

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
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5 Legislative Document

No. 258

6
7 H.P. 215

House of Representatives, January 24, 1983

8 Received by the Clerk of the House on January 24, 1983. Referred to the
9 Committee on Business Legislation, and ordered printed pursuant to Joint
Rule 14.

10 EDWIN H. PERT, Clerk

Presented by Representative Baker of Portland.
11 Cosponsor: Speaker Martin of Eagle Lake.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Provide for Establishment of
18 Employee Cooperative Corporations.
19

20 Be it enacted by the People of the State of Maine as
21 follows:

22 13 MRSA c. 85, subchapter III is enacted to read:

23 SUBCHAPTER III

24 EMPLOYEE COOPERATIVE CORPORATIONS

25 §1971. Title

26 This subchapter shall be known and may be cited
27 as the "Employee Cooperative Corporations Act."

28 §1972. Definitions

1 As used in this subchapter, unless the context
2 otherwise indicates, the following terms have the
3 following meanings.

4 1. Employee cooperative. "Employee cooperative"
5 means a corporation which has duly elected to be gov-
6 erned by this subchapter.

7 2. Member. "Member" means a natural person who
8 has been accepted for membership in and owns a
9 membership share issued by an employee cooperative.

10 3. Membership fee. "Membership fee" means an
11 initial payment made by a person to an employee
12 cooperative as a condition to becoming a member.

13 4. Patronage. "Patronage" means the amount of
14 work performed as a member of an employee
15 cooperative, measured in accordance with the articles
16 of incorporation or bylaws.

17 5. Written notice of allocation. "Written notice
18 of allocation" means a written instrument which dis-
19 closes to a member the stated dollar amount of that
20 member's patronage allocation and the terms for pay-
21 ment of that amount by the employee cooperative.

22 §1973. Application of other laws

23 Except as otherwise provided in this subchapter,
24 employee cooperative corporations shall be governed
25 by Title 13-A, the Maine Business Corporation Act.

26 §1974. Registration of securities

27 Employee cooperatives are subject to Title 32,
28 chapter 13. The fee charged for registration or
29 renewal shall be \$10.

30 §1975. Formation of employee cooperative corpora-
31 tion; revocation

32 1. Election. Any corporation organized under
33 Title 13-A may elect to be governed as an employee
34 cooperative under this subchapter, by so stating in
35 its articles of incorporation or articles of amend-
36 ment filed in accordance with Title 13-A.

1 2. Revocation. An employee cooperative may
2 revoke its election under this subchapter by a vote
3 of 2/3 of the members and through articles of amend-
4 ment duly filed in accordance with Title 13-A.

5 §1976. Use of words "cooperative," "coop"

6 No person, firm, corporation or association,
7 domestic or foreign, hereafter commencing business in
8 this State may use the word "cooperative" or "coop"
9 as a part of its corporate name, unless it has com-
10 plied with this subchapter or some other statute of
11 this State relating to cooperative associations. A
12 foreign association organized under and complying
13 with the cooperative law of the state of its creation
14 shall be entitled to use the term "cooperative" or
15 "coop" in this State if it has obtained the privilege
16 of doing business in this State.

17 §1977. Membership in employee cooperative corpora-
18 tion

19 The articles of incorporation or the bylaws shall
20 establish qualifications and the methods of accep-
21 tance and termination of members. No person may be
22 accepted as a member unless employed by the employee
23 cooperative on a full-time or part-time basis.

24 §1978. Membership shares; fees

25 1. Issuance of shares. An employee cooperative
26 shall issue a class of voting stock designated as
27 membership shares.

28 2. Payment. Members of an employee cooperative
29 corporation shall be issued membership shares upon
30 payment of a membership fee, the amount of which
31 shall be determined from time to time by the direc-
32 tors. Title 13-A, section 505, does not apply to
33 membership shares.

34 3. Ownership limited. Each member shall own only
35 one membership share, and only members may own those
36 shares.

37 4. Voting stock limited. Unless otherwise pro-
38 vided in this subchapter or in the articles of

1 incorporation of an employee cooperative, no other
2 capital stock other than membership shares may have
3 voting power. In the event that proposed amendments
4 to the articles of incorporation would adversely
5 affect any nonvoting class of shareholders, such ac-
6 tion may not be taken without the vote of those
7 shareholders, as provided in Title 13-A, sections 805
8 and 806.

9 §1979. Amendment of bylaws

10 The bylaws of an employee cooperative may only be
11 amended by members, except as provided in Title 13-A,
12 section 602.

13 §1980. Earnings or losses

14 1. Apportionment. The net earnings or losses of
15 an employee cooperative shall be apportioned and dis-
16 tributed at such times and in such manner as the
17 articles of organization or bylaws shall specify.
18 Net earnings declared as patronage allocations with
19 respect to a period of time, and paid or credited to
20 members, shall be apportioned among the members in
21 accordance with the ratio which each member's patron-
22 age during the period involved bears to total patron-
23 age by all members during that period.

24 2. Method. The apportionment, distribution and
25 payment of net earnings required by this section may
26 be in cash, credits, written notices of allocation or
27 capital stock issued by the employee cooperative.

28 §1981. Accounting for earnings or losses

29 1. Internal accounts. Any employee cooperative
30 may establish in its articles of incorporation or
31 bylaws a system of internal capital accounts to
32 reflect the book value and to determine the redemp-
33 tion price of membership shares, capital stock and
34 written notices of allocation.

35 2. Redemption. The articles of incorporation or
36 bylaws of an employee cooperative may permit the
37 periodic redemption of written notices of allocation
38 and capital stock, and must provide for recall and
39 redemption of the membership share upon termination

1 of membership in the cooperative. No redemption may
2 be made if such redemption would result in the lia-
3 bility of any director or officer of the employee
4 cooperative under Title 13-A.

5 3. Interest. The articles of incorporation or
6 bylaws may provide for the employee cooperative to
7 pay or credit interest on the balance in each
8 member's internal capital account.

9 4. Collective reserve account. The articles of
10 incorporation or bylaws may authorize assignment of a
11 portion of retained net earnings and net losses to a
12 collective reserve account. For purposes of this
13 chapter, a collective reserve account means an
14 unindividuated account on the corporate books repre-
15 senting the corporation's entire net book value minus
16 balances in any other equity accounts. Earnings
17 assigned to the collective reserve account may be
18 used for any and all corporate purposes as determined
19 by the board of directors.

20 §1982. Internal capital account cooperatives

21 1. Types of accounts permitted. An internal capi-
22 tal account cooperative is an employee cooperative
23 whose entire net book value is reflected in internal
24 capital accounts, one for each member, and a collec-
25 tive reserve account, and in which no persons other
26 than members own capital stock. In an internal capi-
27 tal account cooperative, each member shall have only
28 one vote in any matter requiring voting by stockhold-
29 ers.

30 2. Allocation to accounts. An internal capital
31 account cooperative shall credit the paid-in member-
32 ship fee and additional paid-in capital of a member
33 to the member's internal capital account, and shall
34 also record the apportionment of retained net earn-
35 ings or net losses to the members in accordance with
36 patronage by appropriately crediting or debiting the
37 internal capital accounts of members. The collective
38 reserve account in an internal capital account
39 cooperative shall reflect any paid-in capital, net
40 losses and retained earnings not allocated to indi-
41 vidual members.

1 Employee cooperatives exist today, both in the
2 United States and abroad. Many northwest plywood
3 companies are structured as employee cooperatives, as
4 are some clothing companies and taxi cab companies.

5 This bill permits a democratic corporate form in
6 which employees (management and labor) control the
7 enterprise, profits are distributed equitably and the
8 ownership structure encourages the long-term survival
9 of democratic cooperative control. The bill will
10 provide the needed structural guidance and legal cer-
11 tainty for healthy employee cooperatives to develop
12 in Maine, thus helping to save and provide jobs and
13 thereby protect the local economy.

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