporation registers its corporate name, or its corporate name with any addition required by RCW 23B.15.060, by delivering to the secretary of state for filing an application that:



- (a) Sets forth its corporate name, or its corporate name with any addition required by RCW 23B.15.060, and the state or country and date of its incorporation; and
- (b) Is accompanied by a certificate of existence, or a document of similar import, from the state or country of incorporation.
- (3) The name is registered for the applicant's exclusive use upon the effective date of the application and until the close of the calendar year in which the application for registration is filed.
- (4) A foreign corporation whose registration is effective may renew it for successive years by delivering to the secretary of state for filing a renewal application, which complies with the requirements of subsection (2) of this section, between October 1 and December 31 of the preceding year. The renewal application when filed renews the registration for the following calendar year.
- (5) A foreign corporation whose registration is effective may thereafter qualify as a foreign corporation under the registered name, or consent in writing to the use of that name by a corporation thereafter incorporated under this title, by a limited partnership thereafter formed under chapter 25.10 RCW, or by another foreign corporation or limited partnership thereafter authorized to transact business in this state. The registration terminates when the domestic corporation is incorporated or the domestic limited partnership is formed, or the foreign corporation qualifies or consents to the qualification of another foreign corporation or limited partnership under the registered name.

**RCW 23B.04.035: Certificate of authority as insurance company – Filing of records.**

For those corporations that have a certificate of authority, are applying for, or intend to apply for a certificate of authority from the insurance commissioner as an insurance company under chapter 48.05 RCW, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the insurance commissioner rather than the secretary of state.

**RCW 23B.04.037: Certificate of authority as insurance company – Registration or reservation of name.**

For those corporations that intend to apply for a certificate of authority from the insurance commissioner as an insurance company under chapter 48.05 RCW, whenever under this chapter a corporation may register or reserve a corporate

name, the registration or reservation shall be filed with the insurance commissioner rather than the secretary of state. The secretary of state and insurance commissioner shall cooperate with each other in registering or reserving a corporate name so that there is no duplication of the name.

## **Chapter 23B.05 RCW: OFFICE AND AGENT**

### **RCW Chapter Sections**

- 23B.05.010 Registered office and registered agent.
- 23B.05.020 Change of registered office or registered agent.
- 23B.05.030 Resignation of registered agent.
- 23B.05.040 Service on corporation.
- 23B.05.050 Annual meeting of shareholders – Limitations – Terms of directors.

### **RCW 23B.05.010: Registered office and registered agent.**

- (1) Each corporation must continuously maintain in this state:
  - (a) A registered office that may be the same as any of its places of business. The registered office shall be at a specific geographic location in this state, and be identified by number, if any, and street, or building address or rural route, or, if a commonly known street or rural route address does not exist, by legal description. A registered office may not be identified by post office box number or other nongeographic address. For purposes of communicating by mail, the secretary of state may permit the use of a post office address in conjunction with the registered office address if the corporation also maintains on file the specific geographic address of the registered office where personal service of process may be made;
  - (b) A registered agent that may be:
  - (c) An individual residing in this state whose business office is identical with the registered office;
  - (ii) A domestic corporation or not-for-profit domestic corporation whose business office is identical with the registered office;
  - (iii) A foreign corporation or not-for-profit foreign corporation authorized to conduct affairs in this state whose business office is identical with the registered office;
  - (iv) A domestic limited liability company whose business office is identical with the registered office; or

- (v) A foreign limited liability company authorized to conduct affairs in this state whose business office is identical with the registered office.
- (2) A registered agent shall not be appointed without having given prior consent in a record to the appointment. The consent shall be filed with the secretary of state in such form as the secretary of state may prescribe. The consent shall be filed with or as a part of the record first appointing a registered agent. In the event any individual, corporation, or limited liability company has been appointed agent without consent, that person, corporation, or limited liability company may file a notarized statement attesting to that fact, and the name shall immediately be removed from the records of the secretary of state.

**RCW 23B.05.020: Change of registered office or registered agent.**

- (1) A corporation may change its registered office or registered agent by delivering to the secretary of state for filing a statement of change that sets forth:
  - (a) The name of the corporation;
  - (b) If the current registered office is to be changed, the street address of the new registered office in accord with RCW 23B.05.010(1)(a);
  - (c) If the current registered agent is to be changed, the name of the new registered agent and the new agent's consent in a record, either on the statement or attached to it in a manner and form as the secretary of state may prescribe, to the appointment; and
  - (d) That after the change or changes are made, the street addresses of its registered office and the business office of its registered agent will be identical.
- (2) If a registered agent changes the street address of the agent's business office, the registered agent may change the street address of the registered office of any corporation for which the agent is the registered agent by notifying the corporation of the change either (a) in a written record, or (b) if the corporation has designated an address, location, or system to which the notices may be electronically transmitted and the registered agent electronically transmits the notice to the corporation at the designated address, location, or system, in an electronically transmitted record and delivering to the secretary of state for filing a statement that complies with the requirements of subsection (1) of this section and recites that the corporation has been notified of the change.

**RCW 23B.05.030: Resignation of registered agent.**

- (1) A registered agent may resign as agent by signing and delivering to the secretary of state for filing a statement of resignation. The statement may include a statement that the registered office is also discontinued.
- (2) After filing the statement the secretary of state shall mail a copy of the statement to the corporation at its principal office.
- (3) The agency appointment is terminated, and the registered office discontinued if so provided, on the 31st day after the date on which the statement was filed.

**RCW 23B.05.040: Service on corporation.**

- (1) A corporation's registered agent is the corporation's agent for service of process, notice, or demand required or permitted by law to be served on the corporation.
- (2) The secretary of state shall be an agent of a corporation upon whom any such process, notice, or demand may be served if:
  - (a) The corporation fails to appoint or maintain a registered agent in this state; or
  - (b) The registered agent cannot with reasonable diligence be found at the registered office.
- (3) Service on the secretary of state of any such process, notice, or demand shall be made by delivering to and leaving with the secretary of state, or with any duly authorized clerk of the corporation department of the secretary of state's office, the process, notice, or demand. In the event any such process, notice, or demand is served on the secretary of state, the secretary of state shall immediately cause a copy thereof to be forwarded by certified mail, addressed to the secretary of the corporation at the corporation's principal office as shown on the records of the secretary of state. Any service so had on the secretary of state shall be returnable in not less than thirty days.
- (4) The secretary of state shall keep a record of all processes, notices, and demands served upon the secretary of state under this section, and shall record therein the time of such service and the secretary of state's action with reference thereto.
- (5) This section does not limit or affect the right to serve any process, notice, or demand required or permitted by law to be served upon a corporation in any other manner now or hereafter permitted by law.

**RCW 23B.05.050: Annual meeting of shareholders – Limitations – Terms of directors.**

A corporation registered under the investment company act of 1940 that limits the requirement to hold an annual meeting of shareholders in accordance with RCW 23B.07.010(2) may include in its articles of incorporation or bylaws a provision establishing terms of directors which terms may be longer than one year.

Notes

- **Findings – Construction – 1994 c 256:** See RCW [43.320.007](#).

**Chapter 23B.06 RCW: SHARES AND DISTRIBUTIONS**

RCW Chapter Sections

- 23B.06.010 Authorized shares.
- 23B.06.020 Terms of class or series.
- 23B.06.030 Issued and outstanding shares.
- 23B.06.040 Fractional shares.
- 23B.06.200 Subscription for shares before incorporation.
- 23B.06.210 Issuance of shares.
- 23B.06.220 Liability of shareholders.
- 23B.06.230 Share dividends.
- 23B.06.240 Share options.
- 23B.06.250 Certificates.
- 23B.06.260 Shares without certificates.
- 23B.06.270 Restriction on transfer of shares and other securities.
- 23B.06.280 Expense of issue.
- 23B.06.300 Shareholders' preemptive rights.
- 23B.06.310 Corporation's acquisition of its own shares.
- 23B.06.400 Distributions to shareholders.

**RCW 23B.06.010: Authorized shares.**

- (1) The articles of incorporation must prescribe the classes of shares and the number of shares of each class that the corporation is authorized to issue.
- (a) If more than one class of shares is authorized, the articles of incorporation must prescribe a distinguishing designation for each class, and, prior to the issuance of shares of a class, the preferences, limitations, voting powers, and relative rights of that class must be described in the articles of incorporation.

- (b) Preferences, limitations, voting powers, or relative rights of or on any class or series of shares or the holders thereof may be made dependent upon facts ascertainable outside the articles of incorporation, if the manner in which such facts shall operate on the preferences, limitations, voting powers, or relative rights of such class or series of shares or the holders thereof is set forth in the articles of incorporation. “Facts ascertainable outside the articles of incorporation” includes, but is not limited to, the existence of any condition or the occurrence of any event, including, without limitation, a determination or action by any person or body, including the corporation, its board of directors, or an officer, employee, or agent of the corporation.
  - (c) All shares of a class must have preferences, limitations, voting powers, and relative rights identical with those of other shares of the same class except to the extent otherwise permitted by (b) of this subsection or RCW 23B.06.020.
- (2) The articles of incorporation must authorize (a) one or more classes of shares that together have unlimited voting rights, and (b) one or more classes of shares, which may be the same class or classes as those with voting rights, that together are entitled to receive the net assets of the corporation upon dissolution.
  - (3) The articles of incorporation may authorize one or more classes of shares that:
    - (a) Have special, conditional, or limited voting rights, or no right to vote, except to the extent prohibited by this title;
    - (b) Are redeemable or convertible as specified in the articles of incorporation (i) at the option of the corporation, the shareholder, or another person or upon the occurrence of a designated event, (ii) for cash, indebtedness, securities, or other property, (iii) in a designated amount or in an amount determined in accordance with a designated formula or by reference to extrinsic data or events;
    - (c) Entitle the holders to distributions calculated in any manner, including dividends that may be cumulative, noncumulative, or partially cumulative; or
    - (d) Have preference over any other class of shares with respect to distributions, including dividends and distributions upon the dissolution of the corporation.
  - (4) The description of the designations, preferences, limitations, and relative rights of share classes in subsection (3) of this section is not exhaustive.

**RCW 23B.06.020: Terms of class or series.**

- (1) If the articles of incorporation so provide, the board of directors may determine, in whole or part, the preferences, limitations, voting powers, and relative rights, within the limits set forth in RCW 23B.06.010(1)(b) and this section of (a) any class of shares before the issuance of any shares of that class, or (b) one or more series within a class, and designate the number of shares within that series, before the issuance of any shares of that series.
- (2) Each series of a class must be given a distinguishing designation.
- (3) All shares of a series must have preferences, limitations, voting powers, and relative rights identical with those of other shares of the same series, except to the extent otherwise permitted by RCW 23B.06.010(1)(b). All shares of a series must have preferences, limitations, voting powers, and relative rights identical with those of shares of other series of the same class, except to the extent otherwise provided in the description of the series.
- (4) Before issuing any shares of a class or series created under this section, the corporation must deliver to the secretary of state for filing articles of amendment, which are effective without shareholder approval, that set forth:
  - (a) The name of the corporation;
  - (b) The text of the amendment determining the terms of the class or series of shares;
  - (c) The date it was adopted; and
  - (d) The statement that the amendment was duly adopted by the board of directors.
- (5) Unless the articles of incorporation provide otherwise, the board of directors may, after the issuance of shares of a series whose number it is authorized to designate, amend the resolution establishing the series to decrease, but not below the number of shares of such series then outstanding, the number of authorized shares of that series, by filing articles of amendment, which are effective without shareholder approval, in the manner provided in subsection (4) of this section.

**RCW 23B.06.030: Issued and outstanding shares.**

- (1) A corporation may issue the number of shares of each class or series authorized by the articles of incorporation. Shares that are issued are outstanding shares until they are reacquired, redeemed, converted, or canceled.

- (2) The reacquisition, redemption, or conversion of outstanding shares is subject to the limitations of subsection (4) of this section and to RCW 23B.06.400.
- (3) Redeemable shares are deemed to have been redeemed and not entitled to vote after notice of redemption is delivered to the holders in compliance with RCW 23B.01.410 and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.
- (4) At all times that shares of the corporation are outstanding, one or more shares that together have unlimited voting rights and one or more shares that together are entitled to receive the net assets of the corporation upon dissolution must be outstanding.

**RCW 23B.06.040: Fractional shares.**

- (1) A corporation may:
  - (a) Issue fractions of a share or pay in money the value of fractions of a share;
  - (b) Arrange for disposition of fractional shares by the shareholders;
  - (c) Issue scrip in registered or bearer form entitling the holder to receive a full share upon surrendering enough scrip to equal a full share.
- (2) Each certificate representing scrip must be conspicuously labeled “scrip” and must contain the information required by RCW 23B.06.250(2).
- (3) The holder of a fractional share is entitled to exercise the rights of a shareholder, including the right to vote, to receive dividends, and to participate in the assets of the corporation upon liquidation. The holder of scrip is not entitled to any of these rights unless the scrip provides for them.
- (4) The board of directors may approve the issuance of scrip subject to any condition considered desirable, including:
  - (a) That the scrip will become void if not exchanged for full shares before a specified date; and
  - (b) That the shares for which the scrip is exchangeable may be sold and the proceeds paid to the scripholders.



**RCW 23B.06.200: Subscription for shares before incorporation.**

- (1) A written subscription for shares entered into before incorporation is irrevocable for six months unless the subscription agreement provides a longer or shorter period or all the subscribers agree to revocation.
- (2) The board of directors may determine the payment terms of subscriptions for shares that were entered into before incorporation, unless the subscription agreement specifies them. A call for payment by the board of directors must be uniform so far as practicable as to all shares of the same class or series, unless the subscription agreement specifies otherwise.
- (3) Shares issued pursuant to subscriptions entered into before incorporation are fully paid and nonassessable when the corporation receives the consideration specified in the subscription agreement.
- (4) If a subscriber defaults in payment of money or property under a subscription agreement entered into before incorporation, the corporation may collect the amount owed as any other debt. Alternatively, unless the subscription agreement provides otherwise, the corporation may rescind the agreement and may sell the shares if the debt remains unpaid more than twenty days after the corporation sends written demand for payment to the subscriber.
- (5) A subscription agreement entered into after incorporation is a contract between the subscriber and the corporation subject to RCW 23B.06.210.

**RCW 23B.06.210: Issuance of shares.**

- (1) The powers granted in this section to the board of directors may be reserved to the shareholders by the articles of incorporation.
- (2) Any issuance of shares must be approved by the board of directors. Shares may be issued for consideration consisting of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the corporation.
- (3) A good faith determination by the board of directors that the consideration received or to be received for the shares to be issued is adequate is conclusive insofar as the adequacy of consideration relates to whether the shares are validly issued, fully paid and nonassessable. When the board of directors has made such a determination and the corporation has received the consideration, the shares issued therefor are fully paid and nonassessable.

- (4) The corporation may place in escrow shares issued for a contract for future services or benefits or a promissory note, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect to the shares against their purchase price, until the services are performed, the benefits are received, or the note is paid. If the services are not performed, the benefits are not received, or the note is not paid, the shares escrowed or restricted and the distributions credited may be canceled in whole or part.
- (5) Where it cannot be determined that outstanding shares are fully paid and nonassessable, there shall be a conclusive presumption that such shares are fully paid and nonassessable if the board of directors makes a good faith determination that there is no substantial evidence that the full consideration for such shares has not been paid.

**RCW 23B.06.220: Liability of shareholders.**

A purchaser from a corporation of its own shares is not liable to the corporation or its creditors with respect to the shares except to pay the consideration for which the shares were approved to be issued under RCW 23B.06.210 or specified in the subscription agreement under RCW 23B.06.200.

**RCW 23B.06.230: Share dividends.**

- (1) Unless the articles of incorporation provide otherwise, shares may be issued pro rata and without consideration to the corporation's shareholders or to the shareholders of one or more classes or series. An issuance of shares under this subsection is a share dividend.
- (2) Shares of one class or series may not be issued as a share dividend in respect to shares of another class or series unless (a) the articles of incorporation so authorize, (b) a majority of the votes entitled to be cast by the class or series to be issued approve the issue, or (c) there are no outstanding shares of the class or series to be issued.

**RCW 23B.06.240: Share options.**

- (1) Unless the articles of incorporation provide otherwise, a corporation may issue rights, options, or warrants for the purchase of shares of the corporation. The board of directors shall determine the terms upon which the rights, options, or warrants are issued, their form and content, and the terms and conditions relating to their exercise, including the time or times, the conditions precedent, and the consideration for which and the holders by whom the rights, options, or warrants may be exercised.

- (2) The terms of rights, options, or warrants, including the time or times, the conditions precedent, and the consideration for which and the holders by whom the rights, options, or warrants may be exercised, as well as their duration (a) may preclude or limit the exercise, transfer, or receipt of such rights, options, or warrants or invalidate or void any rights, options, or warrants and (b) may be made dependent upon facts ascertainable outside the documents evidencing them or outside the resolution or resolutions adopted by the board of directors creating such rights, options, or warrants if the manner in which those facts operate on the rights, options, or warrants or the holders thereof is clearly set forth in the documents or the resolutions. “Facts ascertainable outside the documents evidencing them or outside the resolution or resolutions adopted by the board of directors creating such rights, options, or warrants” includes, but is not limited to, the existence of any condition or the occurrence of any event, including, without limitation, a determination or action by any person or body, including the corporation, its board of directors, or an officer, employee, or agent of the corporation.

**RCW 23B.06.250: Certificates.**

- (1) Shares may but need not be represented by certificates. Unless this title or another statute expressly provides otherwise, the rights and obligations of shareholders are identical whether or not their shares are represented by certificates.
- (2) At a minimum each share certificate must state on its face:
  - (a) The name of the issuing corporation and that it is organized under the laws of this state;
  - (b) The name of the person to whom issued; and
  - (c) The number and class of shares and the designation of the series, if any, the certificate represents.
- (3) If the issuing corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series, and the authority of the board of directors to determine variations for future series, must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish the shareholder this information without charge on request in writing.

- (4) Each share certificate (a) must be signed, either manually or in facsimile, by two officers designated in the bylaws or by the board of directors and (b) may bear the corporate seal or its facsimile.
- (5) If the person who signed, either manually or in facsimile, a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

**RCW 23B.06.260: Shares without certificates.**

- (1) Unless the articles of incorporation or bylaws provide otherwise, the board of directors of a corporation may approve the issue of some or all of the shares of any or all of its classes or series without certificates. The approval does not affect shares already represented by certificates until they are surrendered to the corporation.
- (2) Within a reasonable time after the issue or transfer of shares without certificates, the corporation shall send the shareholder a record containing the information required on certificates by RCW 23B.06.250 (2) and (3), and, if applicable, RCW 23B.06.270.

**RCW 23B.06.270: Restriction on transfer of shares and other securities.**

- (1) The articles of incorporation, bylaws, an agreement among shareholders, or an agreement between shareholders and the corporation may impose restrictions on the transfer or registration of transfer of shares of the corporation. A restriction does not affect shares issued before the restriction was adopted unless the holders of the shares are parties to the restriction agreement or voted in favor of the restriction.
- (2) A restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is authorized by this section and its existence is noted conspicuously on the front or back of the certificate or is contained in the information statement required by RCW 23B.06.260(2). Unless so noted, a restriction is not enforceable against a person without knowledge of the restriction.
- (3) A restriction on the transfer or registration of transfer of shares is authorized:
  - (a) To maintain the corporation's status when it is dependent on the number or identity of its shareholders;
  - (b) To preserve exemptions under federal or state

securities law; or

- (c) For any other reasonable purpose.
- (4) A restriction on the transfer or registration of transfer of shares may:
  - (a) Obligate the shareholder first to offer the corporation or other persons, separately, consecutively, or simultaneously, an opportunity to acquire the restricted shares;
  - (b) Obligate the corporation or other persons, separately, consecutively, or simultaneously, to acquire the restricted shares;
  - (c) Require the corporation, the holders of any class of its shares, or another person to approve the transfer of the restricted shares, if the requirement is not manifestly unreasonable; or
  - (d) Prohibit the transfer of the restricted shares to designated persons or classes of persons, if the prohibition is not manifestly unreasonable.
- (5) For purposes of this section, “shares” includes a security convertible into or carrying a right to subscribe for or acquire shares.

**RCW 23B.06.280: Expense of issue.**

A corporation may pay the expenses of selling or underwriting its shares, and of organizing or reorganizing the corporation, from the consideration received for shares.

**RCW 23B.06.300: Shareholders’ preemptive rights.**

- (1) Unless the articles of incorporation provide otherwise, and subject to the limitations in subsections (3) and (4) of this section, the shareholders of a corporation have a preemptive right, granted on uniform terms and conditions prescribed by the board of directors to provide a fair and reasonable opportunity to exercise the right, to acquire proportional amounts of the corporation’s unissued shares upon the decision of the board of directors to issue them.
- (2) Unless the articles of incorporation provide otherwise, a shareholder may waive the shareholder’s preemptive right. A waiver evidenced by an executed record is irrevocable even though it is not supported by consideration.
- (3) Unless the articles of incorporation provide otherwise, there is no preemptive right with respect to:

- (a) Shares issued as compensation to directors, officers, agents, or employees of the corporation, or its subsidiaries or affiliates;
  - (b) Shares issued to satisfy conversion or option rights created to provide compensation to directors, officers, agents, or employees of the corporation, or its subsidiaries or affiliates;
  - (c) Shares issued pursuant to the corporation's initial plan of financing; and
  - (d) Shares sold otherwise than for money.
- (4) Unless the articles of incorporation provide otherwise:
- (a) Holders of shares of any class without general voting rights but with preferential rights to distributions or assets have no preemptive rights with respect to shares of any class; and
  - (b) Holders of shares of any class with general voting rights but without preferential rights to distributions or assets have no preemptive rights with respect to shares of any class with preferential rights to distributions or assets unless the shares with preferential rights are convertible into or carry a right to subscribe for or acquire shares without preferential rights.
- (5) Unless the articles of incorporation provide otherwise, shares subject to preemptive rights that are not acquired by shareholders may be issued to any person for a period of one year after being offered to shareholders at a consideration set by the board of directors that is not lower than the consideration set for the exercise of preemptive rights. An offer at a lower consideration or after the expiration of one year is subject to the shareholders' preemptive rights.
- (6) For purposes of this section, "shares" includes a security convertible into or carrying a right to subscribe for or acquire shares.

**RCW 23B.06.310: Corporation's acquisition of its own shares.**

- (1) A corporation may acquire its own shares and shares so acquired constitute authorized but unissued shares.
- (2) If the articles of incorporation prohibit the reissue of acquired shares, the number of authorized shares is reduced by the number of shares acquired, effective upon amendment of the articles of incorporation.
- (3) The board of directors may adopt articles of amendment under this section without shareholder approval and deliver them to the secretary of state for filing. The articles must set forth:

- (a) The name of the corporation;
- (b) The reduction in the number of authorized shares, itemized by class and series; and
- (c) The total number of authorized shares, itemized by class and series, remaining after reduction of the shares.

**RCW 23B.06.400: Distributions to shareholders.**

- (1) A board of directors may approve and the corporation may make distributions to its shareholders subject to restriction by the articles of incorporation and the limitation in subsection (2) of this section.
- (2) No distribution may be made if, after giving it effect:
  - (a) The corporation would not be able to pay its liabilities as they become due in the usual course of business; or
  - (b) The corporation's total assets would be less than the sum of its total liabilities plus, unless the articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.
- (3) For purposes of determinations under subsection (2) of this section:
  - (a) The board of directors may base a determination that a distribution is not prohibited under subsection (2) of this section either on financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances or on a fair valuation or other method that is reasonable in the circumstances; and
  - (b) Indebtedness of a corporation, including indebtedness issued as a distribution, is not considered a liability if its terms provide that payment of principal and interest are made only if and to the extent that payment of a distribution to shareholders could then be made under this section.
- (4) The effect of a distribution under subsection (2) of this section is measured:
  - (a) In the case of a distribution of indebtedness, the terms of which provide that payment of principal and interest are made only if and to the extent that payment of a distribution to shareholders could then be made under this section, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is actually made; or

- (b) In the case of any other distribution:
- (c) If the distribution is by purchase, redemption, or other acquisition of the corporation's shares, the effect of the distribution is measured as of the earlier of the date any money or other property is transferred or debt incurred by the corporation, or the date the shareholder ceases to be a shareholder with respect to the acquired shares;
- (ii) If the distribution is of indebtedness other than that described in subsection (4) (a) and (b)(i) of this section, the effect of the distribution is measured as of the date the indebtedness is distributed; and
- (iii) In all other cases, the effect of the distribution is measured as of the date the distribution is approved if payment occurs within one hundred twenty days after the date of approval, or the date the payment is made if it occurs more than one hundred twenty days after the date of approval.
- (5) A corporation's indebtedness to a shareholder incurred by reason of a distribution made in accordance with this section is at parity with the corporation's indebtedness to its general, unsecured creditors except to the extent provided otherwise by agreement.
- (6) In circumstances to which this section and related sections of this title are applicable, such provisions supersede the applicability of any other statutes of this state with respect to the legality of distributions.
- (7) A transfer of the assets of a dissolved corporation to a trust or other successor entity of the type described in RCW 23B.14.030(4) constitutes a distribution subject to subsection (2) of this section only when and to the extent that the trust or successor entity distributes assets to shareholders.

#### Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

## Chapter 23B.07 RCW: SHAREHOLDERS

### RCW Chapter Sections

- 23B.07.010 Annual meeting.
- 23B.07.020 Special meeting.
- 23B.07.030 Court-ordered meeting.
- 23B.07.035 Inspectors to act at meetings – Appointment – Duties – Certain corporations.
- 23B.07.040 Corporate action without meeting.



- 23B.07.050 Notice of meeting.
- 23B.07.060 Waiver of notice.
- 23B.07.070 Record date.
- 23B.07.080 Shareholder participation by means of communication equipment.
- 23B.07.200 Shareholders' list for meeting.
- 23B.07.210 Voting entitlement of shares.
- 23B.07.220 Proxies.
- 23B.07.230 Shares held by nominees.
- 23B.07.240 Corporation's acceptance of votes.
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- 23B.07.260 Corporate action by single and multiple voting groups.
- 23B.07.270 Greater or lesser quorum or voting requirements.
- 23B.07.280 Voting for directors – Cumulative voting.
- 23B.07.300 Voting trusts.
- 23B.07.310 Voting agreements.
- 23B.07.320 Agreements among shareholders – Acquisition of shares after agreement.
- 23B.07.400 Derivative proceedings procedure.

**RCW 23B.07.010: Annual meeting.**

- (1) Except as provided in subsections (2) and (5) of this section, a corporation shall hold a meeting of shareholders annually for the election of directors at a time stated in or fixed in accordance with the bylaws.
- (2) (a) If the articles of incorporation or the bylaws of a corporation registered as an investment company under the investment company act of 1940 so provide, the corporation is not required to hold an annual meeting of shareholders in any year in which the election of directors is not required by the investment company act of 1940.
- (b) If a corporation is required under (a) of this subsection to hold an annual meeting of shareholders to elect directors, the meeting shall be held no later than one hundred twenty days after the occurrence of the event requiring the meeting.
- (3) Annual shareholders' meetings may be held in or out of this state at the place stated in or fixed in accordance with the bylaws. If no place is stated in or fixed in accordance with the bylaws, annual meetings shall be held at the corporation's principal office.
- (4) The failure to hold an annual meeting at the time stated in or fixed in accordance with a corporation's bylaws does not affect the validity of any corporate action.

- (5) Shareholders may act by consent set forth in a record to elect directors as permitted by RCW 23B.07.040 in lieu of holding an annual meeting.

Notes

- **Findings – Construction – 1994 c 256:** See RCW [43.320.007](#).

**RCW 23B.07.020: Special meeting.**

- (1) A corporation shall hold a special meeting of shareholders:
  - (a) On call of its board of directors or the person or persons authorized to do so by the articles of incorporation or bylaws; or
  - (b) Except as set forth in subsections (2) and (3) of this section, if the holders of at least ten percent of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting deliver to the corporation's secretary one or more demands set forth in an executed and dated record for the meeting describing the purpose or purposes for which it is to be held, which demands shall be set forth either (i) in an executed record or (ii) if the corporation has designated an address, location, or system to which the demands may be electronically transmitted and the demands are electronically transmitted to that designated address, location, or system, in an executed electronically transmitted record.
- (2) The right of shareholders of a public company to call a special meeting may be limited or denied to the extent provided in the articles of incorporation.
- (3) If the corporation is other than a public company, the articles or bylaws may require the demand specified in subsection (1)(b) of this section be made by a greater percentage, not in excess of twenty-five percent, of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting.
- (4) If not otherwise fixed under RCW 23B.07.030 or 23B.07.070, the record date for determining shareholders entitled to demand a special meeting is the date of delivery of the first shareholder demand in compliance with subsection (1) of this section.
- (5) Special shareholders' meetings may be held in or out of this state at the place stated in or fixed in accordance with the bylaws. If no place is stated or fixed in accordance with the bylaws, special meetings shall be held at the corporation's principal office.
- (6) Only business within the purpose or purposes described in the meeting notice required by RCW 23B.07.050(3) may be conducted at a special shareholders' meeting.

**RCW 23B.07.030: Court-ordered meeting.**

- (1) The superior court of the county in which the corporation's registered office is located may, after notice to the corporation, summarily order a meeting to be held:
  - (a) On application of any shareholder of the corporation entitled to vote in the election of directors at an annual meeting, if an annual meeting was not held within the earlier of six months after the end of the corporation's fiscal year or fifteen months after its last annual meeting or approval of corporate action by shareholder consent in lieu of such a meeting; or
  - (b) On application of a shareholder who executed a demand for a special meeting valid under RCW 23B.07.020, if:
    - (c) Notice of the special meeting was not given within thirty days after the date the demand was delivered to the corporation's secretary; or
  - (ii) The special meeting was not held in accordance with the notice.
- (2) The court may, after notice to the corporation, fix the time and place of the meeting, determine the shares and shareholders entitled to participate in the meeting, specify a record date for determining shareholders entitled to notice of and to vote at the meeting, prescribe the manner, form, and content of the meeting notice, fix the quorum required for specific matters to be considered at the meeting, or direct that the votes represented at the meeting constitute a quorum for approval of those matters, and enter other orders necessary to accomplish the purpose or purposes of the meeting.

**RCW 23B.07.035: Inspectors to act at meetings – Appointment – Duties – Certain corporations.**

- (1) A corporation having any shares 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 shall, and any other corporation may, appoint one or more inspectors to act at a meeting of shareholders and make a written report of the inspectors' determinations. Each inspector shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of the inspector's ability.
- (2) The inspectors shall:
  - (a) Ascertain the number of shares outstanding and the voting power of each;
  - (b) Determine the shares represented at a meeting;

- (c) Determine the validity of proxies and ballots;
  - (d) Count all votes; and
  - (e) Determine the result.
- (3) An inspector may be an officer or employee of the corporation.
  - (4) If no challenge of a determination by the inspectors is timely made, such determination is conclusive. Challenge of any determination by the inspectors may be made in a court of competent jurisdiction.

**RCW 23B.07.040: Corporate action without meeting.**

(1)(a) Corporate action required or permitted by this title to be approved by a shareholder vote at a meeting may be approved without a meeting or a vote if either:

- (i) The corporate action is approved by all shareholders entitled to vote on the corporate action; or
  - (ii) The corporate action is approved by shareholders holding of record or otherwise entitled to vote in the aggregate not less than the minimum number of votes that would be necessary to approve such corporate action at a meeting at which all shares entitled to vote on the corporate action were present and voted, and at the time the corporate action is approved the corporation is not a public company and is authorized to approve such corporate action under this subsection (1)(a)(ii) by a general or limited authorization contained in its articles of incorporation.
- (b) Corporate action may be approved by shareholders without a meeting or a vote by means of execution of a single consent or multiple counterpart consents by shareholders holding of record or otherwise entitled to vote in the aggregate not less than the minimum number of votes necessary under (a)(i) or (ii) of this subsection. Any such shareholder consent must: (i) Be in the form of an executed record; (ii) indicate the date of execution of the consent by each shareholder who executes it, which date must be on or after the applicable record date determined in accordance with subsection (2) of this section; (iii) describe the corporate action being approved; (iv) when delivered to each shareholder for execution, include or be accompanied by the same material that would have been required by this title to be delivered to shareholders in or accompanying a notice of meeting at which the proposed corporate action would have been submitted for shareholder approval; and (v) be delivered to the corporation for inclusion in the minutes or filing with the corporate records in accordance with subsection (4) of this section. A shareholder may withdraw an executed

shareholder consent by delivering a notice of withdrawal in the form of an executed record to the corporation prior to the time when shareholder consents sufficient to approve the corporate action have been delivered to the corporation.

- (2) The record date for determining shareholders entitled to approve a corporate action without a meeting may be fixed under RCW 23B.07.030 or 23B.07.070, but if not so fixed shall be the date of execution indicated on the earliest dated shareholder consent executed under subsection (1) of this section, even though such shareholder consent may not have been delivered to the corporation on that date.
- (3) (a) Notice that shareholder consents are being sought under subsection (1)(a) of this section shall be given, by the corporation or by another person soliciting such consents, on or promptly after the record date, to all shareholders entitled to vote on the record date who have not yet executed the shareholder consent and, if this title would otherwise require that notice of a meeting of shareholders to consider the proposed corporate action be given to nonvoting shareholders, to all nonvoting shareholders as of the record date. Notice given under this subsection (3)(a) shall include or be accompanied by the same information required to be included in or to accompany the shareholder consent under subsection (1)(b)(iii) and (iv) of this section.
- (b) Notice that sufficient shareholder consents have been executed to approve the proposed corporate action under either of subsection (1)(a)(i) or (ii) of this section shall be given by the corporation, promptly after delivery to the corporation of shareholder consents sufficient to approve the corporate action in accordance with subsection (4) of this section, to all shareholders entitled to vote on the record date and, if this title would otherwise require that notice of a meeting of shareholders to consider the proposed corporate action be given to nonvoting shareholders, to all nonvoting shareholders as of the record date.
- (4) Unless the consent executed by shareholders specifies a later effective date, shareholder approval obtained under this section is effective when: (a) Executed shareholder consents sufficient to approve the proposed corporate action have been delivered to the corporation, either at an address designated by the corporation for delivery of such shareholder consents or at the corporation's registered office, or to such electronic address, location, or system as the corporation may have designated for delivery of such shareholder consents; and (b) any period of advance notice required by the corporation's articles of incorporation to be given to any nonconsenting shareholders has been satisfied. Executed shareholder consents are not effective to approve a proposed corporate action unless, within sixty days

after the date of the earliest dated shareholder consent delivered to the corporation, consents executed by a sufficient number of shareholders to approve the corporate action are delivered to the corporation.

- (5) Approval of corporate action by execution of shareholder consents under this section has the effect of a meeting vote and may be described as such in any record, except that, if the corporate action requires the filing of a certificate under any other section of this title, the certificate so filed shall state, in lieu of any statement required by that section concerning any vote of shareholders, that shareholder approval has been obtained in accordance with this section and that notice to any nonconsenting shareholders has been given to the extent required by this section.

**RCW 23B.07.050: Notice of meeting.**

- (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 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.

**RCW 23B.07.060: Waiver of notice.**

- (1) A shareholder may waive any notice required by this title, the articles of incorporation, or bylaws before or after the date and time of the meeting that is the subject of such notice, or in the case of notice required by

RCW 23B.07.040(3), before or after the corporate action to be approved by executed consent becomes effective. Except as provided by subsections (2) and (3) of this section, the waiver must be delivered by the shareholder entitled to notice to the corporation for inclusion in the minutes or filing with the corporate records, which waiver shall be set forth either (a) in an executed and dated record or (b) if the corporation has designated an address, location, or system to which the waiver may be electronically transmitted and the waiver is electronically transmitted to the designated address, location, or system, in an executed and dated electronically transmitted record.

- (2) A shareholder's attendance at a meeting waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.
- (3) A shareholder waives objection to consideration of a particular matter at a meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

**RCW 23B.07.070: Record date.**

- (1) The bylaws may fix or provide the manner of fixing the record date for one or more voting groups in order to determine the shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to approve any other corporate action. If the bylaws do not fix or provide for fixing a record date, the board of directors of the corporation may fix a future date as the record date.
- (2) If not otherwise fixed under subsection (1) of this section or RCW 23B.07.030, the record date for determining shareholders entitled to notice of and to vote at an annual or special shareholders' meeting is the day before the first notice is delivered to shareholders.
- (3) If the board of directors does not fix the record date for determining shareholders entitled to a share dividend, it is the date the board of directors authorizes the share dividend.
- (4) If the board of directors does not fix the record date for determining shareholders entitled to a distribution, other than one involving a purchase, redemption, or other acquisition of the corporation's shares, it is the date the board of directors authorizes the distribution.
- (5) A record date fixed under this section may not be more than seventy days before the meeting of shareholders or more than ten days prior to the date on which the first shareholder consent is executed under RCW 23B.07.040(1)(b).

- (6) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the board of directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred twenty days after the date fixed for the original meeting.
- (7) If a court orders a meeting adjourned to a date more than one hundred twenty days after the date fixed for the original meeting, it may provide that the original record date continues in effect or it may fix a new record date.

**RCW 23B.07.080: Shareholder participation by means of communication equipment.**

If the articles of incorporation or bylaws so provide, shareholders may participate in any meeting of shareholders by any means of communication by which all persons participating in the meeting can hear each other during the meeting. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

**RCW 23B.07.200: Shareholders' list for meeting.**

- (1) After fixing a record date for a meeting, a corporation shall prepare an alphabetical list of the names of all its shareholders on the record date who are entitled to notice of a shareholders' meeting. The list must be arranged by voting group, and within each voting group by class or series of shares, and show the address of and number of shares held by each shareholder.
- (2) The shareholders' list must be available for inspection by any shareholder, beginning ten days prior to the meeting and continuing through the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, the shareholder's agent, or the shareholder's attorney is entitled to inspect the list, during regular business hours and at the shareholder's expense, during the period it is available for inspection.
- (3) The corporation shall make the shareholders' list available at the meeting, and any shareholder, the shareholder's agent, or the shareholder's attorney is entitled to inspect the list at any time during the meeting or any adjournment.
- (4) If the corporation refuses to allow a shareholder, the shareholder's agent, or the shareholder's attorney to inspect the shareholders' list before or at the meeting, the superior court of the county where a corporation's principal office, or, if none in this state, its registered office, is located, on



application of the shareholder, may summarily order the inspection at the corporation's expense and may postpone the meeting for which the list was prepared until the inspection is complete.

- (5) A shareholder's right to copy the shareholders' list, and a shareholder's right to otherwise inspect and copy the record of shareholders, is governed by RCW 23B.16.020(3).
- (6) Refusal or failure to prepare or make available the shareholders' list does not affect the validity of corporate action approved at the meeting.

**RCW 23B.07.210: Voting entitlement of shares.**

- (1) Except as provided in subsections (2) and (3) of this section or unless the articles of incorporation provide otherwise, each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a shareholders' meeting. Only shares are entitled to vote.
- (2) The shares of a corporation are not entitled to vote if they are owned, directly or indirectly, by a second corporation, domestic or foreign, and the first corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors of the second corporation.
- (3) Subsection (2) of this section does not limit the power of a corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

**RCW 23B.07.220: Proxies.**

- (1) A shareholder may vote the shareholder's shares in person or by proxy.
- (2) A shareholder or the shareholder's agent or attorney-in-fact may appoint a proxy to vote or otherwise act for the shareholder by:
  - (a) Executing a writing authorizing another person or persons to act for the shareholder as proxy. Execution may be accomplished by the shareholder or the shareholder's authorized officer, director, employee, or agent signing the writing or causing his or her signature to be affixed to the writing by any reasonable means including, but not limited to, by facsimile signature; or
  - (b) Authorizing another person or persons to act for the shareholder as proxy by transmitting or authorizing the transmission of a recorded telephone call, voice mail, or other electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization, or like agent duly authorized by the person who will be the holder of the proxy to receive the transmission, provided that

the transmission must either set forth or be submitted with information, including any security or validation controls used, from which it can reasonably be determined that the transmission was authorized by the shareholder. If it is determined that the transmission is valid, the inspectors of election or, if there are no inspectors, any officer or agent of the corporation making that determination on behalf of the corporation shall specify the information upon which they relied. The corporation shall require the holders of proxies received by transmission to provide to the corporation copies of the transmission and the corporation shall retain copies of the transmission for a reasonable period of time after the election provided that they are retained for at least sixty days.

- (3) An appointment of a proxy is effective when a signed appointment form or telegram, cablegram, recorded telephone call, voice mail, or other transmission of the appointment is received by the inspectors of election or the officer or agent of the corporation authorized to tabulate votes. An appointment is valid for eleven months unless a longer period is expressly provided in the appointment.
- (4) An appointment of a proxy is revocable by the shareholder unless the appointment indicates that it is irrevocable and the appointment is coupled with an interest. Appointments coupled with an interest include the appointment of:
  - (a) A pledgee;
  - (b) A person who purchased or agreed to purchase the shares;
  - (c) A creditor of the corporation who extended it credit under terms requiring the appointment;
  - (d) An employee of the corporation whose employment contract requires the appointment; or
  - (e) A party to a voting agreement created under RCW 23B.07.310.
- (5) The death or incapacity of the shareholder appointing a proxy does not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the officer or agent of the corporation authorized to tabulate votes before the proxy exercises the proxy's authority under the appointment.
- (6) An appointment made irrevocable under subsection (4) of this section is revoked when the interest with which it is coupled is extinguished.
- (7) A transferee for value of shares subject to an irrevocable appointment may revoke the appointment if the transferee did not know of its existence when

the transferee acquired the shares and the existence of the irrevocable appointment was not noted conspicuously on the certificate representing the shares or on the information statement for shares without certificates.

- (8) Subject to RCW 23B.07.240 and to any express limitation on the proxy's authority stated in the appointment form or recorded telephone call, voice mail, or other electronic transmission, a corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment.
- (9) For the purposes of this section only, "sign" or "signature" includes any manual, facsimile, conformed, or electronic signature.

**RCW 23B.07.230: Shares held by nominees.**

- (1) A corporation may establish a procedure by which the beneficial owner of shares that are registered in the name of a nominee is recognized by the corporation as the shareholder. The extent of this recognition may be determined in the procedure.
- (2) The procedure may set forth:
  - (a) The types of nominees to which it applies;
  - (b) The rights or privileges that the corporation recognizes in a beneficial owner;
  - (c) The manner in which the procedure is selected by the nominee;
  - (d) The information that must be provided when the procedure is selected;
  - (e) The period for which selection of the procedure is effective; and
  - (f) Other aspects of the rights and duties created.

**RCW 23B.07.240: Corporation's acceptance of votes.**

- (1) If the name executed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder.
- (2) If the name executed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its shareholder, the corporation, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if:

- (a) The shareholder is an entity and the name executed purports to be that of an officer, partner, or agent of the entity;
  - (b) The name executed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
  - (c) The name executed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
  - (d) The name executed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, or proxy appointment; or
  - (e) Two or more persons are the shareholder as cotenants or fiduciaries and the name executed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.
- (3) The corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of its execution.
  - (4) The corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this section or RCW 23B.07.220(2) are not liable in damages to the shareholder for the consequences of the acceptance or rejection.
  - (5) Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this section, or RCW 23B.07.220(2) is valid unless a court of competent jurisdiction determines otherwise.

**RCW 23B.07.250: Quorum and voting requirements.**

- (1) Shares entitled to vote as a separate voting group may approve a corporate action at a meeting only if a quorum of those shares exists with respect to that corporate action. Unless the articles of incorporation or this title provide otherwise, a majority of the votes entitled to be cast on the corporate action by the voting group constitutes a quorum of that voting group for approval of that corporate action.

- (2) Once a share is represented for any purpose at a meeting other than solely to object to holding the meeting or transacting business at the meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.
- (3) If a quorum exists, a corporate action, other than the election of directors, is approved by a voting group if the votes cast within the voting group favoring the corporate action exceed the votes cast within the voting group opposing the corporate action, unless the articles of incorporation or this title require a greater number of affirmative votes.
- (4) An amendment of articles of incorporation adding, changing, or deleting either (i) [(a)] a quorum for a voting group greater or lesser than specified in subsection (1) of this section, or (ii) [(b)] a voting requirement for a voting group greater than specified in subsection (3) of this section, is governed by RCW 23B.07.270.
- (5) The election of directors is governed by RCW 23B.07.280.

**RCW 23B.07.260: Corporate action by single and multiple voting groups.**

- (1) If the articles of incorporation or this title provide for voting on a corporate action by all shares entitled to vote thereon, voting together as a single voting group and do not provide for separate voting by any other voting group or groups with respect to that corporate action, that corporate action is approved when voted upon by that single voting group as provided in RCW 23B.07.250.
- (2) If the articles of incorporation or this title provide for voting by two or more voting groups on a corporate action, that corporate action is approved only when voted upon by each of those voting groups as provided in RCW 23B.07.250.

**RCW 23B.07.270: Greater or lesser quorum or voting requirements.**

- (1) The articles of incorporation may provide for a greater or lesser quorum, but not less than one-third of the votes entitled to be cast, for shareholders, or voting groups of shareholders, than is provided for by this title.
- (2) The articles of incorporation may provide for a greater voting requirement for shareholders, or voting groups of shareholders, than is provided for by this title.

- (3) Under RCW 23B.10.030, 23B.11.030, 23B.12.020, and 23B.14.020, the articles of incorporation may provide for a lesser vote than is otherwise prescribed in those sections or for a lesser vote by separate voting groups, so long as the vote provided for each voting group entitled to vote separately on the plan or transaction is not less than a majority of all the votes entitled to be cast on the plan or transaction by that voting group.
- (4) Except as provided in subsection (5) of this section, an amendment to the articles of incorporation that adds, changes, or deletes a greater or lesser quorum or voting requirement for a particular corporate action must meet the same quorum requirement and be adopted by the same vote and voting groups as are required under the quorum and voting requirements then in effect for approval of the corporate action.
- (5) An amendment to the articles of incorporation that adds, changes, or deletes a greater or lesser quorum or voting requirement for a merger, share exchange, sale of substantially all assets, or dissolution must be adopted by the same vote and voting groups as are required under the quorum and voting requirements then in effect for approval of the particular corporate action, or the quorum and voting requirements then in effect for amendments to articles of incorporation, whichever is greater.

#### Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

#### **RCW 23B.07.280: Voting for directors – Cumulative voting.**

- (1) Unless otherwise provided in the articles of incorporation, shareholders entitled to vote at any election of directors are entitled to cumulate votes by multiplying the number of votes they are entitled to cast by the number of directors for whom they are entitled to vote and to cast the product for a single candidate or distribute the product among two or more candidates.
- (2) Unless otherwise provided in the articles of incorporation or in a bylaw adopted under RCW 23B.10.205, in any election of directors the candidates elected are those receiving the largest numbers of votes cast by the shares entitled to vote in the election, up to the number of directors to be elected by such shares.

#### **RCW 23B.07.300: Voting trusts.**

- (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 owners of beneficial interests in the trust, together with the number and class of shares each 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.

**RCW 23B.07.310: Voting agreements.**

- (1) Two or more shareholders may provide for the manner in which they will vote their shares by signing an agreement for that purpose. A voting agreement created under this section is not subject to the provisions of RCW 23B.07.300.
- (2) A voting agreement created under this section is specifically enforceable.

**RCW 23B.07.320: Agreements among shareholders – Acquisition of shares after agreement.**

- (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;
  - (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.

**RCW 23B.07.400: Derivative proceedings procedure.**

- (1) A person may not commence a proceeding in the right of a domestic or foreign corporation unless the person was a shareholder of the corporation when the transaction complained of occurred or unless the person became a shareholder through transfer by operation of law from one who was a shareholder at that time.
- (2) A complaint in a proceeding brought in the right of a corporation must be verified and allege with particularity the demand made, if any, to obtain action by the board of directors and either that the demand was refused

or ignored or why a demand was not made. Whether or not a demand for action was made, if the corporation commences an investigation of the charges made in the demand or complaint, the court may stay any proceeding until the investigation is completed.

- (3) A proceeding commenced under this section may not be discontinued or settled without the court's approval. If the court determines that a proposed discontinuance or settlement will substantially affect the interest of the corporation's shareholders or a class of shareholders, the court shall direct that notice be given to the shareholders affected.
- (4) On termination of the proceeding the court may require the plaintiff to pay any defendant's reasonable expenses, including counsel fees, incurred in defending the proceeding if it finds that the proceeding was commenced without reasonable cause.
- (5) 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.

## **Chapter 23B.08 RCW: DIRECTORS AND OFFICERS**

### **RCW Chapter Sections**

- 23B.08.010 Requirement for and duties of board of directors.
- 23B.08.020 Qualifications of directors.
- 23B.08.030 Number and election of directors.
- 23B.08.040 Election of directors by certain classes or series of shares.
- 23B.08.050 Terms of directors – Generally.
- 23B.08.060 Staggered terms for directors.
- 23B.08.070 Resignation of directors.
- 23B.08.080 Removal of directors by shareholders.
- 23B.08.090 Removal of directors by judicial proceeding.
- 23B.08.100 Vacancy on board of directors.
- 23B.08.110 Compensation of directors.
- 23B.08.200 Regular or special meetings of the board.
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- 23B.08.250 Committees.
- 23B.08.300 General standards for directors.
- 23B.08.310 Liability for unlawful distributions.

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- 23B.08.400 Officers.
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- 23B.08.440 Contract rights of officers.
- 23B.08.500 Indemnification definitions.
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- 23B.08.600 Report to shareholders.
- 23B.08.603 Indemnification or advance for expenses – Later amendment or repeal of subject provision.
- 23B.08.700 Definitions.
- 23B.08.710 Judicial action.
- 23B.08.720 Directors’ action.
- 23B.08.730 Shareholders’ action.
- 23B.08.900 Construction – Chapter applicable to state registered domestic partnerships – 2009 c 521.

**RCW 23B.08.010: Requirement for and duties of board of directors.**

- (1) Each corporation must have a board of directors, except that a corporation may dispense with or limit the authority of its board of directors by describing in its articles of incorporation, or in a shareholders’ agreement authorized by RCW 23B.07.320, who will perform some or all of the duties of the board of directors.
- (2) Subject to any limitation set forth in this title, the articles of incorporation, or a shareholders’ agreement authorized by RCW 23B.07.320:
  - (a) All corporate powers shall be exercised by or under the authority of the corporation’s board of directors; and
  - (b) The business and affairs of the corporation shall be managed under the direction of its board of directors, which shall have exclusive authority

as to substantive decisions concerning management of the corporation's business.

**RCW 23B.08.020: Qualifications of directors.**

The articles of incorporation or bylaws may prescribe qualifications for directors. A director need not be a resident of this state or a shareholder of the corporation unless the articles of incorporation or bylaws so prescribe.

**RCW 23B.08.030: Number and election of directors.**

- (1) A board of directors must consist of one or more individuals, with the number specified in or fixed in accordance with the articles of incorporation or bylaws.
- (2) Directors are elected at the first annual shareholders' meeting and at each annual meeting thereafter unless (a) their terms are staggered under RCW 23B.08.060, or (b) their terms are otherwise governed by RCW 23B.05.050. Directors also may be elected by execution of a shareholder consent under RCW 23B.07.040.

Notes

- **Findings – Construction – 1994 c 256:** See RCW [43.320.007](#).

**RCW 23B.08.040: Election of directors by certain classes or series of shares.**

If the articles of incorporation authorize dividing the shares into classes or series, the articles may also authorize the election of all or a specified number of directors by the holders of one or more authorized classes or series of shares. A class, or classes, or series of shares entitled to elect one or more directors is a separate voting group for purposes of the election of directors.

**RCW 23B.08.050: Terms of directors – Generally.**

- (1) The terms of the initial directors of a corporation expire at the first shareholders' meeting at which directors are elected.
- (2) The terms of all other directors expire at the next annual shareholders' meeting following their election unless (a) their terms are staggered under RCW 23B.08.060 then at the applicable second or third annual shareholders' meeting following their election; or (b) their terms are otherwise

governed by RCW 23B.05.050, except to the extent (i) the terms are otherwise provided in a bylaw adopted pursuant to RCW 23B.10.205, or (ii) a shorter term is specified in the articles of incorporation in the event of a director nominee failing to receive a specified vote for election.

- (3) A decrease in the number of directors does not shorten an incumbent director's term.
- (4) The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected.
- (5) Except to the extent otherwise provided in the articles of incorporation or pursuant to RCW 23B.10.205, if a bylaw electing to be governed by that section is in effect, despite the expiration of a director's term, the director continues to serve until the director's successor is elected and qualified or there is a decrease in the number of directors.

#### Notes

- **Findings – Construction – 1994 c 256:** See RCW [43.320.007](#).

#### **RCW 23B.08.060: Staggered terms for directors.**

- (1) The articles of incorporation may provide for staggering the terms of directors by dividing the total number of directors into two or three groups, with each group containing one-half or one-third of the total, as near as may be. In that event, the terms of directors in the first group expire at the first annual shareholders' meeting after their election, the terms of the second group expire at the second annual shareholders' meeting after their election, and the terms of the third group, if any, expire at the third annual shareholders' meeting after their election. At each annual shareholders' meeting held thereafter, directors shall be chosen for a term of two years or three years, as the case may be, to succeed those whose terms expire.
- (2) If cumulative voting is authorized, any provision establishing staggered terms of directors shall provide that at least three directors shall be elected at each annual shareholders' meeting.

#### **RCW 23B.08.070: Resignation of directors.**

- (1) A director may resign at any time by delivering notice in the form of an executed resignation to the board of directors, its chairperson, the president, or the secretary of the corporation.

- (2) A notice of resignation is effective when the resignation is delivered unless the resignation specifies a later effective date, or an effective date determined upon the happening of an event or events. A notice of resignation that is conditioned upon failing to receive a specified vote for election as a director may provide that it is irrevocable.

**RCW 23B.08.080: Removal of directors by shareholders.**

- (1) The shareholders may remove one or more directors with or without cause unless the articles of incorporation provide that directors may be removed only for cause.
- (2) If a director is elected by holders of one or more authorized classes or series of shares, only the holders of those classes or series of shares may participate in the vote to remove the director.
- (3) If cumulative voting is authorized, and if less than the entire board is to be removed, no director may be removed if the number of votes sufficient to elect the director under cumulative voting is voted against the director's removal. If cumulative voting is not authorized, a director may be removed only if the number of votes cast to remove the director exceeds the number of votes cast not to remove the director.
- (4) A director may be removed by the shareholders only at a special meeting called for the purpose of removing the director and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the director.

**RCW 23B.08.090: Removal of directors by judicial proceeding.**

- (1) The superior court of the county where a corporation's principal office, or, if none in this state, its registered office, is located may remove a director of the corporation from office in a proceeding commenced either by the corporation or by its shareholders holding at least ten percent of the outstanding shares of any class if the court finds that (a) the director engaged in fraudulent or dishonest conduct with respect to the corporation, and (b) removal is in the best interest of the corporation.
- (2) The court that removes a director may bar the director from reelection for a period prescribed by the court.
- (3) If shareholders commence a proceeding under subsection (1) of this section, they shall make the corporation a party defendant.

**RCW 23B.08.100: Vacancy on board of directors.**

- (1) Unless the articles of incorporation provide otherwise, if a vacancy occurs on a board of directors, including a vacancy resulting from an increase in the number of directors:
  - (a) The shareholders may fill the vacancy;
  - (b) The board of directors may fill the vacancy; or
  - (c) If the directors in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors in office.
- (2) If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group are entitled to vote to fill the vacancy, if it is filled by the shareholders, and only the directors elected by that voting group are entitled to fill the vacancy if it is filled by the directors.
- (3) A vacancy that will occur at a specific later date, by reason of a resignation effective at a later date under RCW 23B.08.070(2) or otherwise, may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

**RCW 23B.08.110: Compensation of directors.**

Unless the articles of incorporation or bylaws provide otherwise, the board of directors may fix the compensation of directors.

**RCW 23B.08.200: Regular or special meetings of the board.**

- (1) The board of directors may hold regular or special meetings in or out of this state.
- (2) Unless the articles of incorporation or bylaws provide otherwise, any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating can hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

**RCW 23B.08.210: Corporate action without meeting.**

- (1) Unless the articles of incorporation or bylaws provide otherwise, corporate action required or permitted by this title to be approved at a board of directors' meeting may be approved without a meeting if the corporate action is approved by all members of the board. The approval of the corporate action must be evidenced by one or more consents describing the corporate action being approved, executed by each director either before or after the corporate action becomes effective, and delivered to the corporation for inclusion in the minutes or filing with the corporate records, each of which consents shall be set forth either (a) in an executed record or (b) if the corporation has designated an address, location, or system to which the consents may be electronically transmitted and the consent is electronically transmitted to the designated address, location, or system, in an executed electronically transmitted record.
- (2) Corporate action is approved under this section when the last director executes the consent.
- (3) A consent under this section has the effect of a meeting vote and may be described as such in any record.

**RCW 23B.08.220: Notice of meeting.**

- (1) Unless the articles of incorporation or bylaws provide otherwise, regular meetings of the board of directors may be held without notice of the date, time, place, or purpose of the meeting.
- (2) Unless the articles of incorporation or bylaws provide for a longer or shorter period, special meetings of the board of directors must be preceded by at least two days' notice of the date, time, and place of the meeting. The notice need not describe the purpose of the special meeting unless required by the articles of incorporation or bylaws.

**RCW 23B.08.230: Waiver of notice.**

- (1) A director may waive any notice required by this title, the articles of incorporation, or bylaws before or after the date and time stated in the notice, and such waiver shall be equivalent to the giving of such notice. Except as provided by subsection (2) of this section, the waiver must be delivered by the director entitled to the notice to the corporation for inclusion in the minutes or filing with the corporate records, which waiver shall be set forth either (a) in an executed record or (b) if the corporation has designated an address, location, or system to which the waiver may be electronically transmitted and the waiver has been electronically



transmitted to the designated address, location, or system, in an executed electronically transmitted record.

- (2) A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to any corporate action approved at the meeting.

**RCW 23B.08.240: Quorum and voting.**

- (1) Unless the articles of incorporation or bylaws require a greater or lesser number, a quorum of a board of directors consists of a majority of the number of directors specified in or fixed in accordance with the articles of incorporation or bylaws.
- (2) Notwithstanding subsection (1) of this section, a quorum of a board of directors may in no event be less than one-third of the number of directors specified in or fixed in accordance with the articles of incorporation or bylaws.
- (3) If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the board of directors unless the articles of incorporation or bylaws require the vote of a greater number of directors.
- (4) A director who is present at a meeting of the board of directors when corporate action is approved is deemed to have assented to the corporate action unless: (a) The director objects at the beginning of the meeting, or promptly upon the director's arrival, to holding it or transacting business at the meeting; (b) the director's dissent or abstention as to the corporate action is entered in the minutes of the meeting; or (c) the director delivers notice of the director's dissent or abstention as to the corporate action to the presiding officer of the meeting before adjournment or to the corporation within a reasonable time after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the corporate action.

**RCW 23B.08.245: Corporate action – Vote of shareholders.**

A corporation may agree to submit a corporate action to a vote of its shareholders whether or not the board of directors determines at any time subsequent to approving such a corporate action that it no longer recommends the corporate action.

**RCW 23B.08.250: Committees.**

- (1) Unless the articles of incorporation or bylaws provide otherwise, a board of directors may create one or more committees of directors. Each committee must have two or more members, who serve at the pleasure of the board of directors.
- (2) The creation of a committee and appointment of members to it must be approved by the greater of (a) a majority of all the directors in office when the creation of the committee is approved or (b) the number of directors required by the articles of incorporation or bylaws to approve the creation of the committee under RCW 23B.08.240.
- (3) RCW 23B.08.200 through 23B.08.240, which govern meetings, approval of corporate action without meetings, notice and waiver of notice, and quorum and voting requirements of the board of directors, apply to committees and their members as well.
- (4) To the extent specified by the board of directors or in the articles of incorporation or bylaws, each committee may exercise the authority of the board of directors under RCW 23B.08.010.
- (5) A committee may not, however:
  - (a) Approve a distribution except according to a general formula or method prescribed by the board of directors;
  - (b) Approve or propose to shareholders corporate action that this title requires be approved by shareholders;
  - (c) Fill vacancies on the board of directors or on any of its committees;
  - (d) Amend articles of incorporation pursuant to RCW 23B.10.020;
  - (e) Adopt, amend, or repeal bylaws;
  - (f) Approve a plan of merger not requiring shareholder approval; or
  - (g) Approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except that the board of directors may authorize a committee, or a senior executive officer of the corporation to do so within limits specifically prescribed by the board of directors.
- (6) The creation of, delegation of authority to, or approval of corporate action by a committee does not alone constitute compliance by a director with the standards of conduct described in RCW 23B.08.300.

**RCW 23B.08.300: General standards for directors.**

- (1) A director shall discharge the duties of a director, including duties as member of a committee:
  - (a) In good faith;
  - (b) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
  - (c) In a manner the director reasonably believes to be in the best interests of the corporation.
- (2) In discharging the duties of a director, a director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
  - (a) One or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;
  - (b) Legal counsel, public accountants, or other persons as to matters the director reasonably believes are within the person's professional or expert competence; or
  - (c) A committee of the board of directors of which the director is not a member if the director reasonably believes the committee merits confidence.
- (3) A director is not acting in good faith if the director has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) of this section unwarranted.
- (4) A director is not liable for any action taken as a director, or any failure to take any action, if the director performed the duties of the director's office in compliance with this section.

**RCW 23B.08.310: Liability for unlawful distributions.**

- (1) A director who votes for or assents to a distribution made in violation of RCW 23B.06.400 or the articles of incorporation is personally liable to the corporation for the amount of the distribution that exceeds the amount that could have been distributed without violating RCW 23B.06.400 or the articles of incorporation if it is established that the director did not perform the director's duties in compliance with RCW 23B.08.300. In any proceeding commenced under this section, a director has all of the defenses ordinarily available to a director.

- (2) A director held liable under subsection (1) of this section for an unlawful distribution is entitled to contribution:
  - (a) From every other director who could be held liable under subsection (1) of this section for the unlawful distribution; and
  - (b) From each shareholder for the amount the shareholder accepted knowing the distribution was made in violation of RCW 23B.06.400 or the articles of incorporation.
- (3) A shareholder who accepts a distribution made in violation of RCW 23B.06.400 or the articles of incorporation is personally liable to the corporation for the amount of any distribution received by the shareholder to the extent it exceeds the amount that could have been distributed to the shareholder without violating RCW 23B.06.400 or the articles of incorporation, if it is established that the shareholder accepted the distribution knowing that it was made in violation of RCW 23B.06.400 or the articles of incorporation.
- (4) A shareholder held liable under subsection (3) of this section for an unlawful distribution is entitled to contribution from every other shareholder who could be held liable under subsection (3) of this section for the unlawful distribution.
- (5) A proceeding under this section is barred unless it is commenced prior to the earlier of (a) the expiration of two years after the date on which the effect of the distribution was measured under RCW 23B.06.400(4), or (b) the expiration of the survival period specified in RCW 23B.14.340.

**RCW 23B.08.320: Limitation on liability of directors.**

The articles of incorporation may contain provisions not inconsistent with law that eliminate or limit the personal liability of a director to the corporation or its shareholders for monetary damages for conduct as a director, provided that such provisions shall not eliminate or limit the liability of a director for acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a director, for conduct violating RCW 23B.08.310, or for any transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled. No such provision shall eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision becomes effective.

**RCW 23B.08.400: Officers.**

- (1) A corporation has the officers described in its bylaws or appointed by the board of directors in accordance with the bylaws.

- (2) A duly appointed officer may appoint one or more officers or assistant officers if authorized by the bylaws or the board of directors.
- (3) The bylaws or the board of directors shall delegate to one of the officers responsibility for preparing minutes of the directors' and shareholders' meetings and for authenticating records of the corporation.
- (4) The same individual may simultaneously hold more than one office in a corporation.

**RCW 23B.08.410: Duties of officers.**

Each officer has the authority and shall perform the duties set forth in the bylaws or, to the extent consistent with the bylaws, the duties prescribed by the board of directors or by an officer authorized by the board of directors to prescribe the duties of other officers.

**RCW 23B.08.420: Standards of conduct for officers.**

- (1) An officer with discretionary authority shall discharge the officer's duties under that authority:
  - (a) In good faith;
  - (b) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
  - (c) In a manner the officer reasonably believes to be in the best interests of the corporation.
- (2) In discharging the officer's duties, the officer is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
  - (a) One or more officers or employees of the corporation whom the officer reasonably believes to be reliable and competent in the matters presented; or
  - (b) Legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence.
- (3) An officer is not acting in good faith if the officer has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) of this section unwarranted.

- (4) An officer is not liable for any action taken as an officer, or any failure to take any action, if the officer performed the duties of the officer's office in compliance with this section.

**RCW 23B.08.430: Resignation and removal of officers.**

- (1) An officer may resign at any time by delivering notice to the corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.
- (2) A board of directors may remove any officer at any time with or without cause. An officer or assistant officer, if appointed by another officer, may be removed by any officer authorized to appoint officers or assistant officers.

**RCW 23B.08.440: Contract rights of officers.**

- (1) The appointment of an officer does not itself create contract rights.
- (2) An officer's removal does not affect the officer's contract rights, if any, with the corporation. An officer's resignation does not affect the corporation's contract rights, if any, with the officer.

**RCW 23B.08.500: Indemnification definitions.**

For purposes of RCW 23B.08.510 through 23B.08.600:

- (1) "Corporation" includes any domestic or foreign predecessor entity of a corporation in a merger or other transaction in which the predecessor's existence ceased upon the effective date of the transaction.
- (2) "Director" means an individual who is or was a director of a corporation or an individual who, while a director of a corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise. A director is considered to be serving an employee benefit plan at the corporation's request if the director's duties to the corporation also impose duties on, or otherwise involve services by, the director to the plan or to participants in or beneficiaries of the plan. "Director" includes, unless the context requires otherwise, the estate or personal representative of a director.
- (3) "Expenses" include counsel fees.

- (4) “Liability” means the obligation to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.
- (5) “Official capacity” means: (a) When used with respect to a director, the office of director in a corporation; and (b) when used with respect to an individual other than a director, as contemplated in RCW 23B.08.570, the office in a corporation held by the officer or the employment or agency relationship undertaken by the employee or agent on behalf of the corporation. “Official capacity” does not include service for any other foreign or domestic corporation or any partnership, joint venture, trust, employee benefit plan, or other enterprise.
- (6) “Party” includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.
- (7) “Proceeding” means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal.

**RCW 23B.08.510: Authority to indemnify.**

- (1) Except as provided in subsection (4) of this section, a corporation may indemnify an individual made a party to a proceeding because the individual is or was a director against liability incurred in the proceeding if:
  - (a) The individual acted in good faith; and
  - (b) The individual reasonably believed:
    - (c) In the case of conduct in the individual’s official capacity with the corporation, that the individual’s conduct was in its best interests; and
    - (ii) In all other cases, that the individual’s conduct was at least not opposed to its best interests; and
    - (iii) In the case of any criminal proceeding, the individual had no reasonable cause to believe the individual’s conduct was unlawful.
- (2) A director’s conduct with respect to an employee benefit plan for a purpose the director reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirement of subsection (1)(b)(ii) of this section.
- (3) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent is not, of itself, determinative that the director did not meet the standard of conduct described in this section.

- (4) A corporation may not indemnify a director under this section:
  - (a) In connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; or
  - (b) In connection with any other proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received by the director.
- (5) Indemnification permitted under this section in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding.

**RCW 23B.08.520: Mandatory indemnification.**

Unless limited by its articles of incorporation, a corporation shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because of being a director of the corporation against reasonable expenses incurred by the director in connection with the proceeding.

**RCW 23B.08.530: Advance for expenses.**

- (1) A corporation may pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if:
  - (a) The director furnishes the corporation a written affirmation of the director's good faith belief that the director has met the standard of conduct described in RCW 23B.08.510; and
  - (b) The director furnishes the corporation a written undertaking, executed personally or on the director's behalf, to repay the advance if it is ultimately determined that the director did not meet the standard of conduct.
- (2) The undertaking required by subsection (1)(b) of this section must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment.
- (3) Authorization of payments under this section may be made by provision in the articles of incorporation or bylaws, by resolution adopted by the shareholders or board of directors, or by contract.



**RCW 23B.08.540: Court-ordered indemnification.**

Unless a corporation's articles of incorporation provide otherwise, a director of a corporation who is a party to a proceeding may apply for indemnification or advance of expenses to the court conducting the proceeding or to another court of competent jurisdiction. On receipt of an application, the court after giving any notice the court considers necessary may order indemnification or advance of expenses if it determines:

- (1) The director is entitled to mandatory indemnification under RCW 23B.08.520, in which case the court shall also order the corporation to pay the director's reasonable expenses incurred to obtain court-ordered indemnification;
- (2) The director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director met the standard of conduct set forth in RCW 23B.08.510 or was adjudged liable as described in RCW 23B.08.510(4), but if the director was adjudged so liable the director's indemnification is limited to reasonable expenses incurred unless the articles of incorporation or a bylaw, contract, or resolution approved or ratified by the shareholders pursuant to RCW 23B.08.560 provides otherwise; or
- (3) In the case of an advance of expenses, the director is entitled pursuant to the articles of incorporation, bylaws, or any applicable resolution or contract, to payment or reimbursement of the director's reasonable expenses incurred as a party to the proceeding in advance of final disposition of the proceeding.

**RCW 23B.08.550: Determination and authorization of indemnification.**

- (1) A corporation may not indemnify a director under RCW 23B.08.510 unless approved in the specific case after a determination has been made that indemnification of the director is permissible in the circumstances because the director has met the standard of conduct set forth in RCW 23B.08.510.
- (2) The determination shall be made:
  - (a) By the board of directors by majority vote of a quorum consisting of directors not at the time parties to the proceeding;
  - (b) If a quorum cannot be obtained under (a) of this subsection, by majority vote of a committee duly designated by the board of directors, in which designation directors who are parties may participate, consisting solely of two or more directors not at the time parties to the proceeding;

- (c) By special legal counsel:
- (d) Selected by the board of directors or its committee in the manner prescribed in (a) or (b) of this subsection; or
- (ii) If a quorum of the board of directors cannot be obtained under (a) of this subsection and a committee cannot be designated under (b) of this subsection, selected by majority vote of the full board of directors, in which selection directors who are parties may participate; or
- (iii) By the shareholders, but shares owned by or voted under the control of directors who are at the time parties to the proceeding may not be voted on the determination.
- (3) Approval of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination is made by special legal counsel, approval of indemnification and evaluation as to reasonableness of expenses shall be made by those entitled under subsection (2)(c) of this section to select counsel.

**RCW 23B.08.560: Shareholder authorized indemnification and advancement of expenses.**

- (1) If authorized by the articles of incorporation, a bylaw adopted or ratified by the shareholders, or a resolution adopted or ratified, before or after the event, by the shareholders, a corporation shall have power to indemnify or agree to indemnify a director made a party to a proceeding, or obligate itself to advance or reimburse expenses incurred in a proceeding, without regard to the limitations in RCW 23B.08.510 through 23B.08.550, provided that no such indemnity shall indemnify any director from or on account of:
  - (a) Acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of law;
  - (b) Conduct of the director finally adjudged to be in violation of RCW 23B.08.310; or
  - (c) Any transaction with respect to which it was finally adjudged that such director personally received a benefit in money, property, or services to which the director was not legally entitled.
- (2) Unless the articles of incorporation, or a bylaw or resolution adopted or ratified by the shareholders, provide otherwise, any determination as to any indemnity or advance of expenses under subsection (1) of this section shall be made in accordance with RCW 23B.08.550.

**RCW 23B.08.570: Indemnification of officers, employees, and agents.**

Unless a corporation's articles of incorporation provide otherwise:

- (1) An officer of the corporation who is not a director is entitled to mandatory indemnification under RCW 23B.08.520, and is entitled to apply for court-ordered indemnification under RCW 23B.08.540, in each case to the same extent as a director;
- (2) The corporation may indemnify and advance expenses under RCW 23B.08.510 through 23B.08.560 to an officer, employee, or agent of the corporation who is not a director to the same extent as to a director; and
- (3) A corporation may also indemnify and advance expenses to an officer, employee, or agent who is not a director to the extent, consistent with law, that may be provided by its articles of incorporation, bylaws, general or specific action of its board of directors, or contract.

**RCW 23B.08.580: Insurance.**

A corporation may purchase and maintain insurance on behalf of an individual who is or was a director, officer, employee, or agent of the corporation, or who, while a director, officer, employee, or agent of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by the individual in that capacity or arising from the individual's status as a director, officer, employee, or agent, whether or not the corporation would have power to indemnify the individual against the same liability under RCW 23B.08.510 or 23B.08.520.

**RCW 23B.08.590: Validity of indemnification or advance for expenses.**

- (1) A provision treating a corporation's indemnification of or advance for expenses to directors that is contained in its articles of incorporation, bylaws, a resolution of its shareholders or board of directors, or in a contract or otherwise, is valid only if and to the extent the provision is consistent with RCW 23B.08.500 through 23B.08.580. If articles of incorporation limit indemnification or advance for expenses, indemnification and advance for expenses are valid only to the extent consistent with the articles of incorporation.
- (2) RCW 23B.08.500 through 23B.08.580 do not limit a corporation's power to pay or reimburse expenses incurred by a director in connection with

the director's appearance as a witness in a proceeding at a time when the director has not been made a named defendant or respondent to the proceeding.

**RCW 23B.08.600: Report to shareholders.**

If a corporation indemnifies or advances expenses to a director under RCW 23B.08.510, 23B.08.520, 23B.08.530, 23B.08.540, or 23B.08.560 in connection with a proceeding by or in the right of the corporation, the corporation shall report the indemnification or advance in the form of a notice to the shareholders delivered with or before the notice of the next shareholders' meeting.

**RCW 23B.08.603: Indemnification or advance for expenses – Later amendment or repeal of subject provision.**

The right of a director, officer, employee, or agent to indemnification or to advancement of expenses arising under a provision in the articles of incorporation or a bylaw shall not be eliminated or impaired by an amendment to or repeal of that provision after the occurrence of the act or omission that is the subject of the proceeding for which indemnification or advancement of expenses under that provision is sought, unless the provision in effect at the time of such an act or omission explicitly authorizes the elimination or impairment of the right after such an action or omission has occurred.

**RCW 23B.08.700: Definitions.**

For purposes of RCW 23B.08.710 through 23B.08.730:

- (1) "Conflicting interest" with respect to a corporation means the interest a director of the corporation has respecting a transaction effected or proposed to be effected by the corporation, or by a subsidiary of the corporation or any other entity in which the corporation has a controlling interest, if:
  - (a) Whether or not the transaction is brought before the board of directors of the corporation for action, the director knows at the time of commitment that the director or a related person is a party to the transaction or has a beneficial financial interest in or so closely linked to the transaction and of such financial significance to the director or a related person that the interest would reasonably be expected to exert an influence on the director's judgment if the director were called upon to vote on the transaction;  
or

- (b) The transaction is brought, or is of such character and significance to the corporation that it would in the normal course be brought, before the board of directors of the corporation for action, and the director knows at the time of commitment that any of the following persons is either a party to the transaction or has a beneficial financial interest in or so closely linked to the transaction and of such financial significance to the person that the interest would reasonably be expected to exert an influence on the director's judgment if the director were called upon to vote on the transaction: (i) An entity, other than the corporation, of which the director is a director, general partner, agent, or employee; (ii) a person that controls one or more of the entities specified in (b)(i) of this subsection or an entity that is controlled by, or is under common control with, one or more of the entities specified in (b)(i) of this subsection; or (iii) an individual who is a general partner, principal, or employer of the director.
- (2) "Director's conflicting interest transaction" with respect to a corporation means a transaction effected or proposed to be effected by the corporation, or by a subsidiary of the corporation or any other entity in which the corporation has a controlling interest, respecting which a director of the corporation has a conflicting interest.
- (3) "Related person" of a director means (a) the spouse, or a parent or sibling thereof, of the director, or a child, grandchild, sibling, parent, or spouse of any thereof, of the director, or an individual having the same home as the director, or a trust or estate of which an individual specified herein is a substantial beneficiary; or (b) a trust, estate, incompetent, conservatee, or minor of which the director is a fiduciary.
- (4) "Required disclosure" means disclosure by the director who has a conflicting interest of (a) the existence and nature of the director's conflicting interest, and (b) all facts known to the director respecting the subject matter of the transaction that an ordinarily prudent person would reasonably believe to be material to a judgment about whether or not to proceed with the transaction.
- (5) "Time of commitment" respecting a transaction means the time when the transaction becomes effective or, if made pursuant to contract, the time when the corporation, or its subsidiary or the entity in which it has a controlling interest, becomes contractually obligated so that its unilateral withdrawal from the transaction would entail significant loss, liability, or other damage.

**RCW 23B.08.710: Judicial action.**

- (1) A transaction effected or proposed to be effected by a corporation, or by a subsidiary of the corporation or any other entity in which the corporation has a controlling interest, that is not a director's conflicting interest

transaction may not be enjoined, set aside, or give rise to an award of damages or other sanctions, in a proceeding by a shareholder or by or in the right of the corporation, because a director of the corporation, or any person with whom or which the director has a personal, economic, or other association, has an interest in the transaction.

- (2) A director's conflicting interest transaction may not be enjoined, set aside, or give rise to an award of damages or other sanctions, in a proceeding by a shareholder or by or in the right of the corporation, because the director, or any person with whom or which the director has a personal, economic, or other association, has an interest in the transaction, if:
  - (a) Directors' action respecting the transaction was at any time taken in compliance with RCW 23B.08.720;
  - (b) Shareholders' action respecting the transaction was at any time taken in compliance with RCW 23B.08.730; or
  - (c) The transaction, judged according to the circumstances at the time of commitment, is established to have been fair to the corporation.

**RCW 23B.08.720: Directors' action.**

- (1) Directors' action respecting a transaction is effective for purposes of RCW 23B.08.710(2)(a) if the transaction received the affirmative vote of a majority, but no fewer than two, of those qualified directors on the board of directors or on a duly empowered committee of the board who voted on the transaction after either required disclosure to them, to the extent the information was not known by them, or compliance with subsection (2) of this section, provided that action by a committee is so effective only if:
  - (a) All its members are qualified directors; and
  - (b) Its members are either all the qualified directors on the board or are appointed by the affirmative vote of a majority of the qualified directors on the board.
- (2) If a director has a conflicting interest respecting a transaction, but neither the director nor a related person of the director specified in RCW 23B.08.700(3)(a) is a party to the transaction, and if the director has a duty under law or professional canon, or a duty of confidentiality to another person, respecting information relating to the transaction such that the director may not make the disclosure described in RCW 23B.08.700(4)(b), then disclosure is sufficient for purposes of subsection (1) of this section if the director (a) discloses to the directors voting on the transaction the existence and nature of the director's conflicting

interest and informs them of the character and limitations imposed by that duty before their vote on the transaction, and (b) plays no part, directly or indirectly, in their deliberations or vote.

- (3) A majority, but no fewer than two, of all the qualified directors on the board of directors, or on the committee, constitutes a quorum for purposes of action that complies with this section. Directors' action that otherwise complies with this section is not affected by the presence or vote of a director who is not a qualified director.
- (4) For purposes of this section "qualified director" means, with respect to a director's conflicting interest transaction, any director who does not have either (a) a conflicting interest respecting the transaction, or (b) 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.

**RCW 23B.08.730: Shareholders' action.**

- (1) Shareholders' action respecting a transaction is effective for purposes of RCW 23B.08.710(2)(b) if a majority of the votes entitled to be cast by the holders of all qualified shares were cast in favor of the transaction after (a) notice to shareholders describing the director's conflicting interest transaction, (b) provision of the information referred to in subsection (4) of this section, and (c) required disclosure to the shareholders who voted on the transaction, to the extent the information was not known by them.
- (2) For purposes of this section, "qualified shares" means any shares entitled to vote with respect to the director's conflicting interest transaction except shares that, to the knowledge, before the vote, of the secretary, or other officer or agent of the corporation authorized to tabulate votes, are beneficially owned, or the voting of which is controlled, by a director who has a conflicting interest respecting the transaction or by a related person of the director, or both.
- (3) A majority of the votes entitled to be cast by the holders of all qualified shares constitutes a quorum for purposes of action that complies with this section. Subject to the provisions of subsections (4) and (5) of this section, shareholders' action that otherwise complies with this section is not affected by the presence of holders, or the voting, of shares that are not qualified shares.
- (4) For purposes of compliance with subsection (1) of this section, a director who has a conflicting interest respecting the transaction shall, before the shareholders' vote, inform the secretary, or other officer or agent of the

corporation authorized to tabulate votes, of the number, and the identity of persons holding or controlling the vote, of all shares that the director knows are beneficially owned, or the voting of which is controlled, by the director, or by a related person of the director, or both.

- (5) If a shareholders' vote does not comply with subsection (1) of this section solely because of a failure of a director to comply with subsection (4) of this section, and if the director establishes that the director's failure did not determine and was not intended by the director to influence the outcome of the vote, the court may, with or without further proceedings respecting RCW 23B.08.710(2)(c), take such action respecting the transaction and the director, and give such effect, if any, to the shareholders' vote, as it considers appropriate in the circumstances.

**RCW 23B.08.900: Construction – Chapter applicable to state registered domestic partnerships – 2009 c 521.**

For the purposes of this chapter, the terms spouse, marriage, marital, husband, wife, widow, widower, next of kin, and family shall be interpreted as applying equally to state registered domestic partnerships or individuals in state registered domestic partnerships as well as to marital relationships and married persons, and references to dissolution of marriage shall apply equally to state registered domestic partnerships that have been terminated, dissolved, or invalidated, to the extent that such interpretation does not conflict with federal law. Where necessary to implement chapter 521, Laws of 2009, gender-specific terms such as husband and wife used in any statute, rule, or other law shall be construed to be gender neutral, and applicable to individuals in state registered domestic partnerships.

**Chapter 23B.09 RCW: CORPORATE ENTITIES – CONVERSIONS**

RCW Chapter Sections

- 23B.09.005 Definitions.
- 23B.09.010 Entity conversion.
- 23B.09.020 Plan of entity conversion.
- 23B.09.030 Approval of a plan of entity conversion.
- 23B.09.040 Articles of entity conversion.
- 23B.09.050 Effect of entity conversion.
- 23B.09.060 Abandonment of entity conversion.



#### **RCW 23B.09.005: Definitions.**

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

- (1) “Converting entity” means the domestic corporation that adopts a plan of entity conversion or the other entity converting to a domestic corporation.
- (2) “Domestic other entity” means an other entity organized under the laws of this state.
- (3) “Foreign other entity” means an other entity organized under a law other than the laws of this state.
- (4) “Interest holder” means a person who holds of record:
  - (a) A right to receive distributions from an other entity either in the ordinary course of business or upon liquidation, other than as an assignee; or
  - (b) A right to vote on issues involving an other entity’s internal affairs, other than as an agent, assignee, proxy, or person responsible for managing its business and affairs.
- (5) “Interests” means the interests in an other entity held by its interest holders.
- (6) “Organic document” means a public organic document or a private organic document.
- (7) “Organic law” means the statute governing the internal affairs of a domestic corporation or other entity.
- (8) “Other entity” means any association or entity other than a domestic corporation, a domestic or foreign nonprofit corporation, a domestic or foreign mutual corporation or miscellaneous corporation, or a governmental or quasi-governmental organization. The term includes, but is not limited to, foreign corporations, limited partnerships, general partnerships, limited liability partnerships, limited liability companies, joint ventures, joint stock companies, business trusts, and profit unincorporated associations.
- (9) “Owner liability” means personal liability for a debt, obligation, or liability of an entity that is imposed on a person:
  - (a) Solely by reason of the person’s status as a shareholder or interest holder; or

- (b) By the articles of incorporation, bylaws, or an organic document under a provision of the organic law of an entity authorizing the articles of incorporation, bylaws, or an organic document to make one or more specified shareholders, members, or interest holders liable in their capacity as shareholders, members, or interest holders for all or specified debts, obligations, or liabilities of the entity.
- (10) “Private organic document” means any document, other than the public organic document, if any, that determines the internal governance of an other entity.
- (11) “Public organic document” means the document, if any, that is filed of public record to create an other entity, including amendments and re-statements thereof.
- (12) “Surviving entity” means the domestic corporation or other entity that is in existence immediately after consummation of an entity conversion pursuant to this chapter.

**RCW 23B.09.010: Entity conversion.**

- (1) A domestic corporation may become an other entity pursuant to a plan of entity conversion if the entity conversion is permitted by the organic law of the other entity by:
  - (a) Complying with RCW 23B.09.030; and
  - (b) Filing articles of entity conversion with the secretary of state.
- (2) An other entity may become a domestic corporation if the entity conversion is permitted by the organic law of the other entity by:
  - (a) Complying with the procedures for the approval of an entity conversion provided in the organic law of the other entity; and
  - (b) Filing articles of entity conversion with the secretary of state.

**RCW 23B.09.020: Plan of entity conversion.**

A plan of entity conversion must be in a record and must include:

- (1) The name of the domestic corporation before conversion;
- (2) The name and form of the surviving entity after conversion;

- (3) The terms and conditions of the conversion, including the manner and basis for converting interests in the domestic corporation into any combination of the interests, shares, obligations, or other securities of the surviving entity or any other entity or into cash or other property in whole or part; and
- (4) The organic documents of the surviving entity as they will be in effect immediately after consummation of the conversion.

**RCW 23B.09.030: Approval of a plan of entity conversion.**

In the case of an entity conversion of a domestic corporation to an other entity:

- (1) The plan of entity conversion must be adopted by the board of directors of the converting entity and the shareholders entitled to vote must approve the plan.
- (2) After adopting a plan of entity conversion, the board of directors of the converting entity must submit the plan of entity conversion for approval by its shareholders.
- (3) The board of directors must recommend the plan of entity conversion to the shareholders, unless (a) the board of directors makes a determination that because of conflicts of interest or other special circumstances it should not make such a recommendation; or (b) RCW 23B.08.245 applies, and in either case the board of directors communicates the basis for so proceeding to the shareholders.
- (4) The board of directors may condition its submission of the plan of entity conversion on any basis, including the affirmative vote of holders of a specified percentage of shares held by any group of shareholders not otherwise entitled to vote as a separate voting group on the plan of entity conversion.
- (5) In the case of an entity conversion of a domestic corporation to a foreign corporation, in addition to any other voting conditions imposed by the board of directors acting pursuant to subsection (4) of this section, approval of the plan of entity conversion requires the affirmative vote of shareholders that would be required to approve a plan of merger under RCW 23B.11.030, and of each other voting group entitled under RCW 23B.11.035 or the articles of incorporation to vote separately on a plan of merger. Separate voting by additional voting groups is required on a plan of entity conversion if such voting group or groups would be entitled to vote on a plan of merger under the circumstances described in RCW 23B.11.035. The articles of incorporation may require a greater or lesser vote to approve a plan of entity conversion than that provided in this subsection, or a greater or lesser vote by separate voting groups, so long

as the required vote is not less than a majority of all the votes entitled to be cast on the plan of entity conversion and of each other voting group entitled to vote separately on the plan.

- (6) In the case of an entity conversion of a domestic corporation to an other entity that is not a foreign corporation, approval of the plan of entity conversion requires the approval of all shareholders of the domestic corporation, whether or not entitled to vote under this title or the articles of incorporation.
- (7) If as a result of the conversion one or more shareholders of the domestic corporation would become subject to owner liability for the debts, obligations, or liabilities of any other person or entity, in addition to the approval requirements under subsections (5) and (6) of this section, approval of the plan of entity conversion must also require each such shareholder to execute a separate record consenting to become subject to such owner liability.
- (8) If the approval of the shareholders is to be given at a meeting, the domestic corporation must notify each shareholder, whether or not entitled to vote, of the proposed meeting of shareholders at which the plan of entity conversion is to be submitted for approval in accordance with RCW 23B.07.050. The notice must state that the purpose, or one of the purposes, of the meeting is to consider the plan of entity conversion and must contain or be accompanied by a copy or summary of the plan of entity conversion. The notice must include or be accompanied by a copy of the organic documents of the surviving entity as they will be in effect immediately after the conversion.
- (9) If any provision of the articles of incorporation, bylaws, or an agreement to which any of the directors or shareholders of the domestic corporation are parties, adopted, or entered into before June 12, 2014, applies to a merger of the domestic corporation, other than a provision that limits or eliminates voting or dissenters' rights, and the document does not refer to an entity conversion of the domestic corporation, the provision is deemed to apply to an entity conversion of the domestic corporation until the provision is subsequently amended.

**RCW 23B.09.040: Articles of entity conversion.**

- (1) After a plan of entity conversion by a domestic corporation converting into an other entity has been adopted and approved as required by this chapter, articles of entity conversion must be signed on behalf of the domestic corporation by any officer or other duly authorized representative and must be delivered to the secretary of state for filing.

- (2) After the conversion of an other entity into a domestic corporation has been adopted and approved as required by the organic law of the converting entity, articles of entity conversion must be signed on behalf of the converting entity by any officer or other duly authorized representative and must be delivered to the secretary of state for filing.
- (3) The articles of entity conversion must set forth:
  - (a) A statement that the converting entity has been converted into the surviving entity;
  - (b) The name and form of the converting entity before conversion;
  - (c) The name and form of the surviving entity after conversion, which must be a name that satisfies the requirements of RCW 23B.04.010 if the surviving entity after conversion is a domestic corporation;
  - (d) Articles of incorporation that comply with RCW 23B.02.020 if the surviving entity after conversion is a domestic corporation;
  - (e) The date the conversion is effective under the organic law of the surviving entity;
  - (f) If the converting entity is a domestic corporation, a statement that the conversion was duly approved by the shareholders of the domestic corporation pursuant to RCW 23B.09.030;
  - (g) If the converting entity is an other entity, a statement that the conversion was duly approved as required by the organic law of the converting entity; and
  - (h) If the surviving entity is a foreign other entity not authorized to transact business in this state: (i) A statement that the surviving entity appoints the secretary of state as its agent for service of process in a proceeding to enforce any obligation or the rights of dissenting shareholders of the domestic corporation; and (ii) the street and mailing address of an office which the secretary of state may use for the purposes of RCW 23B.15.100.
- (4) The articles of entity conversion take effect at the effective time provided in RCW 23B.01.230. Articles of entity conversion under subsection (1) or (2) of this section may be combined with any required conversion filing under the organic law of the other entity if the combined filing satisfies the requirements of both this section and the organic law of the other entity.

**RCW 23B.09.050: Effect of entity conversion.**

- (1) An entity that has been converted pursuant to this chapter is, for all purposes of the laws of the state of Washington, deemed to be the same entity that existed before the conversion and, unless otherwise agreed or as required under applicable non-Washington law, the converting entity is not required to wind up its affairs or pay its liabilities and distribute its assets, and the conversion is not deemed to constitute a dissolution of the converting entity.
- (2) When any conversion becomes effective under this chapter:
  - (a) The title to all real estate and other property, both tangible and intangible, owned by the converting entity remains vested in the surviving entity without reversion or impairment;
  - (b) All rights of creditors and all liens upon any property of the converting entity must be preserved unimpaired, and all debts, liabilities, and other obligations of the converting entity continue as obligations of the surviving entity, remain attached to the surviving entity, and may be enforced against it to the same extent as if the debts, liabilities, and other obligations had originally been incurred or contracted by it in its capacity as the surviving entity;
  - (c) An action or proceeding pending by or against the converting entity may be continued by or against the surviving entity as if the conversion had not occurred;
  - (d) Except as prohibited by other law, all of the rights, privileges, immunities, powers, and purposes of the converting entity remain vested in the surviving entity; and
  - (e) Except as otherwise provided in the plan of entity conversion, the terms and conditions of the plan of entity conversion take effect.
- (3) When a conversion of a domestic corporation to a foreign other entity becomes effective, the surviving entity is deemed:
  - (a) To consent to the jurisdiction of the courts of this state to enforce any obligation owed by the converting entity, if before the conversion the converting entity was subject to suit in this state on the obligation;
  - (b) To appoint the secretary of state as its agent for service of process in a proceeding to enforce any obligation or the rights of dissenting shareholders of the domestic corporation in connection with the conversion; and

- (c) To agree that it will promptly pay to the dissenting shareholders of the domestic corporation the amount, if any, to which they are entitled under chapter 23B.13 RCW.
- (4) Service of process on the secretary of state under this section is made in the same manner and with the same consequences as in RCW 23B.15.100.

**RCW 23B.09.060: Abandonment of entity conversion.**

- (1) Unless otherwise provided in a plan of entity conversion of a domestic corporation, after the plan of entity conversion has been adopted and approved as required by this chapter, and at any time before the articles of entity conversion have become effective, the planned conversion may be abandoned by the board of directors without action by the shareholders.
- (2) If any entity conversion is abandoned after articles of entity conversion have been filed with the secretary of state but before the entity conversion has become effective, a statement that the entity conversion has been abandoned in accordance with this section, signed by an officer or other duly authorized representative, must be delivered to the secretary of state for filing prior to the effective date of the entity conversion. Upon filing, the statement takes effect and the entity conversion is deemed abandoned and may not become effective.

**Chapter 23B.10 RCW: AMENDMENT OF ARTICLES OF INCORPORATION AND BYLAWS**

**RCW Chapter Sections**

- 23B.10.010 Authority to amend articles of incorporation.
- 23B.10.012 Certificate of authority as insurance company – Filing of records.
- 23B.10.020 Amendment of articles of incorporation by board of directors.
- 23B.10.030 Amendment of articles of incorporation by board of directors and shareholders.
- 23B.10.040 Voting on amendments to articles of incorporation by voting groups.
- 23B.10.050 Amendment of articles of incorporation before issuance of shares.
- 23B.10.060 Articles of amendment.
- 23B.10.070 Restated articles of incorporation.
- 23B.10.080 Amendment of articles of incorporation pursuant to reorganization.

- 23B.10.090 Effect of amendment of articles of incorporation.
- 23B.10.200 Amendment of bylaws by board of directors or shareholders.
- 23B.10.205 Amendment of bylaws – Election of directors.
- 23B.10.210 Bylaw increasing quorum or voting requirements for directors.

**RCW 23B.10.010: Authority to amend articles of incorporation.**

- (1) A corporation may amend its articles of incorporation at any time to add or change a provision that is required or permitted in the articles of incorporation or to delete a provision not required in the articles of incorporation. Whether a provision is required or permitted in the articles of incorporation is determined as of the effective date of the amendment.
- (2) A shareholder of the corporation does not have a vested property right resulting from any provision in the articles of incorporation, including provisions relating to management, control, capital structure, dividend entitlement, or purpose or duration of the corporation.

**RCW 23B.10.012: Certificate of authority as insurance company – Filing of records.**

For those corporations that have a certificate of authority, are applying for, or intend to apply for a certificate of authority from the insurance commissioner as an insurance company under chapter [48.05](#) RCW, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the insurance commissioner rather than the secretary of state.

**RCW 23B.10.020: Amendment of articles of incorporation by board of directors.**

Unless the articles of incorporation provide otherwise, a corporation's board of directors may adopt one or more amendments to the corporation's articles of incorporation without shareholder approval:

- (1) If the corporation has only one class of shares outstanding, to provide, change, or eliminate any provision with respect to the par value of any class of shares;
- (2) To delete the names and addresses of the initial directors;
- (3) To delete the name and address of the initial registered agent or registered office, if a statement of change is on file with the secretary of state;
- (4) If the corporation has only one class of shares outstanding, solely to:



- (a) Effect a forward split of, or change the number of authorized shares of that class in proportion to a forward split of, or stock dividend in, the corporation's outstanding shares; or
- (b) Effect a reverse split of the corporation's outstanding shares and the number of authorized shares of that class in the same proportions;
- (5) To change the corporate name; or
- (6) To make any other change expressly permitted by this title to be made without shareholder approval.

**RCW 23B.10.030: Amendment of articles of incorporation by board of directors and shareholders.**

- (1) A corporation's board of directors may propose one or more amendments to the articles of incorporation for submission to the shareholders.
- (2) For the amendment to be adopted:
  - (a) The board of directors must recommend the amendment 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) The shareholders entitled to vote on the amendment must approve the amendment as provided in subsection (5) of this section.
- (3) The board of directors may condition its submission of the proposed amendment 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 amendment.
- (4) The corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting in accordance with RCW 23B.07.050. The notice of meeting must also state that the purpose, or one of the purposes, of the meeting is to consider the proposed amendment and contain or be accompanied by a copy of the amendment.
- (5) In addition to any other voting conditions imposed by the board of directors under subsection (3) of this section, the amendment to be adopted must be approved by two-thirds, or, in the case of a public company, a majority, of the voting group comprising all the votes entitled to be cast on the proposed amendment, and of each other voting group entitled under RCW 23B.10.040 or the articles of incorporation to vote separately

on the proposed amendment. The articles of incorporation may require a greater vote than that provided for in this subsection. The articles of incorporation of a corporation other than a public company may require a lesser vote than that provided for in this subsection, or may require a lesser vote by separate voting groups, so long as the required vote is not less than a majority of all the votes entitled to be cast on the proposed amendment and of each other voting group entitled to vote separately on the proposed amendment. Separate voting by additional voting groups is required on a proposed amendment under the circumstances described in RCW 23B.10.040.

**RCW 23B.10.040: Voting on amendments to articles of incorporation by voting groups.**

- (1) Except as otherwise required by subsection (3) of this section or otherwise permitted by subsection (4) of this section, the holders of the outstanding shares of a class or series are entitled to vote as a separate voting group on a proposed amendment if shareholder voting is otherwise required by this title and if the amendment would:
  - (a) Increase the aggregate number of authorized shares of the class or series;
  - (b) Effect an exchange or reclassification of all or part of the issued and outstanding shares of the class or series into shares of another class or series, thereby adversely affecting the holders of the shares so exchanged or reclassified;
  - (c) Change the rights, preferences, or limitations of all or part of the issued and outstanding shares of the class or series, thereby adversely affecting the holders of shares of the class or series;
  - (d) Change all or part of the issued and outstanding shares of the class or series into a different number of shares of the same class or series, thereby adversely affecting the holders of shares of the class or series;
  - (e) Create a new class or series of shares having rights or preferences with respect to distributions or to dissolution that are, or upon designation by the board of directors in accordance with RCW 23B.06.020 may be, prior, superior, or substantially equal to the shares of the class or series;
  - (f) Increase the rights or preferences with respect to distributions or to dissolution, or the number of authorized shares of any class or series that, after giving effect to the amendment, has rights or preferences with respect to distributions or to dissolution that are, or upon designation by the board of directors in accordance with RCW 23B.06.020 may be, prior, superior, or substantially equal to the shares of the class or series;

- (g) Limit or deny an existing preemptive right of all or part of the shares of the class or series;
  - (h) Cancel or otherwise adversely affect rights to distributions or dividends that have accumulated but not yet been declared on all or part of the shares of the class or series; or
  - (i) Effect a redemption or cancellation of all or part of the shares of the class or series in exchange for cash or any other form of consideration other than shares of the corporation.
- (2) If a proposed amendment would affect only a series of a class of shares in one or more of the ways described in subsection (1) of this section, only the shares of that series are entitled to vote as a separate voting group on the proposed amendment. A voting group entitled to vote separately under this section may never comprise a group of holders smaller than the holders of a single class or series authorized and designated as a class or series in the articles of incorporation, unless otherwise provided in the articles of incorporation or unless the board of directors conditions its submission of the proposed amendment on a separate vote by one or more smaller voting groups.
  - (3) If a proposed amendment, that would otherwise entitle two or more classes or series of shares to vote as separate voting groups under this section, would affect those two or more classes or series in the same or a substantially similar way, then instead of voting as separate voting groups the shares of all similarly affected classes or series shall vote together as a single voting group on the proposed amendment, unless otherwise provided in the articles of incorporation or unless the board of directors conditions its submission of the proposed amendment on a separate vote by one or more classes or series.
  - (4) A class or series of shares is entitled to the voting group rights granted by this section although the articles of incorporation generally describe the shares of the class or series as nonvoting shares. The articles of incorporation may, however, limit or deny the voting group rights granted by subsection (1)(a), (e), or (f) of this section as to any class or series of issued or unissued shares, by means of a provision that makes explicit reference to the limitation or denial of voting group rights that would otherwise apply under subsection (1)(a), (e), or (f) of this section.

**RCW 23B.10.050: Amendment of articles of incorporation before issuance of shares.**

If a corporation has not yet issued shares, its board of directors, or incorporators if initial directors were not named in the articles of incorporation and have not

been elected, may adopt one or more amendments to the corporation's articles of incorporation.

**RCW 23B.10.060: Articles of amendment.**

A corporation amending its articles of incorporation shall deliver to the secretary of state for filing articles of amendment setting forth:

- (1) The name of the corporation;
- (2) The text of each amendment adopted;
- (3) If an amendment provides for an exchange, reclassification, or cancellation of issued shares, provisions for implementing the amendment if not contained in the amendment itself;
- (4) The date of each amendment's adoption;
- (5) If an amendment was adopted by the incorporators or board of directors without shareholder approval, a statement to that effect and that shareholder approval was not required; and
- (6) If shareholder approval was required, a statement that the amendment was duly approved by the shareholders in accordance with the provisions of RCW 23B.10.030 and 23B.10.040.

**RCW 23B.10.070: Restated articles of incorporation.**

- (1) Any officer of the corporation may restate its articles of incorporation at any time.
- (2) A restatement may include one or more amendments to the articles of incorporation. If the restatement includes an amendment not requiring shareholder approval, it must be adopted by the board of directors. If the restatement includes an amendment requiring shareholder approval, it must be adopted in accordance with RCW 23B.10.030.
- (3) If the board of directors submits a restatement for shareholder approval, the corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting 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 proposed restatement and contain or be accompanied by a copy of the restatement that identifies any amendment or other change it would make in the articles of incorporation.

- (4) A corporation restating its articles of incorporation shall deliver to the secretary of state for filing articles of restatement setting forth the name of the corporation and the text of the restated articles of incorporation together with a certificate setting forth:
  - (a) If the restatement does not include an amendment to the articles of incorporation, a statement to that effect;
  - (b) If the restatement contains an amendment to the articles of incorporation not requiring shareholder approval, a statement that the board of directors adopted the restatement and the date of such adoption;
  - (c) If the restatement contains an amendment to the articles of incorporation requiring shareholder approval, the information required by RCW 23B.10.060; and
  - (d) Both the articles of restatement and the certificate must be executed.
- (5) Duly adopted restated articles of incorporation supersede the original articles of incorporation and all amendments to them.
- (6) The secretary of state may certify restated articles of incorporation, as the articles of incorporation currently in effect, without including the certificate information required by subsection (4) of this section.

**RCW 23B.10.080: Amendment of articles of incorporation pursuant to reorganization.**

- (1) A corporation's articles of incorporation may be amended without approval by the board of directors or shareholders to carry out a plan of reorganization ordered or decreed by a court of competent jurisdiction under federal statute if the articles of incorporation after amendment contain only provisions required or permitted by RCW 23B.02.020.
- (2) The individual or individuals designated by the court shall deliver to the secretary of state for filing articles of amendment setting forth:
  - (a) The name of the corporation;
  - (b) The text of each amendment approved by the court;
  - (c) The date of the court's order or decree approving the articles of amendment;
  - (d) The title of the reorganization proceeding in which the order or decree was entered; and

- (e) A statement that the court had jurisdiction of the proceeding under federal statute.
- (3) Shareholders of a corporation undergoing reorganization do not have dissenters' rights except as and to the extent provided in the reorganization plan.
- (4) This section does not apply after entry of a final decree in the reorganization proceeding even though the court retains jurisdiction of the proceeding for limited purposes unrelated to consummation of the reorganization plan.

**RCW 23B.10.090: Effect of amendment of articles of incorporation.**

An amendment to articles of incorporation does not affect a cause of action existing against or in favor of the corporation, a proceeding to which the corporation is a party, or the existing rights of persons other than shareholders of the corporation. An amendment changing a corporation's name does not abate a proceeding brought by or against the corporation in its former name.

**RCW 23B.10.200: Amendment of bylaws by board of directors or shareholders.**

- (1) A corporation's board of directors, subject to the limitations set forth in RCW 23B.02.060(4), may amend or repeal the corporation's bylaws, or adopt new bylaws, except to the extent that:
  - (a) This power is reserved exclusively to the shareholders pursuant to the articles of incorporation or a shareholders' agreement authorized by RCW 23B.07.320, or pursuant to RCW 23B.10.205, 23B.10.210, or any other provision of this title; or
  - (b) The shareholders, in amending, repealing, or adopting a particular bylaw under subsection (2) of this section, provide expressly that the board of directors may not amend or repeal that bylaw.
- (2) A corporation's shareholders, subject to the limitations set forth in RCW 23B.02.060(4), may amend or repeal the corporation's bylaws, or adopt new bylaws, even though the bylaws may also be amended or repealed, or new bylaws may also be adopted, by its board of directors.

**RCW 23B.10.205: Amendment of bylaws – Election of directors.**

- (1) Unless the articles of incorporation specifically prohibit the adoption of a bylaw pursuant to this section, alter the vote specified in RCW 23B.07.280(2), or allow for or do not exclude cumulative voting, a public company may elect in its bylaws to be governed in the election of directors as follows:
  - (a) Each vote entitled to be cast may be voted for, voted against, or withheld for one or more candidates up to that number of candidates that is equal to the number of directors to be elected but without cumulating the votes, or a shareholder may indicate an abstention for one or more candidates;
  - (b) To be elected, a candidate must have received the number, percentage, or level of votes specified in the bylaws; provided that holders of shares entitled to vote in the election and constituting a quorum are present at the meeting. Except in a contested election as provided in (e) of this subsection, a candidate who does not receive the number, percentage, or level of votes specified in the bylaws but who was a director at the time of the election shall continue to serve as a director for a term that shall terminate on the date that is the earlier of (i) the date specified in the bylaw, but not longer than ninety days from the date on which the voting results are determined pursuant to RCW 23B.07.035(2), or (ii) the date on which an individual is selected by the board of directors to fill the office held by such director, which selection shall be deemed to constitute the filling of a vacancy by the board to which RCW 23B.08.100 applies;
  - (c) A bylaw adopted pursuant to this section may provide that votes cast against and/or withheld as to a candidate are to be taken into account in determining whether the number, percentage, or level of votes required for election has been received. Unless the bylaw specifies otherwise, only votes cast are to be taken into account and a ballot marked “withheld” in respect to a share is deemed to be a vote cast. Unless the bylaws specify otherwise, shares otherwise present at the meeting but for which there is an abstention or as to which no authority or direction to vote in the election is given or specified, are not deemed to be votes cast in the election;
  - (d) The board of directors may select any qualified individual to fill the office held by a director who did not receive the specified vote for election referenced in (b) of this subsection; and
  - (e) Unless the bylaw specifies otherwise, a bylaw adopted pursuant to this subsection (1) shall not apply to an election of directors by a voting group if (i) at the expiration of the time fixed under a provision requiring advance notification of director candidates, or (ii) absent such a provision, at a time fixed by the board of directors which is not more than fourteen days before

notice is given of the meeting at which the election is to occur, there are more candidates for election by the voting group than the number of directors to be elected, one or more of whom are properly proposed by shareholders. An individual shall not be considered a candidate for purposes of this subsection (1)(e) if the board of directors determines before the notice of meeting is given that such individual's candidacy does not create a bona fide election contest.

- (2) A bylaw containing an election to be governed by this section may be repealed or amended:
  - (a) If originally adopted by the shareholders, only by the shareholders, unless the bylaw otherwise provides; or
  - (b) If adopted by the board of directors, by the board of directors or the shareholders.

**RCW 23B.10.210: Bylaw increasing quorum or voting requirements for directors.**

- (1) A bylaw that fixes a greater quorum or voting requirement for the board of directors may be amended or repealed:
  - (a) If originally adopted by the shareholders, only by the shareholders; or
  - (b) If originally adopted by the board of directors, either by the shareholders or by the board of directors.
- (2) A bylaw adopted or amended by the shareholders that fixes a greater quorum or voting requirement for the board of directors may provide that it may be amended or repealed only by a specified vote of either the shareholders or the board of directors.
- (3) If the corporation is a public company, approval by the board of directors under subsection (1)(b) of this section to adopt or amend a bylaw that changes the quorum or voting requirement for the board of directors must meet the quorum requirement and be approved by the vote required for approval under the quorum and voting requirement then in effect.
- (4) If the corporation is not a public company, approval by the board of directors under subsection (1)(b) of this section to adopt or amend a bylaw that changes the quorum or voting requirement for the board of directors must meet the same quorum requirement and be approved by the same vote required for approval under the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.



## Chapter 23B.11 RCW: MERGER AND SHARE EXCHANGE

### RCW Chapter Sections

- 23B.11.010 Merger.
- 23B.11.020 Share exchange.
- 23B.11.030 Approval of plan of merger or share exchange.
- 23B.11.035 Plan of merger or share exchange – Separate voting group.
- 23B.11.040 Merger of subsidiary.
- 23B.11.050 Articles of merger or share exchange.
- 23B.11.060 Effect of merger or share exchange.
- 23B.11.070 Merger or share exchange with foreign corporation.
- 23B.11.080 Merger.
- 23B.11.090 Articles of merger.
- 23B.11.100 Merger – Corporation is surviving entity.
- 23B.11.110 Merger with foreign and domestic entities – Effect.

### **RCW 23B.11.010: Merger.**

- (1) One or more corporations may merge into another corporation if the board of directors of each corporation adopts and its shareholders, if required by RCW 23B.11.030, approve a plan of merger.
- (2) The plan of merger must set forth:
  - (a) The name of each corporation planning to merge and the name of the surviving corporation into which each other corporation plans to merge;
  - (b) The terms and conditions of the merger; and
  - (c) The manner and basis of converting the shares of each corporation into shares, obligations, or other securities of the surviving or any other corporation or into cash or other property in whole or part.
- (3) The plan of merger may set forth:
  - (a) Amendments to the articles of incorporation of the surviving corporation; and
  - (b) Other provisions relating to the merger.

**RCW 23B.11.020: Share exchange.**

- (1) A corporation may acquire all of the outstanding shares of one or more classes or series of another corporation if the board of directors of each corporation adopts and its shareholders, if required by RCW 23B.11.030, approve the exchange.
- (2) The plan of exchange must set forth:
  - (a) The name of the corporation whose shares will be acquired and the name of the acquiring corporation;
  - (b) The terms and conditions of the exchange;
  - (c) The manner and basis of exchanging the shares to be acquired for shares, obligations, or other securities of the acquiring or any other corporation or for cash or other property in whole or part.
- (3) The plan of exchange may set forth other provisions relating to the exchange.
- (4) This section does not limit the power of a corporation to acquire all or part of the shares of one or more classes or series of another corporation through a voluntary exchange or otherwise.

**RCW 23B.11.030: Approval of plan of merger or share exchange.**

- (1) After adopting a plan of merger or share exchange, the board of directors of each corporation party to the merger, and the board of directors of the corporation whose shares will be acquired in the share exchange, shall submit the plan of merger, except as provided in subsection (7) of this section, or share exchange for approval by its shareholders.
- (2) For a plan of merger or share exchange to be approved:
  - (a) The board of directors must recommend the plan of merger or share exchange 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) The shareholders entitled to vote must approve the plan, except as provided in subsection (7) of this section.

- (3) The board of directors may condition its submission of the proposed plan of merger or share exchange 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 plan of merger or share exchange.
- (4) The corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting 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 plan of merger or share exchange and must contain or be accompanied by a copy or summary of the plan.
- (5) In addition to any other voting conditions imposed by the board of directors under subsection (3) of this section, the plan of merger must be approved by two-thirds of the voting group comprising all the votes entitled to be cast on the plan, and of each other voting group entitled under RCW 23B.11.035 or the articles of incorporation to vote separately on the plan, unless shareholder approval is not required under subsection (7) of this section. The articles of incorporation may require a greater or lesser vote than that provided in this subsection, or a greater or lesser vote by separate voting groups, so long as the required vote is not less than a majority of all the votes entitled to be cast on the plan of merger and of each other voting group entitled to vote separately on the plan. Separate voting by additional voting groups is required on a plan of merger under the circumstances described in RCW 23B.11.035.
- (6) In addition to any other voting conditions imposed by the board of directors under subsection (3) of this section, the plan of share exchange must be approved by two-thirds of the voting group comprising all the votes entitled to be cast on the plan, and of each other voting group entitled under RCW 23B.11.035 or the articles of incorporation to vote separately on the plan. The articles of incorporation may require a greater or lesser vote than that provided in this subsection, or a greater or lesser vote by separate voting groups, so long as the required vote is not less than a majority of all the votes entitled to be cast on the plan of share exchange and of each other voting group entitled to vote separately on the plan. Separate voting by additional voting groups is required on a plan of share exchange under the circumstances described in RCW 23B.11.035.
- (7) Approval by the shareholders of the surviving corporation on a plan of merger is not required if:
  - (a) The articles of incorporation of the surviving corporation will not differ, except for amendments enumerated in RCW 23B.10.020, from its articles of incorporation before the merger;

- (b) Each shareholder of the surviving corporation whose shares were outstanding immediately before the effective date of the merger will hold the same number of shares, with identical designations, preferences, limitations, and relative rights, immediately after the merger;
  - (c) The number of voting shares outstanding immediately after the merger, plus the number of voting shares issuable as a result of the merger, either by the conversion of securities issued pursuant to the merger or the exercise of rights and warrants issued pursuant to the merger, will not exceed the total number of voting shares of the surviving corporation authorized by its articles of incorporation immediately before the merger; and
  - (d) The number of participating shares outstanding immediately after the merger, plus the number of participating shares issuable as a result of the merger, either by the conversion of securities issued pursuant to the merger or the exercise of rights and warrants issued pursuant to the merger, will not exceed the total number of participating shares authorized by its articles of incorporation immediately before the merger.
- (8) As used in subsection (7) of this section:
- (a) “Participating shares” means shares that entitle their holders to participate without limitation in distributions.
  - (b) “Voting shares” means shares that entitle their holders to vote unconditionally in elections of directors.
- (9) After a merger or share exchange is approved, and at any time before articles of merger or share exchange are filed, the planned merger or share exchange may be abandoned, subject to any contractual rights, without further shareholder approval, in accordance with the procedure set forth in the plan of merger or share exchange or, if none is set forth, in the manner determined by the board of directors.

**RCW 23B.11.035: Plan of merger or share exchange – Separate voting group.**

- (1) Except as otherwise required by subsection (3) of this section or otherwise permitted by subsection (4) of this section, the holders of the outstanding shares of a class or series are entitled to vote as a separate voting group on a proposed plan of merger or plan of share exchange if shareholder voting is otherwise required by this title and if, as a result of the proposed plan, holders of part or all of the class or series would hold or receive:

- (a) Shares of any class or series of the surviving or acquiring corporation, or of any parent corporation of the surviving corporation, and either (i) that class or series has a greater number of authorized shares than the class or series held by the holders prior to the merger or share exchange, or (ii) the proposed plan effects a change in the number of shares held by the holders, or in the rights, preferences, or limitations of the shares they hold, or in the class or series of shares they hold, and such change adversely affects the holders;
  - (b) Shares of any class or series of the surviving or acquiring corporation, or of any parent corporation of the surviving corporation, and the holders who hold or receive shares of that class or series are adversely affected under the proposed plan, as compared to their circumstances prior to the proposed merger or share exchange, by the creation, existence, number of authorized shares, or rights or preferences with respect to distributions or to dissolution, of another class or series of shares of the surviving, acquiring, or parent corporation having rights or preferences with respect to distributions or to dissolution that are, or upon designation by the surviving, acquiring, or parent corporation's board of directors may be, prior, superior, or substantially equal to the shares of the class or series held or to be received by the holders in the proposed merger or share exchange; or
  - (c) Cash or any other form of consideration other than shares of the surviving or acquiring corporation or of any parent corporation of the surviving corporation, received upon redemption or cancellation of all or part of their shares pursuant to the proposed plan of merger or share exchange.
- (2) If a proposed plan of merger or share exchange would affect only a series of a class of shares in one or more of the ways described in subsection (1) of this section, only the shares of that series are entitled to vote as a separate voting group on the proposed plan. A voting group entitled to vote separately under this section may never comprise a group of holders smaller than the holders of a single class or series authorized and designated as a class or series in the articles of incorporation, unless otherwise provided in the articles of incorporation or unless the board of directors conditions its submission of the proposed plan on a separate vote by one or more smaller voting groups.
- (3) If a proposed plan of merger or share exchange, that would otherwise entitle two or more classes or series of shares to vote as separate voting groups under this section, would affect those two or more classes or series in the same or a substantially similar way, then instead of voting as separate voting groups, the shares of all similarly affected classes or series shall vote together as a single voting group on the proposed plan of merger or share exchange, unless otherwise provided in the articles of incorporation or unless the board of directors conditions its submission of the proposed

plan on a separate vote by one or more classes or series. Holders of shares of two or more classes or series of shares who will, under a proposed plan, receive the same type of consideration in the form of shares of the surviving or acquiring corporation or of any parent corporation of the surviving corporation, cash or other form of consideration, or the same combination thereof, but in differing amounts resulting solely from application of provisions in the corporation's articles of incorporation governing distribution of consideration received in a merger or share exchange, are affected in the same or a substantially similar way and are not, by reason of receiving the same types or differing amounts of consideration, entitled to vote as separate voting groups on the proposed plan, unless the articles of incorporation expressly require otherwise or the board of directors conditions its submission of the proposed plan on a separate vote by one or more classes or series.

- (4) A class or series of shares is entitled to the voting group rights granted by this section although the articles of incorporation generally describe the shares of the class or series as nonvoting shares. The articles of incorporation may, however, limit or deny the voting group rights granted by this section as to any class or series of issued or unissued shares, by means of a provision that makes explicit reference to the limitation or denial of voting group rights that would otherwise apply under this section.

**RCW 23B.11.040: Merger of subsidiary.**

- (1) A parent corporation owning at least ninety percent of the outstanding shares of each class of a subsidiary corporation may merge the subsidiary into itself without approval of the shareholders of the parent or subsidiary.
- (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 into shares, obligations, or other securities of the parent 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 shall deliver a notice to each shareholder of the subsidiary, which notice shall 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.

**RCW 23B.11.050: Articles of merger or share exchange.**

After a plan of merger or share exchange is approved by the shareholders, or adopted by the board of directors if shareholder approval is not required, the surviving or acquiring corporation shall deliver to the secretary of state for filing articles of merger or share exchange setting forth:

- (1) The plan of merger or share exchange;
- (2) If shareholder approval was not required, a statement to that effect; or
- (3) If approval of the shareholders of one or more corporations party to the merger or share exchange was required, a statement that the merger or share exchange was duly approved by the shareholders pursuant to RCW 23B.11.030.

**RCW 23B.11.060: Effect of merger or share exchange.**

- (1) When a merger takes effect:
  - (a) Every other corporation party to the merger merges into the surviving corporation and the separate existence of every corporation except the surviving corporation ceases;
  - (b) The title to all real estate and other property owned by each corporation party to the merger is vested in the surviving corporation without reversion or impairment;
  - (c) The surviving corporation has all liabilities of each corporation party to the merger;
  - (d) A proceeding pending against any corporation party to the merger may be continued as if the merger did not occur or the surviving corporation may be substituted in the proceeding for the corporation whose existence ceased;
  - (e) The articles of incorporation of the surviving corporation are amended to the extent provided in the plan of merger; and
  - (f) The former holders of the shares of every corporation party to the merger are entitled only to the rights provided in the articles of merger or to their rights under chapter 23B.13 RCW.
- (2) When a share exchange takes effect, the shares of each acquired corporation are exchanged as provided in the plan, and the former holders of the shares are entitled only to the exchange rights provided in the articles of share exchange or to their rights under chapter 23B.13 RCW.

**RCW 23B.11.070: Merger or share exchange with foreign corporation.**

- (1) One or more foreign corporations may merge or enter into a share exchange with one or more domestic corporations if:
  - (a) In a merger, the merger is permitted by the law of the state or country under whose law each foreign corporation is incorporated and each foreign corporation complies with that law in effecting the merger;
  - (b) In a share exchange, the corporation whose shares will be acquired is a domestic corporation, whether or not a share exchange is permitted by the law of the state or country under whose law the acquiring corporation is incorporated;
  - (c) The foreign corporation complies with RCW 23B.11.050 if it is the surviving corporation of the merger or acquiring corporation of the share exchange; and
  - (d) Each domestic corporation complies with the applicable provisions of RCW 23B.11.010 through 23B.11.040 and, if it is the surviving corporation of the merger or acquiring corporation of the share exchange, with RCW 23B.11.050.
- (2) Upon the merger or share exchange taking effect, the surviving foreign corporation of a merger and the acquiring foreign corporation of a share exchange is deemed:
  - (a) To appoint the secretary of state as its agent for service of process in a proceeding to enforce any obligation or the rights of dissenting shareholders of each domestic corporation party to the merger or share exchange; and
  - (b) To agree that it will promptly pay to the dissenting shareholders of each domestic corporation party to the merger or share exchange the amount, if any, to which they are entitled under chapter 23B.13 RCW.
- (3) This section does not limit the power of a foreign corporation to acquire all or part of the shares of one or more classes or series of a domestic corporation through a voluntary exchange or otherwise.

**RCW 23B.11.080: Merger.**

- (1) One or more domestic corporations may merge with one or more limited liability companies, partnerships, or limited partnerships if:



- (a) The board of directors of each corporation adopts and the shareholders of each corporation approve, if approval would be necessary, the plan of merger as required by RCW 23B.11.030;
  - (b) The partners of each limited partnership approve the plan of merger as required by RCW 25.10.781;
  - (c) The partners of each partnership approve the plan of merger as required by RCW 25.05.375; and
  - (d) The members of each limited liability company approve, if approval is necessary, the plan of merger as required by RCW 25.15.400.
- (2) The plan of merger must set forth:
- (a) The name of each limited liability company, partnership, corporation, and limited partnership planning to merge and the name of the surviving limited liability company, partnership, corporation, or limited partnership into which each other limited liability company, partnership, corporation, or limited partnership plans to merge;
  - (b) The terms and conditions of the merger; and
  - (c) The manner and basis of converting the shares of each corporation, the member interests of each limited liability company, and the partnership interests in each partnership and each limited partnership into shares, limited liability company member interests, partnership interests, obligations, or other securities of the surviving limited liability company, partnership, corporation, or limited partnership, or into cash or other property, including shares, obligations, or securities of any other limited liability company, partnership, or corporation, and partnership interests, obligations, or securities of any other limited partnership, in whole or in part.
- (3) The plan of merger may set forth:
- (a) Amendments to the articles of incorporation of the surviving corporation;
  - (b) Amendments to the certificate of limited partnership of the surviving limited partnership; and
  - (c) Other provisions relating to the merger.

#### Notes

- **Effective date – 2009 c 188:** “Sections 1401 through 1416 of this act take effect July 1, 2010.” [2009 c 188 § 1417.]

**RCW 23B.11.090: Articles of merger.**

After a plan of merger for one or more corporations and one or more limited partnerships, one or more partnerships, or one or more limited liability companies is approved by the shareholders of each corporation (or adopted by the board of directors of any corporation for which shareholder approval is not required), is approved by the partners for each limited partnership as required by RCW 25.10.781, is approved by the partners of each partnership as required by RCW 25.05.380, or is approved by the members of each limited liability company as required by RCW 25.15.400, the surviving entity must:

- (1) If the surviving entity is a corporation, file with the secretary of state articles of merger setting forth:
  - (a) The plan of merger;
  - (b) A statement that the merger was duly approved by the shareholders of each corporation pursuant to RCW 23B.11.030 (or a statement that shareholder approval was not required for a merging corporation); and
  - (c) A statement that the merger was duly approved by the partners of each limited partnership pursuant to RCW 25.10.781.
- (2) If the surviving entity is a limited partnership, comply with the requirements in RCW 25.10.786.
- (3) If the surviving entity is a partnership, comply with the requirements in RCW 25.05.380.
- (4) If the surviving entity is a limited liability company, comply with the requirements in RCW 25.15.405.

Notes

- **Effective date – 2009 c 188:** See note following RCW 23B.11.080.

**RCW 23B.11.100: Merger – Corporation is surviving entity.**

When a merger of one or more corporations, one or more limited partnerships, one or more partnerships, or one or more limited liability companies takes effect, and a corporation is the surviving entity:

- (1) Every other corporation, every limited partnership, every partnership, and every limited liability company party to the merger merges into the surviving corporation and the separate existence of every corporation except the surviving corporation, and every limited partnership, partnership, and limited liability company, ceases;

- (2) The title to all real estate and other property owned by each corporation, limited partnership, partnership, and limited liability company party to the merger is vested in the surviving corporation without reversion or impairment;
- (3) The surviving corporation has all the liabilities of each corporation, limited partnership, partnership, and limited liability company party to the merger;
- (4) A proceeding pending against any corporation, limited partnership, partnership, or limited liability company party to the merger may be continued as if the merger did not occur or the surviving corporation may be substituted in the proceeding for the corporation, limited partnership, partnership, or limited liability company whose existence ceased;
- (5) The articles of incorporation of the surviving corporation are amended to the extent provided in the plan of merger;
- (6) The former holders of the shares of every corporation party to the merger are entitled only to the rights provided in the plan of merger or to their rights under chapter 23B.13 RCW; and
- (7) The former holders of partnership interests of every limited partnership or partnership party to the merger and the former holders of member interests of every limited liability company party to the merger are entitled only to the rights provided in the plan of merger or to their rights under chapter 25.10 RCW.

**RCW 23B.11.110: Merger with foreign and domestic entities – Effect.**

- (1) One or more foreign limited partnerships, foreign corporations, foreign partnerships, and foreign limited liability companies may merge with one or more domestic partnerships, domestic limited liability companies, domestic limited partnerships, or domestic corporations, provided that:
  - (a) The merger is permitted by the law of the jurisdiction under which each foreign limited partnership was organized and the law of the state or country under which each foreign corporation was incorporated and each foreign limited partnership or foreign corporation complies with that law in effecting the merger;
  - (b) If the surviving entity is a foreign or domestic corporation, that corporation complies with RCW 23B.11.090;
  - (c) If the surviving entity is a foreign or domestic limited partnership, that limited partnership complies with RCW 25.10.786;
  - (d) Each domestic corporation complies with RCW 23B.11.080;

- (e) Each domestic limited partnership complies with RCW [25.10.781](#);
  - (f) Each domestic limited liability company complies with RCW [25.15.400](#); and
  - (g) Each domestic partnership complies with RCW [25.05.375](#).
- (2) Upon the merger taking effect, a surviving foreign corporation, foreign limited partnership, foreign limited liability corporation, or foreign partnership is deemed:
- (a) To appoint the secretary of state as its agent for service of process in a proceeding to enforce any obligation or the rights of dissenting shareholders or partners of each domestic corporation, domestic limited partnership, domestic limited liability company, or domestic partnership party to the merger; and
  - (b) To agree that it will promptly pay to the dissenting shareholders or partners of each domestic corporation, domestic limited partnership, domestic limited liability company, or domestic partnership party to the merger the amount, if any, to which they are entitled under chapter 23B.13 RCW, in the case of dissenting shareholders, or under chapter [25.10](#), [25.15](#), or [25.05](#) RCW, in the case of dissenting partners.

#### Notes

- **Effective date – 2009 c 188:** See note following RCW 23B.11.080.

## Chapter 23B.12 RCW: SALE OF ASSETS

### RCW Chapter Sections

- 23B.12.010 Sale of assets in usual course of business or for benefit of creditors.
- 23B.12.020 Sale of assets other than in the regular course of business.

### **RCW 23B.12.010: Sale of assets in usual course of business or 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 in the usual course of 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 whether or not any of these actions are in the usual course of 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 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 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 assets or the application of any assets or proceeds toward satisfaction of the claims of creditors.

#### Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

#### **RCW 23B.12.020: Sale of assets other than in the regular course of business.**

- (1) A corporation may sell, lease, exchange, or otherwise dispose of all, or substantially all, of its property, 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.
- (2) For a transaction to be approved:
  - (a) 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) 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) The corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting 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, the property 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. 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 approved, 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.

## **Chapter 23B.13 RCW: DISSENTERS' RIGHTS**

### **RCW Chapter Sections**

- 23B.13.010 Definitions.
- 23B.13.020 Right to dissent.
- 23B.13.030 Dissent by nominees and beneficial owners.
- 23B.13.200 Notice of dissenters' rights.
- 23B.13.210 Notice of intent to demand payment.
- 23B.13.220 Dissenters' rights – Notice.
- 23B.13.230 Duty to demand payment.
- 23B.13.240 Share restrictions.
- 23B.13.250 Payment.
- 23B.13.260 Failure to take corporate action.
- 23B.13.270 After-acquired shares.
- 23B.13.280 Procedure if shareholder dissatisfied with payment or offer.
- 23B.13.300 Court action.
- 23B.13.310 Court costs and counsel fees.

**RCW 23B.13.010: Definitions.**

As used in this chapter:

- (1) “Corporation” means the issuer of the shares held by a dissenter before the corporate action, or the surviving or acquiring corporation by merger or share exchange of that issuer.
- (2) “Dissenter” means a shareholder who is entitled to dissent from corporate action under RCW 23B.13.020 and who exercises that right when and in the manner required by RCW 23B.13.200 through 23B.13.280.
- (3) “Fair value,” with respect to a dissenter’s shares, means the value of the shares immediately before the effective date of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable.
- (4) “Interest” means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.
- (5) “Record 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.
- (6) “Beneficial shareholder” means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.
- (7) “Shareholder” means the record shareholder or the beneficial shareholder.

**RCW 23B.13.020: Right to dissent.**

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



## Notes

- **Effective date – 2009 c 188:** See note following RCW 23B.11.080.

### **RCW 23B.13.030: Dissent by nominees and beneficial owners.**

- (1) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in the shareholder's name only if the shareholder dissents with respect to all shares beneficially owned by any one person and delivers to the corporation a notice of the name and address of each person on whose behalf the shareholder asserts dissenters' rights. The rights of a partial dissenter under this subsection are determined as if the shares as to which the dissenter dissents and the dissenter's other shares were registered in the names of different shareholders.
- (2) A beneficial shareholder may assert dissenters' rights as to shares held on the beneficial shareholder's behalf only if:
  - (a) The beneficial shareholder submits to the corporation the record shareholder's consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights, which consent shall be set forth either (i) in a record or (ii) if the corporation has designated an address, location, or system to which the consent may be electronically transmitted and the consent is electronically transmitted to the designated address, location, or system, in an electronically transmitted record; and
  - (b) The beneficial shareholder does so with respect to all shares of which such shareholder is the beneficial shareholder or over which such shareholder has power to direct the vote.

### **RCW 23B.13.200: Notice of dissenters' rights.**

- (1) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is submitted for approval by a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this chapter and be accompanied by a copy of this chapter.
- (2) If corporate action creating dissenters' rights under RCW 23B.13.020 is submitted for approval without a vote of shareholders in accordance with RCW 23B.07.040, the shareholder consent described in RCW 23B.07.040(1)(b) and the notice described in RCW 23B.07.040(3)(a) must include a statement that shareholders are or may be entitled to assert dissenters' rights under this chapter and be accompanied by a copy of this chapter.

**RCW 23B.13.210: Notice of intent to demand payment.**

- (1) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert dissenters' rights must (a) deliver to the corporation before the vote is taken notice of the shareholder's intent to demand payment for the shareholder's shares if the proposed corporate action is effected, and (b) not vote such shares in favor of the proposed corporate action.
- (2) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is submitted for approval without a vote of shareholders in accordance with RCW 23B.07.040, a shareholder who wishes to assert dissenters' rights must not execute the consent or otherwise vote such shares in favor of the proposed corporate action.
- (3) A shareholder who does not satisfy the requirements of subsection (1) or (2) of this section is not entitled to payment for the shareholder's shares under this chapter.

**RCW 23B.13.220: Dissenters' rights – Notice.**

- (1) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is approved at a shareholders' meeting, the corporation shall within ten days after the effective date of the corporate action deliver to all shareholders who satisfied the requirements of RCW 23B.13.210(1) a notice in compliance with subsection (5) of this section.
- (2) If proposed corporate action creating dissenters' rights under RCW 23B.13.020 is approved without a vote of shareholders in accordance with RCW 23B.07.040, the notice delivered pursuant to RCW 23B.07.040(3)(b) to shareholders who satisfied the requirements of RCW 23B.13.210(2) shall comply with subsection (5) of this section.
- (3) In the case of proposed corporate action creating dissenters' rights under RCW 23B.13.020(1)(a)(ii), the corporation shall within ten days after the effective date of the corporate action deliver to all shareholders of the subsidiary other than the parent a notice in compliance with subsection (5) of this section.
- (4) In the case of proposed corporate action creating dissenters' rights under RCW 23B.13.020(1)(d) that, pursuant to RCW 23B.10.020(4)(b), is not required to be approved by the shareholders of the corporation, the corporation shall within ten days after the effective date of the corporate action deliver to all shareholders entitled to dissent under RCW 23B.13.020(1)(d) a notice in compliance with subsection (5) of this section.

- (5) Any notice under subsection (1), (2), (3), or (4) of this section must:
  - (a) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;
  - (b) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;
  - (c) Supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action and requires that the person asserting dissenters' rights certify whether or not the person acquired beneficial ownership of the shares before that date;
  - (d) Set a date by which the corporation must receive the payment demand, which date may not be fewer than thirty nor more than sixty days after the date the notice in subsection (1), (2), (3), or (4) of this section is delivered; and
  - (e) Be accompanied by a copy of this chapter.

**RCW 23B.13.230: Duty to demand payment.**

- (1) A shareholder sent a notice described in RCW 23B.13.220 must demand payment, certify whether the shareholder acquired beneficial ownership of the shares before the date required to be set forth in the notice pursuant to RCW 23B.13.220(5)(c), and deposit the shareholder's certificates, all in accordance with the terms of the notice.
- (2) The shareholder who demands payment and deposits the shareholder's share certificates under subsection (1) of this section retains all other rights of a shareholder until the proposed corporate action is effected.
- (3) A shareholder who does not demand payment or deposit the shareholder's share certificates where required, each by the date set in the notice, is not entitled to payment for the shareholder's shares under this chapter.

**RCW 23B.13.240: Share restrictions.**

- (1) The corporation may restrict the transfer of uncertificated shares from the date the demand for payment under RCW 23B.13.230 is received until the proposed corporate action is effected or the restriction is released under RCW 23B.13.260.
- (2) The person for whom dissenters' rights are asserted as to uncertificated shares retains all other rights of a shareholder until the effective date of the proposed corporate action.

**RCW 23B.13.250: Payment.**

- (1) Except as provided in RCW 23B.13.270, within thirty days of the later of the effective date of the proposed corporate action, or the date the payment demand is received, the corporation shall pay each dissenter who complied with RCW 23B.13.230 the amount the corporation estimates to be the fair value of the shareholder's shares, plus accrued interest.
- (2) The payment must be accompanied by:
  - (a) The corporation's balance sheet as of the end of a fiscal year ending not more than sixteen months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;
  - (b) An explanation of how the corporation estimated the fair value of the shares;
  - (c) An explanation of how the interest was calculated;
  - (d) A statement of the dissenter's right to demand payment under RCW 23B.13.280; and
  - (e) A copy of this chapter.

**RCW 23B.13.260: Failure to take corporate action.**

- (1) If the corporation does not effect the proposed corporate action within sixty days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release any transfer restrictions imposed on uncertificated shares.
- (2) If after returning deposited certificates and releasing transfer restrictions, the corporation wishes to effect the proposed corporate action, it must send a new dissenters' notice under RCW 23B.13.220 and repeat the payment demand procedure.

**RCW 23B.13.270: After-acquired shares.**

- (1) A corporation may elect to withhold payment required by RCW 23B.13.250 from a dissenter unless the dissenter was the beneficial owner of the shares before the date set forth in the dissenters' notice as the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action.

- (2) To the extent the corporation elects to withhold payment under subsection (1) of this section, after the effective date of the proposed corporate action, it shall estimate the fair value of the shares, plus accrued interest, and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of the dissenter's demand. The corporation shall send with its offer an explanation of how it estimated the fair value of the shares, an explanation of how the interest was calculated, and a statement of the dissenter's right to demand payment under RCW 23B.13.280.

**RCW 23B.13.280: Procedure if shareholder dissatisfied with payment or offer.**

- (1) A dissenter may deliver a notice to the corporation informing the corporation of the dissenter's own estimate of the fair value of the dissenter's shares and amount of interest due, and demand payment of the dissenter's estimate, less any payment under RCW 23B.13.250, or reject the corporation's offer under RCW 23B.13.270 and demand payment of the dissenter's estimate of the fair value of the dissenter's shares and interest due, if:
  - (a) The dissenter believes that the amount paid under RCW 23B.13.250 or offered under RCW 23B.13.270 is less than the fair value of the dissenter's shares or that the interest due is incorrectly calculated;
  - (b) The corporation fails to make payment under RCW 23B.13.250 within sixty days after the date set for demanding payment; or
  - (c) The corporation does not effect the proposed corporate action and does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within sixty days after the date set for demanding payment.
- (2) A dissenter waives the right to demand payment under this section unless the dissenter notifies the corporation of the dissenter's demand under subsection (1) of this section within thirty days after the corporation made or offered payment for the dissenter's shares.

**RCW 23B.13.300: Court action.**

- (1) If a demand for payment under RCW 23B.13.280 remains unsettled, the corporation shall commence a proceeding within sixty days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty-day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

- (2) The corporation shall commence the proceeding in the superior court of the county where a corporation's principal office, or, if none in this state, its registered office, is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.
- (3) The corporation shall make all dissenters, whether or not residents of this state, whose demands remain unsettled, parties to the proceeding as in an action against their shares and all parties must be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.
- (4) The corporation may join as a party to the proceeding any shareholder who claims to be a dissenter but who has not, in the opinion of the corporation, complied with the provisions of this chapter. If the court determines that such shareholder has not complied with the provisions of this chapter, the shareholder shall be dismissed as a party.
- (5) The jurisdiction of the court in which the proceeding is commenced under subsection (2) of this section is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them, or in any amendment to it. The dissenters are entitled to the same discovery rights as parties in other civil proceedings.
- (6) Each dissenter made a party to the proceeding is entitled to judgment (a) for the amount, if any, by which the court finds the fair value of the dissenter's shares, plus interest, exceeds the amount paid by the corporation, or (b) for the fair value, plus accrued interest, of the dissenter's after-acquired shares for which the corporation elected to withhold payment under RCW 23B.13.270.

**RCW 23B.13.310: Court costs and counsel fees.**

- (1) The court in a proceeding commenced under RCW 23B.13.300 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess the costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under RCW 23B.13.280.

- (2) The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:
  - (a) Against the corporation and in favor of any or all dissenters if the court finds the corporation did not substantially comply with the requirements of RCW 23B.13.200 through 23B.13.280; or
  - (b) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by chapter 23B.13 RCW.
- (3) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

## **Chapter 23B.14 RCW: DISSOLUTION**

### **RCW Chapter Sections**

- 23B.14.010 Dissolution by initial directors, incorporators, or board of directors.
- 23B.14.020 Dissolution by board of directors and shareholders.
- 23B.14.030 Articles of dissolution – Publication of notice.
- 23B.14.040 Revocation of dissolution.
- 23B.14.050 Effect of dissolution.
- 23B.14.060 Known claims against a dissolved corporation.
- 23B.14.065 Form and adequacy of satisfaction of claims – Application to and determination by court.
- 23B.14.070 Holder of an unpaid claim – Proceeding against dissolved corporation to collect amount of claim.
- 23B.14.200 Administrative dissolution – Grounds.
- 23B.14.203 Administrative dissolution or revocation of a certificate of authority – Corporation name not distinguishable from name of governmental entity – Application by governmental entity.
- 23B.14.210 Administrative dissolution – Procedure and effect.
- 23B.14.220 Reinstatement following administrative dissolution – Application.
- 23B.14.300 Judicial dissolution – Grounds.
- 23B.14.310 Judicial dissolution or supervision of voluntary dissolution – Procedure.

- 23B.14.320 General or custodial receivership.
- 23B.14.330 Decree of dissolution – Other orders, decrees, and injunctions – Revenue clearance certificate.
- 23B.14.340 Survival of remedy after dissolution.
- 23B.14.390 Secretary of state – List of corporations dissolved.
- 23B.14.392 Certificate of authority as insurance company – Filing of records.
- 23B.14.394 Certificate of authority from department of financial institutions – Filing of records.
- 23B.14.400 Deposit with state treasurer.

**RCW 23B.14.010: Dissolution by initial directors, incorporators, or board of directors.**

- (1) A majority of the initial directors, or, if initial directors were not named in the articles of incorporation and have not been elected, a majority of the incorporators, of a corporation that has not issued shares may approve dissolution of the corporation.
- (2) Unless prohibited by the articles of incorporation, a majority of the board of directors may approve dissolution of the corporation without approval by the shareholders, upon a finding by the board of directors that:
  - (a) The corporation is not able to pay its liabilities as they become due in the usual course of business, or the corporation's assets are less than the sum of its total liabilities; and
  - (b) Ten or more days have elapsed since the corporation gave notice to all shareholders, whether or not they would otherwise be entitled to vote under RCW 23B.14.020, of the intent of the board of directors to approve dissolution under this subsection.

**RCW 23B.14.020: Dissolution by board of directors and shareholders.**

- (1) A corporation's board of directors may propose dissolution for submission to the shareholders.
- (2) For a proposal to dissolve to be approved:
  - (a) The board of directors must recommend dissolution 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) The shareholders entitled to vote must approve the proposal to dissolve as provided in subsection (5) of this section.
- (3) The board of directors may condition its submission of the proposal for dissolution 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 dissolution.
- (4) The corporation shall notify each shareholder, whether or not entitled to vote, of the proposed dissolution either (a) by giving notice of a shareholders' meeting in accordance with RCW 23B.07.050 and stating that the purpose or one of the purposes of the meeting is to consider dissolving the corporation, or (b) in accordance with the requirements of RCW 23B.07.040 for approving the proposed dissolution without a meeting.
- (5) In addition to any other voting conditions imposed by the board of directors under subsection (3) of this section, the proposed dissolution must be approved by two-thirds of the voting group comprising all the votes entitled to be cast on the proposed dissolution, and of each other voting group entitled under the articles of incorporation to vote separately on the proposed dissolution. 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 proposed dissolution and of each other voting group entitled to vote separately on the proposed dissolution.

**RCW 23B.14.030: Articles of dissolution – Publication of notice.**

- (1) At any time after dissolution is authorized under RCW 23B.14.010 or 23B.14.020, the corporation may dissolve by delivering to the secretary of state for filing:
  - (a) A copy of a revenue clearance certificate issued pursuant to RCW [82.32.260](#); and
  - (b) Articles of dissolution setting forth:
  - (c) The name of the corporation;
  - (ii) The date dissolution was approved; and
  - (iii) A statement that dissolution was duly approved by the initial directors, the incorporators, or the board of directors in accordance with RCW 23B.14.010, or was duly proposed by the board of directors and approved by the shareholders in accordance with RCW 23B.14.020.

- (2) A corporation is dissolved upon the effective date of its articles of dissolution.
- (3) A dissolved corporation shall, within thirty days after the effective date of its articles of dissolution, publish notice of its dissolution and request that persons with claims against the dissolved corporation present them in accordance with the notice. The notice must be published once a week for three consecutive weeks in a newspaper of general circulation in the county where the dissolved corporation's principal office (or, if none in this state, its registered office) is or was last located. The notice must also describe the information that must be included in a claim, provide a mailing address where a claim may be sent, and state that claims against the dissolved corporation may be barred in accordance with the provisions of this chapter if not timely asserted. A dissolved corporation's failure to publish notice in accordance with this subsection does not affect the validity or the effective date of its dissolution.
- (4) For purposes of this chapter, "dissolved corporation" means a corporation whose dissolution has been approved in accordance with RCW 23B.14.010 or 23B.14.020 and whose articles of dissolution have become effective, and includes any trust or other successor entity to which the remaining assets of such a corporation are transferred subject to its liabilities for purposes of liquidation in accordance with RCW 23B.14.050.

**RCW 23B.14.040: Revocation of dissolution.**

- (1) A corporation may revoke its dissolution within one hundred twenty days of its effective date.
- (2) Revocation of dissolution must be approved in the same manner as the dissolution was approved unless that approval permitted revocation upon approval by the board of directors alone, in which event the board of directors may revoke the dissolution without shareholder approval.
- (3) After the revocation of dissolution is approved, the corporation may revoke the dissolution by delivering to the secretary of state for filing articles of revocation of dissolution, together with a copy of its articles of dissolution, that set forth:
  - (a) The name of the corporation and a statement that such name satisfies the requirements of RCW 23B.04.010; if the name is not available, the corporation must file articles of amendment changing its name with the articles of revocation of dissolution;
  - (b) The effective date of the dissolution that was revoked;
  - (c) The date that the revocation of dissolution was approved;

- (d) If the corporation's board of directors, or incorporators, revoked the dissolution, a statement to that effect;
  - (e) If the corporation's board of directors revoked a dissolution authorized by the shareholders, a statement that revocation was permitted by action by the board of directors alone pursuant to that authorization; and
  - (f) If shareholder approval was required to revoke the dissolution, a statement that revocation of the dissolution was duly approved by the shareholders in accordance with RCW 23B.14.040(2) [subsection (2) of this section] and 23B.14.020.
- (4) Revocation of dissolution is effective upon the effective date of the articles of revocation of dissolution.
  - (5) When the revocation of dissolution is effective, it relates back to and takes effect as of the effective date of the dissolution and the corporation resumes carrying on its business as if dissolution had never occurred.

**RCW 23B.14.050: Effect of dissolution.**

- (1) A dissolved corporation continues its corporate existence but may not carry on any business except that appropriate to wind up and liquidate its business and affairs, including:
  - (a) Collecting its assets;
  - (b) Disposing of its properties that will be applied toward satisfaction or making reasonable provision for satisfaction of its liabilities or will otherwise not be distributed in kind to its shareholders, but in any case subject to applicable liens and security interests as well as any applicable contractual restrictions on the disposition of its properties;
  - (c) Satisfying or making reasonable provision for satisfying its liabilities, in accordance with their priorities as established by law, and on a pro rata basis within each class of liabilities;
  - (d) Subject to the limitations imposed by RCW 23B.06.400, distributing its remaining property among its shareholders according to their interests; and
  - (e) Doing every other act necessary to wind up and liquidate its business and affairs.
- (2) Except as otherwise provided in this chapter, dissolution of a corporation does not:

- (a) Transfer title to the corporation's property;
  - (b) Prevent transfer of its shares or securities, although the authorization to dissolve may provide for closing the corporation's share transfer records;
  - (c) Subject its directors or officers to standards of conduct different from those prescribed in chapter 23B.08 RCW;
  - (d) Change quorum or voting requirements for its board of directors or shareholders; change provisions for selection, resignation, or removal of its directors or officers or both; or change provisions for amending its bylaws;
  - (e) Prevent commencement of a proceeding by or against the corporation in its corporate name;
  - (f) Abate or suspend a proceeding pending by or against the corporation on the effective date of dissolution; or
  - (g) Terminate the authority of the registered agent of the corporation.
- (3) A dissolved corporation's board of directors may make a determination that reasonable provision for the satisfaction of any liability, whether arising in tort or by contract, statute, or otherwise, and whether matured or unmatured, contingent, or conditional, has been made by means of a purchase of insurance coverage, provision of security therefor, contractual assumption thereof by a solvent person, or any other means, that the board of directors determines is reasonably calculated to provide for satisfaction of the reasonably estimated amount of such liability. Upon making such a determination, the board of directors shall, for purposes of determining whether a subsequent distribution to shareholders is prohibited under RCW 23B.06.400(2), be entitled to treat such liability as fully satisfied by the assets used or committed in order to make such provision. In making determinations under RCW 23B.06.400(2), the board of directors of a dissolved corporation may also disregard, and make no provision for the satisfaction of, any liabilities that are barred in accordance with RCW 23B.14.060(2), or that may exceed any provision for their satisfaction ordered by a superior court pursuant to RCW 23B.14.065, or that the board of directors does not consider, based on the facts known to it, reasonably likely to arise prior to expiration of the survival period specified in RCW 23B.14.340.
- (4) The board of directors of a dissolved corporation may at any time petition to have the dissolution continued under court supervision in accordance with RCW 23B.14.300, or, upon a finding that the corporation is not able to pay its liabilities as they become due in the usual course of business or that its assets are less than the sum of its total liabilities, may dedicate the corporation's assets to the repayment of its creditors by making an assignment for the benefit of creditors in accordance with chapter 7.08

RCW or obtaining the appointment of a general receiver in accordance with chapter 7.60 RCW. The assumption of control over the corporation's assets by a court, an assignee for the benefit of creditors, or a general receiver relieves the directors of any further duties with respect to the liquidation of the corporation's assets or the application of any assets or proceeds toward satisfaction of its liabilities.

- (5) Corporate actions to be approved by a corporation that has been dissolved under RCW 23B.14.030 or 23B.14.210, which are within the scope of activities permitted in this chapter, may be approved by the corporation's board of directors and, if required, by its shareholders, membership in both groups determined as of the effective date of the dissolution. If vacancies in the board of directors occur after the effective date of dissolution, the shareholders, or the remaining directors, even if less than a quorum of the board, may fill the vacancies. A special meeting of the shareholders for purposes of approving any corporate action required or permitted to be approved by shareholders, or for purposes of electing directors, may be called by any person who was an officer, director, or shareholder of the corporation at the effective date of the dissolution.

**RCW 23B.14.060: Known claims against a dissolved corporation.**

- (1) A dissolved corporation that has published notice of its dissolution in accordance with RCW 23B.14.030(3) may dispose of any or all of the known claims against it by giving written notice of its dissolution to the holders of the known claims at any time after the effective date of dissolution. The written notice of dissolution must:
  - (a) Provide, for each known claim of the holder to whom the notice is addressed that is sought to be disposed of under this section, either (i) a general description of the known facts specified in subsection (3)(b)(i) or (ii) of this section relating to a matured and legally assertable claim or liability, or (ii) an identification of the executory contract with respect to which unmatured, conditional, or contingent claims or liabilities are sought to be disposed of under this section;
  - (b) Provide a mailing address where a notice of claim may be sent;
  - (c) State the deadline, which may not be fewer than one hundred twenty days from the effective date of the written notice of dissolution, by which a written notice of claim must be delivered to the dissolved corporation;
  - (d) State that the known claim will be barred if a written notice of claim describing the known claim with reasonable particularity is not delivered to the dissolved corporation by the deadline; and

- (e) State that the known claim or any executory contract on which the known claim is based may be rejected by the dissolved corporation, in which case the holder of the known claim will have a limited period of ninety days from the effective date of the rejection notice in which to commence a proceeding to enforce the known claim.
- (2) A known claim against the dissolved corporation is barred:
  - (a) If the holder of the known claim who was given written notice of dissolution under subsection (1) of this section does not deliver the written notice of claim to the dissolved corporation by the deadline; or
  - (b) If a holder of a known claim that was rejected by the dissolved corporation does not commence a proceeding to enforce the known claim within ninety days from the effective date of the rejection notice.
- (3) For purposes of this section, “known claim” means any claim or liability:
  - (a) That either: (i) Has matured sufficiently, before or after the effective date of the dissolution, to be legally capable of assertion against the dissolved corporation, whether or not the amount of the claim or liability is known or determinable; or (ii) is unmatured, conditional, or otherwise contingent but may subsequently arise under any executory contract to which the dissolved corporation is a party, other than under an implied or statutory warranty as to any product manufactured, sold, distributed, or handled by the dissolved corporation; and
  - (b) As to which the dissolved corporation has knowledge of the identity and the mailing address of the holder of the claim or liability and, in the case of a matured and legally assertable claim or liability, actual knowledge of existing facts that either (i) could be asserted to give rise to, or (ii) indicate an intention by the holder to assert, such a matured claim or liability.

**RCW 23B.14.065: Form and adequacy of satisfaction of claims – Application to and determination by court.**

- (1) A dissolved corporation that has published notice of its dissolution in accordance with RCW 23B.14.030(3) may file an application, with the superior court of the county where its principal office or, if none in this state, its registered office is located, for a determination of:
  - (a) The amount and form of reasonable provision to be made for the satisfaction of any one or more claims or liabilities, known or unknown, arising in

tort or by contract, statute or otherwise, matured or unmatured, contingent or conditional, that have arisen or are reasonably likely to arise prior to expiration of the survival period specified in RCW 23B.14.340; or

- (b) Whether the provision made or proposed to be made by the board of directors for the satisfaction of any one or more claims or liabilities is reasonable.

Any determination under this subsection is conclusive for purposes of determining the legality of any subsequent distributions under RCW 23B.06.400 and 23B.14.050(3).

- (2) Within ten days after filing the application, the dissolved corporation shall give written notice of the judicial proceeding to each person to whom written notice has been given pursuant to RCW 23B.14.060 and each other person whose claim or potential claim, identity, and mailing address are known to the dissolved corporation. However, written notice of the judicial proceeding need not be given to any person whose claim or potential claim is not sought to be determined under the application filed by the dissolved corporation.
- (3) The superior court may appoint a guardian ad litem to represent all persons whose claims or potential claims are sought to be determined in the judicial proceeding but whose identities or mailing addresses are not known to the dissolved corporation. The reasonable fees and expenses of the guardian, including all reasonable expert witness fees, shall be paid by the dissolved corporation.
- (4) Provision by the dissolved corporation for satisfaction of claims or potential claims in the amount and form ordered by the superior court shall satisfy the dissolved corporation's obligations with respect to those claims or potential claims, and any further or greater claims based on the same facts, dealings, or contract shall be barred.

**RCW 23B.14.070: Holder of an unpaid claim – Proceeding against dissolved corporation to collect amount of claim.**

- (1) The holder of an unpaid claim against a dissolved corporation that is not barred under RCW 23B.14.060(2) or 23B.14.065(4) or by expiration of the survival period specified in RCW 23B.14.340 may, within the statute of limitations applicable to the claim, commence a proceeding against the dissolved corporation to collect the amount of the claim from any remaining undistributed assets of the corporation. If the undistributed assets of the corporation are not or may not be sufficient to satisfy the amount of the unpaid claim, and there have been distributions to shareholders as to which the limitations period specified in RCW 23B.08.310(5) has not

expired at the time the proceeding is commenced, the holder of the unpaid claim may include as a part of the relief claimed against the dissolved corporation a petition to compel the dissolved corporation to collect any amounts owing to it by directors or shareholders under RCW 23B.08.310 and to apply the collections toward payment of the claim. The filing of such a petition to compel the corporation to collect unlawfully distributed amounts from directors or shareholders tolls the limitations periods specified in RCW 23B.08.310(5) and 23B.14.340 with respect to the unpaid claim, as to directors and shareholders who may be liable under RCW 23B.08.310. If the dissolved corporation fails, within a reasonable period of time after the filing of such a petition to compel it to collect amounts owing under RCW 23B.08.310, to join those directors and shareholders who may be liable for the amounts, the holder of the unpaid claim may join those directors and shareholders as additional defendants in the proceeding. The holder of the unpaid claim may also join all directors and shareholders who may be liable under RCW 23B.08.310 as additional defendants in the proceeding, at any time upon establishing to the satisfaction of the court that any of such shareholders, with intent to delay or defraud or place property beyond the reach of the corporation's creditors, has removed or is about to remove from this state, or has assigned, secreted, or disposed of, or is about to assign, secrete, or dispose of, any of the property distributed by the corporation as to which the shareholder may be liable under RCW 23B.08.310(3). Except as permitted by this section, the holder of the unpaid claim may not, by means of any proceeding or otherwise, seek to enforce the claim directly against any of the dissolved corporation's officers or directors in those capacities, or against any of its shareholders on account of their receipt of distributions after the effective date of dissolution.

- (2) Claims against a dissolved corporation that are barred under RCW 23B.14.060(2) or 23B.14.065(4) or by expiration of the survival period specified in RCW 23B.14.340 may not be enforced against the dissolved corporation, any of its officers or directors in those capacities, or any of its shareholders on account of their receipt of distributions after the effective date of dissolution.

#### **RCW 23B.14.200: Administrative dissolution – Grounds.**

The secretary of state may administratively dissolve a corporation under RCW 23B.14.210 if:

- (1) The corporation does not pay any license fees or penalties, imposed by this title, when they become due;
- (2) The corporation does not deliver its completed initial report or annual report to the secretary of state when it is due;



- (3) The corporation is without a registered agent or registered office in this state;
- (4) The corporation does not notify the secretary of state that its registered agent or registered office has been changed, that its registered agent has resigned, or that its registered office has been discontinued;
- (5) The corporation's period of duration stated in its articles of incorporation expired after July 1, 1990; or
- (6) The corporation's period of duration stated in its articles of incorporation expired prior to July 1, 1990, but the corporation has timely paid all license fees imposed by this title and set by rule by the secretary, has timely filed annual reports with the secretary of state, has never been without a registered agent or registered office in this state for sixty days or more, and has never failed to notify the secretary of state of changes in a registered agent or registered office within sixty days of such change.

#### Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

#### **RCW 23B.14.203: Administrative dissolution or revocation of a certificate of authority – Corporation name not distinguishable from name of governmental entity – Application by governmental entity.**

- (1) Any county, city, town, district, or other political subdivision of the state, or the state of Washington or any department or agency of the state, may apply to the secretary of state for the administrative dissolution, or the revocation of a certificate of authority, of any corporation using a name that is not distinguishable from the name of the applicant for dissolution. The application must state the precise legal name of the governmental entity and its date of formation and the applicant shall mail a copy to the corporation's registered agent. If the name of the corporation is not distinguishable from the name of the applicant, then, except as provided in subsection (4) of this section, the secretary shall commence proceedings for administrative dissolution under RCW 23B.14.210 or revocation of the certificate of authority.
- (2) A name may not be considered distinguishable by virtue of:
  - (a) A variation in any of the following designations, or in the order in which the designation appears with respect to other words in the name: "County"; "city"; "town"; "district"; or "department";
  - (b) The addition of any of the designations listed in RCW 23B.04.010(1)(a);

- (c) The addition or deletion of an article or conjunction such as “the” or “and” from the same name;
  - (d) Punctuation, capitalization, or special characters or symbols in the same name; or
  - (e) Use of an abbreviation or the plural form of a word in the same name.
- (3)(a) The following are not distinguishable for purposes of this section:
- (i) “City of Anytown” and “City of Anytown, Inc.”; and
  - (ii) “City of Anytown” and “Anytown City.”
- (b) The following are distinguishable for purposes of this section:
- (c) “City of Anytown” and “Anytown, Inc.”;
  - (ii) “City of Anytown” and “The Anytown Company”; and
  - (iii) “City of Anytown” and “Anytown Cafe, Inc.”
- (4) If the corporation that is the subject of the application was incorporated or certified before the formation of the applicant as a governmental entity, then this section applies only if the applicant for dissolution provides a certified copy of a final judgment of a court of competent jurisdiction determining that the applicant holds a superior property right to the name than does the corporation.
- (5) The duties of the secretary of state under this section are ministerial.

**RCW 23B.14.210: Administrative dissolution – Procedure and effect.**

- (1) If the secretary of state determines that one or more grounds exist under RCW 23B.14.200 or 23B.14.203 for dissolving a corporation, the secretary of state shall give the corporation written notice of the determination by first-class mail, postage prepaid.
- (2) If the corporation does not correct each ground for dissolution or demonstrate to the reasonable satisfaction of the secretary of state that each ground determined by the secretary of state does not exist within sixty days after notice is effective, the secretary of state shall administratively dissolve the corporation and give the corporation written notice of the dissolution that recites the ground or grounds therefor and its effective date.

- (3) A corporation administratively dissolved continues its corporate existence but may not carry on any business except that necessary to wind up and liquidate its business and affairs in a manner consistent with RCW 23B.14.050.
- (4) The administrative dissolution of a corporation does not terminate the authority of its registered agent.

**RCW 23B.14.220: Reinstatement following administrative dissolution – Application.**

- (1) A corporation administratively dissolved under RCW 23B.14.210 may apply to the secretary of state for reinstatement within five years after the effective date of dissolution. The application must:
  - (a) Recite the name of the corporation and the effective date of its administrative dissolution;
  - (b) State that the ground or grounds for dissolution either did not exist or have been eliminated; and
  - (c) State that the corporation's name satisfies the requirements of RCW 23B.04.010.
- (2) If the secretary of state determines that the application contains the information required by subsection (1) of this section and that the name is available, the secretary of state shall reinstate the corporation and give the corporation written notice of the reinstatement that recites the effective date of reinstatement. If the name is not available, the corporation must file articles of amendment changing its name with its application for reinstatement.
- (3) When the reinstatement is effective, it relates back to and takes effect as of the effective date of the administrative dissolution and the corporation resumes carrying on its business as if the administrative dissolution had never occurred.

**RCW 23B.14.300: Judicial dissolution – Grounds.**

The superior courts may dissolve a corporation:

- (1) In a proceeding by the attorney general if it is established that:
  - (a) The corporation obtained its articles of incorporation through fraud; or

- (b) The corporation has continued to exceed or abuse the authority conferred upon it by law;
- (2) In a proceeding by a shareholder if it is established that:
- (a) The directors are deadlocked in the management of the corporate affairs, the shareholders are unable to break the deadlock, and irreparable injury to the corporation is threatened or being suffered, or the business and affairs of the corporation can no longer be conducted to the advantage of the shareholders generally, because of the deadlock;
  - (b) The directors or those in control of the corporation have acted, are acting, or will act in a manner that is illegal, oppressive, or fraudulent;
  - (c) The shareholders are deadlocked in voting power and have failed, for a period that includes at least two consecutive annual meeting dates, to elect successors to directors whose terms have expired, and irreparable injury to the corporation is threatened or being suffered, or the business and affairs of the corporation can no longer be conducted to the advantage of the shareholders generally, because of the deadlock;
  - (d) The corporate assets are being misapplied or wasted; or
  - (e) The corporation has ceased all business activity and has failed, within a reasonable time, to dissolve, to liquidate its assets, or to distribute its remaining assets among its shareholders;
- (3) In a proceeding by a creditor if it is established that:
- (a) The creditor's claim has been reduced to judgment, the execution on the judgment was returned unsatisfied, and the corporation is not able to pay its liabilities as they become due in the usual course of business or its assets are less than the sum of its total liabilities; or
  - (b) The corporation has admitted in writing that the creditor's claim is due and owing and the corporation is not able to pay its liabilities as they become due in the usual course of business or its assets are less than the sum of its total liabilities.

The superior courts may also assume control over a dissolved corporation's assets and the process for winding up and liquidating its business and affairs, in a proceeding instituted by the dissolved corporation to have its voluntary dissolution continued under court supervision.

**RCW 23B.14.310: Judicial dissolution or supervision of voluntary dissolution – Procedure.**

- (1) Venue for any proceeding to dissolve a corporation or to supervise a voluntary dissolution brought by any party named in RCW 23B.14.300 lies in the county where a corporation's registered office is or was last located.
- (2) It is not necessary to make shareholders or directors parties to a proceeding to dissolve a corporation or to supervise a voluntary dissolution unless relief is sought against them individually.
- (3) A court in a proceeding brought to dissolve a corporation or to supervise a voluntary dissolution may issue injunctions, appoint a general or custodial receiver with all powers and duties the court directs, and take other action required to preserve the corporate assets wherever located. A court in a proceeding brought to dissolve a corporation may also carry on the business of the corporation until a full hearing can be held.

**RCW 23B.14.320: General or custodial receivership.**

A court in a judicial proceeding brought under RCW 23B.14.300 may appoint one or more general receivers to wind up and liquidate the business and affairs of the corporation, or, if the corporation is not yet dissolved, may appoint one or more custodial receivers to manage its business and affairs. The court shall hold a hearing, after notifying all parties to the proceeding and any interested persons designated by the court, before appointing a general or custodial receiver. The hearing, and any resulting receivership, shall be conducted in accordance with chapter [7.60](#) RCW.

Notes

- **Purpose – Captions not law – 2004 c 165:** See notes following RCW [7.60.005](#).

**RCW 23B.14.330: Decree of dissolution – Other orders, decrees, and injunctions – Revenue clearance certificate.**

- (1) If after a hearing the court determines that one or more grounds for judicial dissolution described in RCW 23B.14.300 exist, it may enter a decree dissolving the corporation and specifying the effective date of the dissolution, or, with or without ordering dissolution, may make such other orders and decrees and issue such injunctions in the case as justice and equity require.
- (2) The court shall not enter or sign any decree of dissolution until it receives a copy of a revenue clearance certificate for the corporation issued pursuant to RCW [82.32.260](#).

- (3) If the court enters a decree of dissolution, the petitioner or moving party shall deliver a certified copy of the decree and a copy of the revenue clearance certificate to the secretary of state, who shall file them. The court shall then direct the winding up and liquidation of the corporation's business and affairs in accordance with RCW 23B.14.050.

**RCW 23B.14.340: Survival of remedy after dissolution.**

The dissolution of a corporation either (1) by the filing with the secretary of state of its articles of dissolution, (2) by administrative dissolution by the secretary of state, (3) by a decree of court, or (4) by expiration of its period of duration shall not take away or impair any remedy available against such corporation, its directors, officers, or shareholders, for any right or claim existing, or any liability incurred, prior to such dissolution or arising thereafter, unless action or other proceeding thereon is not commenced within two years after the effective date of any dissolution that was effective prior to June 7, 2006, or within three years after the effective date of any dissolution that is effective on or after June 7, 2006. Any such action or proceeding against the corporation may be defended by the corporation in its corporate name.

Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

**RCW 23B.14.390: Secretary of state – List of corporations dissolved.**

On the first day of each month, the secretary of state shall prepare a list of corporations dissolved during the preceding month pursuant to RCW 23B.14.030, 23B.14.210, and 23B.14.330.

**RCW 23B.14.392: Certificate of authority as insurance company – Filing of records.**

For those corporations that have a certificate of authority, are applying for, or intend to apply for a certificate of authority from the insurance commissioner as an insurance company under chapter 48.05 RCW, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the insurance commissioner rather than the secretary of state.

**RCW 23B.14.394: Certificate of authority from department of financial institutions – Filing of records.**

For any corporation or other entity that has, is applying for, or intends to apply for a certificate of authority from the department of financial institutions as a

bank, trust company, or the holding company thereof, under \*Title 30 RCW, or as a savings bank or holding company thereof, under Title 32 RCW, or for any other corporation or other entity which is or purports to be a bank, savings bank, savings and loan association, trust company, industrial loan bank, credit union, bank holding company, financial holding company, or savings and loan holding company, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the department of financial institutions.

#### Notes

- **\*Reviser's note:** Title 30 RCW was recodified and/or repealed pursuant to 2014 c 37, effective January 5, 2015.
- **Effective date – 2010 c 88:** See RCW [32.50.900](#).

#### **RCW 23B.14.400: Deposit with state treasurer.**

Following its dissolution, the assets of a corporation that should be transferred to a creditor, claimant, or shareholder of the corporation who cannot be found or who is not competent to receive them may be reduced to cash and deposited with the state treasurer for safekeeping. If assets are transferred to the state treasurer, and if the creditor, claimant, or shareholder furnishes satisfactory proof of entitlement to the amount deposited, the state treasurer or other appropriate state official shall pay such person or such person's representative that amount.

### **Chapter 23B.15 RCW: FOREIGN CORPORATIONS**

#### RCW Chapter Sections

- 23B.15.010 Authority to transact business required.
- 23B.15.015 Foreign degree-granting institution branch campus – Acts not deemed transacting business in state.
- 23B.15.020 Consequences of transacting business without authority.
- 23B.15.030 Application for certificate of authority.
- 23B.15.032 Certificate of authority as insurance company – Filing of records.
- 23B.15.040 Amended certificate of authority.
- 23B.15.050 Effect of certificate of authority.
- 23B.15.060 Corporate name of foreign corporation.
- 23B.15.070 Registered office and registered agent of foreign corporation.
- 23B.15.080 Change of registered office or registered agent of foreign corporation.

- 23B.15.090 Resignation of registered agent of foreign corporation.
- 23B.15.100 Service on foreign corporation.
- 23B.15.200 Withdrawal of foreign corporation.
- 23B.15.300 Revocation – Grounds.
- 23B.15.310 Revocation – Procedure and effect.

**RCW 23B.15.010: Authority to transact business required.**

- (1) Unless it is otherwise authorized to transact business pursuant to a state or federal statute, a foreign corporation may not transact business in this state until it obtains a certificate of authority from the secretary of state.
- (2) The following activities, among others, do not constitute transacting business within the meaning of subsection (1) of this section:
  - (a) Maintaining or defending any action or suit or any administrative or arbitration proceeding, or effecting the settlement thereof or the settlement of claims or disputes;
  - (b) Holding meetings of the board of directors or shareholders or carrying on other activities concerning internal corporate affairs;
  - (c) Maintaining bank accounts, share accounts in savings and loan associations, custodian or agency arrangements with a bank or trust company, or stock or bond brokerage accounts;
  - (d) Maintaining offices or agencies for the transfer, exchange, and registration of the corporation's own securities or maintaining trustees or depositories with respect to those securities;
  - (e) Selling through independent contractors;
  - (f) Soliciting or procuring orders, whether by mail or through employees or agents or otherwise, where the orders require acceptance outside this state before becoming binding contracts and where the contracts do not involve any local performance other than delivery and installation;
  - (g) Making loans or creating or acquiring evidences of debt, mortgages, or liens on real or personal property, or recording same;
  - (h) Securing or collecting debts or enforcing mortgages and security interests in property securing the debts;
  - (i) Owning, without more, real or personal property;
  - (j) Conducting an isolated transaction that is completed within thirty days and that is not one in the course of repeated transactions of a like nature;



- (k) Transacting business in interstate commerce;
  - (l) Owning and controlling a subsidiary corporation incorporated in or transacting business within this state; or
  - (m) Operating an approved branch campus of a foreign degree-granting institution in compliance with chapter [28B.90](#) RCW and in accordance with RCW 23B.15.015.
- (3) The list of activities in subsection (2) of this section is not exhaustive.

#### Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

#### **RCW 23B.15.015: Foreign degree-granting institution branch campus – Acts not deemed transacting business in state.**

In addition to those acts that are specified in RCW 23B.15.010(2), a foreign degree-granting institution that establishes an approved branch campus in the state under chapter [28B.90](#) RCW shall not be deemed to transact business in the state solely because it:

- (1) Owns and controls an incorporated branch campus in this state;
- (2) Pays the expenses of tuition, or room and board charged by the incorporated branch campus for its students enrolled at the branch campus or contributes to the capital thereof; or
- (3) Provides personnel who furnish assistance and counsel to its students while in the state but who have no authority to enter into any transactions for or on behalf of the foreign degree-granting institution.

#### **RCW 23B.15.020: Consequences of transacting business without authority.**

- (1) Unless it is otherwise authorized to transact business pursuant to a state or federal statute, a foreign corporation transacting business in this state without a certificate of authority may not maintain a proceeding in any court in this state until it obtains a certificate of authority.
- (2) The successor to a foreign corporation that transacted business in this state without a certificate of authority and the assignee of a cause of action arising out of that business may not maintain a proceeding based on that cause of action in any court in this state until the foreign corporation or its successor obtains a certificate of authority.

- (3) A court may stay a proceeding commenced by a foreign corporation, its successor, or assignee until it determines whether the foreign corporation or its successor requires a certificate of authority. If it so determines, the court may further stay the proceeding until the foreign corporation or its successor obtains the certificate.
- (4) A foreign corporation which transacts business in this state without a certificate of authority is liable to this state, for the years or parts thereof during which it transacted business in this state without a certificate of authority, in an amount equal to all fees which would have been imposed by this title upon such corporation had it applied for and received a certificate of authority to transact business in this state as required by this title and thereafter filed all reports required by this title, plus all penalties imposed by this title for failure to pay such fees.
- (5) Notwithstanding subsections (1) and (2) of this section, the failure of a foreign corporation to obtain a certificate of authority does not impair the validity of its corporate acts or prevent it from defending any proceeding in this state.

#### Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

#### **RCW 23B.15.030: Application for certificate of authority.**

- (1) A foreign corporation may apply for a certificate of authority to transact business in this state by delivering an application to the secretary of state for filing. The application must state:
  - (a) That the name of the foreign corporation meets the requirements stated in RCW 23B.15.060;
  - (b) The name of the state or country under whose law it is incorporated;
  - (c) Its date of incorporation and period of duration;
  - (d) The street address of its principal office;
  - (e) The street address of its registered office in this state and the name of its registered agent at that office, in accordance with RCW 23B.15.070; and
  - (f) The names and usual business addresses of its current directors and officers.

- (2) The foreign corporation shall deliver with the completed application a certificate of existence, or a document of similar import, issued no more than sixty days before the date of the application and duly authenticated by the secretary of state or other official having custody of corporate records in the state or country under whose law it is incorporated.

**RCW 23B.15.032: Certificate of authority as insurance company – Filing of records.**

For those corporations that have a certificate of authority, are applying for, or intend to apply for a certificate of authority from the insurance commissioner as an insurance company under chapter 48.05 RCW, whenever under this chapter corporate records are required to be filed with the secretary of state, the records shall be filed with the insurance commissioner rather than the secretary of state.

**RCW 23B.15.040: Amended certificate of authority.**

- (1) A foreign corporation authorized to transact business in this state must obtain an amended certificate of authority from the secretary of state if it changes:
  - (a) Its corporate name; or
  - (b) The period of its duration.
- (2) A foreign corporation may apply for an amended certificate of authority by delivering an application to the secretary of state for filing that sets forth:
  - (a) The name of the foreign corporation and the name in which the corporation is authorized to transact business in Washington, if different;
  - (b) The name of the state or country under whose law it is incorporated;
  - (c) The date it was authorized to transact business in this state;
  - (d) A statement of the change or changes being made;
  - (e) In the event the change or changes include a name change to a name that does not meet the requirements of RCW 23B.15.060, a fictitious name for use in Washington, and a copy of the resolution of the board of directors, certified by the corporation's secretary, adopting the fictitious name; and
  - (f) A copy of the document filed in the state or country of incorporation showing that jurisdiction's "filed" stamp.

**RCW 23B.15.050: Effect of certificate of authority.**

- (1) A certificate of authority authorizes the foreign corporation to which it is issued to transact business in this state subject, however, to the right of the state to revoke the certificate as provided in this title.
- (2) A foreign corporation holding a valid certificate of authority shall have no greater rights and privileges than a domestic corporation of like character. Except as otherwise provided by this title, a foreign corporation is subject to the same duties, restrictions, penalties, and liabilities now or later imposed on a domestic corporation of like character.
- (3) Except as otherwise provided in \*chapter 23B.19 RCW, this title does not authorize this state to regulate the organization or internal affairs of a foreign corporation authorized to transact business in this state.

Notes

- **\*Reviser's note:** The reference to “sections 202 through 205 of this act” has been translated to “chapter 23B.19 RCW,” dealing with significant business transactions. A literal translation would be “RCW 23B.900.010 through 23B.900.040” which appears to be erroneous.

**RCW 23B.15.060: Corporate name of foreign corporation.**

- (1) No certificate of authority shall be issued to a foreign corporation unless the corporate name of such corporation:
  - (a) Contains the word “corporation,” “incorporated,” “company,” or “limited,” or the abbreviation “corp.,” “inc.,” “co.,” or “ltd.”;
  - (b) Does not contain language stating or implying that the corporation is organized for a purpose other than that permitted by RCW 23B.03.010 and its articles of incorporation;
  - (c) Does not contain any of the following words or phrases: “Bank,” “banking,” “banker,” “trust,” “cooperative,” or any combination of the words “industrial” and “loan,” or any combination of any two or more words “building,” “savings,” “loan,” “home,” “association,” and “society,” or any other words or phrases prohibited by any statute of this state; and
  - (d) Except as authorized by subsections (4) and (5) of this section, is distinguishable upon the records of the secretary of state from:
  - (e) The corporate name of a corporation incorporated or authorized to transact business in this state;

- (ii) A corporate name reserved or registered under chapter 23B.04 RCW;
  - (iii) The fictitious name adopted pursuant to subsection (3) of this section by a foreign corporation authorized to transact business in this state because its real name is unavailable;
  - (iv) The corporate name or reserved name of a not-for-profit corporation incorporated or authorized to conduct affairs in this state under chapter 24.03 RCW;
  - (v) The name or reserved name of a mutual corporation or miscellaneous corporation incorporated or authorized to do business under chapter 24.06 RCW;
  - (vi) The name or reserved name of a foreign or domestic limited partnership formed or registered under chapter 25.10 RCW;
  - (vii) The name or reserved name of any limited liability company organized or registered under chapter 25.15 RCW; and
  - (viii) The name or reserved name of any limited liability partnership registered under chapter 25.04 RCW.
- (2) A name shall not be considered distinguishable under the same grounds as provided under RCW 23B.04.010.
  - (3) If the corporate name of a foreign corporation does not satisfy the requirements of subsection (1) of this section, the foreign corporation to obtain or maintain a certificate of authority to transact business in this state:
    - (a) May add the word “corporation,” “incorporated,” “company,” or “limited,” or the abbreviation “corp.,” “inc.,” “co.,” or “ltd.,” to its corporate name for use in this state; or
    - (b) May use a fictitious name to transact business in this state if its real name is unavailable and it delivers to the secretary of state for filing a copy of the resolution of its board of directors, certified by its secretary, adopting the fictitious name.
  - (4) A foreign corporation may apply to the secretary of state for authorization to use a name that is not distinguishable upon the records from one or more of the names described in subsection (1)(d) of this section. The secretary of state shall authorize use of the name applied for if:
    - (a) The other corporation, company, holder, limited liability partnership, or limited partnership consents to the use in writing and files with the secretary of state documents necessary to change its name or the name reserved or registered to a name that is distinguishable upon the records of the secretary of state from the name of the applying corporation; or

- (b) The applicant delivers to the secretary of state a certified copy of the final judgment of a court of competent jurisdiction establishing the applicant's right to use the name applied for in this state.
- (5) A foreign corporation may use in this state the name, including the fictitious name, of another domestic or foreign corporation that is used in this state if the other corporation is incorporated or authorized to transact business in this state and the foreign corporation:
  - (a) Has merged with the other corporation; or
  - (b) Has been formed by reorganization of the other corporation.
- (6) If a foreign corporation authorized to transact business in this state changes its corporate name to one that does not satisfy the requirements of subsection (1) of this section, it may not transact business in this state under the changed name until it adopts a name satisfying such requirements and obtains an amended certificate of authority under RCW 23B.15.040.

**RCW 23B.15.070: Registered office and registered agent of foreign corporation.**

- (1) Each foreign corporation authorized to transact business in this state must continuously maintain in this state:
  - (a) A registered office which may be, but need not be, the same as its place of business in this state. The registered office shall be at a specific geographic location in this state, and be identified by number, if any, and street, building address, or rural route, or, if a commonly known street or rural route address does not exist, by legal description. A registered office may not be identified by post office box number or other nongeographic address. For purposes of communicating by mail, the secretary of state may permit the use of a post office address in the same city as the registered office to be used in conjunction with the registered office address if the corporation also maintains on file the specific geographic address of the registered office where personal service of process may be made.
  - (b) A registered agent, who may be:
  - (c) An individual who resides in this state and whose business office is identical with the registered office;
  - (ii) A domestic corporation or not-for-profit domestic corporation whose business office is identical with the registered office;

- (iii) A foreign corporation or foreign not-for-profit corporation authorized to transact business or conduct affairs in this state whose business office is identical with the registered office;
  - (iv) A domestic limited liability company whose business office is identical with the registered office; or
  - (v) A foreign limited liability company authorized to conduct affairs in this state whose business office is identical with the registered office.
- (2) A registered agent shall not be appointed without having given prior consent in a record to the appointment. The consent shall be filed with the secretary of state in such form as the secretary of state may prescribe. The consent shall be filed with or as a part of the record first appointing a registered agent. In the event any individual, corporation, or limited liability company has been appointed agent without consent, that person, corporation, or limited liability company may file a notarized statement attesting to that fact, and the name shall forthwith be removed from the records.

**RCW 23B.15.080: Change of registered office or registered agent of foreign corporation.**

- (1) A foreign corporation authorized to transact business in this state may change its registered office or registered agent by delivering to the secretary of state for filing a statement of change that sets forth:
  - (a) Its name;
  - (b) If the current registered office is to be changed, the street address of its new registered office;
  - (c) If the current registered agent is to be changed, the name of its new registered agent and the new agent's consent, either on the statement or attached to it in the manner and form as the secretary of state may prescribe, to the appointment; and
  - (d) That, after the change or changes are made, the street addresses of its registered office and the business office of its registered agent will be identical.
- (2) If a registered agent changes the street address of the agent's business office, the registered agent may change the street address of the registered office of any foreign corporation for which the agent is the registered agent by notifying the corporation of the change either (a) in a record or (b) if the corporation has designated an address, location, or system to which

the notices may be electronically transmitted and the registered agent electronically transmits the notice to the corporation at the designated address, location, or system, in an electronically transmitted record, and delivering to the secretary of state for filing a statement of change that complies with the requirements of subsection (1) of this section and recites that the corporation has been notified of the change.

**RCW 23B.15.090: Resignation of registered agent of foreign corporation.**

- (1) The registered agent of a foreign corporation may resign as agent by signing and delivering to the secretary of state for filing a statement of resignation. The statement of resignation may include a statement that the registered office is also discontinued.
- (2) After filing the statement, the secretary of state shall mail a copy of the statement to the foreign corporation at its principal office address shown in its most recent annual report, or in the application for certificate of authority if no annual report has been filed.
- (3) The agency appointment is terminated, and the registered office discontinued if so provided, on the thirty-first day after the date on which the statement was filed.

**RCW 23B.15.100: Service on foreign corporation.**

- (1) The registered agent appointed by a foreign corporation authorized to transact business in this state shall be an agent of such corporation upon whom any process, notice, or demand required or permitted by law to be served upon the corporation may be served.
- (2) The secretary of state shall be an agent of a foreign corporation upon whom any process, notice, or demand may be served, if:
  - (a) The corporation is authorized to transact business in this state, and it fails to appoint or maintain a registered agent in this state, or its registered agent cannot with reasonable diligence be found at the registered office;
  - (b) The corporation's authority to transact business in this state has been revoked under RCW 23B.15.310; or
  - (c) The corporation has been authorized to transact business in this state and has withdrawn under RCW 23B.15.200.
- (3) Service on the secretary of state of any such process, notice, or demand shall be made by delivering to and leaving with the secretary of state,



or with any duly authorized clerk of the corporation department of the secretary of state's office, the process, notice, or demand. In the event any such process, notice, or demand is served on the secretary of state, the secretary of state shall immediately cause a copy thereof to be forwarded by certified mail, addressed to the secretary of the corporation at its principal office as shown on the records of the secretary of state. Any service so had on the secretary of state shall be returnable in not less than thirty days.

- (4) The secretary of state shall keep a record of all processes, notices, and demands served upon the secretary of state under this section, and shall record therein the time of such service and the secretary of state's action with reference thereto.
- (5) This section does not limit or affect the right to serve any process, notice, or demand, required or permitted by law to be served upon a corporation in any other manner now or hereafter permitted by law.

**RCW 23B.15.200: Withdrawal of foreign corporation.**

- (1) A foreign corporation authorized to transact business in this state may not withdraw from this state until it obtains a certificate of withdrawal from the secretary of state.
- (2) A foreign corporation authorized to transact business in this state may apply for a certificate of withdrawal by delivering an application to the secretary of state for filing. The application must be accompanied by a copy of a revenue clearance certificate issued pursuant to RCW [82.32.260](#), and must set forth:
  - (a) The name of the foreign corporation and the name of the state or country under whose law it is incorporated;
  - (b) That it is not transacting business in this state and that it surrenders its authority to transact business in this state;
  - (c) That it revokes the authority of its registered agent to accept service on its behalf and appoints the secretary of state as its agent for service of process in any proceeding based on a cause of action arising during the time it was authorized to transact business in this state;
  - (d) A mailing address to which the secretary of state may mail a copy of any process served on the secretary of state under (c) of this subsection; and
  - (e) A commitment to notify the secretary of state in the future of any change in its mailing address.

- (3) After the withdrawal of the corporation is effective, service of process on the secretary of state under RCW 23B.15.100 is service on the foreign corporation.

**RCW 23B.15.300: Revocation – Grounds.**

The secretary of state may revoke the certificate of authority of a foreign corporation authorized to transact business in this state if:

- (1) The foreign corporation does not deliver its completed initial report or annual report to the secretary of state when it is due;
- (2) The foreign corporation does not pay any license fees or penalties, imposed by this title, when they become due;
- (3) The foreign corporation is without a registered agent or registered office in this state;
- (4) The foreign corporation does not inform the secretary of state under RCW 23B.15.080 or 23B.15.090 that its registered agent or registered office has changed, that its registered agent has resigned, or that its registered office has been discontinued;
- (5) An incorporator, director, officer, or agent of the foreign corporation signed a document knowing it was false in any material respect with intent that the document be delivered to the secretary of state for filing; or
- (6) The secretary of state receives a duly authenticated certificate from the secretary of state or other official having custody of corporate records in the state or country under whose law the foreign corporation is incorporated stating that it has been dissolved or disappeared as the result of a merger.

Notes

- **Effective date – 1990 c 178:** See note following RCW 23B.01.220.

**RCW 23B.15.310: Revocation – Procedure and effect.**

- (1) If the secretary of state determines that one or more grounds exist under RCW 23B.15.300 for revocation of a certificate of authority, the secretary of state shall give the foreign corporation written notice of the determination by first-class mail, postage prepaid.

- (2) If the foreign corporation does not correct each ground for revocation or demonstrate to the reasonable satisfaction of the secretary of state that each ground determined by the secretary of state does not exist within sixty days after notice is effective, the secretary of state shall revoke the foreign corporation's certificate of authority by signing a certificate of revocation that recites the ground or grounds for revocation and its effective date. The secretary of state shall file the original of the certificate and mail a copy to the foreign corporation.
- (3) The authority of a foreign corporation to transact business in this state ceases on the date shown on the certificate revoking its certificate of authority.
- (4) The secretary of state's revocation of a foreign corporation's certificate of authority appoints the secretary of state the foreign corporation's agent for service of process in any proceeding based on a cause of action which arose during the time the foreign corporation was authorized to transact business in this state. Service of process on the secretary of state under RCW 23B.15.100 is service on the foreign corporation.
- (5) Revocation of a foreign corporation's certificate of authority does not terminate the authority of the registered agent of the corporation.

## **Chapter 23B.16 RCW: RECORDS AND REPORTS**

### **RCW Chapter Sections**

- 23B.16.010 Corporate records.
- 23B.16.020 Inspection of records by shareholders.
- 23B.16.030 Scope of inspection right.
- 23B.16.040 Court-ordered inspection.
- 23B.16.200 Financial statements for shareholders.
- 23B.16.220 Initial and annual reports for secretary of state.

### **RCW 23B.16.010: Corporate records.**

- (1) A corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all corporate actions approved by the shareholders or board of directors by executed consent without a meeting, and a record of all corporate actions approved by a committee of the board of directors exercising the authority of the board of directors on behalf of the corporation.
- (2) A corporation shall maintain appropriate accounting records.

- (3) A corporation or its agent shall maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each.
- (4) A corporation shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.
- (5) A corporation shall keep a copy of the following records at its principal office:
  - (a) Its articles or restated articles of incorporation and all amendments to them currently in effect;
  - (b) Its bylaws or restated bylaws and all amendments to them currently in effect;
  - (c) The minutes of all shareholders' meetings, and records of all corporate actions approved by shareholders without a meeting, for the past three years;
  - (d) The financial statements described in RCW 23B.16.200(1), for the past three years;
  - (e) All communications in the form of a record to shareholders generally within the past three years;
  - (f) A list of the names and business addresses of its current directors and officers; and
  - (g) Its initial report or most recent annual report delivered to the secretary of state under RCW 23B.16.220.

**RCW 23B.16.020: Inspection of records by shareholders.**

- (1) A shareholder of a corporation is entitled to inspect and copy, during regular business hours at the corporation's principal office, any of the records of the corporation described in RCW 23B.16.010(5) if the shareholder gives the corporation notice of the shareholder's demand at least five business days before the date on which the shareholder wishes to inspect and copy.
- (2) A shareholder of a corporation is entitled to inspect and copy, during regular business hours at a reasonable location specified by the corporation, any of the following records of the corporation if the shareholder meets the requirements of subsection (3) of this section and gives the corporation notice of the shareholder's demand at least five business days before the date on which the shareholder wishes to inspect and copy:

- (a) Excerpts from minutes of any meeting of the board of directors, or of any meeting of a committee of the board of directors while exercising the authority of the board of directors, minutes of any meeting of the shareholders, and records of corporate actions approved by the shareholders or board of directors or a committee thereof without a meeting, to the extent not subject to inspection under subsection (1) of this section;
  - (b) Accounting records of the corporation; and
  - (c) The record of shareholders.
- (3) A shareholder may inspect and copy the records described in subsection (2) of this section only if:
- (a) The shareholder's demand is made in good faith and for a proper purpose;
  - (b) The shareholder describes with reasonable particularity the shareholder's purpose and the records the shareholder desires to inspect; and
  - (c) The records are directly connected with the shareholder's purpose.
- (4) The right of inspection granted by this section may not be abolished or limited by a corporation's articles of incorporation or bylaws.
- (5) This section does not affect:
- (a) The right of a shareholder to inspect records under RCW 23B.07.200 or, if the shareholder is in litigation with the corporation, to the same extent as any other litigant; or
  - (b) The power of a court, independently of this title, to compel the production of corporate records for examination.
- (6) For purposes of this section, "shareholder" includes a beneficial owner whose shares are held in a voting trust or by a nominee on the beneficial owner's behalf.

**RCW 23B.16.030: Scope of inspection right.**

- (1) A shareholder's agent or attorney has the same inspection and copying rights as the shareholder.
- (2) The right to copy records under \*RCW 23B.16.020 includes, if reasonable, the right to receive copies made by photographic, xerographic, or other means, including copies in electronic or other nonwritten form if the shareholder so requests.

- (3) The corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any records provided to the shareholder. The charge may not exceed the estimated cost of production or reproduction of the records.
- (4) The corporation may comply with a shareholder's demand to inspect the record of shareholders under RCW 23B.16.020(2)(c) by providing the shareholder with a list of its shareholders that was compiled no earlier than the date of the shareholder's demand.

#### Notes

- **\*Reviser's note:** The reference to "section 184 of this act" has been translated to "RCW 23B.16.020." A literal translation would be "RCW 23B.16.030" which is the section above and appears to be erroneous.

#### **RCW 23B.16.040: Court-ordered inspection.**

- (1) If a corporation does not allow a shareholder who complies with RCW 23B.16.020(1) to inspect and copy any records required by that subsection to be available for inspection, the superior court of the county where the corporation's principal office, or, if none in this state, its registered office, is located may summarily order inspection and copying of the records demanded at the corporation's expense upon application of the shareholder.
- (2) If a corporation does not within a reasonable time allow a shareholder to inspect and copy any other record, the shareholder who complies with RCW 23B.16.020 (2) and (3) may apply to the superior court of the county where the corporation's principal office, or, if none in this state, its registered office, is located for an order to permit inspection and copying of the records demanded. The court shall dispose of an application under this subsection on an expedited basis.
- (3) If the court orders inspection and copying of the records demanded, it shall also order the corporation to pay the shareholder's costs, including reasonable counsel fees, incurred to obtain the order unless the corporation proves that it refused inspection in good faith because it had a reasonable basis for doubt about the right of the shareholder to inspect the records demanded.
- (4) If the court orders inspection and copying of the records demanded, it may impose reasonable restrictions on the use or distribution of the records by the demanding shareholder.

**RCW 23B.16.200: Financial statements for shareholders.**

- (1) Not later than four months after the close of each fiscal year, and in any event prior to the annual meeting of shareholders, each corporation shall prepare (a) a balance sheet showing in reasonable detail the financial condition of the corporation as of the close of its fiscal year, and (b) an income statement showing the results of its operation during its fiscal year. Such statements may be consolidated or combined statements of the corporation and one or more of its subsidiaries, as appropriate. If financial statements are prepared by the corporation for any purpose on the basis of generally accepted accounting principles, the annual statements must also be prepared, and disclose that they are prepared, on that basis. If financial statements are prepared only on a basis other than generally accepted accounting principles, they must be prepared, and disclose that they are prepared, on the same basis as other reports and statements prepared by the corporation for the use of others.
- (2) Upon request, the corporation shall promptly deliver to any shareholder a copy of the most recent balance sheet and income statement, which request shall be set forth either (a) in a written record or (b) if the corporation has designated an address, location, or system to which the request may be electronically transmitted and the request is electronically transmitted to the corporation at the designated address, location, or system, in an electronically transmitted record. If prepared for other purposes, the corporation shall also furnish upon the request a statement of sources and applications of funds, and a statement of changes in shareholders' equity, for the most recent fiscal year.
- (3) If the annual financial statements are reported upon by a public accountant, the accountant's report must accompany them. If not, the statements must be accompanied by a statement of the president or the person responsible for the corporation's accounting records:
  - (a) Stating the person's reasonable belief whether the statements were prepared on the basis of generally accepted accounting principles and, if not, describing the basis of preparation; and
  - (b) Describing any respects in which the statements were not prepared on a basis of accounting consistent with the basis used for statements prepared for the preceding year.
- (4) For purposes of this section, "shareholder" includes a beneficial owner whose shares are held in a voting trust or by a nominee on the beneficial owner's behalf.

**RCW 23B.16.220: Initial and annual reports for secretary of state.**

- (1) Each domestic corporation, and each foreign corporation authorized to transact business in this state, shall deliver to the secretary of state for filing initial and annual reports that set forth:
  - (a) The name of the corporation and the state or country under whose law it is incorporated;
  - (b) The street address of its registered office and the name of its registered agent at that office in this state;
  - (c) In the case of a foreign corporation, the address of its principal office in the state or country under the laws of which it is incorporated;
  - (d) The address of the principal place of business of the corporation in this state;
  - (e) The names and addresses of its directors, if the corporation has dispensed with or limited the authority of its board of directors pursuant to RCW 23B.08.010, in an agreement authorized under RCW 23B.07.320, or analogous authority, the names and addresses of persons who will perform some or all of the duties of the board of directors;
  - (f) A brief description of the nature of its business; and
  - (g) The names and addresses of its chairperson of the board of directors, if any, president, secretary, and treasurer, or of individuals, however designated, performing the functions of such officers.
- (2) Information in an initial report or an annual report must be current as of the date the report is executed on behalf of the corporation.
- (3) A corporation's initial report must be delivered to the secretary of state within one hundred twenty days of the date on which the articles of incorporation for a domestic corporation were filed, or on which a foreign corporation's certificate of authority was filed. Subsequent annual reports must be delivered to the secretary of state on, or prior to, the date on which the domestic or foreign corporation is required to pay its annual corporate license fee, and at such additional times as the corporation elects.
- (4) (a) The secretary of state may allow a corporation to file an annual report through electronic means. If allowed, the secretary of state shall adopt rules detailing the circumstances under which the electronic filing of such reports shall be permitted and how such reports may be filed.



- (b) For purposes of this section only, a person executing an electronically filed annual report may deliver the report to the office of the secretary of state without a signature and without an exact or conformed copy, but the person's name must appear in the electronic filing as the person executing the filing, and the filing must state the capacity in which the person is executing the filing.

#### Notes

- **Effective date – 2001 c 307:** “This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect May 1, 2001.” [2001 c 307 § 5.]

## Chapter 23B.17 RCW: MISCELLANEOUS PROVISIONS

### RCW Chapter Sections

- 23B.17.010 Application to existing corporations.
- 23B.17.015 Alternative quorum and voting requirements.
- 23B.17.030 Limitation on liability of directors – Indemnification.

#### **RCW 23B.17.010: Application to existing corporations.**

- (1) Unless otherwise provided, this title applies to all domestic corporations in existence on July 1, 1990, that were incorporated under any general statute of this state providing for incorporation of corporations for profit.
- (2) Unless otherwise provided, a foreign corporation authorized to transact business in this state on July 1, 1990, is subject to this title but is not required to obtain a new certificate of authority to transact business under this title.

#### **RCW 23B.17.015: Alternative quorum and voting requirements.**

- (1) A corporation that meets the following requirements is subject to the alternative quorum and voting requirements set forth in subsection (2) of this section:
  - (a) As of the record date of the annual or special meeting of shareholders:
  - (b) The corporation is a public company;

- (ii) Shares of its common stock are admitted to trading on a regulated market listed on the list of the regulated markets notified to the European commission by the member states under Article 16 of the investment services directive (93/22/EEC), as such list is amended from time to time; and
- (iii) At least twenty percent of the shares of the corporation's common stock are held of record by the depository trust company and are deposited securities, as defined in the rules, bylaws, and organization certificate of the depository trust company, credited to the account or accounts of one or more stock depositories located in a member state of the European Union;
- (b) At the time that such shares were initially listed on the regulated market, shares of the corporation's common stock were listed on the New York stock exchange or the nasdaq stock market;
- (c) At the time that such shares were initially listed on the regulated market, such listing was a condition to the acquisition of one hundred percent of the equity interests of a foreign corporation or similar entity where:
- (d) The securities of the foreign corporation or similar entity were admitted to trading on the regulated market immediately prior to the acquisition;
- (ii) The consideration for the acquisition was newly issued shares of common stock of the corporation; and
- (iii) The shares issued in connection with the acquisition equaled before the issuance more than forty percent of the outstanding common stock of the corporation; and
- (iv) At the corporation's most recent annual or special meeting of shareholders less than sixty-five percent of the shares within the voting group comprising all the votes entitled to be cast were present in person or by proxy.
- (2) At any annual or special meeting actually held, other than by written consent under RCW 23B.07.040, by a corporation meeting the requirements of subsection (1) of this section:
  - (a) The required quorum of the voting group consisting of all votes entitled to be cast, and of each other voting group that includes common shares of the corporation which is entitled to vote separately with respect to a proposed corporate action, shall be the lesser of:
  - (b) A majority of the shares of such voting group other than shares credited to the account of stock depositories located in a member state of the European Union as described in subsection (1)(a)(iii) of this section, provided the number of votes comprising such majority equals or exceeds one-sixth of the total votes entitled to be cast by the voting group; or

- (ii) One-third of the total votes entitled to be cast by the voting group.
- (b) The vote required for approval by any voting group entitled to vote with respect to any amendment of the corporation's articles of incorporation or bylaws, or any plan of merger or share exchange to which the corporation is a party, or any sale, lease, exchange, or other disposition of all or substantially all of the corporation's property otherwise than in the usual and regular course of business, or dissolution, shall be a majority of the votes actually cast by such voting group with respect to the proposed corporate action, provided that the votes approving the proposed corporate action equal or exceed fifteen percent of the votes within the voting group.
- (3) The alternative quorum and voting requirements specified in subsection (2) of this section shall, with respect to any corporation meeting the requirements of subsection (1) of this section, control over and supersede any greater quorum or voting requirements that may be specified in the corporation's articles of incorporation or bylaws or in RCW 23B.02.020, 23B.07.250, 23B.07.270, 23B.10.030, 23B.11.030, 23B.12.020, or 23B.14.020.

#### Notes

- **Effective date – 2011 c 42:** “This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect immediately [April 13, 2011].” [2011 c 42 § 2.]

#### **RCW 23B.17.030: Limitation on liability of directors – Indemnification.**

The provisions of RCW 23B.08.320 and 23B.08.500 through 23B.08.600 shall apply to any corporation, other than a municipal corporation, incorporated under the laws of the state of Washington.

### **Chapter 23B.18 RCW: NONADMITTED ORGANIZATIONS**

#### RCW Chapter Sections

- 23B.18.010 Ownership and enforcement of notes secured by real estate mortgages.
- 23B.18.020 Mortgage foreclosure.

- 23B.18.030 Transacting business.
- 23B.18.040 Service of process.
- 23B.18.050 Service of process – Procedure.
- 23B.18.060 Venue.

**RCW 23B.18.010: Ownership and enforcement of notes secured by real estate mortgages.**

Any corporation, bank, trust company, mutual savings bank, savings and loan association, national banking association, or other corporation or association organized and existing under the laws of the United States or under the laws of any state or territory of the United States other than the state of Washington, including, without restriction of the generality of the foregoing description, employee pension fund organizations, charitable foundations, trust funds, or other funds, foundations or trusts engaged in the investment of moneys, and trustees of such organizations, foundations, funds or trusts, and which are not admitted to conduct business in the state of Washington under the provisions of this title, and which are not otherwise specifically authorized to transact business in this state, herein collectively referred to as “nonadmitted organizations,” may purchase, acquire, hold, sell, assign, transfer, and enforce notes secured by real estate mortgages covering real property situated in this state and the security interests thereby provided, and may make commitments to purchase or acquire such notes so secured.

**RCW 23B.18.020: Mortgage foreclosure.**

Such nonadmitted organizations shall have the right to foreclose such mortgages under the laws of this state or to receive voluntary conveyance in lieu of foreclosure, and in the course of such foreclosure or of such receipt of conveyance in lieu of foreclosure, to acquire the mortgaged property, and to hold and own such property and to dispose thereof. Such nonadmitted organizations however, shall not be allowed to hold, own, and operate said property for a period exceeding five years. In the event said nonadmitted organizations do hold, own, and operate said property for a period in excess of five years, it shall be forthwith required to appoint an agent as required by RCW 23B.15.070 for foreign corporations doing business in this state.

**RCW 23B.18.030: Transacting business.**

The activities authorized by RCW 23B.18.010 and 23B.18.020 by such nonadmitted organizations shall not constitute “transacting business” within the meaning of chapter 23B.15 RCW.

**RCW 23B.18.040: Service of process.**

In any action in law or equity commenced by the obligor or obligors, it, his, her, or their assignee or assignees against the said nonadmitted organizations on the said notes secured by said real estate mortgages purchased by said nonadmitted organizations, service of all legal process may be had by serving the secretary of state of the state of Washington.

**RCW 23B.18.050: Service of process – Procedure.**

Duplicate copies of legal process against said nonadmitted organizations shall be served upon the secretary of state by registered mail. At the time of service the plaintiff shall pay to the secretary of state twenty-five dollars taxable as costs in the action and shall also furnish the secretary of state the home office address of said nonadmitted organization. The secretary of state shall forthwith send one of the copies of process by certified mail to the said nonadmitted organization to its home office. The secretary of state shall keep a record of the day, month, and year of service upon the secretary of state of all legal process. No proceedings shall be had against the nonadmitted organization nor shall it be required to appear, plead, or answer until the expiration of forty days after the date of service upon the secretary of state.

**RCW 23B.18.060: Venue.**

Suit upon causes of action arising against the said nonadmitted organizations shall be brought in the county where the property is situated which is the subject of the mortgage purchased by the said nonadmitted organizations. If the property covered by the said mortgage is situated in more than one county, venue may be had in any of said counties where the property lies.

**Chapter 23B.19 RCW: SIGNIFICANT BUSINESS TRANSACTIONS**

**RCW Chapter Sections**

- 23B.19.010 Legislative findings – Intent.
- 23B.19.020 Definitions.
- 23B.19.030 Transaction excluded from chapter – Inadvertent acquisition.
- 23B.19.040 Approval of significant business transaction required – Violation.
- 23B.19.050 Provisions of chapter additional to other requirements.
- 23B.19.900 Construction – Chapter applicable to state registered domestic partnerships – 2009 c 521.

**RCW 23B.19.010: Legislative findings – Intent.**

The legislature finds that:

- (1) Corporations that offer employment and health, retirement, and other benefits to citizens of the state of Washington are vital to the economy of this state and the well-being of all of its citizens;
- (2) The welfare of the employees of these corporations is of paramount interest and concern to this state;
- (3) Many businesses in this state rely on these corporations to purchase goods and services;
- (4) Hostile or unfriendly attempts to gain control of or influence otherwise publicly held corporations can cause corporate management to dissipate a corporation's assets in an effort to resist the takeover by selling or distributing cash or assets, redeeming stock, or taking other steps to increase the short-term gain to shareholders and to dissipate energies required for strategic planning, market development, capital investment decisions, assessment of technologies, and evaluation of competitive challenges that can damage the long-term interests of shareholders and the economic health of the state by reducing or eliminating the ability to finance investments in research and development, new products, facilities and equipment, and by undermining the planning process for those purposes;
- (5) Hostile or unfriendly attempts to gain control or influence otherwise publicly held corporations are often highly leveraged pursuant to financing arrangements which assume that an acquirer will promptly obtain access to an acquired corporation's cash or assets and use them, or the proceeds of their sale, to repay acquisition indebtedness;
- (6) Hostile or unfriendly attempts to gain control of or influence otherwise publicly held corporations can harm the economy of the state by weakening corporate performance, and causing unemployment, plant closings, reduced charitable donations, declining population base, reduced income to fee-supported local government services, reduced tax base, and reduced income to other businesses; and
- (7) The state has a substantial and legitimate interest in regulating domestic corporations and those foreign corporations that have their most significant business contacts with this state and in regulating hostile or unfriendly attempts to gain control of or influence otherwise publicly held domestic corporations and those foreign corporations that employ a large number of citizens of the state, pay significant taxes, and have a substantial economic base in the state.

The legislature intends this chapter to balance the substantial and legitimate interests of the state in domestic corporations and those foreign corporations that employ a large number of citizens of the state and that have a substantial economic base in the state with: The interests of citizens of other states who own shares of such corporations; the interests of the state of incorporation of such foreign corporations in regulating the internal affairs of corporations incorporated in that state; and the interests of promoting interstate commerce. To this effect, the legislature intends to regulate certain transactions between publicly held corporations and acquiring persons that will tend to harm the long-term health of domestic corporations and of foreign corporations that have their principal executive office and a majority of their assets in this state and that employ a large number of citizens of this state.

**RCW 23B.19.020: Definitions.**

The definitions in this section apply throughout this chapter.

- (1) “Acquiring person” means a person or group of persons, other than the target corporation or a subsidiary of the target corporation, who beneficially owns ten percent or more of the outstanding voting shares of the target corporation. The term “acquiring person” does not include a person who (a) beneficially owned ten percent or more of the outstanding voting shares of the target corporation on March 23, 1988; (b) acquires its shares by gift, inheritance, or in a transaction in which no consideration is exchanged; (c) 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 shares of the target corporation; (d) beneficially was the owner of ten percent or more of the outstanding voting shares 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 ten percent or more of the outstanding voting shares 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 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) “Beneficial ownership,” when used with respect to any shares, means ownership by a person:
  - (a) Who, individually or with or through any of its affiliates or associates, beneficially owns such shares, directly or indirectly; or
  - (b) Who, individually or with or through any of its affiliates or associates, has (i) 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. A person is not the beneficial owner of 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; or (ii) the right to vote the shares pursuant to any agreement, arrangement, or understanding, whether or not in writing. A person is not the beneficial owner of any shares under (b)(ii) 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; or
  - (c) Who has any agreement, arrangement, or understanding, whether or not in writing, for the purpose of acquiring, holding, voting, except voting pursuant to a revocable proxy or consent as described in (b)(ii) of this subsection, or disposing of the shares with any other person who beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, the shares.
- (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 ten percent or more of a domestic or foreign corporation’s outstanding voting shares 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) “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.

(15) “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.
- (16) "Share acquisition time" means the time at which a person first becomes an acquiring person of 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:

- (b) 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 have a certificate of authority to transact business in this state pursuant to chapter 23B.15 RCW, if:
- (c) 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 shares" means shares of a corporation entitled to vote generally in the election of directors.

**RCW 23B.19.030: Transaction excluded from chapter – Inadvertent acquisition.**

This chapter does not apply to a significant business transaction of a target corporation with an acquiring person of the target corporation which became an acquiring person inadvertently, if the acquiring person (1) as soon as practicable, divests itself of a sufficient amount of the voting shares of the target corporation so that it no longer is the beneficial owner, directly or indirectly, of ten percent or more of the outstanding voting shares of the target corporation, and (2) would not at any time within the five-year period preceding the announcement date of the significant business transaction have been an acquiring person but for the inadvertent acquisition.

**RCW 23B.19.040: Approval of significant business transaction required – Violation.**

(1)(a) Notwithstanding anything to the contrary contained in this title, a target corporation shall not for a period of five years following the acquiring person's share acquisition time engage in a significant business transaction unless:

- (i) It is exempted by RCW 23B.19.030;
- (ii) The significant business transaction or the purchase of shares made by the acquiring person is approved prior to the acquiring person's share acquisition time by a majority of the members of the board of directors of the target corporation; or
- (iii) At or subsequent to the acquiring person's share acquisition time, such significant business transaction is approved by a majority of the members of the board of directors of the target corporation and approved at an

annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting shares, except shares beneficially owned by or under the voting control of the acquiring person.

- (b) If a good faith proposal for a significant business transaction is made in writing to the board of directors of the target corporation prior to the significant business transaction or prior to the share acquisition time, the board of directors shall respond in writing, within thirty days or such shorter period, if any, as may be required by the exchange act setting forth its reasons for its decision regarding the proposal. If a good faith proposal to purchase shares is made in writing to the board of directors of the target corporation, the board of directors, unless it responds affirmatively in writing within thirty days or a shorter period, if any, as may be required by the exchange act shall be deemed to have disapproved such share purchase.
- (2) Except for a significant business transaction approved under subsection (1) of this section or exempted by RCW 23B.19.030, in addition to any other requirement, a target corporation shall not engage at any time in any significant business transaction described in RCW 23B.19.020(15) (a) or (e) with any acquiring person of such a corporation other than a significant business transaction that either meets all of the conditions of (a), (b), and (c) of this subsection or meets the conditions of (d) of this subsection:
  - (a) The aggregate amount of the cash and the market value as of the consummation date of consideration other than cash to be received per share by holders of outstanding common shares of such a target corporation in a significant business transaction is at least equal to the higher of the following:
  - (b) The highest per share price paid by such an acquiring person at a time when the person was the beneficial owner, directly or indirectly, of five percent or more of the outstanding voting shares of a target corporation, for any shares of common shares of the same class or series acquired by it: (A) Within the five-year period immediately prior to the announcement date with respect to a significant business transaction; or (B) within the five-year period immediately prior to, or in, the transaction in which the acquiring person became an acquiring person, whichever is higher plus, in either case, interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the consummation date at the rate for one-year United States treasury obligations from time to time in effect; less the aggregate amount of any cash dividends paid, and the market value of any dividends paid other than in cash, per share of common shares since the earliest date, up to the amount of the interest; and

- (ii) The market value per share of common shares on the announcement date with respect to a significant business transaction or on the date of the acquiring person's share acquisition time, whichever is higher; plus interest compounded annually from such a date through the consummation date at the rate for one-year United States treasury obligations from time to time in effect; less the aggregate amount of any cash dividends paid, and the market value of any dividends paid other than in cash, per share of common shares since the date, up to the amount of the interest.
  
- (b) The aggregate amount of the cash and the market value as of the consummation date of consideration other than cash to be received per share by holders of outstanding shares of any class or series of shares, other than common shares, of the target corporation is at least equal to the highest of the following, whether or not the acquiring person has previously acquired any shares of such a class or series of shares:
  
- (c) The highest per share price paid by an acquiring person at a time when the person was the beneficial owner, directly or indirectly, of five percent or more of the outstanding voting shares of a resident domestic corporation, for any shares of the same class or series of shares acquired by it: (A) Within the five-year period immediately prior to the announcement date with respect to a significant business transaction; or (B) within the five-year period immediately prior to, or in, the transaction in which the acquiring person became an acquiring person, whichever is higher; plus, in either case, interest compounded annually from the earliest date on which the highest per share acquisition price was paid through the consummation date at the rate for one-year United States treasury obligations from time to time in effect; less the aggregate amount of any cash dividends paid, and the market value of any dividends paid other than in cash, per share of the same class or series of shares since the earliest date, up to the amount of the interest;
  
- (ii) The highest preferential amount per share to which the holders of shares of the same class or series of shares are entitled in the event of any voluntary liquidation, dissolution, or winding up of the target corporation, plus the aggregate amount of any dividends declared or due as to which the holders are entitled prior to payment of dividends on some other class or series of shares, unless the aggregate amount of the dividends is included in the preferential amount; and
  
- (iii) The market value per share of the same class or series of shares on the announcement date with respect to a significant business transaction or on the date of the acquiring person's share acquisition time, whichever is higher; plus interest compounded annually from such a date through the consummation date at the rate for one-year United States treasury obligations from time to time in effect; less the aggregate amount of any

cash dividends paid and the market value of any dividends paid other than in cash, per share of the same class or series of shares since the date, up to the amount of the interest.

- (iv) The consideration to be received by holders of a particular class or series of outstanding shares, including common shares, of the target corporation in a significant business transaction is in cash or in the same form as the acquiring person has used to acquire the largest number of shares of the same class or series of shares previously acquired by the person, and the consideration shall be distributed promptly.
  - (v) The significant business transaction is approved at an annual meeting of shareholders, or special meeting of shareholders called for such a purpose, no earlier than five years after the acquiring person's share acquisition time, by a majority of the votes entitled to be counted within each voting group entitled to vote separately on the transaction. The votes of all outstanding shares entitled to vote under this title or the articles of incorporation shall be entitled to be counted under this subsection except that the votes of shares as to which an acquiring person has beneficial ownership or voting control may not be counted to determine whether shareholders have approved a transaction for purposes of this subsection. The votes of shares as to which an acquiring person has beneficial ownership or voting control shall, however, be counted in determining whether a transaction is approved under other sections of this title and for purposes of determining a quorum.
- (3) Subsection (2) of this section does not apply to a target corporation that on June 6, 1996, had a provision in its articles of incorporation, adopted under *RCW 23B.17.020(3)(d)*, *expressly electing not to be covered under RCW 23B.17.020*, which is repealed by section 6, chapter 155, Laws of 1996.
  - (4) A significant business transaction that is made in violation of subsection (1) or (2) of this section and that is not exempt under RCW 23B.19.030 is void.

#### Notes

- **\*Reviser's note:** RCW 23B.17.020 was repealed by 1996 c 155 § 6.

#### **RCW 23B.19.050: Provisions of chapter additional to other requirements.**

The requirements imposed by this chapter are to be in addition to, and not in lieu of, requirements imposed on a transaction by any provision in the articles of incorporation or the bylaws of the target corporation, or otherwise.



**RCW 23B.19.900: Construction – Chapter applicable to state registered domestic partnerships – 2009 c 521.**

For the purposes of this chapter, the terms spouse, marriage, marital, husband, wife, widow, widower, next of kin, and family shall be interpreted as applying equally to state registered domestic partnerships or individuals in state registered domestic partnerships as well as to marital relationships and married persons, and references to dissolution of marriage shall apply equally to state registered domestic partnerships that have been terminated, dissolved, or invalidated, to the extent that such interpretation does not conflict with federal law. Where necessary to implement chapter 521, Laws of 2009, gender-specific terms such as husband and wife used in any statute, rule, or other law shall be construed to be gender neutral, and applicable to individuals in state registered domestic partnerships.

**Chapter 23B.25 RCW: SOCIAL PURPOSE CORPORATIONS**

RCW Chapter Sections

- 23B.25.005 Becoming or ceasing to be a social purpose corporation.
- 23B.25.010 Powers, rights, and obligations – Definition – Application of RCW 23B.03.010.
- 23B.25.020 General social purposes.
- 23B.25.030 Specific social purposes.
- 23B.25.040 Articles of incorporation – Required and optional provisions – Notice – Availability of copies.
- 23B.25.050 Duties of director – Standards – Liabilities.
- 23B.25.060 Duties of officer – Standards – Liabilities.
- 23B.25.070 Shares – Represented by certificate – Not represented by certificate.
- 23B.25.080 Instituting or maintaining proceedings – Shareholders only.
- 23B.25.090 Amendment to articles of incorporation – Change to social purposes – Voting requirements.
- 23B.25.100 Plan of merger or share exchange – Status as social purpose corporation – Voting requirements.
- 23B.25.110 Selling, leasing, exchanging, or disposing of property – Voting requirements.
- 23B.25.120 Shareholder dissent – Payment of fair value, when.
- 23B.25.130 Corporation converting to a social purpose corporation – Conditions – Election.
- 23B.25.140 Corporation ceasing to be a social purpose corporation – Conditions – Election.

- 23B.25.150 Social purpose report required – Timing – Information – Failure to comply.

**RCW 23B.25.005: Becoming or ceasing to be a social purpose corporation.**

- (1) Any corporation may elect to be governed as a social purpose corporation by one of the following means:
  - (a) One or more persons may act as incorporator or incorporators of a social purpose corporation by delivering articles of incorporation that conform to the requirements of this chapter to the secretary of state for filing; or
  - (b) Any corporation which is not a social purpose corporation may elect to become a social purpose corporation by complying with RCW 23B.25.130.
- (2) Any social purpose corporation may elect to cease to be governed as a social purpose corporation by complying with RCW 23B.25.140.

**\*\*RCW 23B.25.010 ###Powers, rights, and obligations – Definition – Application of RCW 23B.03.010.**

**\*\***(1) Except as otherwise expressly stated in this chapter, the provisions of this title and all powers, rights, and obligations thereunder shall apply to social purpose corporations organized under this chapter, and references in this title to the term “corporation” shall be read to include social purpose corporations organized under this chapter.

- (2) Subject to any limitations contained in the articles of incorporation, a social purpose corporation may engage in any lawful business under RCW 23B.03.010.

**RCW 23B.25.020: General social purposes.**

Every corporation governed by this chapter must be organized to carry out its business purpose under RCW 23B.03.010 in a manner intended to promote positive short-term or long-term effects of, or minimize adverse short-term or long-term effects of, the corporation’s activities upon any or all of (1) the corporation’s employees, suppliers, or customers; (2) the local, state, national, or world community; or (3) the environment.

**RCW 23B.25.030: Specific social purposes.**

In addition to the general social purpose set forth in RCW 23B.25.020, every corporation governed by this chapter may have one or more specific social purposes for which the corporation is organized.

**RCW 23B.25.040: Articles of incorporation – Required and optional provisions – Notice – Availability of copies.**

- (1) In addition to the matters required to be set forth in the articles of incorporation pursuant to RCW 23B.02.020 (1) and (2), the articles of incorporation of a social purpose corporation must set forth:
  - (a) A corporate name for the social purpose corporation that contains the words “social purpose corporation” or “SPC” as an abbreviation of those words;
  - (b) A statement that the corporation is organized as a social purpose corporation governed by this chapter;
  - (c) A statement setting forth the general social purpose or purposes for which the corporation is organized pursuant to RCW 23B.25.020;
  - (d) If the corporation has designated one or more specific social purpose or purposes pursuant to RCW 23B.25.030, a statement setting forth such specific social purpose or purposes; and
  - (e) A provision that states the following: “The mission of this social purpose corporation is not necessarily compatible with and may be contrary to maximizing profits and earnings for shareholders, or maximizing shareholder value in any sale, merger, acquisition, or other similar actions of the corporation.”
- (2) In addition to the matters that must be set forth in the articles of incorporation in accordance with subsection (1) of this section and the provisions that may be set forth in the articles of incorporation pursuant to RCW 23B.02.020 (5) and (6), the articles of incorporation of a social purpose corporation may contain the following provisions:
  - (a) A provision requiring the corporation’s directors or officers to consider the impacts of any corporate action or proposed corporate action upon one or more of the social purposes of the corporation;
  - (b) A provision requiring the corporation to furnish to the shareholders an assessment of the overall performance of the corporation with respect to its social purpose or purposes, prepared in accordance with a third-party standard;
  - (c) A provision requiring, for any or all corporate actions, the vote of a larger proportion or of all of the shares of any class or series, or the vote or quorum for taking action of a larger proportion or of all of the directors, than is otherwise required by this title or this chapter;

- (d) A provision requiring the approval of the shareholders for any corporate action, even though not otherwise required by this title; and
  - (e) A provision limiting the duration of the corporation's existence to a specified date.
- (3) Prior to the issuance of shares, the corporation shall furnish a prospective shareholder with a copy of the articles of incorporation in the form of a record.
  - (4) Prior to the transfer of shares, the transferor shareholder shall give notice of the transfer to the corporation. Within a reasonable time after receiving notice, the corporation shall provide the prospective transferee with a copy of the articles of incorporation in the form of a record.

**RCW 23B.25.050: Duties of director – Standards – Liabilities.**

- (1) A director of a social purpose corporation shall discharge the duties of a director, including duties as a member of any committee of the board upon which the director may serve, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the best interests of the corporation in accordance with RCW 23B.08.300.
- (2) Unless the articles of incorporation provide otherwise, in discharging his or her duties as a director, the director of a social purpose corporation may consider and give weight to one or more of the social purposes of the corporation as the director deems relevant.
- (3) Any action taken as a director of a social purpose corporation, or any failure to take any action, that the director reasonably believes is intended to promote one or more of the social purposes of the corporation shall be deemed to be in the best interests of the corporation.
- (4) A director of a social purpose corporation is not liable for any action taken as a director, or any failure to take any action, if the director performed the duties of the director's office in compliance with this section.
- (5) Nothing in this chapter creates any liability or grants any right in or for any person or any cause of action by or for any person, and a director shall not be responsible to any party other than the corporation and its shareholders.
- (6) Nothing in this chapter alters the general standards for any director of a corporation that is not a social purpose corporation.

**RCW 23B.25.060: Duties of officer – Standards – Liabilities.**

- (1) An officer of a social purpose corporation with discretionary authority shall discharge the officer's duties under that authority in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the officer reasonably believes to be in the best interests of the corporation in accordance with RCW 23B.08.420.
- (2) Unless the articles of incorporation provide otherwise, in discharging his or her duties as an officer, the officer of a social purpose corporation may consider and give weight to one or more of the social purposes of the corporation as the officer deems relevant.
- (3) Any action taken as an officer of a social purpose corporation, or any failure to take any action, that the officer reasonably believes is intended to promote one or more of the social purposes of the corporation shall be deemed to be in the best interests of the corporation.
- (4) An officer of a social purpose corporation is not liable for any action taken as an officer, or any failure to take any action, if the officer performed the duties of the officer's office in compliance with this section.
- (5) Nothing in this chapter creates any liability or grants any right in or for any person or any cause of action by or for any person, and an officer shall not be responsible to any party other than the corporation and its shareholders.
- (6) Nothing in this chapter alters the general standards for any officer of a corporation that is not a social purpose corporation.

**RCW 23B.25.070: Shares – Represented by certificate – Not represented by certificate.**

- (1) Shares issued by a social purpose corporation may but need not be represented by certificates.
- (2) If shares are represented by certificates, in addition to the information required on certificates by RCW 23B.06.250 (2) and (3), each share certificate must state on its face the following language in a conspicuous manner:

“This entity is a social purpose corporation organized under Title 23B RCW of the Washington business corporation act. The articles of incorporation of this corporation state one or more social purposes of this corporation. The corporation will furnish the shareholder this information without charge on request in writing.”

- (3) If shares are not represented by certificates, within a reasonable time after the issue or transfer of such shares, the corporation shall send the shareholder a record containing the information required pursuant to RCW 23B.06.260(2) and the language required on certificates by subsection (2) of this section.

**RCW 23B.25.080: Instituting or maintaining proceedings – Shareholders only.**

- (1) No proceeding may be instituted or maintained in the right of any social purpose corporation under this title by any party other than a shareholder of the social purpose corporation.
- (2) A person may not commence a proceeding in the right of a social purpose corporation unless the person was a shareholder of the corporation when the transaction complained of occurred or unless the person became a shareholder through transfer by operation of law from one who was a shareholder at that time.
- (3) Any proceeding instituted or maintained in the right of a social purpose corporation must comply with the procedure set forth in RCW 23B.07.400.

**RCW 23B.25.090: Amendment to articles of incorporation – Change to social purposes – Voting requirements.**

If a proposed amendment to a social purpose corporation's articles of incorporation would materially change one or more of the social purposes of the corporation, in addition to approval in accordance with RCW 23B.10.030, the amendment to be adopted must be approved by two-thirds of the voting group comprising all the votes entitled to be cast on the proposed amendment, and by two-thirds of the holders of the outstanding shares of each class or series, voting as separate voting groups, and of each other voting group entitled under the articles of incorporation to vote separately on the proposed amendment. The articles of incorporation may require a greater vote than that provided for in this section.

**RCW 23B.25.100: Plan of merger or share exchange – Status as social purpose corporation – Voting requirements.**

- (1) In addition to approval in accordance with RCW 23B.11.030, a plan of merger or share exchange pursuant to which a social purpose corporation would not be the surviving corporation must be approved by two-thirds of the voting group comprising all the votes of the corporation entitled to be cast on the plan, and by two-thirds of the holders of the outstanding shares

of each class or series, voting as separate voting groups, and of each other voting group entitled under the articles of incorporation to vote separately on the proposed plan. The articles of incorporation may require a greater vote than that provided for in this subsection.

- (2) The additional approval described in subsection (1) of this section is not required if the surviving corporation of the plan of merger or share exchange is a social purpose corporation governed by this chapter and includes a specific social purpose or purposes that do not materially differ from the disappearing corporation's specific social purpose or purposes, if any.

**RCW 23B.25.110: Selling, leasing, exchanging, or disposing of property – Voting requirements.**

- (1) In addition to approval in accordance with RCW 23B.12.020, a proposed transaction in which the social purpose corporation is to sell, lease, exchange, or otherwise dispose of all, or substantially all, of its property, otherwise than in the usual and regular course of business, must be approved by two-thirds of the voting group comprising all the votes entitled to be cast on the transaction, and by two-thirds of the holders of the outstanding shares of each class or series, voting as separate voting groups, and of each other voting group entitled under the articles of incorporation to vote separately on the proposed transaction. The articles of incorporation may require a greater vote than that provided for in this section.
- (2) The additional approval described in subsection (1) of this section is not required if the acquirer of such property is a social purpose corporation governed by this chapter and includes a specific social purpose or purposes that do not materially differ from the disposing corporation's specific social purpose or purposes, if any.

**RCW 23B.25.120: Shareholder dissent – Payment of fair value, when.**

In addition to the corporate actions set forth in RCW 23B.13.020(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:

- (1) An election by a corporation to become a social purpose corporation, which has become effective, to which the corporation is a party if shareholder approval was required for the election by RCW 23B.25.130 or the articles of incorporation;
- (2) An election to cease to be a social purpose corporation, which has become effective, to which the corporation is a party if shareholder approval was required for the election by RCW 23B.25.140 or the articles of incorporation, and the shareholder was entitled to vote on the election; and

- (3) An amendment of the social purpose corporation's articles of incorporation that would materially change one or more of the social purposes of the corporation.

**RCW 23B.25.130: Corporation converting to a social purpose corporation – Conditions – Election.**

- (1) Any corporation that is not a social purpose corporation may elect to become a social purpose corporation if, pursuant to the proposed election, each of the following conditions are met:
  - (a) Each share of the same class or series of the electing corporation shall, unless all shareholders of the class or series consent, be treated equally with respect to any cash, rights, securities, or other property to be received by, or any obligations or restrictions to be imposed on, the holder of that share;
  - (b) The board of directors of the electing corporation must recommend the election to the shareholders, unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders with the proposed election; and
  - (c) In addition to any other voting conditions imposed by the board of directors under subsection (2) of this section, the election must be approved by an affirmative vote of at least two-thirds of the voting group comprising all the votes of the electing corporation's shareholders entitled to be cast on the corporate action, and by two-thirds of the holders of the outstanding shares of each class or series, voting as separate voting groups, and each other voting group entitled under the articles of incorporation to vote separately on the corporate action.
- (2) The board of directors of a corporation electing to become a social purpose corporation may condition its submission of the proposed election on any basis, including the affirmative vote of holders of a specified percentage of shares held by any group of shareholders not otherwise entitled to vote as a separate group on the proposed election.
- (3) To elect to become a social purpose corporation, an electing corporation must amend its articles of incorporation to include the matters required to be set forth in the articles of incorporation pursuant to RCW 23B.25.040(1).
- (4) After an election to become a social purpose corporation is approved, and at any time prior to filing the articles of amendment to amend the electing corporation's articles of incorporation in compliance with subsection (3)



of this section, the planned election may be abandoned by the electing corporation, subject to any contractual rights, without further shareholder approval, in the manner determined by the board of directors.

- (5) The election to become a social purpose corporation shall be effective upon the later of the filing of the articles of amendment with the secretary of state or the effective date or time set forth in the articles of amendment.
- (6) Upon the effective time of the election to become a social purpose corporation, the electing corporation shall thereafter be a social purpose corporation and shall be subject to all of the provisions of this chapter and the existence of the social purpose corporation shall be deemed to have commenced on the date the electing corporation was incorporated.
- (7) The election to become a social purpose corporation shall not be deemed to affect any obligations or liabilities of the electing corporation incurred prior to its election to become a social purpose corporation or the personal liability of any person incurred prior to such election.

**RCW 23B.25.140: Corporation ceasing to be a social purpose corporation – Conditions – Election.**

- (1) Any social purpose corporation may elect to cease to be a social purpose corporation if, pursuant to the proposed election, each of the following conditions are met:
  - (a) Each share of the same class or series of the electing social purpose corporation shall, unless all shareholders of the class or series consent, be treated equally with respect to any cash, rights, securities, or other property to be received by, or any obligations or restrictions to be imposed on, the holder of that share;
  - (b) The board of directors of the electing social purpose corporation must recommend the election to the shareholders, unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders with the proposed election; and
  - (c) In addition to any other voting conditions imposed by the board of directors under subsection (2) of this section, the election must be approved by an affirmative vote of at least two-thirds of the voting group comprising all the votes of the electing social purpose corporation's shareholders entitled to be cast on the corporate action, and by two-thirds of the holders of the outstanding shares of each class or series, voting as separate voting groups, and each other voting group entitled under the articles of incorporation to vote separately on the corporate action.

- (2) The board of directors of a social purpose corporation electing to cease to be a social purpose corporation may condition its submission of the proposed election on any basis, including the affirmative vote of holders of a specified percentage of shares held by any group of shareholders not otherwise entitled to vote as a separate group on the proposed election.
- (3) To elect to cease to be a social purpose corporation, an electing social purpose corporation must amend its articles of incorporation to remove the matters required to be set forth in the articles of incorporation pursuant to RCW 23B.25.040(1) (a) and (b).
- (4) After an election to cease to be a social purpose corporation is approved, and at any time prior to the filing of the articles of amendment to amend the electing social purpose corporation's articles of incorporation in compliance with subsection (3) of this section, the planned election may be abandoned by the electing social purpose corporation, subject to any contractual rights, without further shareholder approval, in the manner determined by the board of directors.
- (5) The election to cease to be a social purpose corporation shall be effective upon the later of the filing of the articles of amendment with the secretary of state or the effective date or time set forth in the articles of amendment.
- (6) Upon the effective time of the election to cease to be a social purpose corporation, the electing social purpose corporation shall thereafter be a corporation which is not a social purpose corporation and shall be subject to all of the provisions of this title applicable to corporations generally and the existence of the corporation shall be deemed to have commenced on the date the electing social purpose corporation was incorporated.
- (7) The election to cease to be a social purpose corporation shall not be deemed to affect any obligations or liabilities of the electing social purpose corporation incurred prior to its election to cease to be a social purpose corporation or the personal liability of any person incurred prior to such election.

**RCW 23B.25.150: Social purpose report required – Timing – Information – Failure to comply.**

- (1) The board of directors of a social purpose corporation shall cause a social purpose report to be furnished to the shareholders by making such report publicly accessible, free of charge, at the corporation's principal internet web site address, not later than four months after the close of the corporation's fiscal year, and such report shall remain available on that web site through the end of the corporation's fiscal year.

- (2) The social purpose report shall include a narrative discussion concerning the social purpose or purposes of the corporation, including the corporation's efforts intended to promote its social purpose or purposes. The narrative discussion may include the following information:
  - (a) Identification and discussion of the short-term and long-term objectives of the corporation relating to its social purpose or purposes;
  - (b) Identification and discussion of the material actions taken by the corporation during the fiscal year to achieve its social purpose or purposes;
  - (c) Identification of material actions that the corporation expects to take in the future with respect to achievement of its social purpose or purposes; and
  - (d) A description of the financial, operating, or other measures used by the corporation during the fiscal year for evaluating its performance in achieving its social purpose or purposes.
- (3) The requirements of subsection (1) of this section shall be satisfied if a social purpose corporation with an outstanding class of securities registered under section 12 of the securities exchange act of 1934 both complies with section 240.14a-16 of Title 17 of the code of federal regulations, as amended from time to time, with respect to the obligation of a corporation to furnish an annual report to shareholders pursuant to section 240.14a-3(b) of Title 17 of the code of federal regulations, and includes the information required by subsection (2) of this section in the annual report.
- (4) The failure to furnish to shareholders a social purpose report required by subsection (1) of this section does not affect the validity of any corporate action.
- (5) The superior court of the county in which the social purpose corporation's registered office is located may, after notice to the corporation, summarily order a social purpose report to be furnished to shareholders on application of any shareholder of a social purpose corporation if a social purpose report was not furnished to shareholders for at least two consecutive fiscal years.

## **Chapter 23B.900 RCW: CONSTRUCTION**

### **RCW Chapter Sections**

- 23B.900.010 Savings provisions – 1989 c 165.
- 23B.900.020 Severability – 1989 c 165.
- 23B.900.030 Repealer – 1989 c 165.
- 23B.900.040 Effective date – 1989 c 165.
- 23B.900.050 Section headings – 1989 c 165.

**RCW 23B.900.010: Savings provisions – 1989 c 165.**

- (1) Except as provided in subsection (2) of this section, the repeal of a statute by this title does not affect:
  - (a) The operation of the statute or any action taken under it before its repeal;
  - (b) Any ratification, right, remedy, privilege, obligation, or liability acquired, accrued, or incurred under the statute before its repeal;
  - (c) Any violation of the statute, or any penalty, forfeiture, or punishment incurred because of the violation, before its repeal; or
  - (d) Any proceeding, reorganization, or dissolution commenced under the statute before its repeal, and the proceeding, reorganization, or dissolution may be completed in accordance with the statute as if it had not been repealed.
- (2) If a penalty or punishment imposed for violation of a statute repealed by this title is reduced by this title, the penalty or punishment if not already imposed shall be imposed in accordance with this title.

**RCW 23B.900.020: Severability – 1989 c 165.**

If any provision of this title or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity does not affect other provisions or applications of the title that can be given effect without the invalid provision or application, and to this end the provisions of the title are severable.

**RCW 23B.900.030: Repealer – 1989 c 165.**

See 1989 c 165 § 204.

**RCW 23B.900.040: Effective date – 1989 c 165.**

This title shall take effect July 1, 1990.

**RCW 23B.900.050: Section headings – 1989 c 165.**

Section headings as used in this title do not constitute any part of the law.