

## HCS SCS SB 366 -- MISSOURI COOPERATIVE ASSOCIATIONS ACT

SPONSOR: Goodman (Diehl)

COMMITTEE ACTION: Voted "do pass" by the Committee on General Laws by a vote of 15 to 0.

This substitute changes the laws regarding the conversion of certain businesses to a different type of entity and establishes the Missouri Cooperative Associations Act.

### CONVERSION OF BUSINESSES

The substitute specifies that a limited liability company; statutory trust; business trust or association; real estate investment trust; common-law trust; any other unincorporated business, including a partnership; or a foreign corporation may convert to a Missouri corporation upon executing a certificate of conversion in the Office of the Secretary of State. A Missouri corporation is also allowed to convert to one of the aforementioned type of entities in the same manner and upon the adoption of a resolution approving the conversion and the approval of its shareholders. All property, obligations, and liabilities must follow the converting entity to the business organization to which it is converting. The converting entity will not be required to wind up affairs, pay liabilities, or distribute assets; and the conversion will not constitute a dissolution of the corporation. These provisions cannot be deemed to authorize the conversion of a nonprofit corporation into another entity.

### MISSOURI COOPERATIVE ASSOCIATIONS ACT

The Missouri Cooperative Associations Act is established which allows a cooperative to be formed and organized to conduct or promote any lawful business or purpose for the mutual welfare of its members. In its main provisions, the substitute:

(1) Specifies that any cooperative formed under this act will not be subject to the provisions in Chapter 357, RSMo, relating to cooperative companies;

(2) Specifies that a cooperative will be comprised of members and governed by a board of directors. Members may be patron or nonpatron members with patron members being those who conduct business with the cooperative;

(3) Allows a cooperative to elect to be structured as a corporation or as a partnership under federal income tax laws;

(4) Specifies that the articles of association may limit a director's liability except for a breach of the duty of loyalty to the cooperative or its members, intentional misconduct, illegal distributions, and improper benefits;

(5) Allows a cooperative to indemnify persons in certain situations;

(6) Specifies the requirements for the organization of a cooperative including defining organizational purpose, who may organize, cooperative names, elements to be included in the articles of organization and bylaws, and the procedures and requirements for amending the articles and bylaws;

(7) Requires a member to have access to the books and records of the cooperative;

(8) Specifies the requirements governing the actions and liabilities of directors and officers including the number and election procedures for directors, quorum requirements, removal procedures for directors and officers, meeting requirements, limitation of liability, and indemnification procedures;

(9) Specifies member requirements including membership interests, meetings, voting rights, sale of assets, and contribution agreements; and

(10) Specifies the procedures for merging, consolidating, and dissolving a cooperative.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of a cost of \$30,000 in FY 2012, an income of \$0 in FY 2013, and an income of \$0 in FY 2014. No impact on Other State Funds in FY 2012, FY 2013, and FY 2014.

PROPONENTS: Supporters say that the bill will allow small businesses in Missouri to aggressively compete with larger companies and create more jobs. There are businesses that would like to incorporate in the state but have not because they would be forced to form under the general cooperation statutes and those provisions aren't appropriate for cooperatives.

Testifying for the bill were Senator Goodman; Robert Wilson, CCH Global Partners, Incorporated; and Missouri Chamber of Commerce and Industry.

OPPONENTS: There was no opposition voiced to the committee.