

SSB 6038 - H COMM AMD  
By Committee on Judiciary

1 Strike everything after the enacting clause and insert the  
2 following:

3 "PART 1  
4 GENERAL PROVISIONS

5 NEW SECTION. **Sec. 101.** SHORT TITLE. This chapter may be cited  
6 as the Washington limited cooperative association act.

7 NEW SECTION. **Sec. 102.** DEFINITIONS. (1) In this chapter, except  
8 for sections 1301 through 1320 of this act:

9 (a) "Articles of organization" means the articles of organization  
10 of a limited cooperative association required by section 201 of this  
11 act. The term includes the articles as amended or restated.

12 (b) "Board of directors" means the board of directors of a  
13 limited cooperative association.

14 (c) "Bylaws" means the bylaws of a limited cooperative  
15 association. The term includes the bylaws as amended or restated.

16 (d) "Consumer cooperative" means a cooperative engaged in the  
17 retail sale, to its members and other consumers, of goods or services  
18 of a type that are generally for personal, living, or family use.

19 (e) "Contribution," except as used in section 807(3) of this act,  
20 means a benefit that a person provides to a limited cooperative  
21 association to become or remain a member or in the person's capacity  
22 as a member.

23 (f) "Cooperative" means a limited cooperative association or an  
24 entity organized under any cooperative law of any jurisdiction.

25 (g) "Director" means a director of a limited cooperative  
26 association.

27 (h) "Distribution," except as used in section 806(1) of this act,  
28 means a transfer of money or other property from a limited  
29 cooperative association to a member because of the member's financial  
30 rights or to a transferee of a member's financial rights.

1 (i) "Financial rights" means the right to participate in  
2 allocations and distributions as provided in sections 801 through 809  
3 and 1001 through 1013 of this act but does not include rights or  
4 obligations under a marketing contract.

5 (j) "Governance rights" means the right to participate in  
6 governance of a limited cooperative association.

7 (k) "Investor member" means a member that has made a contribution  
8 to a limited cooperative association and:

9 (i) Is not required by the organic rules to conduct patronage  
10 with the association in the member's capacity as an investor member  
11 in order to receive the member's interest; or

12 (ii) Is not permitted by the organic rules to conduct patronage  
13 with the association in the member's capacity as an investor member  
14 in order to receive the member's interest.

15 (l) "Limited cooperative association" means an association formed  
16 under this chapter or that becomes subject to this chapter under  
17 sections 1301 through 1320 of this act.

18 (m) "Member" means a person that is admitted as a patron member  
19 or investor member, or both, in a limited cooperative association.  
20 The term does not include a person that has dissociated as a member.

21 (n) "Member's interest" means the interest of a patron member or  
22 investor member under section 501 of this act.

23 (o) "Members meeting" means an annual members meeting or special  
24 meeting of members.

25 (p) "Organic rules" means the articles of organization and bylaws  
26 of a limited cooperative association.

27 (q) "Organizer" means an individual who executes the initial  
28 articles of organization.

29 (r) "Patron member" means a member that has made a contribution  
30 to a limited cooperative association and:

31 (i) Is required by the organic rules to conduct patronage with  
32 the association in the member's capacity as a patron member in order  
33 to receive the member's interest; or

34 (ii) Is permitted by the organic rules to conduct patronage with  
35 the association in the member's capacity as a patron member in order  
36 to receive the member's interest.

37 (s) "Patronage" means business transactions between a limited  
38 cooperative association and a person which entitles the person to  
39 receive financial rights based on the value or quantity of business  
40 done between the association and the person.

1 (t) "Required information" means the information a limited  
2 cooperative association is required to maintain under section 110 of  
3 this act.

4 (u) "Voting group" means any combination of one or more voting  
5 members in one or more districts or classes that under the organic  
6 rules or chapter 23.95 RCW or this chapter are entitled to vote and  
7 can be counted together collectively on a matter at a members  
8 meeting.

9 (v) "Voting member" means a member that, under the organic law or  
10 organic rules, has a right to vote on matters subject to vote by  
11 members under the organic law or organic rules.

12 (w) "Voting power" means the total current power of members to  
13 vote on a particular matter for which a vote may or is to be taken.

14 (2) The following definitions from RCW 23.95.105 apply to this  
15 chapter: "Entity," "execute," "executes," and "executed," "foreign,"  
16 "jurisdiction," "jurisdiction of formation," "organic law," "organic  
17 rules," "person," "principal office," "property," "receipt,"  
18 "record," "registered agent," "state," and "transfer."

19 NEW SECTION. **Sec. 103.** NATURE OF LIMITED COOPERATIVE  
20 ASSOCIATION. (1) A limited cooperative association organized under  
21 this chapter is an autonomous, unincorporated association of persons  
22 united to meet their mutual interests through a jointly owned  
23 enterprise primarily controlled by those persons, which permits  
24 combining:

25 (a) Ownership, financing, and receipt of benefits by the members  
26 for whose interests the association is formed; and

27 (b) Separate investments in the association by members who may  
28 receive returns on their investments and a share of control.

29 (2) The fact that a limited cooperative association does not have  
30 one or more of the characteristics described in subsection (1) of  
31 this section does not alone prevent the association from being formed  
32 under and governed by this chapter nor does it alone provide a basis  
33 for an action against the association.

34 NEW SECTION. **Sec. 104.** PURPOSE AND DURATION OF LIMITED  
35 COOPERATIVE ASSOCIATION. (1) A limited cooperative association is an  
36 entity distinct from its members.

37 (2) A limited cooperative association may be organized for any  
38 lawful purpose, regardless of whether for profit, except that a

1 limited cooperative association may not be organized for the purpose  
2 of generating, purchasing, selling, marketing, transmitting, or  
3 distributing electric energy.

4 (3) Unless the articles of organization state a term for a  
5 limited cooperative association's existence, the association has  
6 perpetual duration.

7 NEW SECTION. **Sec. 105.** POWERS. Unless its articles of  
8 organization provide otherwise, a limited cooperative association has  
9 the capacity to sue and be sued in its own name and has the power to  
10 do all things necessary or convenient to carry on its activities and  
11 affairs. An association may maintain an action against a member for  
12 harm caused to the association by the member's violation of a duty to  
13 the association or of the organic law or organic rules.

14 NEW SECTION. **Sec. 106.** GOVERNING LAW. The law of this state  
15 governs:

16 (1) The internal affairs of a limited cooperative association;  
17 and

18 (2) The liability of a member as a member and a director as a  
19 director for the debts, obligations, or other liabilities of a  
20 limited cooperative association.

21 NEW SECTION. **Sec. 107.** REQUIREMENTS OF OTHER LAWS. (1) This  
22 chapter does not alter or amend any law that governs the licensing  
23 and regulation of an individual or entity in carrying on a specific  
24 business or profession even if that law permits the business or  
25 profession to be conducted by a limited cooperative association, a  
26 foreign cooperative, or members of either.

27 (2) A limited cooperative association may not conduct an activity  
28 that, under law of this state other than this chapter, may be  
29 conducted only by an entity that meets specific requirements for the  
30 internal affairs of that entity unless the organic rules of the  
31 association conform to those requirements.

32 NEW SECTION. **Sec. 108.** RELATION TO RESTRAINT OF TRADE AND  
33 ANTITRUST LAWS. To the extent a limited cooperative association or  
34 activities conducted by the association in this state meet the  
35 material requirements for other cooperatives entitled to an exemption  
36 from or immunity under any provision of RCW 19.86.030 through

1 19.86.050, the association and its activities are entitled to the  
2 exemption or immunity. This section does not create any new exemption  
3 or immunity for an association or affect any exemption or immunity  
4 provided to a cooperative organized under any law other than this  
5 chapter.

6 NEW SECTION. **Sec. 109.** EFFECT OF ORGANIC RULES. (1) The  
7 relations between a limited cooperative association and its members  
8 are consensual. Unless required, limited, or prohibited by this  
9 chapter, the organic rules may provide for any matter concerning the  
10 relations among the members of the association and between the  
11 members and the association, the activities of the association, and  
12 the conduct of its activities.

13 (2) The matters referred to in (a) through (k) of this subsection  
14 may be varied only in the articles of organization. The articles may:

15 (a) State a term of existence for the association under section  
16 104(3) of this act;

17 (b) Limit or eliminate the acceptance of new or additional  
18 members by the initial board of directors under section 202(2) of  
19 this act;

20 (c) Vary the limitations on the obligations and liability of  
21 members for association obligations under section 404 of this act;

22 (d) Require a notice of an annual members meeting to state a  
23 purpose of the meeting under section 408(2) of this act;

24 (e) Vary the board of directors meeting quorum under section  
25 615(1) of this act;

26 (f) Vary the matters the board of directors may consider in  
27 making a decision under section 620 of this act;

28 (g) Specify causes of dissolution under section 1002(1) of this  
29 act;

30 (h) Delegate amendment of the bylaws to the board of directors  
31 pursuant to section 305(6) of this act;

32 (i) Provide for member approval of asset dispositions under  
33 section 1201 of this act;

34 (j) Subject to section 620 of this act, provide for the  
35 elimination or limitation of liability of a director to the  
36 association or its members for money damages pursuant to section 618  
37 of this act;

38 (k) Provide for permitting or making obligatory indemnification  
39 under section 701(1) of this act; and

1 (1) Provide for any matters that may be contained in the organic  
2 rules, including those under subsection (3) of this section.

3 (3) The matters referred to in (a) through (y) of this subsection  
4 may be varied only in the organic rules. The organic rules may:

5 (a) Require more information to be maintained under section 110  
6 of this act or provided to members under section 405(10) of this act;

7 (b) Provide restrictions on transactions between a member and an  
8 association under section 111 of this act;

9 (c) Provide for the percentage and manner of voting on amendments  
10 to the organic rules by district, class, or voting group under  
11 section 304(1) of this act;

12 (d) Provide for the percentage vote required to amend the bylaws  
13 concerning the admission of new members under section 305(5)(e) of  
14 this act;

15 (e) Provide for terms and conditions to become a member under  
16 section 402 of this act;

17 (f) Restrict the manner of conducting members meetings under  
18 sections 406(3) and 407(5) of this act;

19 (g) Designate the presiding officer of members meetings under  
20 sections 406(5) and 407(7) of this act;

21 (h) Require a statement of purposes in the annual meeting notice  
22 under section 408(2) of this act;

23 (i) Increase quorum requirements for members meetings under  
24 section 410 of this act and board of directors meetings under section  
25 615 of this act;

26 (j) Allocate voting power among members, including patron members  
27 and investor members, and provide for the manner of member voting and  
28 action as permitted by sections 411 through 417 of this act;

29 (k) Authorize investor members and expand or restrict the  
30 transferability of members' interests to the extent provided in  
31 sections 502 and 503 of this act;

32 (l) Provide for enforcement of a marketing contract;

33 (m) Provide for qualification, election, terms, removal, filling  
34 vacancies, and member approval for compensation of directors in  
35 accordance with sections 603 through 605, 607, 609, and 610 of this  
36 act;

37 (n) Restrict the manner of conducting board meetings and taking  
38 action without a meeting under sections 611 and 612 of this act;

39 (o) Provide for frequency, location, notice, and waivers of  
40 notice for board meetings under sections 613 and 614 of this act;

1 (p) Increase the percentage of votes necessary for board action  
2 under section 616(2) of this act;

3 (q) Provide for the creation of committees of the board of  
4 directors and matters related to the committees in accordance with  
5 section 617 of this act;

6 (r) Provide for officers and their appointment, designation, and  
7 authority under section 622 of this act;

8 (s) Provide for forms and values of contributions under section  
9 802 of this act;

10 (t) Provide for remedies for failure to make a contribution;

11 (u) Provide for the allocation of profits and losses of the  
12 association, distributions, and the redemption or repurchase of  
13 distributed property other than money in accordance with sections 803  
14 through 806 of this act;

15 (v) Specify when a member's dissociation is wrongful and the  
16 liability incurred by the dissociating member for damage to the  
17 association under section 901 (2) and (3) of this act;

18 (w) Provide the personal representative or other legal  
19 representative of a deceased member or a member adjudged incompetent  
20 with additional rights under section 903 of this act;

21 (x) Increase the percentage of votes required for board of  
22 director approval of:

23 (i) A resolution to dissolve under section 1005(1)(a) of this  
24 act;

25 (ii) A proposed amendment to the organic rules under section  
26 302(1)(a) of this act;

27 (iii) A proposed disposition of assets under section 1203(1) of  
28 this act; and

29 (iv) A plan of merger or plan of conversion under sections 1301  
30 through 1320 of this act; and

31 (y) Vary the percentage of votes required for members approval  
32 of:

33 (i) A resolution to dissolve under section 1005 of this act;

34 (ii) An amendment to the organic rules under section 305 of this  
35 act;

36 (iii) A disposition of assets under section 1204 of this act; and

37 (iv) A plan of merger or plan of conversion under sections 1301  
38 through 1320 of this act.

39 (4) The organic rules must address members' contributions  
40 pursuant to section 801 of this act.

1        NEW SECTION.    **Sec. 110.**    REQUIRED INFORMATION. (1) Subject to  
2 subsection (2) of this section, a limited cooperative association  
3 shall maintain in a record available at its principal office:

4        (a) A list containing the name, last known street address and, if  
5 different, mailing address, and term of office of each director and  
6 officer;

7        (b) The initial articles of organization and all amendments to  
8 and restatements of the articles, together with an executed copy of  
9 any power of attorney under which any article, amendment, or  
10 restatement has been executed;

11       (c) The initial bylaws and all amendments to and restatements of  
12 the bylaws;

13       (d) All filed articles of merger and conversion;

14       (e) All financial statements of the association for the three  
15 most recent years;

16       (f) The most recent annual report delivered by the association to  
17 the secretary of state;

18       (g) The minutes of members meetings for the period of the  
19 association's existence;

20       (h) Evidence of all actions taken by members without a meeting  
21 for the period of the association's existence;

22       (i) A list containing:

23       (i) The name, in alphabetical order, and last known street  
24 address and, if different, mailing address of each patron member and  
25 each investor member; and

26       (ii) If the association has districts or classes of members,  
27 information from which each current member in a district or class may  
28 be identified;

29       (j) The federal income tax returns, any state and local income  
30 tax returns, and any tax reports of the association for the three  
31 most recent years;

32       (k) Accounting records maintained by the association in the  
33 ordinary course of its operations for the three most recent years;

34       (l) The minutes of directors meetings for the period of the  
35 association's existence;

36       (m) Evidence of all actions taken by directors without a meeting  
37 for the period of the association's existence;

38       (n) The amount of money contributed and agreed to be contributed  
39 by each member;



1 (o) A description and statement of the agreed value of  
2 contributions or benefits other than money made or provided and  
3 agreed to be made or provided by each member;

4 (p) The times at which, or events on the happening of which, any  
5 additional contribution is to be made by each member;

6 (q) For each member, a description and statement of the member's  
7 interest or information from which the description and statement can  
8 be derived; and

9 (r) All communications concerning the association made in a  
10 record to all members, or to all members in a district or class, for  
11 the three most recent years.

12 (2) If a limited cooperative association has existed for less  
13 than the period for which records must be maintained under subsection  
14 (1) of this section, the period records must be kept is the period of  
15 the association's existence.

16 (3) The organic rules may require that more information be  
17 maintained.

18 NEW SECTION. **Sec. 111.** BUSINESS TRANSACTIONS OF MEMBER WITH  
19 LIMITED COOPERATIVE ASSOCIATION. Subject to sections 618 and 619 of  
20 this act and except as otherwise provided in the organic rules or a  
21 specific contract relating to a transaction, a member may lend money  
22 to and transact other business with a limited cooperative association  
23 in the same manner as a person that is not a member.

24 NEW SECTION. **Sec. 112.** DUAL CAPACITY. A person may have a  
25 patron member's interest and an investor member's interest. When such  
26 person acts as a patron member, the person is subject to this chapter  
27 and the organic rules governing patron members. When such person acts  
28 as an investor member, the person is subject to this chapter and the  
29 organic rules governing investor members.

30 NEW SECTION. **Sec. 113.** USE OF THE TERM "COOPERATIVE" IN NAME.  
31 Use of the term "cooperative" or its abbreviation under this chapter  
32 is not a violation of the provisions restricting the use of the term  
33 under RCW 23.86.030.

34 NEW SECTION. **Sec. 114.** SUBJECTS COVERED OUTSIDE CHAPTER. The  
35 following subjects are covered in whole or in part outside this  
36 chapter:

- 1 (1) Delivery of record: RCW 23.95.110.  
2 (2) Filing with secretary of state: RCW 23.95.200 through  
3 23.95.265.  
4 (3) Name of entity: RCW 23.95.300 through 23.95.315.  
5 (4) Registered agent of entity: RCW 23.95.400 through 23.95.460.  
6 (5) Foreign entities: RCW 23.95.500 through 23.95.555.  
7 (6) Administrative dissolution: RCW 23.95.600 through 23.95.625.  
8 (7) Miscellaneous provisions, including supplemental principles  
9 of law and reservation of power to amend or repeal: RCW 23.95.700  
10 through 23.95.715.

11 **PART 2**

12 **ORGANIZATION OF LIMITED COOPERATIVE ASSOCIATION**

13 NEW SECTION. **Sec. 201.** FORMATION OF LIMITED COOPERATIVE  
14 ASSOCIATION—ARTICLES OF ORGANIZATION. (1) One or more persons may act  
15 as organizers to form a limited cooperative association by delivering  
16 to the secretary of state for filing articles of organization.

17 (2) The articles of organization must state:

18 (a) The name of the limited cooperative association, which must  
19 comply with RCW 23.95.300 and 23.95.305(5);

20 (b) The purposes for which the association is formed;

21 (c) The street and mailing addresses in this state of the initial  
22 registered agent;

23 (d) The street and mailing addresses of the initial principal  
24 office;

25 (e) The name and street and mailing addresses of each organizer;  
26 and

27 (f) The term for which the association is to exist if other than  
28 perpetual.

29 (3) Subject to section 109 of this act, articles of organization  
30 may contain any other provisions in addition to those required by  
31 subsection (1) of this section.

32 (4) A limited cooperative association is formed after articles of  
33 organization that substantially comply with subsection (1) of this  
34 section are delivered to the secretary of state, are filed, and  
35 become effective under RCW 23.95.210.

36 NEW SECTION. **Sec. 202.** ORGANIZATION OF LIMITED COOPERATIVE  
37 ASSOCIATION. (1) After a limited cooperative association is formed:

1 (a) If initial directors are named in the articles of  
2 organization, the initial directors shall hold an organizational  
3 meeting to adopt initial bylaws and carry on any other business  
4 necessary or proper to complete the organization of the association;  
5 or

6 (b) If initial directors are not named in the articles of  
7 organization, the organizers shall designate the initial directors  
8 and call a meeting of the initial directors to adopt initial bylaws  
9 and carry on any other business necessary or proper to complete the  
10 organization of the association.

11 (2) Unless the articles of organization otherwise provide, the  
12 initial directors may cause the limited cooperative association to  
13 accept members, including those necessary for the association to  
14 begin business.

15 (3) Initial directors need not be members.

16 (4) An initial director serves until a successor is elected and  
17 qualified at a members meeting or the director is removed, resigns,  
18 is adjudged incompetent, or dies.

19 NEW SECTION. **Sec. 203.** BYLAWS. (1) Bylaws must be in a record  
20 and, if not stated in the articles of organization, must include:

21 (a) A statement of the capital structure of the limited  
22 cooperative association, including:

23 (i) The classes or other types of members' interests and relative  
24 rights, preferences, and restrictions granted to or imposed upon each  
25 class or other type of member's interest; and

26 (ii) The rights to share in profits or distributions of the  
27 association;

28 (b) A statement of the method for admission of members;

29 (c) A statement designating voting and other governance rights,  
30 including which members have voting power and any restriction on  
31 voting power;

32 (d) A statement that a member's interest is transferable if it is  
33 to be transferable and a statement of the conditions upon which it  
34 may be transferred;

35 (e) A statement concerning the manner in which profits and losses  
36 are allocated and distributions are made among patron members and, if  
37 investor members are authorized, the manner in which profits and  
38 losses are allocated and how distributions are made among investor  
39 members and between patron members and investor members;

1 (f) A statement concerning:  
2 (i) Whether persons that are not members but conduct business  
3 with the association may be permitted to share in allocations of  
4 profits and losses and receive distributions; and  
5 (ii) The manner in which profits and losses are allocated and  
6 distributions are made with respect to those persons; and  
7 (g) A statement of the number and terms of directors or the  
8 method by which the number and terms are determined.  
9 (2) Subject to section 109(3) of this act and the articles of  
10 organization, bylaws may contain any other provision for managing and  
11 regulating the affairs of the association.  
12 (3) In addition to amendments permitted under sections 301  
13 through 307 of this act, the initial board of directors may amend the  
14 bylaws by a majority vote of the directors at any time before the  
15 admission of members.

16 NEW SECTION. **Sec. 204.** EXECUTING OF RECORDS TO BE DELIVERED FOR  
17 FILING TO SECRETARY OF STATE. A record delivered to the secretary of  
18 state for filing pursuant to chapter 23.95 RCW and this chapter must  
19 be executed as follows:

20 (1) A limited cooperative association's initial articles of  
21 organization must be executed by at least one person acting as an  
22 organizer.

23 (2) A statement of withdrawal under RCW 23.95.215 must be  
24 executed as provided in that section.

25 (3) Except as otherwise provided in subsection (4) of this  
26 section, a record executed by an existing association must be  
27 executed by an officer.

28 (4) A record filed on behalf of a dissolved association must be  
29 executed by a person winding up activities under section 1006(2) of  
30 this act or a person appointed under section 1006(3) of this act to  
31 wind up those activities.

32 (5) Any other record delivered on behalf of a person to the  
33 secretary of state for filing must be executed by that person.

34 **PART 3**  
35 **AMENDMENT OF ORGANIC RULES OF LIMITED COOPERATIVE**  
36 **ASSOCIATION**

1        NEW SECTION.    **Sec. 301.**    AUTHORITY TO AMEND ORGANIC RULES. (1) A  
2 limited cooperative association may amend its organic rules under  
3 this chapter for any lawful purpose. In addition, the initial board  
4 of directors may amend the bylaws of an association under section 203  
5 of this act.

6        (2) Unless the organic rules otherwise provide, a member does not  
7 have a vested property right resulting from any provision in the  
8 organic rules, including a provision relating to the management,  
9 control, capital structure, distribution, entitlement, purpose, or  
10 duration of the limited cooperative association.

11       NEW SECTION.    **Sec. 302.**    NOTICE AND ACTION ON AMENDMENT OF  
12 ORGANIC RULES. (1) Except as provided in sections 301(1) and 305(6)  
13 of this act, the organic rules of a limited cooperative association  
14 may be amended only at a members meeting. An amendment may be  
15 proposed by either:

16        (a) A majority of the board of directors, or a greater percentage  
17 if required by the organic rules; or

18        (b) One or more petitions executed by at least ten percent of the  
19 patron members or at least ten percent of the investor members.

20        (2)(a) The board of directors shall call a members meeting to  
21 consider an amendment proposed pursuant to subsection (1) of this  
22 section.

23        (b) Subject to sections 408 and 419 of this act, not later than  
24 thirty days following the proposal of the amendment by the board or  
25 receipt of a petition, the board must mail or otherwise transmit or  
26 deliver in a record to each member:

27        (i) The proposed amendment, or a summary of the proposed  
28 amendment and a statement of the manner in which a copy of the  
29 amendment in a record may be reasonably obtained by a member;

30        (ii) A recommendation that the members approve the amendment, or  
31 if the board determines that because of conflict of interest or other  
32 special circumstances it should not make a favorable recommendation,  
33 the basis for that determination;

34        (iii) A statement of any condition of the board's submission of  
35 the amendment to the members; and

36        (iv) Notice of the meeting at which the proposed amendment will  
37 be considered, which must be given in the same manner as notice for a  
38 special meeting of members.

1 (c) The meeting must be held at least ten and not more than one  
2 hundred twenty days after providing the notice required by (b) of  
3 this subsection.

4 NEW SECTION. Sec. 303. METHOD OF VOTING ON AMENDMENT OF ORGANIC  
5 RULES. (1) A substantive change to a proposed amendment of the  
6 organic rules may not be made at the members meeting at which a vote  
7 on the amendment occurs.

8 (2) A nonsubstantive change to a proposed amendment of the  
9 organic rules may be made at the members meeting at which the vote on  
10 the amendment occurs and need not be separately voted upon by the  
11 board of directors.

12 (3) A vote to adopt a nonsubstantive change to a proposed  
13 amendment to the organic rules must be by the same percentage of  
14 votes required to pass a proposed amendment.

15 NEW SECTION. Sec. 304. VOTING BY DISTRICT, CLASS, OR VOTING  
16 GROUP. (1) This section applies if the organic rules provide for  
17 voting by district or class, or if there is one or more identifiable  
18 voting groups that a proposed amendment to the organic rules would  
19 affect differently from other members with respect to matters  
20 identified in section 305(5) (a) through (e) of this act. Approval of  
21 the amendment requires the same percentage of votes of the members of  
22 that district, class, or voting group required in sections 305 and  
23 414 of this act.

24 (2) If a proposed amendment to the organic rules would affect  
25 members in two or more districts or classes entitled to vote  
26 separately under subsection (1) of this section in the same or a  
27 substantially similar way, the districts or classes affected must  
28 vote as a single voting group unless the organic rules otherwise  
29 provide for separate voting.

30 NEW SECTION. Sec. 305. APPROVAL OF AMENDMENT. (1) Subject to  
31 section 304 of this act and subsections (3) and (4) of this section,  
32 an amendment to the articles of organization must be approved by:

33 (a) At least two-thirds of the voting power of members present at  
34 a members meeting called under section 302 of this act; and

35 (b) If the limited cooperative association has investor members,  
36 at least a majority of the votes cast by patron members, unless the  
37 organic rules require a greater percentage vote by patron members.

1 (2) Subject to section 304 of this act and subsections (3)  
2 through (6) of this section, an amendment to the bylaws must be  
3 approved by:

4 (a) At least a majority vote of the voting power of all members  
5 present at a members meeting called under section 302 of this act,  
6 unless the organic rules require a greater percentage; and

7 (b) If a limited cooperative association has investor members, a  
8 majority of the votes cast by patron members, unless the organic  
9 rules require a larger affirmative vote by patron members.

10 (3) The organic rules may require that the percentage of votes  
11 under subsection (1)(a) or (2)(a) of this section be:

12 (a) A different percentage that is not less than a majority of  
13 members voting at the meeting;

14 (b) Measured against the voting power of all members; or

15 (c) A combination of (a) and (b) of this subsection.

16 (4) Consent in a record by a member must be delivered to a  
17 limited cooperative association before delivery of an amendment to  
18 the articles of organization or restated articles of organization for  
19 filing pursuant to section 307 of this act, if as a result of the  
20 amendment the member will have:

21 (a) Personal liability for an obligation of the association; or

22 (b) An obligation or liability for an additional contribution.

23 (5) The vote required to amend bylaws must satisfy the  
24 requirements of subsection (1) of this section if the proposed  
25 amendment modifies:

26 (a) The equity capital structure of the limited cooperative  
27 association, including the rights of the association's members to  
28 share in profits or distributions, or the relative rights,  
29 preferences, and restrictions granted to or imposed upon one or more  
30 districts, classes, or voting groups of similarly situated members;

31 (b) The transferability of a member's interest;

32 (c) The manner or method of allocation of profits or losses among  
33 members;

34 (d) The quorum for a meeting and the rights of voting and  
35 governance; or

36 (e) Unless otherwise provided in the organic rules, the terms for  
37 admission of new members.

38 (6) Except for the matters described in subsection (5) of this  
39 section, the articles of organization may delegate amendment of all

1 or a part of the bylaws to the board of directors without requiring  
2 member approval.

3 (7) If the articles of organization delegate amendment of bylaws  
4 to the board of directors, the board shall provide a description of  
5 any amendment of the bylaws made by the board to the members in a  
6 record not later than thirty days after the amendment, but the  
7 description may be provided at the next annual members meeting if the  
8 meeting is held within the thirty-day period.

9 NEW SECTION. **Sec. 306.** RESTATED ARTICLES OF ORGANIZATION. A  
10 limited cooperative association, by the affirmative vote of a  
11 majority of the board of directors taken at a meeting for which the  
12 purpose is stated in the notice of the meeting, may adopt restated  
13 articles of organization that contain the original articles as  
14 previously amended. Restated articles may contain amendments if the  
15 restated articles are adopted in the same manner and with the same  
16 vote as required for amendments to the articles under section 305(1)  
17 of this act. Upon filing, restated articles supersede the existing  
18 articles and all amendments.

19 NEW SECTION. **Sec. 307.** AMENDMENT OR RESTATEMENT OF ARTICLES OF  
20 ORGANIZATION—FILING. (1) To amend its articles of organization, a  
21 limited cooperative association must deliver to the secretary of  
22 state for filing an amendment of the articles, or restated articles  
23 of organization, which contain one or more amendments of the articles  
24 of organization, stating:

- 25 (a) The name of the association;  
26 (b) The date of filing of the association's initial articles; and  
27 (c) The text of the amendment.

28 (2) Before the beginning of the initial meeting of the board of  
29 directors, an organizer who knows that information in the filed  
30 articles of organization was inaccurate when the articles were filed  
31 or has become inaccurate due to changed circumstances shall promptly:

- 32 (a) Cause the articles to be amended; or  
33 (b) If appropriate, deliver an amendment to the secretary of  
34 state for filing pursuant to RCW 23.95.110(2).

35 (3) To restate its articles of organization, a limited  
36 cooperative association must deliver to the secretary of state for  
37 filing a restatement designated as such in its heading.



1 (4) Upon filing, an amendment of the articles of organization or  
2 other record containing an amendment of the articles which has been  
3 properly adopted by the members is effective as provided in RCW  
4 23.95.210.

5 **PART 4**  
6 **MEMBERS**

7 NEW SECTION. **Sec. 401.** MEMBERS. To begin business, a limited  
8 cooperative association must have at least two patron members unless  
9 the sole member is a cooperative.

10 NEW SECTION. **Sec. 402.** BECOMING A MEMBER. After formation of a  
11 limited cooperative association, a person becomes a member:

12 (1) As provided in the organic rules;

13 (2) As the result of a conversion or merger effective under  
14 sections 1301 through 1320 of this act; or

15 (3) With the affirmative vote or consent of all the members.

16 NEW SECTION. **Sec. 403.** NO AGENCY POWER OF MEMBER AS MEMBER. (1)  
17 A member is not an agent of a limited cooperative association solely  
18 by reason of being a member.

19 (2) A person's status as a member does not prevent or restrict  
20 law other than this chapter from imposing liability on a limited  
21 cooperative association because of the person's conduct.

22 NEW SECTION. **Sec. 404.** LIABILITY OF MEMBERS AND DIRECTORS. (1)  
23 Unless the articles of organization provide otherwise, a debt,  
24 obligation, or other liability of a limited cooperative association  
25 is solely the debt, obligation, or other liability of the  
26 association. A member or director is not personally liable, directly  
27 or indirectly, by way of contribution or otherwise, for a debt,  
28 obligation, or other liability of the association solely by reason of  
29 being or acting as a member or director of the association. This  
30 subsection applies regardless of the dissolution of the association.

31 (2) The failure of a limited cooperative association to observe  
32 formalities relating to the exercise of its powers or management of  
33 its activities and affairs is not grounds for imposing liability on  
34 any member or director for a debt, obligation, or other liability of  
35 the association.

1        NEW SECTION.    **Sec. 405.**    RIGHT OF MEMBERS AND DISSOCIATED MEMBERS

2 TO INFORMATION. (1) On at least ten business days' demand made in a  
3 record received by a limited cooperative association, a member may  
4 inspect and copy during regular business hours, at the principal  
5 office or a reasonable location specified by the limited cooperative  
6 association, required information listed in sections 110(1) (a)  
7 through (h) of this act. A member need not have any particular  
8 purpose for seeking the information. The association is not required  
9 to provide the same information listed in section 110(1) (a) through  
10 (h) of this act to the same member more than once during a six-month  
11 period.

12        (2) Subject to subsection (3) of this section, on at least ten  
13 business days' demand made in a record received by a limited  
14 cooperative association, a member may inspect and copy during regular  
15 business hours, at the principal office or a reasonable location  
16 specified by the limited cooperative association, required  
17 information listed in section 110(1) (i), (j), (l), (m), (p), and (r)  
18 of this act, if:

19        (a) The member seeks the information in good faith and for a  
20 proper purpose reasonably related to the member's interest;

21        (b) The demand includes a description with reasonable  
22 particularity of the information sought and the purpose for seeking  
23 the information;

24        (c) The information sought is directly connected to the member's  
25 purpose; and

26        (d) The demand is reasonable.

27        (3) Not later than ten business days after receipt of a demand  
28 pursuant to subsection (2) of this section, a limited cooperative  
29 association shall provide, in a record, the following information to  
30 the member that made the demand:

31        (a) If the association agrees to provide the demanded  
32 information:

33        (i) What information the association will provide in response to  
34 the demand; and

35        (ii) A reasonable time and place at which the association will  
36 provide the information; or

37        (b) If the association declines to provide some or all of the  
38 demanded information, the association's reasons for declining.

39        (4) On at least ten business days' demand made in a record  
40 received by a limited cooperative association, a dissociated member

1 may have access to information to which the person was entitled while  
2 a member if the information pertains to the period during which the  
3 person was a member, the person seeks the information in good faith,  
4 and the person satisfies the requirements imposed on a member by  
5 subsection (2) of this section. The association shall respond to a  
6 demand made pursuant to this subsection in the manner provided in  
7 subsection (3) of this section.

8 (5) Not later than ten business days after receipt by a limited  
9 cooperative association of a demand made by a member in a record, but  
10 not more often than once in a six-month period, the association shall  
11 deliver to the member a record stating the information with respect  
12 to the member required by section 110(1)(q) of this act.

13 (6) In addition to any restriction or condition stated in its  
14 organic rules, a limited cooperative association, as a matter within  
15 the ordinary course of its activities and affairs, may impose  
16 reasonable restrictions and conditions on access to and use of  
17 information to be furnished under this section, including designating  
18 information confidential and imposing nondisclosure and safeguarding  
19 obligations on the recipient. In a dispute concerning the  
20 reasonableness of a restriction under this subsection, the  
21 association has the burden of proving reasonableness.

22 (7) A limited cooperative association may charge a person that  
23 makes a demand under this section reasonable costs of copying,  
24 limited to the costs of labor and material.

25 (8) A member or dissociated member may exercise rights under this  
26 section through an agent or, in the case of an individual under legal  
27 disability, a legal representative. Any restriction or condition  
28 imposed by the organic rules or under subsection (7) of this section  
29 applies both to the agent or legal representative and the member or  
30 dissociated member.

31 (9) The rights stated in this section do not extend to a person  
32 as transferee.

33 (10) The organic rules may require a limited cooperative  
34 association to provide more information than required by this section  
35 and may establish conditions and procedures for providing the  
36 information.

37 NEW SECTION. **Sec. 406.** ANNUAL MEETING OF MEMBERS. (1) Members  
38 shall meet annually at a time provided in the organic rules or set by  
39 the board of directors not inconsistent with the organic rules.

1 (2) An annual members meeting may be held inside or outside this  
2 state at the place stated in the organic rules or selected by the  
3 board of directors not inconsistent with the organic rules.

4 (3)(a) Unless the organic rules otherwise provide:

5 (i) If the board of directors or another person is authorized in  
6 the bylaws to determine the place of annual meetings, the board of  
7 directors or such other person may, in the sole discretion of the  
8 board of directors or such other person, determine that an annual  
9 meeting will not involve a physical assembly of members at a  
10 particular geographic location, but instead will be held solely by  
11 means of remote communication, in accordance with (b) of this  
12 subsection.

13 (ii) An association may permit any or all members to participate  
14 in an annual members meeting by means of, or conduct the meeting  
15 solely through the use of, remote communication. Subject to the  
16 provisions of (b) of this subsection, participation by remote  
17 communication is to be subject to any guidelines and procedures  
18 adopted by or pursuant to the authority of the board of directors.

19 (b) If an association elects to permit participation by means of,  
20 or conduct a meeting solely through the use of, remote communication:

21 (i) The notice of the meeting must specify how a member may  
22 participate in the meeting by means of remote communication.

23 (ii) The association must implement reasonable measures to (A)  
24 verify that each person participating remotely as a member is a  
25 member, and (B) provide each person participating remotely as a  
26 member a reasonable opportunity to participate in the meeting and to  
27 vote on matters submitted to the members, including an opportunity to  
28 read or hear the proceedings of the meeting substantially  
29 concurrently with those proceedings.

30 (iii) Participation in a meeting in accordance with this section  
31 constitutes presence in person at that meeting.

32 (iv) If the board of directors or another authorized person  
33 determines to hold an annual members meeting without a physical  
34 assembly of members in accordance with this subsection (3), all  
35 members entitled to vote at such meeting must have the opportunity to  
36 participate in the meeting by remote communication in accordance with  
37 this subsection (3).

38 (4) The board of directors shall report, or cause to be reported,  
39 at the association's annual members meeting the association's

1 business and financial condition as of the close of the most recent  
2 fiscal year.

3 (5) Unless the organic rules otherwise provide, the board of  
4 directors shall designate the presiding officer of the association's  
5 annual members meeting.

6 (6) Failure to hold an annual members meeting does not affect the  
7 validity of any action by the limited cooperative association.

8 NEW SECTION. **Sec. 407.** SPECIAL MEETING OF MEMBERS. (1) A  
9 special meeting of members may be called only:

10 (a) As provided in the organic rules;

11 (b) By a majority vote of the board of directors on a proposal  
12 stating the purpose of the meeting;

13 (c) By demand in a record executed by members holding at least  
14 twenty percent of the voting power of the persons in any district or  
15 class entitled to vote on the matter that is the purpose of the  
16 meeting stated in the demand; or

17 (d) By demand in a record executed by members holding at least  
18 ten percent of the total voting power of all the persons entitled to  
19 vote on the matter that is the purpose of the meeting stated in the  
20 demand.

21 (2) A demand under subsection (1)(c) or (d) of this section must  
22 be submitted to the officer of the limited cooperative association  
23 charged with keeping its records.

24 (3) Any voting member may withdraw its demand under subsection  
25 (1)(c) or (d) of this section before receipt by the limited  
26 cooperative association of demands sufficient to require a special  
27 meeting of members.

28 (4) A special meeting of members may be held inside or outside  
29 this state at the place stated in the organic rules or selected by  
30 the board of directors not inconsistent with the organic rules.

31 (5) Unless the organic rules otherwise provide, the provisions of  
32 section 406(3) of this act apply to special meetings of members as  
33 though the special meeting of members were an annual meeting of  
34 members.

35 (6) Only business within the purpose or purposes stated in the  
36 notice of a special meeting of members may be conducted at the  
37 meeting.

1 (7) Unless the organic rules otherwise provide, the presiding  
2 officer of a special meeting of members shall be designated by the  
3 board of directors.

4 NEW SECTION. **Sec. 408.** NOTICE OF MEMBERS MEETING. (1) A limited  
5 cooperative association shall notify each member of the time, date,  
6 and place of a members meeting at least ten and not more than one  
7 hundred twenty days before the meeting.

8 (2) Unless the articles of organization otherwise provide, notice  
9 of an annual members meeting need not include any purpose of the  
10 meeting.

11 (3) Notice of a special meeting of members must include each  
12 purpose of the meeting as contained in the demand under section  
13 407(1) (c) or (d) of this act or as voted upon by the board of  
14 directors under section 407(1)(b) of this act.

15 (4) Notice of a members meeting must be given in a record unless  
16 oral notice is reasonable under the circumstances.

17 NEW SECTION. **Sec. 409.** WAIVER OF MEMBERS MEETING NOTICE. (1) A  
18 member may waive notice of a members meeting before, during, or after  
19 the meeting.

20 (2) A member's participation in a members meeting is a waiver of  
21 notice of that meeting unless the member objects to the meeting at  
22 the beginning of the meeting or promptly upon the member's arrival at  
23 the meeting and does not thereafter vote for or assent to action  
24 taken at the meeting.

25 NEW SECTION. **Sec. 410.** QUORUM OF MEMBERS. Unless the organic  
26 rules otherwise require a greater number of members or percentage of  
27 the voting power, the voting member or members present at a members  
28 meeting constitute a quorum.

29 NEW SECTION. **Sec. 411.** VOTING BY PATRON MEMBERS. Except as  
30 provided by section 412(1) of this act, each patron member has one  
31 vote. The organic rules may allocate voting power among patron  
32 members as provided in section 412(1) of this act.

33 NEW SECTION. **Sec. 412.** ALLOCATION OF VOTING POWER OF PATRON  
34 MEMBER. (1) The organic rules may allocate voting power among patron  
35 members on the basis of one or a combination of the following:

- 1 (a) One member, one vote;  
2 (b) Use or patronage; or  
3 (c) If a patron member is a cooperative, the number of its patron  
4 members.

5 (2) The organic rules may provide for the allocation of patron  
6 member voting power by districts or class, or any combination  
7 thereof.

8 NEW SECTION. **Sec. 413.** VOTING BY INVESTOR MEMBERS. If the  
9 organic rules provide for investor members, each investor member has  
10 one vote, unless the organic rules otherwise provide. The organic  
11 rules may provide for the allocation of investor member voting power  
12 by class, classes, or any combination of classes.

13 NEW SECTION. **Sec. 414.** VOTING REQUIREMENTS FOR MEMBERS. If a  
14 limited cooperative association has both patron and investor members,  
15 the following rules apply:

16 (1) The total voting power of all patron members may not be less  
17 than a majority of the entire voting power entitled to vote.

18 (2) Action on any matter is approved only upon the affirmative  
19 vote of at least a majority of:

20 (a) All members voting at the meeting unless more than a majority  
21 is required by sections 301 through 307, 1001 through 1013, or 1201  
22 through 1204 of this act or the organic rules; and

23 (b) Votes cast by patron members unless the organic rules require  
24 a larger affirmative vote by patron members.

25 (3) The organic rules may provide for the percentage of the  
26 affirmative votes that must be cast by investor members to approve  
27 the matter.

28 NEW SECTION. **Sec. 415.** MANNER OF VOTING. (1) Unless the organic  
29 rules otherwise provide, voting by a proxy at a members meeting is  
30 prohibited. This subsection does not prohibit delegate voting based  
31 on district or class.

32 (2) If voting by a proxy is permitted, a patron member may  
33 appoint only another patron member as a proxy and, if investor  
34 members are permitted, an investor member may appoint only another  
35 investor member as a proxy.

36 (3) The organic rules may provide for the manner of and  
37 provisions governing the appointment of a proxy.

1 (4) The organic rules may provide for voting on any question by  
2 ballot delivered by mail or voting by other means on questions that  
3 are subject to vote by members.

4 NEW SECTION. **Sec. 416.** ACTION WITHOUT A MEETING. (1) Unless the  
5 organic rules require that action be taken only at a members meeting,  
6 any action that may be taken by the members may be taken without a  
7 meeting if the action is approved by members entitled to vote on the  
8 action in the aggregate not less than the minimum number of votes  
9 that would be necessary to approve that action at a meeting of which  
10 all members entitled to vote on the action were present and voted.  
11 Action may be approved by members without a meeting or a vote by  
12 means of execution of a single consent or multiple consents in a  
13 record to the action.

14 (2) Consent under subsection (1) of this section may be withdrawn  
15 by a member in a record at any time before the limited cooperative  
16 association receives a consent from each member entitled to vote.

17 (3) Consent to any action may specify the effective date or time  
18 of the action.

19 NEW SECTION. **Sec. 417.** DISTRICTS AND DELEGATES—CLASSES OF  
20 MEMBERS. (1) The organic rules may provide for the formation of  
21 geographic districts of patron members and:

22 (a) For the conduct of patron member meetings by districts and  
23 the election of directors at the meetings; or

24 (b) That districts may elect district delegates to represent and  
25 vote for the district at members meetings.

26 (2) A delegate elected under subsection (1)(b) of this section  
27 has one vote unless voting power is otherwise allocated by the  
28 organic rules.

29 (3) The organic rules may provide for the establishment of  
30 classes of members, for the preferences, rights, and limitations of  
31 the classes, and:

32 (a) For the conduct of members meetings by classes and the  
33 election of directors at the meetings; or

34 (b) That classes may elect class delegates to represent and vote  
35 for the class in members meetings.

36 (4) A delegate elected under subsection (3)(b) of this section  
37 has one vote unless voting power is otherwise allocated by the  
38 organic rules.



1        NEW SECTION.    **Sec. 418.**    APPROVAL OF TRANSACTION UNDER PART 13.

2    (1) For a limited cooperative association to approve a plan for a  
3 transaction under sections 1301 through 1320 of this act, the plan  
4 must be approved by a majority of the board of directors, or a  
5 greater vote if required by the organic rules, and the board shall  
6 call a members meeting to consider the plan, hold the meeting not  
7 later than ninety days after approval of the plan by the board, and,  
8 subject to section 419 of this act, mail or otherwise transmit or  
9 deliver in a record to each member:

10        (a) The plan, or a summary of the plan and a statement of the  
11 manner in which a copy of the plan in a record reasonably may be  
12 obtained by a member;

13        (b) A recommendation that the members approve the plan, or if the  
14 board determines that because of a conflict of interest or other  
15 circumstances it should not make a favorable recommendation, the  
16 basis for that determination;

17        (c) A statement of any condition of the board's submission of the  
18 plan to the members; and

19        (d) Notice of the meeting at which the plan will be considered,  
20 which must be given in the same manner as notice of a special meeting  
21 of members.

22        (2) Subject to subsections (3) and (4) of this section, a plan  
23 must be approved by:

24        (a) At least two-thirds of the voting power of members present at  
25 a members meeting called under subsection (1) of this section; and

26        (b) If the limited cooperative association has investor members,  
27 at least a majority of the votes cast by patron members, unless the  
28 organic rules require a greater percentage vote by patron members.

29        (3) The organic rules may provide that the required vote under  
30 subsection (2)(a) of this section be:

31        (a) A different fraction that is not less than a majority of  
32 members voting at the meeting;

33        (b) Measured against the voting power of all members; or

34        (c) A combination of (a) and (b) of this subsection.

35        (4) The vote required under subsections (2) and (3) of this  
36 section to approve a plan may not be less than the vote required for  
37 the members of the limited cooperative association to amend the  
38 articles of organization.

39        (5) A member's consent in a record to a plan must be delivered to  
40 the limited cooperative association before delivery to the secretary

1 of state for filing of articles of merger or conversion if, as a  
2 result of the merger or conversion, the member will have interest  
3 holder liability for debts, obligations, or other liabilities that  
4 are incurred after the transaction becomes effective.

5 (6) The voting requirements for districts, classes, or voting  
6 groups under section 304 of this act apply to approval of a  
7 transaction under sections 1301 through 1320 of this act.

8 NEW SECTION. **Sec. 419.** NOTICE TO MEMBERS OF CONSUMER  
9 COOPERATIVE. (1) A consumer cooperative organized under this chapter  
10 may satisfy any provisions of this chapter requiring that certain  
11 information or materials must be set forth in a writing accompanying  
12 or contained in the notice of a meeting of its members, by:

13 (a) Posting the information or materials on an electronic network  
14 not less than thirty days prior to the meeting at which such  
15 information or materials will be considered by members; and

16 (b) Delivering to those members who are eligible to vote a  
17 notification, either in a meeting notice authorized under this  
18 chapter or in such other reasonable form as the board of directors  
19 may specify, setting forth the address of the electronic network at  
20 which and the date after which such information or materials will be  
21 posted and available for viewing by members eligible to vote,  
22 together with comprehensible instructions regarding how to obtain  
23 access to the information and materials posted on the electronic  
24 network.

25 (2) A consumer cooperative that elects to post information or  
26 materials required by this chapter on an electronic network shall, at  
27 its expense, provide a copy of such information or materials in a  
28 written or other tangible medium to any member who is eligible to  
29 vote and so requests.

30 **PART 5**

31 **MEMBER'S INTEREST IN LIMITED COOPERATIVE ASSOCIATION**

32 NEW SECTION. **Sec. 501.** MEMBER'S INTEREST. A member's interest:

- 33 (1) Is personal property;  
34 (2) Consists of:  
35 (a) Governance rights;  
36 (b) Financial rights; and

1 (c) The right or obligation, if any, to do business with the  
2 limited cooperative association; and

3 (3) May be in certificated or uncertificated form.

4 NEW SECTION. **Sec. 502.** PATRON AND INVESTOR MEMBERS' INTERESTS.

5 (1) Unless the organic rules establish investor members' interests, a  
6 member's interest is a patron member's interest.

7 (2) Unless the organic rules otherwise provide, if a limited  
8 cooperative association has investor members, while a person is a  
9 member of the association, the person:

10 (a) If admitted as a patron member, remains a patron member;

11 (b) If admitted as an investor member, remains an investor  
12 member; and

13 (c) If admitted as a patron member and investor member remains a  
14 patron and investor member if not dissociated in one of the  
15 capacities.

16 NEW SECTION. **Sec. 503.** TRANSFERABILITY OF MEMBER'S INTEREST.

17 (1) The provisions of this chapter relating to the transferability of  
18 a member's interest are subject to Title 62A RCW.

19 (2) Unless the organic rules otherwise provide, a member's  
20 interest other than financial rights is not transferable.

21 (3) Unless a transfer is restricted or prohibited by the organic  
22 rules, a member may transfer its financial rights in the limited  
23 cooperative association.

24 (4) The terms of any restriction on transferability of financial  
25 rights must be:

26 (a) Set forth in the organic rules and the member records of the  
27 association; and

28 (b) Conspicuously noted on any certificates evidencing a member's  
29 interest.

30 (5) A transferee of a member's financial rights, to the extent  
31 the rights are transferred, has the right to share in the allocation  
32 of profits or losses and to receive the distributions to the member  
33 transferring the interest to the same extent as the transferring  
34 member.

35 (6) A transferee of a member's financial rights does not become a  
36 member upon transfer of the rights unless the transferee is admitted  
37 as a member by the limited cooperative association.

1 (7) A limited cooperative association need not give effect to a  
2 transfer under this section until the association has notice of the  
3 transfer.

4 (8) A transfer of a member's financial rights in violation of a  
5 restriction on transfer contained in the organic rules is ineffective  
6 if the intended transferee has notice of the restriction at the time  
7 of transfer.

8 **PART 6**

9 **DIRECTORS AND OFFICERS**

10 NEW SECTION. **Sec. 601.** BOARD OF DIRECTORS. (1) A limited  
11 cooperative association must have a board of directors of at least  
12 three individuals, unless the association has fewer than three  
13 members. If the association has fewer than three members, the number  
14 of directors may not be fewer than the number of members.

15 (2) The affairs of a limited cooperative association must be  
16 managed by, or under the direction of, the board of directors. The  
17 board may adopt policies and procedures that do not conflict with the  
18 organic rules or this chapter.

19 (3) An individual is not an agent for a limited cooperative  
20 association solely by being a director.

21 NEW SECTION. **Sec. 602.** NO LIABILITY AS DIRECTOR FOR LIMITED  
22 COOPERATIVE ASSOCIATION'S OBLIGATIONS. A debt, obligation, or other  
23 liability of a limited cooperative association is solely that of the  
24 association and is not a debt, obligation, or other liability of a  
25 director solely by reason of being a director. An individual is not  
26 personally liable, directly or indirectly, for an obligation of an  
27 association solely by reason of being a director.

28 NEW SECTION. **Sec. 603.** QUALIFICATIONS OF DIRECTORS. (1) Unless  
29 the organic rules otherwise provide, and subject to subsection (3) of  
30 this section, each director of a limited cooperative association must  
31 be an individual who is a member of the association or an individual  
32 who is designated by a member that is not an individual for purposes  
33 of qualifying and serving as a director. Initial directors need not  
34 be members.

35 (2) Unless the organic rules otherwise provide, a director may be  
36 an officer or employee of the limited cooperative association.

1 (3) If the organic rules provide for nonmember directors, at  
2 least two-thirds of the directors must be members.

3 (4) The organic rules may provide qualifications for directors in  
4 addition to those in this section.

5 NEW SECTION. **Sec. 604.** ELECTION OF DIRECTORS AND COMPOSITION OF  
6 BOARD. (1) Unless the organic rules require a greater number:

7 (a) At least one-third of the directors must be patron members;  
8 and

9 (b) A majority of the board of directors must be elected  
10 exclusively by patron members.

11 (2) Unless the organic rules otherwise provide, if a limited  
12 cooperative association has investor members, the directors who are  
13 not elected exclusively by patron members are elected by the investor  
14 members.

15 (3) Subject to subsection (1) of this section, the organic rules  
16 may provide for the election of all or a specified number of  
17 directors by one or more districts or classes of members.

18 (4) Subject to subsection (1) of this section, the organic rules  
19 may provide for the nomination or election of directors by districts  
20 or classes, directly or by district delegates.

21 (5) If a class of members consists of a single member, the  
22 organic rules may provide for the member to appoint a director or  
23 directors.

24 (6) Unless the organic rules otherwise provide, cumulative voting  
25 for directors is prohibited.

26 (7) Except as otherwise provided by the organic rules, subsection  
27 (5) of this section, or sections 202, 416, 417, and 609 of this act,  
28 member directors must be elected at an annual members meeting.

29 NEW SECTION. **Sec. 605.** TERM OF DIRECTOR. (1) Unless the organic  
30 rules otherwise provide, and subject to subsections (3) and (4) of  
31 this section and section 202(4) of this act, the term of a director  
32 expires at the annual members meeting following the director's  
33 election or appointment. The term of a director may not exceed three  
34 years.

35 (2) Unless the organic rules otherwise provide, a director may be  
36 reelected.

37 (3) Except as otherwise provided in subsection (4) of this  
38 section, a director continues to serve until a successor director is

1 elected or appointed and qualifies or the director is removed,  
2 resigns, is adjudged incompetent, or dies.

3 (4) Unless the organic rules otherwise provide, a director does  
4 not serve the remainder of the director's term if the director ceases  
5 to qualify to be a director.

6 NEW SECTION. **Sec. 606.** RESIGNATION OF DIRECTOR. A director may  
7 resign at any time by giving notice in a record to the limited  
8 cooperative association. Unless the notice states a later effective  
9 date, a resignation is effective when the notice is received by the  
10 association.

11 NEW SECTION. **Sec. 607.** REMOVAL OF DIRECTOR. Unless the organic  
12 rules otherwise provide, the following rules apply:

13 (1) Members may remove a director with or without cause.

14 (2) A member or members holding at least ten percent of the total  
15 voting power entitled to be voted in the election of a director may  
16 demand removal of the director by one or more executed petitions  
17 submitted to the officer of the limited cooperative association  
18 charged with keeping its records.

19 (3) Upon receipt of a petition for removal of a director, an  
20 officer of the association or the board of directors shall:

21 (a) Not later than thirty days following receipt of the petition  
22 by the association, mail or otherwise transmit or deliver in a record  
23 to the members entitled to vote on the removal, and to the director  
24 to be removed, notice of the meeting which complies with section 408  
25 of this act; and

26 (b) Call a special meeting of members to be held at least ten and  
27 not more than one hundred twenty days after providing the notice  
28 required by (a) of this subsection.

29 (4) A director is removed if the votes in favor of removal are  
30 equal to or greater than the votes required to elect the director.

31 NEW SECTION. **Sec. 608.** SUSPENSION OF DIRECTOR BY BOARD. (1) A  
32 board of directors may suspend a director if, considering the  
33 director's course of conduct and the inadequacy of other available  
34 remedies, immediate suspension is necessary for the best interests of  
35 the association and the director is engaging, or has engaged, in:

36 (a) Fraudulent conduct with respect to the association or its  
37 members;

1 (b) Abuse of the position of director;

2 (c) Intentional or reckless infliction of harm on the  
3 association;

4 (d) Failure to substantially perform the duties of a director;

5 (e) Actions not in the best interests of the association;

6 (f) Behavior that is disruptive to the proceedings of the board  
7 of directors; or

8 (g) Any other behavior, act, or omission as provided by the  
9 organic rules.

10 (2) A suspension under this section is effective until the next  
11 meeting of members at which directors are elected.

12 (3) A director suspended under this section is, during the period  
13 of suspension, treated as though not a director.

14 (4) A suspension under this section requires concurrence of two-  
15 thirds of the full membership of the board of directors, excluding  
16 the director who is the subject of the vote to suspend.

17 NEW SECTION. **Sec. 609.** VACANCY ON BOARD. (1) Unless the organic  
18 rules otherwise provide, a vacancy on the board of directors must be  
19 filled within a reasonable time by majority vote of the remaining  
20 directors.

21 (2) Unless the organic rules otherwise provide, if a vacating  
22 director was elected or appointed by a class of members or a  
23 district:

24 (a) The new director must be of that class or district; and

25 (b) The selection of the director for the unexpired term must be  
26 conducted in the same manner as would the selection for that position  
27 without a vacancy.

28 (3) If a member appointed a vacating director, the organic rules  
29 may provide for that member to appoint a director to fill the  
30 vacancy.

31 NEW SECTION. **Sec. 610.** REMUNERATION OF DIRECTORS. Unless the  
32 organic rules otherwise provide, the board of directors may set the  
33 remuneration of directors and of nondirector committee members  
34 appointed under section 617(1) of this act.

35 NEW SECTION. **Sec. 611.** MEETINGS. (1) A board of directors shall  
36 meet at least annually and may hold meetings inside or outside this  
37 state.

1 (2) Unless the organic rules otherwise provide, a board of  
2 directors may permit directors to attend or conduct board meetings  
3 through the use of any means of communication, if all directors  
4 attending the meeting can communicate with each other during the  
5 meeting.

6 NEW SECTION. **Sec. 612.** ACTION WITHOUT MEETING. (1) Unless  
7 prohibited by the organic rules, any action that may be taken by a  
8 board of directors may be taken without a meeting if each director  
9 consents in a record to the action.

10 (2) Consent under subsection (1) of this section may be withdrawn  
11 by a director in a record at any time before the limited cooperative  
12 association receives consent from all directors.

13 (3) A record of consent for any action under subsection (1) of  
14 this section may specify the effective date or time of the action.

15 NEW SECTION. **Sec. 613.** MEETINGS AND NOTICE. (1) Unless the  
16 organic rules otherwise provide, a board of directors may establish a  
17 time, date, and place for regular board meetings, and notice of the  
18 time, date, place, or purpose of those meetings is not required.

19 (2) Unless the organic rules otherwise provide, notice of the  
20 time, date, and place of a special meeting of a board of directors  
21 must be given to all directors at least two days before the meeting.

22 (3) The organic rules may require that the notice under  
23 subsection (2) of this section contain a statement of the purpose of  
24 the meeting, and may additionally require that the meeting be limited  
25 to the matters contained in the statement.

26 NEW SECTION. **Sec. 614.** WAIVER OF NOTICE OF MEETING. (1) Unless  
27 the organic rules otherwise provide, a director may waive any  
28 required notice of a meeting of the board of directors in a record  
29 before, during, or after the meeting.

30 (2) Unless the organic rules otherwise provide, a director's  
31 participation in a meeting is a waiver of notice of that meeting  
32 unless the director objects to the meeting at the beginning of the  
33 meeting or promptly upon the director's arrival at the meeting and  
34 does not thereafter vote in favor of or otherwise assent to the  
35 action taken at the meeting.



1        NEW SECTION.    **Sec. 615.**    QUORUM. (1) Unless the articles of  
2 organization provide for a different number, a majority of the total  
3 number of directors specified by the organic rules constitutes a  
4 quorum for a meeting of the directors. The articles of organization  
5 may not provide for a quorum that is less than one-third of the total  
6 number of directors specified by the organic rules.

7        (2) If a quorum of the board of directors is present at the  
8 beginning of a meeting, any action taken by the directors present is  
9 valid even if withdrawal of directors originally present results in  
10 the number of directors being fewer than the number required for a  
11 quorum.

12        (3) A director present at a meeting but objecting to notice under  
13 section 614(2) of this act does not count toward a quorum.

14        NEW SECTION.    **Sec. 616.**    VOTING. (1) Each director shall have one  
15 vote for purposes of decisions made by the board of directors.

16        (2) Unless the organic rules provide for a greater number, the  
17 affirmative vote of a majority of directors present at a meeting is  
18 required for action by the board of directors.

19        NEW SECTION.    **Sec. 617.**    COMMITTEES. (1) Unless the organic rules  
20 otherwise provide, a board of directors may create one or more  
21 committees and appoint one or more individuals to serve on a  
22 committee.

23        (2) Unless the organic rules otherwise provide, an individual  
24 appointed to serve on a committee of a limited cooperative  
25 association need not be a director or member.

26        (3) An individual who is not a director and is serving on a  
27 committee has the same rights, duties, and obligations as a director  
28 serving on the committee.

29        (4) Unless the organic rules otherwise provide, each committee of  
30 a limited cooperative association may exercise the powers delegated  
31 to it by the board of directors, but a committee may not:

32        (a) Approve allocations or distributions except according to a  
33 formula or method prescribed by the board of directors;

34        (b) Approve or propose to members action requiring approval of  
35 members; or

36        (c) Fill vacancies on the board of directors or any of its  
37 committees.

1        NEW SECTION.        **Sec. 618.**        STANDARDS OF CONDUCT AND LIABILITY.

2        Except as otherwise provided in section 620 of this act:

3            (1) The discharge of the duties of a director or member of a  
4        committee of the board of directors is governed by the law applicable  
5        to directors of entities organized under Title 23B RCW; and

6            (2) The liability of a director or member of a committee of the  
7        board of directors is governed by the law applicable to directors of  
8        entities organized under Title 23B RCW.

9        NEW SECTION.        **Sec. 619.**        CONFLICT OF INTEREST. (1) The law

10       applicable to conflicts of interest between a director of an entity  
11       organized under Title 23B RCW governs conflicts of interest between a  
12       limited cooperative association and a director or member of a  
13       committee of the board of directors.

14            (2) A director does not have a conflict of interest under chapter  
15       23.95 RCW and this chapter or the organic rules solely because the  
16       director's conduct relating to the duties of the director may further  
17       the director's own interest.

18       NEW SECTION.        **Sec. 620.**        OTHER CONSIDERATIONS OF DIRECTORS.

19       Unless the articles of organization otherwise provide, in considering  
20       the best interests of a limited cooperative association, a director  
21       of the association in discharging the duties of director, in  
22       conjunction with considering the long and short term interest of the  
23       association and its members, may consider any or all of:

24            (1) The interest of employees, customers, and suppliers of the  
25       association;

26            (2) The interest of the local, state, national, or world  
27       community in which the association operates;

28            (3) The environment; and

29            (4) Other cooperative principles and values that may be applied  
30       in the context of the decision.

31       NEW SECTION.        **Sec. 621.**        RIGHT OF DIRECTOR OR COMMITTEE MEMBER TO  
32       INFORMATION. A director or a member of a committee appointed under  
33       section 617 of this act may obtain, inspect, and copy all information  
34       regarding the state of activities and financial condition of the  
35       limited cooperative association and other information regarding the  
36       activities of the association if the information is reasonably  
37       related to the performance of the director's duties as director or

1 the committee member's duties as a member of the committee.  
2 Information obtained in accordance with this section may not be used  
3 in any manner that would violate any duty of or to the association.

4 NEW SECTION. **Sec. 622.** APPOINTMENT AND AUTHORITY OF OFFICERS.

5 (1) A limited cooperative association has the officers:

6 (a) Provided in the organic rules; or

7 (b) Established by the board of directors in a manner not  
8 inconsistent with the organic rules.

9 (2) The organic rules may designate or, if the organic rules do  
10 not designate, the board of directors shall designate, one of the  
11 association's officers for preparing all records required by section  
12 110 of this act and for the authentication of records.

13 (3) Unless the organic rules otherwise provide, the board of  
14 directors shall appoint the officers of the limited cooperative  
15 association.

16 (4) Officers of a limited cooperative association shall perform  
17 the duties the organic rules prescribe or as authorized by the board  
18 of directors in a manner consistent with the organic rules.

19 (5) The election or appointment of an officer of a limited  
20 cooperative association does not of itself create a contract between  
21 the association and the officer.

22 (6) Unless the organic rules otherwise provide, an individual may  
23 simultaneously hold more than one office in a limited cooperative  
24 association.

25 NEW SECTION. **Sec. 623.** RESIGNATION AND REMOVAL OF OFFICERS. (1)

26 The board of directors may remove an officer at any time with or  
27 without cause.

28 (2) An officer of a limited cooperative association may resign at  
29 any time by giving notice in a record to the association. Unless the  
30 notice specifies a later time, the resignation is effective when the  
31 notice is given.

32 **PART 7**  
33 **INDEMNIFICATION**

34 NEW SECTION. **Sec. 701.** INDEMNIFICATION AND ADVANCEMENT OF  
35 EXPENSES—INSURANCE. (1) Indemnification and advancement of expenses  
36 of an individual who has incurred liability or is a party, or is

1 threatened to be made a party, to litigation because of the  
2 performance of a duty to, or activity on behalf of, a limited  
3 cooperative association is governed by Title 23B RCW.

4 (2) A limited cooperative association may purchase and maintain  
5 insurance on behalf of any individual against liability asserted  
6 against or incurred by the individual to the same extent and subject  
7 to the same conditions as provided by Title 23B RCW.

8 **PART 8**

9 **CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS**

10 NEW SECTION. **Sec. 801.** MEMBERS' CONTRIBUTIONS. Unless the  
11 organic rules establish the amount, manner, or method of determining  
12 any contribution requirements for members, the board of directors may  
13 establish the amount, manner, or other method of determining any  
14 contribution requirements for members.

15 NEW SECTION. **Sec. 802.** CONTRIBUTION AND VALUATION. (1) Unless  
16 the organic rules otherwise provide, the contributions of a member to  
17 a limited cooperative association may consist of property transferred  
18 to, services performed for, or another benefit provided to the  
19 association or an agreement to transfer property to, perform services  
20 for, or provide another benefit to the association.

21 (2) The receipt and acceptance of contributions and the valuation  
22 of contributions must be reflected in a limited cooperative  
23 association's records.

24 (3) Unless the organic rules otherwise provide, the board of  
25 directors shall determine the value of a member's contributions  
26 received or to be received and the determination by the board of  
27 directors of valuation is conclusive for purposes of determining  
28 whether the member's contribution obligation has been met.

29 NEW SECTION. **Sec. 803.** ALLOCATIONS OF PROFITS AND LOSSES. (1)  
30 The organic rules may provide for allocating profits of a limited  
31 cooperative association among members, among persons that are not  
32 members but conduct business with the association, to an unallocated  
33 account, or to any combination thereof. Unless the organic rules  
34 otherwise provide, losses of the association must be allocated in the  
35 same proportion as profits.

1 (2) Unless the organic rules otherwise provide, all profits and  
2 losses of a limited cooperative association must be allocated to  
3 patron members.

4 (3) If a limited cooperative association has investor members,  
5 the organic rules may not reduce the allocation to patron members to  
6 less than fifty percent of profits. For purposes of this subsection,  
7 the following rules apply:

8 (a) Amounts paid or due on contracts for the delivery to the  
9 association by patron members of products, goods, or services are not  
10 considered amounts allocated to patron members.

11 (b) Amounts paid, due, or allocated to investor members as a  
12 stated fixed return on equity are considered amounts allocated to  
13 investor members.

14 (4) Unless prohibited by the organic rules, in determining the  
15 profits for allocation under subsections (1) through (3) of this  
16 section, the board of directors may first deduct and set aside a part  
17 of the profits to create or accumulate:

18 (a) An unallocated capital reserve; and

19 (b) Reasonable unallocated reserves for specific purposes,  
20 including expansion and replacement of capital assets; education,  
21 training, and cooperative development; creation and distribution of  
22 information concerning principles of cooperation; and community  
23 responsibility.

24 (5) Subject to subsections (2) and (6) of this section and the  
25 organic rules, the board of directors shall allocate the amount  
26 remaining after any deduction or setting aside of profits for  
27 unallocated reserves under subsection (4) of this section:

28 (a) To patron members in the ratio of each member's patronage to  
29 the total patronage of all patron members during the period for which  
30 allocations are to be made; and

31 (b) To investor members, if any, in the ratio of each investor  
32 member's contributions to the total contributions of all investor  
33 members.

34 (6) For purposes of allocation of profits and losses or specific  
35 items of profits or losses of a limited cooperative association to  
36 members, the organic rules may establish allocation units or methods  
37 based on separate classes of members or, for patron members, on  
38 class, function, division, district, department, allocation units,  
39 pooling arrangements, members' contributions, or other equitable  
40 methods.

1        NEW SECTION.    **Sec. 804.**    DISTRIBUTIONS. (1) Unless the organic  
2 rules otherwise provide and subject to section 806 of this act, the  
3 board of directors may authorize, and the limited cooperative  
4 association may make, distributions to members.

5        (2) Unless the organic rules otherwise provide, distributions to  
6 members may be made in any form, including money, capital credits,  
7 allocated patronage equities, revolving fund certificates, and the  
8 limited cooperative association's own or other securities.

9        NEW SECTION.    **Sec. 805.**    REDEMPTION OR REPURCHASE. Property  
10 distributed to a member by a limited cooperative association, other  
11 than money, may be redeemed or repurchased as provided in the organic  
12 rules but a redemption or repurchase may not be made without  
13 authorization by the board of directors. The board may withhold  
14 authorization for any reason in its sole discretion. A redemption or  
15 repurchase is treated as a distribution for purposes of section 806  
16 of this act.

17        NEW SECTION.    **Sec. 806.**    LIMITATIONS ON DISTRIBUTIONS. (1) In  
18 this section, "distribution" does not include reasonable compensation  
19 for present or past services or other payments made in the ordinary  
20 course of business for commodities or goods or under a bona fide  
21 retirement or other bona fide benefits program.

22        (2) A limited cooperative association may not make a  
23 distribution, including a distribution under section 1008 of this  
24 act, if after the distribution:

25        (a) The association would not be able to pay its debts as they  
26 become due in the ordinary course of the association's activities and  
27 affairs; or

28        (b) The association's total assets would be less than the sum of  
29 its total liabilities plus the amount that would be needed, if the  
30 association were to be dissolved and wound up at the time of the  
31 distribution, to satisfy the preferential rights upon dissolution and  
32 winding up of members whose preferential rights are superior to the  
33 rights of persons receiving the distribution.

34        (3) A limited cooperative association may base a determination  
35 that a distribution is not prohibited under subsection (2) of this  
36 section on:

1 (a) Financial statements prepared on the basis of accounting  
2 practices and principles that are reasonable under the circumstances;  
3 or

4 (b) A fair valuation or other method that is reasonable under the  
5 circumstances.

6 (4) Except as otherwise provided in subsection (5) of this  
7 section, the effect of a distribution allowed under subsection (2) of  
8 this section is measured:

9 (a) In the case of a distribution by purchase, redemption, or  
10 other acquisition of financial rights in the limited cooperative  
11 association, as of the earlier of:

12 (i) The date money or other property is transferred or debt is  
13 incurred by the association; or

14 (ii) The date the person entitled to the distribution ceases to  
15 own the financial rights being acquired by the association in return  
16 for the distribution;

17 (b) In the case of any other distribution of indebtedness, as of  
18 the date the indebtedness is distributed; and

19 (c) In all other cases, as of the date:

20 (i) The distribution is authorized, if the payment occurs not  
21 later than one hundred twenty days after that date; or

22 (ii) The payment is made, if the payment occurs more than one  
23 hundred twenty days after the distribution is authorized.

24 (5) A limited cooperative association's indebtedness incurred by  
25 reason of a distribution made in accordance with this section is at  
26 parity with the association's indebtedness to its general, unsecured  
27 creditors except to the extent subordinated by agreement.

28 (6) A limited cooperative association's indebtedness, including  
29 indebtedness issued as a distribution, is not a liability for  
30 purposes of subsection (2) of this section if the terms of the  
31 indebtedness provide that payment of principal and interest is made  
32 only if and to the extent that payment of a distribution could then  
33 be made under this section. If the indebtedness is issued as a  
34 distribution, each payment of principal or interest is treated as a  
35 distribution, the effect of which is measured on the date the payment  
36 is made.

37 (7) In measuring the effect of a distribution under section 1008  
38 of this act, the liabilities of a dissolved limited cooperative  
39 association do not include any claim that has been disposed of under  
40 sections 1009 through 1011 of this act.

1        NEW SECTION.    **Sec. 807.**    LIABILITY FOR IMPROPER DISTRIBUTIONS—  
2    LIMITATION OF ACTION. (1) A director of a limited cooperative  
3    association who votes for or assents to a distribution made in  
4    violation of section 806 of this act or the association's articles of  
5    organization is personally liable to the association for the amount  
6    of the distribution that exceeds the amount that could have been  
7    distributed without violating section 806 of this act or the articles  
8    of organization if it is established that the director did not  
9    perform the director's duties in compliance with section 618 of this  
10   act. In any proceeding commenced under this section, a director has  
11   all of the defenses ordinarily available to a director.

12        (2) A director held liable under subsection (1) of this section  
13   for an unlawful distribution is entitled to contribution:

14        (a) From every other director who could be held liable under  
15   subsection (1) of this section for the unlawful distribution; and

16        (b) From each member for the amount the member accepted knowing  
17   the distribution was made in violation of section 806 of this act or  
18   the articles of organization.

19        (3) A member who accepts a distribution made in violation of  
20   section 806 of this act or the articles of organization is personally  
21   liable to the corporation for the amount of any distribution received  
22   by the member to the extent it exceeds the amount that could have  
23   been distributed to the member without violating section 806 of this  
24   act or the articles of organization, if it is established that the  
25   member accepted the distribution knowing that it was made in  
26   violation of section 806 of this act or the articles of organization.

27        (4) A member held liable under subsection (3) of this section for  
28   an unlawful distribution is entitled to contribution from every other  
29   member who could be held liable under subsection (3) of this section  
30   for the unlawful distribution.

31        (5) A proceeding under this section is barred unless it is  
32   commenced prior to the earlier of (a) the expiration of two years  
33   after the date on which the effect of the distribution was measured  
34   under section 806(4) of this act, or (b) the expiration of the period  
35   specified in section 1010(3) of this act.

36        NEW SECTION.    **Sec. 808.**    RELATION TO STATE SECURITIES LAW. A  
37   patron member's interest in a limited cooperative association has the  
38   same exemption as provided for substantially similar interests in  
39   cooperatives under RCW 21.20.320(16).



1 NEW SECTION. **Sec. 809.** ALTERNATIVE DISTRIBUTION OF UNCLAIMED  
 2 PROPERTY, DISTRIBUTIONS, REDEMPTIONS, OR PAYMENTS. A limited  
 3 cooperative association may distribute unclaimed property,  
 4 distributions, redemptions, or payments under chapter 23.86 RCW.

5 **PART 9**  
 6 **DISSOCIATION**

7 NEW SECTION. **Sec. 901.** MEMBER'S DISSOCIATION. (1) A person has  
 8 the power to dissociate as a member at any time, rightfully or  
 9 wrongfully, by express will.

10 (2) Unless the organic rules otherwise provide, a member's  
 11 dissociation from a limited cooperative association is wrongful only  
 12 if:

13 (a) It is in breach of an express provision of the organic rules;  
 14 or

15 (b) It occurs before the termination of the limited cooperative  
 16 association and:

17 (i) The person is expelled as a member under subsection (4)(c) or  
 18 (d) of this section; or

19 (ii) In the case of a person that is not an individual, trust  
 20 other than a business trust, or estate, the person is expelled or  
 21 otherwise dissociated as a member because it dissolved or terminated  
 22 in bad faith.

23 (3) Unless the organic rules otherwise provide, a person that  
 24 wrongfully dissociates as a member is liable to the limited  
 25 cooperative association and to the other members for damages caused  
 26 by the dissociation. The liability is in addition to any other debt,  
 27 obligation, or liability of the person to the association.

28 (4) A member is dissociated as a member when:

29 (a) The limited cooperative association receives notice in a  
 30 record of the member's express will to dissociate as a member, or if  
 31 the member specifies in the notice an effective date later than the  
 32 date the association received notice, on that later date;

33 (b) An event stated in the organic rules as causing the person's  
 34 dissociation occurs;

35 (c) The person's entire interest is transferred in a foreclosure  
 36 sale;

37 (d) The person is expelled as a member under the organic rules;

1 (e) The person is expelled as a member by the board of directors  
2 if:

3 (i) It is unlawful to carry on the limited cooperative  
4 association's activities and affairs with the person as a member;

5 (ii) There has been a transfer of all the member's financial  
6 rights in the association, other than:

7 (A) A transfer for security purposes; or  
8 (B) A charging order which has not been foreclosed;

9 (iii) The person is an unincorporated entity that has been  
10 dissolved and its activities and affairs are being wound up;

11 (iv) The person is a corporation or cooperative and:

12 (A) The person filed a certificate of dissolution or the  
13 equivalent, or the jurisdiction of formation revoked the person's  
14 charter or right to conduct business;

15 (B) The association sends a notice to the person that it will be  
16 expelled as a member for a reason described in (e)(iv)(A) of this  
17 subsection (4); and

18 (C) Not later than ninety days after the notice was sent under  
19 (e)(iv)(B) of this subsection (4), the person did not revoke its  
20 certificate of dissolution or the equivalent, or the jurisdiction of  
21 formation did not reinstate the person's charter or right to conduct  
22 business; or

23 (v) The member is an individual and is adjudged incompetent;

24 (f) In the case of an individual, the individual dies;

25 (g) In the case of a member that is a testamentary or inter vivos  
26 trust or is acting as a member by virtue of being a trustee of a  
27 trust, the trust's entire financial rights in the limited cooperative  
28 association are distributed;

29 (h) In the case of a person that is an estate or is acting as a  
30 member by virtue of being a personal representative of an estate, the  
31 estate's entire financial interest in the association is distributed;

32 (i) In the case of a person that is not an individual,  
33 partnership, limited liability company, cooperative, corporation,  
34 trust, or estate, the existence of the person terminates; or

35 (j) The association's participation in a merger under sections  
36 1308 through 1313 of this act that causes the person to cease to be a  
37 member.

38 NEW SECTION. **Sec. 902.** EFFECT OF DISSOCIATION. (1) When a  
39 person is dissociated as a member:

1 (a) The person's right to participate as a member in the  
2 management and conduct of the limited cooperative association's  
3 activities and affairs terminates; and

4 (b) Subject to section 903 of this act, any financial rights  
5 owned by the person in the person's capacity as a member immediately  
6 before dissociation are owned by the person as a transferee.

7 (2) A person's dissociation as a member does not of itself  
8 discharge the person from any debt, obligation, or other liability to  
9 the limited cooperative association or the other members which the  
10 person incurred while a member.

11 NEW SECTION. **Sec. 903.** POWER OF LEGAL REPRESENTATIVE OF  
12 DECEASED MEMBER. If a member dies, the deceased member's legal  
13 representative may exercise for the purposes of settling the estate,  
14 the rights the deceased member had under section 405 of this act.

15 **PART 10**  
16 **DISSOLUTION**

17 NEW SECTION. **Sec. 1001.** DISSOLUTION AND WINDING UP. A limited  
18 cooperative association is dissolved only as provided in this section  
19 and sections 1002 through 1013 of this act and upon dissolution winds  
20 up in accordance with this section and sections 1002 through 1013 of  
21 this act.

22 NEW SECTION. **Sec. 1002.** NONJUDICIAL DISSOLUTION. Except as  
23 otherwise provided in section 1003 of this act and RCW 23.95.615, a  
24 limited cooperative association is dissolved and its activities must  
25 be wound up:

26 (1) Upon the occurrence of an event or at a time specified in the  
27 articles of organization;

28 (2) Upon the action of the association's organizers, board of  
29 directors, or members under section 1004 or 1005 of this act; or

30 (3) Ninety days after the dissociation of a member, which results  
31 in the association having one patron member and no other members,  
32 unless the association:

33 (a) Has a sole member that is a cooperative; or

34 (b) Not later than the end of the ninety-day period, admits at  
35 least one member in accordance with the organic rules and has at  
36 least two members, at least one of which is a patron member.

1        NEW SECTION.    **Sec. 1003.**    JUDICIAL DISSOLUTION. A superior court  
2 may dissolve a limited cooperative association or order any action  
3 that under the circumstances is appropriate and equitable:

4        (1) In a proceeding initiated by the attorney general, if:

5        (a) The association obtained its articles of organization through  
6 fraud; or

7        (b) The association has continued to exceed or abuse the  
8 authority conferred upon it by law; or

9        (2) In a proceeding initiated by a member, if:

10       (a) The directors are deadlocked in the management of the  
11 association's affairs, the members are unable to break the deadlock,  
12 and irreparable injury to the association is occurring or is  
13 threatened because of the deadlock;

14       (b) The directors or those in control of the association have  
15 acted, are acting, or will act in a manner that is illegal,  
16 oppressive, or fraudulent;

17       (c) The members are deadlocked in voting power and have failed to  
18 elect successors to directors whose terms have expired for two  
19 consecutive periods during which annual members meetings were held or  
20 were to be held; or

21       (d) The assets of the association are being misapplied or wasted.

22       NEW SECTION.    **Sec. 1004.**    VOLUNTARY DISSOLUTION BEFORE  
23 COMMENCEMENT OF ACTIVITY. A majority of the organizers or initial  
24 directors of a limited cooperative association that has not yet begun  
25 business activity or the conduct of its affairs may dissolve the  
26 association.

27       NEW SECTION.    **Sec. 1005.**    VOLUNTARY DISSOLUTION BY THE BOARD AND  
28 MEMBERS. (1) Except as otherwise provided in section 1004 of this  
29 act, for a limited cooperative association to voluntarily dissolve:

30       (a) A resolution to dissolve must be approved by a majority vote  
31 of the board of directors unless a greater percentage is required by  
32 the organic rules;

33       (b) The board of directors must call a members meeting to  
34 consider the resolution, to be held not later than ninety days after  
35 adoption of the resolution; and

36       (c) Subject to section 419 of this act, the board of directors  
37 must mail or otherwise transmit or deliver to each member in a record  
38 that complies with section 408 of this act:

1 (i) The resolution required by (a) of this subsection;

2 (ii) A recommendation that the members vote in favor of the  
3 resolution or, if the board determines that because of conflict of  
4 interest or other special circumstances it should not make a  
5 favorable recommendation, the basis of that determination; and

6 (iii) Notice of the members meeting, which must be given in the  
7 same manner as notice of a special meeting of members.

8 (2) Subject to subsection (3) of this section, a resolution to  
9 dissolve must be approved by:

10 (a) At least two-thirds of the voting power of members present at  
11 a members meeting called under subsection (1)(b) of this section; and

12 (b) If the limited cooperative association has investor members,  
13 at least a majority of the votes cast by patron members, unless the  
14 organic rules require a greater percentage.

15 (3) The organic rules may require that the percentage of votes  
16 under subsection (2)(a) of this section is:

17 (a) A different percentage that is not less than a majority of  
18 members voting at the meeting;

19 (b) Measured against the voting power of all members; or

20 (c) A combination of (a) and (b) of this subsection.

21 NEW SECTION. **Sec. 1006.** WINDING UP. (1) A dissolved limited  
22 cooperative association shall wind up its activities and affairs, and  
23 except as provided in section 1007 of this act, the association  
24 continues after dissolution only for the purpose of winding up.

25 (2) In winding up its activities and affairs, the board of  
26 directors:

27 (a) Shall discharge the association's debts, obligations, or  
28 other liabilities, settle and close the association's activities, and  
29 marshal and distribute the assets of the association; and

30 (b) May:

31 (i) Deliver to the secretary of state for filing a statement of  
32 dissolution stating the name of the association and that the  
33 association is dissolved;

34 (ii) Preserve the association's activities, affairs, and property  
35 as a going concern for a reasonable time;

36 (iii) Prosecute and defend actions and proceedings, whether  
37 civil, criminal, or administrative;

38 (iv) Transfer the association's property;

39 (v) Settle disputes by mediation or arbitration;

1 (vi) Deliver to the secretary of state for filing a statement of  
2 termination stating the name of the company and that the company is  
3 terminated; and

4 (vii) Perform other acts necessary or appropriate to the winding  
5 up.

6 (3) After dissolution and upon application of a limited  
7 cooperative association, a member, or a holder of financial rights, a  
8 superior court may order judicial supervision of the winding up of  
9 the association, including the appointment of a person to wind up the  
10 association's activities, if:

11 (a) After a reasonable time, the association has not wound up its  
12 activities; or

13 (b) The applicant establishes other good cause.

14 (4) If a person is appointed pursuant to subsection (3) of this  
15 section to wind up the activities of a limited cooperative  
16 association, the association shall promptly deliver to the secretary  
17 of state for filing an amendment to the articles of organization to  
18 reflect the appointment.

19 NEW SECTION. **Sec. 1007.** RESCINDING DISSOLUTION. (1) A limited  
20 cooperative association may rescind its dissolution, unless a  
21 statement of termination applicable to the association is effective,  
22 a superior court has entered an order under section 1003 of this act  
23 dissolving the association, or the secretary of state has dissolved  
24 the association under RCW 23.95.610.

25 (2) Rescinding dissolution under this section requires:

26 (a) The affirmative vote or consent of each member;

27 (b) If a statement of dissolution applicable to the limited  
28 cooperative association has been filed by the secretary of state but  
29 has not become effective, the delivery to the secretary of state for  
30 filing of a statement of withdrawal applicable to the statement of  
31 dissolution; and

32 (c) If a statement of dissolution applicable to the limited  
33 cooperative association is effective, the delivery to the secretary  
34 of state for filing of a statement of rescission stating the name of  
35 the association and that dissolution has been rescinded under this  
36 section.

37 (3) If a limited cooperative association rescinds its  
38 dissolution:

1 (a) The association resumes carrying on its activities and  
2 affairs as if dissolution had never occurred;

3 (b) Subject to (c) of this subsection, any liability incurred by  
4 the association after the dissolution and before the rescission is  
5 effective is determined as if dissolution had never occurred; and

6 (c) The rights of a third party arising out of conduct in  
7 reliance on the dissolution before the third party knew or had notice  
8 of the rescission may not be adversely affected.

9 NEW SECTION. **Sec. 1008.** DISTRIBUTION OF ASSETS IN WINDING UP.

10 (1) In winding up its activities and affairs, the limited cooperative  
11 association shall apply its assets to discharge its obligations to  
12 creditors, including members that are creditors. The association  
13 shall apply any remaining assets to pay in money the net amount  
14 distributable to members in accordance with their right to  
15 distributions under subsection (2) of this section.

16 (2) Unless the organic rules otherwise provide, in this  
17 subsection "financial interests" means the amounts recorded in the  
18 names of members in the records of a limited cooperative association  
19 at the time a distribution is made, including amounts paid to become  
20 a member, amounts allocated but not distributed to members, and  
21 amounts of distributions authorized but not yet paid to members.  
22 Unless the organic rules otherwise provide, each member is entitled  
23 to a distribution from the association of any remaining assets in the  
24 proportion of the member's financial interests to the total financial  
25 interests of the members after all other obligations are satisfied.

26 NEW SECTION. **Sec. 1009.** KNOWN CLAIMS AGAINST DISSOLVED LIMITED  
27 COOPERATIVE ASSOCIATION. (1) Except as otherwise provided in  
28 subsection (4) of this section, a dissolved limited cooperative  
29 association may give notice of a known claim under subsection (2) of  
30 this section, which has the effect provided in subsection (3) of this  
31 section.

32 (2) A dissolved limited cooperative association in a record may  
33 notify its known claimants of the dissolution. The notice must:

34 (a) Specify the information required to be included in a claim;

35 (b) State that a claim must be in writing and provide a mailing  
36 address to which the claim is to be sent;

1 (c) State the deadline for receipt of a claim, which may not be  
2 less than one hundred twenty days after the date the notice is  
3 received by the claimant; and

4 (d) State that the claim will be barred if not received by the  
5 deadline.

6 (3) A claim against a dissolved limited cooperative association  
7 is barred if the requirements of subsection (2) of this section are  
8 met, and:

9 (a) The claim is not received by the specified deadline; or

10 (b) If the claim is timely received but rejected by the  
11 association:

12 (i) The association causes the claimant to receive a notice in a  
13 record stating that the claim is rejected and will be barred unless  
14 the claimant commences an action against the association to enforce  
15 the claim not later than ninety days after the claimant receives the  
16 notice; and

17 (ii) The claimant does not commence the required action not later  
18 than ninety days after the claimant receives the notice.

19 (4) This section does not apply to a claim based on an event  
20 occurring after the date of dissolution or a liability that on that  
21 date is contingent.

22 NEW SECTION. **Sec. 1010.** OTHER CLAIMS AGAINST DISSOLVED LIMITED  
23 COOPERATIVE ASSOCIATION. (1) A dissolved limited cooperative  
24 association may publish notice of its dissolution and request persons  
25 having claims against the association to present them in accordance  
26 with the notice.

27 (2) A notice authorized under subsection (1) of this section  
28 must:

29 (a) Be published at least once in a newspaper of general  
30 circulation in the county in this state in which the dissolved  
31 limited cooperative association's principal office is located or, if  
32 the principal office is not located in this state, in the county in  
33 which the office of the association's registered agent is or was last  
34 located;

35 (b) Describe the information required to be contained in a claim,  
36 state that the claim must be in writing, and provide a mailing  
37 address to which the claim is to be sent; and



1 (c) State that a claim against the association is barred unless  
2 an action to enforce the claim is commenced not later than three  
3 years after publication of the notice.

4 (3) If a dissolved limited cooperative association publishes a  
5 notice in accordance with subsection (2) of this section, the claim  
6 of each of the following claimants is barred unless the claimant  
7 commences an action to enforce the claim against the association not  
8 later than three years after the publication date of the notice:

9 (a) A claimant that did not receive notice in a record under  
10 section 1009 of this act;

11 (b) A claimant whose claim was timely sent to the company but not  
12 acted on; and

13 (c) A claimant whose claim is contingent at, or based on an event  
14 occurring after, the effective date of dissolution.

15 (4) A claim not barred under this section or section 1009 of this  
16 act may be enforced:

17 (a) Against a dissolved limited cooperative association, to the  
18 extent of its undistributed assets; and

19 (b) Except as provided in section 1011 of this act, if the assets  
20 of the association have been distributed after dissolution, against a  
21 member or holder of financial rights to the extent of that person's  
22 proportionate share of the claim or the assets distributed to the  
23 person after dissolution, whichever is less, but a person's total  
24 liability for all claims under this subsection (4)(b) may not exceed  
25 the total amount of assets distributed to the person after  
26 dissolution.

27 NEW SECTION. **Sec. 1011.** COURT PROCEEDINGS. (1) A dissolved  
28 limited cooperative association that has published a notice under  
29 section 1010 of this act may file an application with the superior  
30 court in the county where the association's principal office is  
31 located or, if the principal office is not located in this state,  
32 where the office of its registered agent is or was last located, for  
33 a determination of the amount and form of security to be provided for  
34 payment of claims that are reasonably expected to arise after the  
35 date of dissolution based on facts known to the association and:

36 (a) At the time of the application:

37 (i) Are contingent; or

38 (ii) Have not been made known to the association; or

1 (b) Are based on an event occurring after the date of  
2 dissolution.

3 (2) Security is not required for a claim that is or is reasonably  
4 anticipated to be barred under section 1010 of this act.

5 (3) Not later than ten days after filing an application under  
6 subsection (1) of this section, the dissolved limited cooperative  
7 association shall give notice of the proceeding to each claimant  
8 holding a contingent claim known to the association.

9 (4) In a proceeding under this section, the court may appoint a  
10 guardian ad litem to represent all claimants whose identities are  
11 unknown. The reasonable fees and expenses of the guardian, including  
12 all reasonable expert witness fees, must be paid by the dissolved  
13 limited cooperative association.

14 (5) A dissolved limited cooperative association that provides  
15 security in the amount and form ordered by the court under subsection  
16 (1) of this section satisfies the association's obligations with  
17 respect to claims that are contingent, have not been made known to  
18 the association, or are based on an event occurring after the  
19 effective date of dissolution. Such claims may not be enforced  
20 against a member or holder of financial rights on account of assets  
21 received in liquidation.

22 NEW SECTION. **Sec. 1012.** STATEMENT OF DISSOLUTION. (1) A limited  
23 cooperative association that has dissolved or is about to dissolve  
24 may deliver to the secretary of state for filing a statement of  
25 dissolution that states:

- 26 (a) The name of the association;
  - 27 (b) The date the association dissolved or will dissolve; and
  - 28 (c) Any other information the association considers relevant.
- 29 (2) A person has notice of a limited cooperative association's  
30 dissolution on the later of:
- 31 (a) Ninety days after a statement of dissolution is filed; or
  - 32 (b) The effective date stated in the statement of dissolution.

33 NEW SECTION. **Sec. 1013.** STATEMENT OF TERMINATION. (1) A  
34 dissolved limited cooperative association that has completed winding  
35 up may deliver to the secretary of state for filing a statement of  
36 termination that states:

- 37 (a) The name of the association;

1 (b) The date of filing of its initial articles of organization;  
2 and  
3 (c) That the association is terminated.  
4 (2) The filing of a statement of termination does not itself  
5 terminate the limited cooperative association.

6 **PART 11**  
7 **ACTIONS BY MEMBERS**

8 NEW SECTION. **Sec. 1101.** DERIVATIVE ACTION. A member may  
9 maintain a derivative action against a cooperative in the same manner  
10 as a shareholder may maintain a derivative action against a  
11 corporation under Title 23B RCW.

12 **PART 12**  
13 **DISPOSITION OF ASSETS**

14 NEW SECTION. **Sec. 1201.** DISPOSITION OF ASSETS NOT REQUIRING  
15 MEMBER APPROVAL. Unless the articles of organization otherwise  
16 provide, member approval under section 1202 of this act is not  
17 required for a limited cooperative association to:

- 18 (1) Sell, lease, exchange, license, or otherwise dispose of all  
19 or any part of the assets of the association in the usual and regular  
20 course of business; or  
21 (2) Mortgage, pledge, dedicate to the repayment of indebtedness,  
22 or encumber in any way all or any part of the assets of the  
23 association whether or not in the usual and regular course of  
24 business.

25 NEW SECTION. **Sec. 1202.** MEMBER APPROVAL OF OTHER DISPOSITION OF  
26 ASSETS. A sale, lease, exchange, license, or other disposition of  
27 assets of a limited cooperative association, other than a disposition  
28 described in section 1201 of this act, requires approval of the  
29 association's members under sections 1203 and 1204 of this act if the  
30 disposition leaves the association without significant continuing  
31 business activity.

32 NEW SECTION. **Sec. 1203.** NOTICE AND ACTION BY BOARD OF DIRECTORS  
33 ON DISPOSITION OF ASSETS REQUIRING MEMBER APPROVAL. For a limited

1 cooperative association to dispose of assets under section 1202 of  
2 this act:

3 (1) A majority of the board of directors, or a greater percentage  
4 if required by the organic rules, must approve the proposed  
5 disposition; and

6 (2) The board of directors must call a members meeting to  
7 consider the proposed disposition and, subject to section 419 of this  
8 act, mail or otherwise transmit or deliver in a record to each  
9 member:

10 (a) The terms of the proposed disposition;

11 (b) A recommendation that the members approve the disposition, or  
12 if the board determines that because of conflict of interest or other  
13 special circumstances it should not make a favorable recommendation,  
14 the basis for that determination;

15 (c) A statement of any condition of the board's submission of the  
16 proposed disposition to the members; and

17 (d) Notice of the meeting at which the proposed disposition will  
18 be considered, which must be given in the same manner as notice of a  
19 special meeting of members.

20 NEW SECTION. **Sec. 1204.** MEMBER ACTION ON DISPOSITION OF ASSETS.

21 (1) Subject to subsection (2) of this section, a disposition of  
22 assets under section 1202 of this act must be approved by:

23 (a) At least two-thirds of the voting power of members present at  
24 a members meeting called under section 1203(2) of this act; and

25 (b) If the limited cooperative association has investor members,  
26 at least a majority of the votes cast by patron members, unless the  
27 organic rules require a greater percentage vote by patron members.

28 (2) The organic rules may require that the percentage of votes  
29 under subsection (1)(a) of this section is:

30 (a) A different percentage that is not less than a majority of  
31 members voting at the meeting;

32 (b) Measured against the voting power of all members; or

33 (c) A combination of (a) and (b) of this subsection.

34 (3) Subject to any contractual obligations, after a disposition  
35 of assets is approved and at any time before the consummation of the  
36 disposition, a limited cooperative association may approve an  
37 amendment to the contract for disposition or the resolution  
38 authorizing the disposition or approve abandonment of the  
39 disposition:

1 (a) As provided in the contract or the resolution; and

2 (b) Except as prohibited by the resolution, with the same  
3 affirmative vote of the board of directors and of the members as was  
4 required to approve the disposition, except that approval of the  
5 members is not required to approve abandonment of the disposition.

6 (4) The voting requirements for districts, classes, or voting  
7 groups under section 304 of this act apply to approval of a  
8 disposition of assets under this section and sections 1201 through  
9 1203 of this act.

10 **PART 13**

11 **CONVERSION AND MERGER**

12 NEW SECTION. **Sec. 1301.** DEFINITIONS. (1) In this section and  
13 sections 1302 through 1320 of this act:

14 (a) "Approve" means, in the case of an entity, for its governors  
15 and interest holders to take whatever steps are necessary under the  
16 entity's organic rules, organic law, and other law to:

17 (i) Propose a conversion or merger subject to this subchapter;

18 (ii) Adopt and approve the terms and conditions of the conversion  
19 or merger; and

20 (iii) Conduct any required proceedings or otherwise obtain any  
21 required votes or consents of the governors or interest holders.

22 (b) "Conversion" means a transaction authorized by sections 1302  
23 through 1307 of this act.

24 (c) "Converted entity" means the converting entity as it  
25 continues in existence after a conversion.

26 (d) "Converting entity" means the domestic entity that approves a  
27 plan of conversion pursuant to section 1303 of this act.

28 (e) "Interest holder liability" means:

29 (i) Personal liability for a liability of an entity which is  
30 imposed on a person:

31 (A) Solely by reason of the status of the person as an interest  
32 holder; or

33 (B) By the organic rules of the entity which make one or more  
34 specified interest holders or categories of interest holders liable  
35 in their capacity as interest holders for all or specified  
36 liabilities of the entity; or

37 (ii) An obligation of an interest holder under the organic rules  
38 of an entity to contribute to the entity.

1 (f) "Merger" means a transaction in which two or more merging  
2 entities are combined into a surviving entity pursuant to a record  
3 filed by the secretary of state.

4 (g) "Merging entity" means an entity that is a party to a merger  
5 and exists immediately before the merger becomes effective.

6 (h) "Plan" means a plan of merger or plan of conversion.

7 (i) "Plan of conversion" means a plan under section 1303 of this  
8 act.

9 (j) "Plan of merger" means a plan under section 1309 of this act.

10 (k) "Protected agreement" means:

11 (i) A record evidencing indebtedness and any related agreement in  
12 effect on the effective date of this section;

13 (ii) An agreement that is binding on an entity on the effective  
14 date of this section;

15 (iii) The organic rules of an entity in effect on the effective  
16 date of this section; or

17 (iv) An agreement that is binding on any of the governors or  
18 interest holders of an entity on the effective date of this section.

19 (l)(i) "Qualifying entity" means, except as provided in (l)(ii)  
20 of this subsection, a domestic entity:

21 (A) Organized under chapter 23.86 RCW; or

22 (B) Organized under chapter 24.06 RCW and taking the election  
23 provided in RCW 24.06.032(1).

24 (ii) "Qualifying entity" does not include an entity that is  
25 organized for the purpose of generating, purchasing, selling,  
26 marketing, transmitting, or distributing electric energy.

27 (m) "Statement of conversion" means a statement under section  
28 1306 of this act.

29 (n) "Statement of merger" means a statement under section 1312 of  
30 this act.

31 (o) "This subchapter" means this section and sections 1302  
32 through 1320 of this act.

33 (2) The following definitions from RCW 23.95.105 apply to this  
34 subchapter: "Domestic," "entity," "execute," "executes," and  
35 "executed," "foreign," "governor," "interest," "interest holder,"  
36 "jurisdiction," "jurisdiction of formation," "organic law," "organic  
37 rules," "person," "private organic rules," "property," "public  
38 organic record," "receipt," "record," "state," "transfer," and "type  
39 of entity."



1 (a) The organic rules of the entity provide in a record for the  
2 approval of a conversion in which some or all of its interest holders  
3 become subject to interest holder liability by the vote or consent of  
4 fewer than all the interest holders; and

5 (b) The interest holder voted for or consented in a record to  
6 that provision of the organic rules or became an interest holder  
7 after the adoption of that provision.

8 NEW SECTION. **Sec. 1305.** AMENDMENT OR ABANDONMENT OF PLAN OF  
9 CONVERSION. (1) A plan of conversion of a converting entity may be  
10 amended:

11 (a) In the same manner as the plan was approved, if the plan does  
12 not provide for the manner in which it may be amended; or

13 (b) By its governors or interest holders in the manner provided  
14 in the plan, but an interest holder that was entitled to vote on or  
15 consent to approval of the conversion is entitled to vote on or  
16 consent to any amendment of the plan that will change:

17 (i) The amount or kind of interests, securities, obligations,  
18 money, other property, rights to acquire interests or securities, or  
19 any combination of the foregoing, to be received by any of the  
20 interest holders of the converting entity under the plan;

21 (ii) The public organic record, if any, or private organic rules  
22 of the converted entity which will be in effect immediately after the  
23 conversion becomes effective, except for changes that do not require  
24 approval of the interest holders of the converted entity under its  
25 organic law or organic rules; or

26 (iii) Any other terms or conditions of the plan, if the change  
27 would adversely affect the interest holder in any material respect.

28 (2) After a plan of conversion has been approved and before a  
29 statement of conversion is effective, the plan may be abandoned as  
30 provided in the plan. Unless prohibited by the plan, a converting  
31 entity may abandon the plan in the same manner as the plan was  
32 approved.

33 (3) If a plan of conversion is abandoned after a statement of  
34 conversion has been delivered to the secretary of state for filing  
35 and before the statement is effective, a statement of abandonment,  
36 executed by the converting entity, must be delivered to the secretary  
37 of state for filing before the statement of conversion is effective.  
38 The statement of abandonment takes effect on filing, and the



1 conversion is abandoned and does not become effective. The statement  
2 of abandonment must contain:

- 3 (a) The name of the converting entity;
- 4 (b) The date on which the statement of conversion was filed by  
5 the secretary of state; and
- 6 (c) A statement that the conversion has been abandoned in  
7 accordance with this section.

8 NEW SECTION. **Sec. 1306.** STATEMENT OF CONVERSION—EFFECTIVE DATE  
9 OF CONVERSION. (1) A statement of conversion must be executed by the  
10 converting entity and delivered to the secretary of state for filing.

11 (2) A statement of conversion must contain:

- 12 (a) The name, jurisdiction of formation, and type of entity of  
13 the converting entity;
- 14 (b) The name of the converted entity;
- 15 (c) If the statement of conversion is not to be effective upon  
16 filing, the later date and time on which it will become effective,  
17 which may not be more than ninety days after the date of filing;
- 18 (d) A statement that the plan of conversion was approved in  
19 accordance with this subchapter; and
- 20 (e) The public organic record of the converted entity, as an  
21 attachment.

22 (3) In addition to the requirements of subsection (2) of this  
23 section, a statement of conversion may contain any other provision  
24 not prohibited by law.

25 (4) The public organic record of the converted entity must  
26 satisfy the requirements of the law of this state, except that the  
27 public organic record does not need to be executed and may omit any  
28 provision that is not required to be included in a restatement of the  
29 public organic record.

30 (5) A plan of conversion that is executed by a converting entity  
31 and meets all the requirements of subsection (2) of this section may  
32 be delivered to the secretary of state for filing instead of a  
33 statement of conversion and on filing has the same effect. If a plan  
34 of conversion is filed as provided in this subsection, references in  
35 this subchapter to a statement of conversion refer to the plan of  
36 conversion filed under this subsection.

37 (6) A statement of conversion is effective on the date and time  
38 of filing or the later date and time specified in the statement of  
39 conversion.

1 (7) The conversion becomes effective when the statement of  
2 conversion is effective.

3 NEW SECTION. **Sec. 1307.** EFFECT OF CONVERSION. (1) When a  
4 conversion becomes effective:

5 (a) The converted entity is:

6 (i) Organized under and subject to the organic law of the  
7 converted entity; and

8 (ii) The same entity without interruption as the converting  
9 entity;

10 (b) All property of the converting entity continues to be vested  
11 in the converted entity without transfer, reversion, or impairment;

12 (c) All debts, obligations, and other liabilities of the  
13 converting entity continue as debts, obligations, and other  
14 liabilities of the converted entity;

15 (d) Except as otherwise provided by law or the plan of  
16 conversion, all the rights, privileges, immunities, powers, and  
17 purposes of the converting entity remain in the converted entity;

18 (e) The name of the converted entity may be substituted for the  
19 name of the converting entity in any pending action or proceeding;

20 (f) If a converted entity is a filing entity, its public organic  
21 record is effective;

22 (g) The private organic rules of the converted entity which are  
23 to be in a record, if any, approved as part of the plan of conversion  
24 are effective; and

25 (h) The interests in the converting entity are converted, and the  
26 interest holders of the converting entity are entitled only to the  
27 rights provided to them under the plan of conversion and to any  
28 appraisal rights they have under the converting entity's organic law.

29 (2) Except as otherwise provided in the organic law or organic  
30 rules of the converting entity, the conversion does not give rise to  
31 any rights that an interest holder, governor, or third party would  
32 have upon a dissolution, liquidation, or winding up of the converting  
33 entity.

34 (3) When a conversion becomes effective, a person that did not  
35 have interest holder liability with respect to the converting entity  
36 and becomes subject to interest holder liability with respect to a  
37 domestic entity as a result of the conversion has interest holder  
38 liability only to the extent provided by the organic law of the

1 entity and only for those debts, obligations, and other liabilities  
2 that are incurred after the conversion becomes effective.

3 (4) When a conversion becomes effective, the interest holder  
4 liability of a person that ceases to hold an interest in a converting  
5 entity with respect to which the person had interest holder liability  
6 is subject to the following rules:

7 (a) The conversion does not discharge any interest holder  
8 liability under the organic law of the converting entity to the  
9 extent the interest holder liability was incurred before the  
10 conversion became effective.

11 (b) The person does not have interest holder liability under the  
12 organic law of the domestic entity for any debt, obligation, or other  
13 liability that is incurred after the conversion becomes effective.

14 (c) The organic law of the converting entity continues to apply  
15 to the release, collection, or discharge of any interest holder  
16 liability preserved under (a) of this subsection as if the conversion  
17 had not occurred.

18 (d) The person has whatever rights of contribution from any other  
19 person as are provided by other law or the organic rules of the  
20 converting entity with respect to any interest holder liability  
21 preserved under (a) of this subsection as if the conversion had not  
22 occurred.

23 (5) A conversion does not require the entity to wind up its  
24 affairs and does not constitute or cause the dissolution of the  
25 entity.

26 NEW SECTION. **Sec. 1308.** MERGER AUTHORIZED. (1) Except as  
27 otherwise provided in this section, by complying with this section  
28 and sections 1309 through 1313 of this act:

29 (a) One or more domestic limited cooperative associations may  
30 merge with one or more domestic cooperative associations organized  
31 under this chapter or chapter 23.86 or 24.06 RCW or with one or more  
32 foreign cooperative associations into a domestic surviving  
33 cooperative association or foreign surviving cooperative association;  
34 and

35 (b) Two or more foreign cooperative associations may merge into a  
36 domestic limited cooperative association.

37 (2) Except as otherwise provided in this section, by complying  
38 with the provisions of this section and sections 1309 through 1313 of  
39 this act applicable to foreign cooperative associations, a foreign

1 cooperative association may be a party to a merger under this section  
2 and sections 1309 through 1313 of this act or may be the surviving  
3 entity in such a merger if the merger is authorized by the law of the  
4 foreign entity's jurisdiction of formation.

5 NEW SECTION. **Sec. 1309.** PLAN OF MERGER. (1) A domestic limited  
6 cooperative association may become a party to a merger under this  
7 section and sections 1308 and 1310 through 1313 of this act by  
8 approving a plan of merger. The plan must be in a record and contain:

9 (a) As to each merging cooperative association, its name,  
10 jurisdiction of formation, and type of cooperative association;

11 (b) If the surviving cooperative association is to be created in  
12 the merger, a statement to that effect and the association's name,  
13 jurisdiction of formation, and type of association;

14 (c) The manner of converting the interests in each party to the  
15 merger into interests, obligations, money, other property, rights to  
16 acquire interests, or any combination of the foregoing;

17 (d) If the surviving cooperative association exists before the  
18 merger, any proposed amendments to:

19 (i) Its public organic record, if any; and

20 (ii) Its private organic rules that are, or are proposed to be,  
21 in a record;

22 (e) If the surviving cooperative association is to be created in  
23 the merger:

24 (i) Its proposed public organic record, if any; and

25 (ii) The full text of its private organic rules that are proposed  
26 to be in a record;

27 (f) The other terms and conditions of the merger; and

28 (g) Any other provision required by the law of a merging  
29 cooperative association's jurisdiction of formation or the organic  
30 rules of a merging cooperative association.

31 (2) In addition to the requirements of subsection (1) of this  
32 section, a plan of merger may contain any other provision not  
33 prohibited by law.

34 NEW SECTION. **Sec. 1310.** APPROVAL OF MERGER. (1) A plan of  
35 merger is not effective unless it has been approved by a domestic  
36 merging limited cooperative association as provided in section 418 of  
37 this act.

1 (2) A merger involving a domestic merging cooperative association  
2 that is not a limited cooperative association is not effective unless  
3 the merger is approved by that cooperative association in accordance  
4 with its organic law.

5 (3) A merger involving a foreign merging cooperative association  
6 is not effective unless the merger is approved by the foreign  
7 cooperative association in accordance with the law of the foreign  
8 cooperative association's jurisdiction of formation.

9 NEW SECTION. **Sec. 1311.** AMENDMENT OR ABANDONMENT OF PLAN OF  
10 MERGER. (1) A plan of merger may be amended only with the consent of  
11 each party to the plan, except as otherwise provided in the plan.

12 (2) A domestic merging limited cooperative association may  
13 approve an amendment of a plan of merger:

14 (a) In the same manner as the plan was approved, if the plan does  
15 not provide for the manner in which it may be amended; or

16 (b) By its directors or members in the manner provided in the  
17 plan, but a member that was entitled to vote on or consent to  
18 approval of the merger is entitled to vote on or consent to any  
19 amendment of the plan that will change:

20 (i) The amount or kind of interests, obligations, money, other  
21 property, rights to acquire interests, or any combination of the  
22 foregoing, to be received by the members of any party to the plan;

23 (ii) The public organic record, if any, or private organic rules  
24 of the surviving cooperative association that will be in effect  
25 immediately after the merger becomes effective, except for changes  
26 that do not require approval of the interest holders of the surviving  
27 cooperative association under its organic law or organic rules; or

28 (iii) Any other terms or conditions of the plan, if the change  
29 would adversely affect the members in any material respect.

30 (3) After a plan of merger has been approved and before a  
31 statement of merger is effective, the plan may be abandoned as  
32 provided in the plan. Unless prohibited by the plan, a domestic  
33 merging limited cooperative association may abandon the plan in the  
34 same manner as the plan was approved.

35 (4) If a plan of merger is abandoned after a statement of merger  
36 has been delivered to the secretary of state for filing and before  
37 the statement is effective, a statement of abandonment, signed by a  
38 party to the plan, must be delivered to the secretary of state for  
39 filing before the statement of merger is effective. The statement of

1 abandonment takes effect on filing, and the merger is abandoned and  
2 does not become effective. The statement of abandonment must contain:

- 3 (a) The name of each party to the plan of merger;
- 4 (b) The date on which the statement of merger was filed by the  
5 secretary of state; and
- 6 (c) A statement that the merger has been abandoned in accordance  
7 with this section.

8 NEW SECTION. **Sec. 1312.** STATEMENT OF MERGER—EFFECTIVE DATE OF  
9 MERGER. (1) A statement of merger must be signed by each merging  
10 entity and delivered to the secretary of state for filing.

11 (2) A statement of merger must contain:

12 (a) The name, jurisdiction of formation, and type of cooperative  
13 association of each merging cooperative association that is not the  
14 surviving entity;

15 (b) The name, jurisdiction of formation, and type of entity of  
16 the surviving cooperative association;

17 (c) If the statement of merger is not to be effective upon  
18 filing, the later date and time on which it will become effective,  
19 which may not be more than ninety days after the date of filing;

20 (d) A statement that the merger was approved by each domestic  
21 merging cooperative association, if any, in accordance with this  
22 section and sections 1308 through 1311 and 1313 of this act and by  
23 each foreign merging entity, if any, in accordance with the law of  
24 its jurisdiction of formation;

25 (e) If the surviving cooperative association exists before the  
26 merger and is a domestic cooperative association, any amendment to  
27 its public organic record approved as part of the plan of merger;

28 (f) If the surviving entity is created by the merger and is a  
29 domestic cooperative association, its public organic record, as an  
30 attachment;

31 (g) If the surviving entity is a foreign cooperative association  
32 that is not a registered foreign cooperative association, a mailing  
33 address to which the secretary of state may send any process served  
34 on the secretary of state pursuant to section 1313(5) of this act.

35 (3) In addition to the requirements of subsection (2) of this  
36 section, a statement of merger may contain any other provision not  
37 prohibited by law.

38 (4) If the surviving entity is a domestic cooperative  
39 association, its public organic record, if any, must satisfy the

1 requirements of the law of this state, except that the public organic  
2 record does not need to be signed and may omit any provision that is  
3 not required to be included in a restatement of the public organic  
4 record.

5 (5) A plan of merger that is signed by all the merging  
6 cooperative associations and meets all the requirements of subsection  
7 (2) of this section may be delivered to the secretary of state for  
8 filing instead of a statement of merger and on filing has the same  
9 effect. If a plan of merger is filed as provided in this subsection,  
10 references in this subchapter to a statement of merger refer to the  
11 plan of merger filed under this subsection.

12 (6) A statement of merger is effective on the date and time of  
13 filing or the later date and time specified in the statement of  
14 merger.

15 (7) If the surviving entity is a domestic limited cooperative  
16 association, the merger becomes effective when the statement of  
17 merger is effective. If the surviving entity is a foreign cooperative  
18 association, the merger becomes effective on the later of:

19 (a) The date and time provided by the organic law of the  
20 surviving cooperative association; or

21 (b) When the statement is effective.

22 NEW SECTION. **Sec. 1313.** EFFECT OF MERGER. (1) When a merger  
23 under this section and sections 1308 through 1312 of this act becomes  
24 effective:

25 (a) The surviving cooperative association continues or comes into  
26 existence;

27 (b) Each merging cooperative association that is not the  
28 surviving cooperative association ceases to exist;

29 (c) All property of each merging cooperative association vests in  
30 the surviving cooperative association without transfer, reversion, or  
31 impairment;

32 (d) All debts, obligations, and other liabilities of each merging  
33 cooperative association are debts, obligations, and other liabilities  
34 of the surviving cooperative association;

35 (e) Except as otherwise provided by law or the plan of merger,  
36 all the rights, privileges, immunities, powers, and purposes of each  
37 merging cooperative association vest in the surviving cooperative  
38 association;

1 (f) If the surviving cooperative association exists before the  
2 merger:

3 (i) All its property continues to be vested in it without  
4 transfer, reversion, or impairment;

5 (ii) It remains subject to all its debts, obligations, and other  
6 liabilities; and

7 (iii) All its rights, privileges, immunities, powers, and  
8 purposes continue to be vested in it;

9 (g) The name of the surviving cooperative association may be  
10 substituted for the name of any merging cooperative association that  
11 is a party to any pending action or proceeding;

12 (h) If the surviving cooperative association exists before the  
13 merger:

14 (i) Its public organic record, if any, is amended to the extent  
15 provided in the statement of merger; and

16 (ii) Its private organic rules that are to be in a record, if  
17 any, are amended to the extent provided in the plan of merger;

18 (i) If the surviving cooperative association is created by the  
19 merger, its private organic rules are effective and its public  
20 organic record is effective; and

21 (j) The interests in each merging cooperative association which  
22 are to be converted in the merger are converted, and the interest  
23 holders of those interests are entitled only to the rights provided  
24 to them under the plan of merger and to any appraisal rights they  
25 have under the merging cooperative association's organic law.

26 (2) Except as otherwise provided in the organic law or organic  
27 rules of a merging cooperative association, a merger under this  
28 section and sections 1308 through 1312 of this act does not give rise  
29 to any rights that an interest holder, governor, or third party would  
30 have upon a dissolution, liquidation, or winding up of the merging  
31 entity.

32 (3) When a merger under this section and sections 1308 through  
33 1312 of this act becomes effective, a person that did not have  
34 interest holder liability with respect to any of the merging  
35 cooperative associations and becomes subject to interest holder  
36 liability with respect to a domestic entity as a result of the merger  
37 has interest holder liability only to the extent provided by the  
38 organic law of that entity and only for those debts, obligations, and  
39 other liabilities that are incurred after the merger becomes  
40 effective.



1 (4) When a merger becomes effective, the interest holder  
2 liability of a person that ceases to hold an interest in a domestic  
3 merging limited cooperative association with respect to which the  
4 person had interest holder liability is subject to the following  
5 rules:

6 (a) The merger does not discharge any interest holder liability  
7 under the organic law of the domestic merging cooperative association  
8 to the extent the interest holder liability was incurred before the  
9 merger became effective.

10 (b) The person does not have interest holder liability under the  
11 organic law of the domestic merging cooperative association for any  
12 debt, obligation, or other liability that is incurred after the  
13 merger becomes effective.

14 (c) The organic law of the domestic merging cooperative  
15 association continues to apply to the release, collection, or  
16 discharge of any interest holder liability preserved under (a) of  
17 this subsection as if the merger had not occurred.

18 (d) The person has whatever rights of contribution from any other  
19 person as are provided by law other than this subchapter or the  
20 organic rules of the domestic merging limited cooperative association  
21 with respect to any interest holder liability preserved under (a) of  
22 this subsection as if the merger had not occurred.

23 (5) When a merger under this section and sections 1308 through  
24 1312 of this act becomes effective, a foreign entity that is the  
25 surviving entity may be served with process in this state for the  
26 collection and enforcement of any debts, obligations, or other  
27 liabilities of a domestic merging limited cooperative association in  
28 accordance with applicable law.

29 (6) When a merger under this section and sections 1308 through  
30 1312 of this act becomes effective, the registration to do business  
31 in this state of any foreign merging cooperative association that is  
32 not the surviving entity is canceled.

33 NEW SECTION. **Sec. 1314.** RELATIONSHIP OF PART TO OTHER LAWS. (1)  
34 This subchapter does not authorize an act prohibited by, and does not  
35 affect the application or requirements of, law other than this  
36 subchapter.

37 (2) A conversion effected under this subchapter may not create or  
38 impair a right, duty, or obligation of a person under the statutory  
39 law of this state relating to a change in control, takeover, business

1 combination, control-share acquisition, or similar transaction  
2 involving a domestic merging, acquired, or converting cooperative  
3 association unless the approval of the plan is by a vote of the  
4 members or directors which would be sufficient to create or impair  
5 the right, duty, or obligation directly under the law.

6 NEW SECTION. **Sec. 1315.** CHARITABLE ASSETS. Property held for a  
7 charitable purpose under the law of this state by a domestic or  
8 foreign cooperative association immediately before a conversion or  
9 merger under this subchapter becomes effective may not, as a result  
10 of the conversion or merger, be diverted from the objects for which  
11 it was donated, granted, devised, or otherwise transferred unless, to  
12 the extent required by or pursuant to the law of this state  
13 concerning cy pres or other law dealing with nondiversion of  
14 charitable assets, the entity obtains an appropriate order of the  
15 attorney general specifying the disposition of the property.

16 NEW SECTION. **Sec. 1316.** STATUS OF FILINGS. A filing under this  
17 subchapter executed by a domestic cooperative association becomes  
18 part of the public organic record of the cooperative association if  
19 the cooperative association's organic law provides that similar  
20 filings under that law become part of the public organic record of  
21 the cooperative association.

22 NEW SECTION. **Sec. 1317.** NONEXCLUSIVITY. The fact that a  
23 conversion or merger under this subchapter produces a certain result  
24 does not preclude the same result from being accomplished in any  
25 other manner permitted by law other than this subchapter.

26 NEW SECTION. **Sec. 1318.** REFERENCE TO EXTERNAL FACTS. A plan may  
27 refer to facts ascertainable outside the plan if the manner in which  
28 the facts will operate upon the plan is specified in the plan. The  
29 facts may include the occurrence of an event or a determination or  
30 action by a person, whether or not the event, determination, or  
31 action is within the control of a party to the conversion or merger.

32 NEW SECTION. **Sec. 1319.** ALTERNATIVE MEANS OF APPROVAL OF  
33 CONVERSIONS OR MERGERS. Except as otherwise provided in the organic  
34 law or organic rules of a domestic cooperative association, approval  
35 of a conversion or merger under this subchapter by the affirmative

1 vote or consent of all its interest holders satisfies the  
2 requirements of this subchapter for approval of the conversion or  
3 merger.

4 NEW SECTION. **Sec. 1320.** SUBJECTS COVERED OUTSIDE THIS PART. The  
5 following subjects are covered in whole or in part in chapter 23.95  
6 RCW:

- 7 (1) Delivery of record;
- 8 (2) Filing with secretary of state;
- 9 (3) Name of entity;
- 10 (4) Registered agent of entity; and
- 11 (5) Miscellaneous provisions, including reservation or power to  
12 amend or repeal and supplemental principles of law.

13 **PART 14**

14 **AMENDMENTS TO OTHER LAW**

15 **Sec. 1401.** RCW 23.95.105 and 2015 c 176 s 1102 are each amended  
16 to read as follows:

17 The definitions in this section apply throughout this chapter  
18 unless the context clearly requires otherwise or as set forth in RCW  
19 23.95.400 or 23.95.600.

20 (1) "Annual report" means the report required by RCW 23.95.255.

21 (2) "Business corporation" means a domestic business corporation  
22 incorporated under or subject to Title 23B RCW or a foreign business  
23 corporation.

24 (3) "Commercial registered agent" means a person listed under RCW  
25 23.95.420.

26 (4) "Domestic," with respect to an entity, means governed as to  
27 its internal affairs by the law of this state.

28 (5) "Electronic transmission" means an electronic communication:

29 (a) Not directly involving the physical transfer of a record in a  
30 tangible medium; and

31 (b) That may be retained, retrieved, and reviewed by the sender  
32 and the recipient thereof, and that may be directly reproduced in a  
33 tangible medium by such a sender and recipient.

34 (6) "Entity" means:

35 (a) A business corporation;

36 (b) A nonprofit corporation;

37 (c) A limited liability partnership;

- 1 (d) A limited partnership;
- 2 (e) A limited liability company; (~~or~~)
- 3 (f) A general cooperative association; or
- 4 (g) A limited cooperative association.
- 5 (7) "Entity filing" means a record delivered to the secretary of
- 6 state for filing pursuant to this chapter.
- 7 (8) "Execute," "executes," or "executed" means:
- 8 (a) Signed with respect to a written record;
- 9 (b) Electronically transmitted along with sufficient information
- 10 to determine the sender's identity with respect to an electronic
- 11 transmission; or
- 12 (c) With respect to a record to be filed with the secretary of
- 13 state, in compliance with the standards for filing with the office of
- 14 the secretary of state as prescribed by the secretary of state.
- 15 (9) "Filed record" means a record filed by the secretary of state
- 16 pursuant to this chapter.
- 17 (10) "Foreign," with respect to an entity, means governed as to
- 18 its internal affairs by the law of a jurisdiction other than this
- 19 state.
- 20 (11) "General cooperative association" means a domestic general
- 21 cooperative association formed under or subject to chapter 23.86 RCW.
- 22 (12) "Governor" means:
- 23 (a) A director of a business corporation;
- 24 (b) A director of a nonprofit corporation;
- 25 (c) A partner of a limited liability partnership;
- 26 (d) A general partner of a limited partnership;
- 27 (e) A manager of a manager-managed limited liability company;
- 28 (f) A member of a member-managed limited liability company;
- 29 (g) A director of a general cooperative association; (~~or~~)
- 30 (h) A director of a limited cooperative association; or
- 31 (i) Any other person under whose authority the powers of an
- 32 entity are exercised and under whose direction the activities and
- 33 affairs of the entity are managed pursuant to the organic law and
- 34 organic rules of the entity.
- 35 (13) "Interest" means:
- 36 (a) A share in a business corporation;
- 37 (b) A membership in a nonprofit corporation;
- 38 (c) A share in a nonprofit corporation formed under chapter 24.06
- 39 RCW;
- 40 (d) A partnership interest in a limited liability partnership;

- 1 (e) A partnership interest in a limited partnership;  
2 (f) A limited liability company interest; (~~(e)~~)  
3 (g) A share or membership in a general cooperative association;

4 or

5 (h) A member's interest in a limited cooperative association.

6 (14) "Interest holder" means:

7 (a) A shareholder of a business corporation;

8 (b) A member of a nonprofit corporation;

9 (c) A shareholder of a nonprofit corporation formed under chapter  
10 24.06 RCW;

11 (d) A partner of a limited liability partnership;

12 (e) A general partner of a limited partnership;

13 (f) A limited partner of a limited partnership;

14 (g) A member of a limited liability company; (~~(e)~~)

15 (h) A shareholder or member of a general cooperative association;

16 or

17 (i) A member of a limited cooperative association.

18 (15) "Jurisdiction(~~(+)~~)" when used to refer to a political  
19 entity, means the United States, a state, a foreign country, or a  
20 political subdivision of a foreign country.

21 (16) "Jurisdiction of formation" means the jurisdiction whose law  
22 includes the organic law of an entity.

23 (17) "Limited cooperative association" means a domestic limited  
24 cooperative association formed under or subject to chapter 23.--- RCW  
25 (the new chapter created in section 1505 of this act) or a foreign  
26 limited cooperative association.

27 (18) "Limited liability company" means a domestic limited  
28 liability company formed under or subject to chapter 25.15 RCW or a  
29 foreign limited liability company.

30 (~~(18)~~) (19) "Limited liability limited partnership" means a  
31 domestic limited liability limited partnership formed under or  
32 subject to chapter 25.10 RCW or a foreign limited liability limited  
33 partnership.

34 (~~(19)~~) (20) "Limited liability partnership" means a domestic  
35 limited liability partnership registered under or subject to chapter  
36 25.05 RCW or a foreign limited liability partnership.

37 (~~(20)~~) (21) "Limited partnership" means a domestic limited  
38 partnership formed under or subject to chapter 25.10 RCW or a foreign  
39 limited partnership. "Limited partnership" includes a limited  
40 liability limited partnership.

1       ~~((21))~~ (22) "Noncommercial registered agent" means a person  
2 that is not a commercial registered agent and is:

3       (a) An individual or domestic or foreign entity that serves in  
4 this state as the registered agent of an entity;

5       (b) An individual who holds the office or other position in an  
6 entity which is designated as the registered agent pursuant to RCW  
7 23.95.415(1)(b)(ii); or

8       (c) A government, governmental subdivision, agency, or  
9 instrumentality, or a separate legal entity comprised of two or more  
10 of these entities, that serves as the registered agent of an entity.

11       ~~((22))~~ (23) "Nonprofit corporation" means a domestic nonprofit  
12 corporation incorporated under or subject to chapter 24.03 or 24.06  
13 RCW or a foreign nonprofit corporation.

14       ~~((23))~~ (24) "Nonregistered foreign entity" means a foreign  
15 entity that is not registered to do business in this state pursuant  
16 to a statement of registration filed by the secretary of state.

17       ~~((24))~~ (25) "Organic law" means the law of an entity's  
18 jurisdiction of formation governing the internal affairs of the  
19 entity.

20       ~~((25))~~ (26) "Organic rules" means the public organic record and  
21 private organic rules of an entity.

22       ~~((26))~~ (27) "Person" means an individual, business corporation,  
23 nonprofit corporation, partnership, limited partnership, limited  
24 liability company, general cooperative association, limited  
25 cooperative association, unincorporated nonprofit association,  
26 statutory trust, business trust, common-law business trust, estate,  
27 trust, association, joint venture, public corporation, government or  
28 governmental subdivision, agency, or instrumentality, or any other  
29 legal or commercial entity.

30       ~~((27))~~ (28) "Principal office" means the principal executive  
31 office of an entity, whether or not the office is located in this  
32 state.

33       ~~((28))~~ (29) "Private organic rules" means the rules, whether or  
34 not in a record, that govern the internal affairs of an entity, are  
35 binding on all its interest holders, and are not part of its public  
36 organic record, if any. "Private organic rules" includes:

37       (a) The bylaws of a business corporation and any agreement among  
38 shareholders pursuant to RCW 23B.07.320;

39       (b) The bylaws of a nonprofit corporation;

40       (c) The partnership agreement of a limited liability partnership;

- 1 (d) The partnership agreement of a limited partnership;  
2 (e) The limited liability company agreement; (~~and~~)  
3 (f) The bylaws of a general cooperative association; and  
4 (g) The bylaws of a limited cooperative association.

5 (~~(29)~~) (30) "Proceeding" means civil suit and criminal,  
6 administrative, and investigatory action.

7 (~~(30)~~) (31) "Property" means all property, whether real,  
8 personal, or mixed or tangible or intangible, or any right or  
9 interest therein.

10 (~~(31)~~) (32) "Public organic record" means the record the filing  
11 of which by the secretary of state is required to form an entity and  
12 any amendment to or restatement of that record. The term includes:

13 (a) The articles of incorporation of a business corporation;

14 (b) The articles of incorporation of a nonprofit corporation;

15 (c) The certificate of limited partnership of a limited  
16 partnership;

17 (d) The certificate of formation of a limited liability company;

18 (e) The articles of incorporation of a general cooperative  
19 association; (~~and~~)

20 (f) The articles of organization of a limited cooperative  
21 association; and

22 (g) The document under the laws of another jurisdiction that is  
23 equivalent to a document listed in this subsection.

24 (~~(32)~~) (33) "Receipt," as used in this chapter, means actual  
25 receipt. "Receive" has a corresponding meaning.

26 (~~(33)~~) (34) "Record" means information inscribed on a tangible  
27 medium or contained in an electronic transmission.

28 (~~(34)~~) (35) "Registered agent" means an agent of an entity  
29 which is authorized to receive service of any process, notice, or  
30 demand required or permitted by law to be served on the entity. The  
31 term includes a commercial registered agent and a noncommercial  
32 registered agent.

33 (~~(35)~~) (36) "Registered foreign entity" means a foreign entity  
34 that is registered to do business in this state pursuant to a  
35 certificate of registration filed by the secretary of state.

36 (~~(36)~~) (37) "State" means a state of the United States, the  
37 District of Columbia, Puerto Rico, the United States Virgin Islands,  
38 or any territory or insular possession subject to the jurisdiction of  
39 the United States.

40 (~~(37)~~) (38) "Transfer" includes:

- 1 (a) An assignment;
- 2 (b) A conveyance;
- 3 (c) A sale;
- 4 (d) A lease;
- 5 (e) An encumbrance, including a mortgage or security interest;
- 6 (f) A change of record owner of interest;
- 7 (g) A gift; and
- 8 (h) A transfer by operation of law.
- 9 (~~(38)~~) (39) "Type of entity" means a generic form of entity:
- 10 (a) Recognized at common law; or
- 11 (b) Formed under an organic law, whether or not some entities
- 12 formed under that law are subject to provisions of that law that
- 13 create different categories of the form of entity.
- 14 (~~(39)~~) (40) "Writing" does not include an electronic
- 15 transmission.
- 16 (~~(40)~~) (41) "Written" means embodied in a tangible medium.

17 **Sec. 1402.** RCW 23.95.305 and 2015 c 176 s 1302 are each amended

18 to read as follows:

19 (1)(a) The name of a business corporation:

20 (i)(A) Except in the case of a social purpose corporation, must

21 contain the word "corporation," "incorporated," "company," or

22 "limited," or the abbreviation "Corp.," "Inc.," "Co.," or "Ltd.," or

23 words or abbreviations of similar import in another language; or

24 (B) In the case of a social purpose corporation, must contain the

25 words "social purpose corporation" or the abbreviation "SPC" or

26 "S.P.C."; and

27 (ii) Must not contain any of the following words or phrases:

28 "Bank," "banking," "banker," "trust," "cooperative," or any

29 combination of the words "industrial" and "loan," or any combination

30 of any two or more of the words "building," "savings," "loan,"

31 "home," "association," and "society," or any other words or phrases

32 prohibited by any statute of this state.

33 (b) The name of a professional service corporation must contain

34 either the words "professional service" or "professional corporation"

35 or the abbreviation "P.S." or "P.C." The name may also contain either

36 the words "corporation," "incorporated," "company," or "limited," or

37 the abbreviation "Corp.," "Inc.," "Co.," or "Ltd." The name of a

38 professional service corporation organized to render dental services

39 must contain the full names or surnames of all shareholders and no



1 other word than "chartered" or the words "professional services" or  
2 the abbreviation "P.S." or "P.C."

3 (2) The name of a nonprofit corporation:

4 (a) May include "club," "league," "association," "services,"  
5 "committee," "fund," "society," "foundation," "guild," ". . . . . ,  
6 a nonprofit corporation," ". . . . . , a nonprofit mutual  
7 corporation," or any name of like import;

8 (b) Except for nonprofit corporations formed prior to January 1,  
9 1969, must not include or end with "incorporated," "company,"  
10 "corporation," "partnership," "limited partnership," or "Ltd.," or  
11 any abbreviation thereof; and

12 (c) May only include the term "public benefit" or names of like  
13 import if the nonprofit corporation has been designated as a public  
14 benefit nonprofit corporation by the secretary of state in accordance  
15 with chapter 24.03 RCW.

16 (3) The name of a limited partnership may contain the name of any  
17 partner. The name of a partnership that is not a limited liability  
18 limited partnership must contain the words "limited partnership" or  
19 the abbreviation "LP" or "L.P." and may not contain the words  
20 "limited liability limited partnership" or the abbreviation "LLLP" or  
21 "L.L.L.P." If the limited partnership is a limited liability limited  
22 partnership, the name must contain the words "limited liability  
23 limited partnership" or the abbreviation "LLLP" or "L.L.L.P." and may  
24 not contain the abbreviation "LP" or "L.P."

25 (4) The name of a limited liability partnership must contain the  
26 words "limited liability partnership" or the abbreviation "LLP" or  
27 "L.L.P." If the name of a foreign limited liability partnership  
28 contains the words "registered limited liability partnership" or the  
29 abbreviation "R.L.L.P." or "RLLP," it may include those words or  
30 abbreviations in its foreign registration statement.

31 (5)(a) The name of a limited liability company:

32 (i) Must contain the words "limited liability company," the words  
33 "limited liability" and abbreviation "Co.," or the abbreviation  
34 "L.L.C." or "LLC"; and

35 (ii) May not contain any of the following words or phrases:  
36 "Cooperative," "partnership," "corporation," "incorporated," or the  
37 abbreviations "Corp.," "Ltd.," or "Inc.," or "LP," "L.P.," "LLP,"  
38 "L.L.P.," "LLLP," "L.L.L.P.," or any words or phrases prohibited by  
39 any statute of this state.

1 (b) The name of a professional limited liability company must  
2 contain either the words "professional limited liability company," or  
3 the words "professional limited liability" and the abbreviation  
4 "Co.," or the abbreviation "P.L.L.C." or "PLLC," provided that the  
5 name of a professional limited liability company organized to render  
6 dental services must contain the full names or surnames of all  
7 members and no other word than "chartered" or the words "professional  
8 services" or the abbreviation "P.L.L.C." or "PLLC."

9 (6) The name of a cooperative association organized under chapter  
10 23.86 RCW may contain the words "corporation," "incorporated," or  
11 "limited," or the abbreviation "Corp.," "Inc.," or "Ltd."

12 (7) The name of a limited cooperative association must contain  
13 the phrase "limited cooperative association" or "limited cooperative"  
14 or the abbreviation "L.C.A." or "LCA." "Limited" may be abbreviated  
15 as "Ltd." "Cooperative" may be abbreviated as "Co-op." or "Coop."  
16 "Association" may be abbreviated as "Assoc." or "Assn."

17 **Sec. 1403.** RCW 23.86.030 and 2015 c 176 s 9103 are each amended  
18 to read as follows:

19 (1) The name of any association subject to this chapter must  
20 comply with Article 3 of chapter 23.95 RCW.

21 (2) No corporation or association organized or doing business in  
22 this state shall be entitled to use the term "cooperative" as a part  
23 of its corporate or other business name or title, unless it: (a) Is  
24 subject to the provisions of this chapter((7)) or chapter 23.78,  
25 23.--- (the new chapter created in section 1505 of this act), or  
26 31.12 RCW; (b) is subject to the provisions of chapter 24.06 RCW and  
27 operating on a cooperative basis; (c) is, on July 23, 1989, an  
28 organization lawfully using the term "cooperative" as part of its  
29 corporate or other business name or title; or (d) is a nonprofit  
30 corporation or association the voting members of which are  
31 corporations or associations operating on a cooperative basis. Any  
32 corporation or association violating the provisions of this section  
33 may be enjoined from doing business under such name at the instance  
34 of any member or any association subject to this chapter.

35 (3) A member of the board of directors or an officer of any  
36 association subject to this chapter shall have the same immunity from  
37 liability as is granted in RCW 4.24.264.

1 NEW SECTION. **Sec. 1404.** A new section is added to chapter 23.86  
2 RCW to read as follows:

3 (1) Except as provided in subsection (2) of this section, a  
4 domestic association organized under this chapter may convert to a  
5 limited cooperative association pursuant to sections 1302 through  
6 1314 of this act.

7 (2) This section does not apply to a domestic association  
8 organized for the purpose of generating, purchasing, selling,  
9 marketing, transmitting, or distributing electric energy.

10 NEW SECTION. **Sec. 1405.** A new section is added to chapter 24.06  
11 RCW to read as follows:

12 (1) Except as provided in subsection (2) of this section, a  
13 domestic corporation organized under this chapter, and taking the  
14 election provided in RCW 24.06.032(1), may convert to a limited  
15 cooperative association pursuant to sections 1302 through 1314 of  
16 this act.

17 (2) This section does not apply to a domestic corporation  
18 organized for the purpose of generating, purchasing, selling,  
19 marketing, transmitting, or distributing electric energy.

## 20 **PART 15**

### 21 **MISCELLANEOUS PROVISIONS**

22 NEW SECTION. **Sec. 1501.** UNIFORMITY OF APPLICATION AND  
23 CONSTRUCTION. In applying and construing this uniform act,  
24 consideration must be given to the need to promote uniformity of the  
25 law with respect to its subject matter among states that enact it.

26 NEW SECTION. **Sec. 1502.** RELATION TO ELECTRONIC SIGNATURES IN  
27 GLOBAL AND NATIONAL COMMERCE ACT. This chapter modifies, limits, and  
28 supersedes the electronic signatures in global and national commerce  
29 act, 15 U.S.C. Section 7001 et seq., but does not modify, limit, or  
30 supersede Section 101(c) of that act, 15 U.S.C. Section 7001(c) or  
31 authorize electronic delivery of any of the notices described in  
32 Section 103(b) of that act, 15 U.S.C. Section 7003(b).

33 NEW SECTION. **Sec. 1503.** SAVINGS CLAUSE. This act does not  
34 affect an action commenced, or proceeding brought, or right accrued  
35 before the effective date of this section.

1        NEW SECTION.    **Sec. 1504.**    SEVERABILITY CLAUSE. If any provision  
2 of this act or its application to any person or circumstance is held  
3 invalid, the remainder of the act or the application of the provision  
4 to other persons or circumstances is not affected.

5        NEW SECTION.    **Sec. 1505.**    Sections 101 through 1320 and 1501  
6 through 1503 of this act constitute a new chapter in Title 23 RCW.

7        NEW SECTION.    **Sec. 1506.**    This act takes effect October 1, 2018."

8        Correct the title.

EFFECT: Delays the effective date of the act until October 1,  
2018.

--- END ---