
Judiciary Committee

HB 3046

Title: An act relating to dissolving the assets and affairs of a nonprofit corporation.

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

Sponsors: Representatives Driscoll, Rodne, Kretz, Ormsby, Wood, Johnson and Parker.

Brief Summary of Bill

- Permits courts, in a proceeding to dissolve the assets and affairs of a nonprofit corporation, to make orders and decrees, and issue injunctions in the case as justice and equity require.
- Replaces certain references to "liquidate" with "dissolve" under the Washington Nonprofit Corporation Act.

Hearing Date: 1/28/10

Staff: Courtney Barnes (786-7194).

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 nonprofit 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 dissolution as the result of proceedings brought by a member or director of the nonprofit corporation, the Attorney General, or a creditor.

In an action by a member, director, or the Attorney General, the superior courts have the power to liquidate the assets and affairs of a nonprofit corporation if:

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- the directors are deadlocked in the management of the corporate affairs and irreparable injury to the nonprofit corporation is being suffered or threatened, and either the members are unable to break the deadlock or there are no members having voting rights;
- the acts of the directors or those in control of the nonprofit corporation are illegal, oppressive, or fraudulent;
- the corporate assets are being misapplied or wasted; or
- the corporation is unable to carry out its purposes

In an action by a creditor, the superior courts have the power to liquidate the assets and affairs of a nonprofit corporation if:

- the claim of the creditor has been reduced to judgment, the execution on the judgment has been returned unsatisfied, and the nonprofit corporation is insolvent; or
- the nonprofit corporation has admitted in writing that the claim of the creditor is due and owing, and the nonprofit corporation is insolvent.

The superior courts also have the power to liquidate the assets and affairs of a nonprofit corporation if:

- the nonprofit corporation applies to have its dissolution continued under the supervision of the court; or
- in an action filed by the Attorney General to dissolve a corporation, it is established that liquidation of the nonprofit corporation's affairs should precede the entry of a decree of dissolution.

In a proceeding to liquidate the assets and affairs of a nonprofit corporation, the court has the power to issue injunctions, appoint receivers, and to 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, the court may appoint a liquidating receiver or receivers with the authority to collect or dispose of any or all of the assets of the nonprofit corporation. In proceedings to liquidate the assets and affairs of a nonprofit corporation, the court must enter a decree dissolving the nonprofit corporation after all debts, obligations, and liabilities of the nonprofit corporation have been paid or discharged. Upon entry of the dissolution decree, the nonprofit corporation ceases to exist.

Summary of Bill:

Certain references to "liquidate" are replaced with "dissolve" in the WNCA provisions governing jurisdiction and procedure when a court liquidates (now dissolves) the assets and affairs of a corporation.

In a proceeding to dissolve the assets and affairs of a corporation, a court may, with or without ordering dissolution, make orders and decrees, and issue injunctions in the case as justice and equity require.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.