

FINAL BILL REPORT

SHB 3046

C 212 L 10
Synopsis as Enacted

Brief Description: Addressing the dissolution of the assets and affairs of a nonprofit corporation.

Sponsors: House Committee on Judiciary (originally sponsored by Representatives Driscoll, Rodne, Kretz, Ormsby, Wood, Johnson and Parker).

House Committee on Judiciary
Senate Committee on Judiciary

Background:

The Washington Nonprofit Corporation Act (WNCA) provides rules and requirements on the organization and operation of nonprofit corporations and the relationship between members, directors, and officers of the corporation.

The WNCA governs how a nonprofit corporation may be dissolved. Nonprofit corporations may be dissolved either voluntarily, administratively, or judicially. In certain situations, a nonprofit corporation may be subject to liquidation and dissolution as the result of proceeding brought by a member, director, or creditor of the nonprofit corporation or the Attorney General (AG).

In a proceeding to liquidate the assets and affairs of a nonprofit corporation, a court has the power to issue injunctions, appoint receivers, and take other actions to preserve the corporate assets and carry on the affairs of the nonprofit corporation until a full hearing is held. After a hearing, a court may appoint a liquidating receiver with the authority to collect or dispose of any of the assets of the nonprofit corporation. In proceedings to liquidate the assets and affairs of a nonprofit corporation, a court must enter a decree dissolving the corporation after all debts, obligations, and liabilities of the corporation have been paid or discharged. Upon entry of the dissolution decree, the nonprofit corporation ceases to exist.

Model Nonprofit Corporation Act.

The Model Nonprofit Corporation Act, Third Edition, was adopted by the American Bar Association (ABA) in 2008. Prior to its adoption, the ABA sponsored a task force to make

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

changes to its own Revised Model Nonprofit Corporation Act. This task force was comprised of attorneys from around the nation.

Summary:

The procedures for judicial liquidation are repealed and replaced with provisions governing judicial dissolution from the Model Nonprofit Corporation Act, Third Edition, adopted by the ABA.

A superior court may dissolve a nonprofit corporation in a proceeding brought by the AG, a creditor, 50 members or members holding at least 5 percent of the voting power, whichever is less, or by one or more directors, if certain criteria are met. In a proceeding brought to dissolve a nonprofit corporation, a court may issue injunctions, appoint a general or custodial receiver with all powers and duties as the court directs, take other action required to preserve the corporate assets, and carry on the activities of the nonprofit corporation until a full hearing can be held.

After giving notice to all parties, a court must hold a hearing before appointing a general or custodial receiver. Among other powers, a court-appointed general receiver may dispose of all or any part of the assets of the nonprofit corporation and sue and defend suits by the corporation. A court-appointed custodial receiver may exercise all of the powers of the nonprofit corporation to the extent necessary to manage the affairs of the corporation consistent with its mission and in the best interests of its creditors.

Other provisions are created to address venue in a dissolution proceeding and compensation paid to a court-appointed general or custodial receiver and counsel.

After a hearing, if a court determines that one or more grounds for judicial dissolution exist, the court may enter a decree dissolving the nonprofit corporation and specifying the effective date of dissolution. After entering the decree of dissolution, the court must direct the winding up and liquidation of the nonprofit corporation's affairs.

The act is prospective and only applies to actions or proceedings commenced on or after the effective date of the act.

Votes on Final Passage:

House	97	0	
Senate	44	1	(Senate amended)
House	97	0	(House concurred)

Effective: March 25, 2010