

HOUSE BILL REPORT

HB 2293

As Reported by House Committee On: Judiciary

Title: An act relating to the nonprofit miscellaneous and mutual corporations act.

Brief Description: Expanding consumer cooperative provisions under the nonprofit miscellaneous and mutual corporations act.

Sponsors: Representatives Pedersen, Rodne and Orwall.

Brief History:

Committee Activity:

Judiciary: 1/16/12, 1/19/12 [DP].

Brief Summary of Bill

- Establishes new provisions governing notice and other requirements with respect to meetings for consumer cooperatives under the Nonprofit Miscellaneous and Mutual Corporations Act.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 11 members: Representatives Pedersen, Chair; Goodman, Vice Chair; Shea, Assistant Ranking Minority Member; Eddy, Hansen, Kirby, Klippert, Nealey, Orwall, Rivers and Roberts.

Staff: Edie Adams (786-7180).

Background:

A business that is operated on a nonprofit basis may organize under the Nonprofit Miscellaneous and Mutual Corporations Act (Act) for any lawful purpose, including mutual, social, cooperative, fraternal, or other purposes. The Act sets forth the powers, duties, rights, and obligations of both the corporation and members or shareholders of the corporation, including establishing requirements with respect to annual and other meetings of the corporation.

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.

Meeting Notices.

A corporation must give notice of the place and time of meetings not less than 10 nor more than 50 days prior to the meeting date to each member or shareholder entitled to vote at the meeting. If allowed under the corporation's articles, notice of regular meetings other than the annual meeting may be given by providing each member with the adopted schedule of regular meetings for the year at any time after the annual meeting and 10 days prior to a regular meeting. Meeting notices may be provided by electronic transmission if authorized in the articles.

Materials Accompanying Meeting Notices.

In certain circumstances, the Act requires written or printed copies of certain information or materials to accompany a meeting notice to members or shareholders. For example, additional materials must accompany a meeting notice when the meeting will address an amendment to the articles of incorporation or a proposed merger of the corporation.

Location of the Annual Meeting.

The annual meeting of the members or shareholders of a corporation may be held at any place as provided in the bylaws of the corporation. If a meeting place is not specified in the bylaws, the annual meeting must be held at the registered office of the corporation in Washington.

Summary of Bill:

New provisions governing notice and other requirements with respect to meetings are established for consumer cooperatives. A consumer cooperative is a corporation engaged in the retail sale, to its members and other consumers, of goods and services for personal, living, or family use.

Meeting Notices.

The window of time in which a consumer cooperative may give notice to its members of the place and time of the annual meeting is expanded to not less than 10 nor more than 120 days before the date of the annual meeting.

Materials Accompanying Meeting Notices.

A consumer cooperative may satisfy the requirement of providing certain information or materials in writing accompanying a meeting notice by:

- posting the information or materials on an electronic network at least 30 days prior to the meeting at which the information or materials will be considered; and
- delivering to members eligible to vote a notification that provides the address of the electronic network and instructions on how to access the posted information or materials.

A consumer cooperative must provide a written copy of the materials upon the request of any member who is eligible to vote.

Location of the Annual Meeting.

The articles of incorporation or bylaws of a consumer cooperative may allow annual meetings of the consumer cooperative to take place by means of electronic or other remote communications, rather than a physical assembly at a specific geographic location. Meetings held by means of electronic or other remote access must allow members a reasonable opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote by electronic transmission on matters submitted to a vote by members, and pose questions and make comments to management.

Members participating in an annual meeting by electronic or other remote communications are deemed present at the meeting for all purposes and the place of the meeting is deemed to be the address of the electronic network or other communications site or connection specified in the meeting notice.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill makes three narrow refinements to provisions governing consumer cooperatives. These changes provide greater flexibility for how consumer cooperatives communicate with members and how members participate in the management of the company. Recreation Equipment Incorporation was founded as a cooperative in 1938 and has issued over 10 million cooperative memberships, with around four million currently active members. Reaching such a large and disperse group is a challenge.

The bill provides a longer period of time for giving advance notice of meetings. The current 40-day window is difficult to meet when you have to print and mail four million meeting packets. The bill also allows meeting materials to be posted online and members to participate in meetings via electronic means. These changes bring the statute into modern times and are consistent with changes made in the past to other business entity statutes. These changes won't impact how the vast bulk of non-consumer cooperatives operate.

(Opposed) None.

Persons Testifying: Denny Eliason and Mike Collins, Recreation Equipment Incorporation; and John Steel, DLA Piper for Recreation Equipment Incorporation.

Persons Signed In To Testify But Not Testifying: None.