
A BILL FOR AN ACT

RELATING TO COOPERATIVE ASSOCIATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that cooperative
2 enterprises are vital to Hawaii's economic, cultural, and
3 agricultural resilience; however, existing cooperative statutes
4 are outdated, fragmented, and do not adequately serve emerging
5 cooperative models. Hawaii currently relies on four sector-
6 specific statutes – chapter 421 (agricultural cooperative
7 associations), chapter 421C (consumer cooperative associations),
8 chapter 421H (limited-equity housing cooperatives), and chapter
9 421I (cooperative housing corporations), Hawaii Revised
10 Statutes – in addition to the general corporation law codified
11 in chapter 414, Hawaii Revised Statutes. This patchwork
12 framework increases legal complexity and formation costs,
13 creates uncertainty regarding tax and regulatory treatment, and
14 limits access to cooperative-specific financing and technical
15 assistance. It also prevents worker-owned, multi-stakeholder,
16 service, and platform cooperatives from organizing as
17 cooperatives under Hawaii law, forcing them into corporate forms



1 that do not recognize cooperative principles or democratic
2 governance and profit-sharing based on member patronage.

3 The legislature further finds that Hawaii has numerous
4 successful cooperatives. As of 2023, Hawaii is home to forty-
5 seven federally insured credit unions serving approximately
6 869,628 members, with total assets of \$15,239,670,466. Kaua'i
7 Island Utility Cooperative achieved 57.9 per cent renewable
8 energy generation in 2023 while maintaining the lowest
9 residential electricity rates in the State. Agricultural
10 cooperatives such as the Hawai'i 'Ulu Cooperative, Molokai
11 Livestock Cooperative, and Kamuela Vacuum Cooling Cooperative
12 strengthen food security and sovereignty, restore degraded
13 lands, and expand access to local products. Each year, new
14 cooperatives form to support water and energy projects, housing,
15 and diversified agriculture, helping to reduce reliance on
16 imports and keep wealth circulating within the islands.

17 The legislature additionally finds that modern cooperative
18 forms — such as worker-owned and multi-stakeholder
19 cooperatives — are being used across the United States and
20 internationally to improve economic resilience, job quality, and
21 community wealth. In these models, workers, producers,



1 consumers, and community stakeholders may all be members of a
2 single cooperative, aligning interests across the value chain in
3 sectors including food systems, renewable energy, childcare,
4 health care, and social services. Worker-owned cooperatives
5 have been shown to provide more equitable wages, retain profits
6 locally, and prioritize job retention during economic downturns.
7 Flexible general cooperative statutes in other states, such as
8 Colorado's Uniform Limited Cooperative Association Act and
9 California's cooperative law, allow cooperatives to form for any
10 lawful purpose, accommodate both patron and worker ownership,
11 and give cooperatives authority to design membership and
12 governance structures consistent with cooperative principles
13 while maintaining democratic member control.

14 A general cooperative statute will reduce legal complexity,
15 lower barriers to formation, and support business succession,
16 innovation, local and employee ownership, high-quality jobs,
17 cooperative food systems, flexible housing models, and
18 community-rooted resilience.

19 Accordingly, the purpose of this Act is to establish the
20 General Cooperative Associations Act to create a unified,



flexible legal framework for all cooperative enterprises in
Hawaii. The Act will:

- (1) Enable cooperatives to form for any lawful purpose;
- (2) Permit multiple classes of members, including
producers, consumers, workers, patrons, and other
stakeholders as defined in their bylaws;
- (3) Support worker-owned and multi-stakeholder structures;
- (4) Preserve democratic member control and governance on a
one-member, one-vote basis;
- (5) Enable member economic participation through
patronage-based distributions; and
- (6) Allow existing agricultural and consumer cooperative
associations to elect governance under this new
chapter.

SECTION 2. The Hawaii Revised Statutes is amended by
adding a new chapter to be appropriately designated and to read
as follows:

"CHAPTER

GENERAL COOPERATIVE ASSOCIATIONS

§ -1 Short title. This chapter may be cited as the
General Cooperative Associations Act.



1 § -2 **Definitions.** As used in this chapter:

2 "Cooperative" means an entity organized under this chapter.

3 "Cooperative principles" means the internationally
4 recognized principles of:

5 (1) Voluntary and open membership;

6 (2) Democratic member control;

7 (3) Member economic participation;

8 (4) Autonomy and independence;

9 (5) Education, training, and information;

10 (6) Cooperation among cooperatives; and

11 (7) Concern for community.

12 "Member" means a person admitted to membership in a
13 cooperative as provided in its bylaws, with limited liability
14 for the obligations of the cooperative.

15 "Net margins" means the revenues of the cooperative
16 remaining after deducting operating costs and other expenses.

17 "Patron" means a member or other person who conducts
18 business with the cooperative or uses the cooperative's services
19 as specified in the bylaws.



1 "Patronage" means the business, services, or transactions
2 conducted with or through the cooperative by a patron, including
3 but not limited to:

4 (1) For worker members, labor contributed to the
5 cooperative, measured by hours worked, wages earned,
6 or other measures as specified in the bylaws;

7 (2) For producer members, products or services supplied to
8 the cooperative;

9 (3) For consumer members, products or services purchased
10 from the cooperative; and

11 (4) For community members, other contributions as defined
12 in the bylaws.

13 "Person" means an individual, partnership, corporation,
14 limited liability company, association, or any other legal
15 entity recognized under the laws of the State.

16 § -3 **Purposes; characteristics.** (a) A cooperative may
17 be organized under this chapter for any lawful purpose, except
18 for purposes requiring organization under a specialized statute,
19 including but not limited to banking or insurance.

20 (b) A cooperative organized under this chapter shall:



(1) Operate for the mutual benefit of its members as patrons;

(2) Be democratically controlled by its members; and

(3) Distribute its net margins on the basis of member patronage.

(c) A cooperative shall be organized and shall conduct its business primarily for the mutual benefit of its members as patrons, and not primarily to make a profit for itself or for its members as such.

§ -4 Formation; articles of incorporation; applicability of other chapters; registration. (a) Three or more persons may form a cooperative by executing and filing articles of incorporation in accordance with chapter 414D, unless otherwise provided in this chapter.

(b) The articles of incorporation shall include:

(1) The name of the cooperative, which shall include the word "cooperative", "co-op", "coop", or an abbreviation thereof;

(2) The principal office location of the cooperative;

(3) The name and address of the initial registered agent of the cooperative;



1 (4) The cooperative's statement of purpose;

2 (5) Whether the cooperative will issue membership
3 certificates, membership shares, or no-par membership
4 interests;

5 (6) The names and addresses of the initial directors;

6 (7) Whether the voting power or proprietary interests of
7 the members are equal or unequal; and

8 (8) If voting power or proprietary interests are unequal,
9 either the general rules for determining voting power
10 and proprietary interests or a statement that the
11 rules shall be prescribed in the bylaws.

12 (c) Except as otherwise provided in this chapter,
13 chapter 414D shall govern the formation and filing requirements
14 of cooperatives, including fees and procedures.

15 (d) Upon formation, the cooperative shall register with
16 the department of commerce and consumer affairs and provide any
17 information the department may reasonably require.

18 **§ -5 Amendments of articles of incorporation; member**
19 **voting requirements.** (a) A cooperative may amend its articles
20 of incorporation as provided in chapter 414D and this section.



(b) An amendment shall be approved by the board of directors and, except as otherwise provided in this section or the bylaws, by the affirmative vote of a majority of the votes cast by members present and voting at a duly held meeting.

(c) If an amendment affects the rights, privileges, preferences, or restrictions of a particular class of members, that class shall vote separately to approve the amendment.

(d) Any amendment to dissolution or asset distribution provisions shall require the affirmative vote of two-thirds of members present and voting.

§ -6 Bylaws; adoption and amendment; contents;

consistency. (a) Bylaws shall be adopted at the time of organization or shortly thereafter and may be amended by the members as provided in the bylaws. Initial bylaws may be adopted by the board of directors; thereafter, bylaws shall be amended as provided in the bylaws.

(b) The bylaws may include provisions relating to:

(1) Membership qualifications and classes;

(2) Member voting rights and procedures;

(3) Director election, appointment, removal, and

succession;



- (4) Director and officer duties and compensation;
- (5) Board meeting procedures and authority;
- (6) Member meeting procedures and notice requirements;
- (7) Capital accounts and capital contributions;
- (8) Patronage allocation and distribution methods;
- (9) Reserved member rights;
- (10) Dispute resolution procedures;
- (11) Indivisible reserves;
- (12) Member withdrawal and expulsion;
- (13) Merger, consolidation, or dissolution procedures; and
- (14) Any other matter authorized by this chapter or deemed necessary for cooperative governance.

(c) The bylaws shall be consistent with the cooperative principles and this chapter.

§ -7 Membership; admission; classes; rights and responsibilities; voting; limited liability. (a) A cooperative shall admit members as provided in its bylaws.

(b) A cooperative may establish one or more classes of members, which may include but are not limited to:

- (1) Worker members;
- (2) Producer members;



1 (3) Consumer members;

2 (4) Patron members; and

3 (5) Other stakeholder classes as defined in the bylaws.

4 (c) The rights, voting power, obligations, and limitations
5 of liability of each class of members shall be set forth in the
6 bylaws.

7 (d) Unless otherwise provided in the bylaws, each member
8 shall have one vote in matters submitted to a vote of the
9 members.

10 (e) Members shall not be personally liable for the debts,
11 obligations, or liabilities of the cooperative beyond the amount
12 of their capital contribution, except as otherwise provided by
13 law.

14 **§ -8 Meetings of members; procedures; voting.** (a) The
15 cooperative shall hold an annual meeting of members to elect
16 directors, receive reports, discuss cooperative business, and
17 address other matters as provided in the bylaws.

18 (b) Special meetings of members may be called as provided
19 in the bylaws, including upon written request of the board of
20 directors, upon written request of members holding no less than



1 one-tenth of the voting power, or by any other procedures
2 specified in the bylaws.

3 (c) Notice, quorum, and voting procedures shall be as
4 provided in the bylaws and shall comply with the applicable
5 requirements of chapter 414D unless modified by this chapter or
6 the bylaws.

7 (d) Except as otherwise provided in this chapter or the
8 bylaws, each member shall have one vote per matter submitted to
9 the members. Members may vote in person or by proxy as provided
10 in the bylaws.

11 § -9 Governance and board of directors; structure;
12 composition; elections; fiduciary duties; meetings. (a) The
13 business and affairs of the cooperative shall be managed by a
14 board of directors consisting of no fewer than three and no more
15 than nine members, unless the bylaws provide otherwise.

16 (b) The bylaws may allocate director positions among
17 member classes. In the absence of an allocation, directors
18 shall be elected at large by all voting members.

19 (c) Directors shall be elected by the members on a one-
20 member, one-vote basis, in accordance with the procedures set
21 forth in the bylaws and applicable law.



1 (d) Directors shall have the fiduciary duties of care and
2 loyalty applicable to directors under chapter 414D, unless
3 otherwise provided in this chapter.

4 (e) The board of directors shall meet as provided in the
5 bylaws, with notice and procedures consistent with chapter 414D.

6 (f) Notwithstanding the board structure requirements of
7 this section, a cooperative may operate under a collective
8 governance model in which all members participate directly in
9 decision-making; provided that the model is specified in the
10 articles of incorporation and bylaws and is approved by vote of
11 the members.

12 § -10 Distribution of net margins; patronage; returns;
13 reserves. (a) The bylaws shall provide the method for
14 distributing net margins. Distributions shall be made to
15 members and patrons and shall be based upon their patronage as
16 defined in the bylaws.

17 (b) Patronage distributions may be paid in cash, capital
18 credits, allocated equity, patronage dividends, property,
19 evidences of indebtedness, services, or in any other form
20 consistent with cooperative principles and as determined by the
21 cooperative.



1 (c) The cooperative may pay a reasonable return on capital
2 contributions as specified in the bylaws; provided that
3 distributions on capital contributions shall not exceed the rate
4 specified in the bylaws and shall not exceed what is reasonably
5 necessary to retain capital for business operations.

6 (d) The cooperative may retain portions of net margins in
7 unallocated reserves for business operations, capital needs, or
8 other purposes as determined by the members.

9 (e) The cooperative may establish indivisible reserves as
10 authorized in the bylaws. The reserves, or a percentage of net
11 margins, shall not be distributed to members or patrons but
12 shall be retained by the cooperative or, upon dissolution,
13 distributed to a designated cooperative development
14 organization, federation, or other cooperative entity as
15 specified in the bylaws.

16 § -11 **Conversions; existing cooperatives electing to be**
17 **governed by this chapter; filing and fees; effective date.** (a)

18 Any domestic cooperative association formed under chapter 421 or
19 421C may elect to be governed by this chapter upon approval of
20 its members by a vote of two-thirds of the members present and
21 voting at a duly held membership meeting or by written ballot.



1 (b) The election shall become effective upon the filing of
2 amended articles of incorporation, which shall:

3 (1) State that the cooperative shall be governed by this
4 chapter;

5 (2) Be signed and verified in accordance with
6 chapter 414D; and

7 (3) Include any other provision required or permitted by
8 this chapter.

9 (c) A certified copy of the amended articles of
10 incorporation shall be filed with the director of commerce and
11 consumer affairs and accompanied by the filing fee provided by
12 chapter 414D.

13 (d) Upon filing the amended articles of incorporation, the
14 cooperative shall be subject to this chapter and may rely on the
15 provisions of this chapter; provided that if any provision of
16 this chapter is inconsistent with chapter 421 or 421C, the
17 provisions of this chapter shall control.

18 **§ -12 Applicability of general cooperative law; tax-**

19 **exempt status.** (a) General cooperatives formed under, or
20 elected to be governed by, this chapter shall be governed by the
21 provisions of chapter 421C unless those provisions are



1 inconsistent with this chapter, in which case the provisions of
2 this chapter shall control.

3 (b) To the extent chapter 414D applies to cooperatives
4 organized under this chapter, it shall apply except where
5 specifically modified by this chapter.

6 (c) Nothing in this chapter shall prevent a cooperative
7 from maintaining tax-exempt status under federal or state law,
8 if otherwise qualified.

9 **§ -13 Dissolution and liquidation; distributions.** (a)

10 A cooperative may dissolve voluntarily as provided in this
11 section or involuntarily as provided by applicable law.

12 (b) A cooperative shall dissolve upon the affirmative vote
13 of members holding a majority of voting power, or as otherwise
14 provided in the bylaws.

15 (c) Upon dissolution, the cooperative's assets shall be
16 distributed as provided in the bylaws and articles of
17 incorporation. The bylaws may provide that assets shall be
18 distributed:

19 (1) First, to satisfy creditors;

20 (2) Then, to refund member capital contributions to the
21 extent available;



(3) Then, to distribute remaining assets to members based on patronage or as otherwise provided in the bylaws; and

(4) Alternatively, the remaining assets may be distributed to a cooperative development organization, federation, or other cooperative entity as specified in the bylaws or as provided by law.

(d) A cooperative shall not distribute assets to members in a manner that would violate cooperative principles or would operate to convert the cooperative into a non-cooperative business form."

SECTION 3. Chapter 421, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§421- Election to be governed by the General Cooperative Associations Act. An association formed under this chapter may elect to be governed by chapter pursuant to section -11."

SECTION 4. Chapter 421C, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:



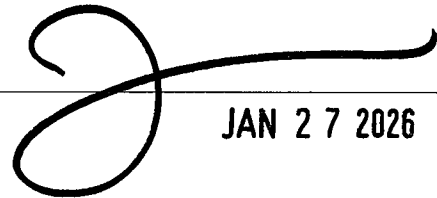
1 "§421C- Election to be governed by the General
2 Cooperative Associations Act. An association formed under this
3 chapter may elect to be governed by chapter pursuant to
4 section -11."

5 SECTION 5. New statutory material is underscored.

6 SECTION 6. This Act shall take effect on July 1, 2026.

7

INTRODUCED BY: _____

A large, stylized handwritten signature in black ink, consisting of a large loop and a long horizontal stroke.

JAN 27 2026



H.B. NO. 2404

Report Title:

General Cooperative Associations Act; Cooperatives; Agricultural Cooperatives; Consumer Cooperative Associations

Description:

Establishes a General Cooperative Associations Act to provide a unified, flexible legal framework for cooperatives to form for any lawful purpose. Allows agricultural cooperative associations and consumer cooperative associations to elect governance under the General Cooperative Associations Act.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

