

**2017 -- H 6155 SUBSTITUTE A AS AMENDED**

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LC002542/SUB A  
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**STATE OF RHODE ISLAND**

**IN GENERAL ASSEMBLY**

**JANUARY SESSION, A.D. 2017**

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A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- WORKERS'  
COOPERATIVES

Introduced By: Representatives Maldonado, McKiernan, Craven, Keable, and  
Blazejewski

Date Introduced: April 27, 2017

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 7 of the General Laws entitled "CORPORATIONS,  
2 ASSOCIATIONS, AND PARTNERSHIPS" is hereby amended by adding thereto the following  
3 chapter:

4 CHAPTER 6.2

5 WORKERS' COOPERATIVES

6 **7-6.2-1. Legislative purpose.**

7 The purpose of this chapter is to promote the creation of workers' cooperatives by  
8 incentivizing workers to create enterprises that are democratically controlled and operated by  
9 their own workers.

10 **7-6.2-2. Definitions.**

11 As used in this chapter, the following words and terms have the following meaning:

12 (1) "Member" means a natural person who has been accepted in and owns a membership  
13 share issued by a workers' cooperative.

14 (2) "Paid-in capital" means money or other property contributed by a member to a  
15 workers' cooperative that is exclusive of any membership fee.

16 (3) "Patronage" means the amount of work performed as a member of a workers'  
17 cooperative that is measured in accordance with the certificate of incorporation and bylaws.

18 (4) "Person" means an individual, a partnership, a corporation, an association, or two (2)

1 [or more persons having a joint or common interest.](#)

2 [\(5\) "Workers' cooperative" means a corporation that has elected to be governed by the](#)  
3 [provisions of this chapter.](#)

4 [\(6\) "Written notice of allocation" means the amount of work performed as a member of a](#)  
5 [workers' cooperative that is measured in accordance with the certificate of incorporation and](#)  
6 [bylaws.](#)

7 **7-6.2-3. Corporations organized under general corporation law; election to be**  
8 **governed as workers' cooperative.**

9 [Any corporation organized under chapter 1.2 of title 7 may elect to be governed as a](#)  
10 [workers' cooperative under the provisions of this chapter, by so stating in its certificate of](#)  
11 [incorporation filed in accordance with §§7-1.2-201 and 7-1.2-202 of the Rhode Island business](#)  
12 [corporation act, or amendments to its certificate of incorporation filed in accordance with §§7-](#)  
13 [1.2-901 through 7-1.2-907.](#)

14 **7-6.2-4. Application of general corporation law; business corporation tax; and other**  
15 **taxes and programs.**

16 [\(a\) The provisions of chapter 1.2 of title 7 are applicable to workers' cooperatives.](#)

17 [\(b\) All workers' cooperatives shall enjoy the powers and privileges, and be subject to the](#)  
18 [duties, restrictions, and liabilities of other corporations organized under chapter 1.2 of title 7,](#)  
19 [except where inconsistent with the intent and purpose of this chapter.](#)

20 [\(c\) This chapter takes precedence in the event of a conflict with the provisions of chapter](#)  
21 [1.2 of title 7.](#)

22 [\(d\) All workers' cooperatives shall be subject to the provisions of chapter 11 of title 44](#)  
23 [dealing with the taxation of corporations and chapters 29 through 44 of title 28.](#)

24 [\(e\) Except as provided in subsection \(f\) of this section, workers' cooperatives shall be](#)  
25 [subject to the provisions of title 28 as employers.](#)

26 [\(f\) To the extent that a workers' cooperative has shareholders \(owners\) who are](#)  
27 [employees \(members\), the workers' cooperative shall be subject to the provisions of title 28](#)  
28 [related to employees including, but not limited to, department of labor and training payroll taxes,](#)  
29 [temporary disability insurance, state unemployment insurance and workers' compensation](#)  
30 [insurance.](#)

31 **7-6.2-5. Revocation of election.**

32 [A workers' cooperative may revoke its election under this chapter by a vote of two-thirds](#)  
33 [\(2/3\) of the members and through articles of amendment filed in accordance with §§7-1.2-901](#)  
34 [through 7-1.2- 907.](#)

1           **7-6.2-6. Members; membership shares; fees; rights and responsibilities.**

2           (a) The certificate of incorporation or the bylaws shall establish qualifications and the  
3 method of acceptance and termination of members. Upon completion of their probationary period  
4 all regular full-time or part-time employees shall be offered membership in the workers'  
5 cooperative. Acceptance as a member in a workers' cooperative shall be evidenced by a  
6 membership share, which shall be issued for a fee, to be paid in such terms and conditions as are  
7 provided in the bylaws.

8           (b) A workers' cooperative shall issue a class of voting stock designated as "membership  
9 shares." Each member shall own only one membership share, and only members may own  
10 membership shares.

11           (c) Membership shares shall be issued for a fee as shall be determined from time to time  
12 by the directors. No certificate for a membership share shall be issued until its fee has been paid  
13 in full. Each member is entitled to a certificate for their membership share upon fulfilling the  
14 requirements in the cooperative's articles of incorporation and bylaws.

15           (d) Members of a workers' cooperative shall have all the rights and responsibilities of  
16 stockholders of a corporation organized under the provisions of chapter 1.2 of title 7, except as  
17 otherwise provided in this chapter.

18           **7-6.2-7. Voting shares; bylaws; amendment of certificate of incorporation.**

19           (a) No capital stock other than membership shares shall be given voting power in a  
20 workers' cooperative, except as otherwise provided in this chapter.

21           (b) Notwithstanding the provisions of §§7-1.2-201 and 7-1.2-202 and §§7-1.21-901  
22 through 7-1.2-907, the power to amend or repeal bylaws of a workers' cooperative shall be vested  
23 in the members only, except to the extent that directors are authorized to amend or repeal the  
24 bylaws in accordance with the certificate of incorporation.

25           (c) The provisions of §§7-1.2-901 through 7-1.2-907 shall be construed to limit voting on  
26 any amendment of the certificate of incorporation of a workers' cooperative to the members,  
27 except that nonmember stockholders shall participate in such voting in accordance with §7-1.2-  
28 903 where a proposed amendment would adversely affect the rights of such nonmember  
29 stockholders as provided in §7-1.2-904.

30           **7-6.2-8. Net earnings or losses; apportionment, distribution, and payment.**

31           (a) The net retained proceeds or losses of a workers' cooperative shall be apportioned and  
32 distributed at such times and in such manner as the certificate of incorporation or bylaws shall  
33 specify. Net retained proceeds declared as patronage allocations with respect to a period of time,  
34 and paid or credited to members, shall be apportioned among the members in accordance with the

1 ratio which each member's patronage during the period involved bears to patronage by all  
2 members during that period. As used in this section, "patronage" means the amount of work  
3 performed as a member of a workers' cooperative, measured in accordance with the certificate of  
4 incorporation and bylaws.

5 (b) The apportionment, distribution, and payment of net retained proceeds required by  
6 subsection (a) of this section may be in cash credits, written notices of allocation, or capital stock  
7 issued by the workers' cooperative. If the distribution and payment of net-retained proceeds is  
8 made in cash credits, such distribution and payments shall be subject to pass-through withholding  
9 under §44-11-2.2.

10 **7-6.2-9. Directors; officers.**

11 (a) The bylaws of a workers' cooperative shall provide for the election, terms,  
12 classifications, if any, and removal of directors and officers in accordance with the provisions of  
13 this chapter or the provisions of chapter 1.2 of title 7.

14 (b) In the absence of any bylaw, provision, elections, terms, classifications, and removal  
15 procedures shall be governed by the provisions of chapter 1.2 of title 7.

16 (c) Nonmembers may serve as directors or officers of a workers' cooperative, but at no  
17 time shall there be a majority of nonmember directors.

18 (d) Vacancies in director positions resulting from death, resignation, or removal shall be  
19 filled by a vote of the member directors.

20 **7-6.2-10. Internal capital accounts; recall or redemption of shares; interest;**  
21 **collective reserve account.**

22 (a) Any workers' cooperative may establish through its certificate of incorporation or  
23 bylaws a system of internal capital accounts, to reflect the book value and to determine the  
24 redemption price of membership shares, capital stock, and written notices of allocation. As used  
25 in this section, "written notice of allocation" means a written instrument which discloses to a  
26 member the stated dollar amount of the member's patronage allocation, and the terms for a  
27 payment amount by the workers' cooperative.

28 (b) The certificate of incorporation or bylaws of a worker cooperative may permit the  
29 periodic redemption of written notices of allocation and capital stock, and must provide for recall  
30 and redemption of the membership share upon termination of membership in the cooperative. No  
31 redemption shall be made if the redemption would result in the liability of any director or officer  
32 of the worker cooperative under §§7-1.2-801 through 7-1.2- 814.

33 (c) The certificate of incorporation or bylaws may authorize assignment of a portion of  
34 net retained proceeds and net losses to a collective reserve account. Net retained proceeds

1 assigned to the collective reserve account may be used for any and all corporate purposes as  
2 determined by the board of directors.

3 **7-6.2-11. Conversion of membership shares and internal capital accounts upon**  
4 **revocation of election; consolidation or merger.**

5 When any workers' cooperative revokes its election in accordance with §7-6.2-5, an  
6 amendment of the certificate of incorporation shall provide for the conversion of membership  
7 shares and internal capital accounts, or their conversion to securities or other property in a manner  
8 consistent with the provisions of chapter 1.2 of title 7.

9 **7-6.2-12. Severability.**

10 If any provision of this chapter or any rule or regulation created under this chapter, or the  
11 application of any provision of this chapter to any person or circumstance shall be held invalid in  
12 any court of competent jurisdiction, the remainder of the chapter, rule, or regulation and the  
13 application of such provision to other persons or circumstances shall not be affected thereby. The  
14 invalidity of any section or sections of this chapter and to this end the provisions of the chapter  
15 are declared to be severable.

16 SECTION 2. This act shall take effect on January 1, 2018.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- WORKERS'  
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1           This act would create a statutory vehicle for the creation and functioning of workers'  
2 cooperatives which are corporations that are owned and democratically governed by their  
3 members. The act would also allow any corporation to elect to become a workers' cooperative by  
4 so stating in its certificate of incorporation, or in its amendments to its certificate of  
5 incorporation.

6           This act would take effect on January 1, 2018.

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