

SB 359 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

Prepared By: Channa Newell, Counsel

Meeting Dates: 2/4

WHAT THE MEASURE DOES:

Specifies process for correcting defective corporate actions for both private corporations and nonprofit corporations. Provides definitions. Specifies that a board of directors may ratify a defective corporate action by providing proper notice identifying the defective action, the date on which the action occurred, the nature of the defect, and a statement on the board's intention to ratify the action. Allows ratification of action that relates to election of the board through additional process. Requires the board to submit ratification to shareholder for approval. Specifies that quorum and voting requirements that applied to the board at the time of the defective action also apply in taking action to ratify. Specifies process for shareholder vote notice. Specifies process for voting on ratification of putative shares. Requires filing articles of validation with Secretary of State for corrections of defective action. Specifies content of filing. Provides authority to circuit court to determine validity of actions or corrections. Provides legal process for person to bring action for determination or modification of defective action.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Laws governing private corporations can be found in ORS chapter 60 while laws governing nonprofit corporations can be found at ORS Chapter 65. Currently, the governing statutes specify processes for correcting certain issues with defective signings or filings, but not for defective corporate actions.

Senate Bill 359 provides an extensive process for later approval or ratification of defective corporate actions.