



Summary Discussion of Proposed Action – NELINET to Join Lyrasis

Overview

A few months ago, you voted on the merger of SOLINET with and into PALINET, with PALINET's name subsequently changed to LYRASIS. The surviving entity in any merger generally assumes, by virtue of the merger, all assets and liabilities of the merged or "disappearing" entity. Mergers are common among nonprofits because mergers are often simpler and less costly than the other major alternative. The other major alternative is an asset transfer and assumption of liabilities. In an asset acquisition, there is usually a "purchase" of the business assets, where the buyer may pick and choose what assets and liabilities it desires to acquire.

Provisions of the Commonwealth of Massachusetts

LYRASIS has been involved in extensive due diligence preparing to merge with NELINET, a Massachusetts nonprofit public charity which provides services similar to LYRASIS. However, due to certain limiting provisions of Massachusetts state law, a nonprofit corporation not incorporated in the Commonwealth of Massachusetts (like LYRASIS) may be the surviving corporation of a merger with a Massachusetts nonprofit corporation only if the surviving entity agrees to subject itself and operate in accordance with the nonprofit corporation laws of the Commonwealth of Massachusetts. LYRASIS specifically chose to be subject to Pennsylvania law due to its flexibility and clarity, and does not feel it in its best interests to so agree.

What Does this Mean for the Proposed Action?

LYRASIS originally intended to merge with NELINET, but due to the provisions of Massachusetts law, the intended action is the assignment and assumption of all of NELINET's assets and liabilities. This action provides essentially the same result as a merger. LYRASIS will acquire NELINET's members, its balance sheet, its other assets and a foothold in the New England area, along with all of NELINET's liabilities. There are no direct out-of-pocket costs to LYRASIS to acquire NELINET, other than legal and administrative costs. NELINET, in conjunction with the Massachusetts Attorney General's Office, will obtain court approval for the transaction and dissolve upon its completion.

Your Vote is Important

Although Pennsylvania law does not require member approval for such an asset acquisition, we look to you, our members to provide input in these critical decisions that affect your membership organization. In the spirit of full disclosure and accepting guidance from our membership, we present to you for your consideration and, hopefully, approval, the assumption of the assets and liabilities of NELINET.

