

**CORPORATION, FINANCE AND SECURITIES LAW SECTION**

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 Partnerships



**The District of Columbia Bar**

May 3, 1990

**Honorable Council Members  
 Council of the District of Columbia  
 District Building  
 1350 Pennsylvania Avenue, N.W.  
 Washington, D. C.**

Dear Council Members:

I am writing to express the endorsement by the Section of Corporation, Finance and Securities Law of the District of Columbia Bar of the bill (the "Bill"), primarily drafted by the D. C. Corporation Code Revision Project, to amend Title 29 of the District of Columbia Code (the "Corporation Code of the District of Columbia"). The endorsement expressed herein has been approved by the Steering Committee of the Corporation, Finance and Securities Law Section. This letter has been reviewed by the members of the Section Steering Committee and comments of the members have been incorporated within this letter.

The Bill is a long awaited and necessary revision effort that if adopted will: (i) simplify many basic corporate administrative activities; (ii) bring greater internal consistency to the Corporation Code; (iii) in several instances, provide District of Columbia chartered corporations with the operational flexibilities often available to corporations chartered in the nation's major commercial jurisdictions; and (iv) bring under the regulatory umbrella of the current Corporation Code of the District of Columbia those corporations that were existing or doing business prior to January 1, 1902 and which did not avail themselves of the provisions of earlier Corporation Acts. The improvements drafted into the Bill will inure to the benefit of both small and large corporations, as well as the foreign corporation that might seek to incorporate in the District of Columbia. The revisions incorporated in the Bill should augment the numbers of business entities that choose to incorporate within the District of Columbia. Greater numbers of

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corporations chartered within the District of Columbia should increase District revenues, even in the absence of the fee increases also proposed by the Bill. In addition, this increased incorporation activity would enable a greater number of corporations to avail themselves of the pool of extraordinarily talented corporate attorneys currently practicing within the District.

The Bill addresses a broad array of issues. Some of the more significant revisions proposed within the Bill would:

1) Allow a D. C. corporation to be chartered by a single incorporator and also allow such corporations to operate with only a single officer. Such revisions will simplify both the incorporation process, as well as the management, of small businesses.

2) Permit corporations to include provisions within their articles of incorporation that increase or decrease the otherwise required two-thirds shareholder vote necessary for major organic corporate changes (e.g., mergers, sales of substantially all assets, reductions in stated capital) provided the required vote is not reduced to less than a majority of outstanding shares entitled to vote on such matters. These revisions will provide D. C. corporations with flexibility, comparable to that provided corporations chartered in major commercial jurisdictions, in fashioning governance procedures relating to the approval of extraordinary corporate action.

3) Provide a conveniently unified grouping of statutory provisions relating to the close corporation. These provisions deal with both the unique operational privileges offered to and the limitations placed upon close corporations. Modeled upon the Delaware General Corporation Law, the proposed close corporation provisions will permit incorporators of close corporations to determine by reference to one set of sections within the Business Corporation Act how to draft a certificate of incorporation of a close corporation. The close corporation provisions will enable close corporations to operate, when appropriate, more like partnerships than corporations.

4) Permit the placement of limitations on the liability of directors that would be similar to the limitations permitted in Delaware and other major commercial jurisdictions. Permitting such limitations on liability holds the promise of enabling D. C. chartered corporations to more readily attract highly qualified persons to sit on their boards.

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The formation of the D. C. Corporation Code Revision Project was encouraged several years ago by the then sitting Steering Committee of the Section of Corporation, Finance and Securities Law of the D. C. Bar. Since that time, the D. C. Code Revision Project, under the leadership of Attorney Frank Goldstein, has worked conscientiously and productively, alongside of many officials of the District of Columbia government, to produce an admirable Bill to update and make more efficient the current Corporation Code of the District of Columbia. The Steering Committee of the Section of Corporation, Finance and Securities Law of the D. C. Bar now encourages the adoption of this Bill.

Respectfully submitted,

David A. Lipton  
Chairperson